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Neoliberalism in Latin America: Challenging Eurocentric Theory in Mexico and Chile

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Introduction:

Neoliberalism is a a coercive economic agenda covered up under the guise of globalization. The word globalization in and of itself sounds great. The first impression the word gives is connection. It communicates the idea that every country in this world is connected. It therefore carries an erred perception that everyone can have easy access to everywhere and is therefore “globalized”. The main problem is that because the word globalization carries so many definitions, it says nothing at the same time. Thus, one’s first impression of it will in all likelihood be good, and so agreeing to it can be tempting.

But the word globalization does not capture the reality of what neoliberalism is.

Neoliberalism does not result in homogeneity across the globe. It will develop differently wherever it is applied. I think so because every country which has applied Neoliberalism does not match the requirements of the Neoliberal agenda. Mexico and Chile, my countries of focus, defy the perceived Western notion that Neoliberalism is inextricably linked to democracy. These two countries also demonstrate that Neoliberalism and democracy are not connected as advocates of neoliberalism claim. Neoliberal theory says that once lesser economies are exposed to the world market, international (Western) pressure will make them preserve and intensify their democracy, which was a key aspect of the West after the Cold War¹. This thesis shows why democracy is not necessarily related to neoliberalism; it is neither produced by it nor is it necessary for economic structuring to occur. The determining factor for success or failure in the

¹ Weyland, Kurt. *Neoliberalism and Democracy in Latin America: A Mixed Record*. (US: Cambridge University Press, 2004)

Global South, is the country's own practice of governance and its particular history. There is only so much the West can do to make the Global South fully apply their Neoliberal agenda.

The United States uses globalization's broad definition for their benefit. They preach it as being good and because of its large array of definitions, the chances are that one will imagine something good of it. The west, by doing so, gains access to lesser economies to subsequently benefit from them. The word globalization is a euphemism. The real process of globalization is a power dynamic where the West presents the "rest" with some economic enhancing treaties, where they will end up benefitting to a greater extent.

I would metaphorically describe globalization as an octopus. The tentacles would be the different economic enhancing promises the West scatters to convince and suck other countries into their power as Structural Adjustment Programs, privatization, land reform, free trade and more, making these countries believe globalization is key. The belly would be Neoliberalism, because it is the fuel of it all. It powers the octopus to move its tentacles, it is always hungry for more. I consider Neoliberalism as the strongest and fullest aspect of globalization. The head would be the West. Nonetheless, the octopus is not as strong and convincing as it thinks. The Global South will not fully apply Neoliberalism as the West would want. They have agency in the decisions too. I will develop the latter remark throughout my thesis.

This thesis studies the process of neoliberalism as a contested process in Mexico and Chile. It examines the ways in which the United States attempted to impose diverse models of neoliberal structuring to these countries. It demonstrates that neoliberalism is not a single doctrine that manifests wholesale in any country, rather each country's specific histories and the agency of that country's leaders and people determine outcomes under neoliberal reforms. As

commented previously, Globalization begins in the West. Why? Because they engineer it with precision to win all the agreements even though decisions entail various participants. The West underestimates the agency of the Global South. I will focus in the cases of the Latin American countries where the West tried to fully coerce the practice of Neoliberalism beginning in the 1970s.

In my first chapter I will talk about the beginnings of Neoliberalism. I will give historiographical background on the theory and how it began. Mexico and Chile embarked to “globalize” their countries by applying Neoliberal rule. Before the Neoliberal turn in the late 1970s and early 1980s, these two countries had inward looking economies and felt they were falling behind. The issue with economies in LEDCs (Less Economically Developed Countries), is that the West is always the benchmark for progress which can lead to ambiguous decisions. Latin American countries, nevertheless do not fully succumb to Western expectations. As most Eurocentric scholarship tends to do, the West is seen as the sole teacher of economic change. However, Latin American countries mold Western economic proposals. As in this case, Neoliberalism is molded to their wants and needs.

The complexities of Neoliberalism are seen in its practice. The theory of Neoliberalism argues that it is a “theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defense, police, and legal structures and functions required to

secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (inures such as land, water, education, health care, social security, or environmental pollution” then they must be created.”² In reality the dogma is not followed as it says in its theory.

Neoliberalism was test-driven in Chile. The US government, the IMF, the World bank and the FBI– entities who control the world–decided to intervene and help depose Allende as his socialist experiment was seen too risky for their businesses. Milton Friedman was one of the main ideologists of the Neoliberal doctrine which was the main impetus for reforming post-coup Chile. Friedman engaged Chilean students with a study abroad program in the University of Chicago to learn the Neoliberal theory. These students were taught with a motive. That being that after graduating they would then return to form part of Pinochet’s economic team and guide Chile through what is called Neoliberal reforms– privatization of state entities, tax reduction, free trade, spending cuts, monetary stabilization and the privatization of social security. Chile however did not do exactly what a Neoliberal model suggests, nor did Mexico.

Chile, was under a dictatorship and still applied Neoliberalism. Chile, against all odds, was able to succeed economically, under the dictatorship. They used bits and pieces of the Neoliberal theory. Chile never fully privatized. The latter facts point to the nuanced character of Neoliberalism in Latin America. It portrays Neoliberalism’s malleable theory which is used differently in every country. “As a result of this free market revolution, the Chilean economy boomed. In the last 35 years poverty has fallen from 50 percent to 11 percent, per-capita income has increased from 4.000 dollars to almost 20.000 dollars and inflation was reduced from over

² David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005) Intro

250 percent per year to less than 7 percent per year. This remarkable record has been known as Chile's 'economic miracle'³ Chile did not fully privatize and was able to use Neoliberalism their way to have a successful economic growth.

Mexico's decision to implement Neoliberalism was not the same as Chile's. They both, however, have implemented the Western economic agenda their own way. Mexico had a big oil induced crisis in 1982. Inflation rates slowly grew since the discovery of oil reserves in 1979. There was a worldwide recession which made Mexico lower its net exports in the 1980s. Mexico's peso devalued so much they had to find a way to restructure the debt they had fallen into. The IMF agreed to loan them money with the condition that they adopted Neoliberalism and structurally reformed their country to a private entity, low tax, low barriers of entry market. In return for these "economic reforms", high- debt countries would get new access to medium-term new loans, in addition to rolling over of amortization of old loans⁴.

Mexico had been under the Institutional Revolutionary Party's (PRI) undemocratic rule for 71 years until the first democratic elections were held in 2000 were Vicente Fox won with the PAN party. It is important to note that the PRI did not follow their promises to aid Mexican people with the implementation of Neoliberalism. The PRI were deeply involved in corruption and the only thing Neoliberalism did to them was give them more power and consequently widening the inequality gap in the country. Neoliberalism in Mexico was PRI-made, and by that

³ Kaiser, Alex. "Is This The End of The Chilean Economic Miracle?" *Forbes* (<https://www.forbes.com/sites/realspin/2013/10/28/is-this-the-end-of-the-chilean-economic-miracle/#5231bd4a5c38>) Accessed Mar. 11, 2018

⁴ Rabo Research "The Mexican 1982 Debt Crisis." (<https://economics.rabobank.com/publications/2013/september/the-mexican-1982-debt-crisis/>) Accessed Mar. 9, 2018

I mean they decided how to implement it. An example being that the PRI continued to fund state entities like PRONASOL which were supposedly done to help coffee farmers. “PRONASOL in fact perpetuated strong central control, since in many cases its resources went directly to local communities, bypassing state and local governments. The program was also widely criticize because some projects were perceived as wasteful and impractical and seen as blatantly corrupt; it was shown that substantial amounts of money were misappropriated or went into lucrative contracts for government cronies who produced inadequately constructed projects⁵.” Isn’t Neoliberalism supposed to liberalize the market and give everyone a chance to participate with almost no government intervention?

Chapter two will deeper describe the nuances of Neoliberalism in Latin America. Comparisons of Eurocentric views and Latin American views on Neoliberalism will be presented. The idea that Neoliberalism works as a single theory everywhere will be put into conversation by the different opinions I take into account. Polar opposites like Naomi Klein, a prominent journalist and author on Neoliberalism’s evils and Milton Friedman, a staunch neoliberal, will be put into dialogue.

Chile and Mexico were never democracies in practice. Today they are closer to one. However, when Neoliberalism was implemented in Chile in 1973 and Mexico in 1982, they both had unstable democracies. By the latter I mean Chile was under a dictatorship and Mexico was under the PRI rule who chose their successors by the infamous “dedazo” – literally meaning the to-be former president pointed out their next successor.

⁵Edmonds-Poli, Emily. *Contemporary Mexican Politics.*” (U.S.: Rowman & Littlefield Publishers, 2009) P214

Chapter two will take into account first hand conversations and primary sources as newspaper reports of the time. My grandma experienced Chile's coup, not living there, but with friends telling her the events. She recalls that Allende was having horrible ideas to repress the people and that Pinochet was cruel, so we both agreed it is really hard to choose between two evils. The point we need to take into account is that one of them lifted the Chilean economy and the other would have plummeted it to oblivion. A Mexican friend who studies Mexican economic history gives me his point of view on Mexico's neoliberal reforms. A person who lives in Mexico and is experiencing first hand the developments of Neoliberalism is very important to bring into the conversation.

As commented earlier, Latin American countries have agency when it comes to their decisions. At the end of the day, however much rulers want to profit, they will also have to lift up the ruined economies to do so and by doing so, helping the economy. I am not saying all the economy but certain parts. Modernization did occur widely in Mexico because of Neoliberalism. That modernization was basically the U.S. sending in their products because NAFTA removed Mexico's protectionist policies. Until what extent does modernization benefit the country as whole? As everything in life, there are winners and losers, sadly Neoliberalism in Mexico helped some areas surge from recession but also made many people's lives more difficult. The rural poor, especially in Chiapas, were forced to privatize their lands and buy international products for their agriculture, which indebted them to unprecedented levels.

Chapter three will analyze present day Mexico and Chile. The consequences of Neoliberal Reforms are tangible today. Both countries still apply Neoliberalism as their main economic dogma and because of it, what began in the 1980s has continued to grow.

“Neoliberalism forged a social base among emergent middle classes and professional strata for which globalization opened up new opportunities for upward mobility and participation in the global bazaar. But neoliberalism also brought about unprecedented social inequalities, mass unemployment, the immiseration and displacement of tens, if not hundreds, of millions from the popular classes, The changes triggered a wave of transnational migration and new rounds of mass mobilization from those who stayed behind⁶.” The numbers of Mexicans leaving the country increases yearly, and the Real GDP Per Capita does too. What does the latter tell us about Neoliberalism? It clearly remarks that it will push a powerful few into bigger riches and separate them even further from the poor. It is ironic that present day America blames Mexico for their migration problem. The main promoters of Neoliberalism, which I see as one of the main impetus for the population’s exodus, is the U.S. They should therefore help Mexico find solutions instead of complain about a problem they helped begin.

The chapter will describe how Neoliberalism was a repetitive presence in the world stage. The West continues to excuse its malfeasances by saying the economic doctrine will work next time around. The West argues that if Neoliberalism failed, it was erred, but will be amended and ready to work again. It is known that the model in and of itself will not boost the economy in equal terms. Therefore, I also explain that country’s that use it are shrewd enough when applying it. They know that if they follow Neoliberalism to its full extent, the West will profit much more than it already will. Chile and Mexico, my countries of focus, do not apply the dogma as the theory dictates. They pick and chose parts of it. Whether its better or worse for their economies is

⁶ *Real World Latin America: Dollars and Sense*. Boston, Economic Affairs Bureau, Inc. P3

debatable. That is why I present both cases, so we can better understand how these countries decided to unfold Neoliberalism and what it caused them.

Eurocentrism is a main issue when it comes to Neoliberalism. However much Latin American countries decide to apply from the Neoliberal theory, they are still taking parts of its essence. Therefore, Western powers have the chance to filter through open doors into the lesser economies economy. Eurocentric Neoliberal dogma talks about Globalization as inherent to modernization. Therefore, Latin American countries who need to modernize think the only route is Neoliberalism. The latter choice, however much applied has made Latin America's national financial systems merge with what is now a single integrated global financial system⁷. The global financial system may be good for big corporations, but what about the small-scale rural producers? They are left aside, forgotten and forced to buy into the idea that modern is better. Leaving what they have been doing for years aside, working cheap labor to profit a powerful elite.

⁷ *Real World Latin America: Dollars and Sense*. Boston, Economic Affairs Bureau, Inc. 2013 P3

Neoliberalism in Latin America: Challenging Eurocentric Theory in Mexico and Chile

Gabriela Osterling

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Globalization is a contested term as it can entail many things. One of the meanings globalization entails is a free market where everyone has the chance to participate – because a “globalized” world is economically interconnected. In reality, a “globalized world” really means third world countries are more dependent on the West than ever. In practice, I would define globalization as an euphemism for Western capitalism. One of globalization’s latest developments is neoliberalism, a doctrine that argues that there is no alternative to the status quo and that humanity has reached its highest level.¹ Neoliberalism, also known as the Washington Consensus Noam Chomsky’s defines it as; an array of market oriented principles designed by the government of the United States and the international financial institutions that it largely dominates, and implemented by them in various ways – onto those more vulnerable societies, often as stringent structural adjustment programs². Latin America was seen as a threat to Western dominance in the mid 1970s. Therefore, Neoliberal reforms were tested and implemented on them through “beneficial” agreements for both parties as NAFTA and Structural Adjustment programs. These agreements did not benefit both parties equally and created turmoil in some cases such as the Chiapas revolution of 1994 in Mexico.

¹ Noam Chomsky, *Profit Over People* (140 Watts Street New York, NY 10013: Seven Stories Press, 1998), P1

² Noam Chomsky, *Profit Over People* (140 Watts Street New York, NY 10013: Seven Stories Press, 1998), P1

However I will argue that Neoliberalism is directly dependent on the countries government structures; if a perfect democracy were present, then it would work. A perfect democracy does not exist, however. In this paper I will analyze the cases of Chile and Mexico, two countries that adopted Neoliberalism because they found themselves in a crisis in the 1980s. Both countries had had complicated governments and were involved in financial crises. Chile had its “economic miracle” in 1982 and was able to succeed. Mexico adopted Neoliberalism policies to suppress unemployment and fix its economy, however, unemployment and emigration are still in crescendo. I contest that Neoliberalism is fundamentally a bad or good phenomena. Therefore, do not agree that it ruins economies or that it works perfectly. I will proof the nuances present that are formed by the structures of the governments of countries that adopt the economic principle.

Neoliberalism is today considered a branch of globalization. Inextricably linked to capital and the West. Because globalization creates hierarchal structures that lessen the participation of Third World Countries on the the economic sphere, it could be described as Neo-imperialism. The West proceeds with globalization by promoting countries to follow their economic doctrines. NAFTA was implemented to create a better trading environment between Mexico and the West. Noam Chomsky reiterates the reality of the situation: Mexico ranks 15/20 in growth of real GDP person, real wages have remained the same since the implementing of NAFTA in 1994. The poverty rate has barely budged³. The way globalization achieves its goals is through the construction of a broad based class alliance who have the same interests which maintain structures in place and societies in control. Therefore Third World Countries become conditioned that West is Best, where dependency is extended. Democracy is not really a feature of countries that apply

³ Noam Chomsky, The History of Neo-Liberalism (lecture).

Neoliberalism, as the theory addresses. Because Neoliberalism focuses on the rights of the owner, and the chance for them to have business, it is democratic and by that, the countries at stake are too.

The West is a benchmark for economies around the world. Nevertheless, they are on the higher position of the hierarchy were they have the ability to present the information they want, which benefits them, to the public. Big corporations as the Central Intelligence Agency (CIA), the Federal Bureau of Investigation (FBI), the International Monetary Fund (IMF), the World Bank and their links with the American government can be seen as experts in withholding the truth to the people. As Joseph Stiglitz, former vice president and chief economist of the World Bank who won the Nobel prize in 2001 for economics remarked, “When I began the study of economics some forty one years ago, I was stuck by the incongruity between the models that I was taught and the world that I had seen growing up.” Therefore, returning to the main point, the information we receive is not what happens in reality. Theory and practice are distinct, and regarding Neoliberalism in Latin America– its form depends on the type governance of the state.

