

The “Chicago Boys” Intellectual Transfer: a Gramscian Interpretation

A Transferência Intelectual dos “Chicago Boys”: uma Interpretação Gramsciana

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Abstract: In September 11, 1973, the democratically elected socialist president Salvador Allende died in a confrontation with the army, led by General Augusto Pinochet. After the coup, a great shift in social and economic policies occurred, dismantling all the measures taken by the popular government and by its moderate antecessors as well. Recognizing the Chicago Boys as the organic intellectuals of neoliberalism in Chile, we describe how they were a key element to transform Chilean society in the attempt to form a Historical Block after Salvador Allende’s overthrown. This Gramscian perspective allows us to consider not only the ideological, but also the role of class struggle.

Keywords: Chicago Boys; Historical Block; History of Ideas.

Resumo: Em 11 de Setembro de 1973, o presidente democraticamente eleito Salvador Allende morreu em confronto com o exército chileno, liderado pelo general Augusto Pinochet. Após o golpe, uma grande mudança na orientação das políticas sociais e econômicas tomou lugar, desmantelando as medidas tomadas pelo governo popular e seus antecessores moderados. Reconhecendo os Chicago Boys enquanto intelectuais orgânicos do neoliberalismo no Chile, nós descrevemos como eles foram peça chave na transformação chilena e consolidação de um bloco histórico após a queda de Allende. Assim, utilizando Gramsci, podemos levar em consideração tanto questões ideológicas quanto de classe.

Palavras-chave: Chicago Boys; Historical Block; History of Ideas

Classificação JEL: B51; N16; N46

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1. Introduction

In September 11, 1973, the democratically elected socialist president Salvador Allende died in a confrontation with the army, led by General Augusto Pinochet. Right after the coup, a great shift in social and economic policies occurred, dismantling all measures taken by the popular government and by its moderate antecessors as well. It is highly acknowledged that this new economic agenda adopted by General Pinochet, after the coup in Chile, can be directly traced back to the “Chicago Boys”. Those economic advisers Pinochet resorted to were the newly arrived Chileans that made part of a graduate exchange program at the University of Chicago’s School of Economics. The Chicago Boys implemented several policies that would be labeled “neoliberal” and replicated throughout the world. The focus of our work is to understand these economists as what Gramsci called “Organic Intellectuals”.

Organic intellectuals¹ play a major role in the consolidation of a “Historical Block” (HB) – “[A] durable alliance of class forces organized by a class (or class fraction) which can exercise political, intellectual and moral leadership over the dominant classes and popular masses” (JESSOP, 1997:570). The intellectuals are the ones who forge and spread the ideology that will make possible to build a consensus in the society around the referred leadership. Recognizing the Chicago Boys as the organic intellectuals of neoliberalism in Chile, we describe how they were key elements to transform Chilean society and to form a new Historical Block, in the form of “passive revolution”, after a socialist attempt of rupture. Using Gramsci’s ideas, we are able to contribute to understand a turbulent period in Chile’s history, which includes an attempt of a “legal route to socialism” (1970-73), a coup, and a seventeen-year long military dictatorship (1973-89).

1.1. Gramsci and History

Although Antonio Gramsci’s writings became known outside Italy only during the 1960’s, he produced his most important work, the Prison notebooks, while incarcerated from 1926 to 1937². One example of this late reception is Robert Cox’s *Hegemony and International Relations: An Essay in Method* (1983), the first to bring a Gramscian perspective to international relations studies (GERMAIN, KENNY, 1998). This happened almost 50 years after the author’s death and exemplifies how slow the dissemination of his thought was.

¹ Every individual is an “Intellectual” in some degree. What differs them is how connected is their daily work to intellectual activity. Organic intellectuals are those who “besides being specialists in their profession [...] elaborate an ethical-political conception that allows them to engage in cultural, educational and organizational activities in order to assure the social hegemony and the domination of the state by the class they represent” (SEMERARO, 2006:378, author’s translation).

² He died in prison in 1937.

The Gramscian theory is part of Historical Materialism and represents a major step forward regarding the relations between the structure and superstructure. He departs from mechanical materialism and the exclusively focused interpretations on structural conditions of revolution (FEMIA, 1975). For him, the superstructure has an active nature that interacts with the structure forming the HB (D'ASSUNÇÃO, 2010).

The structure refers to the relations of production, usually seen as the mode of production of a particular stage of development. However, while Gramsci considers the structure as static, or at least as history's less variable element, he does not see it as mere production of material objects, but as a space for the reproduction of global social relations (VASCONCELOS, SILVA e SCHMALLER, 2013). The superstructure, on the other hand, is formed by "political society" and "civil society", representing the space of the State³ and the space of ideas. This historical materialism differs from orthodox Marxism while avoiding the complete determination of the superstructure by the structure. Here the ideas also have the role of molding the structure at some level, without resulting in idealism. "Hence linking 'objectivity' to human consciousness and the intersubjective constitution of the social world" (MORTON, 2003a:136).

