

"One fellow from the American Littoral Society went into this chemical company wearing a hard hat. He asked the guard where the outfall lines were, because he had to come back and work on them. The guard showed him three outfalls. The company had only admitted one, and only one was authorized," Dave Bulloch said. I urged the

necessity to gather proof of what we had seen in a manner that would be acceptable in a legal proceeding in order to document the problem.

"You don't need that," Charlie said. "I just tell folks to look at the price of fish. That says it all." I guess it does. Happy Birthday, America. The ocean is dead. □

THE 'CHICAGO BOYS' IN CHILE

Economic 'Freedom's' Awful Toll

ORLANDO LETELIER

It would seem to be a common-sensical sort of observation that economic policies are conditioned by and at the same time modify the social and political situation where they are put into practice. Economic policies, therefore, are introduced *in order* to alter social structures.

If I dwell on these considerations, therefore, it is because the necessary connection between economic policy and its sociopolitical setting appears to be absent from many analyses of the current situation in Chile. To put it briefly, the violation of human rights, the system of institutionalized brutality, the drastic control and suppression of every form of meaningful dissent is discussed (and often condemned) as a phenomenon only indirectly linked, or indeed entirely unrelated, to the classical unrestrained "free market" policies that have been enforced by the military junta. This failure to connect has been particularly characteristic of private and public financial institutions, which have publicly praised and supported the economic policies adopted by the Pinochet government, while regretting the "bad international image" the junta has gained from its "incomprehensible" persistence in torturing, jailing and persecuting all its critics. A recent World Bank decision to grant a \$33 million loan to the junta was justified by its President, Robert McNamara, as based on purely "technical" criteria, implying no particular relationship to the present political and social conditions in the country. The same line of justification has been followed by American private banks which, in the words of a spokesman for a business consulting firm, "have been falling all over one another to make loans." (See Ann Crittenden: "Loans from Abroad Flow to Chile's Rightist Junta," *The New York Times*, February 20.) But probably no one has expressed this attitude better than the U.S. Secretary of the Treasury. After a visit to Chile, during which he discussed human

rights violations by the military government, William Simon congratulated Pinochet for bringing "economic freedom" to the Chilean people (*The Times*, May 17). This particularly convenient concept of a social system in which "economic freedom" and political terror coexist without touching each other, allows these financial spokesmen to support their concept of "freedom" while exercising their verbal muscles in defense of human rights.

The usefulness of the distinction has been particularly appreciated by those who have generated the economic policies now being carried out in Chile. In *Newsweek* of June 14, Milton Friedman, who is the intellectual architect and unofficial adviser for the team of economists now running the Chilean economy, stated: "In spite of my profound disagreement with the authoritarian political system of Chile, I do not consider it as evil for an economist to render technical economic advice to the Chilean Government, any more than I would regard it as evil for a physician to give technical medical advice to the Chilean Government to help end a medical plague."

It is curious that the man who wrote a book, *Capitalism and Freedom*, to drive home the argument that only classical economic liberalism can support political democracy can now so easily disentangle economics from politics when the economic theories he advocates coincide with an absolute restriction of every type of democratic freedom. One would logically expect that if those who curtail private enterprise are held responsible for the effects of their measures in the political sphere, those who impose unrestrained "economic freedom" would also be held responsible when the imposition of this policy is inevitably accompanied by massive repression, hunger, unemployment and the permanence of a brutal police state.

The Economic Prescription & Chile's Reality

The economic plan now being carried out in Chile realizes an historic aspiration of a group of Chilean economists, most of them trained at Chicago University by Milton Friedman and Arnold Harberger. Deeply involved in the preparation of the coup, the "Chicago boys," as they are known in Chile, convinced the generals that they were prepared to supplement the brutality, which the military possessed, with the intellectual assets it lacked. The U.S. Senate Select Committee on Intelligence has disclosed that "CIA collaborators" helped plan

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Allende's Economic Record

There is a widespread notion—reported by the American press, often without substantiation—that the Allende government made a “shambles” of the Chilean economy. It is hardly acceptable to judge an ongoing sociopolitical process only by traditional economic indicators which describe aggregate economic features and not the general condition of society. However, when those indicators are applied to Chile, the Popular Unity Government fares very well.

