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APPLES AND ORANGES? A CROSS-NATIONAL COMPARISON OF PRIVATIZATION IN ARGENTINA AND GERMANY

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ABSTRACT: *Over the last decade, many national policy-makers jettisoned autarkic industrial policies and adopted the neo-liberal economic solution. Neo-liberal policies, based on a theoretical framework in which the unfettered "market" acts as the final arbitrator in allocating resources, among other things, call for the privatization of domestic industries. Policy-makers adopt privatization programs ostensibly to reduce budget deficits, upgrade technology, and induce innovation. Privatization provides a means for breaking labor unions, disciplining labor and annihilating other public services. Privatization decenters the state and the labor force to the benefit of capital. Thus, implicit in the neo-liberal agenda is the total restructuring of the national social contract at the behest of an elite group of decision-makers. This paper specifically examines the adoption of and repercussions from privatization in two countries: Argentina and the former German Democratic Republic.*

INTRODUCTION

In this paper, we argue that national institutions - including labor unions, political parties, and even social contracts - profoundly influence the manner in which national elites implement privatization policies. We also argue that a state's relative position in the global economic order moderates the degree to which national institutions can "soften" the deleterious effects of privatization (i.e. massive layoffs). To develop these ideas, we highlight the institutions most responsible for mediating privatization in Argentina and Germany, two countries recently undertaking extensive privatization programs.

The authors contend there exists a trend towards privatization globally. With the collapse of the Soviet Bloc, the dominant development framework currently marketed involves restructuring national economies so they superficially resemble the neo-classical general equilibrium model. It should be noted that this development framework, which calls for privatization of nationally productive assets, abrogation of a well-knit social safety net, floating exchange rates, and increased foreign investment shift the locus of economic-decision making and activity from the state to the individual. Critical readers will also note that the national "individual" tends to be overrepresented by a high-status, high-income minority within the state.

We choose Argentina and Germany for four reasons. The first (and weakest) reason pertains to the authors' familiarity with these two countries. Second, data for both countries are readily accessible. Third, comparing Argentina and Germany allow us to determine if privatization programs produce similar results in economies with substantially divergent political and economic profiles. The fourth reason is that both countries occupy different positions in the global economy. Germany, a dominant country in world economic affairs, is an important member of the global economic elite. In contrast, Argentina, mired among the world's subordinate countries, is well-embedded in the global economic periphery.

Based on each state's position in the international framework, Argentina and Germany are only distantly related. It initially appears as if reunified Germany is a core state whilst Argentina takes a peripheral position vis-a-vis the World Bank and the International Monetary Fund (IMF). While true that far-reaching privatization in the former German Democratic Republic followed from national unification, we argue, upon closer scrutiny that both the former East Germany and Argentina occupied peripheral positions, at least for a short-time, within the international economy. Argentina's international integration at the behest of the World Bank reflects their subordinate status to the World Bank. Argentina's subordinate status, then, a legacy of an unstable economy, resulted in the adoption of a privatization program unsurpassed in its scope and speed (World Bank, 1993). East Germany's subordinate status solidly shifted from being a Soviet client-state to a West German colony following the 1990 All-German elections. These elections gave the fiscally and socially conservative pro-business Christian Democratic Union (CDU) party and its coalition partners a *carte blanche* for the reconfiguration of the former German Democratic Republic's (GDR) social and economic institutions.

We expect that a country's position in the global economy (i.e. whether it is relatively open to foreign pressure to privatize or whether it, or at least its elected officials, have internalized the rhetoric of privatization) will determine the speed and the extent of privatization's adoption. We also extent that in peripheral states, domestic forces will be less capable of controlling the speed and extent of privatization. Conversely, we expect core states to have greater control of the speed and extent of privatization. Thus, we expect privatization in Argentina to fall within IMF approved parameters, while in (the former East) Germany, domestic forces will implement programs to mitigate the dislocations associated with privatization.

SCOPE OF PRIVATIZATION

As part of its overall structural adjustment program, Argentina has embarked on one of the largest privatization programs ever. According to the World Bank, "the goal of Argentina's privatization program was to control public finances by eliminating corrupt and inefficient expenditure programs, enterprises, and subsidies by ensuring the collection of taxes and by reversing the governments continuing deterioration which prevented it from providing basic, vital services - through either direct assistance or public enterprise" (World Bank, 1993, ix). Such a comprehensive program is bound to have important immediate as well as lagged repercussions throughout a society.