Additionally, Gramsci's account of history departs from other theories of history, such as the revisionist method (also known as austere historicism). His absolute historicism, on the other hand, claims that a philosopher cannot ignore his precedents (FEMIA, 1981) (i.e. ideologies of the ruling classes), which coexist in the different levels of thought.

As a result, the appropriateness of the position that past ideas, questions, and philosophies still have a bearing on the present, and may thus transcend social context and 'speak' to us, may be established. [...] Although a theory is certainly linked to the social relations of a particular epoch, some problems are perennial because underlying thoughts about a range of concrete particulars do recur. (MORTON, 2003a:131)

The class (or fraction of it) that dominates the contemporary HB is responsible for the philosophy, i.e. the leading ideology, formulated by their own organic intellectuals. Nevertheless, the farther other classes are from the ruling one, the more their thought will be composed by past dominant ideologies from

³ Here State does not concern government activities exclusively. It should also include other political structures of civil society "which helped to create in people certain modes of behavior and expectations consistent with the hegemonic social order" (COX, 1993:51). It includes, for example, the church, the press and the educational system.

the formers HB or other forms of thinking. Folklore is the furthest a class can get from philosophy, and common sense is the middle of the road (PORTELLI, 1977)⁴.

Hence, Gramsci's analysis will allow us to understand the process of constitution of a new era in Chile, a new hegemony and a new HB as a dispute of classes. We argue that other works either neglect this facet of history⁵ or focus on different groups of intellectuals, missing some peculiarities of this process⁶. This article intends to show how Pinochet's dictatorship started as a "war of maneuver", working its way to a "war of position" in a passive revolution, and how the philosophy of the new Historical Block suffered great influence from abroad, although not connected to any prevailing HB.

2. The Chilean Economy and the Former Historical Blocks

A stable Historical Block is only possible through the existence of hegemony, created by the consensus among classes. On the other hand, coercion, or the rule of political society, may allow domination, although in a less stable way. The former is an organic connection between structure and superstructure made possible by the organic intellectuals of a certain class (or part of it), i.e., it is a dispute in civil society, while the latter is a domination using the State apparatus. "These two levels correspond on the one hand to the function of 'hegemony' which the dominant group exercises throughout society and on the other hand to that of "direct domination" or command exercised through the State and 'juridical' government". (GRAMSCI, 1992:12). The HB can either be an independent constitution from inside the country (or another level of analyses) or a result of ideological transfer from abroad. As previously asserted, the Chilean case fits in the second approach.

From 1930 onwards, after profound political and economic crises, Chile changed to being close to a Transnational Historical Block, as identified by Bob Jessop. Also called the "Atlantic Fordism" international HB, which

Economically [...] aimed to secure full employment in relatively closed national economies mainly through demand-side management and regulation of collective bargaining; socially it aimed to generalize norms of mass consumption so that all its citizens shared the fruits of economic growth (and so contributed to effective

⁴ The Church represents the most common mode of former dominant ideology present outside the ruling philosophy.

⁵ For example, Valdés (2008). Despite extensive and very elucidating on the "international traffic of ideas" and the "political implications of the way economists understand the properties of their discipline" (BARBER, 1995:1941), the role of class in the ideological dispute is underestimated.

⁶ That is the case for Davies (1999), who focuses in media intellectuals.

domestic demand) and to promote forms of collective consumption that supported a Fordist growth dynamic" (JESSOP, 1997:572).

Although Latin American countries did not foster all those practices, such as "generalized norms of mass consumption", the increasing role of the State on leading the economy, for example, was true. After 1929, in LA, "the state machine was conceived as the higher authority which could integrate and orient internal interests, bolster their economic and political weakness, and take the lead, on an equal footing, with the external private and public nuclei of power" (ECLAC, 1985:3). The efforts towards industrialization, ECLAC's Import Substitution Model (specifically during the 1950s and the 1960s), and the role of the state in the economy spread through LA. It was no different in Chile.

