

A Detailed Description of Corrupt Events in Argentina's History: The role of corruption in  
Argentine politics, 1966 to 2022

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I dedicate this thesis to God, my parents Jorge Donati and Laura Donati, and there incredible sacrifice to give my siblings and I a better life in the United States, to my family living in Argentina, who are impacted daily by the effects of corruption, to my thesis director Ennio Piano, and my thesis reader Todd Walker, and to my brothers in the Tennessee Beta chapter of

Sigma Alpha Epsilon

ΦΑ

## Abstract

This thesis uses a timeline of fifty-six years through Argentine history and analyze examples of bribery, embezzlement, theft, fraud, creation of monopolies, discretion, lack of accountability, and extortion. This paper tracks events in the era of the first military government of Argentina, through multiple presidencies, and different political parties in power. These factors contribute to the overall ranking of a country on the HFI, CPI, and IEF indexes. Overall, these indexes give a rough estimation of the level of corruption that a country faces. This paper will also touch on the important distinction between corruption and cronyism, as this distinction has to be properly made in order to truly and correctly analyze corruption. It is also important to know the level of corruption in a country one does trade with and thus why this thesis is being written (Kaufmann n.d.) It aims to give a brief understanding of a 56-year period in which several corrupt events have happened and to show their impact on a population. It also provides solutions to deal with the corruption in Argentina.

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## I. Introduction

Argentina has a long and troubled history when it comes to corruption. It can often seem as if corruption is firmly embedded in the daily lives of many Argentinians. Due to Argentina's global commerce and trade involvement, corruption affects the people living in the country, the local government, the federal government, and the world. This thesis attempts to track the historical record of corruption in Argentina from 1966 to 2022.

Corruption is a debated term among scholars and policymakers. It is described as "inducement to wrong by improper or unlawful means; dishonest or illegal behavior especially by powerful people" (Webster, n.d). For the sake of this thesis, we use Corruption as an umbrella term that includes bribery, embezzlement, theft, fraud, creation of monopolies, discretion, lack of accountability, and even extortion (Osborne n.d). Similarly, Cronyism refers to using one's political power to reward friends and supporters (i.e., cronies). However, when reading any economic literature on this subject, a crucial distinction must be thoroughly understood: the distinction between corruption and cronyism; it is essential to note that this paper only analyzes corruption. Though cronyism and corruption are closely related, and the one may eventually lead to the other, they are distinct phenomena, and this thesis will treat them as such, focusing entirely on the phenomenon of corruption. A few factors studied by Lisa Zipparo, titled "Factors Which Deter Public Officials from Reporting Corruption", are represented by this graphic showing factors and their percentage relation. The factors represented in Zipparo's work were as follows: lack of proof, no legal protection, lack of confidentiality, lack of trust, lack of support, fear of retaliation, no support from family members, and not sure if reporting will be taken seriously, no formal channels in which to report, no support from work colleagues, not sure if reporting will stop the corruption, no option to report, not sure if management will care, not sure

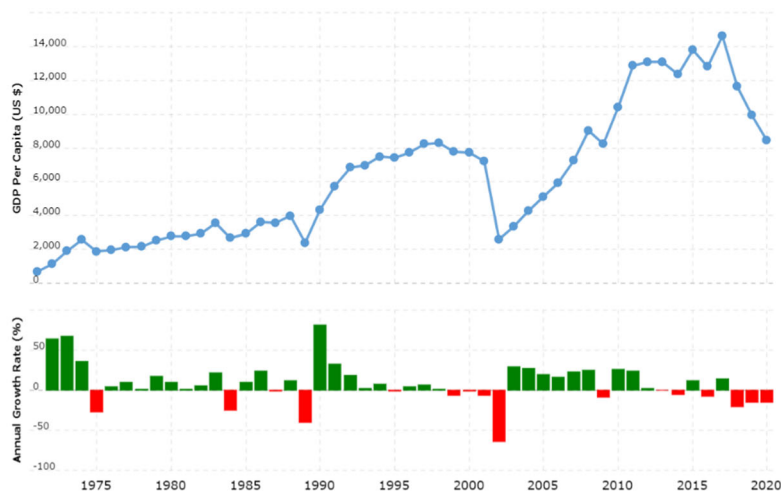
if it is part of work duty, and corruption does not directly affect the individual. These factors may keep an individual from reporting; according to Lisa Zipparo's Research, their percentages are reported in the graph. This data shows a multitude of reasons corruption goes unreported. Due to this, the reader must consider both factors discussed to better understand the corruption research within Argentina.

This thesis tracks several events starting in the era of the first military government of Argentina in 1966, through multiple presidencies and control by different political parties such as the Radical Civic Union (Unión Cívica Radical), the Justicialist Party (Partido Justicialista), the Front for a Country in Solidarity (Frente del País Solidario), and the Union of the Democratic Centre (Unión del Centro Democrático). In addition to the different political parties, this thesis also tracks the eight factors of corruption previously listed that contribute to the overall ranking of a country on the Human Freedom Index (HFI), the Corruption Perception Index (CPI), and the Index of Economic Freedom (IEF) indexes. These three indexes use the formula " $C = M + D - A$ " as a base model on which all three Indexes add their additions to it; the formula above stands for "Corruption equals monopoly plus discretion minus accountability" (Klitgaard n.d, p. 2).