Carlos Menem, Argentina's President from 1989-present, rekindled Argentina's on-and-off-again relationship with privatization after taking office. Menem's program was one of the most comprehensive in history and emphasized fiscal restraint, wage freezes, and economic liberalization (Cardoso and Helwege, 1993). The speed and scope of Argentina's program is unique, as is the degree of support provided by the World Bank (World Bank, 1993, x). Between 1990 and 1993, the government closed or sold virtually all of its public enterprises. This "fire sale" was an attempt to generate badly needed revenue and to reduce Argentina's huge outstanding debt (the third largest in Latin America behind Brazil and Mexico). According to the World Bank, the peak restructuring period (1990-1993) reduced employment in 13 major public enterprises from 222,000 to no more than 42,000. Of this reduction, approximately 66,000 were transferred to new private firms, 19,000 retired, and 95,000 received severance payments (World Bank, 1993, 15).

On 3 October 1990, Germany's political reunification took place. Civil and political elites in Bonn, the late capital of West Germany's Federal Republic, pursued privatization as the mechanism for most quickly securing reunified Germany's structural readjustment. This coalition of elites - hailing overwhelmingly from the ranks of West Germany's labor, capital and the state - perceived privatization as the surest route to long-run economic integration. Although the authors acknowledge that this coalition of elites played an important role in shaping reunified Germany's industrial policy, this paper focuses on the role of the *Truehandanstalt* or *Treuhand*. The *Treuhand* is the state trustee agency responsible for the "privatization and reorganization" of state-owned properties (Sinn, 1992, 6-7; Vincentz, 1991, 2).

The scope of privatization of state enterprises in the former GDR approached that of Argentina. The *Treuhand* completed its first phase of privatization in 1995, bequeathing the remaining properties to its four subsidiary organizations for further disposal. Although established on 1 March 1990 by the GDR's final government, upon reunification the *Treuhand* retained its role as the legal "guardian" of assets previously at the GDR's disposal (Sinn, 1992, 6-7; Vincentz, 1991, 2). At the time of German reunification - 3 October 1990 - these assets included over "8000 enterprises, tens of thousands small shops, restaurants, and service firms", 2.3 million hectares of arable land, 1.9 million hectares of forest, "the assets of the former GDR parties, mass organizations, the army, and the GDR security service" (Vincentz, 1991, 2). These assets originally covered 40% of the GDR's total land area; however, this share shrank to 25% when the *Treuhand* turned over forests and parks to the local communities. The *Treuhand* held "over 50% of the private and privatizable urban land" (Sinn, 1992, 7). All-in-all, the *Treuhand* was responsible for selling off two-thirds of the GDR's productive capacity (Kurz, 1993, 145-7). Before massive privatization commenced, the *Treuhand* assumed that its sales receipts would pay for a substantial proportion of reunification costs. At unification, the conventional wisdom was that the privatization effort would occur quickly, certainly taking no longer than a year. Neither has been the case (Sinn, 1992, 1; *TLG*, 1995, 1-3; *TLG*, 1994a; *TLG*, 1994b).

NATIONALIZATION

It is necessary to examine nationalization in both states as a precursor to identifying the magnitude of their respective privatization programs. Argentine society (or at least certain members of it) enjoyed a short-lived prosperity around the turn of the century and then again during and immediately after the Second World War. The prosperity was most evident in the "Paris of South America", Buenos Aires. The urban lifestyle in the capital was counted among the most sophisticated in the world. However, time revealed that the nature of capitalist development in Argentina was ill-suited for long-term prosperity and stability. According to Johns (1992) merchant capital played a more central role in Argentina's early development than did industrial capital. Consequently, highly liquid and flexible investments figured more prominently than did investments in manufacturing or other allied activities in the secondary sector. Thus, there was a general absence of long-term investment capital necessary for developing a more efficient and productive economy. In a short time, Argentina fell far behind the global industrial powers (including Germany) in productive capabilities, although demand for consumer goods remained robust. In short, Argentina, or more specifically, Buenos Aires, became a center of consumption rather than a center of production (Johns, 1992).