. The West was struggling to come to terms with the fact that Latin America in the 1970s was growing strong and their economic policies were not important. Joseph Stiglitz and Naomi Klein agree that a way Western Capitalism controls other economies is by expanding economic crises to a whole other realm, creating shock in the country. Once “lesser” countries are in shock the West has “no choice” but to intervene – applying their rules of the game.

One of the main protagonists of the story of Neoliberalism in Latin America is Milton Friedman, a Chicago School Neoliberal economist – posthumously referred to as a “pixie or a

pest,”⁴ who As Naomi Klein recalls, “in the torrent of words written in eulogy to Milton Friedman, the role of shocks and crises to advance his worldview received barely a mention. Instead, the economist’s passing provided an occasion for a retelling of the official story of how his brand of radical capitalism became government orthodoxy in almost every corner of the globe,”⁵ through Neoliberal reforms.

The late 20th century was a time of fear for Western countries; a chilling narrative went around which said that if Communism reached them, it would mark the beginning of their demise. Therefore however much Chile and Mexico were in need of economic reforms in the 1980s, the West was also interested in introducing Neoliberalism to them because they wanted to prevent communism. Noam Chomsky, is a big critic of Neoliberalism, and seems to always criticize the economic system. He commented on the politics of Latin America and how they resisted Neoliberalism describing the economic phenomenon as an “assault”. There has been resistance to the Neoliberal assault, particularly by the center-left powers in South America⁶ in the 1970s and 1980s. The West embarked to do almost anything to diminish the possibility of the spread of Communism, but I would not say it was an “assault”.

Ever since the beginning of history, we have had had Europeans colonizing, dividing, and conquering others. History is more complex and rich than just one story. We are usually taught the history of Europeans. I mention the latter point because Europe colonized what is now the

⁴ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P18

⁵ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P17

⁶ Noam Chomsky (2017) The History of Neo-Liberalism (lecture)

U.S.; the U.S. is a big player in this thesis. It is because they adopted European ideologies and one of them is that they go first. They know more than the “rest” of the countries and therefore their involvement in lesser economies is obvious. As children in school, we were most probably taught about Christopher Columbus, World War I and World War II. Once again, this curriculum reflects the Western presence in the world. In this essay I will disclose different perspectives on the Neoliberal economic reforms of the 1970s and 1980s. I will show that there are nuances to its development in countries. There are many ideologies involved; by comparing Mexico and stating the different ideological perspectives I will try to get closer to the truth. Chile and Mexico are two countries that adopted Neoliberalism and are inextricably linked to the West by monetary policy, so they represent ideal case studies. Both countries are also part of the OECD.

Naomi Klein is a Canadian author and social activist, who has written extensively on power dynamics and Western economic coercion over the “rest” of the world– the Third World, Klein claims, “In order to enforce their policies there has to be an enemy to fear.”⁷ In this case the feared enemy was Communism. The West aimed to continue to have a coercive control over third world countries, to continue their Capitalist scope and eliminate all Communist possibilities. There is a term introduced by Naomi Klein, in her book “The Shock Doctrine,” which refers to the Capitalist mechanism of acquiring control through disaster, and therefore a population in fear easy to succumb to Western help or better termed, dominance. To exemplify the latter, I will give an example of Milton Friedman’s attitude towards crisis. After Katrina, the tropical cyclone that devastated New Orleans, Friedman saw opportunity in the floodwaters– “Most New Orleans schools are in ruins, as are the homes of the children who have attended them. The children are

⁷ The Shock Doctrine documentary, Naomi Klein.

now scattered all over the country. This is a tragedy. It is also an opportunity to radically reform the educational system. The schools that were destroyed were not serving their students well.”⁸

Milton Friedman will be mentioned throughout the thesis to exemplify how Western powers took control of markets in moments where they were succumbed to terror and fear. The example of Chile in the 1970s, where the Neoliberal efficacy was first tested, will be taken into account. This mechanism of control, applied by the West, best understood as a “disaster capitalism complex,” has much farther-reaching tentacles than the military-industrial complex that Dwight Eisenhower warned against at the end of his presidency: this is a global war fought on every level by private companies whose involvement is paid for with public money, with the unending mandate of protecting the United States homeland in perpetuity while eliminating all “evil” abroad.⁹

Milton Friedman is said to be one of the most important economists of the twentieth century. He received the Nobel Memorial Prize for Economic Science in 1976¹⁰, which sparked controversy because people were aware of his wrongdoings with economics. Naomi Klein, one of Friedman’s critiques, will lead us through the points which will shed light on how the Neoliberal revolution began, and had a major ignition by Milton Friedman. Friedman dreamed of deprogramming societies, of returning them to a state of pure capitalism, and cleansing of all interruptions in the form of government regulations, trade barriers and entrenched interests.¹¹ He had the Neoliberal idea, which as explained by David Harvey in “A Brief History of Neoliberalism” – empha-

⁸ Friedman, Milton. “The Promise of Vouchers.” *Wall Street Journal*, Dec. 5, 2005.

⁹ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P12

¹⁰ Milton Friedman, *Two Lucky People*. (United States: University of Chicago Press, 1998) P2

¹¹ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P50

sizes the significance of contractual relations in the marketplace. It holds that the social good will be maximized by maximizing the reach and frequency of market transactions, and it seeks to bring all human action into the domain of the market. The Chicago school, one of the biggest players behind Pinochet's coup to Allende's government, were guided by Milton Friedman. One of the founders of Chicago School economics, Frank Knight, "thought professors should "inculcate" in their students the belief that each economic theory is a 'sacred feature of the system,' not a debatable hypothesis."¹² Joseph Stiglitz comments on the power that economists can have by having that status. He refers to the story of Adam Smith, the "creator" of economics, in his Nobel Prize speech – "Gross misrepresentations and misinterpretations have been attached to Smith's effort, and these have unquestionably made him a folk hero of business lobbyists and right-thinking people, elevating the professor to something like a cult figure." The fact is, the average person will not understand complex economic graphs or statistics. In a moment of crisis especially, people will agree to any solution and even more if the problem at hand is hard to understand. As Naomi Klein comments, "Milton Friedman always prided himself on approaching economics as a science as hard and rigorous as physics or chemistry."¹³

Beginnings

It all began in Chile. The University of Chicago went to select Chileans for a study abroad program with them. The University of Chicago was a school where the professors agitat-

¹² Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P50

¹³ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P51

ed for the near-complete dismantling of government with single-minded focus and the U.S. State Department was firing a shot across the bow in its war against developmentalism, effectively telling Chileans that the U.S. government had decided what ideas their elite students should and should not learn.¹⁴

The West said that Latin America during the 1980s was not industrializing as they should because they were following a socialist route. Big institutions like the IMF preaching their salvation by promoting (coercively) the privatization of governmental entities, who they said were doing too much “useless” spending –on basic human necessities like healthcare and agricultural subsidies. The IMF promoted privatization telling countries they had two choices: to “privatize or die.”¹⁵ Returning to one of our main antagonists, Milton Friedman, who sporadically wrote columns for the *New York Times*, portrays in the following article his economic philosophy. The article, “The Social Responsibility of Business is to Increase its Profits,” said all we needed to know by only reading its heading. Friedman tended to blatantly disagree with the idea that companies can have social responsibilities and added remarks as “a corporation is an artificial person and in this sense may have artificial responsibilities, but a “business” as a whole cannot be said to have responsibilities, even in this vague sense.”¹⁶ Milton Friedman believed businesses act independently of the rest of the world, and their decisions have no negative repercussions on so-

¹⁴ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P60

¹⁵ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P10

¹⁶ A Friedman doctrine—: The Social Responsibility of Business Is to Increase Its Profits, Milton Friedman, *New York Times*, Sep 13, 1970

ciety. Therefore, they should not be responsible and/or accountable for anything further than themselves as “they can do good—but only at their own expense.”¹⁷

Neoliberal reforms were first tested in Chile after Pinochet’s bloody military coup in 1973. However, their planning goes back to when Eisenhower was still in office circa 1953. Latin America’s growing economies were a red light for Western corporations. The West believed that if Latin American companies continued to grow at that relatively rapid pace and to promote nationalism by having protectionist policies, they were taking the first step to totalitarian Communism “and should be nipped in the bud.”¹⁸ As commented before, the shock, is what gives the perfect opportunity for companies and governments to merge and invest and take control of the people with ease because of the fear and chaos, in this case the first one- Pinochet’s coup. As Noam Chomsky commented in a speech, Neoliberalism was an experiment and Chile was their Guinea Pig. This growing and powerful Latin America had to be stopped. In 1953, 20 years prior to Pinochet’s military coup, two American academics were already discussing the possibilities to fix this “problem” which was not really a problem in Latin America. Raul Prebisch was a Latin American economist who was coined “pink” by the West, and was inspiring many Latin American economies. These two American academics abroad, Albion Patterson, director of the US International Cooperation Administration in Chile, and Theodore W. Schultz, chairman of the Department of Economics at the University of Chicago, were discussing how to stop the preoccupying word of Prebisch's economy which seemed to be igniting national growth especially in Latin

¹⁷ Friedman, Milton “A Friedman doctrine—: The Social Responsibility of Business Is to Increase Its Profits. *New York Times* (New York) Sep. 13, 1970.

¹⁸ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P89

America's Southern cone. Patterson and Schultz agreed that the influence the US had over the "other" countries was beginning to diminish, so they had to find a way to reinvigorate the economic atmosphere abroad to continue their capitalist hegemony. Patterson said: "The United States must take stock of its economic programs abroad... we want (the poor countries) to work out their economic salvation by relating themselves to us and by using our way of achieving their economic development."¹⁹

This ideology is what led to the training of Chilean students at the University of Chicago. The University's first offer to Chile for their study abroad scholarship program was blatantly rejected by the University of Chile. Patterson did not give up and resorted to a lesser more conservative school – The Catholic University, and his project was approved. The program officially began in 1956 and went until 1970. It grew to include students from other Latin American countries, which discloses the attitude the West had towards Latin America at that time, and still now – the need to feel in control. "The expansion was funded through a grant from the Ford Foundation²⁰ which created the Center for Latin American Economic Studies at the University of Chicago. The years passed and the project seemed to be successful because many Chilean graduates from the Chicago School of Economics became teachers at home, and Chileans could study now study Friedman Economics in their own country. They became known as "Los Chicago Boys," a Spanglish term, "los" meaning "them" in Spanish. The plan did not work as planned because

¹⁹ Juan Gabriel Valdés, *Pinochet's Economists*. (New York: Cambridge University Press, 1995), P89

²⁰ Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P60

Latin American scholars and economic leaders were talking about how to take developmentalism to the next stage without Western influence.²¹

Even before Allende was elected in 1973, the CIA was planning ways to make a coup after their various attempts to rig the elections had failed. Declassified CIA documents show wire conversations from CIA officials. CIA deputy director of plans, Thomas Karamessines, conveyed Kissinger's orders to CIA station chiefs in Chile to continue the policy to overthrow Allende if he won.²² When Allende won the 1970s elections on November 4th, Los Chicago Boys and their American plan to control Chile's economy began to go downhill. It was in Chile – the epicenter of the Chicago experiment – that defeat in the battle of ideas was most evident. By Chile's historic 1970s elections, the country had moved so far left that all three major political parties were in favor of nationalizing the country's largest source of revenue: the copper mines, then controlled by U.S. mining giants.²³ Andre Gunder Frank remarks about the reaction in America to these events, "Suddenly, Chile and its economy became a topic of daily conversation in the Department of Economics."²⁴ However, Nixon and his administration did not give up on this long-term investment they had made with the Chicago School Boys. The U.S. could not come to terms

²¹Naomi Klein, *The Shock Doctrine*. Picador, (175 Fifth Avenue, New York, N.Y. 10010: Henry Holt and Company, July 2008) P63

²² Peter Konrbluh, "Chile and the United States: Declassified Documents Relating to the Military Coup, September 11, 1973" (National Security Archive Electronic Briefing Book No. 8) (https://nsarchive2.gwu.edu/NSAEBB/NSAEBB8/nsaebb8i.htm_)

²³ Peter Konrbluh, "Chile and the United States: Declassified Documents Relating to the Military Coup, September 11, 1973" (National Security Archive Electronic Briefing Book No. 8) (https://nsarchive2.gwu.edu/NSAEBB/NSAEBB8/nsaebb8i.htm_)

²⁴ Andre Gunder Frank, *Economic genocide in Chile. Monetarist theory versus humanity : two open letters to Arnold Harberger and Milton Friedman*. (United States: Spokesman Books, 1976), P7

with the fact that Allende was president and that sooner or later huge profits from having their companies abroad could plummet – mining companies had invested \$1 billion over the previous fifty years in Chile’s copper mining industry– the largest in the world– and they had sent \$7.2 billion home²⁵.

The US needed Allende out. The CIA had already plotted to make Allende lose the election, but did not succeed. Now they were plotting to make Allende struggle so he “would not make it through the next six months.”²⁶ The CIA was inspired by Brazil’s coup led by General Humberto Castello Branco in 1964 and Indonesia’s coup in 1965. Once again, declassified documents reveal the CIA’s injurious acts to help remove their opponent in power, as was in the case of Indonesia.²⁷ Chile's socialist president, Salvador Allende, was overthrown in a coup on September 11, 1973. He committed suicide under mysterious circumstances²⁸ as troops surrounded his palace. His death ushered in more than 15 years of military dictatorship under Augusto Pinochet. Since that time, the CIA has acknowledged knowledge of—but not involvement in—the plot.²⁹ General Augusto Pinochet and his military “junta” or group, took over Chile’s gov-

²⁵ Sue Branford and Bernardo Kucinski, *Debt Squads: The U.S., the Banks, and Latin America* (London: Zed Books, 1988), P40

²⁶ Subcommittee on Multinational Corporations, “The International Telephone and Telegraph Company and Chile, 1970-71, 4, 18

²⁷ William Blum, *Killing Hope: US military and CIA interventions since WWII* (Monroe, ME: Common Courage Press, 1995), P195; “Times Diary: Liquidating Sukarno,” *Times* (London), Aug. 8, 1986.

²⁸ “Chile: court closes probe into ex-president Allende’s death.” 7 Jan. 2014, <http://www.bbc.com/news/world-latin-america-25646031>. Accessed 3 Dec 2017.

²⁹ Friedman, Uri. “The Other 9/11: A CIA Agent Remembers Chile’s Coup.” *What role did the U.S. play in the overthrow of Salvador Allende*, 11 Sep. 2014, <https://www.theatlantic.com/international/archive/2014/09/chile-coup-salvador-allende-cia/380082/>. Accessed 10 Sep 2017..

ernment by imposing a harsh dictatorship and repelling everything Allende had done for the country. After their return to Chile, the Chicago Boys took advantage of the opportunity afforded to them by the 1973 military coup to launch the first radical free market strategy implemented in a developing country.³⁰

Dr Oscar Guardiola-Rivera, a reader in Law and Assistant Dean for Teaching & Learning at the University of London, “reserves his harshest criticism for President Richard Nixon, who, even as the flames of Watergate engulfed him, worked indefatigably with Kissinger to bring down Allende. Why? Because Allende was dangerously independent, irredeemably leftist, irresponsibly anti-business and — perhaps worst of all — because he openly thumbed his nose at the United States.”³¹ Numbers show that the CIA spent over \$3 million in 1972 alone³² to affect Allende’s presidency and help remove him from power. The coup in 1973 was bloody and it instigated further bloodshed. The opposition was shattered, and declassified CIA documents show how the number of deaths were minimized when presented to the U.S. public.³³ This case sheds light on the U.S. coercion over Latin American countries. It also shows the power of the media and how it is manipulated to benefit certain powers. In this case the CIA and the Pinochet government, were not wanting to disclose their horrid acts. Latin America’s immersion in Western

³⁰ Juan Gabriel, Valdés. *Pinochet’s Economists*. (New York: Cambridge University Press, 1995) P97

³¹ Arana, Marie. “Story of a Death Foretold.” *The Coup Against Salvador Allende’ by Oscar Guardiola-Rivera*,” 6 Dec. 2013, https://www.washingtonpost.com/opinions/story-of-a-death-foretold-the-coup-against-salvador-allende-by-oscar-guardiola-rivera/2013/12/06/21564806-5127-11e3-9fe0-fd2-ca728e67c_story.html?noredirect=on&utm_term=.ed17fe3c0d20. Accessed 10 Sep 2017

³² CBS Staff. “CIA Reveals Covert Acts in Chile.” 11 Sep. 2000, <https://www.cbsnews.com/news/cia-reveals-covert-acts-in-chile/>. Accessed 10 Oct 2017.

