SALVADOR ALLENDE: THE RISE AND FALL OF A CHILEAN MARXIST

THESIS

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By

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This study is concerned with describing and analyzing the factors that led to the election and subsequent defeat of Salvador Allende. The research information was selected from leading books, periodicals, government documents, archives, and newspapers.

The thesis presents the political history of Allende's rise to power, the social structure that made his victory possible, the development of major programs that facilitated his ascension and that made his descent inevitable, and, finally, an analysis of his administration with observations as to why he failed. The importance of the lower class, the middle class, the military, and the United States are presented as factors contributing to Allende's victory and later accelerating Allende's fall from power.
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INTRODUCTION

Salvador Allende was selected president of Chile, the first freely elected Marxist head of state in the world, on October 24, 1970.¹ This study is an attempt to describe the political events that led up to this highlight, to compare and analyze the social conditions that made Marxist victory possible, and to evaluate two basic programs, agrarian reform and nationalization of the copper industry.

Chile is a Latin American nation which had had, prior to the violent overthrow of President Allende, a long history of political stability. The first chapter deals with this history and the ever-changing role the political Left has had in Chilean events. Six significant political parties joined together in a coalition called FRAP, or Unidad Popular, Popular Front, to bring about the election of Allende. The two major political parties in the coalition were the Socialist Party and the Communist Party of Chile, Allende belonging to the prior. Without an understanding of the coalition and the political events preceding Allende's election, one cannot fully understand the political environment that made his election possible.

¹Allende was elected by popular vote in September, 1970, with 36 per cent of the popular vote. However, since the Chilean constitution gives the legislature the power to select the president if no candidate received a majority, he was not officially selected until October 24, 1970.
In the second chapter, the social elements that joined forces in favor Allende are described, and the rise of the lower and middle classes to a level of high political participation are discussed. The justification for each class' acceptance or rejection of Allende is also considered.

Upon ascension to power, the Chilean president proceeded to fulfill as many of his political promises as possible by bringing about very fundamental transformations in the society and economy. The last chapter deals with two basic programs of change: transforming the aristocracy-dominated agrarian sector into an egalitarian system and expulsion of foreign interests who had exploited Chile's copper for decades.

A study of the conditions that led to the success of Allende and the factors that brought about his ultimate defeat may well enable the student of comparative government to formulate hypotheses concerning Chile's future and the future of other nations so dependent on the United States for capital to develop the nation's resources.
CHAPTER I

THE LONG STRUGGLE

During the early half of the nineteenth century, Chile was being transformed from a predominantly pastoral Spanish colony into a democratic republic that could boast of its economic development through exploitation of copper and nitrate deposits. Well-educated Western Europeans were attracted by the young republic's economic expansion.

Many of these new arrivals prospered and were readily assimilated into the aristocracy. Out of this group national leaders of Chilean political life emerged. Leadership was selected by a very limited group of citizens. It was not until 1948 that more than one citizen in ten was registered to vote in presidential and congressional elections.

In the early twentieth century, the middle class began to pave the democratic road that Chile was to pursue. The trend was toward more powerful democratic inclinations and moderate social changes; however, it was not until the 1960's that Chile's labor classes were given the opportunity to find a political forum for their grievances.\(^1\) With increased political participation by voters and political activists in the struggle for democratic involvement, the Left became increasingly aware of the potential that had for decades been left untapped.

Background of the Leftist Movement

Nineteenth century Chilean liberals believed in limited democratic practices dominated by the upper classes whose members were free to make decisions for the political future of the nation. These upper class liberals were responsible for the introduction of stabilizing forces into the Chilean culture.

Stability was maintained throughout a long history of civilian dominated governments. There were periods when the military did intervene, but these periods have been brief in twentieth century history, and civilian government has continued to operate free of regular military involvement. The military has, for most of Chile's history, been content to accept the role of a subordinate to civilian authority as long as the latter maintained a stable environment.

Democratic privileges have been enjoyed by the aristocracy and more recently by the middle class at the expense of the working class. Ideological limitations of the political parties, as well as property requirements and literacy restrictions of the state, eliminated participation by the lower classes. The small but politically powerful established group of select owners and managers of Chile's immense resources and vast estate land system, known as the latifundio system, have greedily maintained an influential position in Chilean politics. A large patronage system has meant the development of an influential middle class. But the lower classes have been generally excluded from the ranks of possible contenders for political power at the ballot box.

The lack of educational opportunities and the belief that participation in the voting process was meaningless blocked many citizens from
becoming politically active. Ideological polarization separated the classes. The upper and middle classes were represented by the traditional Right wing Liberal and Conservative Parties which dominated political life until the mid-twentieth century. Some members of the middle class and the lower class chose representatives of more Leftist persuasion.

The early development of democratic principles and the almost unlimited freedom of political activity, coupled with the birth of a voice for discontented, previously unrepresented, lower-class groups, created an environment that was ripe for Marxist revolution. It provided Allende the opportunity to arise as the well-known and respected voice for the Left. Allende's Leftist coalition, FRAP, was supported by the newly franchized lower class with mixed support by the middle class.

Struggle For Elected Positions

An understanding of the development of the political Left in Chile is necessary to understand why Allende's election was possible. The member parties of FRAP have been composed of three major elements: Socialists, Communists, and Radicals. Minor parties of the coalition include a Leftist element of the Christian Democratic Party (PDC), the Movimiento de Acción Popular Unitaria (MAPU), and several other small Marxist groups. The Communist Party controlled the largest number of followers and has been represented in Chilean politics for a more extended period than any other Latin American Communist party. Founded in 1912 by Luis Emilio Recabarren under the name of the Workers'
Socialist Party, the party became a strong force among trade unions. By 1921, the members decided to follow the Russian model and adopted the name of "comrades" in the Partido Communista de Chile (PCCH).²

The Chilean Communist Party gained much of its support from the influence of trade unions. The growth of trade unionism was stimulated in Chile during World War I. This factor, together with the recognition of the effectiveness of the strike, attracted laborers to the trade union movement. A third factor in the growth of trade unionism was provided by President Arturo Alessandri through a labor code developed in 1924.

Competition for leadership of trade unions developed between Socialists and Communists. This schism, coupled with the depression and official persecution by the dictatorial regime of President Ibañez, lasting from 1925 until 1931, almost meant the collapse of trade unionism in Chile. The Communist movement experienced difficulties with a division between Stalinists and Trotskyites which was only resolved in 1937 with the emergence of the Stalinists as the more powerful element. During this schism among Communists, the Socialist groups made efforts to replace Communist leadership with their own. These divergent Socialist elements merged in 1933 and emerged as the major political leader of the working class, the Socialist Party of Chile.

In the decade that followed, the trend was toward a reversal of the Communist-minority, Socialist-majority Left.³ During the next

²Federico G. Gil, The Political System of Chile (Boston, 1968), p. 60.
twenty years, the Chilean Leftist parties encountered both political victory and opposition. President Videla was selected by a coalition of the two Leftist parties and the moderate Radical Party. Early in his administration Communist Party members were selected to serve on his cabinet, but were removed in response to increased distrust of that Party. A complete reversal of attitude was made when Videla persuaded Congress to pass the Law for Defense of Democracy in 1948 which outlawed the Communist Party. But following the adoption of this legislation, the two Leftist parties began to reestablish ties that allowed them to work more closely together. ⁴

The Communist, Socialist, and Radical Parties merged to form the Popular Front in 1936. It was successful in 1938 in its bid for success with the candidacy of Pedro Aguirre Cerda, and in 1942 with the election of Juan Antonio Ríos. In 1948, the coalition split and two Socialist elements of the party nominated separate candidates. The Radical and Communist Parties won the election with the candidacy of Gabriel Gonzalez Videla. ⁵

The 1938 election presented the first effort by the middle and working classes to challenge traditional political parties which had been predominant on the political scene during the previous century. Their victory was marginal; they won by only 3,000 votes and the government's implementation of proposed programs was blocked by a majority.

⁴"The Political Situation in Chile," Current Notes on International Affairs (Australia) (May, 1971), XLII, 251.
in the Rightist Congress. This administration was the first in Chilean history to be dominated by middle and lower segments of the culture.\(^6\)

It was during his period of lower- and middle-class domination that Salvador Allende began his rise to power. Allende resigned his position as Deputy in the Chilean legislature which he had held for two years before accepting a Cabinet post as Minister of Health in 1939. As Minister of Health, he attained national distinction through his interest in health and sanitation issues, which he concluded were the result of the nation's capitalist social structure. The resignation and subsequent death of President Aguirre brought about new elections. The election of the Popular Front's candidate, Juan Antonio Ríos, was a result of the growing support for the moderate Radical Party.\(^7\)

During Ríos' administration, the Communist Party continued its growth in strength, partly as a result of schisms within the Socialist Party. The long-time party chief, Marmaduke Grove, and his followers left the party and organized the Partido Socialista Auténtico (the Authentic Socialist Party); Grove's opposition was led by Salvador Allende who retained control of the majority of the Party's membership.

President Ríos' term of office was terminated by his death in 1946, presenting the populist parties with a most difficult situation as a result of their disunity. Four candidates campaigned that year, and

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Videla, the nominee of the Radical and Communist parties, emerged with a close victory. For the first time in Chile's history, Communist ministers were appointed to the Cabinet.  

However, with the resignation of Liberal and Radical Cabinet members, Videla feared Communist power and dismissed Communist ministers, who in turn, incited a series of short, disruptive strikes. To avoid any growth of Communist power, Videla arrested hundreds of Party members, and in 1948 was responsible for the enactment of the anti-Communist Law for the Permanent Defense of Democracy. This law authorized the confinement of Communist party leaders in remote sections of the country. In addition to Communist persecution, Socialists and other labor movement activists were also harassed by the government.  

The Radical administration of President Videla was barraged with rapid rates of inflation, recurring strikes, erosion of the economy, and the absolute loss of public confidence in the congressional system. In the 1952 election, these conditions made the victory of President Ibañez possible. The former president campaigned against those political groups that were in power. His campaign, the iibañismo movement, named after the President, gained its strength from divergent splinters of various political ideologies.

8 Gil, op. cit., pp. 71-72.

9 Ben G. Burnett, Political Groups in Chile (Austin, Texas, 1970), pp. 175-176; Gil, op. cit., p. 73; Burnett, Political Forces in Latin America, op. cit., p. 251.

10 "The Political Situation in Chile," op. cit., 251.
As a result of the endorsement of Ibañez by the Popular Socialist Party, Allende abandoned the Party and realigned himself with the Socialist Party of Chile. He persuaded the Socialist Party to make him their nominee in the presidential elections and also to reunite with the Communist Party in the candidacy of a Marxist. Thus was born the coalition known as the *Frente del Pueblo* (or People's Front).

In addition to the candidacies of Ibañez and Allende, the Liberal Party nominated Arturo Matte Larrain who gained Rightist support, and the Radical Party nominated Pedro Enrique Alfonso who received support from dissident Leftist parties. Ibañez promised the repeal of the Law for the Permanent Defense of Democracy and gained sizable support from Communists.

The most significant factor of the 1952 election was that it was characterized by a trend among rural workers (dependent upon their employers, to defy landowners and vote in favor of Ibañez). Later, this same defiance of landowners by peasants allowed Allende to win the presidency. As a result of demonstrations, riots, and strikes, there were significant legislative actions that indicated a strengthening of the power of rural workers. A presidential decree was issued that, for the first time, extended minimum wage legislation to include rural areas. A most important law was enacted restricting landowners from controlling the way the rural population voted.\(^{11}\)

The unusually large plurality of pro-Ibañez voters (46.8 per cent) can be explained as an expression of national desire for an end to ever-increasing rates of inflation. Ibañez' campaign was one of attack on all political parties. His campaign projected the image of a non-political fatherly man who could rise above political squabbles. With his anti-political campaign and one equally full of promises of reform (such as the end of inflationary problems, the repeal of the Law for the Defense of Democracy, and Chilean independence from foreign exploitation), Ibañez was successful in capitalizing on popular feelings of government incompetence. The use of the broom as a symbol of the clean-up politics campaign is consistent with the theme of the Ibañez effort.

The period from 1936 through 1952 marked the height of the political influence the leftist parties had experienced until the success of Allende in 1970. The success was made possible only through cooperation with the moderate Radical Party. Due to this cooperation, the Radical Party was able to avoid extreme movements, but it was also dependent on a coalition with extreme parties for electoral support. Effective government suffered as brief periods of movements toward the Left were supplemented with temporary efforts to appease the Right. The greatest successes of the Center-Left coalition were in the realms of economic growth and industrialization. The Chilean Development Corporation (CORFO) was established in the late 1930's and began an era of increased government supervision of economic development. Programs of

12 Gil, op. cit., p. 77.

increasingly important and expanded social welfare, of extended housing and educational opportunities, and of accelerated membership in trade unions were witnessed during the 1938-1952 period. The pre-1952 era was also distinguished for the disintegration of the once influential Partido Socialista de Chile. Unable to harmonize the divergent elements within its rank, ranging from Marxists to Leninists to Trotskyites to Stalinists, the party divided and lost its political effectiveness.

