
FROM SOCIAL JUSTICE IN CHILE . . .



BY TOM SCANLON '60

In July of 1976, Cardinal Raul Silva Henriquez approached Father Theodore Hesburgh, CSC, seeking assistance in dealing with a serious “brain drain” problem facing Chile. Many professional researchers and academicians had either fled Chile or been expelled in the aftermath of Augusto Pinochet’s overthrow of Salvador Allende’s socialist government in September 1973.

The cardinal had created an “Academy of Christian Humanism” in Santiago and was seeking financial support for the academy so it could offer employment to, and bring back, Chilean intellectuals. He also was seeking funding for several other human rights and social development programs.

Father Hesburgh’s interest in Chile was deeply rooted in the Holy Cross fathers’ management of Saint George’s College for the previous four decades and, on an even more personal level, in his involvement with the Peace Corps in Chile. Through his life, he stayed close to the 45 volunteers sent to Chile in 1961 under the auspices of Notre Dame. As one of those early volunteers, now working in Washington, D.C., I was asked by Father Ted to help him seek support for the cardinal and his projects.

We identified a fund at the Inter-American Development Bank (IDB) called the Social Progress Trust Fund, which contained money provided in trust by the U.S. government. The fund was set up in the early 1960s during the first years of the Alliance for Progress, a program designed to offer economic assistance to countries in Latin America. Many of the Social Progress Fund’s loans went to Argentina, Brazil and Chile, which were “showcase democracies” at the time.

Unfortunately, in 1976 all three of these countries were being governed by repressive military regimes. As the interest on these loans was being repaid, the IDB developed a “Special Program” to relend these interest payments (called “reflows”) back to the military governments. Father Ted and I objected to this. We proposed that these funds instead go to private development groups, including those created by Cardinal Silva.

*Tom Scanlon lives with his wife, Faith, in Bethesda, Maryland. He is president of Benchmarks, Inc., an international consulting company he founded more than 40 years ago. He is the author of *Waiting for the Snow*, a memoir of his service with the first Peace Corps sent to Chile in 1961, a project sponsored by Notre Dame.*

An intensive lobbying campaign put a stop to the Inter-American bank’s use of these “reflows” for three years. The IDB objected strenuously. At one point, Chile’s representative on the bank board called in an IDB employee with whom we were working and showed him a report from Chile’s dreaded intelligence agency, *Dirección de Inteligencia Nacional*. The report made it clear that Pinochet’s goons had Father Ted and me under surveillance, even observing our activities together in New York City. A conservative newspaper, *La Segunda*, harshly criticized this “priest and left-wing business man” for trying to funnel funds to the Pinochet opposition.

After a three-year stalemate and under congressional pressure, the IDB entered into a new agreement with the U.S. government. It turned over control of the bulk of all Social Progress Trust Fund money to the Inter-American Foundation (IAF), an independent semi-governmental institution supporting social development programs throughout Latin America. By this time, the IAF already had received \$6 million for use in Chile (an amount equal to the reflows previously blocked by our efforts) and was providing considerable support to the projects of Cardinal Silva.

The agreement approved by the IDB board at the end of 1979 noted that there would be no more “reflows” from Chile. This was because Pinochet, in an irate reaction to our lobbying efforts, paid off the entire \$8 million loan originally received from the fund. The IAF received that money between 1980 and 1985, and spent more than \$4.5 million of it for projects sponsored by Cardinal Silva.

In the end, the work Father Ted and I piloted was successful in preventing Social Progress Trust Funds from serving the ends of the Pinochet and other military governments. An increased flow of resources was directed to the Inter-American Foundation and to human rights and social development projects throughout Latin America. By 1995 (the last year Inter-American Development Bank documents show a relationship with the Social Progress Trust Fund), a total of \$336 million dollars in reflows had gone to the IAF, \$257 million since the new arrangement took effect in 1979. □