³³ Kubisch Jack B., “Chilean Executions” (Department of State, Secret-.Nodis, 1973)

Structural Adjustment Programs began with Pinochet's coup, backed by the US and its Neoliberal thought. The Third World was going to have to endure the process of the Structural Adjustment Programs in the late 1970s and early 1980s which would highlight the inequality gaps made by Capitalism and create an influx of poor into the city trying to desperately find a job. As Mike Davis comments in his book "Planet of Slums," "structural adjustment was closely associated with military dictatorship and the repression of the popular Left. One of the most striking results of this hemispheric counter-revolution was the rapid urbanization of poverty."³⁴ Because of the SAPs and their privatization of governmental entities, there was a devastation of the rural smallholders by eliminating subsidies and pushing them sink or swim into global commodity markets dominated by heavily subsidized First World agribusiness³⁵.

Noam Chomsky makes a comparison worth pondering, mentioning the two 9/11s that shocked the world. Chomsky remarked the latter comparison through a simple thought experiment. He asked us to imagine that the plane that was downed in Pennsylvania had actually reached its target, killed the President and instituted a military dictatorship in the US establishing a global terror center. (That would have been a worse outcome than what ended up happening—not saying that what happened wasn't terrible—, nevertheless) Chomsky highlights that the uneventful outcome in the U.S. is precisely what happened in 1973 in Chile. Hundreds of thousands died and there was a military dictatorship repressing the population by terror and coercion. The second 9/11 in 2001 was celebrated by Al Qaeda and its far more horrendous precursor was celebrated by the U.S. and the capitalist world. These are facts worth contemplating, Chomsky

³⁴ Mike Davis, *Planet of Slums* (London: Verso, 2006), P155

³⁵ Mike Davis, *Planet of Slums* (London: Verso, 2006), P153

adds.³⁶ I consider thinking about that case because it provides us with a bigger perspective on Capitalist coercion and information access for the general public on their doings. If we dig a little deeper we can stumble into opinions like the latter which can aid in understanding power dynamics which control the media and, consequentially, our understanding of the world.

Not every Latin American country decided to turn its backs on the 1980s Neoliberal reforms with growing socialist leftist governments like Venezuela or Bolivia. Chomsky commented that one prime exception was the case of Mexico.³⁷ As a member of NAFTA Mexico was locked into the structural reforms of the 1980s. As David Harvey discerns in his book “A Brief History of Neoliberalism,” a year before NAFTA was signed, a wave of privatization in Mexico catapulted a few individuals such as Carlos Slim almost overnight into Fortune’s list of the wealthiest people. Slim’s rise could not have happened without Western intervention. Because of global neoliberal reforms, globally, “the countries of Eastern Europe and the CIS have registered some of the largest increases ever...in social inequality. Organization for Economic Co-Operation and Development (OECD) countries also registered big increases in inequality after the 1980s,”³⁸ while “the income gap between the fifth of the world’s people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960. The evidence strongly suggests that the neoliberal turn is in some way and to some degree associated with the restoration or reconstruction of the power of economic elites.”³⁹

³⁶ https://www.youtube.com/watch?v=A_hFIuf-Q3U&pbjreload=10

³⁷ https://www.youtube.com/watch?v=A_hFIuf-Q3U&pbjreload=10

³⁸ David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005) P17

³⁹ David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005) P19

Crisis creates an illusion of powerlessness that can only produce rage and despair. Countries as well as people, are prone to dive into any possibility available with not much thought offered to it.

I am going to touch upon the case of Mexico and its relationship with Neoliberalism. Mexico used to be a country with protectionist policies that boosted internal demand. The country was well economically until the 1970s, when it hit a deteriorated investment climate that created a downslide in their economy. When President Luis Echevarría came into power on December 1st, 1970, he embarked Mexico on a program of reforms for the expansion of the public sector, financed largely through foreign borrowing on prospects of oil income.⁴⁰ With the next president Jose Luis Portillo (1976-1982) Mexico continued to borrow against its oil revenues to invest in railroads, nuclear energy, freeways, oil pipelines and steel industry. Mexico was near bankrupt because of the low demand and increasing production in the 1980s. Those unthoughtful borrowings would lead Mexico into a huge debt crisis, which was “saved” by the IMF who lent them 3.8bn with the condition that they do a series of market reforms, e.g. privatization. The borrowing ironically “ended” in 1993, when the NAFTA agreement was ready to be signed. NAFTA would tie Mexico to continue privatization and provide the U.S. an easier flow of goods.

The years following would lead Mexico into privatizing governmental entities, eliminating farming subsidies, increasing international import and signing the North Atlantic Free Trade Agreement in 1994, which sparked controversy in more than a few circles. In evidence was the Mexican sense of inferiority before North Americans and Europeans,⁴¹ the Mexican businessmen be-

⁴⁰ The Neoliberal Transformation of Mexico, James B. Greenberg, Thomas Weaver, University Press of Colorado.

⁴¹Ramon Eduardo Ruiz Mexico, *Death of a Dream*, (Mexico) P182

lieved that if they began to do business with big American firms and follow the Western neoliberal way, they would win big, and the country would roll out of debt.

The relationships Mexico and Chile have with Western Capitalism will be dismantled throughout the essay. To do so I will underscore the inextricable links both countries have with the West, especially with the United States when it comes to economic agreements and influence for reforms. Neoliberal reforms included Structural Adjustment Programs, which as its name says, they “adjust.” Structural Adjustment Programs (SAPs), defined by Mike Davis are protocols by which indebted countries surrender their economic independence to the IMF and World Bank – “usually require public spending, including health spending (but not military spending), to be cut.” Davis also remarks, “In Latin America and the Caribbean, a SAP-enforced austerity during the 1980s reduced public investment in sanitation and potable water, thus eliminating the infant survival advantage previously enjoyed by poor urban residents. In Mexico, following the adoption of a second SAP in 1986, the percentage of births attended by medical personnel fell from 94 percent in 1983 to 45 percent in 1988, while maternal mortality soared from 82 per 100,000 in 1980 to 150 in 1988⁴².” Which shows the vile character of these one sided agreements that benefitted solely the West.

For Mexico’s agriculture, the reforms sought to diminish the role of parastatals in agricultural marketing, storage and processing; to liberalize trade in agricultural products; and to decentralize and streamline the Ministry of Agriculture and “rationalize” the public investment program in the sector. This effectively reduced subsidies on agricultural inputs and, except for some

⁴²Mike Davis, *Planet of Slums* (London: Verso, 2006), P148

low-income urban consumers, virtually eliminated subsidies on foods.”⁴³ The Neoliberal reforms are as termed by Greg Grandin a “transition to democracy”; however as most Western deeds, the “democratization” had an economic intention. “They meant a transition to neoliberal democracy, with democracy defined nearly exclusively as a return to the rule of law after the anti-communist repression and civil wars of the 1970’s and 1980’s⁴⁴”, regards Grandin on the latter point. Chroniclers of the 21st century have embarked in depicting what Mexico has had to endure with the reforms. The chroniclers say, “an exacerbating factor in this crisis is the gradual breakdown of the neoliberal economic model implemented since Mexico’s 1980s economic restructuring, a model that has largely failed to reduce poverty and income inequality and that has dismantled the social welfare policies which, at least theoretically, defined and legitimized the role of the paternalistic state established after the Revolution of 1910.”⁴⁵

Before the neoliberal turn, as commented in literature and academia, Mexico had a centralist government. The centralist government was in power from the 1940s until the 1970s, before it opened its economy to the world. As described by historian Elisa Servín, “Mexico centered on protectionist policies and an ethic of rapid industrialization and urbanization subsidized by agricultural output, ultimately aimed at re-shaping the country in the image of United States and Western Europe, because Latin America always looked up to the West.”⁴⁶ Mexico did not export

⁴³ The Neoliberal Transformation of Mexico, James B. Greenberg, Thomas Weaver, University Press of Colorado.

⁴⁴ Greg Grandin, *Empires Workshop – The United States in Latin America*. (New York, Henry Holt and Company, LLCC, 2006) P35

⁴⁵ Juan Carlos Aguirre, *In the Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle* (Indiana University Press, 2016) P11

⁴⁶ Juan Carlos Aguirre, *In the Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle* (Indiana University Press, 2016) P12

considerable amounts and was becoming a closed capsule. Their protectionist policies would not work for their economy in the long run. In the early 1970s with President Luis Echevarría, Mexico went into a period of expansion of the public sector, financed largely through foreign borrowing on prospects of oil income.⁴⁷ As commented by Juan Carlos Aguirre in “The Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle,” “Mexico was slowly transformed in the 1970’s by “globalization, the re-appearance of dissident political movements in the countryside, the alarming intensification of violence related to the illicit drug trade, and the emergence of public debates concerning the viability of the Mexican state itself.”⁴⁸ Juan Carlos Aguirre weaves his article with chronicles from different authors. Chronicles are a journalistic genre historically committed to documenting political change in the Americas at large.⁴⁹ Mexico was restructured economically and politically in the neoliberal turn of the 1980s. Mexico privatized by large the public sectors and unlike other Latin American countries, informal employment almost doubled between 1980 and 1987, while social expenditure fell to half its 1980 level.⁵⁰

By keeping up with the news, not a month will go by without a headline about a journalist murdered in Mexico. Mexico is the third deadliest country for journalists after Syria and Iraq which unlike Mexico, are currently on a civil war. Freedom of press is weak and many issues are hard to cover, especially because many parts of the rural sector have been taken over by gangs after

⁴⁷ Van Wijnbergen (1991), *Mexico and the Brady Plan, Economic Policy*, Vol. 6, No. 12. World Bank.

⁴⁸ Juan Carlos Aguirre, *In the Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle* (Indiana University Press, 2016) P9

⁴⁹ Juan Carlos Aguirre, *In the Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle* (Indiana University Press, 2016) P9

⁵⁰ Mike Davis, *Planet of Slums* (London: Verso, 2006), P57

the reforms. It is complicated for the public to get a general understanding of the complexities that have come with neoliberalism in Mexico. Gonzales Rodriguez, a chronicler of Mexico's development after the Neoliberal turn, commented that during his drive through Acapulco, he observed "among a landscape of unfinished buildings, "the ambiance of a city always under construction."⁵¹ As scrutinized in Mike Davis' "Planet of Slums," the Structural Adjustment Programs that came with the neoliberal reforms or the "Washington Consensus" of the 1980s, had people flee the countryside to the urban side in desperate need for jobs. Poverty and lack of public funding, produced a crazy explosion of slums in the urbanity.

We can see Latin America's urban population living in slums and half-made buildings. A main factor buildings remain half-made is to avoid paying taxes. The developed world is mainly slum free because they are embedded in a capitalist society. They profit from the lesser economies and also live with mortgages to end up paying five times the price of the real price of their home during their lifetime, there system is different not better, but slum free. In LEDC's people live in slums because they were plotted to believe that globalization was best. The West promoted privatization and promised these LEDC countries that by doing so, they would become a decent contributor to the world economy and benefit economically. Because of privatization, state funding ended in many cases. People lost their jobs, they were in desperate need of money and did not have another choice than to move to the cities, therefore the rapid urbanization of slums. Urban Africa and Latin America were hit the hardest "by the artificial depression engineered by the IMF and the White House – indeed, in many countries the economic impact of the SAPs during the 1980s, in tandem with protracted drought, rising oil prices, soaring interest

⁵¹ Juan Carlos Aguirre, *In the Province of Politics: Narrating Endemic Violence and State Crisis in the Twenty-First Century Mexican Chronicle* (Indiana University Press, 2016) P12 P12

rates, and falling commodity prices, was more severe and long-lasting than the Great Depression.”⁵²

Jodi Melamed helps us understand neoliberal intentions. That is, reforms were profit is more important than people. In “Making Global Citizens”, Melamed regards that, “Neoliberalism is a world-historical organization of political governance in which neoliberal calculations function as a governing technology. Neoliberal rationality induces governments to think and act non-governmentally, that is, as businesses whose business is to engineer and manage human, organizational, legal, and natural resources to maximize value and optimize productivity.”⁵³ In the case of Latin America, patriarchy reigns in society at its core. When neoliberalism came to be, it obliterated the fight for equal rights and made capitalism and profit the main focus, “When the first forms of neoliberal economic policy emerged in the early Reagan years, neoconservative political ideology served as its advocate, proposing free trade and free markets as a panacea for social ills while denying the existence of racism and sexism.”⁵⁴

Neoliberalism in Mexico

Mexico felt the outer pressure to embark in neoliberalism as globalization – as preached by the U.S. – was a necessity to modernize. This so called globalization was inextricably linked to “modernization”, one which was solely economic. Decisions were made to convert Mexico into a “free-market.” Technocrats had the say instead of politicians; democracy was not present. The Mexican author Ramon Eduardo Ruiz regards in his book, “Death of a Dream,” “After Mexico

⁵² Mike Davis, *Planet of Slums* (London: Verso, 2006), P155

⁵³ Melamed, Jodi, *Represent and Destroy: Rationalizing Violence in the New Racial Capitalism* (London.: University of Minnesota Press, 2011)P147.

⁵⁴ Melamed, Jodi, *Represent and Destroy: Rationalizing Violence in the New Racial Capitalism* (London.: University of Minnesota Press, 2011) P147.

decided to embark in a change of its usual protectionist policies, there was a “revived gospel,” where technocrats replaced politicians at the rudder, basking in the glow of the national spotlight with the election of the colorless Miguel de la Madrid 1982-88.”⁵⁵

NAFTA, the North American Free Trade Agreement, was engineered by the Mexican President at the time, Carlos Salinas de Gortari, from the PRI and U.S. President, Bill Clinton. Underscoring my main argument, the economic reforms were minted by President Salinas to his own desires, “President Salinas forgot earlier promises of political reform and set about modernizing the economy, notably by privatizing hundreds of state-owned companies and tying Mexico to the United States and Canada through the North American Free Trade Agreement. Foreign and Mexican businessmen and brokers soon hailed him as a miracle-worker and rushed in to invest here.”⁵⁶ NAFTA was one of the tenets of Neoliberalism and it caused more harm than good by privatizing rural land and making former owners pay higher fees for their own land. The revolutionary movement of the Zapatistas, in the Southernmost region of Mexico— Chiapas—, would be a touchstone in the effects of the neoliberal imposition in Latin America.

When NAFTA solidified as a deal in 1994, the Mexican market became deregulated. Doors opened for American investors, who came in and tended to invest in the industrialized parts of Mexico,⁵⁷ which logically made the rural poorer by leaving them in the fringes, disconnected from the growing private market. This economic reform created a big influx of the poor into the urban areas, as posed by Mike Davis in his book about the effects of neoliberalization, “Planet of

⁵⁵ Ruiz, Ramon Eduardo, *Death of a Dream*, P181

⁵⁶ Riding, Alan. “How Peasants Lit the Fires of Democracy.” *The New York Times* (Mexico City) Feb. 27, 1994.

