

A new mentality for a new economy: performing the *homo economicus* in Argentina (1976–83)

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Abstract

This article examines the construction of the *homo economicus* in Argentina in the context of the last military dictatorship (1976–83). While the worldviews of the military and neo-liberal economists of the time were very different, their common concern for distortions in economic and political life made them translatable. These economists provided a new economic identity that would be in tune with monetarist theory, replace ‘distorting’ collective identities and allow individuals to be governed from a distance. I argue that the *homo economicus* was performed through two sets of tools: consumer campaigns and the financial press. However, individuals did not always behave as expected. The contradictions of neo-liberalism, between its liberalism and its quest to create self-regulating spheres through active government intervention, led to the financial crisis of 1980. Economists later blamed the crash on the irresponsibility of market actors and expressed doubt regarding the self-regulating model they had promoted. In the conclusion, the legacy of the attempt to perform the *homo economicus* is assessed.

Keywords: performativity; governmentality; Argentina; military dictatorship; neo-liberalism; consumer culture; finances.

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Introduction

In 1977, the Argentine Finance Ministry launched a consumer education media campaign called 'A Change of Mentality'. The campaign included TV and radio commercials, short movies, newspaper advertisements and thousands of brochures aimed to teach Argentine citizens how to be good consumers. The intention, according to Finance Ministry documents, was not to defend consumers, but rather to teach them to defend themselves. The movie shorts, it was said, did not try to impose behaviours, but rather to raise questions and thoughts. According to the ministry, consumers had not been considered important by previous governments, and the campaign would enhance their freedom of choice. Throughout the campaign, consumption was presented as a synonym for individual freedom. This language, however, was employed in the context of the most brutal military dictatorship in the country's history. Political parties were banned, press and cultural activities controlled and thousands of Argentines tortured in detention camps. The military regularly detained people in broad daylight, and the bodies of illegally seized citizens were thrown from military planes into the Río de la Plata River (CONADEP, 1986).

What is the meaning of pro-consumer policies and the liberal discourse of individual freedom in the midst of repressive terror? While there is an enormous body of writing about the military state terror in Argentina and the structural economic changes resulting from the 1976–83 dictatorship, little attention has been given to this liberal language and its rationale. This article will argue that it was not merely a rhetorical device, but rather an integral component of governance. Through the aforementioned campaigns and other tools, Argentine economic authorities attempted to perform a specific subject, the *homo economicus*.

According to sociologist Michel Callon (1998), economists have played a significant role in making markets work in specific ways and, more importantly, in performing market actors. Callon holds that some sociologists have tried to denounce the validity of economic theory by criticizing the reduction and abstraction of the concept of *homo economicus*. Others have tried to enrich it by adding notions such as rules, values and culture. However, sociologists have failed to recognize the actual existence of the *homo economicus*, and consequently, the processes through which it is performed: 'what we expect from sociology is not a more complex *homo economicus* but the comprehension of his simplicity and poverty'. The *homo economicus* 'is formatted, framed and equipped with prostheses which help him in his calculations and which are, for the most part, produced by economics' (Callon, 1998, p. 51).

This article attempts to contribute to recent debates surrounding the notion of performativity as well as efforts to specify it by applying it to diverse empirical realms (Barry & Slater, 2002; MacKenzie *et al.*, 2007). First, it will analyse the role of economists and the financial press in the construction of

new economic identities (consumers and investors) in Argentina during the dictatorship of 1976–83. The atomized individual rational chooser, or *homo economicus*, was an obvious presence in the neo-liberal economists' framework at the time, but it was not a fact of reality for them. Thus, they tried to shape reality to fit the theoretical description. Second, this article will draw attention to the political relevance and consequences of economics' performativity. If market actors behave in tune with economic theory, they may also become more legible and predictable for particular forms of government.

According to Michel Foucault and other authors, governments establish ways to make subjects legible, understandable and thus governable. They create a language through which they can depict and shape the sphere of life they want to govern (Foucault, 1991; Miller & Rose, 1990). Recent scholarship on governmentality has analysed post-welfare neo-liberal economic policies through this framework, showing that a new set of concerns regarding the governmental shaping of individual behaviour emerged, particularly in terms of techniques that do not affect the autonomy of individuals (Barry *et al.*, 1996; Burchell *et al.*, 1991; Miller & Rose, 1990). Neo-liberalism is characterized by the reluctance to intervene in the autonomous sphere of the individual, and the *homo economicus* can provide an order based on both the legibility and the autonomy of individual subjects. While it may at first seem hard to imagine how a violent police state found space for such autonomy, both economists and the military shared the view that distortions in economic and political life were driving the country towards decadence and anarchy. Formatting, framing and equipping the *homo economicus* was a major concern for neo-liberal economists in Argentina, for the purpose not only of making the market work in specific ways, but also providing order and legibility to a society that by the mid-1970s was seen by many as ungovernable.

In the next section, I explain the significance of the *homo economicus* for the problematic alliance between neo-liberal economists and the military. Despite their large differences, their shared diagnosis of long-term distortions in Argentine society and the economy made the *homo economicus* an attractive alternative for both parties. The third and fourth sections analyse the construction of the concrete forms that the economic concept took: consumers and investors. To make liberal reforms work, economists needed to change the population's subjectivity. In order to construct a legible market actor, the government also needed the actors to learn the basics of market behaviour. In the third section, I analyse the construction of a 'new mentality'. The atomized consumer promoted by the government represented the opposite of what neo-liberal economists saw as the evil of the imports substitution economy: economic agents whose collective behaviour was mostly determined by the state intervening in the economy. In the fourth section, I analyse the construction of investors and the role of the financial press in formatting them. Although the financial press was not controlled by the government, it took a very active and crucial role in shaping and equipping the *lay investor*. In the fifth section, I analyse the neo-liberal response to the financial crisis of

1980. The contradiction of neo-liberalism, between its liberalism and its 'constructivism', manifested itself in the protections offered by the state to investors and bankers. When the system crashed, neo-liberals encountered subjects that they could not control without tight policing instead of the legible and responsible individuals they had expected. Finally, in the conclusion, I turn to the legacies of the construction of the *homo economicus*. Were the economists able to perform a new subject? There is no straightforward answer to this question. Although the neo-liberal policies applied during the dictatorship were very aggressive, they were only partially realized. It was only in the 1990s – during Carlos Menem's presidency – that Argentina fully adopted neo-liberal prescriptions. However, while not absolutely effective, the neo-liberal policies of the dictatorship created the possibility of the new subject.

Most of the data for this article come from government documents: annual reports from the Finance Ministry and the Central Bank, two additional reports published by the Finance Minister José Alfredo Martínez de Hoz and a serial publication for the orientation of consumers. Additional data come from the newspaper *Ámbito Financiero* and other publications from the period. Finally, I conducted a dozen interviews with managers, staff and others who invested in the financial system for the first time during this period.

I would like to make two points clear before I begin the actual analysis. The first is about the specificity of the Argentine case. The neo-liberal policies and discourses used in Argentina were obviously not unique. They were an early attempt to apply Chicago School-recommended policies, which is not as widely cited by advocates of free markets, perhaps because, unlike Pinochet's Chile or even Menem's Argentina in the 1990s, it has been rarely regarded as a success. Many of the policies applied were in line with recommendations from international financial institutions. Policy-makers in Argentina were looking closely at Chile, the poster-boy of neo-liberal reforms at the time. Many of the reforms and problems economists faced in Argentina were similar to those of Chile. Much of the discourse analysed was influenced by the thought of Milton Friedman and other neo-liberal economists, and would be articulated a few years later in the global discourse of neo-liberalism that characterized Thatcherism, Reaganism and the Washington Consensus.¹ This article does not argue that the Argentine case was any exception to these global trends. It was, like Chile, an early application of neo-liberal reforms. It also shares with Chile the combination of military authoritarianism and neo-liberalism.² Most analyses of this combination, however, ignore the complications of these alliances and do not look closely at any productive translations between neo-liberal economists and the military, often offering explanations that are, in my view, too simple. The easy explanation is usually opportunism: neo-liberal economists needed a strong authoritarian hand to keep resistance at bay in order to apply controversial reforms. Meanwhile, the military promoted the policies because they hated the working class with the same intensity as the economists or were hostages of the recommendations of international financial

institutions. What these analyses fail to grasp is the common ground between the military and neo-liberal economists and the positive translations that helped them overcome their differences. In my view, consumer policies, the financial press and the performativity of economics, while largely irrelevant to conventional analysis, are crucial to understanding neo-liberal governmentality in the context of dictatorships.

