

CHILE • 1973 – PRESENT

The Chicago Boys

Economic Miracle or Social Experiment?

Radical neoliberalism under Pinochet's dictatorship — the global template that changed economics forever

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1 CONTEXT: THE CRISIS & THE BLUEPRINT

September 1973

Military coup ousts Salvador Allende. Pinochet seizes power.

The Economy They Inherited

Hyperinflation exceeding 600% · Nationalised industries · Frozen private sector

"El Ladrillo" — The Brick

500-page economic blueprint drafted by economists trained at University of Chicago under Milton Friedman.

The Core Philosophy

Radical neoliberalism: privatisation, deregulation, free-market openness.

600%+

INFLATION

Annual rate when the junta took power in 1973

*"The Chicago Boys were given a blank canvas
— painted on a broken economy."*

2 THE THREE ECONOMIC SHOCKS

01

PRIVATISATION

State → Private Sector

- ▶ 400+ state-owned enterprises sold off
- ▶ Banking, industry & utilities transferred
- ▶ CODELCO (copper) kept state-owned — the key exception

400+ companies privatised

02

DEREGULATION

Breaking Down Barriers

- ▶ All price controls eliminated
- ▶ Import tariffs slashed: 100% → ~10%
- ▶ Domestic industries forced to compete globally

90% tariff reduction

03

PENSION REFORM

AFP — A Global First

- ▶ World's first fully privatised pension system
- ▶ Individual capitalisation accounts (AFPs)
- ▶ Created a massive domestic capital market

#1 in the world

3 – 4 THE RESULTS: TWO SIDES OF THE LEDGER

✓ THE CASE FOR SUCCESS

GDP Growth

Chile outpaced Latin America average for a decade from the mid-1980s

Inflation Tamed

Brought down from 600%+ to single digits by the early 1990s

Poverty Fell

Absolute poverty dropped from ~40% (late 80s) to under 10% by 2010s

Export Powerhouse

Became global leader in fruit, wine, salmon and copper exports

✗ THE SOCIAL & STRUCTURAL COST

Soaring Inequality

Chile became one of the most unequal OECD nations — fuelling 2019 uprising

1982 Banking Crisis

Unregulated banks collapsed; state had to bail out the very system it privatised

De-industrialisation

Rapid tariff cuts destroyed domestic manufacturing; economy became commodity-dependent

Political Paradox

Reforms required a dictatorship — unions suppressed, opposition eliminated

"Whether it was a success depends entirely on your metric."

MACROECONOMIC METRIC

Pioneer. Chile achieved sustained growth, tamed hyperinflation, diversified exports, and reached high-income status. A model studied worldwide.

SOCIAL EQUITY METRIC

Contested. Sky-high inequality, expensive privatised services, heavy private debt, and a 2019 social explosion revealed deep structural tensions.

THE LEGACY

The Chicago Boys built Chile's high-income foundation — but also a system of expensive privatised healthcare, education, and pensions that the 2019 protests sought to dismantle. The experiment's full verdict is still being written.