In 1971, the first year of the Allende government, the GNP increased 8.9%; industrial production rose by 11%; agricultural output went up by 6%; unemployment, which at the end of the Frei government was above 8%, fell to 3.8%. Inflation, which in the previous year had been nearly 35%, was reduced to an annual rate of 22.1%.

During 1972 the external pressures applied on the government and the backlash of the domestic opposition began to be felt. On the one hand, lines of credit and financing coming from multinational lending institutions and from the private banks and the government of the United States were severed (the exception being aid to the military). On the other hand, the Chilean Congress, controlled by the opposition, approved measures which escalated government expenditure without producing the necessary revenues (through an increase of taxes); this added momentum to the inflationary process. At the same time, factions of the traditional right wing began to foment violence aimed at overthrowing the government. Despite all this and the fact that the price of copper, which represented almost 80% of Chile's export earnings, fell to its lowest level in thirty years, the Chilean economy continued to improve throughout 1972.

By the end of that year, the growing participation of the workers and peasants in the decision-making process, which accompanied the economic progress of the preceding two years, began to threaten seriously the privileges of traditional ruling groups and provoked in them more violent resistance. By 1973, Chile was experiencing the full effects of the most destructive and sophisticated conspiracy in Latin American history. Reactionary forces, supported feverishly by their friends abroad, developed a broad and systematic campaign of sabotage and terror, which was intensified when the government gained in the March Congressional elections. This included the illegal hoarding of goods by the rich; creation of a vast black market; blowing up industrial plants, electrical installations and pipe lines; paralysis of the transportation system and, in general, attempts to disrupt the entire economy in such a way as to create the conditions needed to justify the military coup. It was this deliberate disruption, and not the Popular Unity, which created any chaos during the final days of the Allende government.

Between 1970 and 1973, the working classes had access to food and clothing, to health care, housing and education to an extent unknown before. These achievements were never threatened or diminished, even during the most difficult and dramatic moments of the government's last year in power. The priorities which the Popular Unity had established in its program of social transformations were largely reached. The broad masses of the Chilean people will never forget it.

the economic measures that Chile's junta enacted immediately after seizing power (“A Draconian Cure for Chile's Economic Ills,” *Business Week*, January 12). Committee witnesses maintain that some of the “Chicago boys” received CIA funds for such research efforts as a 300-page economic blueprint that was given to military leaders before the coup. It is therefore understandable that after seizing power they were, as *The Wall Street Journal* (November 2, 1973) put it, “champing to be unleashed” on the Chilean economy. Their first approach to the situation was gradual; only after a year of relative confusion did they decide to implement without major modification the theoretical model they had been taught at Chicago. The occasion merited a visit to Chile by Mr. Friedman himself who, along with his associate, Professor Harberger, made a series of well-publicized appearances to promote a “shock treatment” for the Chilean economy—something that Friedman emphatically described as “the only medicine. Absolutely. There is no other. There is no other long-term solution.” (The quotation is from *El Mercurio* of Santiago, March 23, 1975.)

These are the basic principles of the economic model offered by Friedman and his followers and adopted by the Chilean junta: that the only possible framework for economic development is one within which the private sector can freely operate; that private enterprise is the most efficient form of economic organization and that, therefore, the private sector should be the predominant factor in the economy. Prices should fluctuate freely in accordance with the laws of competition. Inflation, the worst enemy of economic progress, is the direct result of monetary expansion and can be eliminated only by a drastic reduction of government spending.

