

"Record of a Week in Chile, March 20-27, 1975." Unpublished typescript transcribed from a tape, 29 March 1975. Excerpts published in *Two Lucky People: Memoirs*, by Milton and Rose Friedman, pp. 399-400. Chicago: University of Chicago, 1998.

The week in Chile involved such a hectic and continuous schedule that I had essentially no time during the week to record what had been going on. That is why this is being done retrospectively.

We were met at the airport by Rolf Luders and another one of the persons from the Banco Hipotecario, Juan Emilio La Fontaine, who is more or less a public relations person involved in making all of the detailed arrangements. He was with us on and off throughout the week in that connection. We went straight from the airport to the Sheraton San Cristóbal, which is apparently the best hotel in town. It does not, however, really rank with truly good international Sheraton hotels. All the externals are there, but there are many little things that are lacking. But of course the most important was that the food at the place was absolutely lousy.

From the Sheraton—Rose was able to stay there—I was shuttled away along with Carlos Langoni and Al Harberger, who arrived at the airport shortly after we did, to a meeting at the planning session under Roberto Kelly's charge. This was a planning session of some ministry, I really do not know which, and there were quite a group of people there of whom I have some of the names. They included: Miguel Kast, who studied at the University of Chicago, is a very bright and able fellow, has just come back to Chile not long since, and is obviously playing a very important role in the new government; Juan Carlos Méndez, who is another one of our people who just before we left Chile was named Budget Director; Molina; Rodrigo Mujica; Gastón Frez, who is an Undersecretary of Economy, I think; and so on.

The meeting was for the purpose of briefing us on the developments in the Chilean economy. Miguel Kast did the briefing and did an excellent job of going over the changes that

had occurred in the last year and a half, in particular what had been done in the agricultural sector in returning land that had been expropriated illegally, the attempts in the private sector to do the same, the state of the budget deficit, the general figures about the economy, and so on. The crude basic facts were that, first of all, there was a decline in total output in 1973, the year of the takeover; there was some further decline and then subsequently a rise in 1974. But the economy is still operating at a relatively depressed level with something like 9 or 10 percent unemployment in Santiago instead of the more normal level of something like 5 percent. Kast traced the main areas of government policy which had been followed in the past year including the immediate elimination of all artificial price and wage controls, which involved a very sharp jump in the level of reported prices though not in actual prices but was successful in eliminating shortages and queues; the attempt by the government to reduce government expenditures; the elimination of a great many restrictions; the return of many enterprises which had been taken over back to the people from whom they had been taken; a major tax reform, the introduction of a value-added tax, and so on; a review of the course of the economy and of the various policy measures that had been taken. There was rather an extensive discussion thereafter with a great many of the people present.

After this meeting we returned to the Sheraton for a session with some people from the Central Bank, in particular the vice-governor or vice-president or whatever his particular title might be, Mr. Baraona. The head of the Central Bank, like the head of every agency, is a military man, in this case a general, I believe, by the name of Eduardo Cano, a man whom we met later on at the Central Bank. The essence of this session was a very clear and straightforward picture of the financial situation of Chile. The most important features were that government spending amounted to 40 percent of the national income, the government deficit to about a quarter of its spending or to 10 percent of the national income, and this was financed entirely by the creation of money. With respect to the monetary sector, everything is very simple: all so-called commercial banks were taken over by the government and are still in the hands of the government, although the government has expressed a plan to sell them off

back to private enterprises. Of the total money in circulation, about half is currency, half deposits, but the cash reserve behind deposits is something of the order of 90 percent. Only the remaining 10 percent of the deposits, or 5 percent of the total money supply, has an asset behind the liabilities, loans, and investments. This is an absolutely clear case of an inflation financed by money created to pay for a government fiscal deficit.