This thesis focuses on Argentina due to its peculiar economic trajectory over the past century. Since Argentina's great depression in 1998, Argentina has failed to keep up with the rest of the Western Hemisphere and has fallen behind several other countries. In relative terms, Argentina had one of the top twenty economies globally at the turn of the 20th century, outperforming superpowers such as France, Germany, and Spain. Argentina was ranked 66<sup>th</sup> in 2020 (Glaeser, Tella, and Llach, n.d). Such a drastic fall has generated much interest from social scientists, who have attempted to identify its causes. Among these causes, some have argued, is the corruption of Argentina's politics (Guteierrez 2015, p.15). However, why should this matter

to someone living outside of Argentina? Many studies have shown that corruption affects Foreign Domestic Investment (FDI). For example, a thesis titled “Who Cares About Corruption states”, “... corruption results not only in a reduction in FDI but also in a change in the composition of the country of origin of FDI... corruption results in relatively lower FDI...” (Cuervo-Cazurra, n.d). Figure 1 shows the GDP per capita (in USD) and annual growth rate (in %) from 1975 to 2020. Apart from reduced FDI, corruption has the propensity to undo a country’s long-worked-for economic progress rapidly. This can result in a country experiencing a recession and having devastating symptoms such as reduced GDP, reduced imports and exports, and a high unemployment rate (Stijn Claessens and M. Ayhan Kose 2020).

*Figure 1*



This chart shows Argentina’s GDP per Capita growth from 1971 to 2020, according to the data collected by the World Bank (World Bank, 2022).

Another reason the case of Argentina is of general importance is that the country is one of the world’s largest exporters of agricultural resources. Argentina exports \$2.31 billion United States Dollars (USD) a year total, \$6.46 billion of which is corn (Observatory of Economic Complexity). Although Argentina exports a total of \$54 billion per year, much of its exports



make their way to Brazil (around 14%) and China (about 9.9%), according to the Observatory of Economic Complexity (Observatory of Economic Complexity). These factors make Argentina a key player in the global trade for commodities.

While this thesis focuses exclusively on corruption cases in Argentina, this research extends to other Latin countries and the world. While corruption exists in all corners of the globe, South America is considered one of its leaders (Shepherd 1998). Furthermore, it offers insights into the causes and consequences of corruption for all the (many) other countries that struggle with corruption (Gutierrez 2015, p. 15). According to Geoffrey Shepherd from the World Bank:

Many Latin American countries suffer from substantial corruption... no country is free of corruption, but its impact varies worldwide. It is typically higher in poorer countries. In several independent surveys of domestic and foreign firms' perceptions of corruption, developing and transition countries register higher levels of [corruption]... Latin American countries have typically been perceived as being more corrupt than East Asian countries but comparable to other developing and transitional countries (Shepherd 1998).

Corruption affects the money in the pockets of the average Argentine but benefits the pockets of lawmakers and local governments. In comparison, the United States is a society that looks down on corrupt practices, with a current corruption rating of 25 out of 180 (countries ranked from least to most corrupt) as of 2022 on the Corruption Perception Index (CPI) (Trading Economics 2022). Therefore, we should analyze our dealings with any country shown to have high levels of corruption and not only educate ourselves, but also the official within the country, and people of other countries in order to maintain the quality of our FDIs and overall relationships within the global market.

The study of corruption is a complex task due to the nature of this phenomenon. Since corruption is typically done in secret and hoping to eliminate a paper trail, incidents typically go unreported. The World Bank has entire guidelines on how they hope to address corruption. Canice Prendergast from the World Bank writes, “bureaucratic corruption can be suppressed by rewarding and penalizing bureaucrats... customer complaints instigate many investigations...bureaucrats often have private information... bureaucrats sometimes collect bribes...” (Prendergast 2000, p. 5). This signifies the very nature of corruption expressed by government officials.

In a paper about the subject of corruption within India, Pawan S. Budhwar and Arup Varma define corruption as “the use of public office for private gain.” Corruption, they add, “involves an explicit, reciprocal, short-term, and date-bound transaction” (Budhwar and Varma n.d., p. 62). Corruption is an illegal act in developed and developing countries alike. Corruption is closely related to, but different in one crucial regard from, the concept of cronyism. The latter refers to “the appointment of political hangers-on to [public] office without regard to their qualifications” (Webster). Like corruption, cronyism is the purview of the powerful and is there for frowned upon. Unlike corruption, however, cronyism is not always or even generally illegal, which is often labeled as nepotism (Pereyra 2019). Corruption is illegal, but cronyism is simply a found upon act, this is the important distinction.

## II. Literature Review

This section reviews some important contributions to our understanding of corruption in Argentina.

One predominant researcher that stands out is Robert E. Klitgaard. His most well-known work, on which I relied heavily for this thesis, is *Corrupt Cities: A Practical Guide to Cure and Prevention*. Klitgaard describes corruption as being perpetrated by three players the “policymaker,” the “civil servant,” and the “service recipient.” Klitgaard explains the conditions created by corruption as a monopoly of power by “agents,” “over the client,” and “discretionary decision power over-provision of services from the side of the agents and low level of accountability of agents in front of principals.” (Klitgaard 2000). Klitgaard relies on this framework to weigh the costs and benefits of alternative policies to mitigate corruption. This work provides the foundation for many modern corruption studies by providing the blueprint for identifying and quantifying corruption.

Another influential work by Klitgaard’s is works titled *Fighting Corruption*. Here, Klitgaard introduces his famous equation for quantifying corruption:  $\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accountability}$ . He leverages this framework to develop solutions to the problem of corruption within countries. These solutions focus on changing the institutional culture, mobilizing, and coordinating, and reforming systems, and subverting corruption.