Popular expectations of the Ibanpez regime were not fulfilled: cabinet turnovers were common; inflation was left uncontrolled. By the time of the congressional elections in 1957, the ibanista movement had run its course, and the Radical Party reemerged as the major Chilean party. Both Christian Democrats and Liberals expanded party representation.14

The Ibanpez term was characterized by demonstrations, riots, and strikes. These expressions were the result of a lack of action through usual channels. Both the executive and legislative branches of government were derelict in their duties as problem-solvers. Ibanpez had campaigned as an opponent of institutionalized groups, but his administration was filled with governmental efforts to defend traditional groups, their values, and the institutions they represented. In short, popular discontent against Ibanpez arose as a result of a tendency among individuals who believed he had betrayed promises he made to the lower classes. It is important to note that as a result of Allende's opposition to Ibanpez, both in the 1952 campaign and in the Chilean Senate,

14Gil, op. cit., pp. 77-80.
Allende's national prestige was augmented as one of the despotic president's principle parliamentary opponents.15

This popularity of Allende resulted in his candidacy for president in 1958. New shifts in the political continuum were made prior to the 1957 municipal elections which affected the 1958 presidential election. The Left formed FRAP, an alliance of Socialists (now a reunified, well-organized political force), Labor Party members, Democrats of the People, and Communists who were still barred from legal political activity. The Partido Demócrata Cristiana (PDC) was formed in July, 1957, from a union of members of the Falange Nacional and the Conservative party.16

In opposition to the PDC, a political coalition supporting Salvador Allende, known as FRAP, adopted a program calling for radical changes in the political, social, and economic system. It was especially interested in trade union workers in industry (who formed approximately 16 per cent of the total work force), and it controlled the largest and most powerful workers' confederation, the Single Central Workers' Union. The Socialist Party preferred a quick social revolution to be executed by a workers' coalition; Communists adhered to a gradual approach, the via pacifica, and advocated the delegation of responsibility for its preparation to the bourgeois.17

15Ernst Halperin, Nationalism and Communism in Chile (Cambridge, Massachusetts, 1965), p. 211.
16Gil, op. cit., p. 80.
17"The Political Situation in Chile," op. cit., p. 252.
The PDC supported the candidacy of Eduardo Frei. The PDC was formed as the Christian alternative to Marxism. United with the Social Christian Party, it called for "Revolution in Liberty" through the adoption of revolutionary, social, and economic reforms. It also advocated government planning and involvement.\(^1\)

The Radical Party, unwilling to cooperate with the Left, nominated its own candidate, Luis Bossay Antonio Zamorano, a former Roman Catholic priest, defrocked for political activities, and conducted his campaign as an Independent. The campaign of 1958 was the first since 1938 in which the traditional Right wing, Liberals and Conservatives, made a strong effort to gain the office. Their standard bearer, Jorge Alessandri, was the son of former President Arturo Alessandri and was the candidate of democratically minded aristocrats.

There were new election laws for the 1958 elections guaranteeing a secret ballot, higher penalties for bribery or intimidation, and a single ballot for each office. All literate men and women over twenty-one were eligible to vote. Despite this broad range of eligible voters, Allende fell short of victory. Alessandri emerged with the greatest number of votes and only defeated Allende by a margin of around 34,000 votes. As provided by Chilean law, since no candidate had received a majority, both Houses of Congress met on October 24, 1958, to choose the new president. One hundred forty-seven votes were cast for Alessandri while Allende received only twenty-six votes.\(^2\)

\(^1\) Kessing's Contemporary Archives, XIV (New York, 1959), p. 16885.
\(^2\) Halperin, op. cit., p. 33
Although Allende gained the support of trade unionists, he was unable to gain support of women voters. Sixty percent of the nation's managers preferred Alessandri, while Frei gained the support of 10 percent, mostly those from large firms. These conservative managers preferred to retain the capitalist system and remain in their profitable status quo, for they felt Alessandri was the most reliable contender to continue their prosperous and eminent position in society.

In no province did Alessandri gain a majority of votes, but he gained pluralities in many provinces. In Santiago's municipal province, in which 29 percent of the nation's votes were cast, Alessandri led Allende by 7 percent with a plurality of 35 percent. Luis Bossay, Radical Party candidate, earned a significant number of dispersed votes in northern nitrate mining and south-central coal mining and industrial districts, but was unable to maintain his national average of 15 percent in the populous central region. Eduardo Frei's national average of 20 percent was fairly consistent throughout the nation. In the northern provinces and in traditionally Leftist Concepción, Allende's showing was at its highest. He also did exceptionally well in Santiago's second district and in various small provinces throughout the nation where his provincial percentage only twice fell below twenty. In the provinces of the extreme south, Aysén and Magallanes, Allende gained pluralities. In the latter province his margin was five to one. Allende could not gain the support of a plurality of votes, for too

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many feared implementation of extremist programs that might threaten their social, economic, and political status.

The trend that had begun with Ibanez, the reversal of voting patterns in which oligarchies had dominated, was the outstanding factor in the 1958 election. Support in mining and industrial areas was expected for FRAP, but what was remarkable was the strength that the coalition received from the voters in agricultural regions in the Central Valley.21

Disillusioned with Ibanez' promises, the Chilean electorate turned to a traditional party figure. They were disenchanted with Ibanez' ability to lead, and in 1958 they were expecting another leader to improve their nation's plight.22 Allende had founded his campaign upon a platform of social reform, an idealistic redistribution of material goods that would reallocate national wealth. A majority of the voters agreed that such a program was their desire; the degree of social reform was the issue that divided the voters among those candidates with platforms of reform: Alessandri, Allende, Bossay, and Zamorano. The result of this bifurcation was the failure of Center-to-Left candidates to receive a plurality. Alessandri's personal appeal was preferable to enough voters to guarantee victory.

The 1958 election proved the feasibility of a coalition of a proletariat. Allende's second place tally quieted those Socialists who opposed Communist collaboration.23 They were able to recognize that

21Gil, op. cit., p. 233.
22Moreno, op. cit., pp. 154-172.
division among the Leftist political wing could mean defeat; it was collaboration with Communists and other Leftist elements, not a lack of conciliatory agreements, that made the eventual Allende victory possible.

Señor Luis Corvalán, Secretary General of the Chilean Communist Party, declared the Party's acceptance of Congress' decision if Congressmen would affirm Jorge Alessandri's victory, and he added that no labor strikes or forms of sabotage would be used by the Left. However, he concluded, "The victorious candidate represents the most reactionary Right of Chile, which is incapable of providing the country with solutions." 24

The administration of Alessandri depended upon the support of Conservative, Liberal, and Radical Congressmen who sometimes opposed or altered reform bills he introduced. He was not able to prevent inflation, but he succeeded in reducing its growth rate. The franchise was given to military personnel, and all literates were required to vote. The Radical Party allied itself with the Conservative-Liberal coalition in August, 1961, and in the following year established the Frente Demócrata (FD or Democratic Front). The Right wing and moderate coalition adopted a land reform law in 1962 that meant the implementation of action that transformed past abstract debate into legislative decision-making. The law allowed limited expropriation of lands. In 1963, the same congressional group adopted reform measures that allowed bonds to be substituted for cash in payment for certain agricultural

land. These provisions were important in two respects: (1) The oligarchial segment of the society which the coalition represented was admitting that responsibility for agrarian reform was in the state's realm of duty and (2) Rightist support of these measures signaled a stage of development that would allow modification in rural policies.25

The outcome of the March, 1961, congressional election (in which Christian Democrats, Communists, and Socialists made significant gains at the expense of the Right) was the acceptance by Liberals and Conservatives of Radical proposals for moderate land reform. The 1961 Leftist victory cost the Liberals and Conservatives thirteen votes while the Radicals lost one.26

President Alessandri's conservative government was unable to enact meaningful programs to solve the social and economic problems which prevented Chile from becoming an effective, progressive society. The conservative parties lost their popularity by failing to respond to the needs of the lower classes. The recently formed Christian Democratic Party and the Marxist Left were the elements that took the lead in formulating programs that might alleviate the burden that the vast majority was forced to endure.

For the 1964 presidential election, four candidates emerged. Of the three front runners, two were reformist or Leftist, and these two received greater support than the other candidates. Jorge Prat


26Ibid., pp. 51-52.
Echaurren was the candidate of the far Right. His personalistic, anti-big business campaign was not expected to gain much support, but it was feared it could detract from other candidates' tallies. The three leading parties were the FD, the PDC, and the FRAP coalition. The Radicals chose to support Julio Durán in order that the slightly right of center Radical party might not split into factions, one supporting the Rightist candidate and one supporting the Leftist contender.\(^2^7\)

Durán's coalition had received 46 per cent of the votes in the 1963 municipal elections, and victory appeared likely for the rightist coalition, despite their lack of effective legislation.

However, the appearance of victory faded in an otherwise inconsequential special district election held in Curico in March, 1964. In this normally pro-Rightist district, the election was transformed into a pre-presidential test, and Durán proclaimed that if the Democratic Front were defeated in the special election, he would withdraw his candidacy. The FD failed to gain a majority, the FRAP candidate was elected with a 39.5 per cent plurality, and Durán resigned. To retain the Radical party's cohesion, Durán later reentered the race, but never regained a competitive position with Frei and Allende. Prat withdrew, hoping to present a more united Right wing that would win more votes. Eduardo Frei and Salvador Allende were left to vie for the majority of the votes.

There were six basic issues that distinguished the campaign of each candidate from the other. In his contest with Frei, the issue

that gave Allende the greatest problem was his association with Communism. His opponents contended that if he were elected, Chile would become another Cuba. The Christian Democrats were in favor of this campaign practice of propagating fears of Marxism. Pro-Allende propagandists, in turn, called the Christian Democrats "exploiters in freedom" and the Frapistas (supporters of FRAP) advocates of a "revolution without blood."\(^2\)

Other campaign issues were based on individual proposals for the solution of five major problems that plagued the nation: (1) Chilean per capita income in 1961 remained at the same level as in 1953; (2) Chilean GNP rose only 2.5 per cent in 1963, compared to the previous year's 7.1 per cent growth; (3) large foreign business interests remained implanted in areas in which Chile heavily depended (copper, iron, nitrates, and petroleum); (4) chronic inflation remained as a persistent ill which discouraged investment, shrank earnings, and limited savings; and (5) huge landholdings, operating at low levels of productions, had been unable to contend with an expanding population.

The voter's decision on whose campaign promises to believe was determined by the voter's level of income. Most members of the lower class favored Allende's proposals for solution of the problem while Frei's more traditional approach brought wide support from the upper class. The middle class was widely split in support for each candidate. Suffering from political exclusion for many years in the past, the lower class hoped to find in Allende a leader who would place them in a

position of significant political influence. The upper class wanted to maintain its political dominance. Some members of the middle class saw Allende as a threat to the power they had been given; others saw him as a savior for middle and lower class difficulties.

This unbalanced system resulted in increased support for extreme Leftist parties by voters from the working classes (the Left had promised more equality under a Marxist president and increased lower class benefits). Demonstrating the lack of complete satisfaction of labor-class voters with the Marxist parties, Eduardo Frei gained significant support in districts of large working class populations, although Allende received endorsement from labor leaders. The middle class was wary of the possible proletarian revolution that might result from a Marxist dictatorship. The dictatorship of the proletariat would result in disruption of the middle class' role as recipient of so many rewards and benefits. The middle class' position of power was a result of its growth as a balancing element between the aristocracy and the working class. 29

The victory that the middle class feared was not probable, but it was likely enough to cause some to sell their property, send money abroad, and buy plane tickets for a quick exit, just in case. There was also apprehension in the United States and in other nations of the Western Hemisphere such as Argentina, Bolivia, and Peru. The United States' sphere of influence was being encroached upon, and its economic and political interests would be lessened if a pro-Moscow Socialist

were elected to the top Chilean office. Non-socialist Latin American governments feared the establishment of a propaganda dispensing regime that might begin a continental trend which would threaten their security.

Although Allende denied Soviet ties, a victory would mean a tremendous triumph for Latin American Communism, and a boost to Fidel Castro's sagging world-wide esteem. Allende proposed an outright take-over of copper mines, though he avoided setting a date for nationalization and compensation. Frei proposed boosting copper production to one million tons per annum and advocated increased national share-holdings in copper and other Chilean concerns. American companies to be affected by a far Leftist seizure or a more moderate increase in national ownership included Kennecot Copper Corporation and Anaconda Copper Company (copper), Bethlehem Steel (iron), Koppers Company (cement and steel), and International Telephone and Telegraph (communications systems). The programs of nationalization, which could have been enforced by Allende if he were elected in 1964, would have encountered difficulties in a Congress with a majority of Christian Democrats, Radicals, Liberals, and Conservatives who would have opposed his extreme proposals.

The greatest positive factors in his campaign were his opposition to the Alessandri regime and the assumption by the voting populace that a Leftward swing would result in national improvements. His campaign denouncing the raging inflation that Chile experienced during the Alessandri term gained votes more than any other issue. Jorge Alessandri had brought inflation under control for a short period in 1958, but economic pressures hit in May, 1960, in the form of earthquakes and
tidal waves, physical disasters with which Alessandri could not cope. By 1962, the annual rate of inflation had climbed from 9.7 per cent to 28 per cent, and the growth of gross national product was only moderately raised under Alessandri. From a 1958 growth rate increase of 3.8 per cent, the GNP rose to 5.2 per cent in 1962. Yet this growth only reflected inflationary increases; one-half the population remained undernourished while 20 per cent of the able population remained unemployed in some communities; and the rate of infant mortality was among the highest in the world.

Both the leading candidates campaigned on platforms calling for improved housing and medical care, for break-up of industrial monopolies, and for thorough agrarian reform. The Chilean voters, therefore, were to base their choice, not on platforms, but on the intentions of the candidates and the repercussions that might follow the selection of either candidate. Many Western Hemisphere diplomats recognized the Chilean presidential election as the most important political development in Latin America since the Cuban Revolution and one in which the future of Chile and the whole continent was at stake.

Most opponents of Allende doubted that he would do anything to violate the Chilean tradition of constitutional government, for he had never attempted such violations in his career, nor had he proposed to do so in the future. What his critics did fear was his possible

32“Choice for Chile,” op. cit., pp. 48-49.
inability to control the gradual infiltration of disciplined Communists into posts in government. Communists, indeed, were in the majority in FRAP's Socialist-Communist coalition.33

Senator Allende denied that he was a Communist, but declared proudly that as a good Socialist, he had to support his Communist brothers. He urged Latin American countries to become more independent of the United States and to establish closer ties with Asian and African countries to solve common problems. Although he expressed full support for the programs of Fidel Castro, he did not believe that Cuban dictatorial methods could be applied in a country such as Chile with its strong democratic tradition.34

In Chile's long history of democratic practices, the military has played an important part. Both major candidates made amicable gestures to gain military support including promises of salary increases, improvements in pension plans, and admission to public housing programs upon reaching retirement. In addition, both nominees suggested modernization of the military forces. Allende asked for greater emphasis on technical and literacy training; Frei called for a continuation of military activities, and suggested Chilean manufacture of some military armaments. Furthermore, to obtain military support, veterans groups were formed by both men.


These efforts by Frei and Allende were made to apoliticize the military to prevent it from becoming overtly distraught by the ascension of a reformist into a position of authority. Certainly, the probability of their rise to the presidency was more disheartening to the armed forces than the possible triumph of a less extreme candidate. Many members of the military had been trained in American military schools; many supported American foreign policy which Allende opposed.35

On election day, the Christian Democratic candidate emerged with a majority of 56.1 per cent of the votes cast. This was the greatest plurality a presidential candidate had received in over a century. Congress did not have to decide which candidate would become president, as was the practice in all recent elections, because recent contests had resulted in pluralities but not in majorities.

