

Truth Behind the Myth

by Dennis Small

The myth that the Chilean economic model put in place by the bloody Pinochet coup of 1973, was a great success—a myth much-vaunted by the Bush Administration—is dispelled by the three graphics shown here. (Earlier versions of two of them were printed in *EIR*, Dec. 24, 2004, but contained production errors which are here corrected.)

In the three decades since British free-market policies were imposed on Chile, most aspects of the country's *physical economy*—which should not be confused with misleading monetary parameters such as GNP—fell in per-capita and per-household terms. Yet during this period, the speculative bubble of foreign debt grew many times over, while interest on that debt was religiously paid to the creditor banks and the International Monetary Fund.

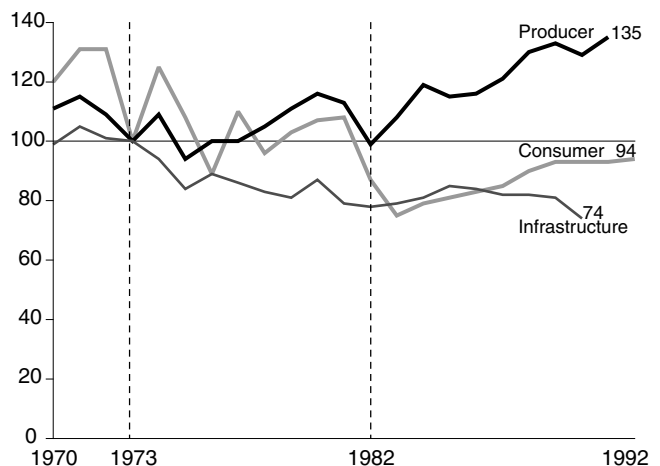
These policies plunged the country into bankruptcy in late 1982, at which time a new package of drastic, forced “savings”—including the privatization of the national pension fund—was implemented in order to allow the bankers to keep looting the economy to pay the debt.

Figure 1, taken from a 1995 *EIR* study, looks at the production of market baskets of basic consumer, producer, and infrastructure goods, from 1970 to 1992. **Figure 2** compares these decaying physical economic parameters with the geo-

FIGURE 1

Chile: Physical Economic Production

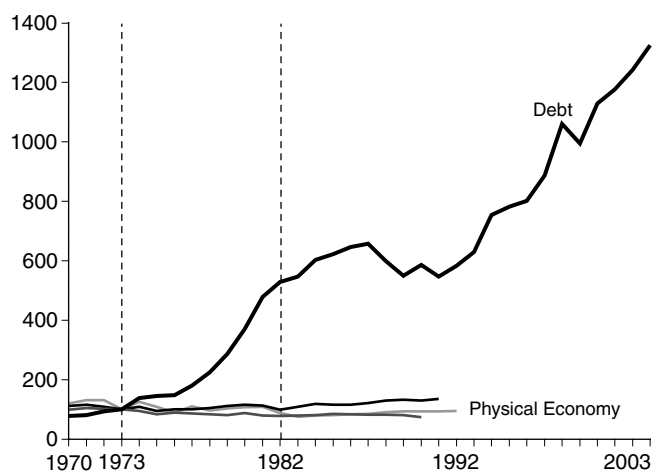
(Index 1973 = 100)



Source: ECLA; Central Bank of Chile; *EIR*.

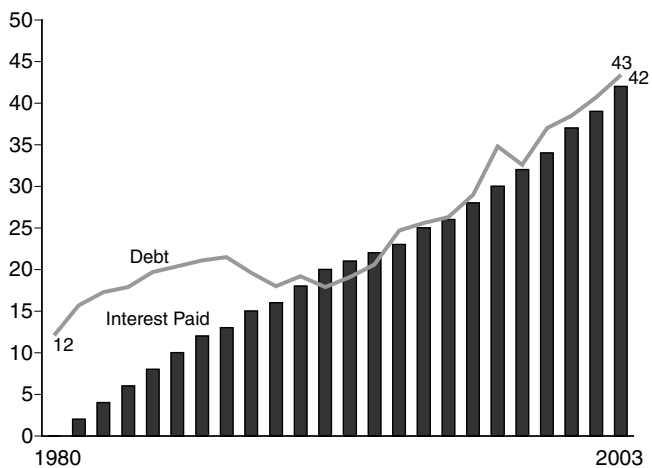
metric growth of Chile's cancerous foreign debt, from 1973 to the present. And **Figure 3** presents the "Bankers' Arithmetic" of Chile's foreign debt: In 1980 the total foreign debt was \$12 billion; over the next 23 years a total of \$42 billion was paid as cumulative interest payments on that debt; yet despite the fact that three and one-half times the amount initially owed was paid, by 2003 the foreign debt had risen from \$12 billion to \$43 billion.

FIGURE 2
Chile: Debt vs. Physical Economy
 (Index 1973 = 100)



Source: ECLA; Central Bank of Chile; World Bank; *EIR*.

FIGURE 3
Chile: Bankers' Arithmetic
 (Billions \$)



Source: World Bank.