Another predominant researcher in the field of corruption is Emanuela Ceva. In the writing of this thesis, a work by Emanuela Ceva and Maria Paola Ferretti titled “Political Corruption, Individual Behavior, and the Quality of Institutions”, was a great resource. Here, the authors draw a line between secrecy within a government and corruption. Ceva and Ferretti argue that secrecy may create a breeding ground that allows for a suitable environment for corruption to thrive. Hence, proper checks and balances, including non-governmental entities, can help reduce corruption, or at least make it harder for corruption to thrive (Ceva and Ferretti 2017).

Lastly, a significant contributor to corruption research in Argentina is Sebastián Pereyra. His work *Corruption Scandals and Anti-Corruption Policies in Argentina* is most relevant for this thesis. Here Pereyra covers the causes of corruption within Argentinian politics, similar to the eight presented in this thesis. He also researches the effects on transparency within Latin America; this area is especially challenging to study due to the multitude of diverse cultures and politics. Lastly, he analyzes the major corruption scandals in recent Argentine history Argentina and the efforts of the Argentine government to mitigate this problem.

### III. The Argentine Political System

Understanding a country's political system is essential to analyzing the corruption within its government. Argentina's political system is divided into provinces and partidos (municipalities). The three provinces are Representative, Republican, and Federal. The country is further subdivided into a total of 2,247 municipalities. El Congreso de la Nación (National Congress) is bicameral<sup>1</sup>. The Argentine congress consists of the Camara de Diputados (Chamber of Deputies) and El Senado (Senate). They are made up of 257 and 72 members elected every 4 or 2 years, respectively (ECLAC, n.d). The country is governed under its national constitution, but each municipality can govern itself, like the states in the United States. The country is divided into 24 federal courts from 23 different provinces in terms of justice. The executive branch of Argentina is governed by a democratically elected president, though the country has seen its fair share of dictatorships in its history. Like the United States, the President is the head of state, head of government, chief executive, and commander-in-chief of the armed forces. Before 1994, the President of Argentina was required to be a Roman Catholic. The cabinet of ministers for the

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<sup>1</sup> Bicameral means it contains two branches or chambers.

President is appointed by the President but is not part of the executive branch of government. The vice-president is also not part of the executive branch; the vice president is part of the legislative branch as they hold the title of President of the senate (Gobernó de Argentina, n.d). Altogether these branches of government form what is known as the government of Argentina today. Argentina did, however, experience a different political system in 1912–1930, 1946–1955, and 1973–1976. When it experienced periods of military rule and loss of democracy, in 1983, democracy was re-established within the country and has remained so till this day. Argentina experienced its great depression from 2001 to 2002, and today is regarded as more robust than there 1983 predecessors and other democracies within Latin America (Murillo and Levitsky 2005, p. 181).

*Figure 2*



Image of the lower house seats in the province of La Rioja (MercoPress 2021)

#### IV. Bribery

Bribery is “the offering, giving, soliciting, or receiving of any item of value to influence the actions of an individual holding a public or legal duty” (Cornell, n.d). With this definition in

mind, our study's first case of bribery is the case referred to as Swiftgate. Swiftgate started in 1991 when the American company Swift, a food processing company, attempted to enter the Argentine market. While applying for permissions in the city of Santa Fe, Emir Yoma (the presidential advisor)<sup>2</sup>, and Antonio Erman (the minister of the economy), were accused of taking bribes from Swift to keep them quiet or further slow the investigation. The crime was reported to the Argentine government by Argentine economist Guillermo Nielsen, who had previously worked for Swift and had received reports from Terence Todman, an ambassador of the United States (Clarín 2017).

Another example of bribery involving the Argentine government is the IBM case, named after the International Business Machines Corporation. In 1995, the Argentine government realized that IBM Argentina had given out approximately \$37 million in bribes to the Banco de la Nación (Bank of Argentina) concerning the auction for a contract worth \$250 million. This led to IBM paying the United States Securities and Exchange Commission a penalty of \$300,000 due to the company being based in the United States. It also led to the arrest of fourteen total people, four of whom were IBM employees.

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<sup>2</sup>A Presidential Advisor is a title given to an individual who assists the President of Argentina. They are attached to but the presidential cabinet and is considered a high political position.

*Figure 3*



The figure above shows the IBM headquarters in Buenos Aires, Argentina (Maringolo 2008).

Corruption is far-reaching, even originating from presidents of Argentina themselves. One such case involved the President of Argentina, Fernando de la Rúa. Fernando de la Rúa was found to have bribed senators in exchange for votes regarding labor law changes. As a result, president De la Rúa and several senators were convicted of aggravated active bribery in 2000 (La Nacion 2008).

Another multinational corporation, the German Siemens AG, was accused of bribing the Presidential administration of Carlos Menem. In 2008, the Menem administration accepted \$106 million in bribes for a contract to produce national I.D. cards worth \$1.2 billion. The United States Department of Justice stated, “[Siemens] concealed the illicit payments through various means, including using shell companies associated with intermediaries to disguise and launder the funds” (The United States Department of Justice 2018). This shows that this was a complex job that required much inside help that the Menem administration was able to provide.

*Figure 4*



The image above is the Siemens AG headquarters in Buenos Aires, Argentina (Egypt Today)

No one in Argentine history is more linked to corruption than Cristina Kirchner, former President of Argentina, and wife to the late Néstor Kirchner, President of Argentina from 2003 to 2007. For her exploits, she has been given the informal (and unflattering) title of “Ladrona de la Republica Argentina,”, translated into “Thief of the Argentine Republic”. Her connection with Argentinian corruption starts with the notorious “Suitcase Scandal.” In 2007, a member of the entourage of Hugo Chavez, Guido Alejandro Antonini Wilson, flew to Argentina on a flight paid for by the Argentine government. Upon arrival, he was found to have been smuggling approximately \$800,000 into the country. This event was discovered to have been linked to the Kirchner presidency, as the money was intended to be campaign contributions (Interpress).