Allende's support by 38.9 per cent of the voters, followed by a low 5 per cent cast for Julio Durán, grew greatly where he had not done well in 1958 and improved only slightly in those areas where he had done well previously. The main problem for Allende was that he was not able to gain enough rural support to counterweigh the conservative support Frei received from the Christian Democrats and the traditional parties.36

In those areas where Frei trailed Allende, it was only by a small number of votes. The two major factors that contributed to the great and unprecedented victory for Eduardo Frei in 1964 were fear of


Communism and the appeal of his moderate program of reform. Frei chose an appropriate time to be a reformer, when Chileans were ready to experience reform. He was backed by the wealthy Right wing, as well as by the middle class. Not only was the electorate ready for a change, it was the first opportunity for most to participate in the election process. Over one-half of the electorate had never voted before 1964 in a presidential election. 37

Four segments of Chilean society joined together in support of the Christian Democrat: (1) members of the Catholic Church; (2) residents of the large cities of Valparaiso and Santiago; (3) members of a coalition of middle class and tenant farmers; and (4) members of upper class who preferred Frei as the more moderate of two evils. Allende's support was gained from three general groups: (1) the male vote from mining and industrial towns; (2) isolated communities in the north and south; and (3) poor sectors of the countryside.

The presidential elections of 1958 and 1964 were hard fought in an effort to gain the peasant vote. The countryside was full of promises and propaganda issued by the campaigners. It seemed that peasants would take an ever-increasing role in determining the future of Chilean elections. 38

One reason for the shift in the concern for peasant votes was the 1962 election code revision which established permanent voting lists and established strengthened penalties for not registering. These

37 Gil, op. cit., p. 83.
changes included compulsory voting for those who were eligible and sixty days in jail and loss of citizenship for 600 days for those who refused to register. In addition to the above penalties, proof of registration was necessary to negotiate "business with banks, credit institutions, and all government agencies." 39

The majority of new voters joined with the groups that had voted in the past to sweep Frei to a grand victory. In addition to the Communist issue, Frei's personal charisma, well-planned strategy and popular beliefs resulted in triumph. Many voters were impressed with his oratory skills and with his gradualist's plan to use moderation in bringing Chile into the twentieth century. His scheme was to share Chile's wealth with the nation's masses while avoiding antagonism with the United States. Frei's program for expanding benefits for the poor was popular with the lower class. His support from the middle class can be explained by his efforts to upgrade social programs that would aid them. The upper class supported Frei not for what he could do but because they opposed what they feared Allende could do. The upper class had no strong candidate of their own. Therefore, they chose the lesser of two evils.

Contention for Power by the Left (1964-1970)

In the March, 1965, congressional elections, Christian Democratic popularity was reinforced by the election of Christian Democrats to 82 of the 147 deputies' seats. The revolutionary party captured the first majority in the Chamber of Deputies since the mid-nineteenth century.

Control of the Senate was not possible, however, because the Freiist party only nominated twelve senatorial candidates, all of whom won seats. The Christian Democrats were then in a thirteen-seat minority in the forty-five seat Senate. The party's minority resulted in the blockage of many reform proposals the administration favored. The FRAP component parties gained in the congressional elections as well, raising their total from twenty-eight to thirty-three. The Democratic Front parties were the victims of these Leftist victories. Their total plunged from eighty-four to twenty-nine seats in the Chamber of Deputies. Chileans had begun the Leftist revolution. 40

Although the elections netted the PDC important victories, the President faced blockage of his reform propositions in Congress. Because the 1925 constitution grants balanced power to the President and to Congress, in the absence of a conflict-resolving supremacy in either branch, differences in the objectives of the two frequently ended in lack of action by anyone. The administration was, in addition, powerless to prohibit Congressional appropriations.

In 1966, Senator Allende's FRAP merged forces with the Radical Party in an informal coalition to gain a majority in the Senate, and Senator Allende was elected its president. Sometimes joining forces with the Partido Nacional the group of non-Freist parties were successful in blocking much legislation that the Christian Democrats suggested, including a proposed Presidential visit to the United States.

The April, 1967, municipal election showed less support for Frei's party than in 1964 and 1965. The PDC received 36.5 per cent in those elections as opposed to 40 per cent two years earlier and 55 per cent in 1964. However, the 1967 elections increased the number of PDC government officials, and this was enough to stimulate a movement in the Party for faster and more radical reforms. This movement was sponsored by members of the PDC favorable to Communist cooperation and to a socialist approach to the nation's socio-economic problems. The radical faction was successful in electing their spokesman, Rafael Gumucio, to the Party's presidency.

There was also a division within the FRAP coalition. Extremists in the Socialist Party opposed cooperation with the Radicals and supported plans for armed revolution. In May, 1968, however, the Communists showed their support of the union with the Radicals by the issuance of a Communist Radical statement advocating the "unity of 'progressive forces." The sometimes-combined forces of opposition were often successful in their efforts to stop Christian Democratic legislative suggestions. Rightists countered with accusations that the proposals were moving too rapidly; the Leftists attached anything they did not suggest themselves and argued that the PDC proposals did not go far enough. The coalition of opposition in the Senate blocked Frei's efforts to alleviate national ills with a program of decisive reform, the revolution in freedom.

41 "The Political Situation in Chile," op. cit., pp. 252-253.
The Right wing was enraged with high taxes and with programs that proposed to upset the preferred social and economic position of the aristocracy. The Left attempted to belittle Christian Democratic efforts, because they felt if the Freists were defeated, Marxist programs were more likely to be enacted. Frei's problems with the opposition were augmented by natural disasters. Nevertheless, Frei succeeded in achieving victory for liberalized labor laws, in gaining greater national control of copper, in educational improvements, and in expanded public housing bills.  

Early in Frei's term, Congressional appropriations were generous enough to allay greatly the housing problems, but after the first two years, expenditures were reduced annually because of bureaucratic delays and depletion of revenue. In addition to the housing improvements, educational achievements were put into effect. University enrollment rose and the number of new students was increased significantly.

Economic accomplishments were also claimed by the administration. The Government claimed a rise of 41 per cent in real per capita income from 1965 through 1967. Rates of inflation were maintained at an average of about 25 per cent between 1965 and 1969, considerably better than the 48 per cent rate in 1964. By enforcing tax laws on foreign-held assets and on stocks and automobiles, by reassessing land and by updating tax rolls, annual revenues rose by 25 per cent.  

42 Burnett, Political Groups in Chile, op. cit., pp. 369-370.
43 Ibid., pp. 255-258.
Despite these improvements, the PDC showed a greater decline in the March, 1969, congressional elections than in the 1965 and 1967 elections. The Party gained a bare majority of twenty-three seats in the Senate, but lost its majority in the Chamber of Deputies. The PDC reduction in representation can be attributed to gains made in the representation of the National Party and the Communist Party. The PDC loss of support was in part a result of unpopular price fixing policies implemented in an attempt to manage inflation. A number of Chilean voters, discontented with decreased buying power, were dissatisfied with the increased strength of the PDC's Left wing. Many Chileans were ready to support another candidacy of former President Alessandri whose National Party presented a platform of modification of PDC reform proposals. Alessandri became an Independent candidate on November 2, 1969.

Members of the Partido Democrático Cristiano who had supported Frei, moderate reform, and non-Communist alignment were successful in nominating a PDC candidate and were not forced to join in support of the FRAP candidate. Some radicals including Rafael Gumucio, former Party president, resigned from the Party in favor of the Popular Front candidate. The resignees formed the Movimiento de Acción Popular Unitario (MAPU or the United Popular Action Movement).

The campaign of the Christian Democrats highlighted the progress made by Frei in the following areas: (1) steel, petrochemical, and automobile production was up; (2) communication and electrical networks were improved; (3) infant mortality rates were decreased by 50 per cent; (4) land reform was begun; (5) school enrollment was up; (6) there was a balance of payments surplus; and (7) Chileanization programs were
under negotiation. However, there were two areas in which Frei was unable to act as effectively and rapidly as the voters felt he should have: inflation control and institutional social changes (particularly more rapid agrarian reform and more rapid nationalization). In addition to the uncontrolled inflation and moderate reform programs, there existed a problem with the unhappy middle and upper classes who had suffered. Chileanization, agrarian changes, and social and educational improvements meant increased tax burdens and additional inflation. The 1967-1970 drought intensified the problems with which the Chilean President had to contend. The lack of immediate solutions to these problems by the first PDC administration made it possible for enough dissatisfied Chilean voters to be persuaded to vote for Allende.44

The administration definitely provided a framework on which the FRAP government could continue more ongoing construction. Many programs begun by the PDC such as land reform, nationalization of copper, and housing and educational improvements made it much easier for Chileans to accept nonradical programs executed by the Marxists. Issues were raised during the term that provided material that strengthened the FRAP coalition's stand.45

Before the September, 1970, election, many scholars felt Allende would not gain a plurality. On the contrary, Alessandri was expected to receive the largest number of votes. However, since Congress was

44 "The Political Situation in Chile," op. cit., 253-255.

dominated by Marxists and Christian Democrats, Allende was expected to be in an excellent position for advancement to the presidency.46

In June, 1970, two Leftist students were killed in a clash with Puente Alto police, and July witnessed the shooting and killing of a Communist demonstrator during a strike by the militant United Workers' Confederation. Throughout the campaign, Left wing terrorists, spearheaded by militant students who advocated violence as the only road to power, rocked the capital with bombings and bank robberies. Alessandri and Tomic both profited from the demonstrations because of Rightists' backlash. However, Alessandri's television appearance and other promises to repress proponents of certain criminal doctrines may have caused middle class moderates to cast their votes for Marxist Allende.47

When the votes were totalled, many informed citizens throughout the world were amazed at the prospectives for Chile under a Marxist president. Nonetheless, since Allende failed to receive a majority, Congress was convened on October 24, 1970, to decide the victor in the election. At this time there was a proposal by anti-Allende forces to prevent his election. The proposal, entitled the Alessandri Plan, called for the Congress to select Jorge Alessandri as President. He would accept the office, resign, and call for new elections in which Eduardo Frei would be eligible to campaign. It was expected that if Frei campaigned, he could easily win. The Congress, though dominated


47 "Chile, Fateful Election," Newsweek (August 10, 1970), LXXVI, 36-37B.
by Christian Democrats, rejected such a proposition, and on October 24, 1970, the first freely elected Marxist head of state in the world, was selected. President Frei would have had to accept a deal to prevent Allende's selection by Congress, and he would not. In addition to PDC opposition to the Alessandri Plan, Leftists threatened to split the nation by initiating civil war. No one, excluding militants on both the Right and Left, wanted civil war. In order to maintain peace, it seemed that Allende had to gain enough Christian Democratic votes to be elected President. The election may be called the closest and most controversial Chilean election in this century. Allende made the following statement after his election, "I will not just be one more President. I will be the first President of the first authentically democratic, popular, national, and revolutionary government in Chilean history."48

Allende agreed to a series of constitutional amendments before assuming office. These provided for freedom of press, freedom to join unions and to strike, and for a non-government-intervening system of education. However, radio stations that opposed FRAP candidates were harassed. Advertising for the conservative daily, El Mercurio, was greatly decreased, crippling the opposition publication. Zig Zag Publishing House was purchased by the government following a strike that was thought to be instigated by pro-FRAP workers.49

48New York Times, September 13, 1970, Section 4, 2; "Chile: Mandate for a Marxist," Newsweek (September 14, 1970), LXXVI, 58.

In a *New York Times* interview, Allende stated that socialism is the only way to free man, and that capitalism had failed in Latin America. Allende also declared that violence would only be used if someone else used it first. He reiterated that his government would not first unleash violence. "We reject terrorism on principle, by our ideology, by conviction, and also out of a humanitarian spirit." 

Allende realized that his election was a significant victory in the struggle between the ruling class and the ruled class, between those who possessed material goods and those who wished to possess them. President Allende spoke to a crowd at the National Football Stadium concerning this class conflict. He asserted:

> Our victory grew out of the conviction, at last readied by the Chilean people, that only a genuinely revolutionary government could confront the power of the dominant class and at the same time mobilize all Chileans for the construction of the working class republic. 

Shortly after Allende had gained a plurality of popular votes, there was a meeting between Charles Appleton Meyer, the Chief American delegate at President Allende's inauguration and Allende. The meeting was the alternative chosen by President Nixon to a congratulatory message. The American government was still apprehensive about the prospect of another Communist nation in Latin America. The amiable relationship between comrades Fidel and Salvador led American foreign analysts to become anxious; threats of expropriation of American economic interests in Chile made American businessmen and government

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Officials wary of the pending term of the Marxist. The meeting between Meyer and Allende was the forum for discussion concerning nationalization, American aid to Chile, and the Chilean external debt (mostly to the United States).  

CHAPTER II
THE SOCIAL ENVIRONMENT

In order to understand the difficulties that lay ahead for the Allende government, it is necessary to examine the composite units of the Chilean social structure: aristocracy, middle class, industrial workers, and campesinos or farm laborers. The cultural fragmentation of this social structure and the entrenched antagonism between many of its elements resulted in an environment that was ripe for change.

The Allende victory was described by the Communist Party's American journal, Political Affairs, in December, 1970, in these words:

'This was no ordinary electoral victory, no mere victory of a Socialist over the other candidates. Rather, in the words of the Basic Program of the six-party coalition which backed Allende, it represents a transfer of power from the old ruling groups to the workers, to the peasantry and to the progressive sections of the middle class of the city and country.'

Despite this idealistic vision of a transfer of power, the ruling class, as well as the comfortable middle class, were not willing to passively witness the passage of their power to the lower classes. Since Allende had not captured a majority in the election, Congressional approval had to be granted by a legislative body with a large section of upper and middle class representatives. Allende had to secure the support of the Christian Democrats and the Nationalists, groups that often had blocked Leftist programs in the past. To appease these groups, he publicly vowed not to alter the size or the power of the police or the military. He also promised to prohibit the formation
of militia of independent workers' groups. The communist organization's publication, *The Militant*, of New York, felt the basic flaw in Allende's strategy was its inaction by not following up on its policy of transferring power. It allowed the continuation of upper class power and did not provide for extension of lower class groups' control over the reins of authority.¹

A *New York Times* article also criticized the Allende government for its failure to follow the revolutionary path; it also said it is impossible for a truly socialist government to cater to interests of both the worker and the middle class.²

Before entering a discussion of the traditional three-class social structure, an interpretation of the various viewpoints concerning divisions with the Chilean social order is necessary. One viewpoint concerning the division of the social order into a two-class system is presented by Claudio Veliz. Veliz's theory states that the industrial-and commercial-based wealthy intermarried with the landed elite and obtained land for themselves. At the same time, the more numerous middle class sector followed the same patterns and consumed in proportion to aristocrats. These two groups dominated political life until the political emergence of the lower classes in the 1960's.