One of the interesting phenomena is the size of the money balances. They appear to amount to something like 3 or 4 percent of the national income. I also inquired from the people there about the other components of the financial structure. In addition to the commercial banks, there are the so-called *financieros* which are clearly financial intermediaries engaged in borrowing and lending. One of them is the Banco Hipotecario, perhaps the largest of them, but apparently there are a number of others. The Banco Hipotecario may amount to half of the total. In addition there is SINAP, which is savings and loan associations, which borrow on the basis of revaluation; that is to say, the depositors get paid not only a real interest rate but also a compensation for inflation. This compensation for inflation is guaranteed by the government and apparently it was the cause of a great deal of difficulty because it was calculated on a lag basis, as a result of which, when inflation came down from as high as 900 percent to something like 300 or 400 percent a year, it nonetheless became extremely advantageous to hold deposits in the form of these savings and loan associations, because it was clearly predictable that the actual return would be higher than the current inflation because of the lag character of the readjustment process. Much blame was put on this for a much higher rate of increase in the quantity of money at the end of 1974 and the beginning of 1975 than had been planned. But of course there will always be a special excuse. There are still other lending and investing institutions, but the net result of this inquiry was to make it clear that one of the major effects of the inflation had been to squeeze the capital market to an extremely small compass. Obviously most capital is being provided on a personal equity basis by the people involved in the businesses themselves rather than through financial intermediation.

The Banco Hipotecario Group had a stag dinner at a club at which I met for the first time Javier Vial, who is the guiding genius behind the Banco Hipotecario and is a fascinating man, one of those extremely active, energetic and vigorous business men who clearly has the touch for business operations about him. He is now forty years old, was trained as an agronomist at the University of California (Davis), subsequently took a master's in agricultural economics at Berkeley, and returned to Chile, working in various agricultural enterprises until about ten years ago when he and a group bought a one-tenth interest in the Banco Hipotecario which had been an old institution but had come on evil times because its assets were tied up in the form of buildings which were rented at fixed rents, the real value of which was being rapidly eroded by inflation so that it had large assets in principle but in fact was losing money year by year. After what apparently was a struggle for some years, he and his group managed to get complete control over it and to turn it around until today it is a holding company, and a very bustling and vigorous enterprise. There were many other people at this party but it was a social affair and nothing of great significance emerged.

The next day, which was Friday, Langoni and I met in the morning from 9:00 to 12:00 with a group of representatives from the private sector. This was organized by an association whose name I have forgotten [SOFOFA] but is comparable to our National Association of Manufacturers, or our Chamber of Commerce perhaps more accurately. There were something like 25 or 30 people there, all from different businesses. We went around the table and discussed with each one of them separately what his particular business was and the aspects of his business. The day before at the planning session I had tried to inquire what economic activities were controlled by the government, and it turned out that they covered an enormously wide range—almost anything you named—so one of the things I was interested in was what was left for private enterprise. Here it came out pretty clearly that the major enterprises represented in the private sector were either textile manufacturing, or retailing, or construction of one kind or another. In addition there was an electronics manufacturer and a

few other manufacturing enterprises. Then also there were representatives of the agricultural sector.

We had an extremely interesting discussion here in which one of the major themes that emerged was, of course, the extraordinary difficulties which inflation imposed on the operation of the private sector. Over and over again here, as elsewhere, I kept asking people what fraction of time they were required to spend on problems directly related to the extremely high and variable rate of inflation. Undoubtedly many people overestimated this, but the answers never ranged to less than 20 percent and sometimes came out to 90 percent. Here again one had the usual picture where everybody in the private enterprise sector was in favor of the government getting out of business and reducing its activities, except that each one could see a reason why there should be some special attention paid to him.

After this session I believe it was that there was an interview with a number of reporters from *El Mercurio*, the local paper, which was followed by a lunch with quite a number of people particularly from the Banco Hipotecario. I do not remember in detail who was there.

