

Milton Friedman: What is Milton Friedman's legacy in Latin America?

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Introduction : A Continental Laboratory for Liberal Economics

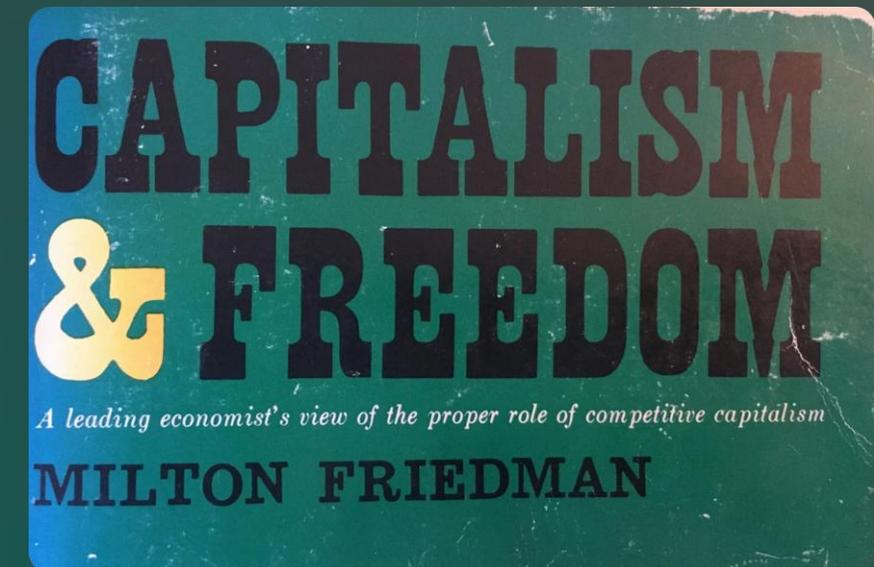
The Context

From the 1970s onwards, Latin America became a testing ground for free-market policies inspired by Friedman's monetarist theories

Principles

- Free market supremacy over state intervention
- Monetary stability as foundation for development
- Privatisation and deregulation as growth engines
- Trade liberalisation and fiscal restraint

The paradox: Economic liberalisation implemented within authoritarian political frameworks



Theoretical Foundations and their Diffusion in Latin America

Critique of Keynesianism

State intervention disrupts natural market functioning and creates inefficiencies

Monetarist Focus

Inflation primarily a monetary phenomenon caused by excessive money creation

Free Market Solutions

Privatisation, deregulation, trade opening, and reduced public spending as remedies

The Latin American Crisis

- High inflation and economic stagnation
- Rising national debt burdens
- State-led industrialisation models exhausted
- Urgent search for alternative solutions



The Chicago Boys: Latin American economists trained at the University of Chicago became key agents of reform in their home countries



Chile: A Laboratory of Friedmanism

1

1973: Military Coup

Pinochet regime overthrows Socialist President Salvador Allende, appoints Chicago-trained technocrats

2

1975: Friedman's Visit

Direct consultation recommending rapid stabilisation policy—"shock therapy" to combat hyperinflation

3

Reform Implementation

Aggressive privatisation, trade liberalisation, market deregulation, state withdrawal

Claimed Economic Gains

- Inflation progressively controlled
- Long-term growth recovery achieved
- Regional economic stability leader
- Global trade integration and foreign investment

Devastating Social Costs

- Healthcare, education, pension systems weakened
- Sharp rise in social inequalities
- Widespread poverty and economic insecurity
- Reforms imposed through military dictatorship

Neoliberalism became durably associated with authoritarianism and repression

Regional Influence with Contrasting Results



Argentina

Structural adjustment programmes, hyperinflation control, but severe social crises



Brazil

Currency stabilisation and modernisation, yet persistent inequality and poverty



Mexico

Trade liberalisation and global integration, with mixed social outcomes



Peru

Market deregulation and privatisation, accompanied by social disruption

Economic Stabilisation

Inflation controlled; markets liberalised and modernised.

Social Strain

Rising inequality, poverty, and social crises emerged.



1980s-1990s Implementation

IMF/World Bank structural adjustment policies enacted.

2000s Backlash

Left-wing governments return, reviving state intervention.

The Social Backlash

By the 2000s, widespread opposition fuelled left-wing electoral victories promising to break with neoliberalism

- Rising unemployment and declining real wages
- Reduced public services hitting poorest populations
- Widening inequalities despite growth
- Persistent or worsening poverty during crises

The IMF and World Bank promoted Friedman reforms across the continent during debt crises



Conclusion

Economic Influence

Inspired stabilisation reforms, inflation control, and market liberalisation across the continent

Authoritarian Context

Policies frequently implemented under military dictatorships, linking neoliberalism with repression

Social Consequences

Significant inequalities, weakened public services, and enduring poverty despite macroeconomic gains

Political Controversy

Friedman's legacy remains a central battleground between market advocates and state interventionists

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