Finally, a word of caution: this article focuses on aspects of the dictatorship that have not traditionally been the centre of attention in the study of Argentina. It investigates an apparent anomaly: the presence of a strong liberal discourse in the realm of consumption and investment while Argentines were being subjected to the most brutal dictatorship the country has experienced. While I explain the significance and rationale of this discourse and the policies that accompanied it, I am in no way attempting to neglect or minimize the brutality of the dictatorship. There is a paradox, however, in the traditional exclusive attention to the most violent aspects of the regime. This attention for a long time prevented scholars from looking at other, contradictory elements of the dictatorship. While brutality and lack of freedom were fundamental features of the regime, they cohabited with the creation of autonomous spheres, governed from a distance. Annihilation of activism was a fundamental goal of the dictatorship, but there was enough space for serious attempts to produce new economic subjects.

The alliance between neo-liberal economists and the military

Before delving into the actual processes of performativity (in the third and fourth sections), this section explains why the *homo economicus* became so important in this particular political context. Despite differences in their views of social and economic order, neo-liberal economists and the military shared a diagnosis: the crisis was caused by long-term distortions in the country's economic and political life. They agreed that a dramatic structural correction would save the country from anarchy. In addition to a set of policies, the economists provided an alternative model of the subject that would allegedly correct distortions and ultimately bring about economic and political stability.

Most research on the 1976–83 dictatorship and its legacy has concentrated on human rights violations and the terrible effects of state terror.³ This is reasonable given the extent and brutality of the state repression and human rights violations of the period, and the need to sustain the democratization process afterwards. The limited literature on economic processes during the dictatorship is scattered primarily throughout early works from the dictatorship and its aftermath (Azipiazu *et al.*, 1986; Canitrot, 1980, 1981a, 1981b; Paz *et al.*, 1985; Schvarzer, 1983a, 1983b). After those works of the early 1980s, there is a considerable gap in the study of the economy *during* the dictatorship. Most references to the economic sphere after the 1980s point to the economic *legacy* of dictatorship policies, namely foreign debt and devastating effects on

national industry. In recent years, there has been a resurgence of research on the dictatorship beyond the repression and its effects, and scholars are taking a closer look at the delicate relations between politics and economy during the dictatorship (Novaro & Palermo, 2003; Pucciarelli, 2004). These recent analyses describe the relations between economists and generals (Biglaiser, 2002a), the delicate power structure and institutional design that held the dictatorship together (Canelo, 2004), the relations between the state and major corporations (Castellani, 2004) and the role of economic think-tanks (Heredia, 2004).

A salient feature of recent research on the Argentine dictatorship – especially the work of Canelo (2004) and Biglaiser (2002a) – is a closer scrutiny of the relations between the military and neo-liberal economists. Neo-liberal economists have served a wide range of governments throughout the world, from military regimes in Latin America to post-Communist anti-totalitarian governments in Eastern Europe. While this shows their versatility, it also shows that there was no necessary affinity between the military and neo-liberal economists. I am not arguing that such an alliance was impossible; in fact, they achieved similar coalitions in many countries, most notably, Chile. However, important features of both neo-liberal economists and the military made an alliance between the two problematic. Although they shared a lot, these two groups were more different than is usually thought. This section does not try to explain why the Argentine military chose neo-liberal economists to run the economy or why those economists accepted the responsibility.⁴ It argues that, once the choice was made, differences between them required a work of translation (Latour, 1987) and that the goal of correcting distortions in economic and political life became a hinge that connected the disparate languages of both groups.

There was a statist and nationalist tradition in the military, clearly opposed to neo-liberal tenets. According to Glen Biglaiser, ‘contrary to popular belief, an important common denominator among most military officers in the developing world is their intense opposition to policies supported by neoliberal economists’ (2002a, p. 13). First, the military depended on state resources, to which neo-liberal policies would restrict access. This is especially true, Biglaiser argues, of factionalized militaries, such as that of Argentina, that needed those resources for patronage and rewards. Second, the military saw national industry and a strong state as a top priority and means of defending sovereignty and ensuring national security. These goals were too essential to leave national industry to the forces of the market, especially in regard to foreign investment and ownership. Third, many military officers in Argentina were personally involved in directorates of state-owned corporations, so privatization and the weakening of state protection would damage their positions. The choice of neo-liberal economists was hard to accept for most military officers (Canelo, 2004). It has to be added that military opposition to neo-liberal policies was stronger in Argentina than in neighbouring Chile. While the one-man rule achieved under Pinochet allowed for a stronger

commitment to steady neo-liberal policies, the *junta* regime in Argentina, with its delicate equilibrium among the branches of the military, promoted more dissent towards the economic programme (Biglaiser, 2002a).

In addition, the notions of social order advocated by neo-liberals are radically different from those of the military. For economists, the pinnacle of order is a society of atomized individuals acting rationally in a market that is ultimately the source of social equilibrium. Their constant references to freedom contrast with a military idea of order: following centralized command in a vertical structure. The military concept of order is far from the *laissez faire* idea of order. It stresses the complexities and mystique of command and submission to collective goals while paying little attention to individual freedom. Economist Milton Friedman summarized this contradiction:

The military is distinguished from the ordinary economy by the fact that it's a top-down organization. The general tells the colonel, the colonel tells the captain, and so on down, whereas a market is a bottom-up organization. The customer goes into the store and tells the retailer what he wants; the retailer sends it back up the line to the manufacturer and so on. So the basic organizational principles in the military are almost the opposite of the basic organizational principles of a free market and a free society.

(Friedman, 2009)

It could be argued that military and economic conceptions of social order are each restricted to a specific sphere – the military's to the political and the economists' to the economic. The military's vertical rule would exclude the economy while economists' freedom would be restricted to the economic realm. This way, both could cohabit without problems. While there was some degree of separation between the spheres – in fact, military regimes in Argentina always left the Finance Ministry to a civilian – the neo-liberal economic programme created permanent conflict within the Argentine military and between military and economic authorities. Military officers often complained about the economic policies, both in principle and application, as shown in detail by Canelo (2004). Some of the opposition, such as member of the *junta* Emilio Massera's speech 'The nation is not a market' shows that it is not easy to divide the economy and politics completely (Massera, 1979). The link between consumer policies and democracy established by the Finance Minister also reveals that the conflict of *ethos* exceeds each specific sphere.

Before delving into the common ground found by both parties, I will explain where neo-liberal economists came from and how they became so influential in 1970s Argentina. The professionalization of economics in Latin America during the second half of the twentieth century and the growing influence of neo-liberalism, and the Chicago School in particular, have caught the attention of scholars in recent years (Babb, 2001; Biglaiser, 2002a; Centeno & Silva, 1998; Montecinos, 1998; Morresi, 2007). The economic team of 1976 was influenced by monetarist ideas typically associated with the University of

Chicago. However, the influences of Chicago were not as direct in Argentina as they were in the Chilean case. The economists who designed Pinochet's programme in 1973 were trained at the University of Chicago, as part of an Agency of International Development programme called Project Chile.⁵ Glen Biglaiser argues that the attempt to do the same in Argentina between 1962 and 1967 was less successful partly because economists did not find attractive jobs in Argentina and stayed in US academia or international institutions (Biglaiser, 2002b). The influence of the professionalization of economics and of neo-liberal thought cannot be compared to that in Chile. While no less than 67 per cent of economic policy-makers in Chile were economists between 1975 and 1989, peaking at 94 per cent after 1985, the highest proportion of economists in Argentina's equivalent positions between 1966 and 1983 was only 52 per cent (Biglaiser, 2002a, pp. 96, 103). However, this proportion belongs to the period between 1976 and 1980, during which time the original project of the military government was deployed and the military relied on professional economists more than any Argentine government had before. Among those economists, the few trained at Chicago and other US universities had an exceptional influence on policy-making after 1976.