At 4:00 or 4:30 that afternoon we went to see General Pinochet. The group that went included Javier Vial, Rolf Luders, Al Harberger, Langoni, and myself. The trappings around this were as interesting in some ways as the session itself. The military presence is very clear throughout Santiago. It is not that the soldiers are so numerous; there are probably no more of them than there are policemen. But they are clearly soldiers and not policemen, each one having a small machinegun slung over his body and looking as if he were ready to use it on the slightest of provocations. The main administrative headquarters of the government are not in the president's palace in which Allende was killed. Presumably because of the associations with the attack on that, the Junta decided to move its operations into a building called the Diego Portales in honor of one of the early Chilean heroes. Portales, who was president of Chile somewhere around 1830 or thereabouts, is given much credit for the Chilean constitution and in particular for strongly emphasizing the desirability of rule by law rather than by men or discretion. The building itself is one which was constructed under I believe

the Allende regime for the United Nations Conference on Trade and Development (UNCTAD). It is an 18 or 20 story building, or something like that, with an exterior which is the kind of steel left to rust a bit giving it a reddish cast, a very impressive and attractive building. It was the building within which all of the public seminars of the next week were held in an auditorium seating about 600–800 people. The place is guarded by what seem like a very large number of military; nobody gets in or out without a special pass. In this case, after a little palavering, we managed to get in. We had been told in advance to carry our passports but had been told this with some apologies on the part of Luders, and in fact we did not have to show them.

We were met by a colonel whom I was to get to see over and over again in the next few days. The general is advised by a group of military advisers which in turn is divided into four sections. The colonel in question, whose name I never really did learn, is head of that one of the sections dealing with economic policy. He was apparently very sympathetic to our general approach because he kept urging on me later on that I should write a personal letter to Pinochet giving my policy views.

After more looking at papers and so on, we were escorted into the building and up to the top floor where we sat in an anteroom of the president's office and then later were invited into the president's office itself. I must say the whole setting is reasonably official and affluent but not on the same level as the corresponding White House arrangement, for example. Of course, it should not be; Chile has a population of 10 million, we have 200 million, which gives you a 20 to 1 ratio there, and our per capita income is supposedly by best estimates about ten times the Chilean per capita income of \$700 a year, which means that in economic terms we are 200 times the size of Chile. But nonetheless I thought the whole setup was perfectly appropriate, on the one hand, to the dignity of a president of a country but, on the other, to a fairly austere administration.

General Pinochet himself does not speak English. He had an attractive young girl who was an extremely good interpreter, who interpreted for him when I spoke English and then

back to me in English when he spoke Spanish, or when any of the other people spoke.

Pinochet impressed me as a serious and dedicated man, but I was probably just repeating what others had said since, in a session that lasted perhaps three-quarters of an hour or so and in which he was speaking Spanish only which I did not understand, it is very hard to get much of an idea of the character of the man. He was very much interested in getting our reactions to the situation in Chile. He reacted from time to time. The main thing that came out of that was that he clearly was very much concerned about the temporary unemployment that was involved in a policy of ending the inflation. He was sympathetically attracted to the idea of a shock treatment but was clearly distressed at the possible temporary unemployment that might be caused. Beyond this, he indicated very little indeed about his own or the government's feelings, but he did stress and urge that I write him my Judgments after the end of my visit to Chile.

After that session we went over to meet with a group in the agricultural sector. This group was headed by Rodrigo Mujica Atiaga [the list of people there is listed on a couple of pages which I have attached (?)]. This was a fascinating and extremely informative session about the problems which the agricultural sector had had, about the problems which they now have, about the achievements that have been obtained, and so on. In this area there clearly had been progress; the output of the agricultural sector had gone up by something like 14 to 20 percent in the past year, and they were very hopeful of a very large further increase in output in the next.

One of the most interesting things that was developed at this meeting was a little table showing the employment in the Department of Agriculture at various times. It was 3,400 in 1964 at the end of the Alessandri regime; it had reached 10,000 in 1970 at the end of the Frei regime. From that 10,000 it jumped to over 25,000 in the next three years during the Allende regime. Despite an order to cut all personnel by 20 percent, that 25,000 had been reduced to only 21,000 as of the date. The people present there were very much interested in getting it reduced more. They maintained that many of the people were employed in sections that no

longer had any powers or any activities whatsoever to engage in, sections that had been concerned, for example, with phases of the agrarian reform that were eliminated; yet under Chilean arrangements, where it is very difficult to fire anyone, these people continue to draw their salary. They are deliberately prevented from doing anything but told to come in in the morning, given a newspaper, and told to read it during the day because it is believed that if they engaged in any activities they would do harm, besides wasting other resources.