It is useful to parallel Jessop's theory to Florestán Fernandes' (1970) idea of "total imperialism". When describing the evolution of the forms of imperialism in Latin America, Fernandes underlines the characteristic form of domination of twentieth century capitalism, where big conglomerates take the leading role of domination from inside:

El carácter específico del imperialismo totales el hecho de que organiza la dominación externa desde adentro y a todos niveles de orden social: desde el control de la natalidad, las comunicaciones y el consumo masivos hasta la educación, trasplante masivo de la tecnología e instituciones sociales, modernización de la infra y super-estructura, dispositivos de capital o financieros, el núcleo central de la política nacional, etcetera. (FERNANDES, 1970, p. 1445)

The historical context adds to imperialism non-economic determinants, political anti-socialists ones. Up until that point, successful socialist experience, with considerable stable growth and equivalent technology, represented a threat to capitalism. In this sense, continues Fernandes, imperialism was not the manifestation of superiority of advanced capitalism, but a struggle for the survival of capitalism itself. Programs, such Alliance for Progress, were part of this greater effort, and the influence in media, educational system and other super structure institutions can be seen as forms of manifestation of this new form of imperialism. ECLAC, on the other hand, represents another perspective of a HB, and a fight against imperialism.

The ECLAC was established in 1948 in Santiago, Chile. Back then, ECLAC's main concern centered on inflation (BAER, 1967). This subject placed ECLAC and International Monetary Fund (IMF) policies recommendations on antagonistic sides.

Economists connected to ECLAC's thought are known as "Structuralists". They advocated that inflation (a major discussion in LA's economics) is part of the growth process. Thus, gradualist policies, not shock policies, should be implemented given that monetary and fiscal restraints are not fully effective and harmful to growth and employment (CAMPOS, 1967). On the other hand, "Monetarists", closer to IMF's ideas,

defended fiscal and monetary restraints as the solution to distortions in prices and exchange rates caused by inflationary process. Those distortions should be held fast in order to avoid explosive tensions that could damage growth even further (Ibidem).

The IMF considered the distortion between prices of domestic and foreign goods as caused by inflation. This distortion led to an unfavorable balance of payments, exacerbated by a fixed exchange rate policy. To Furtado and other structuralists, on the other hand, structural changes created by the industrialization process should be blamed for those distortions and inflation (BOIANOVSKY, 2012)⁷. More precisely, the supply side was inelastic because there were structural bottlenecks, normally in agricultural sector (WASCHTER, 1979), that caused inflation. Import inelasticity was also to be blamed (BAER, 1967). There are other sensitive points, such as the role monetarists attributed to inflation distorting the allocation of resources in favor of less risky and more unproductive activities (Ibidem), but we will not go further in this analysis⁸.

In the Chilean case, the 1929 crisis caused a fall in mineral commodity prices and generated incentives to begin an industrialization process, creating a national, State-owned industry (CÁCERES, 1982). Nevertheless, since the 1950s, economists already pointed out the fragility of this model, with severe consequences to fiscal debt, migration, agriculture, etc., which accelerated the inflationary process (CORREA, 1985). Following what happened in all Latin America (FOXLEY, 1983), after 1950, there were attempts to implement monetary policies. This period differs from the bigger wave of monetarists policies of the 1970s associated with financial stabilization. During the 1970s this happened more consistently and persistently, mainly in Chile after 1973 and then (in a smaller degree) in Uruguay and Argentina, in 1974 and 1976 respectively (FOXLEY, 1983). This scenario differs from similar attempts in the 1950s due to the lack of structural change and long-term goals of the latter (Ibidem).

From 1956 to 1958, for example, the Chilean government hired the American consultant firm Klein-Sachs with the mission to decelerate the 77.5% inflation (LÜDERS, 2012). The implemented fiscal and monetary policies succeeded in controlling the inflationary process for a short period⁹.

⁷ As pointed out by Boianovsky (2012), the roots of LA's structuralist thought can be traced back to the 1930s and 1940s doctrine of Market Failure, developed in Great Britain (ARNDT, 1985), the French structuralist school (BLANKENBURG; PALMA; TREGENNA, 2008) and others. Therefore, "the domestic character of Latin American structuralism should not be stressed too much, though" (BOIANOVSKY, 2012: 285). Nevertheless, Missio, Jayme Jr. and Oreiro (2015) argue that despite all those and other influences LA's structuralism characterizes a new structuralist school.

⁸ For a more complete discussion over this matter, see Baer and Kerstenetzky (1964), Fishlow (1986) and Love (1996).

⁹ Both Lüders (2012) and Cáceres (1982) point out the importance of the hesitance of politicians to continue and deepen the monetarist's policies.