Other authors, such as Charles Anderson, have rejected the power elite theory and have preferred to explain the division as a result of a perpetual conflict between power contenders. Still another theory

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suggests a plurality of elite groups in competition with one another. Each group may share power for a period, but each is seeking to maximize its political power and to protect the prerequisites of material benefits.

Robert R. Kaufman agrees with the power elite theory since the Chilean upper class has long been the most cohesive and best organized class in the social strata. Until the 1960's, its role was often that of a moderator in preventing consideration of such programs as land reform. The aristocracy has also been forced to share power with middle class and labor groups. Furthermore, the benefits the middle and upper class have enjoyed as a result of welfare reforms and bureaucratization have been at the expense of the rural and urban slum lower classes.

Kaufman feels that certain aspects of the elite theory must also be considered as contributory, not to an understanding, but to a blurring of the reality of Chilean politics. For instance, the belief that there is one ruling oligarchy must be reconsidered each time a new element enters that oligarchy. There has been an ever-widening number of occupational, regional, and patronal groups which join the oligarchy regularly. A crisscrossed pattern has resulted from this pattern of increasing involvement by various interests.

Many of the benefits resulting from this expanded aristocracy have not been made at the cost of the upper class, but they have resulted in programs that are no longer controlled by the traditional upper class. Military organizations, state corporations, and government bureaucracy
have tended to act in their own best interest (mostly those of the middle class), and not in the interests of the aristocracy.

The city-based power groups consisted of not only members of the traditional upper and middle classes, but they also drew their membership from the organized factory and mining working class, from "urban" service industries, and from the growing public bureaucracy. These additional elements arose from the lower strata conflict with the power elite model, because these groups were not classified as either part of the exploiting aristocracy or the exploited working class. It is difficult to place the power contenders of the industrial lower class in the classification of oligarchists, because their views favor abolition of the upper class as shown in their frequent strikes and demonstrations. These union workers are not easily classified as belonging to the exploited lower class, either; for they comprise only about 15 percent of the complete working class, and because they reap many of the benefits of the welfare reforms not shared by the remaining working class members.

Kaufman's agreement with the Scott-Anderson model is also founded on the existence of conflict between the elements of the urban groups, the white- and blue-collar workers, who often publicize their discontent. In most every significant demonstration in the streets, government employees, teachers, and bank tellers can be found among the leaders. Members of the middle class complain about high tax rates. Urban landowners bemoan government discrimination and lack of price
supports. Both landowners and middle class elements continue to struggle for more power as a result of diminished economic resources.\(^3\)

Whatever one's preference for a social stratification model, the most popular one is the traditional three-level one, composing the aristocracy, the middle class, and the lower classes. Between classes and ideologies there exists a clear relationship, because the mentality of the class influences the political orientation of the individual of the class.\(^4\) At the pyramid of the social structure is the aristocracy which is most influential of the Chilean social classes in political and other national affairs. The upper class needs to be examined more carefully in order to understand its significance in Chilean affairs.

THE ARISTOCRACY

There are two basic elements that constitute the aristocracy: the very wealthy and the traditional landowners of the aristocracy. The recently established members of the aristocracy have derived their wealth from industrial and commercial endeavors and from long careers in government and military service; many began their careers as early as 1920. Many claim northern European countries and Spain as their mother countries. Because of their skills in entrepreneurial negotiations, they have acquired both considerable wealth and power. Most of these men maintain considerably influential positions that require ability to guide and supervise, such offices as presidencies of

\(^3\)Kaufman, op. cit., pp. 11-14.

\(^4\)Tomás Moulián, Estudio Sobre Chile (Santiago, 1965), p. 23.
financial institutions, executive positions in business and industrial complexes, and high-level government and military offices.

In the past the traditional upper class has tended proudly to value their heritage as well as their family possessions and names. Usually these men's family trees can be traced back to colonial settlers in Chile or to immigrants arriving during the Independence period. A great many of these men acquired their wealth through grants of land for estates and of mines conferred by Bernardo O'Higgins. Before the 1930's, the landed aristocracy occupied all high-level government, Church, and military offices. However, as the middle class became more affluent and as the nouveaux riches gained social, political, religious, and military power, the dominance of the traditional aristocracy withered. The prestige and power of the aristocracy also declined, because agricultural production was waning, and because many former land-based aristocrats abandoned the latifundio (the large South American farm) for the more profitable allure of industrial and commercial businesses.

Thomas E. Weil writes that the newly-formed and reestablished upper classes have made higher education almost a universal requirement for admission to membership in the aristocracy. Parents from the upper class require their children to receive education from only the most exclusive, select schools. An early education begins at a prestigious private school and is completed at the University of Santiago, with possible time being spent in schools outside Chile. Often, a doctoral degree is achieved, followed by a period as a college professor. After acquiring teaching experience, this person may obtain a position as a top level government official or as an industrial manager.
Another characteristic of the upper class is association with one of the exclusive organizations and clubs such as the Association of Industrial Development, the Association of Agriculturists, the Chamber of Commerce, and the Union Club. Memberships may overlap, but each represents certain interests within the aristocracy. Women of this class are active in religious functions, charities, and social activities.5

The election of Allende meant a sure confrontation on a regular, if not a continuous, basis, for Allende proposed to enforce programs such as nationalization of industry and commerce that would adversely affect the upper and middle classes. Throughout Chilean history, any effort to alter the control of the landed upper class has been met with well organized opposition. The alliance between the aristocracy and the upper middle class gave the prior an assurance that their power from 1920 until 1950 would be preserved. During the 1920-1950 period, as urban groups gained benefits, they began to lose interest in altering the massive control of the rural upper sectors. Strict enforcement of literacy requirements disenfranchised the lower classes. In 1941 the Popular Front coalition prohibited formation of peasant unions and no longer recognized the few in existence.

Kaufman contends that there resulted from this strict political stratification a severe polarity between the upper and lower classes by the 1950's. A split between the rural laborers and their upper-class counterparts, coupled with an increasing inability of the system to

satisfy food demands, began the process that was to divide the nation and result in a brief, but most significant period of reversal of the economic balance.

One major factor in the breakdown with the rural power structure was the decline of power of the latifundio system. There resulted from the intermarriage of the urban and the rural aristocracies a source of social strain. It blurred the traditional master-peasant relationship which had so intimately held the latifundio system together. With the purchase of the rich Chilean Valley regions by wealthy urban aristocrats, the paternalism of the master and the loyalty of the peasant began to dissolve. Between 1925 and 1960, more than 60 per cent of the Central Valley property was exchanged, and a new relationship between owner and laborer emerged. Much of the personal ties that had cemented the employer-employee friendship withered. The increased ownership of haciendas by urban middle and upper class families, together with the increased migration of hacendados (owners of large ranches) to urban areas, meant the decline of aristocratic authority.

According to Kaufman, another factor that adversely affected the life of the Chilean aristocrat, as well as the peasants under him, was the government's adoption of policies to encourage industrial and construction investments in the late 1930's and the 1940's. This meant the decline of agricultural production and the neglect of the agricultural worker. A third factor that accompanied rural decline was the growing number of afuerinos, or free laborers. These workers were based in cities and villages and contracted their labor on a daily
basis to various landowners. Not bound by the limits of the latifundio, as the inquilinos (rural workers) were, the afuerino was unsettling in his influence on rural life. He became one of the main bases for voting support of the Chilean socialist parties. In the Central Valley, these Allende supporters almost gave him a national victory in 1958; and in 1964 the Allende national defeat was marked by an absolute majority of 52 per cent by male voters in this agrarian region. 6

Increasingly, the influence of the upper class declined as it lost its control over many middle- and lower-class voters. During the same period of decline for the upper class, the middle class gained in power, and the lower classes emerged as a large, powerful voting group. There were periods in Chilean political history during which the classes united to form coalitions that gained government control. With the increase of the middle class, other classes asked and oftentimes received middle-class support. Without middle-class support, Allende would not have gained the plurality of votes that gave him the presidency. However, increasing middle-class opposition during his shortened term meant his inevitable downfall.

THE MIDDLE CLASS

The middle class did not originate through industrialization as it did in the United States and Europe. Perhaps its basis of origin lies in the process of urbanization; perhaps the basis can be found through access to property and access to upper levels of education. Some authors feel that a rural middle class does not exist, but it is clear

that the activity and the mentality of the small property owner is
quite distinct from the salaried farmer and from the *patrón*.\(^7\)

Weil describes the middle class as including all those not belong-
ing to the working class as a result of occupational classification,
but not classified as upper class because of failure to be recognized
or accepted by the elite class. This broadening range includes small
businessmen, professionals, office workers, white-collar personnel,
teachers, many intellectuals, musicians, artists, authors, newspapermen,
military officers, and some skilled workmen.

Within the middle class, there exists a great cleavage between the
Chilean urban and rural social structures. The urban sector of the
Chilean society is a more open one in which there is an important mid-
dle class that includes those not belonging to the elite or to the
labor class. The urban sector allows more participation in all aspects
of the society. The rural sector of society is characterized by a more
traditional and rigid hierarchical organization with the few landowners
at the apex and the mass of the working class at the bottom.

Weil also writes that members of the middle class almost always
live in the city. Programs of agrarian reform are enlarging the rural
middle class, but any development of a large rural middle class remains
in the future. There exists a few middle-sized farms; however, most of
these belong to Chileans living in the city who do not rely exclusively
on their farms for income. Furthermore, these city-dwellers generally
belong to the upper rather than the middle sectors of society.

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\(^7\) Moulián, *op. cit.*, pp. 41-42.
The densely populated Santiago Province forms the middle class nucleus. This is a result of the area's high rate of urbanization, industrialization, and institutional changes. The Santiago region has attained the greatest percentage of professionals, government employees, and public service workers.

Among the criteria which separate the Chilean classes are education, wealth, life style, and family background. Education is the key to social mobility for the working and middle classes in the city. A move to the city is most often the only means of achieving upward mobility for the rural worker. The official, governmental occupational stratification of the city-based middle-class salary workers and the daily wage workers, the obreros, for social security purposes accentuates the class distinctions among urban society. Mobility within and into this class is relatively easy. Free public schools have helped eliminate obstacles to education, a vital path to upward mobility.

According to Weil's analysis, social mobility is relatively high within the middle class, and there exists a steady stream of new members into it from working class origins. Working-class parents encourage their children to take the most common and secure path to upward social mobility. Because of the novelty and diversification of the recently-formed middle class, there is no developed group identity of common standards of thought and conduct. Its members, however, exhibit life styles and standards of living that Chileans have associated with status in the middle class. Yet, there is no middle-class ideology, no shared system of values, no common attitudes, no group standards which must be assumed with class membership.
There are specialized consumption patterns for each of the levels within the middle class, from the empleados of the lower level to the professional groups of the upper level. As incomes and cultural beliefs increase on the stratification pyramid, the prerequisites for status also increase in number and importance. This reliance on material consumption as a measurement of social prestige may be contrasted with the lack of dependence on such consumption levels by members of the working class.

Members of the lower-middle class exhibit attitudes, behavior, and life styles similar to those of the working class. Those who have risen to the middle class from the working class, such as teachers and government workers, feel a special sense of pride and stratification in having taken an upward step on the social ladder that will provide them with a new security.

The upper-middle class, also known as the clase media acomodada, gradually emerges to become the wealthy elite. Members of the clase media acomodada often emulate the manners, behavior and other characteristics of the upper class. In contrast to the lower- and middle-levels of the clase media, the acomadadiatas are not eager to acknowledge their affiliation with the middle class. Rather, they prefer a close association with the upper class. Their behaviors, attitudes, and consumption patterns reflect those of the aristocracy more than the remainder of the middle class, according to Weil.

Differences between the upper-middle class and the wealthy elite are difficult to recognize. They are only slight. The two groups
cooperate frequently in common political goals and are allied in government, in their professions, in universities, and in other institutions.

Few of the middle class have not completed at least a few years of secondary education. For the upper-middle class, completion of non-technical, non-vocational secondary school is required to maintain social status. The State-supported public schools educate most middle-sector children and many of these graduate to attend nominally-priced national universities. Membership in the various middle-class levels often depends on the amount of education completed. Many parents would like their child to become a doctor, lawyer, or engineer, because these prestigious professions have been associated with the upper social sectors. Careers in the humanities, medicine, or law are greatly preferred to careers in the sciences. 8

The Allende administration adopted many far-reaching measures that resulted in the hatred and distrust of the Chilean middle and upper classes. These measures included diplomatic recognition of Cuba, nationalization of almost all foreign investment in Chile, major land reform, significant increases in workers' wages, and the granting of political asylum for many Leftist exiles from throughout Latin America. Allende hoped to gain acceptance for his program from the progressive wing of the PDC. He hoped to limit their opposition to occasional newspaper articles, and to neutralize Right-wing National Party efforts to take extralegal actions. He hoped that through nationalization, Chilean socialization would be strengthened by removing a powerful

8Weil, op. cit., pp. 78-81.
rival. This aspiration was ill-founded; for any temporary economic
to any temporary economic
benefits that might be gained by the Chilean bourgeoisie, there would
evolve many examples of a destructive erosion of foreign protection.
All this took place during a period of widening working-class radical-
ization. The upper class was expected to protest the Allende programs,
but Allende hoped that the middle class would deal with any questions
their political allies might have. The middle class, then, appears to
have been the key to Allende's planned success and the key to Allende's
actual failure.