Except in present-day Chile, no government in the world gives private enterprise an absolutely free hand. That is so because every economist (except Friedman and his followers) has known for decades that, in the real life of capitalism, there is no such thing as the perfect competition described by classical liberal economists. In March 1975, in Santiago, a newsman dared suggest to Friedman that even in more advanced capitalist countries, as for example the United States, the government applies various types of controls on the economy. Mr. Friedman answered: “I have always been against it, I don't approve of them. I believe we should not apply them. I am against economic intervention by the government, in my own country, as well as in Chile or anywhere else” (*Que Pasa*, Chilean weekly, April 3, 1975).

This is not the place to evaluate the general validity of the postulates advanced by Friedman and the Chicago School. I want to concentrate only on what happens when their model is applied to a country like Chile. Here Friedman's theories are especially objectionable—from an economic as well as a moral point of view—because they propose a total free market policy in a framework of extreme inequality among the economic agents involved: inequality between monopolistic and small and medium entrepreneurs; inequality between the owners of capital and those who own only their capacity to work, etc. Similar situations would exist if the model were applied to any other underdeveloped, dependent economy.

It is preposterous to speak about free competition in

Chile. The economy there is highly monopolized. An academic study made during President Frei's regime pointed out that in 1966 "284 enterprises controlled each and every one of the subdivisions of Chilean economic activities. In the industrial sector, 144 enterprises controlled each and every one of the subsectors. In turn, within each of these 144 manufacturing enterprises which constituted the core of the industrial sector, a few shareholders controlled management: in more than 50% of the enterprises, the ten largest shareholders owned between 90 and 100% of the capital." (*Politica y Espiritu*, No. 356; 1975.)

On the other hand, studies also conducted during the pre-Allende period demonstrated the extent to which the Chilean economy has been dominated by foreign-based multinationals. As Barnett and Müller put it in *Global Reach*, "In pre-Allende Chile, 51% of the largest 160 firms were effectively controlled by global corporations. In each of the seven key industries of the economy one to three firms controlled at least 51% of the production. Of the top twenty-two global corporations operating in the country, nineteen either operated free of all competition or shared the market with other oligopolists."

From 1971 to 1973, most of the monopolistic and oligopolistic industries were nationalized and transferred to the public sector. However, the zeal with which the military dictatorship has dismantled state participation in the economy and transferred industries to foreign ownership suggests that levels of concentration and monopolization are now at least as high as they were before the Popular Unity (Allende) Government.

An International Monetary Fund Report of May 1976 points out: "The process of returning to the private sector the vast majority of the enterprises which over the previous fifteen years, but especially in 1971-73, had become part of the public sector continued [during 1975]. . . . At the end of 1973 the Public Development Corporation (CORFO) had a total of 492 enterprises, including eighteen commercial banks. . . . Of this total, 253 enterprises . . . have been returned to their former owners. Among the other 239 enterprises . . . 104 (among them ten banks) have been sold; sixteen (including two banks) have already been adjudicated, with the completion of the transfer procedure being a matter of weeks; the sale of another twenty-one is being negotiated bilaterally with groups of potential buyers. . . ." Competitive bidding is still to be solicited for the remaining enterprises. Obviously the buyers are always a small number of powerful economic interests who have been adding these enterprises to the monopolistic or oligopolistic structures within which they operate. At the same time, a considerable number of industries have been sold to transnational corporations, among them the national tire industry (INSA), bought by Firestone for an undisclosed sum, and one of the main paper pulp industries (Celulosa Forestal Arauco), bought by Parsons & Whittemore.

There are many other examples to show that, as far as competition goes, Mr. Friedman's prescription does not yield the economic effects implicit in his theoretical model. In the first half of 1975, as part of the process

of lifting regulations from the economy, the price of milk was exempted from control. With what result? The price to the consumer rose 40% and the price paid to the producer dropped 22%. There are more than 10,000 milk producers in Chile but only two milk processing companies, which control the market. More than 80% of Chilean paper production and all of certain types of paper come from one enterprise—the *Compañía Manufacturera de Papeles y Cartones*, controlled by the Alessandri interests—which establishes prices without fear of competition. More than fifteen foreign brands are offered in the Chilean home appliances market, but they are all in the hands of only three companies, which assemble them in Chile and determine their retail prices.