The 1958 elected President Jorge Alessandri made an initial attempt to deepen these changes, but political pressures stopped him. In that moment, not only did ECLAC have a great influence in the country, but it was also the beginning of John F. Kennedy's Alliance for Progress (CÁCERES, 1982:43-44). In order to avoid the communist treat in Latin America, the Alliance for Progress had an ambitious plan that included not only the habitual price stability, growth and domestic savings, but also income distribution, some agrarian reform, low-cost housing and trade diversification (MICHAELS, 1976:75). The foreign aid influence can be measured by the 1.5 billion dollars Chile received between 1961 and 1970, being the second country in per capita income aid (Ibidem:76). The agency's goals, however, would match better with the next president, which represented an alternative to the already popular Salvador Allende.

Supposing that Chile was part of this Atlantic Fordism HB, we can understand 1958's president Alessandri abandonment of austerity policies as concessions to auxiliary groups that were close to other ideologies as those of ECLAC or non-Marxist left. Alessandri, and the groups he represented, attempted to diverge from the HB ideology, but they had no support, being drawn back to what he considered populist and demagogic policies (CÁCERES, 1982). They were not able to create a new consensus. In turn, the next president, the Christian Democrat Eduardo Frei Montalva (1964-1970), was closely connected to populism (COELHO, 2000). Unlike Marxist revolution or conservative capitalism, his "Revolution in Liberty" aimed to merge structural changes and the maintenance of democracy. Frei adopted developmentalist policies and even started land reform, therefore maintaining the consensus around the HB.

Eduardo Frei Montalva's election, according to Fontaine (1993), was the first one in which left wing candidates benefitted from the previous years' huge rural-urban migration. The rural population had a smaller participation in the electoral process, but when they migrated to urban centers, they usually became involved in the political process, such as joining working class unions (FOINTAINE, 1993). Nevertheless, elite groups were able to stop Frei's populist measures (VALDÉS, 2008:218), but they could not avoid the radicalization in Chilean politics that resulted in the election of socialist Salvador Allende (which benefitted from the migration process as well). As Valdés pointed out, the number of electors rose from 1.5 to 2.5 million people (or from 15 to 30% of population) from 1958 to 1970. The number of unions doubled as well.

Frei's term was widely supported while able to combine "a populist desire for social justice and the corporative institutions [...] the corporativist fraction of officialistas representing the urban industrial managerial wing of the party gave increased production and technical efficiency a priority over social justice" (MICHAELS, 1976:79). This was part of his project named "Revolution in Liberty",

which fitted "the Alliance for Progress' vision of a revolutionary peaceful development" (Ibidem). During this period, the Chilean State sought to integrate peripheral groups socially and economically (ARAVENA, 1997:53). Frei Montalva, mainly after 1965, needed the Alliance's financial support in order to keep this bold project. However, after 1967, a year with rising inflation, low growth and falling prices of copper altogether (Chile's main export product), Chile needed even more. This time, however, according to Michaels (1976:82-83), the US was less concerned with the Alliance's goals and pressed for fiscal restraint. The World Bank and the IMF urged that Chile reduced its agrarian reform and public housing budget, in addition to other reforms, in order to reduce inflation (Ibidem: 89). The government lost its popular basis paving the way for Salvador Allende.

After Salvador Allende took office in 1970, there were fundamental changes. After winning the election, the new government imposed a major social and economic rupture, as stated in its electoral program. Allende brought under state control a major part of Chile's economy, including banks and the once foreign-owned copper mines, deepened the land reform (dissolving the latifundia system) and implemented short-term measures benefiting the popular sectors. "The strategy involved the brief rupturing of an elitist development model of dependent capitalism, and its replacement with a more redistributive and participatory state orientation organized around social property" (BARTON, 2004:9-10). His intention was to restructure power relations to which the country's economic interests would have to adjust to (FLEET, 1973).

In adopting this strategy Allende was taking a calculated risk. Measures favorable to the popular classes might well stimulate production through increased demand. But over the long run the burden of government policies would have to be borne by the country's middle sectors, long the controlling element in national politics. [...] Allende would have to hope that economic conditions for the middle sectors would not deteriorate too rapidly, that political forces representing them would remain divided, and that in any event the middle class would retain its traditionally constitutional political inclinations. (FLEET, 1973:768-9)

It is important to highlight a crucial question about Chile's elections. There was no need for absolute majority. Allende took office with less than 37% of the valid votes, while Jorge Alessandri obtained 34.9% (Conservative) and Radomiro Tomic 27.8% (Christian Democrat). Therefore, even if we consider the votes as a proxy to actual support of a major ideological change, Allende was not even close to a consensus. The rapid move ahead of Popular Unity's social objectives, the sharp fall of growth rates, and rise in inflation in 1971 (up to 162% for the year) increased hostility and moved Christian Democrats from a neutral position to full-fledged opposition (Ibidem).