In other words, Allende's major mistake was to assume that the
middle and upper classes would placidly accept his socialist programs,
so long as all things were done constitutionally. Some Right-wing or-
genizations, such as Patria y Libertad (Fatherland and Liberty), called
for revolution and civil war before acceptance of Communism in Chile.
Other, more moderate opponents were just as emotional, but not so ex-
tremely militant in their opposition to Allende's programs. Controll-
ing both houses of congress, the opposition parties fought powerfully
throughout Allende's three years in office. Middle-class women gave
Allende some of his strongest opposition, both at the polls and in the
streets in organized protest demonstrations against rising costs and
fewer supplies. In 1971 a "March of the Empty Pans" focused the na-
tion's attention on economic problems. Just two weeks before Allende's
death, 100,000 women turned out for an anti-Allende protest march. The
middle class male workers also dealt the Allende government severe

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hardships by forcing the government to accede to the demands of Leftist labor unions in a series of crippling strikes. In one 1973 strike alone the government lost nearly seventy-five million dollars in lost revenues.\textsuperscript{10}

The role of the middle class is better understood when its political participation in the realm of the Chilean economic environment is considered. The middle-class groups that are most important appeared bound to the service sector, such as professionals, public employees, and small merchants.\textsuperscript{11}

Since 1920, the middle class has been of major significance in the selection of Chile's leadership. This sector was decisive in the selection of President Arturo Alessandri in 1920, in the success of the military dictatorship from 1924 to 1931, and in the control of the Center-Right coalition that dominated the executive branch from 1932 to 1938. The Radical Party, which dominated national politics from 1938 to 1952, was largely controlled by the middle class. In 1952 the middle class abandoned the Radical Party and cast decisive votes in the successful campaign of Carlos Ibañez. The Ibañez regime continued the government's program of emphasized development of industry and commerce, a program very much conducive to the support of the middle sectors.

Although the beliefs of members of the middle class have ranged from Marxist to Fascist, the great majority has remained moderate. In order to obtain desired programs of the middle class, its members have


\textsuperscript{11} Aníbal Pinto, \textit{et al.}, \textit{Chile, Hoy} (Mexico City, 1970), pp. 231-232.
had to go outside the bourgeoisie, since the class members constitute less than a majority. At times the coalition has been formed with the more conservative propertied sector of the population. This cooperation has resulted in the elimination of more radical programs in a fusion of more stable and affluent elements.

Johnson describes the Chilean Catholic Church as also having cooperated with the middle class, but not taking a direct role in a political coalition. The Church has indirectly strengthened moderates by not always adding its approval to the beliefs of the conservative Right as was the case in the 1800's. Catholic-political parties, such as the Christian Democratic Party, have advocated progressive programs also favored by the middle class and have emphasized the need for more of a Christian approach to solving social problems.

The military, mostly middle class, has not attempted to gain control of the nation during times of turmoil. Until the fall of Allende, the military has not openly become involved with civilian government. In the period from 1924 to 1932, when the military did control the government, the middle class' interests were reflected in the membership of the military as well as in the social and economic programs effecting the nation. Since before the turn of the nineteenth century, the middle class has been the major source for military recruitment. By 1900 increased professionalism in the army and the navy meant decreased appeal for the elite class. Since the officerships of the Chilean military were increasingly being replaced with members of the urban middle class, it is not surprising that the programs of the military directorate led by Carlos Ibañez were directed toward appealing to
the socioeconomic aspirations of the urban middle and working classes more than those groups from rural areas.\textsuperscript{12}

The powerful middle class will continue to play an important moderating, progressive role in politics, unless there is a dominance of undemocratic procedure. In the past when opposition to the middle class has arisen, it has come from the Right and has resulted in cooperation between the labor and middle sectors. Before the rise of Eduardo Frei, one author predicted the possible emergence of the Social Christian Alliance, led by the PDC, as well as the suspension of the Chilean democratic process by the military in the event of leftist opposition to a continuation of middle-class profit making.\textsuperscript{13}

The middle class has emerged as a significant economic and social force in recent years, as a result of increased employment of its members in high-ranking positions in government, in the Church, and in the military. Industrial and commercial growth has resulted in the growth of the urban middle and working classes. Through alliance with either the lower or the upper class, whichever has been more productive at the time, the middle class has increased in influence and has been able to voice its views most successfully.\textsuperscript{14}

During the Unidad Popular administration, from 1938 to 1952, the middle class advocated Radical Party programs of social welfare and

\textsuperscript{12}John J. Johnson, "The Middle Sectors Politically Entrenched,"\textit{ Continuity and Change in Latin America}, edited by John J. Johnson (Stanford, California, 1958), pp. 66-70.

\textsuperscript{13}\textit{Ibid.}, pp. 92-93.

\textsuperscript{14}Weil, \textit{op. cit.}, pp. 79-80.
individual freedom, as well as women's rights and free thought. However, thirty years of dependence on American-produced and American-financed consumerism converted the middle class to affirm the beliefs of the Christian Democrats. Socialism was limited to a struggle with Marxism.

The United States imported machines to produce consumer goods it advertised and financed so thoroughly that it persuaded Chile's enlarged middle class to purchase more with inflated loaned money. Chile failed to achieve a balance of exports with the United States. Unable to pay existing loans, additional loans resulted in greater dependence and indebtedness.

Most of the middle class in 1970 voted for either Alessandri or Tomic in order to preserve their privileges. They saw the Leftist coalition as a group which attempted to strip them of their advantages and share the benefits of a developing society with the working class. Despite production expansion that aided all but the most wealthy, the middle class was alarmed at the increased dollar shortage. They felt no advantage gained by the working class could justify a sacrifice on their part. Furthermore, the middle class saw their economic survival being threatened by soaring inflation while the wealthy, with easy access to American dollars, were unaffected by the crisis.

Everett G. Martin maintains that the surprise rebuttal defense by the middle class took the form of violent protests that paralyzed Chile and brought the degree of martial law down on nearly two-thirds of the

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15 Elizabeth Farmsworth, Coordinator, New Chile (Berkeley, California, 1972), p. 204.
country. The uprisings started with a strike by self-employed truck drivers. The activity was meant to demonstrate their opposition to government moves to start a state trucking company aimed at putting them out of business. The truckers were quickly joined by doctors, lawyers, engineers, merchants, and other middle-class groups who at last decided that the new order did not have a place for them. Previously, the middle class had felt that class war was not possible in Chile, which took pride in being a nation strongly dedicated to democracy and the rule of law. They also felt the democracy was too strong for Allende's Socialist coalition programs.

Martin further asserts that the opposition parties retained control of the two houses of congress in the 1970 elections. They expected that any programs of Allende's coalition would undergo thorough debate. The most radical projects, the opposition felt, could be blocked simply by voting them down. But Allende dazzled the opposition by bringing back to life all-but-dead laws, measures that remained on the books but that had long been forgotten.

In 1932, a brief Chilean government, attempting to deal with a depression, decreed that the state could take over any company that could not supply vital products because of labor or financial problems. After the company's problems were resolved, it was to return to its owners. Allende-controlled labor unions directed strikes at selected companies, and the state quickly took action. National courts ruled that the firms should revert to their owners after they resumed normal output. But the Allende government simply ignored the decisions. More
than 250 companies were run by workers' committees and politically appointed government representatives.

Middle-class groups took up armed resistance. One of the Socialist coalition's most radical groups, the Movement of the Revolutionary Left (MIR), adopted as its main target in 1972 the formation of campamentos (MIR-run settlements) in a residential community with middle- and upper-class homes. A few campamentos were formed, but the residents quickly formed neighborhood defense committees who fought back with broomsticks, chains, antique swords, and anything else they could lay their hands on. The residents fought with MIR invaders and drove them off. Afterward, the neighborhood militia groups built up arsenals of pistols, rifles, and ammunition. All of this preparation was received with surprise by the MIR.

The surprising middle class show of opposition took another form, requesting the military to solve their country's severe problems. Some residents of the city of Valparaiso threw kernels of corn on the steps of the local regimental headquarters in an effort "to suggest that the army is 'chicken' for not acting against the government."

But such action was long in coming, as the Chilean military had long avoided involvement in political affairs.

In 1973 the middle class continued its opposition to Allende with the publication of a full-page advertisement in the conservative El Mercurio newspaper by private business and professional groups. The groups declared themselves a "'civic front'" organized to oust President

Allende. The opposition was made up of teachers, doctors, lawyers, and builders who made the following demands: (1) disengagement of paramilitary forces from both the Left and Right; (2) return of seized factories and farm properties; (3) constitutional reform to define the private, state, and mixed portions of the economy; and (4) formation of a cabinet to ensure constitutional guarantees which would mean a partial membership by at least one military representative.\(^{17}\)

Allende had made an effort to deliberately polarize the class. This was aimed at increasing his base of electoral support. (However, he was not as successful in increasing his influence among workers, peasants, and other low-income groups, as he was successful in increasing the anxiety of professional and middle-class groups in opposition to him.)\(^{18}\)

In February, 1972, Allende sought the assurance of Chile's large middle class declaring,

> official action against foreign capital and penetration, monopolies, and the big estates is clearly delimited, while small and medium farmers and businessmen are given not only the security but also the help they need.\(^{19}\)

Allende had also stated that Chile's lower middle and middle classes should be completely confident that in the future government actions would be executed only along legal and constitutional guidelines, respecting public and individual freedoms. These efforts to calm the


\(^{19}\) *Times* (London) February 4, 1972, p. 6.
middle class were completely in accord with Chilean Communist Party ideology concerning the bourgeosie and in defiance of the extremist position of Allende's own Socialist Party. The Communists in Chile declared that the lower middle and professional middle classes' interests and aspirations can be easily reconciled with those of the working class. They also assert that extremism of the Leftists had resulted in middle-class support of conservative economic groups of the Right against the government of Allende.20

Increasingly, the middle class realized the very real threat that Allende represented and the need for action which would entail an undesired but unavoidable need for military involvement. In July and August an unsuccessful coup was attempted. By September many throughout Chile and the rest of the world could recognize the immediate danger of a bloody civil war. In Cuba, the middle class retreated to Florida; in Chile, the middle class was determined to stay and fight in the impending civil war.

The brief emergence of an administration whose power was derived from the factory workers and other lower class groups, resulted in a reemergence of military rule. The case of Chile lasted longer than the periods of such Leftist experiments in Argentina, Brazil, and Colombia. Nevertheless, it ended with the ascension of military government after a period of Marxist rule. The Chilean parliamentary democracy withstood

20 Ibid.
longer periods of conflict between powerful landed and landless classes, but it finally failed as the country was spun into economic bankruptcy.21

THE WORKING CLASS

Weil describes most members of both the urban and rural society as members of the working class, including the more prosperous semi-skilled, skilled industrial, or commercial laborers, the less prosperous unskilled persons of the assembly line, day laborers, and tenant farmers. The influx of migrants from rural areas is the principle explanation for the rapid increase in the number of rural workers in recent years. Rural workers, most unskilled and uneducated, have left the countryside to find employment, but employment for them is difficult to find, especially for men. There has been a flood of unskilled laborers into the cities, accounting for this difficulty. Most of these migrants to rural centers have taken up residence in the shantytowns surrounding major cities, called poblaciones callampas. The inhabitants of these shantytowns are called rotos (the broken or tattered, derived from Spanish in reference to the rags the poor are forced to wear).

The rural equivalent of the roto is the inquilino, or tenant farmer. The inquilinos form the backbone of the fundos (estates) labor force. In return for his labor, the inquilino is given a small cash wage, a small house, and a small plot for his own use. The inquilinos

21Kaufman, op. cit., p. 4.
have remained at a low point on the social scale as a result of a continued pattern of poverty, indebtedness, and little education.

However, Weil also contends that the agrarian reform measures, begun in 1962, began to have a tremendous impact on the strict social and land ownership patterns in rural areas. At first, any unused or unprofitable lands were expropriated and divided up among the peasants (campesinos) who had formerly tilled the land as inquilinos or sharecroppers.

Another segment of the rural working class is formed by the afuerinos, migrant laborers. Although they received higher daily wages, they are not steadily employed; therefore, their annual income is considerably lower. The afuerinos are only sure of living quarters during harvest and planting seasons when they can find work on the estates. In addition to the afuerinos and rotos, the temporary day workers make up a third working class group. They are either owners of minifundios or have some additional occupation to provide additional income for a subsistence living. Weil asserts that high inflation rates and higher prices have especially affected the lower class, both in the city and in the countryside; their low consumption levels have had to be lowered even further and their inadequate incomes have become even more inadequate.

The three rural groups view the city as a means of improving their social and economic well-being. Despite the fact that the migrant himself may not improve his social status, his children have greater opportunities for rising on the social scale because of the educational system of the city. Formal education normally ends for most of the
working class in one of the primary grades, particularly in rural areas, where children must drop out to work at home. In cities, children must take on small jobs to augment low family incomes. Night schools are available for those who want to take additional courses but who must work in the day. Children of skilled craftsmen and unionized factory workers benefit most from the city's educational system.

The upper level of the working class have completed several years of education and bear similarities to the lower middle class. The main distinction between them and the middle class is that of being a blue-collar worker. In some factories, these workers make more than white-collar workers and share the standard of living of the middle class. Despite these contradictions, most Chileans consider any blue-collar worker's social status as being lower than that of the lowest paid office employee.²²

Andrew G. Frank has a more pessimistic outlook on the urban population. This belief is based on a study of self-built shantytown residences. These dwellings and the instability of their residents have been thought to be only temporary and transitional. Furthermore, the occupants have been thought to be migrants from rural areas. However, after studying the composition of these callampas, the researcher ascertains that the dwellings are more permanent than earlier concluded. Also, the residents are often migrants, not from exclusively rural, but more often from other cities or even from within the same city.

²²Weil, op. cit., pp. 61-83.
The existence of these unemployed or marginally employed is quite unstable, for they often work in occasional, unstable construction. They may also work in small shops lacking technology, new capital, and an extended lifespan. In Santiago, out of the 42 per cent of the labor force in industry, 19 per cent of the callampa were employed in construction and many more in similarly unstable jobs. The unstable small shops employed a greater number of workers than the modern, technologically advanced factories. Yet, the small producers often provide a satellite role in relation to the larger factories, providing much of the factories input and fluctuating in success as demand, supply, and price take their ups and downs in the economy. This instability of many small businesses results in a large unstable floating population, having little educational or technological skills. Because of the instability and short duration of employment, many residents of the callampa must have multiple employment, either through self-employment or employment at two or more low-paying jobs. Forty-one per cent of the Santiago callampa population were not employed four to twelve months of the year. Furthermore, although they live in Chile, whose social security system is the most developed in Latin America, 51 per cent of these slum dwellers are not covered by any social security system.

