Latin America 1977: Industrialization vs. Debt

In late 1976 and the first weeks of 1977, Latin America witnessed the first signs of a deep fissuring in the continent, between those countries that are retaining their economic ties with the bankrupt Bretton Woods monetary system, and those that are shifting their alignment in favor of the emerging new monetary and trade system centered around the transfer-ruble and expanded trade ties among Comecon, Europe, and the OPEC countries in particular.

Within Latin America, it is broadly speaking the Southern Cone economies — those still most tightly linked to the dollar — that face the worst prospects for 1977-78; the Caribbean region on the other hand — the area most rapidly developing ties with the emerging new monetary system — has excellent prospects for dynamic industrial and trade growth even in the short term.

The recent meeting of the Comecon Executive Committee in Havana, Cuba, laid the institutional basis for incorporating the Caribbean region in particular into such expanded trade and development deals. (See EIR Vol. IV No. 4). Both Jamaica and Guyana have already established firm links with the Comecon. This move, along with the Venezuelan push for expanded trade within the region, and plans for rapid national industrial development, point to a strong growth potential for the Area. (See EIR Vol. IV No. 5 "1977 May Be a Boom Year for Jamaica).

In contrast, those Latin American economies still strictly tied to the dollar monetary system, are poised for a rapid plummet in real growth for 1977.

The main reasons for this are the unmanageable immediate debt burden these countries face, and the toll that meeting past debt payments — through stringent domestic austerity regimes — has taken on the viability of their respective labor forces.

The Chilean "Final Solution"

In Chile we see the "final solution" that Friedmanite monetarist policies have brought about. The Chilean economy today is so de-industrialized and shrivelled by austerity that is hardly merits being called a national economy at all. Although competent figures on the state of the real economy are hard or impossible to come by, it is the case that the entire monetary superstructure of that economy collapsed like a house of cards in late 1976 and early 1977. The fly-by-night financial institutions, known in Santiago as "crocodiles", which serviced up to half of the domestic corporate credit market, went totally bankrupt — leaving the Pinochet government trying to pick up the pieces.

Chile's disastrous prospects for the coming period are perhaps the best indication of the final resting ground of all those Latin American countries that have chosen to steer clear of the New World Economic Order out of loyalty to their creditors.

Chile: Nothing Left To Loot

New York Times Latin American correspondent Jonathan Kandell recently reported that there is no longer any smog over Santiago, Chile, an industrial city which was once covered daily with a thick haze produced by industry and commerce. The reason: as a result of monetarist looting policies dictated in 1973 by Milton Friedman on behalf of the New York banking community, industrial activity has virtually ceased in Chile.

There is no exaggeration in this estimate. After three years of liquidation of the Chilean economy by the Pinochet regime to meet Chile's debt servicing schedules to the New York banks, (the overthrown Allende government had declared a debt moratorium), the country is as devoid of wealth and wealth-producing activity as sixteenth century Mexico, after the Spanish conquistadors had reduced that nation's population by 90 percent in the course of extracting loot to pay Spain's creditors, the exhaustion of Mexico led to the fabled Spanish bankruptcy which brought down all the major banking houses of continental Europe.

The situation in Chile was brought home with a vengeance to the New York financial community with the collapse of the entire Chilean banking system following the bankruptcy over the past two months of at least seven of the official loan-sharing finance companies which had been the only real source of credit in the country since 1974. The crash last month of a major bank associated with the finance companies and the ensuing panic among savers has terminated the last semblance of economic activity in Chile, providing an ironic epitaph for the nation's economic policies authored by monetarist quack Friedman, who was awarded a Nobel prize for his efforts only last fall.

Under the destructive austerity regiment prescribed by Friedman, even bread is becoming a luxury: as of December 1975, the average white collar worker had to