⁵⁷ Ruiz, Ramon Eduardo, *Death of a Dream*, P183

Slums.” NAFTA’s consequences were not as preached to be by the politicians who engineered it. Exactly a year after NAFTA, a *New York Times* article reviewed the free trade agreement’s consequences. The *Times* gave an example of a laid-off Mexican worker and the impact NAFTA had on his life, “In Tabasco, another southern state, earlier this month, a thoughtful laid-off oil worker named Alejandro Padrón summed up the Salinas administration’s contradictions. Wearing the black boots he worked in until his 11-year job became one of 100,000 sacrificed to modernize the inefficient state oil company, Petroleos Mexicanos, Mr. Padrón, 30, said he understood the need for the economic overhaul and could imagine other bright futures for himself and his family. In a year of searching, however, he had been able to find none in Tabasco.” “It has not been the success they say on television,” he said of the upbeat advertisements that the administration often used to extol its triumphs. “He is leaving, but we remain. The problems remain.”⁵⁸ Mr. Padrón underscores the nature of the neoliberal reforms with his commentaries. Mexican politicians preached the reform as a democratization of the state, but in reality the opposite occurred.

From a Western lens, NAFTA was seen as a wonderful success to their imperialist aims. The U.S. had more control over Mexico through the neoliberal agenda the Mexican government was implementing. It meant a big change from the previous protectionist government the neighbor country had had. American media, portrayed mostly positive aspects regarding the agreement. The media needed to mold facts their way, for public approval. Once again, we have a biased media, that has negative consequences on the rural poor. A *New York Times* article of the time remarked, “November 1993 will be seen as a watershed month for Mexico’s market. In the days leading up to the trade agreement vote, the index grew 12 percent and set records several

⁵⁸ Golden, Tim. “Salinas Sunset” Triumphs, Setbacks.” *The New York Times* (Mexico City) Dec. 1, 1994.

time.”⁵⁹ I consider these trade reforms crippled the general public's trust in the government. What was said in the news, what politicians preached, was not what was exactly happening. Ramon Eduardo Ruiz adds that for a few Mexican rich, the trade would enlarge their pockets, “More than likely, the impresarios who watched over industrial policy had come to believe that if they climbed into bed with American capitalists, big profits awaited them.”⁶⁰ Therefore with positive aspects portrayed by the U.S. and Mexican business owners ready to boost their bank, Mexico, ignited by President's Salinas neoliberal positivism jumped into the NAFTA agreement. NAFTA was supposed to give the peripheral countries, i.e. Mexico, in this case, a chance to privatize “unnecessary” governmental spending entities and spur them into the free market, increasing the country's economic wellbeing as a whole, “Neoliberalism also meant deregulation, putting the private sector at the helm, on the assumption that private ownership was some kind of magic elixir.”⁶¹

When NAFTA was passed on January 1, 1994, Mexico and the U.S. lowered their trade barriers for a freer flow of goods. Mexico once in, did not win, the U.S. did. The process was not the democratic outlet presented by the NAFTA engineers to lead Mexico out of their crisis. The politics and business agreements, do not take into account the general public. The PRI claimed NAFTA was meant for the general good but in practice did what they wanted. “Salinas and his PRI party were coined as the “perfect dictatorship,” by Mario Vargas Llosa a Peruvian Nobel prize literature, as it was able to maintain an iron hold on the country behind a carefully or-

⁵⁹ De Palma, Anthony. “Mexico, Post-Nafta. Gets More Respect.” *The New York Times* (Mexico City) Nov. 21, 1993.

⁶⁰Ruiz, Ramon Eduardo, *Death of a Dream*, P182

⁶¹ Ruiz, Ramon Eduardo, *Death of a Dream*, P183

chestrated illusion of democracy.”⁶² The same day NAFTA was signed the Ejercito Zapatista de Liberación Nacional (EZLN) entered the political scene to cause turmoil, this revolutionary group from Chiapas was aware the detrimental effects NAFTA would have on their rural societies. They were claiming their basic human rights.

The EZLN, a Zapatista guerrilla based in Chiapas, had been following Salinas’ every move before prior to the signing of NAFTA. NAFTA eliminated all tariffs for export on maize, sugar and milk. The consequences were clearly going to of polar opposites for the participants. A money-making machine for the American farmers and private Mexican businesses, and an increase in poverty for the Mexican farmers. The EZLN, aware of the situation, found the only way to make their voices heard was to make a revolution. It shook the world. They were able to seize governmental offices and occupy thousands of acres of private land.⁶³ The Mexican government fell into despair because of the unexpected revolution and sought for help abroad as a report describes, “Earlier this month, the French daily *Le Monde* reported that the Mexican military had also approached France and Spain to seek training for Mexican officers in bomb deactivation techniques, following a series of bombings that shocked the Mexican capital in the aftermath of the Zapatista Uprising.”⁶⁴ The Zapatistas were aiming for the justice, democracy, and peace that was never given to them by the government. They demanded human rights that were stripped away with NAFTA. The EZLN stole the media spotlight by exposing Mexico's massive social

⁶² Perera, Victor. “Behind the Chiapas Revolt: Corn Gods, Dummy Rifles: Mexico: To the Mayan militants, NAFTA will permanently sever them from their origins. They would be less-than human men of wood.” *Los Angeles Times* (Mexico) Jan. 9, 1994

⁶³ Zapatista Timeline.” <http://www.schoolsforchiapas.org/teach-chiapas/zapatista-timeline/>. Accessed 20 Dec 2017.

⁶⁴ Oppenheimer, Andres. “Ex-guerrillas advise Salinas on uprising.” *San Antonio Express-News* (San Antonio, Tex.) Feb. 21, 1994.

inequalities and the exclusion of the countries indigenous population from its economic development.⁶⁵

The dichotomy between rich and poor grew exponentially after neoliberal reforms in Latin America. In big numbers, “According to ILO research, urban poverty in Latin America rose by an extraordinary 50 percent just in the first half of the decade, 1980 to 1986.”⁶⁶ In Mexico, President Carlos Salinas de Gortari believed that, “The trade agreement will do for Mexico in the 1990s and beyond what Franklin Roosevelt's New Deal did for the United States in the 1930's: create a prosperous, stable middle and working class to head off civil unrest.”⁶⁷ That did not occur.

Before Salinas came to power, Mexico was trying to prosper with the National Coffee Institute of Mexico (INMECAFE), to improve the state's presence in coffee production and help agriculture farmers. INMECAFE came to an end with the economic crisis that hit Mexico in the 1980s. In the late 1980s INMECAFE collapsed entirely because neoliberalism was already taking hold of the country's economy. Salinas de Gortari took the step to impose neoliberal reforms and privatize the state owned entity. Salinas also privatized many state-owned corporations, liberalized trade, and restructured government agencies and budgets⁶⁸ to “revitalize” the bedridden economic environment Mexico was in.

⁶⁵“NAFTA” A Death Sentence for the Indigenous People of Mexico. <https://www.citizenstrade.org/ctc/wp-content/uploads/2011/05/NAFTA-A-Death-Sentence-for-the-Indigenous-People-of-Mexico.pdf>. Accessed 22 Dec 2017.

⁶⁶ Mike Davis, *Planet of Slums* (London: Verso, 2006), P156

⁶⁷ Reavis, Dick K. “In Mexico, Trade Agreement Comes First.” *The New York Times* (To The Editor) Apr. 3, 1994.

⁶⁸ Neil Harvey, *The Chiapas Rebellion. The Struggle for Land and Democracy* (United States, Duke University Press, 1998), P170

President Salinas, as an MIT graduate was living the American dream in his country of rule. He, as most PRI politicians had studied in the U.S. and had a Western-capitalist mentality. Salinas, “Came to power promising to modernize the rural sector by eliminating bureaucratic paternalism and establishing a new understanding between peasants and the state. He had a bumpy route toward achieving the presidency, but had some support from peasants who remembered his father’s land reform.”⁶⁹ Salinas was very aware that the rural and the industrialized cities did not go hand in hand. The president established the Programa Nacional de Solidaridad (National Solidarity Program (PRONASOL), “To soften the impact of neoliberal restructuring.”⁷⁰ Salinas claimed PRONASOL was made to create a better dynamic and participation of the rural sector with the state as privatization continued to develop. The irony of PRONASOL was that it was basically the state funding the poor. If Mexico was applying neoliberalism as the theory directs, the state would cut its funding and social intervention to a bare minimum. Once again, we see neoliberalism applied as the country in consideration chooses to. PRONASOL was, “A social development programme, in which communities could receive state funding towards projects such as drinking water or paving roads, provided they agreed to contribute part of the cost and/or supply the necessary labour.”⁷¹ Nevertheless, Mexico was under the PRI’s undemocratic rule, PRONASOL had to be too good to be true.

Luis Higareda, comisariado ejidal and Party of the Democratic Revolution (PRD) leader in Cerrito Cortijarán, Mexico, commented on the reality of this “democratic” procedure implement-

⁶⁹ Neil Harvey, *The Chiapas Rebellion. The Struggle for Land and Democracy* (United States, Duke University Press, 1998), P169

⁷⁰ Higareda, Luis. “The Salinas Years: PRONASOL and PROCAMPO.” http://era.anthropology.ac.uk/Era_Resources/Era/Peasants/mexcase17.html. Accessed 10 Nov 2017.

ed by the government. Higareda remarked, “The PRONASOL programs supposedly designed to help marginal subsistence farmers were perverted in scandalous ways: poor day-labourers were paid to collect the credits, which were then pocketed by richer members of the communities and invested in non-agricultural activities. Little if any of the money found its way back into public works projects as intended. PRONASOL investments in infrastructure projects, such as drinking water, were used by *the priista* (PRI) administration in Villamar to force communities to defect from the PRD rather than simply to buy votes: the small community of Cerrito Cotijaran was told that a well negotiated by its *perredista* (PRD) ejidal leaders would remain capped until they had delivered a 100% vote for the PRI in the 1991 congressional elections. Direct misuse of PRONASOL resources for electoral purposes was all too evident in the [1992 municipal electoral process](#) which I witnessed at first hand.”⁷²

As commented by Neil Harvey, “In the countryside, the neoliberal reforms implied a significant shift in state-peasant relations. The dismantling of government agencies, the reduction of credit, the removal of guaranteed crop prices, and the opening to cheaper imports were to have deleterious effects on the majority of peasants and their organizations. Constitutional reforms to legislation regarding land tenure also raised fears that the ejido sector would succumb to privatization and lead to a reconcentration of agricultural land.”⁷³ The neoliberal reforms were therefore not a helpful change for the majority of the Mexican population.

After the Zapatista uprising, the first guerrilla movement after the Cold War in Mexico, President Salinas seemed to be more flexible with his staunch ideas about NAFTA. Salinas was aware of the disrupt and chaos his decision had caused. As a newspaper report of the time commented, “By their tacit admission of profound social and political ills, the accords mark a sober-

⁷²Higareda, Luis. “The Salinas Years: PRONASOL and PROCAMPO.” http://era.anthropology.ac.uk/Era_a_Resources/Era/Peasants/mexcase17.html. Accessed 10 Nov 2017.

⁷³Neil Harvey, *The Chiapas Rebellion. The Struggle for Land and Democracy* (United States, Duke University Press, 1998), P170

ing retreat for a Government that was celebrating Mexico's formal rise toward the developed world with the North American Free Trade Agreement just as the rebel Zapatista National Liberation Army rose up against it. "Deep changes have been proposed to make the yearnings of Indian communities for justice and dignity compatible with the modernization of the country," said Manuel Camacho Solis, Mr. Salinas's commissioner for peace in the southeastern state of Chiapas."⁷⁴

When NAFTA removed trade tariffs, companies exported corn and other grains to Mexico below cost. Rural Mexican farmers could not compete, their incomes plummeted. At the same time, Mexico reduced its subsidies to farmers from 33.2 percent of total farm income in 1990 to 13.2 percent in 2001. Most of those subsidies went to Mexico's large farms. The rural poor were not taken into account. These changes meant many Mexican farmers were outcompeted by highly subsidized American farmers.⁷⁵ One of the main issues was that close to nothing was done to help farmers transition into this new economy of "free trade." It was almost as if their work was now for "free" because they would not be able to compete with the cheap American exports. Therefore, the rural farmer had to dwell in a harsher reality. There was, "Procampo, a government program meant to provide a minimum income for every farmer,"⁷⁶ which was overturned by big corporations and made to focus solely on big industrial farmers— those were just a few. Poverty increase has been dramatized since the 1980s, people lack more resources than ever.

⁷⁴ Golden, Tim. "Mexico's Fine Line." *The New York Times* (San Cristobal De Las Casas) March. 3, 1994

⁷⁵ "Exposing the Myth of Free Trade," International Forum on Globalization, February 25, 2003.

⁷⁶ Tariffs and Tortillas. *The Economist* (<https://www.economist.com/node/10566845>) Accessed Dec 10 2017.

I would like to understand why does the Mexican government continue following Western standards which profit a wealthy few but continue to destroy rural life. As Noam Chomsky remarks in his book "Profit over People," "Mexico focused mostly in exporting animal feeds, benefiting agribusiness, foreign consumers, and affluent sectors in Mexico while malnutrition became a major health problem, agricultural employment declined, productive lands were abandoned, and Mexico began to import massive amounts of food,"⁷⁷the famous American maize they were now forcefully paying for, as their income did not suffice for their production.

⁷⁷ Noam Chomsky, *Profit Over People* (140 Watts Street New York, NY 10013: Seven Stories Press, 1998), P10

Chapter 2

Intro:

In this second chapter I will talk about the different ways Neoliberalism took place in Latin America. We have opinions like the one David Harvey poses in his book, “A Brief History of Neoliberalism”, which are too polar for my perspective. Harvey describes Neoliberalism as a black or white phenomenon. What I mean by the latter is that the author scrutinizes in explaining Neoliberal doctrine as inherently different in theory than in practice. Latin America is not an homogenous continent, every country has its particularities. Economic liberalization had varied impacts in Latin American countries because governments are built differently and inclined the Neoliberal doctrine toward their ideals. Therefore, as much as I agree with Harvey detailing Western superiority in these economic reforms. Harvey does not take nuances into account on how Neoliberalism unfolded in Latin America. A recent National Public Radio article suggests that free-trade proponents argue there are always winners and losers in globalization, but overall, gains outweigh losses¹. By claiming Neoliberalism works homogeneously in every country, we generalize the phenomena, whereas I will take each country into account differently, and have different opinions on each.

It is said that the Neoliberal state should persistently seek out internal reorganizations and new institutional arrangements that improve its competitive position as an entity vis-a-vis other

¹ <https://www.npr.org/sections/thesalt/2017/08/07/541671747/nafta-s-broken-promises-these-farmers-say-they-got-the-raw-end-of-trade-deal>

states in the global market². I will pose the scenarios of Mexico, Argentina and Chile. Mexico had a roller coaster ride, which led them to a relatively successful development in comparison to the other Latin American countries. Argentina failed drastically. They were in a crisis with high levels of inflation which led to the forced resignation of their president Raúl Alfonsín in 1989. Alfonsín was succeeded by Carlos Menem who's economic ministers applied neoliberal reforms which seemed to work at first, inflation lowered, and their economy seemed stabilize. However, it was a failure in the longterm causing huge unemployment rates because of the privatization of state entities, which led to the firing of many employees. Finally Chile– however vile Pinochet's regime was– has succeeded economically. I grapple with the nuances that each country had when Neoliberalism came to their economy. I will also argue against the idea that Neoliberalism reached all the corners of the world equally with the coming of Globalization after the dissolution of Communism.

Issues of Theory and Practice in Chile

What will give shape to the Neoliberal doctrine's development in a country, is their government. For Neoliberalism to work successfully there has to be a stable democracy. Latin America in the 1980s did not have any. However, Chile was an exception. As Stiglitz remarks in his book "Globalization and its Discontents" – there are cases of successful reforms done under dictatorship – Pinochet in Chile is one example³. Harvey shares the thought in his arguments about Neoliberalism that theory and practice are widely different – "the inference that "pure"

² A Brief History of Neoliberalism, David Harvey. P65

³ Globalization and its Discontents, Joseph Stiglitz, P184.