Subsequently, Argentina cemented its position in the global economic periphery. The economy remained stagnant between the World Wars, only to be resuscitated by increased demands for its exports during the Second World War. Juan Perón, who rose up through the military, assumed leadership of the country in 1946. One of Perón's first moves as head of state was to use the wartime revenues to nationalize key industries. Perón implemented nationalization and protectionist policies to attain his ambitious goal of Argentine self-sufficiency. The Perón administration purchased the predominately foreign-owned private utilities, the telephone company (formerly owned by International Telephone and Telegraph), and six railroads originally owned by British, French, and Argentine interests (World Bank, 1993, 1). Perón was confident that Argentina would thrive in the postwar world and spent large sums of money to rid the country of foreign interests. The much-maligned model of import-substitution industrialization (ISI) informed Perón's vision for Argentina's future prosperity.

Perón's reign consisted of a blend of authoritarianism and populism; he showed an unprecedented interest in the working-class and poor of Argentina. By doing so, he gained widespread support from Argentines who had historically been ignored by political leaders. He was responsible for the swelling of the state sector (his opponents argue it was to disguise unemployment) and the growth of unions which expanded from 520,000 members in 1945 to 2.3 million members in 1954 (Rock, 1987). Simultaneously, he alienated members of the military and business elites because of his populist social beliefs and unsound fiscal policy, both of which culminated in an economic and political crisis from which he never recovered. There is not the time nor the necessity to expand on the perplexing nature of Perón the man, or Perónism the political movement and social institution. It is only important to note that although succeeding regimes tried to eliminate the ideology of Perónism from the political arena, the movement remained strong enough for Perón himself to return from exile to regain the presidency in the early 1970s. Interestingly, the current wave of neoliberalism is under the guidance of Argentine president Carlos Menem, ostensibly also a Perónist.

Import-substitution industrialization, ideally to help create a self-sufficient economy, would have lasting effects on Argentine society. According to Cardoso and Helwege (1993), ISI policies exaggerated industrial growth at the expense of agriculture, which created two problems. First, the lack of investment in the countryside led to a massive rural to urban migration, in turn placing a severe burden on cities, particularly Buenos Aires. Second, industrial employment failed to expand sufficiently to absorb the recently urbanized labor force. This placed pressure on the government to act as an employer of last resort (Cardoso and Helwege, 1993, 91). Not surprisingly, the government could not hire the entire excess labor force, and the "surplus" marked the formation of a large and expanding un- and underemployment problem.

Argentina's international export position deteriorated during the Perón years. Adjustment in post-war Europe curtailed imports from all Latin American countries while agricultural protectionism in the United States excluded Argentine goods (Cardoso and Helwege 1993, 206). The resulting trade imbalance contributed to an economic crisis that would eventually force Perón from office. One of Perón's most serious shortcomings was his failure to break up the *latifundias* (large agricultural estates). As a result, agricultural productivity stagnated, resulting in a balance of payments deficit. Therefore, the nation could not earn enough from exports to pay for the large expenditures necessary to fuel domestic industrialization (Keen, 1992, 313).

In the GDR, economic policies also centered on nationalization and centralized control. The GDR inherited economic assets which had been quite productive in a functionally united fascist Germany (Berentsen, 1994, 4). Northern East Germany possessed a predominately rural and agricultural economy, while the southern half held a mostly urban and industrial economy. After 1945, territorial dismemberment in conjunction with the formation of two mutually-antagonistic German states shattered once elaborate transportation and trade networks (Berentsen, 1994, 4). In the wake of the Soviet occupation, the *SED* or "Social Unity Party" collectivized almost all "...means of production, distribution, and service" (Hancock, 1989, 180). Three goals motivated this collectivization. First, the GDR was to be restructured societally along a classless and anti-fascist line by eliminating the economic bases of fascism: monopoly capital and large, agricultural estates (Kleßmann, 1991). Second, collectivization followed from desires to rationalize production and insure economies of scale (Smyser, 1993, 151). Finally, centralized-planning, -control, -production, and -distribution insured *SED* control of the material bases of society (Smyser, 1993, 151).

