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0521451469 - Pinochet's Economists: The Chicago School in Chile

Juan Gabriel Valdes

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This book tells the extraordinary story of the Pinochet regime's economists, known as the "Chicago Boys." It explores the roots of their ideas and their sense of mission, following their training as economists at the Department of Economics at the University of Chicago. After their return to Chile, the "Chicago Boys" took advantage of the opportunity afforded them by the 1973 military coup to launch the first radical free market strategy implemented in a developing country. The ideological strength of their mission and the military authoritarianism of General Pinochet combined to transform an economy that, following the return to democracy, has stabilized and is now seen as a model for Latin America.

This book, written by a political scientist, examines the neo-liberal economists and their perspective on the market. It also narrates the history of the transfer of ideas from the industrialized world to a developing country, which will be of particular interest to economists.

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Pinochet's economists

THE CHICAGO SCHOOL IN CHILE

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Preface and acknowledgments

The research that has led to this book stems from a series of issues that have held a particular fascination for me throughout my intellectual development. The first of these concerns the generation, spread, and influence of ideas and ideologies. I probably became interested in this immense theme when, during my childhood, I was told that the notions underpinning our independence arrived on Chilean shores aboard ships bringing French wines and cloth. Books by Rousseau and Montesquieu were brought in clandestinely, hidden amongst candles and rigging, and subsequently passed from hand to hand along a growing, anonymous trail that eventually arrived at a collective sentiment. This tale stimulated my imagination, channeling it towards an issue that has been with me ever since. And it led, almost naturally, to curiosity about the groups formed around such concepts: namely, the ideas in people's minds, the goals, emotions, choices, insights, and all manner of projects that came to symbolize a collective identity – projects to transform society itself.

My generation yearned to eradicate all that had gone before and to secure a radically distinct starting point. The ideological phenomenon of the 1960s, once described as a “world time,” knew no bounds of nationality. Across practically the entire globe, thousands of groups, enlightened by often contradictory ideas and vested with the convictions of the vanguard, embarked on a mission to change the established order. But how did these ideas and beliefs spread? How can we explain the surging ideological tides sweeping vertiginously through very different cultures, histories, and circumstances and advancing across frontiers – part of the always incomplete process of internationalization? The explanation is to be found in people, in the encounter between individuals across countries, in the creation of transnational networks of communication and in the casual or deliberate transfer of ideas.

Hence when, at the end of the 1970s, I chanced upon the “Chile Project Reports” among the archives of the Agency for International Development (AID) library in Washington DC, I immediately resolved to reconstruct the

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past. There, admirably detailed, lay the theoretical principles and the organizational details behind a deliberate process of transferring ideas from one country to another. But this was not the sole, nor even the main, reason for my interest in the affair. The documentation, dating from the late 1950s, described the transmittal of a well-known American tradition to a group of Chilean students. Remarkably, even as I read through the records, these very same students were using their posts as ministers and under-secretaries in a dictatorial regime to carry out the most radical change the Chilean economy has ever known.

Later on, once I had met the great names of the Chicago School of Economics and read Henry Simons and Frank Knight, I was able to pinpoint the roots of this economic vanguard's startling and all-encompassing discourse, which had provided the Pinochet regime with a revolutionary project. In truth the essentially political discourse of state, so much a part of Chilean democratic culture, had been replaced by an analytical matrix that propounded economic and market solutions for practically all problems in society. Shortly after returning to Chile in the early 1980s, I came to share the sense of confusion of a society – or at least of a social majority – which had felt its national identity to be linked to political democracy and to development defined as a form of social integration. The Chilean political elite felt itself stifled by an ideology that, shielded by the enforced silence of military repression, declared political activity irrelevant, heralded an individualism regulated only by free market forces and did not shrink from imposing, in the name of science, a penance for the historic errors of statism. It did so even though the poorest and least sheltered sectors of Chilean society might bear the brunt of the economic costs.

Isaiah Berlin has noted that not all forms of liberalism are pluralist. The type of neo-liberalism that emerged in Chile under military rule was intolerant, accepting neither the reconciliation of interests nor of values. This was an obsessive concept, dogmatically pursued. I am openly critical both of its social manifestations and of its imposition by an authoritarian state. Let me again seek sustenance in Berlin, who declared that the history of ideological stances can be correctly interpreted only by those who are themselves able to think in ideological terms and who are conscious of doing so. Now that democracy and tolerance have been restored in Chile, it is possible to sharpen the desire for reconciliation by looking back at the absolutist ideas which rose to the fore on both left and right during the 1960s and 1970s. In the new democratic framework economics cannot, as a science, be impervious to the ethical imperatives of a pluralist society. Economic practice must be guided by the force of argument, because the final determinant of its success lies in the political ability of society to reconcile creative and productive efforts.

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This book originates in a doctoral thesis submitted to the Department of Political Science at Princeton University. I would therefore like to thank the department's professors, particularly Paul E. Sigmund for his constant encouragement to continue work on the manuscript during the quite extensive periods that I devoted to non-academic tasks motivated by the obligation to contribute to the restoration of democracy in my country.

Similarly, I wish to acknowledge all the remarks, criticisms, and comments that have enriched my work. Much of the actual research took place while the author belonged to the Latin American Institute for Transnational Studies (Instituto Latinoamericano de Estudios Transnacionales, ILET), based in Santiago, Chile. My friends Juan Somavía, Guillermo Campero, Héctor Vera, Alejandro Foxley Tapia, and Paulo Hidalgo contributed with their ideas or, more directly, with the results of their own research. Subsequently, in 1985, I was fortunate enough to receive an invitation from the Kellogg Institute of International Studies at the University of Notre Dame, which enabled me to continue the research and editing process in the excellent surroundings of its campus. The Ford Foundation in New York, the Rockefeller Foundation in Pocantico Hills, the AID Library in Washington DC, and the School of Economics at the Universidad Católica in Santiago, Chile, allowed me generous access to their archives, for which I am extremely grateful.

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This edition, published by Cambridge University Press, would not have been possible without the interest and support of Professor Craufurd Goodwin, general editor of this economics studies series. I offer him my sincere thanks. Equally, I wish to express my appreciation to Professor Francis X. Sutton, the former director of the Bellagio Study and Conference Center of the Rockefeller Foundation, for indulging my desire for seclusion in this wonderful place. I thank the Bellagio Center and its current director, Pasquale Pesce, for the period of some weeks during which I was able to revise and

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rewrite important sections of the original text for the present edition. I cannot fail to mention, lastly, the enthusiasm and dedication of my secretary at the Embassy of Chile in Madrid, Magdalena Figueroa, who has managed to combine her work and our diplomatic agenda with the pendulum-like suspension and resumption of work on this book.