Cristina Kirchner was similarly linked to another case, Swedish construction company Skanska. Federal Judge Guillermo Montenegro was leading a case into Skanska, as it was found that Skanska was accepting bribes from government officials for a gas pipeline project Skanska was spearheading. In order to halt the investigation, both lead investigators, Federal Judge Guillermo Montenegro and Prosecutor Carlos Stornelli, were offered high positions within the Justice department and security department, respectively (El Pais 2011); it is thought that they



were offered these positions to halt the investigations into Skanska and their dealings with the Argentine government.

*Figure 5*



Photo of Cristina Fernández de Kirchner, President of Argentina (Wikipedia Commons)

In 2013, the SEC demanded that American fashion company Ralph Lauren settle a case against them for bribery. The SEC found that the company had bribed Argentine customs officials with roughly \$580,000 in order to “obtain paperwork necessary for goods to clear customs; permit clearance of items without the necessary paperwork and/or the clearance of prohibited items; and on occasion, to avoid inspection entirely” (CNN Business 2013). For these actions, they were fined \$1.6 million by the SEC since Ralph Lauren is an American-based corporation.

## V. Embezzlement and Extortion

According to the Cornell Law School, embezzlement is the fraudulent taking of personal property by someone to whom it was entrusted, which is often associated with the misappropriation of money” (Legal Information Institute). With this definition in mind, the first case of embezzlement in our study is the case of the Montoneros and David Graiver case; this case involves two parties. The first party was the Montoneros, a left-wing anti-military group in the seventies and early eighties. This group had a close association with the Peron party of Argentina (Time 1959) and had been involved in the assassination of a military dictator of Argentina, Pedro Eugenio Aramburu Silveti (Giussani 2011, p.49). The second party was David Graiver, an Argentine businessperson and banker. Graiver laundered \$14 million for the Montoneros party. The money the Montoneros asked Graiver to launder was connected to illegal activities, notably ransom kidnappings. The case of the Montoneros was a significant event that affected several banks in Argentina and the notable U.S. bank American Bank & Trust in 1976 (Haden-Guest 1979, p.47) and led to the death of Graiver in a mysterious plane crash.

In 1976, the widow of Graiver, Lidia Papaleo, decided to sell her shares in the newspaper company Papel Prensa to the owners of the three leading newspapers in Argentina: Clarín, La Nación, and La Razón. Papaleo testified in an Argentine court to have been the victim of extortion in verbal threats made against her by an executive of Clarín, Héctor Magnetto. The events of Papaleo and her subsequent appearance in court against Clarín led to the case named the Paper Press Case. This case also indicates that corruption in this case, present in the form of extortion, can take many years to unfold fully (El Dia 1971).

A significant case of fraud in Argentina comes from the misappropriation of funds from the national government. For example, between 1989 to 1991, Maria Julia Alsogaray, the

daughter of Alvaro Alsogaray, an Argentine politician close to President Menem, was found to have been involved in two corruption cases by the Argentine government. First was her being found responsible for misappropriating \$160 million designated for refurbishing the Haedo Palace (a national historic monument in Argentina). Secondly, she was accused of taking \$90 million meant to be used to renovate the Riachuelo waterway. The Argentine government uncovered her actions during the end of President Menem's term in office in 1999.

Another case of embezzlement in the form of money laundering was the Domingo Cavallo and Alfredo Yabrán case or Narcogate in 1995. This case involved Domingo Cavallo, President Menem's finance minister accusing Alfredo Yabrán, an Argentine businessman, of accepting money to cover up and assist in a money-laundering operation on behalf of drug trafficking and gun trafficking organizations, all through the Argentine company Correo OCA. Correo OCA is known for controlling 30% of the Argentine postal services. This instance of corruption came to light after the alleged suicide of news reporter José Luis Cabezas in 1997 (Refworld 2001). This event, coupled with the mystery around Cabezas's death, which was thought to be a homicide instead of suicide, and the discovery that Yabrán had bought former President of Argentina Carlos Menem a mansion using the earnings from his trafficking earnings, genuinely demonstrate the corruption within high levels of government

Another case of embezzlement in the eyes of the Argentine government is known as the Zannini case. This case is named after Kirchner's Executive Legal Advisor, Carlos Zannini. In 2012 he was found guilty of embezzlement of public funds. However, he caught public attention because he went from being a low-level banker to one of the wealthiest individuals in Argentina. His wealth increased by thirty-eight times in eight years. It was also found that the Kirchners

have repeatedly interfered with investigations into Zannini. An example of this was when Judge Norberto Mario Oyarbide attempted to accept a warrant to search Zannini's home; Carlos Liuzzi, a presidential secretary, offered him a bribe to stop the raid (La Voz).

*Figure 6*



President Cristina Fernández and the Legal and Technical Secretary of the Presidency, Carlos Zannini, speak with the President of the United States, Barack Obama. (Wikipedia Commons).