Structuralists and Keynesians were absent in the economic team of 1976, yet Finance Ministry and Central Bank authorities, and the policies initially applied, were far from homogenous. Two generations of economic policy-makers cohabited. On one side, the 'traditional liberals' (like Martínez de Hoz, Roberto Alemann, and Juan Alemann) were part of an old generation that had been in government before, especially in 1962 and 1966–70, and had not been trained as economists in the US. In fact, because the professionalization of economists was so recent, some were not trained as economists at all. The members of the older generation were lawyers, engineers or public accountants with local doctorates in economics. Many did not have strong connections with academia, but rather with the corporate world. In contrast, the new liberals, often called technocratic or pragmatic liberals, were seen as more technically sophisticated. Their relation to liberalism was more through technical knowledge than through strong ties with the traditional elites (Beltrán, 2005). Adolfo Diz, appointed in 1976, was the first President of the Central Bank with a foreign PhD. He was trained at the University of Chicago as part of the early generation of Argentine economics students in the US. Another US-trained economist, Ricardo Arriazu, was appointed Chief of Advisors at the Central Bank and had an enormous influence from that position. Although the popular term 'Chicago Boys' was somewhat of an import from the Chilean case (Túrolo, 1996, p. 230), the few Argentine monetarists trained in the US were in exceptionally influential positions.

The Finance Minister, José Alfredo Martínez de Hoz, embodied the differences and tensions between monetarists and traditional liberals. In many ways, he personified the notion of a traditional liberal. He belonged to an aristocratic landowner family and was trained as a lawyer in the 1940s. Although he was not a professional economist, he had held several economic

policy positions in provincial and federal administrations and had been Finance Minister for five months in 1963. He had also been president of the steel company Acindar and head of the Consejo Empresario Argentino (Council of Argentine Business). However, he was inclined towards the new liberals and appointed many of the skilled technocrats to key positions. He had strong international connections and was aware of recent developments in economics, especially in the financial domain. He did not present his programme as a return to the glorious liberal past of early twentieth-century Argentina, as traditional liberals did theirs, but rather as the creation of a 'modern economy'. Eventually, he was criticized by both groups and walked a thin line by ambiguously favouring both. With non-liberal economists excluded, most debates were between gradualism and shock therapy. Martínez de Hoz favoured each of these strategies according to the political situation. As the highest economic authority, he was the most 'political' of the team and not only had constantly to negotiate with the military and the diverse economic sectors, but also frequently to address the general public.⁶ During his tenure, Martínez de Hoz faced criticism for being monetarist, for not being monetarist enough, for being heterodox, for being orthodox and even for being developmentalist and interventionist (Beltrán, 2005, pp. 60–1). After some initial tensions, economic policy became increasingly dominated by the younger generation and the economic team fully embraced monetarist policies, increasingly abandoning gradualism (Canelo, 2004, p. 230; Schvarzer, 1983a, p. 23).

The apparently erratic pattern of the economic programme is harder to understand if one thinks of monetarism as a purely economic doctrine.⁷ While monetarism may be defined in simple terms as an economic theory with a correlating set of policies (generally, tight control of money supply and inflation and opening of markets), I use a conceptualization of monetarism that exceeds this definition. The criticism received by the Argentine Finance Minister is not uncommon: monetarist rulers have often been accused of not being truly monetarists, given the rather mixed or unorthodox policies they usually apply. To overcome this perennial interpretative struggle about the 'true' application of monetarist theories, sociologist Gil Eyal conceptualized monetarism as a technology of government instead of a theoretical doctrine. Monetarism is not just a theory, but rather 'a realm of practical reason and action that is relatively autonomous from usage and abstraction, policy and theory' (Eyal, 2000, p. 75). Eyal's conceptualization of monetarism, which adapts more general theories of governmentality and neo-liberalism (Barry *et al.*, 1996; Burchell *et al.*, 1991; Miller & Rose, 1990), is summarized in five points: (1) it is a technology for governing economic life, considering the eighteenth-century idea of 'economy' – a way of putting things in order (economizing) more than a particular sphere of society; (2) it is a liberal art of government, because, unlike authoritarian government technologies characterized by a tight control of individuals, monetarism aims to govern 'from a distance', without taking hold of the governed; (3) it is a *neo*-liberal art of government, because it seeks actively to *create* the autonomous and

self-regulating spheres in which individuals can be governed from a distance; (4) as a technology of government, monetarism tries to produce quantitative representations of social life that make it easier to regulate and modify the behaviour of individuals from a distance, without directly affecting their autonomy; (5) these representations allow the government 'to act on information rather than on actual activities' and 'to act on risk probabilities, rather than on concrete individuals' (Eyal, 2000, pp. 76–7). The conceptualization of monetarism as a neo-liberal technology of government, which aims to govern from a distance, makes it even harder to understand the affinities between economists and the military. Empowering individuals to govern them from afar sounds like the exact antithesis to the authoritarian rule of the military, which restricted freedom and tried to control individuals tightly. If autonomous and responsible individuals are the key to the monetarist art of government, where did economists and the military find their common ground?

While the military spoke of annihilating subversion and monetarists of empowering consumers, their common concern was their aversion to distortions and, therefore, their rejection of populism. Bruno Latour (1987) used the concept of translation to explain the process by which network-builders in science recruit allies for their projects. Alliances do not necessarily rest on shared interests; rather interests are reframed and translated in order to build alliances. Different actors may have different goals, but they forge a common language in which they can construct their interests as common. In the post-communist Czech Republic, for example, opposition to authoritarianism and the strengthening of civil society was the hinge that connected dissident intellectuals and neo-liberal technocrats (Eyal, 2003). This was obviously not the case for the Argentine military–neo-liberals alliance. Economists managed to link neo-liberal economic reforms to a future stable and ordered society that suited the military's goals. As far as 'government from a distance' sounds from 'military command', the economists succeeded in presenting their project as a synonym for durable order. The intersection between the violent police state and government from a distance was the common view that the Argentine population had to be normalized after years of distortions.

The need for major change that the military advocated was rooted in the history of military coups of twentieth-century Argentina. The country suffered chronic political instability, with six military interventions in less than five decades (1930–76). Beginning in 1955, all coups attempted to solve the country's political crisis by proscribing or controlling Peronism. After forcing President Juan Perón into exile, the main concern of the military was how to deal with a working class that remained tightly organized and stubbornly loyal to Peronism. While unions remained the main channel of action for workers, Peronist candidates were proscribed until 1973. Within the military, there were two main positions towards Peronism. While the *colorado* faction wanted to erase every Peronist remainder from Argentine politics, the *azules* advocated somehow including Peronism without its leader in the political system. The

differences between the two factions ended in a battle in the streets of Buenos Aires in 1962. The *azul* faction won and launched a development plan in 1966 that eventually clashed against huge labour resistance in 1969. The military had no option but to withdraw and reluctantly allow open elections with the participation of the Peronist party in 1973. Meanwhile, with its leader exiled and after almost two decades of political instability, Peronism had been polarizing between its radical and conservative wings. Since 1970, armed groups of young activists had fought for the return of Juan Perón and disputed the hegemony of the movement with union leaders. In 1973, Peronism returned to the government in the first open presidential elections in more than two decades. The military considered the return of Peronism a defeat, especially because of the belligerence of its radical wing. The divisions within Peronism reached a climax after the death of Juan Perón in May 1974. His wife Isabel took office in what was regarded as a chaotic and aimless government in the midst of a profound economic crisis.

The military generals who started to conspire for the 1976 coup did not want to make the mistakes of their predecessors. Peronism was for them an unacceptable presence in the political system. They had even more reason to believe so after its conflictive return in 1973. As in previous coups, they wanted to erase Peronism from the political map, but, instead of proscribing it, they decided to attack the social structures that made such a movement possible. The core of the military discourse was undisputedly the threat of leftist armed organizations, which appeared only in the early 1970s (and, by the time of the coup, were already largely defeated). The threat legitimized the dictatorship and strengthened the unity of a factionalized military. However, in the assessment of subversion as the result of long-term distortions in Argentine political life, the military found common ground with the economists. In the words of Roberto Viola, the second president of the *junta*: 'Our task will not be over on eradicating subversion, but also aims at removing all those factors that since 1930 have prevented our political life from taking place within the channels of stability' (cited in Hodges, 1991, p. 13).