Incidentally, one of the major complaints of the private sector the day before was the law of long standing which makes it illegal for any enterprise to fire any individual who has been employed for more than six months. This applies to the government as well. In some cases they have tried to induce people to resign by offering to pay them full salary for six months after they resign. This has had some success in getting some voluntary resignations.

It was also emphasized that what the Pinochet government had done in straightening out the agricultural sector had simply been to carry out the letter of the agricultural reform law that had been passed under the Frei regime but which had been interpreted by the Allende regime to mean altogether different things than had originally been intended.

On Saturday morning, March 22, there was a seminar for a group of people who presumably were executives of the Banco Hipotecario—though I am uncertain about their exact rank—at which each of the three of us summarized what we planned to say at the seminar the next week. This was followed by a rather vigorous and extensive discussion.

On Saturday afternoon we all drove out to a farm, La Palma, which is owned by Vial. One of the interesting features we had learned at the agricultural session the day before was the establishment in Chile of the concept of a basic hectare. A basic hectare is supposed to be equal in commercial value everywhere in the country but therefore to correspond to different numbers of actual hectares. Thus a basic hectare may in one part of the country correspond to 20 actual hectares or 200 actual hectares, in another area to a half of an actual hectare. The people in agriculture had indicated that the classification of the land area by basic hectares was very inaccurate for most purposes, but it had nonetheless been used as the basis for the

agrarian reform. That reform limited to 80 the maximum number of basic hectares that any one individual could own and required all owners of more than that to give up the rest.

Incidentally, in this connection, what had happened during the past year or so had been that farms which had been expropriated illegally or quasi-illegally were not wholly returned to their original owners. What was done instead usually was to make an agreement with the owner whereby he received back roughly half of the land he had given up and gave up his rights to the other half. He had the alternative of not doing that, but pursuing through legal means the recovery of the whole. But since this would be expensive and long lasting, and since most of these people had had the expectation when the farms were expropriated under Allende that they would never get back any of the land, they were in the first instances delighted to make the agreement to receive half.

To go back to the Vial farm, it has exactly 79 basic hectares though a much larger number of actual hectares; I am not sure exactly how many. I get confused between whether the number I remember is after converting into acres or is in hectares. I believe it is something like 400 acres, which would mean something like 130 or 140 actual hectares. The farm was obtained by Vial during the last days apparently or the end of the Allende regime when it was on the verge of being expropriated and the previous owner was glad to sell his rights relatively cheaply. Vial in turn managed to get the people on the farm to agree to terms with him which induced them to protest against the expropriation of the farm. He then carried on a vigorous legal campaign and political campaign to prevent its being expropriated, and succeeded in keeping it. It is now a very varied and diversified farm. It has about a dozen working families to each of whom he gave something like one hectare plus a house. In addition they hire temporary help from time to time. He is raising horses on the farm but also a variety of commercial crops.

There was lunch on the farm for a very large number of people; there must have been 40 or 50 people including many of those we had seen before at the various sessions.

After spending the afternoon at the farm we drove to Viña del Mar which is a seaside resort as well as a neighboring city to Valparaíso, Chile's second largest city. The drive was over dirt back roads, which was a long punishing drive though not nearly so much as the one and a half-hour drive here in Fiji from the airport to the Fijian. At Viva del Mar, unfortunately, the weather was bad; we had cloudy skies and none of the beautiful sun for which it is famous and which draws the tourists to it.

On Saturday night, Pedro Ibáñez and the head of the Business School of Valparaíso, Dean Cáceres—or something like that if my memory serves me right but I don't guarantee it, came to visit us while we were having dinner to arrange about the program the next day.