Frank also recognizes another deficiency of this urban population, their lack of educational facilities, although 51 per cent of the Santiago callampa's population was under fifteen. Furthermore, 73 per cent of the plus-fifteen year-olds had less than five years of schooling. Within this age group, the earning capacity of the worker was not
effected by educational attendance. In other words, if one attended school for four years or not at all, it made little difference. The worker had to attend more than four years to be better equipped for job opportunities. Forty-five per cent of school age children failed to attend school.

Other problems that are faced by the child growing up in the barrio (or slum) are poor sanitary facilities, high infant mortality, and a scarcity of medical care. Even though loss of income is crucial for the low income family, many days are lost due to illness. The infant mortality rate exceeds that of rural areas, and only one in fifty residents of the callampa received medical care covered under social security.

The lack of medical care, the high degree of illness, and the high infant mortality rate are all factors that add to the severity of instability. The floating urban population is always the last group hired and the first fired during fluctuations in construction, manufacturing and service industries. Their employment opportunities are especially sensitive to government programs. The floating population, which needs the benefits of employment and social security programs, is least often included. They suffer from high degrees of insecurity and of poverty, of course. Government policy has not been able (nor does it ever seem possible to be able) to eliminate or even significantly change the terrible circumstances that have produced the unstable
floating population without fundamental change in the social and economic structure that has made such circumstances possible.  

William Lyttle Schurz finds the circumstances which made possible the birth of the working class in Chile quite distinct from that of the American or European working class. Although backward in comparison to European and American standards, Latin American industrialization is fairly recent. In large metropolitan centers, such as Santiago and Valparaiso, occupations vary greatly from common factory workers to such skilled positions as electricians, machinists, and printers. Although there is a wide range between wages for the skilled and the unskilled worker, the wages are still quite low in comparison to American wages. These low wages, coupled with high consumer goods prices and inflation, make many products out of reach for the lower classes. There are chronic housing shortages because of lack of financing. Many of the large industrial companies, mostly mining businesses, provide housing for employees that is superior to what most employees were raised in. The urban worker is often in a position that is more conducive to improve his social condition than is the rural worker bound by isolation and inertia. Social legislation under Allende sought out the urban worker who received more benefits through nationalizations and wage increases than did the rural worker. Social mobility has been available to the lower classes through public education, and public medical services are often provided for health needs.

Schurz also observes, in the past twenty-five years, a growth of industrialization which has given the labor movement a strong impetus. This movement has resulted in a large mass of urban workers, not subject to the traditional patron-employee personal tie. The early organized labor movement was slowly begun by Italian and Spanish immigrants with anarchical ideas. Not trusting foreign ideas or the methods of carrying out the ideas, the governing classes rejected the movement. Next, the Communists exerted a more successful influence. The foreign elements all organized to mobilize the workers into strike forces to strike at the control of the landed aristocracy, but were only limited in their success. There were special elements that prevented the early success of the Chilean labor movements. There were doctrine and objective problems. The workers were interested in shorter hours and higher wages and did not comprehend the philosophic Marxist dogma. Foreign leaders were imported in the absence of national leaders, and this resulted in a lack of local support and strength. What the movement needed was local leaders who could arouse vitality through their identity with community life and who could avoid localisms and nationalism that befell imported leaders.

Despite delays and obstacles, the Chilean labor movement was successful before the 1973 coup with significant success in gaining government support especially in the fields of mining, transportation, building trades, utility, service trades, and manufacturing employees. These groups were successful in unionizing efforts long before the success of Allende in 1970.
Furthermore, Schurz recognizes the fact that the Chilean government has passed many advanced labor and social codes. Sometimes, the legislation has been designated to act as a buffer in social reform before organized labor could move to put pressure on the government for similar legislation. Specific programs in Chile include the mandatory eight-four day on public works since 1908 and in all industrial and commercial positions within the last thirty years. Minimum wage laws have had only limited success with urban workers scoring high successes and rural workers making very few gains. The Chilean labor force gained much when joint committees of employees and employers were formed to extend the application of minimum wage laws to other occupational groups. Chilean successes were made in workmen's compensation legislation, in safe and healthy working conditions in mines, factories, and other industrial and commercial facilities, in women's protection laws providing for compensation during pregnancy and prohibition of female labor where conditions are necessarily not safe or the work is too physically demanding, and in limiting the number of foreign workers. Social insurance covered all commercial and industrial workers in a single system in Chile, even extending to domestic and agricultural workers.24 Labor's progressive legislation was given a favorable reception under the Allende administration. The labor-based FRAP coalition proposed larger salaries, better working conditions, and labor-run businesses under the supervision of many labor committees to manage the government's nationalized facilities, generally found in the nation's cities.

The rural laborers, as well as the working class, have migrated to the city, because urban areas are seen as places where means of rising out of the hopelessness of subservience to landowners or of continued insufficient production of small plots by *minifundio* (very small plots) owners are provided. The cities also provide opportunities for social mobility by means of employment in factories or commercial enterprises or by means of beginning a new business or workshop on one's own. In addition, industrial growth gave rise to unskilled and assembly-line workers. 25

This view of the city as the primary, if not the only, means of attaining economic and social success explains why, although most Latin Americans live in rural areas, only in urban areas there has been a growth of a modern social and political structure. Since the birth of the nations of Latin America, most rural residents have been left out of political life. Instead, there emerged a system through which the landed elite of the countryside cooperated with the upper and middle classes of the city. The *latifundio* system excluded the rural masses from direct political participation until the mid-twentieth century. Before recent times, the most the rural peasants could expect was power and prosperity for their *latifundio* masters.

There was a general absence of political parties that were exclusively concerned with the problems of peasants. Even the Socialists and Communists directed their attention more toward the more powerful working class. Many of the members of the working class were

countryside migrants or sons of workers. This new working class (not including the more acclimated industrial and mining working class), found it difficult to adjust to their new status and hesitated to join the labor movement. However, because of the concentration of its members near political capitals, the working class was a powerful Chilean force. The concentration of workers in a few mining industries increased the potential for action by trade unions.  

As a result of the growth of political strength within both the rural and urban sectors of the Chilean society, there emerged a greater number of candidates with programs that favored the workers. Capitalizing on the newly franchized majority, socialist organizations found much support within the working class. One of these socialist organizations was the coalition that made victory possible for Salvador Allende. Increasingly the pre-Allende governments had established programs desirable to the peasants and to the workers. Allende supported alternative programs and called for more pro-workers legislation such as dividing latifundios and sectioning off the land to less prosperous persons. Allende supported pro-workers programs, and the workers, in turn, supported Allende at the voting places.

Allende fulfilled his political promises as no one had believed he could. By nationalizing businesses and estates the new Chilean president provided the working man with a new sense of status, a feeling that the government belonged to the worker. The president promised that workers would not be forced to pay for contemporary inflationary

periods, as they had in the past. In October, 1972, a 100 per cent raise for wage earners was provided. In the past, the worker could not afford meat. After such pay raises, money was to be had (although the meat was not always too plentiful). In another pro-worker move, unemployment dropped from 8 per cent in 1970 to only 3 per cent in 1972.27

More than any other class, the working class supported Allende in his campaign for the presidency and in his programs during his administration. Without that support, Allende would not have gained a plurality of votes in Chile. In all of his unsuccessful campaigns, the peasants voted for Allende. Allende provided a rare opportunity to the working class, and the working class was most eager to accept the gifts of lands and businesses that were nationalized during the Allende years. They were more than willing to accept higher levels of employment and higher wages. However, there were also problems with this bountiful give-away. National shortages resulted from more buying power among the middle and lower classes. The black market provided goods at inflated prices. The classes that could not afford goods before Allende's programs could not acquire goods during Allende's term, because they were not available. Too many people wanted certain goods that were in limited supply, and attempts to stabilize prices were met with limited success. Very few items were available at reasonable prices, but more were available at high prices in the underground market.

In summary, all three of the major social classes had provided a most important input toward the Allende victory, and each class also

provided an important input toward his fall. The aristocracy continued to support a social and economic system in which the upper class, together with some members of the middle class, controlled most authority. Faced with such political, economic, and social poverty, the lower classes rebelled and ushered in a new, brief era of Socialist reform. Long a bastion of democracy, the upper and middle class were slow to turn against democratic means of removing unwanted officials. The aristocracy's role in bringing about Allende's fall is one of continued opposition. The owners of nationalized latifundios and businesses were the last to favor the regime that had meant the surrender of upper-class domination.

The middle class was perhaps the progressive difference between victory and defeat for the Leftist coalition. Some felt they would profit from limited socialist reforms. However, they did not envision the nationalization of small businesses and even the forcible take-over of their own residences. The middle class made a reevaluation of the effect that socialism was to make on their security and even their very existence as a middle class. Strikes and calls for rebellion against the Allende government were led by the middle sector. It was the middle sector that pleaded with the military to rebel, calling them chicken for not taking action. It was the middle class that applauded the military coup which successfully toppled Allende. This same class was reassured of a powerful role in post-Allende Chilean affairs.

The input that the lower class provided continued even after the death of Allende. The lower class would not easily relinquish its newly found share of the national wealth. Neither would it passively
witness the abandonment of the leader or the system that placed the wealth within reach. For a brief but enjoyable period, the lower class made up the majority of committees that regulated nationalized industries. The same class that had supported Allende at the nation's voting polls supported Allende through armed resistance to any military programs. The length of the period that was required to substitute middle-class-dominated government for military-dominated government indicates the reluctance of the lower class to give up its power.

It has been the purpose of this section to show the significance of each of the social classes in the election and defeat of Allende. The upper and middle classes were just as reluctant to yield control to the lower classes as the working class and peasants were reluctant to yield power after Allende fell. The majority of Allende support was formed by the lower class, while the majority of opposition was formed by the upper class with the middle class first split and later opposing Allende. The middle class' support or lack of it in the late Allende years meant the difference in success and defeat. All of the social classes played important roles in the Chilean Socialist drama.
CHAPTER III

THE ECONOMIC ENVIRONMENT

Allende's administration ascended to power as a result of economic shortcomings that had plagued Eduardo Frei and previous administrators. The two major problems that Allende faced were agrarian reform and nationalization of multinational businesses having significant holdings in Chile. After gaining power, Allende's plan was to bring about a thorough transformation of the Chilean economic and social structure beginning with Chile's two basic economic resources, the land and copper. Since Chile's past agrarian program of inefficient land management had been a hindrance to Chile's independence and development, Allende's primary concern was with implementing a program of agrarian reform.

Agrarian Reform

The failure of agriculture to achieve high levels of productivity was, in great part, the result of a lack of government involvement. Before 1964, the government chose to become preoccupied in the expansion of industry, forcing agrarian interests to provide for themselves. An early government project, CORFO ( Corporación de Fomento de Producción ) (established to develop areas the private sector could not develop), failed to accommodate the agrarian sectors. Although agriculture employed 38.6 per cent and 30.1 per cent of the labor force in 1940 and 1954, respectively, and despite the fact that agrarian workers
contributed 18.6 per cent in 1940 and 15.0 per cent in 1954 to the national income, the percentage of government expenditures in this sector was only 1.8 per cent in both 1940 and 1954. Government revenues derived from agriculture were two and one-half times greater than government expenditures in that area. Following this description of the lack of government involvement in agrarian matters, a description of the subsequent lack of government involvement in land redistribution is not surprising. This lack of action by the government stagnated agrarian production levels for generations. Formed in 1928 to purchase latifundios and subdivide them, the Colonization Institute was quickly abandoned. Payments from new landowners under the program were to be reinvested in newly-purchased large landholdings. However, inflation rapidly depleted the funds intended for new purchases, and the program failed. The failure of this brief program meant that the majority of Chile's arable land was still being held in units either too large or too small for efficient production.

A second major result of government inactivity was the neglect of the sociopolitical stagnation that resulted from the latifundio system. The system became tradition-bound and inflexible, while no attempts were being made to cure its deficiency. Still a third result was a system of urban-dominated government price controls and subsidized foreign food imports which prevented the agricultural sector from protecting itself.¹

### TABLE I
COMPARISON BETWEEN IMPORTS AND EXPORTS OF AGRICULTURAL PRODUCTS IN CHILE BEFORE AND AFTER WORLD WAR II*

<table>
<thead>
<tr>
<th>Annual average value (millions of U.S. dollars)</th>
<th>Imports</th>
<th>Exports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Livestock production</td>
<td>Agricultural production</td>
<td>Prepared Foodstuffs</td>
</tr>
<tr>
<td>1935 - 1939</td>
<td>2.2</td>
<td>6.8</td>
<td>4.2</td>
</tr>
<tr>
<td>1953 - 1959</td>
<td>13.9</td>
<td>47.9</td>
<td>35.1</td>
</tr>
</tbody>
</table>

Table I indicates the deficit in agrarian exports before and after World War II. The government did not choose to deal with the deficit. From 1935 to 1939, the total value of exports exceeded the total value of imports by 11.8 million dollars. However, between 1953 and 1959, the total value of imports exceeded the total value of exports by 67.8 million dollars. This reversal meant the dependence of Chile on foreign markets for her agricultural needs, and this meant the reduction of reserves gained from the sale of Chile's major export, copper. This deficit in the balance of trade in raw and prepared foodstuffs has long been the result of inefficient use of land by large landowners who had held land for prestige rather than profit.2

In 1960 a great concentration of land was owned by a very few, while many Chilean properties were too small for efficient economic productivity. Five-tenths of one per cent of the nation's land was held by one-half of all landowners, but 70 per cent of the land in Chile was owned by 1.5 per cent of the landowners. Since many large farms included mountainous or marginal land, generally unproductive, a study of farms larger than twenty-five acres would give a more accurate picture of the system used for land distribution than a study of all available land. Given this distinction, landholdings are still controlled in properties greater in size than 2,500 acres. Usually, this large a farm is efficient, but this has not been the case in Chile. Despite this size potential for efficient production, Chilean latifundios have inhibited efficiency.

Some critics state that the responsibility for the underutilization of most of Chile's arable land has been placed on the hacendado (the large landowner). Unwilling to adapt modern techniques and mechanization, the landed aristocracy's lack of interest was found to be the major factor in the underutilization of arable land in a 1953 United Nations' Economic Commission for Latin America report. In 1952, the International Bank of Reconstruction and Development concluded that insufficient capital investment and frequently wasteful and inefficient management were found on the large landholdings.