As a Soviet client state, the GDR's trade took place within COMECON, a bilateral Soviet Bloc trading pact, which received approximately 75% of East German exports (Smyser, 1993, 151). The USSR consistently remained the GDR's largest trading partner measured in both exports and imports. While pursuing economic autarky in agricultural and consumer goods, the GDR specialized as COMECON's precision mechanical and electrotechnical equipment-producer (Smyser, 1993, 150-153). By the 1970's, the appropriate ministries (e.g. industry, agriculture) controlled and coordinated the lions-share of production through *Kombinate* (Smyser, 1993, 151). These *Kombinate* were huge, monopoly-like, vertically- and horizontally-integrated industrial production complexes (Smyser, 1993, 151). *Kombinate* "....controlled and coordinated all productive forces in any sector, often by industry and area" (Smyser, 1993, 151). By 1989, the 126 national and 95 regional *Kombinate* managed virtually all East German production and export (Smyser, 1993, 151). In 1988, the GDR's labor force numbered 8.9 million out of a total population of 16.7 million (Smyser, 1993, 7). Of these workers, over one-third found employment in the industrial sectors. Compared to advanced capitalist nations, an industry- and agriculture-heavy economic structure existed: the GDR's economic structure in 1988, with approximately 38% of employment in industry and 11% in agriculture, mirrored that of the Federal Republic in 1963 (Friedrich and Wiedemeyer, 1994, 91). The service sector was poorly developed. By the late 1980's, private enterprise, predominately in handicrafts, generated under three percent of GDP (Pickel, 1992; Smyser, 1993, 151). Thus, private production did exist at a small-scale; however, by the 1980's only two percent of the labor force worked in the private sector (Smyser, 1993, 151). This dearth of East German private enterprise insured that after reunification, indigenous moves toward privatization would be relatively few and that the predominate entrepreneurial assets would originate in West Germany.

EARLY ECONOMIC REFORMS

Prior to the most recent period of privatization, both countries embarked upon various programs of economic reform. The following section highlights some of these policies. Privatization programs in Argentina first took place in the late 1950s, shortly after the removal of Perón from office. In the 1970s, under one of the most repressive military regimes in Latin America, privatization became a preferred policy. In fact, by the late 1970s the military regime was responsible for the privatization or liquidation of 120 enterprises. By 1982, public sector employment had dropped by 42% since the early (pre-military) 1970s (World Bank, 1993). ECLAC (1991) estimates placed the average inflation from 1984-1989 at 1,100%; at no time since 1974 had inflation been less than 100%. In June 1985, the annualized inflation rate approached 6,000% (Cardoso and Helwege, 1993, 190). In an effort to stabilize inflation, the Alfonsín administration introduced the Austral Plan in 1985. This was a program of stabilization based on wage-price controls and a fixed exchange rate (Cardoso and Helwege, 1993, 190). The program had some initial success in lowering the inflation rate, but the austerity measures accentuated the decline in output and real wages. When the price freeze was lifted and growth resumed, prices took off.

In contrast, up until early 1990, economic reform in the GDR took place only guardedly. Attempts to counter the long-term debilitating trends in centrally-planned economies, such as low levels of labor-productivity, labor-hoarding, input-hoarding, low levels of innovation, and meager quality control, invariably failed. The state planner's fetish with capital goods meant that consumer goods were quite often in short-supply, of poor quality and of limited variety. Attempts to implement institutional mechanisms designed to boost a production unit's accountability and productivity often required an honest assessment of the problems inherent to centrally-planned economies. As such, assessments produced criticisms not isolated to the immediate economic problem, but instead indicated further systemic problems in the political apparatus. Attempts at economic reform prior to 1990 failed miserably as threatened hard-liners clamped down on internal reformists and reestablished the status quo.

RECENT PRIVATIZATION IN CONTEXT

The current wave of privatization can best be understood by first examining privatization's historical context in both Argentina and Germany. In both cases privatization is sold as the only viable response to combat severe economic downturns. We wish to reiterate that though both of these countries traveled very divergent paths, they now find themselves at a very similar site.