Neoliberalization does not work failed to be registered theoretically, although the pragmatic adaptations that followed in Chile (as well as in Britain after 1983) opened up a field of compromises that widened the gap even further between the theory and practice⁴. Theory and practice might be different because the world is not a place of perfect information where things work out as the numerical plan. Stiglitz and I agree upon the latter fact that there is no perfect information in the world, it is all nuanced. Therefore, Neoliberalism functioned differently because of the particularities about each country – “The world is, of course, more complicated than our simple – or even our more complicated models – would suggest⁵”. As much criticism is given to Chile because of their repressive military dictatorship. Something must have gone correctly because today we encounter Chile as the most competitive economy in Latin America, with a strong institutional set-up, low levels of corruption and an efficient government⁶. The idea of Neoliberalism, in theory is of course not to send the country to ruins. Supposedly by privatizing entities and deregulating them, competition would increase. Therefore more people would have jobs, technology would advance for labor efficiency and costs would be reduced.

We see Chile today standing strong as one of the best economies in Latin America.

Chile is nowadays at a stable economic place where its competitive attitude marks them as one of the most dynamic economies of the OECD and one of the most developed next to Perú⁷.

Sweeping deregulations and tax cuts and simplifications eased market entry for thousands of

⁴ A Brief History of Neoliberalism, David Harvey, p74

⁵Information and the change in paradigm economics: Nobel prize lecture by Joseph Stiglitz, p 472

⁶ <https://www.weforum.org/agenda/2014/09/top-10-competitive-economies-latin-america-caribbean/>

⁷ <https://www.df.cl/noticias/opinion/columnistas/jose-manuel-silva/por-que-crece-la-economia-chilena/2013-02-12/175658.html>

small and mid-size firms⁸, comments a New York times article from 1995 highlighting that Chile did apply deregulations and tax cuts. There was an easier flow of market goods. Therefore the Neoliberal principles ignited by Milton Friedman and his Chicago Boys, were not that bad – for Chile. America had their field set for a decent commerce with Chile. Their plan succeeded.

I cannot ignore the fact that Pinochet made Chile go through one of the worst times. Pinochet's repression was bloody as one book states an account of the torturing of the opposition – Their treatment at the hands of their superiors was a grim forerunner of things to come. One chief petty officer testified: They hung me from a wooden cross with my hands and arms tied with a rope. It is difficult to explain... They placed me like a cross, but with my legs so far apart as if they intended me to do the splits. They started to beat me all over my body, especially the genitals⁹. The Chicago Boys played with the devil and did the immoral by supporting Pinochet's military coup and the bloody aftermath. I had the drive to better understand why it happened.

My grandma and I, have lunch every other Sunday. While having dessert, I began to tell her about my research project. I felt the urge to see what her opinion was, how she felt about it. Our own country, Perú, also went through economic liberalizations later on. She has lived through protests and reform. Perú mostly focused on the privatization of electricity. When Allende was in power, she followed vigorously the line of events. She was on top of Allende's rule and what was going in our neighbor country. I asked her about her opinion on Allende, and if she believed the USA did well in supporting Pinochet's military coup. Her eyes widened and

⁸ Don't Let Mexico's Woes Spoil Our Commitments to Chile (The Wall Street Journal Friday, February 3, 1995)

⁹ Soldiers in a Narrow Land: The Pinochet Regime in Chile, Updated Edition. Mary Helen Spooner

she told me her story. My grandma happened to travel to Chile a week before Pinochet's military coup, September 1 1973, to visit a good friend of hers. She told me that people were scared of Allende. People were saying that Allende wanted to control every borough and that he had set a general in each one to supervise if any opposition came around. She recalled that those borough leaders had strict rules to silence—forever— any opposition, murder was an option for them.

I can read many books and articles on the subject which are precise too, as specifying the coup was bloody and so many innocent people were murdered in the aftermath. That is horrendous and I reprimand Pinochet's dictatorship. However being able to talk to someone with a first hand experience, someone who happened to be very up to date with the topic gives me a broader perspective on the case, and is a good primary source. I researched on the event and I continuously found opposition to Allende's rule in the news. The opinion that Allende would bring chaos to the Chilean population seemed ubiquitous – “under Allende's rule, some of his extremist thug supporters committed what could be called crimes against humanity, and his economic policies led to rampant inflation and political and economic chaos¹⁰”. On that account, is there a better “bad”? Who would I choose Pinochet or Allende? I could not tell, probably none. Both were bad, but Pinochet relieved Chile's economy; I will leave the statement open for us to ponder individually.

I can position that Chile is now standing strong economically after their crisis in the 1980s and that Neoliberalism must have worked, at least with them– “What's particularly important to keep in mind is that Chile's government at the time, led by Gen. Augusto Pinochet, was seen as one of the pariah regimes of the world, and therefore could not expect international help to

¹⁰ “Getting rid of the bad guys”, Otis Pike, Austin American Statesman, Austin, Texas, 28 October 1998.

extricate itself from a recession more intense in relative terms than the Great Depression was in the U.S. Despite these strikes against it, within a few years Chile laid the foundation for the healthy, aggressive trading nation we know today. Some of Chile's best minds, e.g. The Chicago Boys, pioneered many unique market-oriented mechanisms to restructure the economy, such as the debt-equity swaps that allowed the country to get on top of its massive foreign debt and that have been copied in many other countries¹¹.

Globalization or “Americanization”

Firstly I'd like for us to understand the term Globalization, and its Westernized inclination. I believe that Globalization was built on the statement which Joseph Stiglitz remarked in his book about “The Roaring Nineties” – the Cold War left the United States as the sole superpower and it marked the victory of the market economy over socialism¹². Therefore, following the dissolution of Communism and America's high position on the power scheme, they began to act on their belief that they were the biggest, and most important power in the world. Their intervention in lesser economies, I believe, they saw as a their obligation. They thought they were meant for the role, if not them, then who? I follow Lynn Hunt's argument in her “Writing History in The Global Era” book, where she states that Globalization is inextricably linked to capital. However, I add that because of capital, it is therefore inherently connected to the West. Lynn Hunt remarks that “since global capital is not fixed anywhere, it is “deterritorializing” in its impact; transactions no longer occur in a particular place. This deterritorialization, which

¹¹ Don't Let Mexico's Woes Spoil Our Commitments to Chile (The Wall Street Journal Friday, February 3, 1995)

¹²The Roaring Nineties, Joseph Stiglitz, p 61.

some consider to define Globalization, challenges the sovereignty of nation-states, which are after all built upon a notion of control over territory. Whether deterritorialization is the key feature of Globalization consider the political, social, cultural, and even technological forms of Globalization to be secondary or derivative from the primary factor of a globalizing economy¹³". I restate that Globalization is therefore a phenomena happening in an ubiquitous way, but it is not equal. By this I mean that the West is leading its path. It is more like the West now has easier entries to the rest of the world, to apply their trade mechanisms and benefit substantially.

The US presented Neoliberalism as the cure for the economic crises in Latin America. However much they wanted to help out Latin American economies, they were not a charity. They helped Latin American economies with a purpose – to benefit economically and prevent communism. Joseph Stiglitz wrote about the nineties because they were an important turning point in world economies. As the Cold War had ceased to exist and countries were freed from the opposite of Capitalism. As a result, the US continued to embark on its believed to be “god-given” mission, to prevent Communism's reappearance. Stiglitz observes that Latin America became the best student of the Washington Consensus, with Argentina and Chile as the star pupils. Was there an underlying push factor for America’s intervention? Or did they really just want to restructure crippled economies? I think both should certainly be taken into consideration because they are linked as Latin America is far from the largest U.S. regional trade partner, but historically is the fastest growing one. Between 1998 and 2009, total U.S. merchandise trade (exports plus imports) with Latin America grew by 82% compared to 72% for Asia (driven

¹³ Writing History in The Global Era, Lynn Hunt, p55.

largely by China), 51% for the European Union, 22% for Africa, and 64% for the world¹⁴. Yes, they had underlying purposes because of businesses. That is why America wanted to restructure crippled economies, because they had such a big stake in them, they had much to lose. Mexico composed 11.7% of total U.S. merchandise trade in 2009 and is the largest Latin American trade partner¹⁵.

U.S. arguments for privatization

In the 70s, during the Cold War, Chile was beginning to lean towards a Marxist type of governance with Allende. Therefore, the U.S. decided to intervene to prevent a Marxist path emerging there. They created an educational program to have Chilean students study in the U.S. with the idea to send them back to Chile so they would reform the economy there. As commented before, privatization was test-driven in Chile. The coming of the Chicago Boys was an almost scientifically modeled plan to change the Socialist leaning economy in Chile to a more American-style, private entity, and free market one. When the Cold War was still taking place, the USSR was not the only red light for the West, Chile was too. “Under the Marxist regime of President Salvador Allende, Chilean democracy is surviving despite the kind of political and economic stresses that by now might well have wrecked the democratic system in the United States¹⁶”, commented a New York Times journalist, Norman Gall. America tended to scrutinize on how Socialism or Communism could ruin them. American journalists reported the case

¹⁴ U.S.– Latin America Trade: Recent Trends and Policy Issues. Congressional Research Service. J.F. Hornbeck, Specialist in International Trade and Finance. February 8, 2011.

¹⁵ U.S.– Latin America Trade: Recent Trends and Policy Issues. Congressional Research Service. J.F. Hornbeck, Specialist in International Trade and Finance. February 8, 2011.

¹⁶ Chile: Hard Times, Norman Gall, New York Times, Jul 1, 1973

widely and with scrutiny. Savvy journalists made articles about the topic inviting fear in the public. I believe the underlying idea of sharing their views so widely with the public, was to gain support for the ongoing help the US was giving Chilean Military to stop Allende. The irony was that the US helped swap one bad for another. Pinochet came in to replace Allende. Did America completely avoid debating consequences and just focused on their economic benefits?

The US is not helping Latin America out of goodwill. They embark on quests to convince lesser economies to adopt their economic principles so its then easier for them to control markets abroad. I agree widely with Stiglitz when it comes to the fact that America wanted to control the markets their own way. The markets America created were molded for them to export widely and import almost nil. If they imported products from abroad, it meant they would be taking in lesser products, and losing money. Stiglitz remarked about the latter point of America's one sided trade dynamics – “We believed that trade was good, but imports were bad. Exports were good because they created jobs; which perforce meant that imports, which had the opposite effect, could not be good. We believed that America was more efficient, produced better products than any other country¹⁷”. In the latter remark we can respond to the first question I made and yes, America had other ideas in mind than to help Latin American economies. They wanted to benefit from Neoliberalism in Latin America. I however consider that if theory functioned in practice, it would have been an almost win-win scenario, where America still has bigger incomes in the game but economies in Latin American countries would also get better. Consequently, part of the Neoliberal reforms go around the fact that the US wanted freer markets to have an easier flow of goods for their benefit. The effects of privatization were not all the same. In many, the poor were

¹⁷ The Roaring Nineties, Joseph Stiglitz, P455

left behind and the inequality gap increased –to many in the developing world, globalization has not brought the promised economic benefits. A growing divide between the haves and have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day¹⁸.

Some countries as Chile, succeeded, others like Mexico had a decent success and some like Argentina failed.

There are commonalities as to how Neoliberalism unfolds in countries, but each country has a unique process, and has grown differently. Therefore, if we take Naomi Klein’s arguments which tend to have a black and white perspective, we might get lost in her biases. I am not claiming Klein is wrong, my train of thought is more nuanced and sees beyond theories and practice. I prefer to critique in the context of each separate country. Klein tends to shape the story as if the IMF were a devil and just wanted profit from economic liberalization in Latin America. Yes – "American agriculture is virtually always a winner when trade agreements remove barriers to U.S. crops and livestock exports," says Zippy Duvall, president of the American Farm Bureau Federation, the largest farmers organization in the nation¹⁹. The majority of benefits in liberalization agreements between the West with Latin America, go to Western regions. That said, on the one hand, the U.S.’s underlining intentions are always for their benefit. On the other hand, I cannot discard the fact that by carrying out Neoliberalism, they were able to lift countries out of their crises. Klein quotes former economists like Davison Budhoo, who says: “everything we did

¹⁸ Globalization and its Discontents, Joseph Stiglitz, P5

¹⁹ NAFTA’s “Broken Promises”: These Farmers Say They Got The Raw End Of Trade Deal. National Public Radio. Kristina Johnson and Samuel Fromartz. August 7, 2017.

from 1983 onward was based on our new sense of mission to have the south “privatised” or die²⁰”, which makes us think the character of the programs were vile and that they provided no options. We should not leave aside the fact that Latin America was going through a rough economic crisis because of bad governments which stagnated their growth –early Latin American trade agreements (1960s), however, were inward looking, defensive in nature, exclusive of industrialized countries, and so minimally successful in leading to lasting regional integration and facilitating development²¹. Latin America’s attitude to expand with globalization was not just fomented by the West, but by Latin America’s will to improve their economic environment because of complicated past experiences heightened modernization– they had to keep up to date.

There is a Western attitude towards economic crises where they consider everything is inextricably linked to them, and in a way, things are. Western trade networks are broad and have solid businesses which could be demeaned by the crises. As David Harvey points out, “the US imperial tradition had been long in the making, and to great degree defined itself against the imperial traditions of Britain, France, Holland, and other European powers. While the US had toyed with colonial conquest at the end of the nineteenth century, it evolved a more open system of imperialism without colonies during the twentieth century²²”. If we deconstruct his latter argument, we can see where Harvey wants to go with that position, and I partially agree. If I say that the US is an empire, I might as well sound like the current Venezuelan narco-dictator Nicolás Maduro, who is constantly claiming the U.S. to be an empire that wants to invade, divide

²⁰ The Shock Doctrine, Naomi Klein, P164.

²¹ U.S.– Latin America Trade: Recent Trends and Policy Issues. Congressional Research Service. J.F. Hornbeck, Specialist in International Trade and Finance. February 8, 2011.

²² Brief History of Neoliberalism, David Harvey.

and conquer them. Yes, the United States wants to continue their rule of power over other countries without colonizing or directly invading. We can define the latter argument as Neo-Imperialism. Nevertheless, the modern definition has to be taken into account. Many people will see Neo-imperialism as some sort of empire. The definition of Imperialism is exercising control over far front territories, via conquest or informal means and it can also come in a land based form or in a maritime based form. We have to see further and understand Neo-Imperialism as Western dominance over the global market, creating dichotomies of wealth where they are superior. We could describe it as an economic phenomena.

(Mexico)

Neoliberalism is a market force that definitely benefits the West more than the Latin American countries involved. It also increased inequality in massive proportions and created disruption; the signing of NAFTA, for example, sparked the rebellion of the EZLN in the southern Mexican state of Chiapas. I will play the devils advocate and compare and contrast countries where it failed abruptly and also where it gave the country an economic boost. To better understand Neoliberalism we need to see all the sides of the coin. The sides to the many coins available– metaphorically. Not long ago I had a long conversation with a Mexican friend– Manuel Alejandro Mavroleón– who happens to study Economics in Mexico, and whose passion is Mexico’s economy. We discussed widely Neoliberalism in his country, and the nuances it had upon the country when implemented. The eighties for Mexico were called “La década perdida” or the “Lost decade”, because as he commented the Institutional Revolutionary Party: PRI, (Partido Revolucionario Independiente), was forced to borrow from abroad because of the huge

debt crisis in Mexico. Mavroleón shared with me examples of how immersed Mexico was in Neoliberal reforms and what it did to the country. He commented that during the six year presidency of Miguel de la Madrid (1982-1988), 750 state enterprises were privatized, and during Carlos Salinas de Gortari's – who implemented NAFTA– six year rule (1988-1994), another 950 state enterprises were privatized. The problem with privatizing state owned enterprises is that usually the winners of the game are a few.