For the military, the strong Peronist identity was based on two elements: an irrational cult of personality and the great power of mass mobilization. Such a level of popular mobilization and such electoral behaviour were considered a distortion for a normal political system. For many decades, the country could not hold open elections without the Peronist party winning. Minister of the Interior Albano Harguindeguy repeatedly stated that political parties would be allowed again, once the citizenry voted rationally rather than emotionally (Feitlowitz, 1998, p. 31). But what could the government offer as an alternative to the Peronist identity? While the military used carefully organized repression to dismantle working-class organizations, they fell short of articulating a new durable and coherent alternative to the Peronist identity that could be read, controlled and mobilized by the government in a different fashion than Peronism had in the past. The economists provided an appealing translation for this need: the model of atomized rational individuals.

The notion of *homo economicus* as an ordering principle did not go without opposition within the military. Admiral Emilio Massera, member of the governing *junta* until 1978 and a major figure of the regime, became one of the major critics of neo-liberal policies. Relying on brutality and conspiracy, Massera was one of the most sinister characters of the period. While he had hopes of leading the post-dictatorship (Uriarte, 1992), he was tried and sentenced afterwards for his multiple human rights violations; he ran his own torture chamber in the Marine School where he personally attempted to break former radical activists and to recruit them for his political project. He criticized Martínez de Hoz's focus on the central role of the economy and the *homo economicus*, instead favouring militaristic heroism and religious doctrine. For example, in a speech given in April 1978, suggestively called 'The nation is not a market', he stated: 'Each man, each country, is an economic entity; but before that, each man, each country, is a moral and a political entity' (Massera, 1979, p. 106). In this passage, Massera voiced his rejection of the *homo economicus* as a new beginning for a transparent Argentina. In another speech in May 1977, Massera said:

We want a country of people, not a country of masses. We want a country of imaginative people, not automatons . . . We want a country with a place for beauty and creative heroism. We want a country in which the economy is not an end, nor money an idol.

(Vázquez, 1985, pp. 240–1)

While his notion of the subject remains somewhat blurry, his mentions of 'masses' and 'automatons' are veiled references to Peronism, while 'economy is not an end, nor money an idol' is a complaint about the centrality of the *homo economicus*. On other occasions, Massera said that Western civilization had been forced into 'a false dilemma between servitude to the State and amorphous masses of compulsive consumers' (Uriarte, 1992, p. 150). Despite his steady militancy and his insistence, Massera ultimately failed to break the alliance between the military and the liberal economists (Canelo, 2004).

Minister Martínez de Hoz repeatedly emphasized the numerous distortions that thirty years of statist policies had engendered. Neo-liberals did not just present previous policies as incorrect, ill-chosen or ill-applied. They presented them as aberrations. Those policies were not competing ideas, but rather unnatural, distorting and ultimately absurd ways of governing the market. In separate speeches in December 1980, the minister said:

It is not the same to try to reduce inflation in European economies or in the United States . . . where there is no need to overcome *distortion* like that incorporated into our economy by thirty years of statization and high levels of inflation. *Distortion* made our fight against inflation harder. It delayed it. We had to correct all of those *distortions*.

(Ministerio de Economía, 1981d, p. 896)

Martínez de Hoz identified several distortions. For the purposes of this article, the three most important are inflation, financial repression and collective actors in the economy.

Inflation is the obsession of monetarists. In contrast with Keynesians and structuralists who recognize inflation as a reflection of the social struggle for income and therefore impossible to eliminate completely, monetarists invariably treat it as a monetary problem that demands technical solutions (Babb, 2007, pp. 135–6). Neo-liberal economists understood the cause of chronic Argentine inflation as the product of several causes: demand, state spending, foreign prices, currency rates, an unbalanced productive structure and distributive struggles (Diamand, 1973). Monetarists reduced this array of causes to a unique technical cause, namely the oversupply of money produced by state deficit. While inflation was for Keynesian economists a variable to take into account with its inconvenience depending on its cause, inflation was for monetarists a source of distortion that compromised the transparency of market information, a necessary condition in order to govern from a distance (Eyal, 2000, p. 77). Information about money and prices has to be unambiguous in order to allow policies that foster economic predictability. Inflation ‘not only distorts prices, and prevents rational decision-making at the level of the enterprise, but it precludes rational government of the economy’ (Eyal, 2000). Neo-liberal governmentality ties the fight against inflation to a quest for rationality and order.

The financial policy of the monetarists was also based on the idea of previous distortion. Neo-liberal economists were influenced by Ronald McKinnon’s *Money and capital in economic development* (1973). For McKinnon, regulated financial markets were impeding economic development. McKinnon identified state control over the circulation of money, state decisions on credit assignment and a lack of competition between financial firms as ‘financial repression’. This repression of natural market mechanisms was for the monetarists a distortion that could only produce economic stagnation. They saw the removal of state distortions of finances as an essential tool in economic normalization.

Most important, however, is that, for the neo-liberal economists, state intervention in the market had shaped a distorted relationship between the state and market actors. Market actors did not behave as atomized units but as collective actors. Specific sectors of the propertied classes and of the working class held enough political power to make claims to the state as collective actors. Salaries depended on the capacity of the unions to mobilize their members and on the negotiations between the government, capitalists and workers, as in the 1973 Social Pact.⁸ While for liberal economists fettered markets generally engender market distortions, in this case collective actors actively interfered in the workings of free markets. What liberal economists saw was the prevalence of collective action in the realm of the market. This was

for them a fundamental distortion that demanded the creation of ‘a new mentality’, the *homo economicus*.

A change of mentality: performing consumers

Minister Martínez de Hoz repeatedly said that to realize his reforms, citizens would have to undergo a big change in mentality. For him, the Argentine economy had no irreparable wrongs. As he stated in his inaugural address, and which later became the tagline of media campaigns, the country was fortunate to lack all of the five most pressing problems of the world: population surplus, lack of food, racial and religious tensions, scarce energy and a stalled economy. Capitalizing on such a structural advantage and historical opportunity depended only on ‘a change of mentality’ (Blaustein & Zubieta, 1998, p. 336; Ministerio de Economía, 1981a, p. 1). His insistence on mentality shows a paradoxical relation to the instruments of economic policy and their ability to produce the *homo economicus*. While technical changes in the structure of economic incentives aimed to modify the behaviour of market actors, those changes did not seem to be enough. If they were, there would be no need to mention mentality. The word ‘mentality’ was used to describe something that was being changed through policies, but that somehow had its own life. There had to be some sort of internal change in actors’ minds. That change would be a consequence of the reforms, but it was also a condition for their success: ‘The proposed change was very deep; a simple ordering was not enough. We had to transform norms and institutional, administrative and business frames; policies, methods, habits, and even the very mentality of private and public economic agents’ (Martínez de Hoz, 1981, p. 236). The resistance to change would be a major obstacle for the new economy: ‘We could not wish to change everything overnight without acknowledging the tremendous inertial resistance that we would encounter in the organization of the state, the interest groups and the mentalities’ (Martínez de Hoz, 1991, p. 230).

In order to achieve this change in mentality, previous discourse on the rights of the working class as a collective actor was replaced by the images and ethics of two figures: the consumer and the investor. Both identities were seen as neglected by previous economic models, but capable of emerging naturally through economic reforms freeing the market from previous interventions. Recognizing potential ‘inertial resistance’ however, economists considered additional policies to secure the success of these identities. In this section, I will describe the construction of the consumer while in the next section I will explain the central role of the financial press in constructing the investor.

‘To achieve the necessary change of mentality corresponding to a modern economy, we devised an orientation and education campaign for consumers beginning in 1978’, recalled the minister (Martínez de Hoz, 1981, p. 121). Constructing consumers implied both constructing a ‘consumer mentality’ and informing consumers: ‘The purpose of the campaign was to develop a

consciousness of every inhabitant's role as a consumer and also to provide him with better information about variations in the prices of various products' (Martínez de Hoz, 1981, p. 121). As previously mentioned, governing from a distance was the distinct ethic of monetarist technology, which encouraged the government to strengthen the notion of an independent and autonomous consumer. Consumers' claims would work very differently from organized working-class claims. A consumer would be both autonomous from state control and would intervene in the market as an atomized individual instead of as a collective actor. Also, his claims would come from the sphere of circulation and not from the sphere of production, where the working class had a strong organized body. The worker identity and others would be erased by that of the consumer: 'everyone is a consumer, above his role of worker, producer, merchant, or whatever . . . Many times the consumer condition [of the worker] has been forgotten' (Ministerio de Economía, 1980b, 1981d, pp. 939, 945). Strangely enough, the promotion of consumers coexisted with an aggressive reduction of the mean salary of workers. But, for Martínez de Hoz, acknowledging the consumer character of all citizens was a step towards a more democratic society:

Paradoxically, in our country, even populist governments have adopted the authoritarian practice of designing the economic system for the satisfaction of sector interests, that is 'top down,' forgetting the ordinary man who lacks the voice and strength to demonstrate in an organized form.