Of course, any of the followers of the Chicago School would say that, with the liberalization of the international market, as prescribed by the model, Chilean mo-



Vadillo, *El Sol de Mexico*

nopolies and oligopolies would be exposed to competition from abroad. However, that does not happen. Chile so lacks foreign currency that it cannot import what it needs, of even the most essential goods. Still more important is the fact that foreign enterprises are not interested in sending to Chile goods which could compete with those manufactured by their own Chilean subsidiaries. Besides, in Chile the economic interests which control the manufacturing industry also control the financial apparatus and import activities. These groups are not disposed to compete with themselves. In short, the application of

Friedman's theories to the real world of Chile means that the industrialists can freely "compete" at whatever price levels they choose.

Other aspects of the brand of economics taught at the University of Chicago are conveniently ignored by the junta's economic advisers. One is the importance of wage contracts freely negotiated between employers and workers; another is the efficiency of the market as an instrument to allocate resources in the economy. It is sardonic to mention the right of the workers to negotiate in a country where the Central Workers' Federation has been outlawed and where salaries are established by the junta's decree. It may also seem grotesque to speak of the market as the most effective instrument for allocating resources when it is widely known that there are practically no productive investments in the economy because the most profitable "investment" is speculation. Under the slogan "We must create a capital market in Chile," selected private groups enjoying the junta's protection have been authorized to establish so-called "financieras," which engaged in the most outrageous financial speculations. Their abuses have been so flagrant that even Orlando Saez, former president of the Chilean Industrialists' Association and a staunch supporter of the coup, could not refrain from protesting. "It is not possible," he said, "to continue with the financial chaos that dominates in Chile. It is necessary to channel into productive investments the millions and millions of financial resources that are now being used in wild-cat speculative operations before the very eyes of those who don't even have a job." (*La Tercera*, April 9, 1975.)

But the crux of Friedman's prescription, as the junta never ceases to emphasize, is control of inflation. It should, according to the junta, enlist "the vigorous efforts of all Chileans." Professor Harberger declared categorically in April 1975: "I can see no excuses for not stopping inflation: its origins are well known; government deficits and monetary expansion have to be stopped. I know you are going to ask me about unemployment; if the government deficits were reduced by half, still the rate of unemployment would not increase more than 1%" (*Que Pasa*, April 10, 1975). According to the junta's official figures, between April and December 1975, the government deficit was reduced by approximately the 50% that Harberger recommended. In the same period, unemployment rose six times as much as he had predicted. The remedy he continues to advocate consists of reducing government spending, which will reduce the amount of currency in circulation. This will result in a contraction of demand, which in turn will bring about a general reduction of prices. Thus inflation would be defeated. Professor Harberger does not say explicitly *who* would have to lower their standard of living to bear the costs of the cure.

Without a doubt, excessive monetary expansion constitutes an important inflationary factor in any economy. However, inflation in Chile (or any underdeveloped country) is a far more complex problem than the one presupposed by the mechanical models of the monetarist theorists. The followers of the Chicago School seem to forget, for example, that the monopolistic structure of the Chilean economy allows the dominant firms to maintain

prices in the face of falling demand. They also forget the role that so-called inflationary expectations play in generating price increases. In Chile, inflationary expectations have lately been approximating 15% per month. Looking ahead, firms prepare for rising costs by raising their own prices. This continuous price "leap-frogging" feeds a general inflationary spiral. On the other hand, in such an inflationary climate, no one with liquid assets wants to hold them. Powerful interest groups, operating without government control, can thus manipulate the financial apparatus. They create institutions to absorb any available money and use it in various forms of speculation, which thrive on and propel inflation.