The next day, I gave a talk at the Business School in the middle of the day. This business school is the only institution of higher education in Chile, we were told, which is strictly private. It had great difficulty surviving during the Allende regime. It was at one time associated with the Catholic University of Valparaíso but broke that association back about 1969 or 1970 and stayed strictly independent throughout the Allende period and subsequently has formed some kind of association with Santa María University of Valparaíso. It was established apparently by Pedro Ibáñez, whose father was a very wealthy businessman in Chile, apparently getting his fortune through a series of supermarkets. There is now a Ibáñez, chain of supermarkets in Santiago which apparently is run by Pedro's brother. Pedro himself was a senator for the Nationalist Party for two terms, was one of the strongest and most consistent opponents of the Allende regime, and has been a strong supporter of the present Junta government. His father set up, or the children set up in honor of his father, an Ibáñez, Foundation which pays one-third of the costs of the school. Moreover, of the two buildings of the school, one of them was his father's home which was given or left in the will—I am not sure which—to the school; the other is a rather modern building that was built for the purpose of the school. The school offers a five-year course that ends with a Bachelor of Commercial Science, or something of that kind. I am not sure of the exact degree but it is rather broader in scope than most business schools, covering what one would ordinarily

regard as a bachelor's in liberal arts. Many of the people there thought that it was the equivalent more nearly of an M.B.A. than of our ordinary bachelor's degree.

The [not clear on tape] I really had was to observe the audience at the school when I talked, which consisted mostly of the students, and to speak to a few of the students afterwards during kind of a reception and a lunch. On the whole, I learned from other people there that the school is very highly regarded. Its graduates seem to get favorable attention at Chilean businesses. The Ib áñez, Foundation pays currently one-third of its expenses; tuition, one third; and gifts from businessmen, one-third. But according to Ib áñez, they are about to launch onto a different arrangement under which the students will pay full tuition, half currently while in residence and half to be paid back subsequently. The other funds that they can raise from the foundations and elsewhere they wish to use for capital expenditures and to build up an endowment which will guarantee them a greater degree of independence in the future. After the meetings at the school, we drove back to Santiago.

On Monday morning, March 24, I, Al Harberger and Langoni all had breakfast at the Sheraton with Leniz, who is the Minister of Economy, if I am right, and his chief adviser, Sergio de Castro, who is one of our Ph.D.'s, as well as with Frez and Velarso. Cauas, who is Minister of Finance, was supposed to be at the meeting but he had just got back late that previous evening from a trip abroad and so was unable to be there. That meeting was devoted simply to discussing general economic policy and to spelling out the analysis of the inflation that we had been led to.

From 11:00 a.m. to 1:00 p.m., we met over at the Diego Portales Building with a military advisory committee of the Junta. This is a group that serves as an intermediary between the separate departments and the four members of the Junta. It is headed by a general and, as I mentioned earlier, in each of its four sections by a colonel. Apparently this was the whole of the advisory committee. Langoni and I were there, and the session was taken up entirely with a question-and-answer program in which the questions ranged over a wide area but mostly had to do with the problems of inflation, with the temporary unemployment problems that

would be raised by trying to slow down inflation, and with the long-run problems of growth, particularly in Langoni's case, as exemplified and illustrated by the Brazilian experience.

We had lunch at the Central Bank with the governor, the deputy-governor, and a variety of other technical people, many of whom are University of Chicago Ph.D.'s. This was a pleasant lunch, but it is hard to say that very much substantive was discussed.

On Monday afternoon after the Central Bank lunch, I have a feeling I did something else but I don't have any written record of it, and I can't remember. There was a big public session at which Langoni talked at the seminar that afternoon about 5:30, but we had agreed that it was silly for all of us to be present at all such sessions.

That evening there was a very pleasant social evening of a reunion with almost entirely Chicago Ph.D.'s or people who had been at Chicago at the house of one of them, Mario Corbo. That was a very pleasant evening meal, especially since for the past few days I had been having what Harberger called "Chileitis," and what I am told has been renamed "Allende's revenge." I seemed to be recovering and so could enjoy the meal more than any other for a little while.

On Tuesday morning from 9:00 to 12:00, Langoni and I held forth before a group of representatives of the armed forces. This was in the same big hall in the Diego Portales Building in which almost all of the seminar sessions were being held. The seats were very hierarchically arranged. There was a sign which held the first three rows open for generals and admirals; the next so many rows were assigned to be for colonels, then for captains, then for lieutenants, and so on down around the room. The place was filled; there seemed to be about 700 people. The interesting thing was that of the three rows for admirals and generals, only one row was filled. Whether that was because they were less interested in attending or were too busy elsewhere or because they just wanted to be absolutely sure that they had a seat for every possible admiral or general who might show up, I do not know.

