

The Man With the ‘Chile Model’ of Fascism

by Richard Freeman and Paul Gallagher

No one figure is more responsible for the drive to privatize and loot Social Security than George Pratt Shultz of Bechtel; senior “fixer” of the Republican Party; senior recruiter of the George W. Bush White House team, “the Vulcans”; and, like Robert McNamara before him, a preeminent “economic hit-man” of the Anglo-American financial order on the international stage. Shultz was the key official—issuing instructions to President Richard Nixon—who brought Franklin Roosevelt’s Bretton Woods postwar monetary system to an end in August 1971. He was the master of the “Chicago economists” who dominated Gen. Augusto Pinochet’s 1973 coup and dictatorship in Chile. And Shultz in 1981 demanded from fascist Chile’s Labor Minister José Piñera, who had just privatized social security there, a memo to incoming President Ronald Reagan on “how Chile did it.” This was the first shot, fired 23 years ago, in the war against FDR’s Social Security in the United States. Shultz’s banker network and Piñera have collaborated ever since; and in fact, the “Chicago Boys” team of which Piñera was a part in Pinochet’s Chile, was a product then of Shultz and his pet economist Milton Friedman.

Shultz, in a PBS-TV interview on Oct. 2, 2000, said of the Chile events: “The armed forces took over and no doubt did some unnecessarily brutal things in the process, but nevertheless they took over. . . . There were in Chile some people who came to be called ‘Chicago Boys,’ they had studied economics at the University of Chicago. . . . And so a Chicago School-like economy gradually evolved in Chile. It worked.”

Shultz vs. Roosevelt

Shultz’s inside job in getting President Nixon to announce on Aug. 15, 1971, that the United States was going off the gold-reserve system—toward the floating-exchange-rate system that has ruled “globalization” ever since—hammered the nails in the coffin of Roosevelt’s protectionist Bretton Woods system. Shultz brought that system to an official end with his declarations as U.S. Treasury Secretary, at the September 1973 International Monetary Fund annual meeting—just two and a half weeks after Pinochet’s coup created Shultz’s “Chile model” of fascist economics to be exported internationally.

Today, Shultz directs two of the bankers’ most crucial projects. First, through the Vulcan team featuring Condoleeza Rice and Paul Wolfowitz—a team Shultz created for

a Bush II Presidency in summer 1998—Shultz controls White House underlying policy. Second, ever since Shultz assembled the Schwarzenegger for Governor campaign in California in 2003, he has run the hands-on “Beast-Man Project”: to make Arnie into a Hitler-like live force in this country.

George Shultz was raised to set oligarchical policy; his father, Birl Earl Shultz, was a major intelligence figure in the Anglo-American “Trust” operation. The elder Shultz was the personnel director for the American International Corporation of 120 Broadway, New York, N.Y., which was the most powerful hub of World War I-era Anglo-American financial chicanery. In 1957, George Shultz joined the Chicago School, becoming an economics professor at the University of Chicago’s Graduate Business School; he was dean of the Business School, 1962-68. During this time, the Economics Department flourished as the American command post for the financier oligarchy’s Mont Pelerin Society, which preached the anti-regulation, anti-government cult of speculative monetarism. Pinochet’s Chile, with its jackboot fascism and radical privatization/looting of the country’s national patrimony, was the personification of the Chicago School ideology. It is not surprising that the University of Chicago of the Shultz era provided cohabitation for the neo-liberal Mont Pelerinites and the Hitlerianism of Leo Strauss and the Straussian promoters of Nazi ideologues Martin Heidegger and Carl Schmitt.

As a trusted Chicago School agent, in 1969, Shultz was seconded to the incoming Richard Nixon Administration as Labor Secretary, at which post he served through June 1970; then, as first head of the Office of Management and Budget (OMB), he presided over brutal austerity until May-June 1972; finally, he functioned as Treasury Secretary until June 1974. Working in tandem with Undersecretary of the Treasury for Monetary Affairs Paul A. Volcker, Shultz controlled and then replaced Treasury Secretary John Connally. In 1969, Nixon was induced to sign National Security Study Memorandum 7, which created a formally designated “Volcker Group” inside his Administration, directed to prepare plans to change monetary policy. In May 1971, this group produced a paper entitled, “Contingency,” which already proposed “suspension of gold convertibility.”

As head of OMB, Shultz used the burgeoning U.S. budget and balance-of-payment crises to push his way into advising Nixon on international monetary affairs. After a series of monetary crises that had started with the November 1967 devaluation of Britain’s pound sterling, Shultz and Volcker made their move. According to a State Department document, International Monetary Policy, 1969-72, on Aug. 2, 1971, and again on Aug. 12, President Nixon sequestered himself with Shultz and Connally in extensive meetings at which the demolition of the Bretton Woods system was mapped out. On the matter of the international monetary system, Connally was constrained to present Volcker’s ideas. After two weeks of secret meetings, culminating in two days of Camp David meetings, on Aug. 15, President Nixon announced that he was

severing the dollar from the gold reserve system. Nixon also announced a fascist domestic austerity policy that was part of the same package.

In his book, *Economic Policy Beyond the Headlines*, Shultz gloated: “And it was accepted not only that fixed rates were clearly impracticable for the time being, but that also *we were fortunate to have in place a flexible market system. That was a bitter pill for some to swallow. To others, including the U.S., the emergence of a market-based system* was seen as a greater improvement over the inflexible gold-based system that preceded Camp David” (emphasis added). In June 1972, Shultz had himself appointed U.S. Treasury Secretary. In March 1973, he personally arranged, at a tense G-10 Finance Ministers meeting in Paris, to eliminate all support for fixed exchange rates. Shultz crowed that “markets rather than governments were explicitly in charge.”