The Economic Results

Three years have passed since this experiment began in Chile and sufficient information is available to conclude that Friedman's Chilean disciples failed—at least in their avowed and measurable objectives—and particularly in their attempts to control inflation. But they have succeeded, at least temporarily, in their broader purpose: to secure the economic and political power of a small dominant class by effecting a massive transfer of wealth from the lower and middle classes to a select group of monopolists and financial speculators.

The empirical proof of the economic failure is overwhelming. On April 24, 1975, after the last known visit of Messrs. Friedman and Harberger to Chile, the junta's Minister of Finance, Jorge Cauas, said: "The Hon. junta have asked me to formulate and carry out an economic program primarily directed to eradicate inflation. Together with a numerous group of technicians, we have presented to the Chilean authorities a program of economic revival which has been approved and is beginning. The principal objective of this program is to stop inflation in the remainder of 1975." (The "group of technicians" is obviously Friedman and company.) By the end of 1975 Chile's annual rate of inflation had reached 341%—that is, the highest rate of inflation in the world.* Consumer prices increased that same year by an average 375%; wholesale prices rose by 440%.

Analyzing the causes of Chilean inflation in 1975, a recent report of the International Monetary Fund (IMF) says: "The cutback in government spending, with its adverse effects on employment, in housing, and public works, went significantly further than programmed in order to accommodate the large credit demands of the private sector. . . ." Later on it states: "Overall monetary management remained expansionary in 1975. Moreover, continued high inflationary expectations and the public's attendant unwillingness to increase its real cash balances greatly complicated the implementation of the monetary program." Referring to private organizations which have begun to operate without any control, the report adds that the "financieras" have been allowed to operate beside the commercial banking system and at interest rates up to 50% higher than the maximum permissible banking rate. According to the same source, the "financieras" were oper-

*The two countries with the next highest rates of inflation in 1975 were Argentina, with 312%, and Uruguay with 68.1%. Both are countries with dependent capitalist economies that apply junta-style models of political repression and "economic freedom."

ating in 1975 at an interest rate of 14% a month, or 168% a year; they obtained loans in New York at 10% to 12% a year.

The implementation of the Chicago model has not achieved a significant reduction of monetary expansion. It has, however, brought about a merciless reduction of the income of wage earners and a dramatic increase in unemployment; at the same time it has increased the amount of currency in circulation by means of loans and transfers to big firms, and by granting to private financial institutions the power to create money. As James Petras, an American political scientist, puts it (*New Politics*, Winter 1976): "The very social classes on which the junta depends are the main instrumentalities of the inflation."

The inflationary process, which the junta's policies stimulated immediately after the coup, was slightly reduced in 1975 as compared to the unbelievable rate of 375.9% in 1974. Such a minor reduction, however, does not indicate any substantial approach to stabilization and seems on the whole utterly irrelevant to the majority of Chileans who must endure the total collapse of their economy. This situation recalls the story of a Latin American dictator at the beginning of this century. When his advisers came to tell him that the country was suffering from a very serious educational problem, he ordered all public schools closed. Now, more than seventy years into this century, there still remain disciples of the anecdotal dictator who think that the way to eradicate poverty in Chile is to kill the poor people.

The exchange rate depreciations and the cutbacks in governmental expenditures have produced a depression which, in less than three years, has slowed the country's rate of development to what it was twelve years ago. Real Gross Domestic Product (GDP) contracted during 1975 by nearly 15% to its lowest level since 1969, while, according to the IMF, real national income "dropped by as much as 26%, leaving real per capita income below its level ten years earlier." The decline in the overall 1975 GDP reflects an 8.1% drop in the mining sector, a 27% decline in the manufacturing industries and a 35% drop in construction. Petroleum extraction declined by an estimated 11%, while transport, storage and communications declined 15.3%, and commerce fell 21.5%.