One of the most prominent corruption cases in Argentina's history became public in 2013 when the news media of Argentina started covering the relationship between the Kirchners and Lázaro Báez, a longtime family friend of the Kirchners. It was found that many public works contracts had gone to him after being awarded them out of favors from the Kirchners. It was reported by famous journalist Jorge Lanata, who runs a prominent public affairs show titled "Periodismo para todos" or "Journalism for All." He stated that Baez appeared to have taken taxpayer money for contracts renting hotel rooms for the Kirchner couple. It is estimated that millions of dollars were spent to reserve rooms. Aerolineas Argentinas, a publicly owned airline,

owned a third of the rooms. Apart from this, Lanata accused Baez of monopolizing public works totaling \$28 million, and money amounting to €55 million was also laundered into Baez's account funneled from the Argentine government. Baez's associate Leonardo Farina outed Baez stating he was aware of the money laundering. Lanata also revealed that the case was transferred to Rio Gallegos courts, which had ties with the Kirchner family. In order to out all his discoveries Lanata used his show, but the government scheduled a soccer game with the two most prominent teams in Argentina to blunt the impact of the news (MercoPress 2013).

## VI. Theft

Between 1990 and 1994, the Argentine government adopted a privatization policy to fight the debt crisis. This policy was a strategy developed by the World Bank and International Monetary Fund to avoid a public debt crisis. The money given to Argentina by the World Bank and the IMF's fundraising was \$24 billion, a substantial portion of which was found to have been used for personal gain by individuals in the Argentinian government. During this assistance from the World Bank and the IMF, Argentine companies that privatized government companies sent \$28 billion abroad, avoiding paying debts that the World Bank and the IMF demanded. Argentine corporations also raised heavy trade debts due to their failure to produce many products in Argentina. A stipulation of the World Bank and IMF's assistance was that Argentina tries to produce many products within the country, an objective the country could not successfully do (Alonso 2015). Instead of helping the debt crisis, it caused many corporations to take advantage of the assistance provided by both global organizations and use this money for self-enrichment, thus stealing governmental funds.

A similar case involved the phone manufacturer ENTel. ENTel was taken private due to the IMF and World Bank recommendations in 1990. However, they totaled losses of \$250

million due to the Argentine government from their privatization. Another example comes from the Argentine conglomerate Techint, which in 1992 purchased Somisa Steel Works for the price of \$800 million, again taken out of the government's hands by taking it private. Lastly is the case of Aerolineas Argentinas, which sold for \$900 million to the Spanish Airline company Iberia in 1991, the cost of privatization was then indebted to the Argentine government, as the debts could not be paid. All three of these examples highlight theft from the Argentine government, as the companies were taken private out of the hands of the government in exchange for a debt to be paid by the new owner of the companies. However, the majority of the debts were never repaid, which was not the intention of the privatization plan of the IMF and World Bank. It shows a significant disruption to the economy of Argentina, furthering its debts (Maini 2001).

## VII. Fraud

A case involving former President of Argentina Fernando de la Rúa is a major fraud case in Argentina. In 2006, Fernando de la Rúa and his administration were found to have committed financial fraud against the public of Argentina during his presidency by the Argentine government. Several notable banks, such as JP Morgan Securities, Credit Suisse, First Boston Corporation, HSBC Bank Argentina, and Salomon Smith Barney, were involved by being safe havens for the stolen money. The government found that fraud had been committed when the minister of economics, Domingo Cavallo, attempted to avoid governmental bank bond defaults by offering a swap. A swap is "a bond that sells one debt instrument and uses the proceeds to buy another debt instrument. Investors engage in bond swapping to improve their financial positions within a fixed-income portfolio" (Chen). This would allow the banks owning the bonds to let go of the bonds in exchange for a 14% discount and cause a delay in payment of \$30 million.

A more recent fraud case took place in 2008 when the Army Chief of Staff Roberto Bendini was charged with improper use of funds. Bendini was operating another bank account where he diverted the government's money for personal use. Bendini was essentially using his power to divert government funds to commit fraud and pocket the money for himself (El Pais 2011).

The Francisco de Narvaez case is another notable example of embezzlement in Argentina. Francisco de Narvaez was a member of the Federal Peronist caucus, and Judge Federico Faggionato Márquez found that in 2008 de Narvaez had declared a taxable income of roughly \$200,000. This was investigated due to his dealings with Mario Segovia, the "king of ephedrine" (a common street drug used in Argentina). Not was some of this income possibly linked to illegal activities, but it was also untaxed. In addition, roughly \$8 million was distributed as gifts made to his children and another \$8 million exemption for personal expenses (Telam 2013). This is an excellent example of using the money for illegal acts, a critical factor in embezzlement.

A prominent fraud case involving the Argentinian government took place in 2011. This is the Shared Dreams case, also known as the Schoklender scandal. *The Economist* highlighted this case in an article titled "Corruption in Argentina," They exposed the fraud inside the social welfare system known as the Association of Mothers of the Plaza de Mayo. The Association of Mothers of the Plaza de Mayo was an organization compiled of mothers who had lost children in the "dirty war," the military dictatorship takeover of the country of Argentina. They had been granted 45 million dollars worth of public funds to build housing for the less privileged. However, they paid construction companies twice the market rate for the jobs. This prompted the government to file a case against them for fraud, money laundering, and illegal enrichment (The Economist 2011). This caused Sergio Schoklender, the Mothers of the Plaza de Mayo leader, to

leave his position. The total amounts donated to the association from the government totaled between \$150 and \$300 million.

*Figure 7*



Demonstration of Mothers of the Plaza de Mayo in Buenos Aires, Argentina (Berkowitz).

#### VIII. Creation of Monopolies and the Argentine Military Dictatorship

Monopolization is “a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute (The Economic Times 2022). With this definition, this chapter will look at times individuals found it possible to take portions of the government into their own hands and monopolize it. This section also focuses on the Argentine military dictatorship as this was, in essence, a structure characterized by a single person and essentially became a monopolization of the country as a whole.