‘Economic Hit Man’

In 1981, George Shultz, as Bechtel Corp. president and advisor to the transition team of President-elect Ronald Reagan, paid a visit to José Piñera, Chile’s Minister for Labor and Social Security, who imposed the privatization of social security at the point of a bayonet. Shultz got from Piñera a memo on how to privatize Social Security on the Chilean model. Piñera describes what happened in an entry on his website, dated January 1981: “George Shultz, former Treasury Secretary and now advising President-elect Ronald Reagan, visits me in the Ministry of Mining at the head of a large Bechtel delegation. After discussing mining issues, he stays alone for another hour and asks me to explain fully our revolutionary social security reform. At the end, he asks me for a one-page memo on the reform to give to Reagan. . . . Next day I delivered it to his hotel. The Dow Jones is at 900.”

Shultz apparently could not persuade Reagan, but kept working on the matter. Today, he is a board member of the Republicans’ House Policy Committee’s “Social Security Working Group,” leading the push for Social Security privatization, which George Bush is seeking to implement now.

In his book, “Confessions of an Economic Hit Man,” author John Perkins, a former chief economist for the international consulting firm Charles T. Main, identifies the process by which “economic hitmen” working for large financial institutions and other firms indebt Third World countries, and then use the debt to extract military and political concessions from the indebted country; and to commit genocide, so as to devour the country’s natural resources.

In his analytical account, Perkins identified that George Shultz, both as president of Bechtel (1975-82) and as Ronald Reagan’s Secretary of State (1982-89), functioned as the heir to Robert Strange McNamara as one of the top figures in the new imperial pyramid of power, which employed the structure of economic hitmen to bleed and crush nations. Shultz used force to topple governments, such as the Philippines’ Ferdinand Marcos in 1986, and such as the various attacks on

Panama, culminating in the 1989 invasion. On Oct. 1, 1982, Mexican President José López Portillo, fresh from his courageous imposition of exchange controls the month before, carried out to protect Mexico's credit, told the United Nations General Assembly that the world must either change (Shultz's creation) the international monetary system "or else enter into a new medieval Dark Age." Then-Secretary of State Shultz had spoken one day earlier, Sept. 30, threatening the nations present that they had better stay in line, and pay their debts to the IMF.

But Shultz's power goes further. On Oct. 25, 1984, speaking at the Park Avenue Synagogue in New York, Shultz, dreaming of world empire, delivered remarks calling for the U.S. to adopt a preemptive first-strike policy, such as one might associate with Vice President Cheney or Defense Secretary Donald Rumsfeld today. Shultz argued that the United States had to strike first: "The public must understand before the fact that some will seek to cast any preemptive or retaliatory action by us in the worst light . . . The public must understand before the fact that occasions will come when their government must act before each and every fact is known."

The Vulcans and Arnie

That the bankers have entrusted to Shultz the special cases of George W. Bush and Arnold Schwarzenegger, indicates the level of overview and direction Shultz exercises over the whole system.

In April 1998, at Shultz's Palo Alto, Calif. home, the George W. Bush for President in 2000 campaign was formulated and launched. Shultz later agreed to chair the Bush Presidential Exploratory Committee; his vice chair was Dick Cheney. Recognizing that "Dubya" was one of the most unqualified individuals ever to run for, let alone hold, high office, Shultz formed a group to shape the *tabula rasa* of Bush's mind. Group participant Condoleezza Rice gave the group the name "Vulcans," but it was Shultz who ran it and gave it its neo-conservative ideology. Starting in autumn 1998, Shultz arranged that every Sunday night, Condi Rice, and the Straussian Paul Wolfowitz (now #2 at the Defense Department) would hold a conference call with Bush, then Governor of Texas. Soon, it is reported, the Cold Warriors and Zionist Lobby zealots Richard Perle and Dov Zakheim were holding Monday morning conference calls with Bush. Thus Shultz developed a network through which, at critical junctures, to set White House policy.

A similar process is underway for Arnie, the iron-pumping, steroid-chugging import from Austria, who in a 1977



George Shultz dominated economic policy under Nixon, served as Secretary of State for Ronald Reagan, and was the architect of George W. Bush's "team."

interview said, "I admired Hitler . . . because he came from being a little man with almost no formal education, up to power, and I admire him for being such a good public speaker and for his way of getting to the people and so on. . . ."

But how did Arnie get into the Governorship of California?

The deregulated electricity "Enron" rip-off of California in 2000-01, to the tune of approximately \$70 billion, led to the collapse of the electricity grid, a crisis for basic industry, and a rage within the population at rising energy bills. The circle that included George Shultz turned the rage against the Governor, Democrat Gray Davis. On Aug. 15, 2003, Arnie appeared before the cameras to announce his campaign for Governor during the recall; he was flanked by his campaign advisory team leaders George Shultz and Warren Buffett. Buffett, who runs one of the biggest vulture funds in the world, has been lionized as the "genius" of the investment world by Wall Street's John Train.

On Sept 17, 2004, Schwarzenegger announced the establishment of a 16-member Council of Economic Advisors that will help him "in confronting the economic challenges facing" California. Its chairman is George Shultz.

Schwarzenegger has already exploded California's state debt by 50% and savaged its government programs, in a single year as Governor. Now Shultz is preparing Arnie for a Beast-Man run for the U.S. Presidency.

As his 50-year record shows, when the system is in breakdown, and the oligarchy desperately needs sources of loot—as now, with Social Security—George Shultz is the man with the "Chile model."