In the agricultural sector production appears virtually stagnant in 1975-76, with only an 0.4% variation from the previous agricultural year. This stagnation has been caused by a combination of factors, including the continued rise in the cost of imported fertilizers and pesticides. The use of fertilizer dropped by an estimated 40% in 1975-76. The increase in import prices also accounted for the decline in production of pork and poultry, which are almost entirely dependent on imported feed. The return to the former owners of several million hectares of farm land that had been expropriated and transferred to peasant organizations under the 1967 Agrarian Reform Law, has also reduced agricultural production. As of the end of 1975 almost 60% of all agricultural estates affected by the land reform—equivalent to about

24% of total expropriated land—has been subject to the junta's decisions. Of this total, 40% of the agricultural enterprises (75% of the physical acreage and more than 50% of the irrigated land) have entirely reverted to former owners.

In the external sector of the economy, the results have been equally disastrous. In 1975 the value of exports dropped 28%, from \$2.13 billion to \$1.53 billion, and the value of imports dropped 18%, from \$2.24 billion to \$1.81 billion, thus showing a trade deficit of \$280 million. Imports of foodstuffs dropped from \$561 million in 1974, to \$361 million in 1975. In the same period domestic food production declined, causing a drastic reduction in food for the masses of the population. Concurrently, the outstanding external public debt repayable in foreign currency increased from \$3.60 billion on December 31, 1974, to \$4.31 billion on December 31, 1975. This accentuated Chile's dependence on external sources of financing, especially from the United States. The junta's policies have burdened Chile with one of the highest per capita foreign debts in the world. In the years to come the nation will have to allocate more than 34% of its projected exports earnings to the payment of external debts.

But the most dramatic result of the economic policies has been the rise in unemployment. Before the coup, unemployment in Chile was 3.1%, one of the lowest in the Western Hemisphere. By the end of 1974, the jobless rate had climbed beyond 10% in the Santiago metropolitan area and was also higher in several other sections of the country. Official junta and IMF figures show that by the end of 1975 unemployment in the Santiago metropolitan area had reached 18.7%; the corresponding figure in other parts of the country was more than 22%; and in specific sectors, such as the construction industry, it had reached almost 40 per cent. Unemployment has continued to climb in 1976 and, according to the most conservative estimates, in July approximately 2.5 million Chileans (about one-fourth of the population) had no income at all; they survive thanks to the food and clothing distributed by church and other humanitarian organizations. The attempts by religious and other institutions to ease the economic desperation of thousands of Chilean families have been made, in most cases, under the suspicion and hostile actions of the secret police.

The inhuman conditions under which a high percentage of the Chilean population lives is reflected most dramatically by substantial increases in malnutrition, infant mortality and the appearance of thousands of beggars on the streets of Chilean cities. It forms a picture of hunger and deprivation never seen before in Chile. Families receiving the "minimum wage" cannot purchase more than 1,000 calories and 15 grams of protein per person per day. That is less than half the minimum satisfactory level of consumption established by the World Health Organization. It is, in short, slow starvation. Infant mortality, reduced significantly during the Allende years, jumped a dramatic 18% during the first year of the military government, according to figures provided by the U.N. Economic Commission for Latin America. To deflect

criticism from within its own ranks against the brutal consequences of layoffs, the junta in 1975 established a token "minimum employment program." However, it covers only 3% of the labor force, and pays salaries amounting to less than \$30—a month!

Although the economic policies have more mercilessly affected the working classes, the general debacle has significantly touched the middle class as well. At the same time, medium-size national enterprises have had their expectations destroyed by the reduction in demand, and have been engulfed and destroyed by the monopolies against which they were supposed to compete. Because of the collapse of the automobile industry, hundreds of machine shops and small industries which acted as subcontractors have faced bankruptcy. Three major textile firms (FIAD, Tomé Oveja and Bellavista) are working three days a week; several shoe companies, among them Calzados Bata, have had to close. Ferriloza, one of the main producers of consumer durables, recently declared itself bankrupt. Facing this situation, Raul Sahli, the new president of the Chilean Industrialists' Association, and himself linked to big monopolies, declared earlier in the year: "The social market economy should be applied in all its breadth. If there are industrialists who complain because of this, let them go to hell. I won't defend them." He is so quoted by André Gunder Frank in a "Second Open Letter to Milton Friedman and Arnold Harberger," April 1976.

