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'etre 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.

New regime to halt Brazilian growth

Despite the reappearance of many faces associated with the rapid Brazilian economic growth rates of the past decade in the cabinet of Brazil's new president, Joao Baptista Figueiredo, the gears of the nation's industrial machine are being thrown into reverse.

The motor of Brazilian economic growth during the past period was the rapid build-up of basic industry and assimilation of the world's most advanced technologies. Under President Ernesto Geisel (1974-79), Brazil focused its energies on building up basic industries like steel and petrochemicals, capital goods, and the infrastructure needed for future development. In the area of machinery and equipment, for example, domestic production in Brazil spurted ahead at an average of 7 percent the annual rate during the 1974-78 period, but the overall average of 9 percent growth rate maintained in industry was sufficient to make Brazil an ever-growing market for foreign capital goods producers. Brazil has gained an impressive industrial structure capable of rapidly raising the inadequate standard of living of the majority of its population

in Latin America

Mexico: *Gustavo R. Velasco.* Founder and director of the Free School of Law in Mexico City, and mentor of pro-Chile propagandists and writers Luis Pazos and Mont Pelerin's Agustin Navarro Vasquez. Helped found Mont Pelerin fronts like the Panamerican Institute of Business Development. (IPADE).

Argentina: *Guillermo Klein.* Argentine undersecretary of finance, hand-picked lieutenant of Finance "Czar" Martinez de Hoz. Helps coordinate 12-member de Hoz "brain trust," all Chicago School disciples. Fellow de Hoz defender: former finance minister and Pelerin member, Alvaro Carlos Alsogaray.

Brazil: *Eugenio Gudin.* Octogenarian "godfather" of the Brazilian monetarist school and life member of Mont Pelerin. Writes a weekly column in the daily *O Globo,* where he recently called for de Hoz-style iron control of Brazil's economy and Argentine "model".

Brazil: *Henry Maksud:* publisher of *Visao* business magazine and raving disciple of von Hayek. Honored speaker at the Hong Kong conclave of the Mont Pelerin Society in September 1978.

Led by state sectors

The government has been the engine of the development process by channeling resources into the most vital areas and giving generous subsidies to foreign and domestic entrepreneurs who worked within the government-directed programs. Brazil has built up a complex system of state incentives and controls with which to provide that direction. It is this system—and the industrialization impulse itself—which is now being dismantled by the followers of the Mont Pelerin Society "free enterprise" cult.

General Figueiredo has granted Planning Minister Mario Simonsen dictatorial powers over the economy in the name of "halving inflation," currently hovering around 40 percent per year. No other government official can make any important decisions affecting the economy without the prior approval of the "economic czar."

Shortly before Geisel left the presidency in mid-March, however, Simonsen forced him to decree a 7 percent cut in the 1979 budget, which had been approved in January. The agencies most severely affected are those producing steel and petrochemicals and providing the electrical, transport, and communications infrastructure needed to support future growth. Simonsen also clamped a tight lid on the ability of the big state sector companies to borrow abroad. The entire sector will be forbidden from borrowing more than $300 million in any month or $3 billion in the entire year, a 25 percent cut from last year's levels.

In a complementary measure, the National Economic Development Bank (BNDE) has been ordered to shift its lending of highly subsidized cruzeiros from capital-intensive basic industries areas.

The BNDE will now focus on light manufacturing industries which are labor-intensive, use relatively primitive technology and can generate profits without the long lead times of more substantial industrial investments.

In the name of "free enterprise," the private banking system now will have to reserve half its portfolio for Brazilian private sector borrowers. These measures—taken together with the generalized "anti-inflationary" reduction of money supply—will throw the capital-starved big state enterprises and the multinational corporations into a fierce battle for the totally inadequate amounts of credit open to them. "Free market" interest rates for industry and their consumers will skyrocket. Most sectors of industry, with the exception of those oriented towards bringing in a quick buck on the export markets, will be severely depressed.