

BOOK REVIEW

Sebastian Edwards, *The Chile Project: The Story of the Chicago Boys and the Downfall of Neoliberalism* (Princeton: Princeton University Press, 2023), pp. 376, \$40 (hardcover). ISBN: 9780691208626.

doi: [10.1017/S1053837224000130](https://doi.org/10.1017/S1053837224000130)

Sebastian Edwards's *The Chile Project: The Story of the Chicago Boys and the Downfall of Neoliberalism* tells the story of the Chicago Boys—Chilean economists who trained at the University of Chicago or at the Universidad Católica under Chicago professors—and their work under Chilean dictator Augusto Pinochet. It is a book written with the insight of a man who was there, on the ground, but who has the scholarly distance and objectivity that a potentially controversial text like this requires. Edwards worked and studied in Chile and the United States with the Chicago Boys, although he classifies himself as a member of the “[Arnold] Harberger Team” (p. 170) rather than as a Chicago Boy. The author's considerable scholarship in international economics, economic history, and history of economics shines through in a book that is most fundamentally a political and policy history of Chile but has something to offer to readers coming from many different fields and backgrounds. This review will naturally focus on what *The Chile Project* has to say about the history of economics, although the book's discussion of economic policymaking and the monetary and macroeconomic history of Chile provides a valuable backdrop for the intellectual historian.

As the subtitle suggests, Edwards does not shy away from the term “neoliberalism” and uses it throughout the book. His embrace of “neoliberalism” as a viable category of intellectual history is refreshing, despite many of his Chicago Boy subjects flatly rejecting the label (p. 20). Crucially, Edwards opts for a broad definition of neoliberalism as “marketization,” which at first seems radical because of how encompassing it is. Neoliberalism as marketization even allows Edwards to tag the post-Pinochet Chilean democracy as a neoliberal continuation of the dictator's legacy of austerity and inequality. But defining neoliberalism as marketization also allows Edwards to sidestep trickier questions of the design and exercise of state power in the service of shielding the market order from democratic intervention (as the term is used by Quinn Slobodian and Thomas Biebricher). Marketization and privatization are important, but the more central issue is how a democratic society was bent and broken in service of the market order.

The role of neoliberal economists in the dictatorship of Augusto Pinochet is a lightning rod in the history of economics. Pinochet's Chile provides a real-world test of how Milton Friedman, Friedrich Hayek, Arnold Harberger, and James M. Buchanan have balanced their economic analyses against more fundamental allegiances to democracy and human rights. Indeed, the Chicago Boys themselves are often overshadowed in histories of the neoliberalism of the Pinochet regime that are more preoccupied with Nobel laureates like Friedman and Hayek. Edwards's book does not fall into this trap.

Although his perspective on Friedman and Hayek has received disproportionate attention, the book is predominantly a history of Chilean economists.

Edwards describes how the Chicago Boys' rise to power began during Salvador Allende's presidency when, in December 1972, naval officers who were worried by the trajectory of the Allende government arranged for Sergio de Castro, Emilio Sanfuentes, and other Chicago Boys to write a policy document for a new regime that would come to be known as *El Ladrillo* (the Brick). The Brick was a huge tome that offered a "blueprint for Chile's future." The influence of the Chicago Boys and the Brick was relatively minimal in the early years of the junta. But in 1975, following Milton Friedman's visit to Chile, Pinochet provided the Chicago Boys with an opportunity to shape policy. They began with exchange-rate liberalization and austerity, and then moved into other policy domains. After 1975, many of the Chicago Boys were deeply embedded in the country's economic policymaking and held considerable sway within the regime. From there, they moved to roll back the influence of labor unions and reimagine the pension system.

Other Chicago Boys, such as Ernesto Fontaine, were not as closely involved in policymaking but continued to teach economics to hundreds of Chilean students at Católica (including Sebastian Edwards). As an academic consultant, Fontaine was ultimately responsible for introducing cost-benefit analysis to the Chilean state, applying Harberger's (1972) work on the social rate of return to active policy questions that the regime was working through. I found this discussion of Fontaine particularly interesting and valuable to read in parallel with recent work on the rise of cost-benefit analysis in the United States in the same period by Elizabeth Berman (2022) and Spencer Banzhaf (2023). The Chicago Boys' use of Harberger's (1972) techniques demonstrates that they were not mere ideologues regurgitating stale doctrine they learned in prior decades from Chicago. Even through the turmoil of a coup and military junta, these economists remained at the cutting edge of Chicago's contributions to economic thought.

Edwards takes pains to differentiate the Chicago-trained Chilean economists from the more violent elements of Pinochet's regime. In most cases, this differentiation provides valuable background on the regime's internal cleavages, but it occasionally reads like an apologia for the Chicago Boys. Most notably, every time Pinochet's secret police, the Dirección de Inteligencia Nacional (DINA), is mentioned, Edwards makes a point of reminding the reader that DINA was an enemy of the Chicago Boys (apparently ever since De Castro turned down a budget increase request). I worry that this bright line drawn between the Chicago Boys and DINA gives the false impression that the economists operated outside of Pinochet's apparatus of repression. Rivalries emerging from an early squabble over DINA's budget should not be misunderstood as some kind of ultimate tension with Pinochet himself. The Chicago Boys maintained the respect of Pinochet, and Pinochet even pushed their ideas further in the "Seven Modernizations" program announced on the sixth anniversary of the coup against Allende.