In Argentina, the military had been intimately involved in the political arena from 1930 until 1983, but it was not until the 1970s that their reign was in jeopardy. A dismal performance in governance highlighted by the "Dirty War" (1976-1983) and then the 1982 Falklands/Malvinas War debacle combined to successfully weaken the military as a prominent institution. As a result, a civilian regime returned via election to Argentina in 1983. The transition was not abrupt as might be expected, but was gradual and involved negotiations between the military and the democratic coalition. Radical Party candidate Raul Alfonsín's 1983 electoral victory was unexpected. He quickly moved to sever the ties with the military, which included bringing to trial military officers accused of human rights abuses during the Dirty War. The Alfonsín administration's confrontations with the military led to several military uprisings, and although none matched the success of earlier coups, the military remained on the political sidelines. Menem took office in 1989, with a much softer stance towards the military as evidenced in his pardoning of hundreds of accused (and usually well-documented) torturers and assassins. Menem even *praised* "Dirty War" practitioners for their role in fighting subversion. When Menem assumed the Presidency, Argentina found itself in the midst of an ongoing economic crisis and unemployment in Greater Buenos Aires reached an all-time high (Cardoso and Helwege, 1993, 197). Argentina's leaders and debt holders sought treatment for the economy's poor health. Menem quickly adopted designs to liberalize the economy, including the divestment of state industries.

German reunification took place during a general collapse of the East German economy. Prior to reunification, the Federal Republic's chancellor, Helmut Kohl, promised first, that "No one would be worse off than before [reunification] - and that many would be far better off", and second, that "Germany would have no tax increases in connection with German reunification" (Krumrey, 1992, 74). These promises were viewed with alarm by many experts in the Federal Republic who realized that reunification necessitated that the state subsidize entire uncompetitive branches and a soon to be structurally unemployed labor force (Krumrey, 1992, 75). Furthermore, the traditional export markets for goods produced in East Germany collapsed. After 3 October 1990, the Federal Republic inherited an economy in need of extensive restructuring. In late 1989, reformist elements of the *SED* took charge of the GDR. At this time, central planners continued debating the reorganization of their economy. As a result, in June 1990 the reformist government ratified the *Treuhandgesetz*, which called for the privatization of all *volkseigenen Vermögens* or "people's property" - including the *Kombinate* - by the *Treuhand* (German Information Center, 1995; Diemer and Kuhrt, 1994, 161). The *Treuhand* was a sort of holding company, eventually controlled by a board of predominately West German directors (Krysmanski). Following the completion of a German-German currency, economic and social union, on 1 July 1990, the *Treuhand* began privatization of approximately 8000 "firms" (Diemer and Kuhrt, 1994, 165).

IMPACTS TO DATE

What follows is not an exhaustive survey of privatization's impacts. Instead, we focus on a few of the more obvious results to illustrate that the human cost of privatization is not place specific.

Upon election in 1989, Carlos Menem successfully stabilized the macro-economic crisis he inherited by dampening inflation, and thereby garnered public trust. Shortly thereafter he began his massive privatization program. Menem, now in his second term, is grappling with new economic crises. In 1995, Argentina felt reverberations of the Mexican economic crisis - the so-called "Tequila Effect" - which led to capital flight and inability to attract new investments, as well as declining currency reserves, a plummeting stock market, rising interest rates, a deepening recession and increasing unemployment (Vacs, 1996, 35). This "reverberation" reflects Latin America's and Argentina's vulnerable position in the global economy. Vacs (1996) suggests, paradoxically, that this crisis actually helped Menem's chances of being reelected due to his previous success in stabilizing the more severe 1989 crisis. By the time of Menem's second inauguration in July 1995, the expected recovery had not materialized. Unemployment reached a record high of 18.6% and exceeded 20% in some of the largest urban areas (Vacs, 1996, 35). Menem, by being forced to juggle important local issues, while simultaneously appeasing the international community by promoting a "pro-business" climate, is faced with a major ideological crisis.

Detractors of Menem's privatization program often point to employment figures. The unemployment rate has more than doubled from 7.6% in 1989 to 16.4% in 1995 (IADB, 1996). As of May 1990, there are more than 4 million people (almost 1/3 of the economically active population) counted as underemployed or disguised unemployed (U.S. Department of Labor, 1994-1995). In addition, growth in the informal economy continues, establishing it as a permanent fixture of the Argentine employment profile.