Even though Allende's/Popular Unity's short government was not a dictatorship, or used systematic violence to silence opposition, its attempt to institute a new Historical Block in Chile with socialist tendencies, is considered a war of maneuver. Through

democratic elections, they took power after a moment of weakness and decreasing popularity of the former HB. There was never a hegemony, no control over civil society during Allende's term. This can be seen as a lack of preparation of subordinate classes that allowed a quick recovery by the ruling class. They did not seize the moment of an organic crisis in the HB, i.e. the moment where organic intellectuals no longer represent the ruling class (PORTELLI, 1977).

The gradual disappearance of market mechanisms, along with the broad nationalization of private companies and the land reform, increased the right-wing radicalization. Business owners started to retain products and practice terrorism in order to wreak havoc and destabilize Allende's Government (VALDÉS, 2008; FISCHER, 2009)¹⁰. Meanwhile, even before the coup, the Chicago Boys gained relevance in the formulation of the opposition's economic plan that could sustain a possible new government, since they represented a major rupture with socialism and former populism as well (VALDÉS, 2008). These economists represented a completely different paradigm in comparison not just to Allende's policies, but also to former ECLAC structuralist influences. However, the Chicago Boys were not the leading intellectuals right after the coup yet, as we will see next.

The ideological radicalization and the alliance between the center and the right constituted the support that made possible the military coup. The newly established dictatorship had the will and power to conduct the policies they wanted with much less political pressure than before, at least from dissident groups. Chilean students from the University of Chicago had an important role, as we intend to show. Therefore, the relation between the University of Chicago and the Pontificia Universidad Católica de Chile (PUCCH), which started in the 1950s, became central to Chile's future.

3. The Creation of the Chicago Boys and their Role on a New Historical Block

An import fact to our discussion is the recognition of the developments of the post-war Chicago School of Economics (CSE) as a particular school of thought and opposed to the main authors inside the American academy. It was after this period that the agreements involving this university and PUCCH started (late 1950s), and this new CSE's thinking entered Chilean society, later influencing the politics adopted during Pinochet's dictatorial regime.

Founded in 1892, with James Lawrence Laughlin as its first director, the Department of Economics of the University of Chicago has a history of political conservatism and economic orthodoxy (VALDÉS, 2008). Nevertheless, the arrival of

¹⁰ On the destabilization process, see Goldberg (1975).

Milton Friedman in 1946 marked a turning point¹¹. He was the leader of what later would be called the anti-Keynesian revolution. His influence is so important that Van Overtveldt (2007) divided the evolution of the CSE between the Pre-Friedman Era, Friedman Era and Post-Friedman Era.

The Friedman Era, (1946-76, his time as a Professor there), was characterized by a specialization on neoclassical price theory, partial equilibrium and empiricism (VAN OVERTVELDT, 2007). Although Van Overtveldt stressed the major importance of Friedman inside CSE, Valdés (2008, p. 54) pointed out the role of previous professors, as Frank Knight and Henry Simons, not only in price theory but also in adopting the concept of the Economist as someone designed to make people see things as they really are. This last trait was an important feature of the Chicagoans. Besides, about the same time as Milton Friedman, several professors joined the department, including some from Cowles Commission (e.g. D. Gale Johnson, H. Gregg Lewis, Theodore Shultz, Jacob Marschak and Tjalling Koopmans), and several other left or died (e.g. Frank Knight, Henry Schultz, Henry Simons, Oscar Lange and Paul Douglas) (HAMMOND, 2010).

Either way, according to Miller (1962), the specializations mentioned above added to a convergence on the understanding the role of the State and public policies. This makes CSE homogeneous enough to differentiate itself from other American schools. In his words,

What does distinguish him [the Chicago Economist] from other economists are a number of closely related attributes: the polar position that he occupies among economist as an advocate of an individualistic market economy; the emphasis that he puts on the usefulness and relevance of neo-classical economic theory; the way he equates the actual and the ideal market; the way in which he sees and applies economics in and to every nook and cranny of life; and the emphasis that he puts on hypothesis-testing as a neglected element in the development of positive economics. (MILLER, 1962:65)¹².

CSE's monetarist influence is also prominent and important. Friedman's work was highly influential to the foundations of this new monetarism. This approach stood as a direct challenge to the Keynesian consensus that emerged after the "neoclassical synthesis" (LAIDLER, 2010). The "Point Four", an American technical aid program, had monetarist influence, while the "Projecto Chile" was the name of the specific project that allowed the implementation of the agreements between CSE and PUCC. One of the Point Four objectives, similarly to the Alliance for Progress, was to foster development and avoid socialist threat (VALDÉS, 2008).