Ellen Meiskins Wood regards the fact that liberalization and privatization committed to the use of modern agricultural means, which was an economic burden to these workers and their expenses grew and they found it difficult to cover costs –“the spread of market imperatives has taken the form, for example, of compelling (with the help of international capitalist agencies like the World Bank and the International Monetary Fund) farmers in the third world to replace strategies of agricultural self-sufficiency with specialization in cash crops for the global market²³”. In Mexico, the inequality gap grew exponentially because of the emergence of monopolies that benefited a very small percentage of the population. An example is the monopoly of Telcel, that benefited Carlos Slim, which as Mavroleón regards, did so by creating expensive and low quality products – “in Mexico, enormous fortunes were accumulated during the post-NAFTA era. For example, Mexico's richest billionaire, Carlos Slim Helú, reportedly increased his net worth by \$66.4 billion (from \$6.6 billion in 1994 to \$73 billion in 2014)²⁴”.

As was well known, at the time of NAFTA's passage, the main purpose of NAFTA was to lock in a set of economic policies, some of which were already well under way in the decade

²³ <https://monthlyreview.org/1998/07/01/the-agrarian-origins-of-capitalism/>

²⁴ Did Nafta help Mexico, an update after 23 years.

prior. This included the liberalization of manufacturing, of foreign investment, and of ownership, and other changes²⁵. Mexico, prior to NAFTA, had a protectionist government which had been going on ever since the PRI took control in 1929. Between 1929 to 1982, the PRI won every presidential election by margins of over 70 percent – which were obtained usually by massive electoral fraud. The party also held an overwhelming majority in the Chamber of Deputies, every seat in the Senate, and every state governorship²⁶. Mexico with the PRI rule increased their international position with Lopez Portillo in charge from 1976-1982, making Mexico a huge oil exporter. In 1982 the oil exporting paradise became a long lost dream as oil supply increased drastically around the world, causing prices to fall and sending consequently their economy to a critical point. Mexico suddenly plunged into despair – “a little more than a year ago, banks large and small from Paris to San Francisco were lining up to loan money at slender profits to Mexico’s booming, oil-fueled economy”²⁷.

Miguel de la Madrid was the first Mexican president to implement Neoliberalism through The Washington Consensus which was a massive privatization of state owned entities. He caused state-owned industries to decrease by than half and wages to plummet with force– “Under the neoliberal policies of Presidents Miguel de la Madrid and Carlos Salinas, however, real wages declined by half and land reform was terminated, alienating wage earners and peasants²⁸”.

²⁵ Did Nafta help Mexico, an update after 23 years.

²⁶ <https://www.theatlantic.com/international/archive/2013/06/how-mexico-became-so-corrupt/277219/>

²⁷ Oil Boom Accelerated Mexico’s Economic Bust, Caroline Atkinson and Christopher Dickey, The Washington Post, August 29, 1982.

²⁸ For Mexico’s Rulers, Reform Is Risky...But Another Fraudulent Vote Could Guarantee More Unrest. Andrew Reding, The Washington Post, August 7, 1994.

Miguel de la Madrid was succeeded by Carlos Salinas de Gortari, also part of the PRI, who followed to implement what de la Madrid began. Around 950 state owned enterprises were privatized within Salinas' rule.

The PRI's stubbornness to rule in Mexico was well known around the world –“the oppressive hold of the Institutional Revolutionary Party on every aspect of Mexican life had made it the world's longest-ruling political organization²⁹”. Mario Vargas Llosa a Peruvian writer who won the Nobel prize for literature in 2010, commented in 1990 during a press conference that Mexico was the perfect dictatorship. He went along to explain why, adding that Mexico was not Cuba or the USSR but a country with the permanent rule of a party³⁰. Salinas de Gortari was to be succeeded by Luis Donaldo Colosio, also a PRI member and candidate for the 1994 presidency. Luis Donaldo Colosio was murdered in 1994 close to elections. “To some, Colosio's murder helped accelerate change that was already underway, one of a series of events that year that had a transformative effect on Mexico and whose effects linger today³¹”. The PRI was going through a difficult period, however Salinas de Gortari was elected president in 1994, and brought about harder Neoliberal terms that previous presidents had began. After Salinas de Gortari, Mexico had their first cleanse from the PRI in 2000, when Vicente Fox won the elections democratically with the National Action Party. It is important to note that Mexico's

²⁹ Opening Mexico, preface, Julia Preston and Samuel Dillon.

³⁰ https://elpais.com/diario/1990/09/01/cultura/652140001_850215.html

³¹ <http://www.sandiegouniontribune.com/news/border-baja-california/sdut-tijuana-colosio-lomas-taurinas-pri-mexico-politics-2014mar22-story.html>

opening to democracy is one of the few major developments in the country's modern history that was not shaped by invasion or intervention by the United States³².

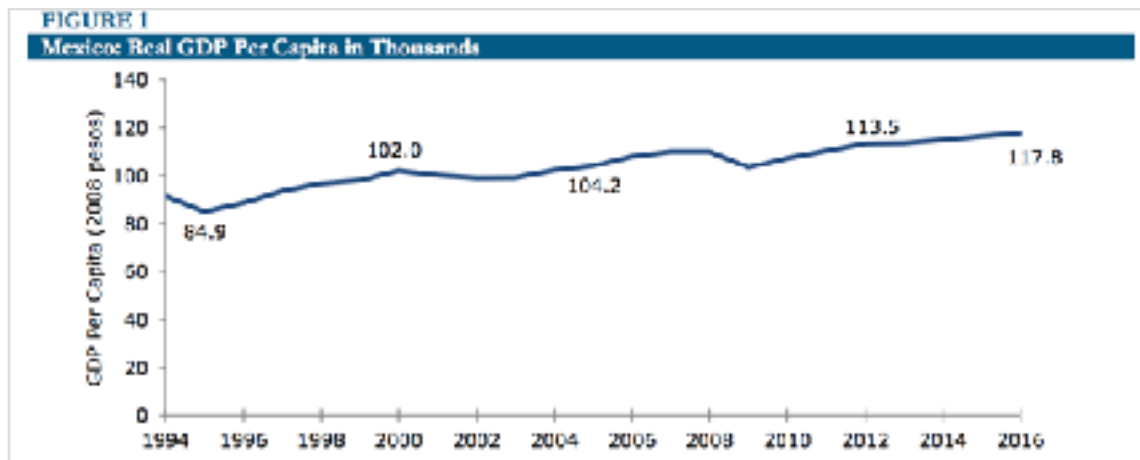
Mexico lowered its trade barriers to better their economic environment after their "Lost Decade". Did they continue to lose? I agree with Joseph Stiglitz who remarks the real effects of trade liberalization with Mexico as one sided benefits. Agriculture in the U.S. is highly subsidized and it was another example of the double standard inherent in the trade liberalization agenda³³ that the U.S. proposed. "If NAFTA would've been successful and reestablished the growth rate to the one of previous years –before the 1980s when the development policies were the norm–Mexico would be today a country of high incomes, significantly bigger than Portugal or Greece", comments the Think Tank architects from The Center for Economic and Policy Research (CEPR) in a recent study³⁴". The CEPR also underscores that NAFTA had its biggest impact on agricultural employment. That is precisely because, as Stiglitz repeats in various ways, although we insisted that other countries reduce their barriers to our products, and eliminate the subsidies for those products that competed against ours, the United States kept barriers for the goods produced by the developing – and the United States continued massive subsidies³⁵.

³² Opening Mexico, preface, Julia Preston and Samuel Dillon

³³ The Roaring Nineties, Joseph Stiglitz, P 411.

³⁴ https://elpais.com/internacional/2017/08/15/mexico/1502756737_844937.html

³⁵ The Roaring Nineties, Joseph Stiglitz, P 411.



The numbers confirm that NAFTA was not beneficial for farmers: “from 1991 to 2007, 4.9 million Mexican family farmers were displaced; while seasonal labor in agro-export industries increased by about 3 million. This meant a net loss of 1.9 million jobs³⁶”. A study that shows Mexico’s growth from 1994 to the present compared to the rest of the region shows that it just had a 1.2% average annual growth which is very low in comparison (see figure 1³⁷).

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Mexico ranks 15 of 20 Latin American countries in growth of real GDP per person from 1994 to 2016, the most basic economic measure of living standards³⁸. It is relevant to note what would have happened if NAFTA was not signed. Studies clearly show that Mexican people would have an average income per person of \$39,000 in 2016, “which would make its living standards comparable to, or even above, a number of Western European countries³⁹”. Regarding poverty, prior to the signing of NAFTA Mexico was in a better position. Poverty rates however

³⁶ Did NAFTA help Mexico, an update after 23 years

³⁷ Did NAFTA help Mexico, an update after 23 years.

³⁸ Did NAFTA help Mexico, an update after 23 years.

³⁹ Did NAFTA help Mexico, an update after 23 years.

were not ideal at the time because the rate was still relatively high at 52.4%, therefore there needed to be a sort of structural change in the government to address the issue. Economic liberalization in Mexico did not have the poor's benefit as their main impetus. The PRI was still in charge, and after the crisis that began to hit its party because of the murder of one of their presidential candidates, they continued the economic reforms to solidify their rule. In 2014 Mexico's poverty rate increased to 55.1% which confirms NAFTA was not beneficial to Mexicans. Very few people became billionaires, like Carlos Slim.

For America the signing of NAFTA was a boost to their economy. The latter confirms my position on the fact that the West has to have a big benefit in agreements they have signed. Mexico, however, was the US's biggest trade partner which makes us ponder on the reciprocity of the deal. If Mexico is America's biggest trade partner in the region, simple supply and demand theory would suggest both should improve economically –“within the Latin American region, trade trends reflect Mexico's historically dominant position as the largest U.S. trade partner. Mexico composed 11.7% of total U.S. merchandise trade (exports plus imports) in 2009 and is the largest Latin American trade partner, accounting for 58% of the region's trade with the United States. These trends point to a long history of economic integration between the two countries, in part the result of their deliberate trade liberalization efforts, including the North American Free Trade Agreement⁴⁰". In reality that did not work, as power structures in Mexico and the US did not find time to amend underlying problems like poverty. The US needed to liberalize Mexico's economy. As Julia Preston and Samuel Dillon, two New York Times journalists working in Mexico during their revolutionary years comment, “Americans have a

⁴⁰ U.S.– Latin America Trade: Recent Trends and Policy Issues. Congressional Research Service. J.F. Hornbeck, Specialist in International Trade and Finance. February 8, 2011.

large stake in the outcome of Mexico's efforts to create an open society. No country affects the United States' well-being and national security more directly. The border we share is two thousand miles long. Mexico is our second-largest trading partner, after Canada—and ahead of Japan and China. It is a base for thousands of U.S. businesses, which are transforming the country's northern states into an important manufacturing region. It is the place of origin of some 10 million Mexican workers, the United States' largest single immigrant group⁴¹".

The Mexican president for the 1994-2000 term was Ernesto Zedillo who was followed in 2000 by the cleanest and most open vote in Mexican history. The nation elected an opposition candidate, Vicente Fox of the National Action Party, to be President, topping the PRI regime after seventy-one years⁴². Throughout my thesis I will confirm that Neoliberal doctrines are not inherently wrong. What is wrong is governmental issues within Mexico which were structured with PRI rules that did not take into account democratic procedures, which made NAFTA an agreement signed by the capitalist forces that did not take into account the rural poor. Secondly NAFTA also failed because America holds a hierarchical position towards "other" countries, they will always be the decision makers, and do them to benefit themselves more than the other parties involved. Western entities, the IMF and the World Bank were the main creditors for NAFTA and the imposition of Neoliberalism in Mexico, however, "none of them exhorted Salinas to modify what in the final analysis was the Achilles' heel of the Mexican system: the absence of democratic reform and political modernization. The country's current situation

⁴¹ Opening Mexico, Julia Preston and Samuel Dillon, preface.

⁴² Opening Mexico, Julia Preston.

reminds one of the climate in Eastern Europe just before the fall of the Berlin Wall. Everyone except the government recognizes the urgent necessity of a democratic transition⁴³”.

Mexico used to have a protectionist government before their oil boom and expansion to the world. They did not calculate the extents to which the oil expansion would go and as prices plummeted, supply rose. By understanding basic economics we can tell that those two can lead to a crisis because of surplus product. Therefore when the US came around with the idea of NAFTA, claiming Neoliberal theory as the savior, Mexico agreed without blinking. However, if Mexico had continued to grow as it did in its 1960-80 period, per capita GDP would be significantly more than that of Portugal or Greece.

Therefore was NAFTA beneficial? It could be said that to some it was. To others it was hugely detrimental. For example the farming communities in Chiapas, which were privatized to enter the so called “free market”. Economists don’t have a magic crystal ball to see the future, nor do government officials. Mexico had to take a step from protectionism as globalization was beginning to occur after the fall of Communism. They began with the oil trade and to better the economy, the rest is history. The fact that it failed and put them through their “lost decade”, is not something that could’ve been predicted. So we have to take two important things into account, however much America wants to benefit from LEDC’s by creating these economic reforms which tend to incline towards their ideals and comforts, we have to accept it was a way to retrieve Mexico’s economy from its critical condition. It was a solid plan; it was widely discussed, and then set to work. If some other plan was presented by any other country, we cannot assure Mexico’s decision would have been different. The United States decided to

⁴³ <https://nacla.org/article/chiapas-and-mexican-crisis>, Antonio García de León, Professor at the National University of Mexico (UNAM)

intervene and regardless of how demeaning the agreement was towards Mexican citizens, there was no other option proposed at the time. I inherently believe the U.S. tried to better Mexico's economy because they needed to continue their market expansion abroad. Something that has not changed is America's attitude towards other countries which is one of superiority and that is the key element that continues to halt these economic enhancing plans. They end up being almost one-sided, with winners – usually America, and losers – usually the LEDC's. Therefore should America continue to spread their capitalist ideals and try to help countries or should countries reject their proposals and if in moments of crisis solve it by themselves? It's a complicated question.

NAFTA however helped overturn Mexico's ruling party, the PRI. People were tired of the lack of governmental help, they wanted change. The signing of NAFTA sparked the revolution led by the EZLN in the southern state of Chiapas – “rural farming people, and Indians-notably the indigenous uprising in the southern state of Chiapas in 1994—served to weaken the authoritarian system⁴⁴”. 1994 was a breaking point year where people began to take action to make Mexico a democratic state, inclusionary of their rural populations, taking into account the population's voice. Julia Preston and Samuel Dillon comment on how the situation evolved, which I agree, has to be done by the people, not a powerful few – “ We met people from all levels of life who were participating in this grand endeavor. Citizen activists were battling vote fraud. Human rights observers were curbing the abuses of the security forces. Grassroots communities were blocking the devastation of forests and beaches by corporations. Journalists were investigating

⁴⁴ Opening Mexico, Julia Preston and Samuel Dillon, preface.

malffeasance. Neighborhood groups were mobilizing to demand prosecution of criminal gangs and corrupt police. Even the PRI President, Ernesto Zedillo, had opted for a liberalizing role⁴⁵.

Present Events

The PRI is now in control again, with Enrique Peña Nieto who deals with cartels for relative peace. I don't know how moral can it be to deal with cartels, but it does confirm Mexico continues to have governmental and economic crises. Low employment and lack of government aiding entities leads to the flourishing of crime. Peña Nieto, "the telegenic lawyer, who is married to one of the country's most popular soap opera actress and enjoys unrelentingly favourable coverage from Mexico's major broadcaster, led a remarkable turnaround for a party once ambivalently known as "the perfect dictatorship", taking back the presidency and probably seizing control of Congress in a single election⁴⁶".

Analyzing the present situation of President Trump and his anti-immigration demands has more than just a contemporary meaning. Immigration happens for many reasons. I won't dive into the specifics for all the reasons, however, they span from dangerous living conditions because of the drug trade to low income jobs. In most cases the US is involved. In the drug trade, America is the biggest consumer, so directly pushing its continuation. However dwelling on drug scenarios is a whole other world. Mexico's current president Enrique Peña Nieto who is the first PRI president after their downfall with the peso crisis, has hired the Colombian general credited with defeating his country's own drug gangs and plans to gradually withdraw the 40,000 soldiers deployed on Mexico's streets, replacing them with a national gendarmerie focused on bringing down

⁴⁵ Opening Mexico, Julia Preston and Samuel Dillon, preface.