The military dictatorship created a multi-industry monopoly by infiltrating the economic, religious, and public sectors. This union allowed the military government to align its values



to those of Catholicism for the use of oppression. María Soledad Catoggio, author of *Argentine Catholicism During the Last Military Dictatorship: Unresolved Tensions and Tragic Outcomes*, states, “on the one hand, the military’s attempt to define Catholic’ orthodoxy’ and, on the other, the clergy’s participation in the repressive machinery of the state” (Catoggio 2013, p. 140). This describes the military’s ability to penetrate the public using religion to oppress them and the Catholic church doing the same.

*Figure 8*



“Christian Federico von Wernich, an Argentine Roman Catholic priest and a former chaplain of the Buenos Aires Provincial Police was sentenced to life imprisonment in October 2007” (Ceraudo 2017)

The form in which the military dictatorships ruled the economic sector was by changing the currency of Argentina. In 1985, Military President Raúl Ricardo Alfonsín implemented the austral plan. This plan was to convert the previously used Argentine Peso to the new Argentine Austral. This was the military government’s way of attacking the debt crisis. This new currency helped the Argentine government restructure its debts, but the relief did not last

long as it ended up failing to stabilize the economy and led to a 388% annual inflation of the Austral. (Britannica)

The infiltration into public life by the military dictatorship was quite drastic. As mentioned above, not only were people's religion and finances affected but so were their daily lives as citizens. The dictatorship brought with it disappearances and murders. A notable example of this comes from an article from the New York Times, *The Long Shadow of Argentina's Dictatorship*, in which author Uki Goñi states, "In many cases, doctors injected opponents with sedatives before they were dropped, still alive, from planes into the freezing waters of the South Atlantic," He also states that they worked to trace the children born to women who gave birth in custody and were then murdered. Their babies were handed over to regime-approved parents, usually military families, to raise as their own" (Uki Goñi 2016). These terrible atrocities are a sample of tactics used to control the people of Argentina and allow the government to rule.

*Figure 9*



“A common tactic was to kidnap targets, sedate them, then load them into planes. Once over the ocean or a large body of water, they would be dropped to their deaths” (Ceraudo 2017).

With control over people’s everyday lives, their finance, and even their religion, the Argentine military rule was able to take control of a country for 25 years. During this time, it is clear how powerful the government was and how its effects had lasting repercussions. Although not without their corruption, the Mothers of la Plaza de Mayo did help to find many children’s biological mothers after the atrocities were committed.

## IX. Abuse of Discretion

The abuse of discretion, especially from those in power, can be a formidable tool in gaining power through corruption. In the case of corruption, the definition of discretion is described as “...corruption involves an abuse of discretion, vested in an individual, for personal gain. For example, a government employee involved in contracting may exercise the discretion to purchase goods or services from a company in which he or she holds a personal interest” (UNODC).

The idea of abuse of power in Argentina’s history is commonly associated with Néstor Kirchner. Kirchner started his political career as the province of Santa Cruz governor and would eventually be elected as the President of Argentina in 2003. Kirchner’s history of corruption goes back to his dealings with President Carlos Menem when he convinced Menem to sell him the state-owned oil company YPF in 1999. With the sale of YPF, it was taken private and thus took \$654 million out of Menem’s hands and into Kirchners. The sale intended to switch control of YPF, not offshore the funds. This essentially was taking money out of the hands of the Argentine government. Kirchner then took these funds and deposited

them into several foreign banks. When he became President in 2003, Kirchner promised to repatriate the entirety of the money and YPF. A few years later, a civil suit was filed against Kirchner by the government itself, but in 2004 was dismissed by a judge, who also happened to be his nephew-in-law. It was also found that of the \$654 million, about \$390 million remained in a Swiss bank (Ambito Financiero 2008). In 2012, President Kirchner made YPF a government-owned company again.

A significant part of the abuse of discretion is an individual's personal and ethical compass regarding what is reported or allowed to happen. No example is a better case than when in 2008, the American Ambassador to Argentina, Earl Anthony Wayne. Wayne met with Argentina's National Ombudsman, Dr. Eduardo Mondino (an Ombudsman is an official, usually appointed by the government, who investigates complaints (usually lodged by private citizens) against businesses, and financial institutions, universities, government departments, or other public entities. He attempts to resolve the conflicts or concerns raised by mediation or by making recommendations" (Investopedia 2022). During this meeting, it was discussed that commissions were to be charged on government contracts, which were later transferred to American banks. This was hidden under the table until a major Wikileaks outing (El Pais 2011).

#### X. The Military Junta of 1974 and Lack of Accountability

One significant instance of lack of accountability to the Argentine people is the Argentinian Catholic church during the Military Junta, which lasted 7 years. The Junta was a coup d'état<sup>3</sup> in which the right-wing overthrew Isabel Perón, President of Argentina, from

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<sup>3</sup> A coup d'état is a takeover and removal of a government and its powers for another.

1974 until 1976. She was replaced by three military leaders, Lieutenant General Jorge Rafael Videla, Admiral Emilio Eduardo Massera, and Brigadier-General. These three individuals helped establish the “National Reorganization Process,” which was the name for their political movement. This was similar to the “Last Military Junta,” also mentioned. This Junta was similar in that several human rights waves of abuse, such as murders and kidnappings. A common occurrence was for the military to kidnap pregnant women, keep them imprisoned until they gave birth, and later kill them and give their newborn children to childless military families (Goñi 2016). This shows a lack of accountability on the part of the military government by sanctioning these events and trying to cover them up after the coup.