Comparing employment levels in 1989 to 1993, East Germany's privatization resulted in an overall decline of 36%; correspondingly, the total number of employed fell to just under 6.2 million (*ifo Schnelldienst 17-18*, 1995, 92). As a result, approximately 39.5 for every 100 "new" Germans remained employed (*ifo Schnelldienst 17-18*, 1995, Tabelle 2). After reunification, the Federal government offered generous early-retirement benefits to contract the labor market and reduce the unemployment rate. Furthermore, *Pendler* or commuters, offset even higher unemployment levels: in 1992, an estimated one-half million East Germans commuted, and, of these commuters, approximately 40% found employment in West-Berlin (*ifo Schnelldienst 17-18*, 1995, Tabelle 2). Even as recent as January of 1995, the 1.1 million unemployed in the "new" states stood in sharp contrast to the 2.7 million unemployed in the "old" states, which translated into unemployment rates of 14% and 8.9%, respectively (*Presse u. Infomrationsamt*...1995, 68).

In Argentina, institutions that have dominated the country's past such as the military, labor unions, and Perónism are losing ground or being reconfigured in the new, neoliberal era. It is conceivable to suggest that new institutions must emerge to curb or moderate the negative short-term effects of privatization. Argentina's experiment with economic "shock treatment" provides both proponents and opponents of the privatization debate much ammunition. Opinions of the newly unemployed are no doubt critical of the privatization program while other Argentines merely label these setbacks "growing pains". Privatization's long-term effects remain far more uncertain.

Overall in East Germany, branches whose products competed for international markets lost market share and employment while branches whose products competed for local markets gained in importance (*DIW*, 1995, 478). *DIW* (1995, 478) asserts that the growing domestic orientation of East German firms follows from the growth of domestic demand for goods and services, and only peripherally due to exports. In 1994, exports' destinations still consisted of eastern European markets, although a marked re-orientation of exports towards western markets began to replace this trend (*DIW*, 1995, 478). By 1994 in many sectors, declines in employment corresponded to increases in both labor productivity and real output (*DIW*, 1995, 478). This increase in labor productivity resulted directly from labor-, capital- and state-sponsored modernization and restructuring programs. Despite these increases in labor productivity, with approximately 19% of reunited Germany's population, in 1994 the former GDR accounted for only 5% of total industrial production in GDP in the new Federal Republic (*DIW*, 1995, 478).

Finally, since reunification, East German labor productivity has lagged far behind West German labor productivity (*DIW*, 1995, 467 Tabelle 3; Sinn and Sinn, 1993, 211-216). Some authors attribute this outcome as a result of western unions organizing eastern labor so that their wages exceeded their productivy (Hagemann, 1993, 95; Sinn, 1992, 17-19). Others blame the aged production techniques, and yet others blame the work ethic of "real existing socialism". Regardless of the cause, this outcome resulted in the deterioration of potential competitive advantages in labor-intensive industries, consequently contributing to high unemployment in East Germany. Until a substantial number of East German based-firms integrate themselves into the global economy, growth and stability in the "new" Germany will depend on transfer payments and marginally competitive firms producing for local consumption. Annual net transfer payments between 1991 and 1995 increased from DM 106 billion to DM 155 billion. However, because integration is predicated upon structural readjustment, this volume of transfer payments will be needed for years to come (*Presse u. Infomrationsamt*...1995, 1). Structural readjustment necessitates the diffusion of new technological ensembles, the introduction of new work-practices, continued privatization and new firm creation - all of which require extensive and protracted capital outlays (Hagemann, 1993, 98; Kurz, 1993, 157).

CROSS-NATIONAL COMPARISON

By undertaking a cross-national comparison, we necessarily examine the geographies influencing specific processes, such as privatization. In turn, it is likely that this process will fundamentally alter national geographies. Therefore, assessing privatization policies is place-specific.

However, when comparing privatization programs in Argentina and East Germany it is useful to view both as under the influence of external forces. In Argentina, the World Bank was highly influential, while privatization in East Germany is largely accredited to reunification and the resources available in West Germany. Furthermore, both of these countries are being integrated in the new economic order, albeit at vastly different relative positions, but are increasingly impacted by similar forces (i.e. rulings of the World Trade Organization, U.S. interest rates, oil prices).

