have quit their jobs. The new code immediately led to a number of ugly strikes by unions protesting against the "union-busting" provisions in the code.

Welfare State à la Junta

The friends of the individual enterprise order who may rejoice about the return of some property to the legal owners and the restoration of some goods markets must not overlook other junta policies that were designed to restore and strengthen the welfare state. Soon after the September 1973 coup the regime set out to make the tax system "more efficient and equitable." It proceeded to extract a larger share of tax revenue from the "wealthier sectors." It repealed a great number of so-called "development" laws that were said to discriminate in favor of capital. It eliminated the tax exemption on undistributed corporate profits, thereby including them in the taxable income base. While it was raising the minimum levels of tax exempt incomes it collected ever higher shares from larger incomes. While it lowered its real estate taxes on many property units it raised them significantly on more valuable properties. While it lowered most tariff rates to 10%, it raised them on capital goods by eliminating their previous exemption from customs duties. It imposed a general system of monthly tax indexation which made it possible to extract more revenue from business more quickly. It added a Value Added Tax which made collections from business more efficient and easy to manage. It embarked upon an intensive campaign to crush tax evasion by businessmen. Altogether, it worked feverishly "to enhance the equity of the tax system" by redistributing the tax burden from the poor to the more affluent, from workers to businessmen and capitalists.

The Burden Increases

It is significant that the fiscal burden of the junta state has risen markedly since the 1973 coup. In 1977 the gross national product of Chile was estimated at 313 billion pesos. Government revenue amounted to 120 billion pesos, or 38.5% of GNP, which probably came to some 45% of net national income. That is, the military regime of General Pinochet is consuming some 45% of all goods and services legally produced in Chile. In 1972, the last full year of the Allende Administration, the government reported expenditures of some 40.689 billion escudos of a gross national product of 228.64 billion, or 17.8% gross and 21–22% net.

Even official junta statistics reveal that economic activity after the junta tax reform in 1974 contracted severely. In 1975 GNP declined by 12.9% and output per capita by

14.4%. The latter remained below the 1972 per capita product until 1980.[3]

Transfer expenditures have changed little since the Allende Administration. However, the source of revenue probably changed significantly. While Allende supplemented his tax revenue with generous helpings from the printing presses (40.9% of 1972 spending), the generals were laboring successfully to rely increasingly on taxation. Allende was seizing income and wealth from the middle classes, the primary victims of inflation, while in 1978 Pinochet was extracting ever more revenue from businessmen and capitalists.

Social Spending[4]
(Millions of U.S. 1976 Dollars)

	Allende (1972)	Pinochet (1978)
Health	242.36	172.75
Social Asst.	41.14	179.20
Housing	156.20	67.58
Welfare	372.75	341.56
Education	502.98	456.12
Regional Dev.	17.91	51.34
Total	1,333.34	1,268.55

Bitter Fruits

It was no surprise to the impartial observer that in 1981 the Chilean economy ran into new trouble, the worst in its eight years of "restoration." Thousands of enterprises went bankrupt, mines and factories were closed and farms sold at public auctions. Many banks and financial institutions are insolvent; the government had to save eight in November. Unemployment is soaring and is expected to exceed 20% in 1982. According to Cardinal Raul Silva Henriquez, head of Chile's Roman Catholic Church: "I could be wrong, but never in my long life have I seen such a disastrous economic condition."

Government economists blame the disaster on the world recession with its slump in commodity prices, including Chilean export prices for copper, timber, fresh fruits, and so on. But critics point out that the monetarist policies of the economic team called "the Chicago boys" (because many studied at the University of Chicago under Nobel Laureate Milton Friedman) contributed to the disaster. The monetarists insist in affixing their national currencies to the U.S. dollar which, in their belief, affords international monetary stability and order. They fixed the peso-dollar exchange rate at 39 to 1 in 1979 and then clung to it although Chilean prices subsequently rose 60% while U.S. prices rose less than half that rate.

In time the peso became greatly overvalued, which did double damage. It made Chilean products more expensive abroad, while it made imports cheaper. The overvalued peso

[3]Juan Carlos Mendez G., *ibid.*, pp. 40, 41.
[4]*Ibid.*, p. 71.