(Martínez de Hoz, 1981, p. 122)

Martínez de Hoz implicitly regards a liberal economy oriented towards atomized consumers as more democratic, because the voice of the unorganized, atomized individual is heard by the market. This is, naturally, the exact reverse of the Peronist ideal of citizenship, intimately tied to collectivity, mobilization and organization. Now, government intervention would be from a distance, enforcing an autonomous sphere of action and providing tools for consumers, but not defending them:

The emphasis was on the idea that, in a free market, the consumer has to learn to defend himself rather than seek the government to defend him. The latter, however, has to provide him with the tools for that and teach him to use them when, as in the case of Argentina, for many years, the consumer has not had the freedom of choice, option and decision that the opening of the economy gives him.

(Martínez de Hoz, 1981, p. 121)

In the midst of a government that restricted citizenship at all other levels, the Finance Ministry took an active role in creating, educating and empowering consumers. A series of short films collectively called 'A Change of Mentality' (*Un Cambio de Mentalidad*) and broadcast on television and in 600 movie theatres 'targeted the consumer, that is the whole population, and were framed didactically in order to raise questions and open polemics, rather than to try to impose behaviours' (Ministerio de Economía, 1981b, p. 153).

Remarkable efforts and resources were devoted to consumer education. One of those efforts was the edition of a bulletin called *Orientation for the Consumer*. In its first issue, the bulletin recognized that consumer orientation was ‘one of the fundamental tasks of economic policy’ (Ministerio de Economía, 1978). The bulletin ran continuously – biweekly for the first year and monthly after that – from December 1978 to March 1981 and disappeared at the end of Martínez de Hoz’s administration, having published thirty-five issues, a total of roughly 500 pages. The number of copies issued rose quickly from 20,000 to 200,000, and eventually reached 350,000 (Ministerio de Economía, 1981b, p. 152). The bulletin included very practical information such as recommendations and strategies for the purchase of goods (from food and home appliances to real estate), nutritional guides, surveys of prices and articles on commercial ethics and consumer regulations. There were also articles about basic economics, how prices are determined and the importance of mastering the principles of economic exchange. It also presented pieces about the role of consumers in modern society and the importance of choice and freedom. The bulletin encouraged readers to defend their consumer rights, compare prices and press local shopkeepers to be ethical. It provided tools for readers to become ideal consumers as well as the narratives to construct a consumer identity.

Government campaigns fostered the creation of the first consumer organizations in the country. In January 1980, the bulletin published the text of the founding documents of a consumer league in the city of Rosario. The founders extensively cited a televised speech by Minister Martínez de Hoz on the role of consumers and the necessary change of mentality as the inspiration for their action. One year later, ADELCO, one of the most active and lasting associations, was created. Its founding documents, also published in the bulletin, reiterated the bulletin’s view on the role of consumers in a free market society (Ministerio de Economía, 1980a, 1980c).

While the bulletin insisted that readers teach their children to be consumers, the Finance Ministry teamed up with the Ministry of Education beginning in 1980 to implement consumer education in schools, including basic economic instruction. The school programmes aimed to

configure new attitudes in the Argentine consumer, among them, dropping unscrupulous practices, promoting saving habits, knowing how to distinguish the essential from the superfluous, calculating priorities, becoming aware of the significance of individual and collective attitudes, and knowing the inventive capacity and harmony to be achieved between production and consumption.

(Ministerio de Economía, 1981b, p. 153)

In order to govern individuals without challenging their autonomy, it is essential that they frame and understand the economy in tune with the economic policies applied. If, for example, people understand the difference between essential and superfluous consumption, the state will not need to intervene to encourage, discourage or limit the consumption or the price of

specific products (Ministerio de Economía, 1980d). The government also encouraged savings and consumption calculations from an individual standpoint in contrast to the collective class-based consumption strategies that characterized Peronism.⁹ The more people behave like ideal consumers, the more the market will work like an ideal market. Hence, neo-liberal economists needed to encourage the population to adjust their economic behaviour by formatting and equipping them with tools in tune with monetarist economic theory.

In the minister's view, the individual consumer could therefore correct much of the harmful distortion that monetarists saw within the Argentine economy: 'The consumer was the great absentee in most of the political and economic plans that the population had known, and this absence implied a serious distortion in our economic and cultural activities' (Martínez de Hoz, 1981, p. 122). It is not accurate that consumers were completely absent in previous plans. What was absent was the idea of the *consumer as an atomized individual*, divorced from notions of social justice and other collective considerations (Elena, 2007). Martínez de Hoz is not referring here to real consumers, but rather, to *consumers as defined by monetarist theory*. While for monetarists, collective actors are (and have been shown to be) unpredictable, the *homo economicus* is the basis and condition for any form of prediction in the monetarist framework. While an organized and politicized collective actor like the working class distorted predictive calculations, an informed atomized consumer can be accounted for. The creation of the individual consumer helps make subjects predictable. Individuals are taught basic economic tools that make the economy legible to them while simultaneously being made legible to the government. In this sense, performativity becomes essential to the art of government.

The financial press: constructing investors

In this section, I analyse the construction of the investor, which parallels that of the consumer, although with different tools. One of the most important changes introduced by the neo-liberal programme was the financial reform of 1977. The financial system had gone through numerous changes since the Central Bank was created in 1935, alternating between times of more openness and eras of restrictions and regulations (Arnaudo, 1987). However, credit policies had traditionally been decided by the state and not left to the market. Industrial and developmental policies demanded that the state favour specific sectors of the economy through soft credit and controlled interest rates. When the dictatorship took power in 1976, banks did not compete with one another to attract depositors; they took deposits in the name of the Central Bank, which centralized all savings. The credit policy was in the hands of each bank, but with limitations according to each sector of the economy (Banco Central de la República Argentina [BCRA], 1978, p. 23). Credit for consumption was very

limited and not institutionalized in the financial system. Interest rates were controlled by the state and maintained below inflation rates. Access to foreign currency was limited to foreign export and tourism. Essentially, the financial system was peripheral to the model of development that the Argentine state was promoting. Therefore, it was to a great extent absent from the everyday lives of Argentines.

That changed in 1977. On 1 June, the new Law of Financial Firms (*Ley de Entidades Financieras*) substantially modified the way the financial market worked. There were five basic measures. First, deposits were decentralized, so banks were able to take their own deposits. Second, they had to comply with the Central Bank's regulations regarding minimum reserves. This way, the Central Bank could keep partial control of liquidity and, therefore, limited control of interest rates. Third, interest rates were liberalized. Financial firms decided their rates and competed among themselves. Fourth, all deposits were fully guaranteed by the Central Bank. This meant that if a financial firm broke, the state would return monies to depositors. Fifth, new rules were set up for the formation, transformation, absorption and merging of diverse types of financial firms: banks, non-bank financial firms (*financieras*), societies of savings and credit and credit cooperatives. The result was an explosion in the financial market between 1976 and 1980. Real interest rates surpassed inflation and became a profitable business. The resources within the financial system grew by 354.5 per cent in 1976 and 255.6 per cent in 1977. The amount invested in certificates of deposit – the most popular option for lay investors – increased 1846 per cent in 1976 and 766.7 per cent in 1977 (BCRA, 1978, p. 113). The GDP of the financial sector grew steadily in the first years after the reform: 18.4 per cent in 1978, 14.9 per cent in 1979 and 29.5 per cent in 1980 (BCRA, 1981, p. 112).¹⁰ Due to the restructuring of the financial market, the total number of firms actually declined in three years from 692 to 496. Small neighbourhood credit firms disappeared or merged to become banks or *financieras*. The number of small credit firms (*cajas de crédito*) dropped from 424 in 1976 to 104 in 1979 while private banks grew from sixty-four to 161, and sixty-two new *financieras* opened in addition to the eighty operating at the end of 1976 (BCRA, 1981, p. 109). Although no data on the number of depositors are available, the growth in the number of branches indicates that the increase of financial resources was based on a significant rise in the number of customers. Financial firms opened offices in small towns and remote neighbourhoods of big cities (BCRA, 1978, p. 36). Private banks opened 714 new branches, adding to the 1100 existing in 1976, and *financieras* branches grew fivefold in the same three years, from forty to 205. The financial market grew so much that the era became popularly known as *la patria financiera* (the financial homeland) and short-term investing in the financial market as *la bicicleta financiera* (the financial bicycle) and *la plata dulce* (the sweet money).