The specter of DINA emerges again when Edwards argues that the Chicago Boys were horrified by DINA's brazen 1976 murder of Orlando Letelier, a prominent member of Allende's cabinet and exiled critic of Pinochet. Presumably they were horrified, but the murder does not seem to have motivated any of the Chicago Boys to flee Chile and work in international organizations, as many of them had when they were previously horrified by Allende's socialism. These incongruities compel the reader to ask whether Edwards is sometimes too sympathetic towards the Chicago Boys when it comes to the regime's violence. Was continued cooperation not complicity?

In addition to cleavages within the regime, Edwards also vividly describes cleavages within the Chicago Boys themselves, most notably the clashes between a young, cultured, Harvard-trained José Piñera and the older Sergio de Castro.¹ Piñera was (among other things) the architect of one of the most salient neoliberal policy changes: pension reform. But unlike exchange-rate liberalization or the rollback of labor unions, the full effects of pension reform took years to materialize. The reforms dramatically lowered the contribution rate and shifted to a defined contribution system, a recipe for short-term political buy-in but disappointing wage replacement and political unrest well into the twenty-first century.

Although *The Chile Project* is particularly notable for its discussion of the views and experiences of the Chicago Boys, it also takes up the cases of Milton Friedman and Friedrich Hayek, naturally spending more time on the former. The Friedman discussion is original and insightful, transcending simple questions of guilt and innocence to explore how Friedman's Chilean visits and interventions shaped the relationship between the Chicago Boys and Pinochet. For Edwards, Friedman and his 1975 trip to the country was pivotal. "Friedman's visit marks a turning point in Chile's economic history," Edwards (p. 97) writes, "there is a *before Friedman* and an *after Friedman*." Friedman was the key not because he dominated the training of the Chicago Boys in prior decades (that would be Arnold Harberger), or because he made excuses for dictatorship, as Hayek would. Instead, he convinced Pinochet to side with the policies the Chicago Boys had been promoting all along, rather than with the economic nationalists who populated the rest of the regime. Friedman's famous charisma and skill at persuading laymen won the dictator over to neoliberalism, according to Edwards.²

Edwards's handling of Hayek is more disappointing than his discussion of Friedman. Hayek's relevance to the Pinochet regime is summarily dismissed with citation to the fact that the Chicago Boys were not familiar with Hayek. Edwards argues that because Hayek's base of operations was at the University of Chicago's Committee on Social Thought, he had almost no direct interaction with the Chicago Economics Department. Both points are true as far as it goes, but they completely misconstrue why we are concerned about Hayek and his relation to Pinochet's Chile in the first place. I do not know of anyone³ whose primary concern is that Hayek had a substantial intellectual influence on the Chicago Boys. The Chicago Boys were called the Chicago Boys (and not the Austrian Boys) for a reason! Instead, we are concerned about Hayek because of his repeated indefensible defenses of Pinochet in the international press. Hayek was unwilling to speak up for democracy in Chile the way James M. Buchanan courageously did at the 1981 Mont Pelerin Society meeting (Farrant 2019; Farrant and Tarko 2019). That Hayek was isolated from the Chicago Economics Department during his time at the Committee on Social Thought is true but completely beside the point.

Nevertheless, history of economics as it relates to twentieth-century political history should not be a litany of good guys and bad guys. For that reason alone, Edwards's analysis is an important contribution to our understanding of the Chicago Boys. The nuance and fair-mindedness that Edwards brings not just to his history of the Chicago

¹ Curiously, while Piñera is a Harvard-trained economist, he is still universally considered a "Chicago Boy"—a testament to the plasticity of these categories.

² See Farrant (2023) for a reasonable and more skeptical view of the evidence for Friedman's influence.

³ At least, I don't know of anyone reasonably well informed of the situation.

Boys but also to Harberger, Friedman, Hayek, and others, has substantial value. But I think his argument still requires tempering at certain points and is best read alongside the ample literature on the culpability of Chicago-trained economists and their involvement in the Pinochet regime.

Lastly, it is worth revisiting and elaborating on the truly unique perspective of Sebastian Edwards as an author. It would be wrong to say that Edwards himself is a Chicago Boy. In the early 1970s he supported Salvador Allende, and his graduate education in economics came well after the initial work of the Chile Project by Chicago economists that trained Pinochet's cadre of advisors. But despite missing the primary cohort of neoliberal economists by a generation, Edwards is *still* a Chicago-trained (and Universidad Catolica-trained) economist, and he *did* know the Chicago Boys personally and professionally. When I read histories of neoliberalism by Philip Mirowski or Wendy Brown, I'm distinctly aware that I am reading the account of an outsider looking in. Mirowski, Brown, and others are much like myself, in that sense. In contrast, Edwards personally knows Chile and Catolica and Chicago. For anyone any closer to the neoliberal project, this could be a liability. In Edwards's case, though, the insider status and insider knowledge feel well balanced with the objective distance required to write a book like *The Chile Project*. He avoids the defensive posture that has been exhibited by economists more directly implicated in the Pinochet regime, but he can also persuasively document those economists' perspectives. For anyone interested in Pinochet and the history of economics, *The Chile Project* by Sebastian Edwards is indispensable.

Daniel Kuehn

Urban Institute and George Washington University

COMPETING INTERESTS

The author declares no competing interests exist.

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