During the Junta of 1974, the Catholic church played a huge role in disguising and supporting the military. They did this by accepting money from the government in exchange for the Catholic church’s public and vocal support for the Junta’s atrocities themselves, but for the message of the military government propagandized by the Catholic church. This is an introductory note since roughly 62.9 percent of Argentinians follow the Catholic religion; this is also typical for most Latin countries, roughly 69% of which identify as Catholic, as a Pew Research Center study (Lipka 2014). Therefore, this equated to creating a government and religious hold on the public of Argentina until 1983 (Catoggio 2013, p. 141).

Another incident falls under the definition of lack of ability in the case of President Menem and his dealings with Croatia and Ecuador between 1991 and 1996. Apart from Menem’s embezzlement charges in Argentina, he was charged with selling weapons to Croatia and Ecuador even though both countries were under an embargo from receiving weapons due to situations in both countries, making it imperative they do not receive

weapons. Again, this shows a lack of accountability from President Menem and the Argentine Government (Lindsey 2002).

A considerable lack of accountability comes from obstruction of justice in the 1994 bombing of a Jewish community center in Argentina. On July 18, 1994, a suicide bomber drove a car with explosives into the building. This bombing led to the deaths of eighty-six individuals, one suicide bomber, and the injuries of over three hundred individuals. President Menem was accused of helping to cover up evidence that would tie extremist groups Hezbollah and Iran to the matter (BBC 2008). This event is known as the deadliest terrorist attack in Argentina. This event is also significant since Argentina has the largest Jewish community in Latin America. On May 29, 2013, Alberto Nisman, the General Prosecutor of the case, issued an indictment for Iran. According to the indictment, as explained by the Anti-Defamation League or ADL, “planning for these attacks was carried out directly by the Iranian government or its proxy, Hezbollah” (ADL).

In 2010, a case of lack of accountability came directly from the Argentine Revenue Administration (AFIP). They had called for publisher Ciccone Cacografica to declare bankruptcy. Roughly two months later, the publisher received \$600,000 from a shell company, and this caused Alejandro Vandebroele to become President of Ciccone. The Minister of the Economy Amado Boudou requested the AFIP walk back its order and allowed Ciccone an extension to pay its debts. Laura Muñoz, Vandebroele’s ex-wife reported that Vandebroele was an agent of Boudou’s. The Argentine congress attempted to remove Boudou from office but was unsuccessful due to a Kirchner majority in both chambers of congress. However, it was later found out that Vandebroele was paying for Boudou’s housing as a form of payment. Nevertheless, this case is classified as a lack of

accountability by the Argentine government because they allowed Ciccone to print banknotes throughout the scandal (Clarín 2012).

## XI. The Fight Against Corruption

The World Bank states that “corruption is a global problem that requires global solutions” (World Bank 2021). This demonstrates the root solution to the problem, working together to stop corruption. In the book *Political Corruption, Concepts and Contexts*, by Arnold J. Heidenheimer and Michael Johnston, in a thesis by Erhard Blankenburg, he states, “it is the responsibility of the business sector to establish the norms of fair competition and free markets” (Heidenheimer, Johnston, and Blankenburg 2017, p. 865). The key takeaway from this passage is that public or private businesses must truly govern their interactions and limit their dealings with corrupt entities.

Several global institutions are dedicated to the fight against corruption and educating governments on the devastating effects it can have on a country. The most prominent organizations worldwide that are spearheading the anti-corruption sectors are the United Nations (U.N.), the World Bank, the International Monetary Fund (IMF), the Organization for Economic Co-operational and Development (OECD), and the International Chamber of Commerce (ICC). Several private organizations are involved in this effort, such as Transparency International, Wikileaks, Organized Crime, and the Corruption Reporting Project. Within Argentina, several agencies attempt to stop the fast-acting and fast-spreading corruption. The most prominent are the Auditor General’s<sup>4</sup> Office, the General

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<sup>4</sup> An Auditor General is an elected civil servant charged with improving government accountability by auditing and reporting on the government's operations.

Comptroller's<sup>5</sup> Office, and the Office of Anticorruption. These three agencies are responsible for analyzing, preventing, and addressing corruption within Argentina.

Although the fight against corruption in Argentina is a “top priority” for the Argentine government, it often feels like not enough is being done or nothing is being done. Due to this, in 2015, President Mauricio Macri stepped into office; he gave the Ministry of Justice and Human Rights a clear mission to reduce corruption levels, which was a top priority for the administration. This is because Argentina has a “culture” of corruption. This comes from years and years of corruption going unchecked and becoming accepted by the government and the people. An article titled IBA President in Argentina for High-Level Discussions on Fighting Judicial Corruption explains why the fight against corruption is essential by stating, “Unless a judiciary is corruption-free, all the other efforts to prosecute and eliminate corruption cannot succeed. Raising awareness of the legal consequences of judicial corruption and combatting it...” (Targeted News Service 2016). This goes to show the new resolve the President has for fighting corruption. Anti-corruption researcher Laura Alonso discussed what must be done to fight corruption. She states, “It is vital to involve the private sector in preventing corruption through good business practices and encouraging companies to report when irregularities arise in public procurement or contract negotiations.” When IMF interviewer David Pedroza asked what Argentina has been going to fight corruption and its use of technology, Alonso stated, “In Argentina, the administration was far behind in technology matters. The facade of a fight against corruption has been a longstanding political tool that has been used to gain votes and keep political parties in power for far too long. President Macri’s administration has recently brought the fight against corruption to the front

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<sup>5</sup> A Comptroller is responsible for supervising the quality of accounting and financial reporting of the government.



of the political spectrum (Center for Strategic & International Studies 2018). Since the creation of the Modernization Ministry in 2018, there has been significant progress on administrative modernization, starting with incorporating electronic files that allow electronic management of most internal administrative procedures, providing greater transparency and oversight of each procedure. It has also incorporated remote procedures that have accelerated the customs-clearing process and allowed for better oversight. “President Macri has signed a decree that launched the reform of electronic files and implementing an important, broad, open-data and open-government policy” (IMF 2018). This was yet another step in President Macri’s plan to help reduce the widespread corruption within Argentina.