¹¹ "Friedman swiftly took over the intellectual leadership of one faction of the Department and energetically attacked the views and proposals of the others. His vigor in debate and the content of his arguments set the tone and public image of Chicago economics for at least a quarter century" (REDER, 1982:10).

¹² When Miller wrote his paper, the idea of the CSE as a distinguished line of thought was not so much widespread, as it can be seen on George Stigler (1962) response.

Theodore Schultz's Human Capital (that connects individual knowledge, education, value creation and development, and it was later developed by Gary Becker) is fundamental to enlighten the "Projecto Chile" preference for the University of Chicago. According to Valdés (2008), Schultz, at this point head of CSE's department, established a close relation to Albion Patterson, director of Point Four and an admirer of the Human Capital theory. Patterson had a clear disagreement with ECLAC's models and theories of development, and saw Schultz's work as an alternative. (Ibidem: 98). Given this influence, Chile would later become a big laboratory to the Human Capital theory (FISCHER, 2009).

In Patterson's pursuit for a university willing to sign an agreement for professional training in the United States, his first attempt was with the Universidade de Chile (UC). The university refused the cooperation due to Patterson's requirement for an exclusive exchange with CSE. UC did not want to restrict its exchange program to only one university. Besides that, ECLAC had a major influence inside UC's economic department, where economic development and structuralism prevailed. Then, the next candidate was the not yet widely known Pontifícia Unviersidade Católica de Chile. Dean Monsignor Alfredo Dias Santiago asked for help with the university's program of economics and Patterson established the agreement. In 1956, Theodore Schultz, Earl Hamilton, Simon Rottenberg and Arnold Harberger arrived in Santiago to formulate the program. Over eight years, twenty-six Chileans received training at the CSE¹³. Those who returned to PUCC manage to dominate the economics department around 1964. At that moment, PUCC was a small CSE inside Chile. (VALDÉS, 2008: 115ff).

The establishment of a small CSE in PUCC is important to show how the ideological transfer that would enable the passion revolution as discussed by Davies (1999), and to avoid deterministic interpretations as the understanding of an imposition of CSE's ideas. The point is that, to establish a new Historical Block there must be a demand for a new ideology, and new intellectuals¹⁴ that will forge it. In order to overcome a HB, both situations should happen simultaneously, organic crises and the formulation of a new hegemony (PORTELLI, 1977). When the coup happened in Chile, the Chicago Boys were there to establish the leading ideology. As we will show, their dominance over government policies was not immediate. However, we should first discuss the origin of this ideas, which are closely connected to the Mont Pèlerin Society. Pinochet's dictatorship had no popular support and intended to build a consensus as far as possible from any kind of leftist ideology. The transference of ideas to Chile (this neoliberal

¹³ The exchange between Chileans and American universities continued, funded by other institutions such as the Rockefeller Foundation and the Organization of American States (FISCHER, 2009).

¹⁴ There are two divisions inside the intellectuals. First, they can be connected to the leading class or not. Second, they can be of a higher echelon, who formulate the philosophy of the ruling class, or of a lower echelon, the ones who reproduce it.

project) had a major influence of this society and started before their implementation in the leading countries, what would happen only under the Ronald Reagan and Margaret Thatcher's governments (GILL; LAW, 1993).

3.1. The *Mont Pèlerin Society*

The transposition of ideas and the attempt to construct a new hegemony that took place in the Chicago Boys case is central to this Gramscian analyses. This centrality is related to the passive revolution and the building of a new hegemony (DAVIES, 1999).

Before moving forward, it is important to define the concepts used here. Hegemony, according to Callinicos (2010:494), is "the synthesis of political domination and ideological leadership necessary for stable class rule". Dominance is "concealed behind a veil of consent" (MORTON, 2003b:635), a product of the relationship between rulers and ruled. This relationship depends on the creation of a consensus among classes around the leading ideology. That means if a ruling class achieves the said changes, it would be a stable situation or equilibrium because the hegemony allowed the political climate to its acceptance, not only through the state political society, which would mean to impose an unstable rule using state apparatus. In cases where the formation of hegemony is not possible, as in the Risorgimento according to Gramsci, passive revolution is likely to happen.

The change in ideology in a passive revolution does not involve a new ideology based on popular internal struggle and class consensus. It is a "revolution from above" where the bourgeoisie is no longer a revolutionary class and uses the state apparatus "to assure its property relations" (MORTON, 2007:70). "Gramsci conceptualizes passive revolution as being not just a specific route to bourgeois domination, but also a means by which capitalist class rule is maintained in an epoch of crisis, war, and revolution" (CALLINICOS, 2010:497). This top down change intends to be a gradual process that represents an alternative for "[managing] the structural contradictions of the capitalist mode of production" (Ibidem: 498). The renewal of the capitalist mode of production, with the implementation of neoliberal mode of accumulation, happened in Chile in response to an attempt socialist revolution. This ideology, which the authors in the tradition of this paper call "neoliberal", can be traced back to the Mont Pelèrin Society.