At any rate, the session proceeded by each of us giving something like a half or three-quarters of an hour talk about our views of Chile, Langoni concentrating of course on the experience of Brazil and its relevance to Chile, and myself on a broader range of topics. Then various people in the audience wrote down questions which they sent up to the front and which were answered successively, one by Langoni and one by me, having been read out by the colonel in charge. In all of this there was simultaneous translation so that it was possible for me to follow in English everything that was being done in Spanish. On the whole the questions were fairly intelligent and wide ranging, and tended to be of exactly the same kind as the whole class of questions we got throughout our trip here. They almost always had to do with the topics of (1) the recession and unemployment, (2) the problems of the capital market with a great deal of belief that somehow there was something wrong with speculation and that the lack of development of the capital market had something to do with speculative rather than productive activities being carried out, and (3) a variety of questions having to do with balance of payments and protection. There was repeatedly an implication that the problems of Chile were to be blamed on foreign developments such as the low price of copper, which is of course a negative factor, and the high price of oil.

After this session, I went to the Catholic University and gave a talk for students of the Catholic University under the auspices, I guess it was, of the Department of Economics—I am not sure of that. I gave essentially the same talk in the afternoon to students of Chile University. In both cases the particular rooms were not terribly large but they were overcrowded, and in both cases there was clear indication that the students who attended were able to handle and understand English, which surprised me quite a bit. But I tried to test it out by making some pleasantries, which is always a good way to see if you can raise a laugh out of an audience. Interestingly enough, to go back, one of the major differences that impressed me between the armed forces audience, either of these audiences, and a group we had the next day—which was essentially a duplicate of the armed forces session but for civilian employees

in the government sector—was the difficulty of getting a laugh out of the armed forces. The rest responded much more obviously to cracks.

In both the Catholic University and the Chile University session, I departed from the main theme of all the other talks which had to do with inflation and talked on the fragility of freedom, emphasizing the rareness of free societies and the like and the role in the destruction of a free society that was played by the emergence of the welfare state. The general line I was taking—which was that their present difficulties were due almost entirely to the forty-year trend toward collectivism, socialism and the welfare state, that this was a course which would hurt people not help them, and that it was a course that would lead to coercion rather than freedom—was, from their reactions, obviously almost completely new to them. There was an attitude of shock that pervaded both groups of students at hearing such talk.

For that evening we had been invited by the first secretary of the French Embassy to a small dinner at his house. Those present included the first secretary whose name is François Niccoulaud (or something like that) and his wife, the French ambassador without wife (I don't know whether he is a bachelor or not but I assumed so, and I never did get his name), the American ambassador—David Popper—and his wife, and two rather interesting Chileans. One of the latter, Mr. Sáenz, was originally one of the strong supporters of the Junta and is still apparently very much in the right wing. He was for a long time head of the National Association of Manufacturers or its equivalent, whatever it is called in Chile, and engaged in a good many business enterprises but has emerged as something of an opponent and critic of the Junta.

Also present was a Bishop Frantz who is the head of the Lutheran Church in Chile and has been very active in matters concerning human rights. Apparently his church is on the verge of splitting into two parts because of his activities. The foundations of the Lutheran Church are apparently in the German communities of southern Chile which tend to be highly conservative and highly supportive of the Junta. Frantz's activities have, on the other hand, been very much in the area of trying to investigate and avoid human rights violations, which

has led him into strong conflict with the rest. I gather he has been extremely effective and important in the human rights area. He talked to me at great length during dinner about the situation in this respect. According to his figures, or the figures of the groups that he is working with now, there are 1,100 people whom they classify as in the category of “disappeared.” They mean by that people who have been out of sight for more than a week and for whom neither the police nor the military nor anyone else will take responsibility for having arrested or seized. There are in addition, he claims, something over 8,000 certified political prisoners classified as such by the groups with which Frantz works, but explicitly admitted by the government as being in prisons in one place or another. According to his account, in addition to these two groups, many people are picked up by the police and questioned for a few hours or a few days and then released. Of those who are questioned for a few. hours or a few days and then released, Frantz maintains none have been tortured. On the other hand, of those who are classified as disappeared, Frantz maintains that a very large fraction of them turn up one month or three months or four months later; and of those, every single one of them has been subjected to torture as a means of obtaining the names of people who might be involved in groups working against the government.

