

# Chile's military can't handle

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SANTIAGO, Chile — Turning its economy away from socialism has not turned Chile away from bankruptcy.

Almost two years after the coup that overturned the Marxist government of Salvador Allende, the ruling military junta's problems are reaching the critical stage.

- Inflation continues at 1974's rate of 375 per cent — the highest in the world.

- Unemployment, officially placed at 13.3 per cent, is more than double that in poorer areas.

- The escudo has been devalued 31 times since the coup.

- Export income is down due to the drop in the world market price of copper — Chile's only basic export — while import costs, especially for vital food and oil, are up sharply.

After the military junta overthrew Allende in September 1973, Gen. Augusto Pinochet's government installed a free-market system in an attempt to cure the country's economic ills.

This system is a literal adoption of the philosophy of the "Chicago School" — many of Chile's leading

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## *Junta has brought the country to very brink of bankruptcy*

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economists trained under Milton Friedman at the University of Chicago.

Finance Ministers Jorge Cauas, a Friedman disciple and one of the few civilians in the military government, is rigorously applying the Friedman "shock treatment" formula to inflation — no price controls, restriction of the money supply, reduction in government spending and generous guar-

antees for foreign investors.

Yet foreign investments have not materialized.

And Friedman himself says the country's economic problems are caused in part by the armed forces' gulping down 43 per cent of the national budget.

At present, Chile is a bad economic risk. Aside from copper, Chile is not rich in resources, as are Bolivia and Peru. With a population

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# money better than the Marxists

of only 11 million, Chile does not have a large internal market to induce investment.

And even though the military government rules with an iron fist, it has not firmly established its ability to govern, thus discouraging investors who demand stability.

Another factor inhibiting investment is the free-capital system, which has removed all restrictions on interest rates. Thus, a minimum deposit of \$208 earns 17 per cent interest and can be withdrawn in 30 days. Big depositors can make private deals for even higher rates.

Industrialists reportedly

are content to reap the interest rather than invest profits in production.

There also is a moral factor discouraging investors.

Representatives of various international organizations, including the United Nations, have reported serious violations of human rights, including torture and killing of political prisoners.

In its fanatical drive "to eradicate the cancer of Marxism," which the government blames for all its problems, the military has left hardly any sphere of social life untouched:

- Twenty months after the coup, a state of siege with its nightly curfew still is in effect.

- The Congress is closed,

political parties and union activities suspended.

- Military rectors are in charge of all universities, military "advisers" have been appointed to all high schools, and the teaching of all "conflictive subjects" is forbidden.

- With few exceptions, self-censorship has gagged what media remain.

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