The rationale for the construction of the investor as a key actor in the new economy was equivalent to that of the consumer. For neo-liberals, investors had been neglected by the previous distorted economy. For Martínez de Hoz,

by controlling credit policies, the state had been deceiving investors and denying their rights (Ministerio de Economía, 1981c, p. 415). For the minister, atomized individuals acting rationally in order to maximize their benefits had been neglected in favour of other collective goals. The construction of the investor, however, would be through different tools than that of the consumer. While media campaigns focused on the consumer, they said little about investors. The main tool to construct, format and equip investors would be the nascent financial press.

While political activity was banned and most information censored or controlled, the financial press adapted to the growth and diversification of the financial system. In late 1976, a group of journalists who wrote for the economic sections of various newspapers founded the first newspaper devoted to financial activities in Argentina, *Ámbito Financiero*.¹¹ At first, it featured no journalistic articles at all. For the first few months, the newspaper was only a two-page bulletin including the interest rates for certificates of deposit from all banks and financial firms. Two employees covered the financial district streets, copying rates from the firms' windows (Ruiz, 2005, p. 47). Before the creation of the newspaper, customers themselves wandered downtown streets comparing the rates displayed in windows. There was no central, systematic source of information. Thus, information about the financial system was subject to rumours, unreliable informants and dubious advice from financial intermediaries. As the newspaper increasingly monopolized the provision of interest rate information, financial information took on an increasingly disembodied form, disentangled from the social relations within the financial system. Moreover, those relations became less of a relevant factor in the decisions of lay investors, who began relying on the disembodied information from the newspaper more than all other sources. In 1979, the newspaper published a dialogue with a financial intermediary in which he complained about people not coming to him any more: 'Before, nobody knew anything about rates and one offered options in acceptances or certificates of deposit, transferable or non-transferable. They used to listen religiously and accepted one's advice . . . But today, investors are truly experts and they take care of themselves' ('Diálogos en el ámbito financiero', 1979).

The publishing of interest rates was crucial in formatting and equipping investors as *homo economicus*. *Ámbito Financiero* dramatically changed the social relations in the financial sphere, disentangling individuals and transforming them into the anonymous investors that economists had in mind. Actors in the financial market could now communicate with each other through the newspaper. It became the source of information to which everyone, including state agencies and officials, looked. By the end of the dictatorship, *Ámbito Financiero* had become a full circulation newspaper, with dozens of pages, weekly sections, specialized articles and a considerable degree of political influence (Ruiz, 2005).

Ámbito Financiero provided information, tools and an identity for a wide range of investors. It stressed the importance of reaching a variety of people

from bank executives to minor customers. The editors consciously balanced their specialized reports with tips for the small savers. For example, in a week when the financial reports were overly technical, the writers apologized and offered reports aimed at the majority of their readers in compensation:

We realize that [the dialogues] are highly technical, almost exclusively for connoisseurs. But to compensate the majority of our reading audience, next Monday, we will resume a more balanced format, and in the Wednesday issue . . . we will do totally the opposite of today.

(‘Al margen’, 1979)

Ámbito Financiero offered detailed descriptions of the calculations that lay investors had to perform. In 1978, it launched a new section, ‘Dialogues with the Reader’, in which specialists answered questions and published tables and charts that readers suggested were useful. When there was some confusion about changing regulations and procedures, readers claimed their right to clarification:

Your publication, *Ámbito Financiero*, has undoubtedly become the primer for the common saver. Those of us who are guided by it believe we have the right to request from you ample and detailed responses to these questions, and we beg you to make it public through your publication as soon as possible.

(‘Diálogos con el lector’, 1978)

When the explanations offered by the newspaper were too difficult for the unspecialized reader, the writers offered them anyway as a tool:

In the supplement ‘The Investor, everything,’ the newspaper provided all of the arithmetic that the investor needs. But the market is creating new forms that interest the public . . . It is a mathematically difficult topic, but readers have to believe that there is no way of simplifying it more. At least you can use what is being said, even if you do not understand it completely.

(Daguerre, 1978)

The newspaper targeted both expert and lay investors. It grouped different actors within the financial market together as a single audience while recognizing their specific interests. *Ámbito Financiero* helped to construct a delimited financial field, separated from other realms of economic and social life, while creating a sense of equality and shared interest within the world of finances. ‘The newspaper put everybody at the same level as the “sharks” of the market. We democratized economic information’, said one of its founders (Ruiz, 2005, p. 29). It became a vehicle through which large bankers communicated with lay investors, with mid-rank managers of financial firms and with state officials. The section ‘Dialogues in the Financial Environment’, whose format was copied directly from the sports section of a general newspaper (Ruiz, 2005, p. 37), featured off-the-record conversations with several actors in the financial market. This section, together with didactic interpretations of variations in the previous day’s market and future

perspectives, offered the reader access to an informal analysis of otherwise inaccessible actors. Large and small bank executives, managers of financial companies and Central Bank officials all offered their visions anonymously through this section.

Without being a state enterprise, *Ámbito Financiero* served the neo-liberals' desire to format the *homo economicus* and shape citizens as investors. The newspaper offered the daily numbers of the financial markets along with interpretations of those numbers and their practical implications for different market actors. It reported on the mood and rumours of the financial district and offered clues on what was about to happen and what options were best for each type of actor. Most importantly, by centralizing financial communications, it largely prevented other possible sources (rumours, family, friends, brokers, advisors, etc.) from influencing readers. In a time of constant reforms, literally dozens of new regulations came from the Central Bank every day. *Ámbito Financiero* synthesized and explained the significance and the practical consequences of each new rule, providing a unified tool to reduce confusion and varied interpretations. It often used a pedagogic language to do this and apologized when the topic did not allow room for more didacticism. Together with the monopolization and disentanglement of financial information from the social world of finances, *Ámbito Financiero* offered a unique platform for government officials. Central Bank technical and political officials, for example, used the newspaper to clarify and sustain new regulations and to provide details on the intention of specific policies.

So far, I have described the construction of the *homo economicus* and the tools provided to equip and format it. However, individuals did not always behave as expected. In the next section, I will examine the reactions of government officials when financial reforms began to fail in 1980. This will provide additional insights into the rationale of the construction of the *homo economicus*.

Crisis, responsibility and neo-liberalism

The main difference between classic liberalism and neo-liberalism is that, while old liberalism's rationale is that government institutions should secure and supervise the *natural* behaviour of atomized, rational, entrepreneurial individuals, neo-liberalism's rationale is that the government artificially creates the conditions for such behaviour to emerge (Burchell, 1996, pp. 22–4; see also Foucault, 2008, pp. 119–21). The latter entails a basic contradiction: while free individuals and autonomous spheres are the key to rational government in neo-liberalism, these individuals and spheres have to be created, nurtured and promoted through active government intervention, partly overriding the freedom and autonomy that is to be created. This section analyses the financial crisis of 1980 in the light of this contradiction.

At the centre of this contradiction is the full guarantee of deposits that the government provided when it reformed the financial system in 1977. Much has been said about this guarantee and its role in the explosion of the new financial system. Martínez de Hoz was ambivalent about it. He disliked the guarantee but also recognized the need for it. I argue that this ambivalence was actually a symptom of the aforementioned contradiction in neo-liberalism between the promotion of autonomous and self-regulating markets and individuals and the government's need to nurture and protect them. In addition, economic authorities attempting to explain the financial crisis looked away from this contradiction and towards the lack of adaptation and lack of responsibility of economic actors in the new financial system. Instead of the legible, responsible and self-regulating subjects that they thought they were creating (the new mentality), they encountered individuals who failed in self-regulation and could not be governed from a distance.