The nature of the economic prescription and its results can be most vividly stated by citing the pattern of domestic income distribution. In 1972, the Popular Unity Government employees and workers received 62.9% of the total national income; 37.1% went to the propertied sector. By 1974 the share of the wage earners had been reduced to 38.2%, while the participation of property had increased to 61.8%. During 1975, "average real wages are estimated to have declined by almost 8%," according to the International Monetary Fund. It is probable that these regressive trends in income distribution have continued during 1976. What it means is that during the last three years several billions of dollars were taken from the pockets of wage earners and placed in those of capitalists and landowners. These are the economic results of the application in Chile of the prescription proposed by Friedman and his group.

A Rationale for Power

The economic policies of the Chilean junta and its results have to be placed in the context of a wide counter-revolutionary process that aims to restore to a small minority the economic, social and political control it gradually lost over the last thirty years, and particularly in the years of the Popular Unity Government.

Until September 11, 1973, the date of the coup, Chilean society had been characterized by the increasing participation of the working class and its political parties in economic and social decision making. Since about 1900, employing the mechanisms of representative democracy, workers had steadily gained new economic, social and political power. The election of Salvador Allende as President of Chile was the culmination of this process. For the first time in history a society attempted to build

socialism by peaceful means. During Allende's time in office, there was a marked improvement in the conditions of employment, health, housing, land tenure and education of the masses. And as this occurred, the privileged domestic groups and the dominant foreign interests perceived themselves to be seriously threatened.

Despite strong financial and political pressure from abroad and efforts to manipulate the attitudes of the middle class by propaganda, popular support for the Allende government increased significantly between 1970 and 1973. In March 1973, only five months before the military coup, there were Congressional elections in Chile. The political parties of the Popular Unity increased their share of the votes by more than 7 percentage points over their totals in the Presidential election of 1970. This was the first time in Chilean history that the political parties supporting the administration in power gained votes during a midterm election. The trend convinced the national bourgeoisie and its foreign supporters that they would be unable to recoup their privileges through the democratic process. That is why they resolved to destroy the democratic system and the institutions of the state, and, through an alliance with the military, to seize power by force.

In such a context, concentration of wealth is no accident, but a rule; it is not the marginal outcome of a difficult situation—as they would like the world to believe—but the base for a social project; it is not an economic liability but a temporary political success. Their real failure is not their apparent inability to redistribute wealth or to generate a more even path of development (these are not their priorities) but their inability to convince the majority of Chileans that their policies are reasonable and necessary. In short, they have failed to destroy the consciousness of the Chilean people. The economic plan has had to be enforced, and in the Chilean context that could be done only by the killing of thousands, the establishment of concentration camps all over the country, the jailing of more than 100,000 persons in three years, the closing of trade unions and neighborhood organizations, and the prohibition of all political activities and all forms of free expression.

While the "Chicago boys" have provided an appearance of technical respectability to the *laissez-faire* dreams and political greed of the old landowning oligarchy and upper bourgeoisie of monopolists and financial speculators, the military has applied the brutal force required to achieve those goals. Repression for the majorities and "economic freedom" for small privileged groups are in Chile two sides of the same coin.

There is, therefore, an inner harmony between the two central priorities announced by the junta after the coup in 1973: the "destruction of the Marxist cancer" (which has come to mean not only the repression of the political parties of the Left but also the destruction of all labor organizations democratically elected and all opposition, including Christian-Democrats and church organizations), the establishment of a free "private economy" and the control of inflation à la Friedman.

It is nonsensical, consequently, that those who inspire, support or finance that economic policy should try to present their advocacy as restricted to "technical considerations," while pretending to reject the system of terror it requires to succeed. □

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