⁴⁶ <http://www.telegraph.co.uk/news/worldnews/centralamericaandthecaribbean/mexico/9370859/Mexico-elections-Enrique-Pena-Nieto-pledges-a-new-era.html>

TABLE 3

**Annual Immigration from Mexico to US:
1991–2010**

(in thousands)

2010	140
2009	150
2008	250
2007	280
2006	390
2005	550
2004	670
2003	570
2002	580
2001	580
2000	770
1999	700
1998	600
1997	470
1996	490
1995	570
1994	430
1993	370
1992	400
1991	370

Source: Passel, Cohn, and González-Dávila (2012).

violence⁴⁷. Drug trade in

issue that spikes

However, I will focus on

unsuccessful to many

economy. The US

and there were many

especially farmers. As the

The very poor

Mexico is an ongoing

emigration to the US.

why NAFTA was

parts of the Mexican

benefited, as per usual,

losers in the game –

CEPR research confirms:

performance of the

Mexican economy contributed to a surge in emigration to the United States. From 1994 to 2000, the annual number of Mexicans emigrating to the United States soared by 79 percent (see table 3).

⁴⁷ <http://www.telegraph.co.uk/news/worldnews/centralamericaandthecaribbean/mexico/9370859/Mexico-elections-Enrique-Pena-Nieto-pledges-a-new-era.html>

The number of Mexican-born residents living in the United States more than doubled from 4.5 million in 1990 to 9.4 million in 2000, and peaked at 12.6 million in 2009⁴⁸. I also have to agree with the researches that are commenting that NAFTA was not the sole cause for Mexico's poor economic performance, because before Mexico was already in an economic crisis spurred by inflation and a toxic oil economy. NAFTA's failure in Mexico has a direct impact on the United States. Although it has declined recently, jobless Mexicans migrated to the United States at an unprecedented rate of half a million a year after NAFTA⁴⁹.

⁴⁸ did NAFTA help Mexico, an update after 23 years

⁴⁹ <https://www.nytimes.com/roomfordebate/2013/11/24/what-weve-learned-from-nafta/under-nafta-mexico-suffered-and-the-united-states-felt-its-pain>

Chapter 3

Intro:

Now that I have presented the argument that Neoliberalism unfolds differently in each country, I will argue why. My countries of focus, Chile and Mexico tailored the economic practice of Neoliberalism to their own interests. The global south also owns agency when it comes to taking decisions on their economy. There is so much the Western powers can do to coerce others into their economic practices.

I will also contest the Neoliberal claim which argues that they are inextricably linked to freedom and democracy. Harvey defines the Eurocentric definition of “true” Neoliberalism, “Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.” Nevertheless, we know that words can be tricky and just because the word freedom is repeated along the preaching of the economic practice, doesn’t mean it is.

I chose Chile and Mexico because they both prove that Neoliberalism can be applied in any form of government. Whether its a democracy or a dictatorship. Both countries will also defy the ubiquitous idea that the West decides exactly every step to be taken by lesser economies. Both these countries, the same as the others which took upon Neoliberalism in the 1980s, chose certain aspects of the economic theory and continued other things which had nothing to do with free market. Chile maintained various state funded entities and had leaders who stressed education and health, important necessities for the well-being of the people, which did not form

part of Neoliberalism's core¹. Stiglitz reinforces the point of countries' choice with Neoliberalism and adds, "Chile has remained a success, though the 7 percent growth rates of the early nineties have moderated greatly, to half that level. But the question is, is that country's success because it followed the Washington Consensus policies, or because it was selective, and at critical junctures rejected the Washington Consensus? For instance, it did not fully liberalize capital markets, imposing a tax on capital inflows until the global downturn meant that such a tax was irrelevant". Mexico continued to fund state enterprises to aid the poor and with their inherent corruption; poverty, disrupt and the pockets of only a few increased. An example was Salinas' creation of a state funded entity "PRONASOL (National Solidarity Project)" – while being Neoliberal – to fund the rural poor's coffee production. It failed abruptly and sank in corruption.

Trial and errors:

It is important to underscore that Neoliberalism – a known boost to economic inequality – is always excused by Western economists who claim it was not done to perfection, thus the failures. Stiglitz develops the latter point too, and confirms its assured deception because, "nothing in this world is ever done perfectly²." This constant reassurance that it was not done to perfection and that it will work "next time", I believe, tempts the global south to try it once again. Therefore we find its (adjusted) presence to be ubiquitous and cyclical.

¹ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P451

² Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P486

There has to be a way for lesser economies to defy its manipulative theory, publicly. I do think some authors and politicians do, of course. However, I think Latin American countries could do more to defend themselves loudly. Still, another way Latin America could also be defying the theory, low-key, is through interpreting Neoliberalism their way and not using its every aspect. They might be thinking that way they could prevent unwanted conflict. As I said, Neoliberalism is not taken upon by Latin American countries exactly as the “theory” presents it. So, the claim by Western theorists that it was not applied to perfection, is delusional and a simple excuse to continue pressing market openings for the easier export of their goods.

The ones who profit from Neoliberalism’s presence in lesser economies, add with no culpability that erred markets are better for their pockets – “but even those who were profiting from deregulation were willing to admit its imperfections. Enron’s CEO would claim, “An imperfect market is better than a perfect regulator³.”” If one understands what these people mean by erred markets, the real and cruel character of the statement will be understood.

I will give you a quick and simple example of an erred market. The U.S. excuses their bigger benefit in trade agreements like the one with Mexico, with similar excuses to the latter claim. When Mexico passed NAFTA in 1994, it lowered barriers and taxes to give the U.S. an easier pass to send in their goods and supposedly vice-versa. The U.S. abused this market “freedom” and decided to export huge quantities but import the least possible from Mexico. The effects were widely detrimental on the rural poor, they were forced to eliminate their natural crops and harvesting mechanisms to “globalize” and purchase expensive, American seeds and more. Therefore it all happened because the market was “erred”— easy way out, correct?

³ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P486

A simple economic understanding is all we need to see the main benefit went to the West. The way the West pushes Neoliberalism to unfold is unfair and the furthest from democratic. However much a Latin American country will decide to take from Neoliberalism and apply it, is in their hands, however the main promoters of the theory are Westerners.

In Mexico, very few profited and became immensely rich, the rest of the country was forgotten, the poor even more. This is another piece of evidence to underscore the unfair nature of this economic phenomenon. Both the theorists and the ones who profit know it is wrecked, but excuse it with manipulative words. The excuses presented by these Western “Neoliberals” just promote its expansion by giving Neoliberalism an innocuous attitude.

Neoliberalism and Democracy are like oil and water:

Western democracy has failed. Neoliberalism, engineered by the West has therefore failed too. It has failed because no country applies the theory completely. The theory is always molded to a country’s wants and needs. Harvey exemplifies the latter point, who even the creators of the theory took upon. When Reagan was president he promoted Neoliberalism and did so by “adding his own particular blend of policies to curb the power of labor, deregulate industry, agriculture, and resource extraction, and liberate the powers of finance both internally and on the world stage.”

The simple fact that Neoliberalism does not unfold as it claims to in theory, already distances positions it at a far place from democracy. Then, people cannot be lied into agreements, by people I mean the common people, the population of countries who have to vote for

politicians who preach these practices of “good” – “All over Latin America people are asking, has reform failed us, or has globalization failed us⁴?” These points portray just the beginning of the practice’s development and it they are already wrecked. How can it then be of good for a country if its structures are broken?

The practice of Neoliberalism is not adjunct to Democracy nor does it promote it. If something, it gives the powerful few more power to do whatever they want. The West supported Pinochet’s dictatorship, “who flirted with free market ideas with sometimes disastrous consequences⁵.” How could Pinochet be a Neoliberal if he was a dictator? He just did so, and that proves that Neoliberalism can be applied anywhere, by anyone and it won’t be to the favor of the public, or have a democratic influence whatsoever. It is usually applied partly.

The West – especially the U.S. government, at the time supported Pinochet’s regime, only after criminal evidence was disclosed, did they speak up and accept their wrongdoings (I will sustain this argument w facts). The West tends to avoid consequences of their criminal acts, and leave them aside. An example to show the Western characters when it comes to accepting consequences of their abuse is what they did in Africa with British Petroleum. Stiglitz remarks, “When British Petroleum unilaterally declared that it would publish what it was sending to the Angolan government in oil royalties, other oil firms did not follow suit. The Angolan government did not want this information to be public– and for obvious reasons. And the

⁴ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P452

⁵ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P451

American government made no effort to put pressure on American firms⁶.” It was all about the short term profitability, the rest of the “problems” would be amended in the future.

The West tends to amend past crimes by excusing themselves and adding it’ll work next time, and move on. Another form of Western auto-forgiveness for their Neoliberal coercions is saying that they helped lesser economies. They then add it helped their economy more and that is the core of it, the main goal. How can they be so upfront with their egoism? It baffles me.

Personal thoughts:

To me the way Neoliberalism tends to unfold in countries says a lot. I see the economic theory as having a vile underlying character which indirectly promotes its abuse and breaking apart by countries who will apply it. I feel that Neoliberalism was built with a character of its own and that it somehow wants to detach from the theory and make rulers apply certain aspects of it. By doing so, there will be a few in power and incredibly wealthy. That said, the international community of the 1% rich will maintain their position on the top of the hierarchy. What I mean by that is that its theorists and creators, I believe, engineered the theory and put a mask on top. The mask being the face of an angel and the inside is that of a devil. It might, I believe, be a trick to society to confuse them into these agreements. Then rulers will do what they please, breaking all the moral codes but excusing their actions saying they are Neoliberal and free. Neoliberalism will seduce countries to use certain aspects of it to their personal benefit but preach its democratic character to maintain their leeway in ruling.

⁶ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P463

Eurocentrism and Neoliberalism:

David Harvey tends to explain Neoliberalism as an economic theory inherent to the West. I have to disagree. Yes, the thinkers and purveyors of the dogma were mostly Western, but the Global South has also agency on the development of the economic phenomena and that is powerful. Being Latin American, I would like to reinforce my statement which is that every Latin American country who took upon Neoliberalism during their times of economic crisis, they took aspects of it by their own will

There is so much the West can do to promote Neoliberalism their way. As we know the theory might be concise in paper but each country will promote and apply it differently. The same as Latin American countries picked and chose certain aspects of the economic doctrine; so did the West because what they wanted was the furthest from democracy (part of the theory) and benefit substantially more than the other countries involved (LEDCS).

David Harvey focuses on the West as the promoters and direct appliers of Neoliberalism abroad. It is true the West promoted it, but Latin American countries are not entirely submissive to these policies, nor are they naive. Harvey will claim the West as the sole developer of the economic theory and then the consequent push to expand to the Global South. The dynamic of the Neoliberal expansion can also flourish and branch out in different ways. The Chilean case, for example, began with Chile accepting a Western study abroad program, where then the Chilean students would return learned and ready to apply their learnings at home. However, facts

add that Chile never had a Neoliberal economy, they had their own version. They also remark that the “Chicago Boys” did not really succeed.

The more I explain that Neoliberalism is broad and tailor-made in a country, the more I think each country should have a specific term for it. Because it is called Neoliberalism wherever it is applied, it ties its development to a Western model. As the West preaches it is democratic, it just predisposes it to be fake and controlling. As we know the theory does not do well with democracy.

Three Conquests:

When we read about Neoliberalism we always see the same dynamic, one where the West is first and the others are second. We see a dynamic where West is standing strong versus the rest. We just hear the stories told by the West, we hear Western voices preaching that they are pioneers of everything and because of them countries are modernizing, improving. The West believes everything good in the world, has to do with them, as they invented good. Because of them there is a globalized world and a freer market; because if not them, then who? – they believe. The words modernization, globalization and freedom are as tricky to understand as the fact that Neoliberalism is not really a thing, but a malleable entity which unfolds differently; I think Neoliberalism could be compared to a chameleon. Is the West really the creator and teacher of them all? Or is the West just a reference, with a coercive character that the Global South knows how to play around with too? I think both are interconnected. I think the West does have a coercive character that puts pressure, a lot of pressure over other countries. This coercive character has a lot of power and therefore say in many things abroad. At the same time, these

other countries, mostly LEDCs, also know what they want— whether its good or bad—and they will also have a voice in decisions made. This agency the Global South has, is not portrayed in the common narrative and that is why I am taking upon that task.

Neil Harvey and I agree upon the fact that the West has always been promoting their type of capitalism. They have had advantages over other countries because of abusive practices as colonialism; which when it ended left the others far behind in the race, crippled. Therefore, as post colonial countries were not in a good state, it made it much easier for the West to filter into their economies. It happened once and continued time and again. Neil Harvey talks about these conquests. The first one being Colonialism, the second one by American corporations beginning in the 19th century and the third one, the Neoliberal impact which is covered by a “globalized and free world” banner. Latin American economies have had almost two hundred years since the end of colonialism, but wounds have been complicated to heal. That said, the wounds are not that deep today. Latin American countries have healed enough to have agency, to have a voice in their decisions— whatever their nature.

When George W. Bush was the 43rd president of the U.S., he did not care about historical errors, I think he did not see them as errors. Capitalism blinds many from reality —“the promotion of capitalism has long been a concern of American foreign policy, yet the kind of capitalism advanced by the Bush Doctrine is innovative, at least in its arrogant disregard for the lessons of history.” As commented earlier, the US will do anything for profit, I stand with Neil Harvey with the fact that the Western promotion of Capitalism, “is a militarized and moralized version that under the banner of free trade, free markets, and free enterprise often makes its money through naked dispossession. It was in Latin America where this brutal new global economy was initially

installed, beginning in the 1970s, resulting in what could be called the region's "third conquest"—the first being led by Spanish conquistadores, the second by American corporations starting in the nineteenth century, and the last by multinational banks, the U.S. Treasury Department, and the International Monetary Fund⁷.” I like the nomenclature for the current Neo-imperialism set out by the U.S. to be the “third conquest”, nevertheless, I think conquest makes it seem as if the West has all the say, as if they won over LEDCs. I am positive and I know these countries who have always stood under the Western shadow of oppression, will find their own way. As for now, I can affirm they already have much agency in their economic decisions, however much the West will claim decisions are theirs.

Chile's case: No-environmentalism

Santiago de Chile is today one of the most polluted cities in Latin America. Specialists warn that to live there is detrimental to one's health. A recent report details that in the past two weeks Chile has sustained eight pre-environmental emergency episodes⁸. What does Neoliberalism have to do with Chilean ecology? More than you think. When Chile is in a state of emergency they halt many industrial sectors; the halting of industry because of contamination in and of itself says much about the impacts of Neoliberalism.

⁷ Greg Grandin, *Empires Workshop – The United States in Latin America*. (New York, Henry Holt and Company, LLC, 2006), P160

⁸ “Santiago de Chile, ahogado por una nube de contaminación.” 24 Jun 2016, <https://www.elespectador.com/noticias/medio-ambiente/santiago-de-chile-ahogado-una-nube-de-contaminacion-articulo-639725>. Accessed 8 Nov 2017.

As I've commented widely in this essay, Neoliberalism is tailored-made to a country's own wants and decisions. If and only if Neoliberalism were to be democratic as they preach, and care about the well-being of the people by fomenting "freedom", it would have been a completely different story. Nevertheless, Neoliberalism unlike its theory, will give much leeway to promote uses and abuses of resources and people. Chile did not really care about the environment as much as it did about making money. Whether it was with Pinochet from 1973 to 1990 or with Michele Bachelet from 2006 to 2010 and in her 2014 term, Chile has still based its economy on the exploitation, and yes I clearly state exploitation of their natural resources. Neoliberalism promotes the exploitation of natural resources because Western countries do not let "lesser economies" manufacture the goods and then export, if not what fun would it be for them? If Chile were able to manufacture and then send their goods, Western economies would have to pay higher prices for the product, and they obviously do not want that. The West needs to maintain the hierarchy of importance, where they are on the top, for as long as they can.