The crisis of the financial reform started abruptly on the afternoon of 28 April 1980, when the Central Bank took control of the Banco de Intercambio Regional (BIR). By then, after an exceptional period of growth, the BIR was the largest private bank in the country, but it had over-leveraged itself and was loaning much more than its capital. Many of these loans were shaky and unrecoverable. While the BIR's president José Trozzo and other bankers gave bad loans and sometimes self-loans to weak companies within their own conglomerates, the economic situation of the country was not helping. In December 1978, in an effort to domesticate inflation, economic authorities established a system of pre-announced currency devaluations, which Argentines called *la tablita*. The government expected that, with these pre-announcements, domestic inflation would closely follow devaluation rates and international inflation rates. The problem was that prices resisted this attempt to be tamed and grew much faster than the fixed currency rates. This made imports cheaper and soon began to seriously damage the local industry (Gerchunoff & Llach, 2003, p. 365). Local companies, already over-leveraged due to the high supply of credit, had trouble repaying their loans, which worsened the situation of financial companies. While currency rates were fixed by the government, local interest rates continued to rise due to deregulation and competition between financial firms. Financial companies in trouble, like the BIR, continued to raise their interest rates in order to attract deposits. In order to pay depositors the promised rates, they also had to raise the interest rates on their loans, which in turn made it harder for local companies to repay them.

Within a month of the BIR crisis, two other top firms with similar histories of rapid growth and dubious credit portfolios also crumbled. The three crashes led to general panic among depositors, many of whom had had their first encounters with the financial system in the recent prosperous years. They also generated debates on the performance of the Central Bank as the system regulator, its negligence in preventing those breakdowns and its response to the crisis. Popular magazines reported on the careers of the prosecuted bankers

and commented on the new financial culture and its consequences. The banking crisis fostered reflection on how social actors in the new financial market were behaving.

Since the beginning of the financial reforms, there had been numerous discussions about the desirability of the state's guarantee of deposits combined with unregulated interest rates. Many analysts correctly saw this as an explosive situation. Depositors did not check the firms' solvency and went for the highest interest rates, which, in turn, pushed rates higher when firms had liquidity problems. Without close government supervision, the insurance was a recipe for bank mismanagement. So why did the government instate such a guarantee for depositors?

Ten years after he left his position, Minister Martínez de Hoz (1991, p. 153) wrote that, in principle, he had not favoured the coexistence of free interest rates with full guarantees from the Central Bank. 'The basic principles that drove our entire program, freedom and competition, were in open contradiction with giving guarantees to the financial business (or any other business)', he said. He explained that the 100 per cent guarantee was established due to intense lobbying from the financial sector, which influenced the military officers in charge of passing the Law of Financial Firms in 1977. Without the guarantee, most small firms would go bankrupt because people would put their trust in larger, more traditional banks. The military wanted to avoid the political cost of massive bankruptcies and refused to approve the law if it did not include the guarantee. The minister knew that he had to accept limitations to liberalization policies as part of the alliance with the military and reluctantly accepted.

However, he also accepted that the guarantee was necessary. The financial sector had to be nurtured and promoted, and people had to be encouraged to trust the newly liberated financial system with their savings. 'If you wanted to create a strong national capital market and stimulate savings in national currency, savers had to be offered some security, so that they would channel their funds through the institutionalized financial system established by the new law, eliminating irregular financial circuits', said Martínez de Hoz (1991, p. 151). Given the difficult economic circumstances and the unprecedented character of the financial reform, the minister concluded that the system needed the guarantee. Adolfo Diz, president of the Central Bank, said years later that the guarantee was needed because they did not know how the public would react to a free banking system (De Pablo, 1986, p. 122).

The problem of the guarantee encapsulated the contradiction of neo-liberalism between its liberal side and its constructivist side. The goal of creating an efficient, undistorted, self-regulated and legible financial market implied the establishment of mechanisms of protection that undermined that goal. In this sense, the state guarantee was not a liberal policy, but certainly a *neo-liberal* policy. For the stated purpose of reforming mentalities, the guarantee had a contradictory effect. On one hand, it helped the financial system expand and reach new customers, even in the remotest areas of the

country. This fostered atomized individual identities, and hence contributed to the 'change of mentality'. On the other hand, the state guarantee removed the individual risk typically inherent in financial investments, thus partly staying within a socialized risk framework that characterized the welfare model that neo-liberal economists were trying to combat (O'Malley, 1996).

Economic authorities turned to the irresponsible behaviour of market actors to explain the BIR disaster. The minister and his team had repeatedly tied economic freedom to an autonomous sphere of responsibility. They trusted economic actors to use their freedom responsibly. The slogan of the reforms was 'freedom with responsibility' ('Actividad clandestina', 1978; De Pablo, 1986, p. 128). Martínez de Hoz compared state intervention in the economy to a children's reformatory, where regulations and punishment not only prevent individual autonomy, but also release individuals from their responsibilities. For neo-liberals, the interventionist state had infantilized businessmen by exerting all sorts of regulations over the market. The change in mentality was portrayed in terms of the movement from childhood to adulthood. An open and modern economy would treat individuals as adults who would take full responsibility for their actions:

This is about those children shaking off those regulations and learning to be adults responsible for their own games, their own company, their own production, and the management of their own businesses, showing that they don't need the state's tutelage, that they don't need any authorization.

(Ministerio de Economía, 1981a, p. 17)

The minister expected that the state's generous insurance would be matched by the responsible behaviour of financial firms and investors. However, in the absence of risk, thanks to the state's guarantee, he could expect market actors to behave responsibly only out of goodwill. The responsibility that he assumed from economic actors in a free market society failed (Martínez de Hoz, 1981, p. 75). The minister was disappointed by the failure of firms to self-regulate. The change of mentality that he was promoting did not take hold of all financial market actors. They understood the liberal part, but not the responsibility that comes with an autonomous sphere of action (Martínez de Hoz, 1981, p. 80).

After the financial crisis, Martínez de Hoz linked irresponsible behaviour to the lack of change in mentality while detaching it from the absence of financial risk. His explanation of the financial crisis was that market actors did not adapt to the new economy:

The explanations for the deficient economic/financial behaviour of intervened-upon and liquidated firms are linked to the lack of adaptation to a financial market undergoing structural transformation, to the careless or irregular behaviour of some firms, to the irresponsible use of the guarantee of deposits.

(Martínez de Hoz, 1981, p. 78)

The minister blamed the subjects for not behaving as expected due to the habits learned in the previous system and not the current incentives (Martínez

de Hoz, 1981, pp. 76, 78). However, there was another reason in addition to lack of adaptation. Not only did firms and individuals not adapt to the new conditions, they also failed morally. After the financial crisis, Martínez de Hoz accused financial actors of not taking the message of ‘freedom with responsibility’ seriously, which resulted in abuses and abnormal practices:

The reform of 1977 implied the introduction of market freedom and competition for deposits as the basis of the system. This required a responsibility that was presupposed but which didn’t exist in all cases. A certain fraction of financial firms didn’t have the necessary maturity to use this freedom with responsibility, which resulted in abnormal credit practices and offers of interest rates significantly higher than the market average in order to attract deposits, and thus, the abuse of the guarantee of deposits.

(Martínez de Hoz, 1981, p. 82)

For neo-liberals, an autonomous and self-regulated financial sphere would allow government from a distance, based on information rather than actual behaviour, without significant state intervention. However, the legible and predictable actors that Martínez de Hoz believed his reforms would produce turned out to be opaque and unpredictable. The system of self-policing and control from a distance did not produce the transparent and rational behaviour that he expected. He called the failed bank authorities irresponsible and adventurers. The most successful bank, the BIR, turned out to be enmeshed in complicated lending and self-lending practices that could not be effectively governed from a distance by economic authorities. About a failed bank, the minister wrote that ‘the Central Bank was forced to conduct a detective-style investigation in order to track numerous firms constituted by shareholders of the bank that had created fake names and front men in order to qualify for loans’ (Martínez de Hoz, 1991, p. 167). Martínez de Hoz repeatedly expressed his annoyance with the long and tedious investigations of financial firms at the time of the crisis, which seemed to mimic detective stories. At each turn, investigators from the Central Bank would uncover still more entanglements and shady behaviour. This tight, police-style control was the opposite of the neo-liberal dream of transparent and self-regulated markets. The contradictions of neo-liberalism left Martínez de Hoz with the impression that, instead of responsible adults, he was still dealing with ‘a reformatory or a school for children that don’t know how to behave well and therefore have to be subjected to a determined guide of conduct’ (Ministerio de Economía, 1981a, p. 17).