While one may argue that too little has been done to fight corruption in Argentine politics, this is not to say that no action or reform has been taken at all. An example of the fight against corruption in Argentina is explained by Robert Klitgaard, a leading researcher in the study of anti-corruption, “Argentina reduced corruption in hospitals by publishing prices of all purchases throughout the hospital system” (Klitgaard 2011 p. 33). Here Klitgaard provides an example of what the government believed was a reduction in corruption within a public entity, in this case, a hospital. The government eliminated the presence of fraud and theft within the medical sector. They did so by providing the prices of products and services provided such that a patient knows the value of their treatments.

Another such example is in an article in *Forbes* by Nathaniel Parish Flannery, who states, “Macri has yet to kickstart a new wave of meaningful economic growth or eliminate longstanding struggles with inflation, but his government is at least inspiring confidence that Argentina is moving away from the legacy of recent left-of-center presidents who mismanaged macro-economic policy and tolerated high levels of corruption” (Flannery,

2018). This article highlights that while the public persona of President Macri was one of not making considerable strides in fighting inflation and supporting economic growth, he has, however, begun to fight the corruption in the country. Many of his predecessors not only ignored the problem but were culprits of it as well. This shows that the current government is at least acknowledging the corruption and attempting to correct it. Since President Macri's inauguration as President, he has instituted many processes, one such being measure was the move to prohibit the appointment of direct relatives of ministers into the government. This effectively stopped power from being passed from family member to family member within the government, thus reducing nepotism<sup>6</sup>. In addition, one of President Macri's administration's goals was to provide more significant support for the Oficina Anticorrupción or Anti-Corruption Office. Reports from the government indicated their main goal was to reduce corruption to increase their Consumer Price Index. As a result, they showed improved levels of the CPI, resulting in an increase in CPI of 8% between 2015 and 2017.

What suggestions can be given to the Argentine government to reduce overall corruption? The suggestions this thesis explores are the increase for capitalistic competition, providing education and support for reporting corruption, and an increased checks and balances system within the branches of government. The first suggestion is based on Kimberly Anne Elliott's thesis in *Political Corruption, Concepts, and Contexts*, called "Corruption as an International Policy Problem," which suggests that "democracy and market-oriented economic reforms should intern reduce corruption" (Heidenheimer, Johnston, and Elliott 2017, p.865). This is vital as reducing state-operated works, public contracts, or business will allow for a more

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<sup>6</sup> Nepotism is the favoritism and subsequent transfer of power, usually towards family and friends.

competitive market. A market that would, in theory, leave no space for corrupt seeds to grow. The democratic aspect Elliott mentions also resonates as removing consistent perpetrators of the law would free up the country's governance in exchange for less corrupt individuals. Additionally, a better checks and balances system within the government would also be highly beneficial as the current system seems to have much of the power placed on the executive branch, leading to the abuse of power seen by several branches of government, namely the executive and judicial.

Angela Gorta has suggested another solution in her thesis *Corruption and Anti-Corruption; A Tool for Building Corruption Resistance*; here, she states the four areas that can be analyzed to reduce corruption. She states, "opportunities and motivations for corrupt conduct to occur... making corruption more observable... making it easier to identify corrupt conduct... promoting action against corrupt conduct" (Gorta, p.12). The main point she is trying to present is that education is the factor that will stop corruption by increasing its visibility and effect. Educating Argentinians on the signs of corruption, motivating people to report, giving them the tools needed to report it, and incentivizing individuals by demonstrating that actual work is being done to deal with their reporting can effectively help lean the corruption out of Argentina.

Lastly, there is the help of foreign nations in the fight against corruption. Corruption devastates international trade; the Anti-Corruption & Governance Center states that "...corruption in trade goes beyond high profile disasters and scandals. When government agencies that manage imports and exports are poorly managed or actively abused, they cause largely unnoticed but devastating losses in revenue, market distortions, and health and security risks". Author Aurelio Garcia also goes on to offer a solution by stating,

Therefore, governments should treat trade corruption as the systematic and contextual problem that it is and start making the comprehensive long-term reforms that will eliminate it. Changing an entire system is complex; powerful forces will fight to maintain the status quo. It requires a strong will and a multidimensional and long-term structural approach touching various issues far beyond processes and regulations (Garcia 2021).

Garcia offers a message that world leaders should recognize and implement. He mentions that corruption is a “systematic and contextual problem” (Garcia 2021), meaning it will take time and complex planning to root out the seed of corruption from trade. This will increase the overall FDI into the country from reputable investors and corporations and, in turn, help reduce the inflation crisis Argentina is experiencing. For Argentina to elevate its problem with corruption and progress economically, politically, and socially, all three proposed solutions must be enacted promptly and swiftly. This will take the cooperation of the government and its citizens, the global leaders involved in trade, and the resurgence of strength possessed by the nation of Argentina.

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