Other critics place the blame for poor production levels, not on the land tenure system, but on "such factors as prices, credit, transportation, marketing facilities, the inquilino labor system, and lack of knowledge of modern agricultural practice." One Chilean-American coordinated project, the Chilkin Plan, has seemed to validate this technical approach since evidence seemed to indicate the eagerness of large and small Chilean farmers to adapt modern practices, at least in the coastal area around Concepción.

In 1960 the percentage of the Chilean population employed in agriculture remained at about 30 per cent of the total population, but their contribution to the gross national product had dropped to 10.2 per cent. The decrease in the percentage of Chileans engaged in agriculture from 38.3 per cent in 1930 to 30 per cent in 1960 is explained by the migration of the agrarian population to the cities. The shrinking contribution of agriculture to the GNP demonstrates the inability of the

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3 Ibid., pp. 55-58.
4 Ibid.
agricultural sector to expand with the economy. Underdevelopment of land is the most serious problem in the management of land.\(^5\)

President Frei hoped to maximize land utilization and increase agrarian production by increasing the scope of government involvement in agrarian programs. The changes would take place through division of nonproductive land, adoption of farm credit, application of modern techniques in farming methods, and improvements in the social life and economic life of the campesinos. Before 1970, 100,000 new farms were to be formed through expropriation and resettlement.\(^6\)

The long-term goals of Frei's agricultural policy were diverse: (1) conversion of land workers to landowners; (2) maximization of agricultural resource utilization; (3) attainment of levels of food production that would mean self-sufficiency; and (4) the complete inclusion of the rural elements into a monetary economy. Even though these long-range goals could not have been reached during Frei's administration, the president was assured that the establishment of fundamental legislation would provide an initial momentum in executing the program.

The goal of 100,000 new landowners before 1970 was to concentrate first on government and church lands and later proceed to underproductive private holdings. This plan would have to be coordinated with provisions for water rights, credit, fertilizer, and technical aid to the new landholders. Legislation to allow smaller down payments and easier payment arrangements was passed. The long legal process of

\(^5\) Weil, op. cit., p. 277.

transferring land would have to be greatly simplified for the large scale redistribution to be feasible.

To encourage greater production on large farms, incentives for rural landowners were necessary. Mechanization was encouraged by offering incentives to domestic production of machinery and supplemental imports. The farmers were also encouraged to unite in farm cooperatives and labor federations.

The Frei administration recognized the expected initial agricultural decline and the immediate need for American assistance. Nevertheless, this decline was to be followed by increased production, as structural changes in land ownership through government assistance programs would produce greater hope for a drop in the need for food imports (which had averaged $150 million yearly since 1960). This growth in agricultural production was not expected to be more efficient during the first transitional years of the reform. Frei based his strategy on the need for expansion in the production of the national product in order to acquire the needed funds for essential social and economic improvements.\(^7\)

The legislation needed for agrarian reform came in two stages, in 1965 and in 1967. The first provided for expropriation of lands smaller than 200 acres that were operated inefficiently. The second gave the government the right to expropriate holdings of land larger than 200 acres, unless the Ministry of Agriculture accepted improvement plans for the acreage. The owners were to be compensated through long-term

\(^7\)Ibid., pp. 9-11.
government reimbursement programs. In the legislation Frei had received almost all the legal power he had requested, but with an almost two-year delay in Congress.  

Progress of the agrarian reform program was slow during the first three years of Frei's term because of the delay on the part of Congress to pass legislation that allowed Frei the required legal authority. Before the July, 1967, passage of reform legislation, less than 500 properties were expropriated. However, by the end of 1968, almost 12,000 families were resettled. 

A total of eight million acres of land was expropriated during the Frei term, 662,500 of which were irrigated. Therefore, more than 16 per cent of the nation's irrigated land was expropriated, although only 10 per cent of all agricultural land was taken over. Large areas of lands were unusable; this situation can be explained if one understands that large sections of wasteland were included in expropriated farms.

The goal of resettling 100,000 families had not been achieved by 1970; only 28 per cent were resettled. The goal would have meant the takeover of 60 per cent of the nation's irrigated land, a level clearly above the financial capacity of the Chilean government during Frei's administration. Lands acquired by CORA were distributed to those people who were working the land but had not owned it. Agricultural operations that could not be productively subdivided were managed as cooperatives, with each worker receiving an individual plot for his own

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8 Ibid., pp. 15-16.
9 Ibid., pp. 24-28.
operation and a share of any profits of the cooperative. Farms that could be subdivided into asentamientos (single units) were given compensation based on the future owner's work and net returns from the operation during which time (three years) he would receive experience in management.

The immediate decline in agricultural production predicted by Frei was realized. Stagnation and uncertainty were experienced by the agrarian sector as a whole. The drought of 1968, which extended into 1969, restricted output significantly. High-value produce was given available water, adversely affecting other crops. An added deterrent to capital investment and expansion was found in the threat of expropriation. In order to alleviate the anticipated problems, produce prices were allowed to rise at a rate higher than the general price level and were to be publicized long before each crop's growing season. To alleviate the inefficient use of water resources, the Agrarian Reform Law of 1967 gave the state all water rights and the responsibility for allocating and distributing irrigation water. Despite these efforts to stabilize agricultural production, there remained various obstacles to the reform: (1) political uncertainties; (2) difficulties in aiding new owners in training and providing capital; and (3) the financial burden of government stabilization in the marketing system. 10

The agrarian reform program put idle lands to work and utilized the full productive capabilities of peasants in programs by which they were given better opportunities and increased responsibilities despite the

10 Ibid., pp. 25-28.
obstacles the program encountered. In a transition period of several years, CORA provided peasant assistance through technical programs that when practiced, gradually changed production methods. In addition, there was an overall effort to prepare people, even whole communities, to learn to become more self-reliant, to make the right decision independently, and to take part in planning the future.\(^{11}\)

The stagnation of the Frei agrarian reform program added to Allende's list of issues that gained the Marxist a victory. In a country with one of Latin America's highest per capita incomes, a significant middle class, a high level of education compared with other Latin American nations, and an industrial productivity rated third among the nations of South America, why would an opposition candidate be able to gain a plurality of popular votes for the presidency? In 1970 Chile's growth in gross product was less than any other in Latin America. Brazil and Ecuador had the best performance with 9.5 per cent, Peru - 7.3, Colombia - 7.0, Bolivia - 5.2, Argentina - 4.8, and Chile grew only 2.5 per cent. Inflation rose to a height of 32.5 per cent; unemployment was high; and industry was stagnated.

The political Left was quick to take advantage of the following economic difficulties: changing monopolitic practices by industry; limited access of the nation's populous to industrial product consumption; foreign dependence; and the failure of the Frei agrarian reform program to alleviate the problems of the rural sector. After Allende

had taken power, the same chief executor that had carried out Frei's agricultural program, Agriculture Minister Jacques Chonchol, hastened reform. What Chonchol planned (and Allende agreed with the program) was the achievement of security for medium and small landowners and the transformation of large farms into asentamientos. Although speed was an important factor, transitions had to be made within the contemporary legal framework. Any failure to comply with bureaucratic procedures would have meant an undermining of public confidence in the Leftist coalition as well as a fracture in production capacity.¹²

Before implementing a transformation of Chile into a socialist society, there remained four serious problems that needed to be overcome. These same problems had plagued the Frei reform program. First, Allende had to execute an overall plan of transformation in Chilean social and economic structures with the aid of various political elements. The campesinos had to be mobilized as active supporters of, and participants in, the land reform program. Without this mobilization, the traditionally allied groups of large landowners, with a highly effective organization and power, would direct the agrarian reform without significant changes in the old power structure. Expropriations had to be brought about within a few months.¹³

Both of these prerequisites to success were carried out. The peasants were eager to gain ownership of the lands they had been working for


generations. Expropriations were completed within eighteen months, an accelerated rate. The administrators of the program had hoped to complete the land ownership transfer by late 1973; they completed the transfer in mid-1972.14

Tomas, forceful land take-overs, were at once discouraged and sanctioned. They were opposed because they could be used by the Right against the government. However, the Allende government took no forcible action against the peasants who participated. Members of the government recognized that the toma was a simple method of making difficult expropriations which would not have been made within the legal framework. The tomas were also used by peasants in cases where the campesinos took control of the farms to avoid dismantling of property. Fear of such tomas made some landowners a little more eager to accept government conditions for expropriation.15

A second problem was to organize and practically operate the structure for credit, marketing and administration. Nationalization of private banks and agrarian industries would not have solved the problem. Greater representation of the campesinos had to be realized. A significant step in overcoming this problem was the founding of a national bank for agrarian matters with zone-based funds or branches. The fund was used to promote the enterprises necessary for success of the plan. The funds were jointly controlled by farm worker's organizations and


15 Ibid., p. 143.
government representatives on both regional and national levels. Through this financial power-hold, the administration planned to insist on the cooperative nature of agrarian programs and on the support by the enterprises of the goals of the development plan; but each enterprise was to be able to make management decisions independently. The purpose of this fund was to nationally unify and centralize the public administration of development plans. Before the program was implemented, various national programs overlapped in responsibilities and sometimes even competed with one another.

A nation-wide system of stabilized prices and markets, in accord with the plan for development, was a third necessity for the plan to succeed. Allende gained control of many such distribution centers and attempted to regulate prices and markets in an effort to aid workers within the program. However, Allende met with limited success as expanding consumption resulted in severe shortages which in turn led to increased demand and decreased supply. Goods were acquired through black marketing which added to inflation.

Fourthly, an efficient land and water policy was necessary to maximize production of the acreage in use. No water from irrigation meant low production. A post-expropriation national land and water policy was absent in the Frei government's agrarian reform. Allende dealt with the problem by allocating water where necessary and expropriating land where it was needed.17

17 Ibid., pp. 168-169.
There are two basic differences in the nature of the plans made by the administrations of Frei and Allende in regard to expropriation. First, Frei hoped to gradually provide workers with small plots of land to be owned and managed by them. Allende’s plan provided for ownership to be transferred to a cooperative. Secondly, Frei’s program included structural units, called Settlements, to provide for a transitional period during which managerial training could be given to laborers before the actual parceling of land. Allende’s strategy was to allow the Settlements to continue, but ownership of the land was transferred to the cooperative, and no additional Settlements were formed. To take the place of the Settlement, expropriated farms were grouped into Agrarian Reform Centers (ARC) where, following a three to five year transition period, the land was to become the communal property of each Center, to be cooperatively worked.

The Allende agrarian reform began November 4, 1970. In September, 1971, the first ARC was established in an attempt to prevent the discrimination and social statification between workers, which were characteristics Allende found in the Settlements. Under the ARC program, individual ownership of land was only transferred for the worker’s own house and his private plot.

Furthermore, the Allende government expanded lines of credit at interest rates lower than those provided by the Frei administration. To insure increased control over agrarian affairs, to hold down inflation, and to increase workers' incomes simultaneously, the government
took control of the supply of agricultural inputs and many aspects of purchasing and distributing farm outputs.¹⁸

However, the opposition (both foreign and domestic) made Allende's goal of socialization of agriculture impossible. Despite repeated efforts to speed up land reform, Allende was forced to slow down rural landholdings and business take-overs. Efforts were made to placate the Chilean Congress, dominated by the opposition parties, thereby hoping to restore some degree of confidence in the nation's economy in order to gain investment capital. Ranchers and farmers began to bypass price controls and began to sell their crops from house to house rather than in the traditional marketplace.

Almost $400 million dollars of diminished overseas earnings were spent on food imports in 1972, because the land reform program had failed. The program that had promised to cure so many of Chile's problems was not given a chance to succeed. Even with staggering opposition Allende might have succeeded had not the military taken control of the government in September, 1973.

Multinationals' Expulsion

Nationalization of copper was the second step that Allende felt was necessary for transformation of Chilean society. Because copper had, before Allende, been at least partially controlled by predominantly foreign private interests, Allende's move to expel foreign interests

was revolutionary. The move was so revolutionary, it led to his violent overthrow.

**History of Chilean copper:** Copper has been a significant element in the historical development of Chile. Latin American copper resources are highly concentrated, and their early exploitation depended on large foreign concerns with sufficient technological and financial strength. This dependence, together with the fact that only recently has the element become significant for domestic consumption, explains why Chile did not develop its own large mining industry earlier. Only since the 1960's have states begun to share in the ownership of copper industries in the area of Latin America.

Chilean copper production began in the eighteenth century, but it was not until the early 1800's that Chile's production contributed a significant percentage of the world total. By the 1860's, the percentage of the world total produced by Chile was up to 44 per cent. In the following 40 years, American production forced prices down, and Chileans produced less. Only a few foreign copper companies were active in Chile, accounting for only 10 per cent of production. During this period, financing was available from domestic sources to manage required investments, and almost all export profits remained within Chilean borders.

The lack of methods of mining low-grade copper deposits which had hindered pre-1900 production was overcome by 1920, and a second era of Chilean copper exports began. However, the investments that were required could not be financed domestically. As a consequence, foreign enterprises began to dominate the Chilean copper industry.
However, beginning in 1967, Chile began to share ownership of the nation's copper industry. In July, 1971, the Chilean Congress approved a constitutional amendment which paved the way for nationalization that same year. Since nationalization was implemented, the United States copper enterprises have disputed the decision made by the Congress and its implementation by the Comptroller General, the President, and the Special Tribunal that was established to arbitrate the matter. The current military regime has attempted to settle the issue of compensation, but little doubt remains that state-ownership of the copper industry will continue.

This section of the chapter deals with the development of the Chilean copper industry, the increased role of the Chilean government in the control of copper production, the nationalization of the copper industry by the Allende government, and the struggle that ensued after the nationalization. First, a brief history of the development of multinational interests will provide a background of the events that motivated the Chilean nationalization.