The Mont Pèlerin Society, according to Van Horn and Mirowski's (2009), is an international bourgeois group established in 1947, in order to foster free market policies around the world. From this point of view that would be a "source" of the

ideology that came to Chile through the University of Chicago¹⁵. We do not mean that price theory or another theoretical framework was imposed to Chicago or even developed inside Mont Pelèrin, but that society would finance and foster liberal ideas that could not be connected to any country's reality yet. An illustration of that is how the leading American school on the propagation of these neoliberal policies, in opposition to the Keynesian mainstream of the time, had great influence from and in this society. Mont Pelèrin's connection to CSE involves several participants that at some point in time were professors there, e.g. Knight, Friedman, Aaron Director and Stigler, as well as the work of Friedrich Hayek (VAN OVERTVELDT, 2007).

Van Horn and Mirowski claimed that the Mont Pelèrin Society and the CSE were part of the same post-war deliberated transnational effort to disseminate neoliberal ideas (VAN HORN, MIROWSKI, 2009:139-140). Their intention is to challenge the impression that surrounds the evolution of the coherent CSE's thought as a linear and logical development in the history of ideas, instead seeing it as a planned reinforcement of free market capitalism. This approach clarifies some points in our goal to apply the theory of hegemony to this period in Chile.

Continue with Van Horn and Mirowski's interpretation, one should consider the transplant of neoliberal ideas in Chile, this implies that it happened before any revolution (in the terms of this ideology) inside the leading countries, what would make it the leading ideology of any Historical Block. Therefore, the neoliberal HB was fruit of intellectuals assembling supported and funded by an international bourgeoisie. Davies (1999) analyzed this as a passive revolution, due to the incorporation of external elements from abroad leading to a fragile change in ideology with no popular initiative or actual hegemony. Due to the lack of popular participation, there is no consensus, no balance that will allow the leading class to govern through civil society. As happened in Chile, that would require a war of maneuver¹⁶, i.e. an assault on power and a rule through political society. This situation can be carried out in a way that would allow a consensus to be built, gradually, closer to the intended ideology than it would without the assault; however, that is a fragile form of ruling.

Davies analyzes the media intellectuals, most of which worked on leading universities in Chile. While it is a very interesting research, we believe the author does not discuss the importance of the relation between an international bourgeoisie and their strategies to influence world economy through government takeover. Back then, economists were more and more seen as of major importance in several areas of the

¹⁵ The society is supposed to be a think tank to promote and finance the implementation of pro market policies throughout the world. This is also coherent with Rothkopf's (2008) idea of "superclass". An international group identified as a class of super-rich rather with their own countries.

¹⁶ In opposition to that there is the war of position, where a group seeks to build a consensus around its ideology before seizing power. It is a hegemony built in civil society.

government (as discussed in Robert Hall's (1955) lecture and Ackley (1966)), a result of the increasing role of planning since the beginning of the 1930's (ROLL, 1968). In Gramscian terms, they were part of the upper echelon intellectuals. The Chicago Boys were important in order to allow Pinochet's government to both implement public policy and reform, while distancing from populism or left wing ideologies. For this reason, we believe that these intellectuals (coming from a tradition of applying economics to every aspect of life)¹⁷ played a major role on building and supporting the new transplanted, ideology, modified to serve Chilean bourgeoisie's interests. In order to understand the space conquered by the Chicagoans in Chile, we next analyze the role of Chicago boys as Intellectuals of a new Historical Block.

3.2. The Military Coup and the Chicago Boys

The coup overthrown Salvador Allende and brought the military junta to power, which Augusto Pinochet would later replace (he was also a member of the junta). As Kurtz (1999) points out, neither the junta nor Pinochet were advocates of neoliberalism previously. Both represented a wide range of supporters (from Christian Democrats to liberals), and external pressures from these groups drove their politics. Actually, during the first phase of the government (1973-1975) there was no neoliberal policies. "From the beginning, the Chicago team had to struggle for control in a 'coalition' of economists that did not necessarily [...] share their radical, neo-liberal views" (VALDÉS, 2008:19).