Neoliberalism tends to be used differently by each country who applies it. It also promotes undemocratic ruling – that being an euphemism. As Rosalind Bresnahan argues in her article about Chile and Neoliberalism, "evaluation of the neoliberal socioeconomic order cannot be separated from the brutal methods that brought it about. Free trade, privatization, and drastic reduction in the social role of the state could only be imposed by state terror. The human consequences included massive unemployment, hunger, homelessness, and a drastic reduction in the standard of living⁹." The consequences of Neoliberalism are not good. I am not directly blaming the economic theory but I have a couple points to make about it. Firstly, it does promote

⁹ Chile since 1990 the Contradictions of Neoliberal Democratization, Rosalind Bresnahan, *Latin American Perspectives*, Vol. 30, No. 5

the abuse of the people by giving a powerful few the opportunity to increase their income and properties. Secondly, it increases the inequality gap because Neoliberalism does not have equity. The poor are now further behind, because what poor can build an enterprise and privatize? It also forgets about the environment and focuses on money making.

Chile nowadays is facing disastrous environmental consequences because of their greedy intentions. Closer to the present, we find president Bachelet focusing on the production of nuclear energy instead of the reduction of contamination. The fact that she wanted to work on nuclear energy, instead of wind or water, underscores the fact that Neoliberalism's egoistic intentions are still embedded in Chile today. "In the face of ongoing severe problems with urban air quality in Santiago her government authorized the continued expansion of the city, further complicating an already troubled atmosphere decontamination plan for the Metropolitan region¹⁰.

Current day Mexico

The issue with Neoliberalism is that it gives too much power to the powerful few. Even though Neoliberalism is supposed to be a free market ideology, where everyone's wellbeing is the aim, it tends to work the other way. Governments and businesses work together for their benefit, with corruption and bribery. The PRI is one of the leaders in corrupting Mexican politics. "The Institutional Revolutionary Party (PRI) political machine controlled Mexico from 1929 until

¹⁰ Chile since 1990 the Contradictions of Neoliberal Democratization, Rosalind Bresnahan, Latin American Perspectives, Vol. 30, No. 5

2000 under the informal norm of *dedazo*, when the sitting president would reveal his hand-picked successor without a primary election¹¹.”

The first “democratic” president, was Vicente Fox with in the year 2000 with the PAN party, then came Felipe Calderón from the same party. The PAN’s rule did not last for long, because soon enough the PRI to power returned with Enrique Peña Nieto in 2012. One could say Peña Nieto was not like the other PRI dictators because he did not force his succession to a president of his choice, but he did choose the party’s candidate for the current elections. Neoliberalism in Mexico has pushed the country to an extreme, now candidates like Andrés López Obrador, an extreme leftist, are wanting to take power. The trend of candidates like the could-be president who is leading the polls, López Obrador, tends to end badly in Latin America. Venezuela is an example, they have since the entry of the left almost a million people leaving the country, hyper-inflation, high criminality and extreme poverty. As a New York times article recalls, “the Institutional Revolutionary Party, or P.R.I., deserves to lose the election for having yet again committed and embraced acts of corruption that we all associate with the party’s usual behavior through the 20th century¹².” Therefore opposition like Lopez Obrador find it convenient to preach a completely different idea because people are tired of ongoing bad rule like the PRI’s.

More despair and corruption in Mexico

Prominent Argentinian journalist Andres Oppenheimer comments on the issue that would occur in Mexico if Lopez Obrador wins. The ongoing problem in the U.S. is scapegoating migrants for

¹¹ Gonzalez Jr., Edgar. “Politics in Los Pinos: Mexico’s 2018 Presidential Election.” 22 Mar. 2018, <http://harvardpolitics.com/columns/politics-in-los-pinos-mexicos-2018-presidential-election/>. Accessed 8 Nov 2017.

¹² Krauze, Enrique. “The End of Mexican Democracy?” *The New York Times*. Mar. 7, 2018

their own crises. Republican president Donald Trump, who is xenophobic and alienating from his core, blames Mexico for everything wrong in the U.S.. Oppenheimer regards that if Lopez Obrador wins the presidential elections this upcoming July, Trump would cling to the idea that Mexico is threatening¹³ and have more arguments to back up his senseless and cruel plans, like building a wall in the American frontier with Mexico. That in and of itself would have disastrous consequences upon the Mexican population. By now we are aware that Mexico and the U.S. are inextricably linked, in many ways and specifically commercially. With the signing of NAFTA, poverty levels rose and many Mexicans had to flee the country to find a better life abroad. The U.S. inflicted the deal upon the Mexican's and now want to wash their hands clean? – typical.

Lopez Obrador is compared to Hugo Chavez repeatedly. Without going into much detail, Lopez Obrador lost the presidential elections of 2006, and refused to accept the democratic procedure, the same as Hugo Chavez did in repeated occasions. Lopez Obrador then promoted uprisings and economic halts. He is now spreading the word that the U.S. is the worst evil. He wants to renegotiate NAFTA. When he was governor of Mexico City in 2000, he did nothing to eliminate structural corruption. He could have done more. Lopez Obrador was recommended by experts to let the people have a say in what to do with corruption but he decided to have government officials deal with it, and left it forgotten. The latter says a lot about this man who is preaching he will save Mexico from all bad, but ignoring the people's voice in practice.

As Naomi Klein talks about in her book “The Shock Doctrine”. Leaders tend to cling to crises to sell their word of help. People in desperate needs, will follow what sounds more

¹³ Oppenheimer, Andrés. “Qué hará Trump si gana la izquierda en México?” 16 Mar. 2018, <http://www.elnuevoherald.com/opinion-es/opin-col-blogs/andres-oppenheimer-es/article205535464.html>. Accessed 15 Dec 2017.

appealing at the moment without necessarily digging and researching into the leader's past. The PRI and the PAN have done such a disastrous job with corruption that the Mexican people are in despair. I really hope they do not fall into ideas that people like Lopez Obrador spread, consequences could be disastrous and I hope Mexico does not turn into another Venezuela. An example of embedded corruption happening in Mexico is the lack of clarity in criminal events.

On September 26 2014, 43 Mexican students disappeared and never came back home. "The Mexican government's story goes like this...", comments an article from The Intercept. I will emphasize the point presented that the government shares their story, a made up story, not facts. Enrique Peña Nieto was president with the PRI when the crime occurred, he still will be until July of this year. The students were protesting lack of education rights. Peña Nieto encompasses the problems with Mexican political parties. That is, the lack of clarity with the public, the intrinsic corruption. I am positive Peña Nieto's government knew the real situation as an article from The Atlantic recalls, "there was the sloppy investigation and possible cover-up of the massacre of 43 students in the southern state of Guerrero in 2014."¹⁴ Situations like the latter mentioned put Mexicans in a complicated spot. No one has the answers, there is no truth or democracy for the public. Neoliberalism is still developing, therefore, once again assured, neoliberalism does not foment democracy or needs it to function. "Mexicans learned their government may have used Israeli-built spyware to hack the phones of activists, journalists, and

¹⁴ Devereaux, Ryan. "Three Years After 43 Students Disappeared in Mexico, a New Visualization Reveals The Cracks in The Government's Story." *The Intercept* (<https://theintercept.com/2017/09/07/three-years-after-43-students-disappeared-in-mexico-a-new-visualization-reveals-the-cracks-in-the-governments-story/>). Accessed Mar. 10, 2018.

even members of an international panel investigating the missing 43 students. The malaise of Peña Nieto's term, preceded by PAN's failures, has left the country feeling it had no political alternative. Except, of course, for the man who has always branded himself as the alternative."¹⁵ and that is Lopez Obrador, lets hope that if he wins he does not lead Mexico into a worst place, and actually practices what he preaches. His records are not positive, but the opposite.

¹⁵ <https://www.theatlantic.com/international/archive/2017/11/mexico-lopez-obrador-nafta-trade-trump/544295/>,

Conclusion:

Neoliberalism I state as a malleable phenomena. I do not see it as inherently wrong, however, its character offers the chance for its abuse. The simple fact that democracies are not present makes it a failure. If just a few are in power as is the case for most economies in this world, then it will cause more harm than good; mostly. If democracies were existent and if neoliberalism created more opportunities for the creation of markets, enterprise and gave everyone the same chance to participate, the story would have been different. In practice neoliberalism does not take the whole country into account with the same level of importance. Neoliberalism will defer from its theory when applied and furthermore will have nothing to do with democracy as Western neoliberal thinkers tend to claim.

Milton Friedman was one of the benchmark creators of neoliberal thought in the U.S. He pursued the plans to expand abroad and began the project with Chilean students, the famous “Chicago Boys.” Now, we have to understand that neoliberalism will benefit just a few because privatization will entail cutting state fundings and that directly affects the rural poor, at the same time there will be the powerful few who will own the privatized entities. By simple logic the inequality gap will grow. Neoliberals think as Friedman and basically argue that, “because profit-making is the essence of democracy, any government that pursues antimarket policies is being antidemocratic, no matter how much informed popular support they might enjoy. Therefore it is best to restrict governments to the job of protecting private property and enforcing contracts, and

to limit political debate to minor issues.”¹ Therefore neoliberals promote their dogma as democratic, which is in and of itself a wrong statement.

The effects of neoliberalism have been different and that is precisely because each government that took the economic dogma applied it as they preferred, choosing portions of it. These governments fixed the economic theory to their preferences. Some for good others for bad. In any case, neoliberalism as a Eurocentric rule is not fully present in Latin America, and lesser economies in general. These LEDCs have agency of decision. If academia decides to discuss the topic of LEDCs agency, is a different story. I know they do and that is why I am representing the topic that for many is left aside, and that is that LEDCs are not naive as portrayed by many or fall for every Western imposition. For Mexico for example, “While some of the policy changes were undoubtedly necessary and/or positive, the end result has been decades of economic failure by almost any economic or social indicator. This is true whether we compare Mexico to its developmentalist past, or even if the comparison is to the rest of Latin America since NAFTA. After 23 years, these results should provoke more public discussion as to what went wrong.”² That is precisely because the Mexican government was very corrupted when the neoliberal turn began.

I have put Joseph Stiglitz in the conversation of my thesis. His thoughts are the ones I believe relate the most to my arguments. Stiglitz is very thoughtful and does not just negatively criticize.

¹ Noam Chomsky, *Profit Over People* (140 Watts Street New York, NY 10013: Seven Stories Press, 1998), P10

² Did Nafta help Mexico, an update after 23 years, CEPR, Mark Weisbrot, Lara Merlin, Vitor Mello, Stephan Lefebvre. Updated March 2017

Stiglitz and I both have broken down the process of neoliberalization and all its woes.

Nevertheless, we both still have a silver lining of hope. We are positive to think that good things will come in the future. It is just a matter of time and learning. Stiglitz confirms good deeds happening, and remarks that the U.S. “signed agreements to improve the global environment, at Rio and Kyoto and elsewhere; to strengthen the rule of law, through the International Criminal Court; and, perhaps most important, we lived up to our financial commitments to the United Nations, eliminated the arrears that should have been an embarrassment to the country for years.”³ Stiglitz and I are both apologetic for the failures, and I feel horribly for all the suffering that the neoliberal imposition has sparked and which continues today. Yet, I truly believe that human beings are capable of doing good. I think that a day will come where democracies are omnipresent, where everyone has the same chance, where equity is a main factor of influence, where the LEDCs are not called LEDCs anymore, but every country and every person forms equal part of the global community. Where success is measured by achievements and rewarded accordingly, not by hierarchies of power and wealth.

Nevertheless, positive remarks will not be able to cover up the omnipresent dismal because as Stiglitz remarks, “those in the developing world– and even those in the developed world with concerns about the environment and social justice– have been left with a bitter taste from these early “successes” of globalization.”⁴ The word successes goes in quotation because by now we know that the success was minimal and for the powerful few. We know that globalization has not

³Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P450

⁴Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P452

been global, neoliberalism has not been liberal, nor has it had anything to do with freedom or democracy, therefore been an ineffective practice in and of itself. As commented, success is based on the government not the economic policy in consideration.

Once again, I have hope things will improve. As commented by Stiglitz, “Some of the mistakes that were made in the area of economic globalization are in the process of being rectified. There emerged at Doha an agreement for new talks, to be called the Development Round, in recognition of the fact that previous trade negotiations had been unbalanced, to the disadvantage of the developing countries. Even at the IMF, there is now recognition that short-term speculative capital flows represent risk without reward for most developing countries.”⁵

Critics will be of varied tones. I have widely criticized neoliberalism, but, I know that if a democracy is present and if equity is given to the ones with lesser resources, then the theory could function. However, there are other critics as the authors of “Real World Latin America,” who tend to have a very polar opinion which makes me feel despair, I do not precisely accept to comfort to that feeling. Coming from Latin America, I want the hope to be a tangible reality. The authors of the book have criticized Stiglitz and Leon Bendesky, two great critiques of neoliberal theory and its flaws as appealing to the Mexican neoliberal economy, saying they described “the Mexican economy with terms such as “prosperous,” “competitive,” or exhibiting a “positive environment,” let alone suggesting there is now a “rush” (or scramble) for Mexico.”⁶ Mexico was a failure and not completely because of neoliberalism but because the PRI had been having

⁵ Joseph Stiglitz, *The Roaring Nineties* (United States: W.W. Norton & Company, 2003), P455

⁶ Pepper, Margot. *Real World Latin America: Dollars and Sense*. Boston, Economic Affairs Bureau, Inc. 2013

an undemocratic and corrupt rule since 1929. Neoliberalism just instigated the misuse and abuse of the poor people for profit. Mexico had already been under a wrong governance for long.

As widely commented throughout my thesis, neoliberal policies were not applied as Western theory dictated. Chile went through an oppressive dictatorship and through harsh economic times before their “miracle” in 1982. The Chicago boys that were trained to lift Chilean economy did so but at the same time did not follow neoliberal theory as stated. Chile continued to have state funding in many areas. Neil Harvey agrees with the latter remark and comments, “Much of the success Chile did enjoy actually stemmed from breaking with free-market dogma. After the economic collapse of 1983, Pinochet opted for a more pragmatic economic strategy, one that assertively used the state to promote exports and made liberal use of regulatory laws still on the books, including some enacted by the vilified Allende government. Chile imposed a number of restrictions, including financial penalties, on the currency market, buffering its economy from the market panics that plagued its neighbors. And while more than a million Chileans climbed out of poverty by 1992, the reason had less to do with the virtues of market orthodoxy than with the willingness of post-Pinochet center-left governments to capitalize on large reserves of popular support in the years immediately after the dictatorship by taxing the new rich oil order to pay for education, health, and welfare.”⁷

Chile has been smart in decision-making and has taken the best of the neoliberal theory for their own benefit. I am not advocating for neoliberalism but proving that a governments choice is

⁷ Greg Grandin, *Empires Workshop – The United States in Latin America*. (New York, Henry Holt and Company, LLCC, 2006), P204

what will make the difference, it will be optimal for the end result. In Chile, “The reforms carried out to tackle these problems were aimed mostly at improving the allocation of government spending. That is, the programs increasingly were spending more on the poorest, helping them to improve their situation. During the 1982 crisis management, emergency employment programs were implemented and financed by the state. In addition to a subsidy to hire extra workers, the government provided a subsidy to poor families with unemployed heads of households, and some other assistance programs were reinforced. Fortunately, by 1989, the economy had completely recovered its ability to create jobs. The unemployment rate dropped to 5 percent, and the damage to the most vulnerable people of our country had been controlled.”⁸

Can we say then neoliberalism helped any of these economies? Or did these economies help themselves and only applied the theory to stay at a supposedly “globalized” point and up to date with the West? I believe the outer pressure imposed by the West to “privatize or die” had an effect on these economies. Therefore they applied neoliberalism. These economies, in this case study: Chile and Mexico, felt no other option was present to better their economic environment. They therefore took upon the Western offer to “help” their economies with neoliberalism. Nevertheless, the agency these economies had upon adopting the economic principle was very important to shape the outcome. We have to remember that.

⁸ <https://www.heritage.org/international-economies/report/how-chile-successfully-transformed-its-economy>