Conclusion: what was the legacy?

The neo-liberal performance of the Argentine *homo economicus* was, after all, an early one, and therefore not as sophisticated as the full deployment of neo-liberal policies during the 1990s. Was it successful? While failure or success

would be difficult to assess, the actors in question had their own views on the matter.

Students of governmentality have pointed to the blurry meaning of success and failure in regard to economic policies (Miller & Rose, 1990, p. 4). Success and failure make sense only in the case of a detailed project with a clear description of the intended goal. Given that goals in economic policy are never achieved in their entirety, the situation afterwards cannot be simply labelled as either a success or a failure. As Miller and Rose write: 'such attempts [to invent, promote, install and operate mechanisms of rule] are rarely implanted unscathed, and are seldom adjudged to have achieved what they set out to do. While "governmentality" is eternally optimistic, "government" is a congenitally failing operation' (Miller & Rose, 1990, p. 10).

If assessed by the stated purposes of the finance minister at the beginning of his mandate, his administration probably did fail. Inflation, foreign debt, a damaged local industry and a higher concentration of capital in the hands of groups closely related to the state were features of the economy in the post-dictatorship (Azipazu *et al.*, 1986; Castellani, 2004). However, for many analysts, the dictatorship was successful in transforming the economy in ways that made it impossible to revert to the previous situation (Canelo, 2004; Villarreal, 1985). This view suggests that, while the government failed in its 'manifest' objective, it succeeded in its 'latent' goal of irreversibly altering the previous conflictive social structure (Villarreal, 1985). But the production of a new economic subject was not a latent goal; as shown before, it was among the many 'manifest' objectives. The growth of self-employed workers during and in the aftermath of the dictatorship may indicate a move towards the atomized individual. However, this growth was caused by the crisis of the local industry, which pushed many workers into independent jobs (Villarreal, 1985), more than by a change in people's dispositions.

In any case, the realization of 'a change of mentality' is so ambiguous that it is impossible to evaluate. Even the finance minister himself characterized his project of changing mentalities alternately as a failure or as a success. Martínez de Hoz explained the failure of the financial policy through the actors' lack of adaptation and responsibility. His criticism implies that the attempted change in mentality did not occur. He suggested that the obstacles his administration faced originated in the habit of Argentines to expect everything from the state. At the end of his tenure, however, Martínez de Hoz regarded the change in mentality as one of the main achievements of his administration. Although much of his programme failed, people indeed started to think in new ways (Martínez de Hoz, 1981, p. 241). Ten years later, when the democratically elected government of Carlos Menem launched its widely accepted neo-liberal programme, the minister took credit for his launching of a process that changed the mentality of economic actors (Martínez de Hoz, 1991, p. 244). Indeed, during the 1980s, a consensus regarding neo-liberal reforms emerged among Argentine elites (Beltrán, 2005), but not only the elites had acquired

neo-liberal tenets. The minister saw the general population, having changed their mentality and learnt the workings of the free market, exerting pressure on their government for neo-liberal reforms (Martínez de Hoz, 1991, p. 245).

The vision of success in producing a subjective change in the population was shared by *Ámbito Financiero*, which was already a firm opponent of Martínez de Hoz by 1980. Towards the end of the dictatorship, the newspaper minimized the significant failures of neo-liberal policies and appreciated the minister for producing a change in mentality. For *Ámbito Financiero*, regardless of its shortcomings, the dictatorship taught the population to 'love economic freedom'. This love of economic freedom by a young generation of Argentines was, to the newspaper, the best legacy of the dictatorship (Bonaldi, 1998, p. 342).

But this was not the only narrative about the period that emerged. During and after the dictatorship, an alternative narrative critical of financial speculation and the new consumer culture emerged. As early as 1982, the movie *Plata Dulce* reflected the process in terms of greed and opportunism. The era popularly became synonymous with the name of the movie, *Sweet Money*. The film portrayed greedy citizens giving up their stable lives for the thrill of seeing money make more money. This was the beginning of a narrative of guilt, in which Argentine citizens were depicted as blind and selfish, taking advantage of the short-term benefits of finance without thinking of the consequences. Almost two decades later, the financial crisis of 2001 would witness the emergence of saver (*ahorristas*) organizations along with a recycled version of this narrative of guilt. By then, the economic behaviour of atomized individuals had become a major component of popular explanations of the causes of economic crises.

The triumph of the 'new mentality' can never be complete, because, as Callon and others point out, the disentanglements that produce the *homo economicus* are never absolute and may lead to new entanglements (Callon, 1998; Tilly, 1999; Zelizer, 1997). However, the economic authorities and the financial press did provide the prostheses to perform the *homo economicus*. They created a space for the atomized rational individual and distributed a set of tools to encourage behaviours in tune with an economic theory that made subjects more legible to them. The *homo economicus* ultimately is those tools, more than a form of subjectivity found deep in the individual consciousness.

Acknowledgements

I would like to thank Javier Auyero, Peter Bearman, Mariana Heredia, Emine Onculer, David Sheinin, Diane Vaughan, Pilar Zazueta and the late Charles Tilly for helpful comments on preliminary versions of this article. Thanks also to David Stark and Pilar Opazo for their suggestions. Special thanks to Luis Mikowski, who patiently answered my questions about Argentine finances in the 1970s. This article also would have not been possible without Gil Eyal's encouraging criticism and long conversations with Emiliano Alvarez.

Notes

1 A small portion of the works about Thatcherism's economic policies focuses on the creation of 'new subjects'. See, for example, Burrows (1991) and Keat and Abercrombie (1991).

2 About neo-liberalism in the Chilean dictatorship, see Biglaiser (2002a), Foxley (1988), Montecinos (1998), Valdes (1995), Vergara (1985) and Winn (2004).

3 See, for example, Avellaneda (1986) on censorship, Feitlowitz (1998) on language and terror, Blaustein and Zubieta (1998) on the press, Yanuzzi (1996) on political parties, Taylor (1997) on violence as spectacle, Sheinin (2006) on foreign policy and human rights, Pozzi (1988) on workers' resistance. There are myriad chronicles of repression, torture and terror.

4 Biglaiser (2002a) analyses policy choice under the military regimes of Argentina, Chile and Uruguay.

5 Milton Friedman himself visited Chile in 1975 and gave his support to the 'Chicago Boys'. For the relation between the military and the 'Chicago Boys', see Valdes (1995) and Winn (2004).

6 His position as the highest economic authority, his regular contact with the media and his frequent speeches are the reasons why this article relies largely on Martínez de Hoz's speeches and writings. His words represent the collective ideas of the economic authorities although the communication function was largely concentrated on him ('Diálogos en el ámbito financiero', 1978).

7 While neo-liberalism is not limited to the Chicago School of monetarism, the latter was the most influential in the period analysed. Sergio Morresi (2007, pp. 122–7) distinguishes three strands of neo-liberalism that found their way into Argentina. The Vienna School influenced some political circles in the 1950s, the Chicago School peaked in the 1970s and early 1980s, and the Virginia School dominated the 1990s.

8 The Social Pact was an agreement between unions, companies and the state to control prices and salaries and therefore keep inflation rates low. There is an inherent recognition in this kind of policy that inflation is more a political than a technical problem.

9 For a similar shift from a collective to an individualistic notion of consumption in Chile, see Stillerman (2004). About the politics of consumption during early Peronism, see Elena (2007) and Milanesio (2006).

10 The national GDP decreased in 1978, grew 7.1 per cent in 1979 and 1 per cent in 1980 (BCRA, 1981, p. 8). These numbers show that the financial sector growth was comparatively much higher than the general GDP growth.

11 Other economic newspapers, like *El Cronista Comercial*, and magazines, like *Mercado*, were not devoted solely to financial activities. Despite their long histories, they did not experience the growth that *Ámbito Financiero* did.

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