There is general agreement that at the immediate overthrow of the Allende regime there was a good deal of violence and that many people may have been executed. The numbers vary enormously from one person to the other. There is much less agreement about the subsequent course of events, but it is hard to doubt that torture of some kind does exist and has, according to various people we talked to, been a more or less standard procedure of intelligence agencies in Chile and other South American countries for decades. That does not excuse it or justify it, but does help to explain its persistence.

As to Frantz himself, he is one of those people who in half of his activities promotes human rights and in the other half of his activities is one of the most effective in destroying them as I told him when he proceeded to boast about his participation during the Allende regime in a takeover of land by workers without purchasing it from the owners. He claimed

that the banker who had owned it had refused to sell, but the price was clearly one which was artificial during a period of very rapid inflation. Frantz was extremely proud that he had helped to organize a group of 100 or 200 families—I forget which—to take over some 60 hectares of the land which the banker owned. His excuse for doing so was that the workers had to live in a town quite some distance away from the plant in which they worked, and that this involved expensive and time-consuming commuting; whereas the land in question, according to him, was idle, was very close to the plant, and would enable the workers to have homes that would be more convenient. Needless to say, I argued with him that his action had been a contribution to violence since it led to the destruction of a free society.

The dinner as a whole was rather interesting in revealing a very different attitude toward events in Chile than any we had observed before. Up to this point we had been dealing mostly with people in the government or involved in the economic aspects of governmental policy. All of the people involved—Sáenz, Frantz, and the two ambassadors as well as the first secretary—tended to be highly critical of the Junta for what they regarded as a cavalier disregard of human rights and of the rights of the poorest people among the Chileans.

The next day, Wednesday, in the morning we had a session with the government sector which was more or less a duplicate of the session the day before with the armed forces; had lunch with representatives of the press at the Sheraton; and then I did an interview, called “A Conversation with Milton Friedman,” at a nearby TV station for Chilean TV at which there was a master of ceremonies, two people who questioned me, and Rolf Luders served as the translator.

In the evening I gave a public lecture in the same hall [at the Diego Portales Building] to a group of people from the community at large. This was the most important of the various sessions from the point of view of the Chileans at which I talked on the Chilean problems, repeating the same themes I had been repeating throughout and that are contained in the letter which I subsequently wrote to General Pinochet.

That evening there was a dinner for us at the U.S. Embassy which was attended by quite a number of the people we had seen in other connections during the week but also by Minister Cauas who had not been able to attend the breakfast. It was a very pleasant social affair but added little to our understanding or knowledge of Chile, or of the American government and its operations.

Thursday, March 27, was our last morning in Chile and we simply packed, left the hotel, went to the airport, and were put aboard a plane which stopped at Easter Island unfortunately for only about three-quarters of an hour, so there was no possibility of our going to see the famous Easter Island statues. It was an extremely unpretentious, to put it mildly, airport, a shack with hardly any facilities—obviously not a major airport. We took off from there and landed at Tahiti, where again we landed at night time and stayed inside the plane. From there we flew to Fiji. All told, it was an extremely long, very tiring, sixteen-hour flight.

When we got to Fiji, after some delay we finally got the car that was supposed to carry us out to the Fijian. That turned out to be a bone-bruising hour and a half ride over some of the worst roads I have ever ridden on. A new road is in process but it will be a year or two years before it is finished. However, it was probably worth it since the hotel, the Fijian, at which I am dictating this is one of the loveliest and most attractive places we have ever seen anywhere.

Unfortunately, our bad luck with the weather has been holding up. There has been no sun in the day and a half we have been here. It's plenty warm enough but extraordinarily humid and cloudy.