The implementation of the most radical fiscal and monetary neoliberal proposals of the Chicago Boys only started in 1975, when one of them, Sergio de Castro, became Minister of Finance. In addition, in April 1975, Milton Friedman and Arnold Harberger visited Chile. Friedman wrote Pinochet suggesting shock therapy in the economy¹⁸ (SCHLISSER, 2010:184). Until 1982, the policies followed the Chicagoan script, mainly after 1979 (KURTZ, 1999). Moreover, the government attempted to modify Chilean society and institutions in order to eliminate any possibility of a new socialist rise to power. That was only possible thanks to the support given to the neoliberal measures by the *El Mercurio*¹⁹ newspaper and other media companies. *El Mercurio* was the main media vehicle to disseminate throughout society the misdeeds of Allende's government, as well to defend the dictatorship and its unpopular measures as a solution. The media had the role of presenting the new dominant ideology to general society, as a mediator. Furthermore, the Church helped to destabilize Allende and back up Pinochet (KALLÁS, 2008 and

¹⁷ Although this was more evident from the 1960s onwards, the Chicago School already laid the foundations in the works of Margaret Reid and Theodore Schultz (REDER, 1991 and LAZEAR, 2000).

¹⁸ Both Friedman and Harberger were largely criticized for showing support to Pinochet's dictatorship. See Frank (1975; 1976) and Letelier (1976) (this article was originally published in the *Nation* on August 28, 1976. The author was murdered on September 21 of the same year, in the city of Washington).

¹⁹ Several people connected to *El Mercurio* and other companies had a direct participation in the coup, as shown by Davies (1999), Valdés (2008) and Fischer (2009).

AZEVEDO, 2003). The Church had influence among the classes ideologically farther to the ruling one, having a unique role in influencing certain strata of society.

However, the imposition of the harshest neoliberal policies did not last during all Pinochet's dictatorship. After the crisis of 1982, unpopular measures diminished (KURTZ, 1999). We interpret that as the necessity to make concessions to auxiliary groups in order to maintain power and perpetuate the Historical Block. After the crisis, pressures against the military rule increased and these concessions had to be made. The ideology of the Chicago Boys did not rule alone anymore, but they had already proportionated a great shift in Chile's capitalism.

It is also important to stress that the state of exception made possible all the unpopular political and economic policies for such a long period. The coup and its violence had a central role in guaranteeing the persistence of a passive revolution, and all those institutions were important to support it. This made possible the application of market principles throughout society. "While the Chicago Boys have provided an appearance of technical respectability to the laissez-faire dreams [...] the military has applied the brutal force required to achieve those goals" (LETELIER, 1976:52).

When the Chicago Boys assumed the leading role in formulating the public policies and the free market economy turn, they were doing more than just economics. The neoliberal ideology sought not only to transform the economy but also entire social relations. The economic imperialism, that was a characteristic of the Chicago School as stated earlier, was also present. The position of the CSE was to create the conditions to allow the policies recommended by their theory to be applied (VAN HORN; MIROWSKI, 2009:161). Regarding this, Don Patinkin wrote:

What was particularly exciting [about the Chicagoans] were the same qualities that made Marxism so appealing to many other young people at the time: Simplicity together with apparent local completeness: idealism combined with radicalism. For Simons carried out his approach to logical extreme, with the unshaken conviction of a world reformer that life would be better if only his policy recommendations were carried out. (apud Valdés 2008:56).

The results were profound structural changes in Chile's economy capable of reformulating its capitalism completely, as discussed by Delano and Translaviña (1989). Therefore, we argue that economics became more important than other questions in the formulation of the philosophy and the Chicago Boys became the leading upper echelon's Intellectuals. They absorbed a space that could be filled by another field of knowledge and led the reformulation.

Conclusion

Here we used the Gramscian theory in order to understand the Chicago Boys as an important part of the upper echelon organic intellectuals of this new Historical Block formation, based in a passive revolution in Chile. This enabled us to analyze the role of class struggle and ideological disputes during this period.

The episode involving the former University of Chicago students, i.e. their role as advisors in Pinochet's government, happened right after an unsuccessful attempt of a "democratic route for socialism". The Chicago Boys not only represented a complete dismantling of socialists' policies and overcoming of their ideology [the removal of the "Marxist cancer", as stated by Letelier (1976)], but also of the previous capitalist/populist way of thinking economics (closely connected to ECLAC).

The transfer of ideas analyzed here was only possible due the failure of the socialist attempt in maintaining support for its ideology. This means that an organic crisis in the Historical Block, or the failure in making the HB possible, created a window of opportunity for a takeover by the bourgeoisie. At that moment, the Chicago Boys were present, brought by the interest of an aid program director in a not dominant economic discourse from the United States. Schultz's human capital theory was central in the process of setting the agreements that allowed the existence of the Chicago Boys, but it was Friedman's monetarism the flagship of the transformation inside Chile. This was a major experience, and Chile became a real laboratory, for the later widely used neoliberal policies.

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