Increasingly important in the new economic order is the role of regional economic pacts, and both of these countries are intimately involved in such pacts. Argentina, along with Brazil are the two prominent players in MERCOSUR (Southern Cone Free Trade Agreement), while Germany's influence in the European Union is paramount. How these new endeavors coincide with privatization is too early to determine, but will inevitably be considerable.

Furthermore, both countries have cultural and social legacies that will permeate society at least for the next few generations. East Germans will only gradually remove themselves from the command economy mentality that persisted for the last half century. East Germany is presumably better off than other countries undergoing privatization due to its intimate ties with West Germany. However, the accretion of 40+ years of "real existing socialism" persist, and mutual resentment between East and West Germans is indisputable. Similarly, Argentina must try to eliminate the economic scars from the past 20+ years of deep crisis and the social scars left by military rule. The recent economic and social unrest have arguably combined to shatter the collective confidence of the public and investors alike. Hence, an Argentina, exhausted and bankrupted, adopted a World Bank brokered privatization scheme.

CONCLUSION

In this paper we sketch the outlines of the privatization process in Argentina and Germany. This is by no means intended to be a thorough institutional analysis of the privatization process, nor is it meant to be an exhaustive analysis of all relevant Argentine and German institutions. This paper's contribution is to recognize the importance of a country's relative position in the global economic order and how this position constrains the national economic agenda. With that, in the following three paragraphs, we re-elaborate our conclusions regarding the role of insitutions, global economic standing and the historical impact of external intervention.

Privatization in East Germany took place under the auspices of the *Treuhand*. Although founded by East Germans, West Germans came to dominate this organization soon after reunification. Its ruling body consisted of 14 high-ranking managers from West German corporations, 5 representatives from the 5 "new" East German states, 2 state secretaries from Bonn, one *Bundesbank* representative and one labor union representative (Krysmanksi). Meanwhile, Argentina's privatization took place at the behest of the World Bank. Argentina's subordinate position to the World Bank directly resulted from its huge public debt, much of which was accrued during the repressive military regime from 1976-1983.

Argentina's economy developed as an exporter of primary agricultural commodities and an importer of high-caliber consumer goods destined for Buenos Aires. In contrast, East Germany developed as a producer of capital goods for heavy industries and importer of raw materials. East Germany's pre-privatization development trajectory resulted from both historical trends and its niche in COMECON. Argentina's development trajectory followed from the dominance of mercantilist capital over industrial capital, Perón's dual nationalization- and industrialization-drives, and agricultural exports.

The historical impact of the U.S. on both these regions should not be overlooked or downplayed. As the bastion of neo-liberalism, the U.S. has historically played an influential role in the development of Argentina and East Germany, by proxy if not by direct means. East Germany, as a client state of the Soviet Union, struggled for international recognition in organizations like the United Nations in the face of overwhelming U.S. opposition. U.S. relations with the former German Democratic Republic were always conditioned by the nature of U.S.-West German relations. The U.S. position vis-a-vis East Germany was one of general hostility up until at least the early 1970s. Even after German-German diplomatic missions were established, the U.S. refused to support German reunification under any circumstances other than the absorption of East Germany by West Germany. And, until 1990, the Soviet Union had stated that German reunification was only possible in the reverse case. Only after Gorbachev's drives for *Glasnost* and *Perestroika*, did reunification become a possibility. Only after the Soviet Union refused to support *SED* hard-liners in "re-securing" East German domestic stability by force-of-arms, did the Soviets indicate - *de facto* and then *de jure* - that German unification could proceed.

Argentina's relations with the U.S. have historically been tenuous. During World War II, Argentina was accused of being a Nazi sympathizer and was "blackballed" in the American community. More recently, it has been suggested that the U.S. preferred strong-handed military rulers in Latin America and tolerated human rights abuses in lieu of free market policies. This preference for military leaders has since switched and democratic, neoliberal leaders are now favored in the North. The extent to which the U.S. can dictate local politics may be open to debate, but does offer a hypothesis worthy of consideration.

In summary, the authors wish to indicate that useful nature of this cross-national comparison of privatization policies. The principal result of our work is the belief that privatization policies, though they may proceed similarly but the extent of the outcomes regarding unemployment levels (at least), are to a large part a function of institutional and international factors. At the very least, we can state that massive privatization programs take place in weak countries with political elites subverted by, or at the mercy of foreign capital.

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