

Latin economies under seige

Free enterprise 'cures' savage industry, living standards

Former U.S. Treasury Secretary William Simon told a press conference in Buenos Aires March 29 that the "free market economy" and "anti-inflationary policies" applied for the last three years in Argentina "look so good that I would like to apply them in the United States." Three weeks earlier Chase Manhattan's David Rockefeller, concluding a four-day stay with "his personal friend," Argentine Finance Minister José Martínez de Hoz, exclaimed euphorically, "I believe there is no better alternative plan in Argentina" to de Hoz's IMF-guided austerity policies.

What are these gentlemen urging upon the United States?

The "anti-inflation program" of de Hoz spurred Argentine inflation to 170 percent last year, 5 percent more than the year before, and the world's record for the fourth straight year.

The program has not been without effect, however. It has cut living standards by 50 percent. Last year manufacturing fell by another 8 percent, and industry ran at only 64 percent of capacity. The "budget-cutters" nearly doubled taxes on those who still have incomes.

Argentina is not the only country in Latin America's Southern Cone (Argentina, Chile and Brazil) being touted as a model for the U.S.

President Carter and Senators Frank Church and Birch Bayh are only the most prominent of a number of U.S. leaders extolling the virtues of Brazil's "gasohol" program as an answer to U.S. energy needs.

Gasohol, a form of gasoline distilled from vegetable alcohols (sugar cane is the most widespread raw material), can only be cost effective if 1) labor-intensive methods are used to produce it and 2) the labor employed is subjected to pay scales far below the actual necessary standard for a productive worker in either industry or mechanized agriculture. Gasohol, in fact, was perfected by the Nazis.

Two myths

There are two myths about the Southern Cone economies which must be immediately dispelled to put the "recommendations" of Simon et al. in proper perspective.

The first is that the drastic austerity of these police regimes is some kind of "temporary" belt-tightening and reorganization following "overspending" under previous regimes, and that "recovery" is already underway or just around the corner.

In fact, the purportedly anti-inflation recipes in effect in Chile, Argentina and increasingly in Brazil are part of a model of "economic liberalism," also known under the "free enterprise," "free market," and "free trade" labels.

The heart of the free enterprise program is the reversion of in-depth industrialization programs, with strong state sector participation and direction, to agricultural and mineral export economies. Deindustrialization and destruction of labor power are the hallmarks of the process.

Economic "liberalism" does not mean "recuperation." It is a process of cannibalism in which meeting skyrocketing debt payments (Chile and Brazil each remit over 60 percent of export income for debt payment) only further erodes the productive base of the economy. There is no end except that pioneered in Nazi Germany: concentration camps producing for a war economy.

Those who have accepted the line that the free-market model means bigger foreign investment and profits should note that aggregate *disinvestment* has characterized both Chile and Argentina in the period since the military coups in those countries. And temporary spurts in providing certain consumer and even agricultural goods to the Southern Cone economies should not blind U.S. exporters to the overall decline of their markets and the virtual extinction of sales in capital-goods and other high-technology categories.

Dictatorship part of the package

The second myth is that the free-market economic "model" of the Southern Cone can somehow be set apart from the military-terror regimes which have implemented it. This is the call of those who preach "Chile without Pinochet" for the rest of the American continent—including the United States.

The truth is that economic liberalism necessarily

means fascist dictatorship, just as it did for Hitler's finance minister, Hjalmar Schacht, in the early 1930s. As London's *International Currency Review* remarked in its February 1979 praise of the Chilean model, "such policies could only be implemented by a government ... sufficiently ruthless to quash all opposition by the use of force."

It is this fact which exposes the vaunted Carter Administration "human rights" campaign in Latin America for the miserable farce it is. Unless the U.S.—and particularly the self-righteous Kennedy liberals—take aim at the International Monetary Fund and its "free enterprise" economic policies in Latin America, their alleged concern is the purest hypocrisy. Argentina, where 10,000 people have been killed and 15,000 have disappeared under the de Hoz "liberal" economic model, is a case in point.

And the lesson holds for the United States. As *Handelsblatt*, West Germany's leading financial daily, warned last week in reaction to manipulated worldwide hysteria about the Harrisburg nuclear shutdown: elimination of nuclear power means "a zero growth economy ... which can only be enforced through police states."

IMF and Mont Pelerin

The IMF is the well-known "outside" force instrumental in establishing and maintaining the Southern Cone regimes as self-cannibalizing debt-payment machines.

With almost indecent haste, it set up shop in Chile with official government agreements in November 1973, two months after the Pinochet coup which murdered President Allende. The de Hoz Finance ministry in Chile signed its pact with the IMF just one month after taking power in 1976, and numerous sources report the coup itself was carried out as a recognized precondition for the IMF takeover. It is widely recognized that the 1964 coup in Brazil was carried out in the closest cooperation with the IMF and that the policies of the first post-coup finance minister, Roberto Campos, like Planning czar Simonsen's today, were cleared through IMF channels.

The story of the IMF's "inside" man is less well known: the semi-clandestine networks of the Mont Pelerin Society (see box). It has been the free enterprise ideologues of Mont Pelerin throughout the continent who have taken the lead in preparing government policies and training private sector leaders for implementation of what Mont Pelerin director Milton Friedman fondly terms "economic shock treatment," Chile style.

In the following survey, the *Executive Intelligence Review* presents the reality behind the myths of "economic recovery" in the Southern Cone. We look at the Chile case because that is the country, outrageous as it may seem, most often portrayed today as a "success story." The Argentina story is of special

importance because, of all countries in Latin America, it possesses an advanced, skilled urbanized population most similar to those of advanced-sector countries like America. This is undoubtedly why Simon and Rockefeller value the Argentine "model" so keenly.

But it is equally important to understand that, while the continent offers some of the most advanced examples of Mont Pelerin economic wreckage, it also presents some of the most powerful examples of state-sector directed economic boom and in-depth industrialization. This is true of Mexico, where entrenched Mont Pelerin networks are more than meeting their match in the Lopez Portillo government's development plans. Oil makes the difference here.

And then there are those regimes, under assault by the IMF/Pelerin forces, which have not yet completely turned aside from development. Brazil is the key nation, strengthened by the build-up of capital goods and basic industry under the Geisel regime, but now facing concerted attack against its state sector industry, nuclear program and commitment to rapid growth.

Colombia likewise is heading toward "Chileanization"—and with a prodrug coup on the agenda if Mont Pelerin associate Alvaro Gomez has his way. An energy crisis reminiscent of Schlesinger's is being used as the springboard.

—Tim Rush

Mont Pelerin Society

The Mont Pelerin society is a semi-secret organization set up following World War II by Austrian economist, Friedrich von Hayek. An outgrowth of the so-called Vienna School of economic policy, the Mont Pelerin Society's *raison d'être* is as an extension of the Schachtian economic experiment carried out in Nazi Germany. Its most notorious officer is von Hayek's monetarist pupil Milton Friedman, the author of the Chilean model and the leading spokesman for the society's crusade for worldwide "free enterprise" deindustrialization.

The Society has had extensive operations in Latin America dating back to its founding period. Many leading proponents of Mont Pelerin policies are also to be found in the Society's twin institution, the European Center for Documentation and Integration, where Colombia's fascist ideologue Alvaro Gomez Hurtado, Venezuela's former president Rafael Caldera, and Mexican oligarch Andres Marcelo Sada rub shoulders with West Germany's Franz Josef Strauss, and Europe's aspiring emperor, Otto von Hapsburg.

Below is a partial list and identification of leading Mont Pelerin members in Latin America.