El Teniente was the first large copper mine in Chile. After high grade ore had been exhausted by 1897, foreigners acquired the property in 1904, and in 1915 Kennecott Copper Company bought the mine. Chuquicamata, the second large ore-body, was purchased by Anaconda in 1923 from a British trading company. Anaconda also owned the third largest mine at Potravillos which began production in 1926. By the 1920's, American enterprises dominated Chilean copper production with 80 percent of Chile's total copper output derived from the three largest mines in the nation. These three mines came to be known as the Gran Mineria.
In the first years of production, the Gran Minería was able to operate independently of the national government. Its only connection with the Chilean economy was through the purchase of labor. There were no restrictions on repatriation of profits and no taxation laws. Early tax laws appeared in the 1920's and were established at low rates (less than one per cent in 1922). Successive years brought increases in direct taxation. By 1942, the tax rate had been raised to 50 per cent and in 1953 the exceptionally high 60 per cent rate was applied to all income derived from copper at prices higher than prices set by Law 7160.19

The companies, after taxation, labor cost, exchange restrictions, and other costs, received a mere 2 per cent return on investment. Taxation and exchange restrictions had converted Chile from a very low-cost producer to one of the highest-cost producers in the world. The copper companies, therefore, did not invest more in Chile than was necessary to maintain their output. Instead, they invested in their American properties. The Chilean government perceived the advance of a crisis as lack of increased investment and output continued. As a result, a new copper policy was effected. The Chilean government began to realize that expansion was necessary to supply amounts of copper necessary to fulfill world demand. Yet, expansion required large investment, and the American companies had failed to provide financing for the production expansion.

Stockpiling made it difficult for Americans to acquire copper, and in turn price controls, imposed by the North Americans, limited profits but were rescinded in 1953. The United States agreed to purchase the multinationals' stockpiles at world price, and the Chileans replaced their complex exchange rate system with a simpler direct tax system. Taxes were stabilized as harmonious company-government relations were begun.  

The simpler tax system provided for a direct profits tax of 50 per cent along with a 25 per cent surtax. Companies were given investment incentives and full control of their sales. The multinationals quickly responded with increased investment and expansion programs.  

In spite of feared governmental encroachments on their interests, United States companies continued to invest heavily in Chile. In 1970, Kennecott, owners of El Teniente mine, invested $230 million into that mine's expansion. Only three years earlier, the government acquired 51 per cent of the mine's stock. In 1969, the government also forced Anaconda to sell majority-control stock in their Chuquicamata mine with reserves valued at $10 billion. Anaconda invested $150 million to expand production at Chuquicamata and to open the Exótica orebody. Cerro Copper Company opened a new $160 million mine financed by Sumitomo Metal Mining Company and other Japanese copper consumers. The expansion can be explained as a result of high world demand and booming prices for copper.

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copper. The companies wanted to increase their profit while prices were high. In addition to the El Teniente and Chuquicamata majority stock purchases, the government bought 25 per cent of the stock in Andina, owned by Cerro, and 30 per cent of the stock in the Exótica mine, owned by Anaconda.

The Chileanization co-ownership temporarily resolved the confrontation between industry and government over refining and marketing, reduced the likelihood of expropriation, lessened difficulties in acquiring guaranteed loans or investments, and made the issue of taxation on profits easier to manage. The copper industry, particularly Anaconda, had retained very high profits from the high price of copper, and the majority state control agreement was made with the objective by the Chilean government of benefiting from the high price that was being paid at the time.

Chilean semi-public ownerships have been good in the past. In the case of Kennecott, the Chilean Government asked its American partners to continue management of the El Teniente mine and went so far as to request that it maintain its majority on the board of directors of Sociedad Minera El Teniente, S. A. Kennecott, during this period, worked smoothly with the Government, evidently deciding that joint ventures were the wave of the future. However, the election of Allende meant gloomy forecasts for the future of American copper multinationals.


23 Grunwald and Musgrove, op. cit., p. 171.
With worries of nationalization, Anaconda, Kennecott, and Cerro stock dropped sharply on the New York Stock Exchange but managed to recover a fraction of its losses. Other copper companies without Chilean interests advanced strongly. C. Jay Parkinson, Anaconda's chairman, commented "that he presumed and hoped that this 'solemn and legal agreement,' including the arrangements for financial compensation, would be honored by the Chilean Administration."24

Long before his election, Allende had campaigned for expropriation of foreign companies that the Leftists felt were exploiting Chile. On December 21, 1970, Allende called for nationalization but promised compensation. Allende was intent upon his program of expropriation of foreign copper enterprises. He made it clear that if Congress failed to approve the article of the Constitution to legalize nationalization, he would call a referendum and dissolve Congress. In February, 1971, the United States was beginning to worry about the consequences of a Chilean take-over of American copper mines. The American government realized that the joint semi-public copper companies had foreign debts of $560,000 (mostly to the United States), and more importantly, expropriation without compensation meant the United States Overseas Private Investment Corporation (OPIC) would be forced to pay companies for their losses because of insurance coverage provided them by OPIC, a division of the United States Treasury.25

On July 11, 1971, in a unique joint session, the Chilean Congress unanimously approved a transitory article of a constitutional amendment which allowed the Government to nationalize copper mines. The article provided for the judicial and administrative procedures for the nationalization under Chilean supervision. The President was authorized to expropriate the mines, the Comptroller General was to establish values for the property, and a Special Tribunal Court was formed to arbitrate any discrepancies between the companies and the Government.26

The article was in compliance with the two main Government objectives - expansion of the public and semi-public area of the economy and the acceleration of agrarian reform. This first objective proposed to modify dimensions of the ownership of the economy in order to make the State the real center of planning and management of the economy.

Under the provisions of the article, excess profits for the period from 1955 until 1971, as determined by the Comptroller General, totaled $774 million (Compañía de Cobre Chuquicamata - $300 million, Compañía de Cobre El Salvador - $64 million, and Sociedad Minera El Teniente - $410 million). Of the $774 million, $48 million was deducted for the period following 1967 when the State acquired majority ownership. The Comptroller General further calculated that book value of the enterprises on December 31, 1970, was $663.8 million and that repairs would cost $51.8 million, leaving a value of $612 million. However, since

the foreign excess profit was greater than the value of assets, it was
determined that no compensation should be paid to the multinationals.
In addition to ownership, sales management was assumed by the Government
as well. The Chilean Copper Corporation (Corporacion de Cobre or
CODELCO) denounced its contract with Anaconda Sales Corporation early
in 1971 and took responsibility for international market sales.27

Allende made a national statement on television and radio to unite
the nation in the copper dispute. He declared:

In an act of full national sovereignty, Chile has decided
to recover for herself the ownership of the sources of production
that are most decisive for her present and future, on which de-
pend the success of her battle to remove the great majority of
her people from physical misery, from dominant human exploitation
and from subjection to foreigners. The people of Chile have ac-
cumulated rightful claims (on the copper companies), which they
exercise today, rationally and legitimately, by deducting excess
profits that the nationalized companies had obtained.28

On July 12, 1971, Allende signed the article concerning constitu-
tional reform. International reaction was not long in coming. The
United States Export-Import Bank refused loans to Chile until the ques-
tion of compensation for nationalized mining interests would be resolved.
The loans for $21 million would be used to purchase three airplanes, two
Boeing 707s and a Boeing 727. There was concern by American officials
that Chile might turn to the Soviet Union for purchase of similar
planes.29

27United Nations Economic Commission for Latin America, Economic
Chile's Foreign Minister Almeyda declared before the United Nations General Assembly that the Chilean policy of nationalization of foreign mining interests is covered by the significant United Nations principle of the economic independence of all nations. Almeyda also stated that Chile would reduce by about one-half the excess profits determined earlier, between 300 and 400 million dollars. However, later this hint about partial compensation was invalidated.  

The United States Secretary of State, William Rogers, warned Chile of the jeopardized flow of investment funds as a result of the Chilean seizure. Rogers asserted that the uncompensated nationalization was a "serious departure from accepted standards of international law." In reaction to this stand, all Chilean political parties made statements that supported the Allende action. Among the statements was the one made by the president of the Christian Democratic Party. The president, Inacio Irureta, concluded, "In a matter where the national interest is at stake, there is no distinction between Government and Opposition."  

Just months after the expropriation, Chile experienced domestic problems with her copper mines. There were four basic problems of the period: (1) production was much lower than 1971 expectations; (2) monetary reserves dropped from $340 million to $200 million since Allende's

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32 Ibid.
election as a result of the decline in production of copper, Chile's leading export commodity; (3) devaluation of the escudo was rapid, devaluated in July by 100 per cent from fourteen to twenty-eight escudos to the American dollar while black market rates were as high as 70/1; (4) industry-wide wage increases gave consumers money, but supply of goods was down, and this meant zooming inflation rates. The reasons for these economic declines can be seen in the bad management practices in the Chilean State-owned mines. "Good" politicians, without management experience, were replacing experienced technicians and managers and were filling positions within the nation's bureaucratic leadership. Output lagged badly. El Teniente, formerly the world's largest underground copper mine with production of 200,000 tons annually, now had production rates of 130,000 tons, despite the expansion program which Kennecott designed. Total production reached 650,000 tons in 1971, 15 per cent more than the 1970 level, but the rise was a result of new mines being put into production and expansion programs beginning. El Teniente was being handled so badly that cost of production exceeded market price by twenty-five cents per pound. A list of deficiencies was compiled. The cost of the repair of the deficiencies would be deducted from indemnification payments.

These payments were acquired as a result of the cost of expansion by the copper giants. Chile owed Kennecott $92 million ($80 million was the amount of the loan, and interest was calculated to be $12 million). Anaconda was to receive $197 million for the 1969 purchase of majority stock in Chuquicamata. That amount, to be paid in twenty-four installments over twelve years at 6 per cent interest, was regularly
paid by the Chilean government, but no compensation was expected for the remaining 49 per cent of the stock. 33

These economic difficulties were coupled with political setbacks by the Marxist coalition in power. FRAP was given a sound defeat in the by-elections in O'Higgins, Colchagua, and Linares provinces in January, 1972.

The defeat indicated how low public opinion ran regarding Allende's management of his office. The problem was further complicated by the unity of the opposition and the disunity within the FRAP coalition. The opposition, Christian Democrats and Nationals, formed a firm anti-Allende alliance. With the FRAP coalition, Communists blamed radical Leftists for the latter's attempts to gain support of the bourgeois and proletariat, because the Communists felt there was a contradiction in this endeavor. The Communist tactic was to aim for middle class support and for support of other classes of moderate opinion - to neutralize them and gain their votes.

The Government was criticized for several failures. There was no single new industry of national import to be introduced during the Allende administration. No new technology was introduced. As a matter of fact, skilled technicians were replaced by politicians, and mine production fell. 34

The Public-Private Ownership Dispute--The struggle with the multinationals continued during the political domestic dispute. Kennecott Copper Corporation asked Chile for the first $5.8 million partial mine payment following the lapse of the due date. Allende had suspended payment until it could be determined that proceeds of the notes were properly invested. Braden Copper Company, a Kennecott subsidiary, sued Chile in a New York federal court seeking more than $5 million it claimed in losses from loans to mining companies nationalized by Chile. Chile agreed to pay Kennecott $84.6 million toward the mine loan. Anaconda filed suit to receive compensation as well, but Chile refused to pay Anaconda the $171 million the company requested. 35

In Allende's battle with the United States, he accused that nation of establishing a Chilean blockade. In a May 1, 1972, speech, Allende accused the United States of imposing an economic blockade in spite of the United States' joining other Western countries in refinancing a $300 million Chilean debt. Allende cited America's successful effort to stop granting long-term development credit by such international banks as the Inter-American Development Bank, United States pressure which meant the reduction of credit to Chile by American banks, and American instigation of difficulties for Chile in receiving spare parts and equipment for nationalized copper companies. In the same speech, Allende acknowledged that copper production at the five nationalized

copper mines was below set goals. He also warned that if Congress imposed a constitutional reform to remove the executive power of extending national control over industry, he would call a plebiscite to dissolve Congress.\(^36\)

Shortly after his May 1 speech, a forty-eight hour strike by 8,000 workers at Chuquicamata resulted in the loss of $1.5 million in lost production. It was ended after the government made concessions on bonuses, work regulations, and promotions. It was a success for the Chilean government, for strikers had threatened to strike indefinitely, and an indefinite strike would have crippled Chile's important copper output.\(^37\)

Anaconda decided to write off its Chilean investments in 1971 after concluding it would not receive compensation from the Chilean Government. In July, 1972, Kennecott received the second payment on notes from Chile; the payment was for $5.7 million. Later that month, Allende accused Washington of restricting Chile's credit from $220 million in mid-1970 to $32 million in June, 1971. Seven hundred sixty million dollars was pledged in the next two years in government investments, coming mostly from Communist countries (which gave $400 million in development credits).\(^38\)

\(^{36}\) *New York Times*, May 2, 1972, p. 5.


In August, 1972, the Special Tribunal, composed of five members (the President of the Supreme Court, a member of the Appeals Court and three officials named by Allende who were the superintendent of the Internal Revenue Service, the president of Chile's Central Bank, and the vice-president of the Chilean Development Corporation), ruled that Chile could bill Anaconda Company and Kennecott Copper Corporation for $774 million in excess profits from copper mines going back to 1955. The next month Anaconda appealed the decision and was denied its appeal.39

Anaconda applied for compensation under its insurance coverage under the Overseas Private Investment Corporation (OPIC). Anaconda was paid $11.9 million by OPIC, $154 million short of the firm's expropriation claim. The award was the most OPIC had ever paid. The difference of the two calculations can be explained by their dispute over when expropriation took place. Anaconda felt that it was not until July, 1971, when full expropriation took place. OPIC said that 1969 should be considered as the date of expropriation. It was in 1969 that the State acquired majority ownership. This majority-stock acquisition was in defiance of the agreement Anaconda and OPIC made concerning insurance coverage. In 1969, Anaconda faulted on insurance premium payments and lost a large portion of their claim as a result.40

Kennecott announced it would withdraw from legal proceedings in Chile, but it added the company would continue its efforts elsewhere.


Frank R. Miliken, president of Kennecott, affirmed the company's persistence in saying, "Kennecott has not exhausted its possible legal remedies in Chile for the seizure of its property by the Chilean Government in July of 1971."41 The company also said it would inform those concerned with copper from El Teniente that Kennecott continued to have rights to 49 per cent of El Teniente copper and of the company's intention to take necessary action in order to protect the company's rights to the copper or its proceeds.42

Following the rejection of appeals by Kennecott and Anaconda before the Chilean Special Tribunal, the president and chief executive officer of Anaconda also had harsh words for the actions of Chile, actions which the multinationals thought were illegal. John B. M. Place, Anaconda's spokesman declared, "The tribunal's decision demonstrated that the Government of Chile does not intend to abide by generally accepted principles of international law, which requires that fair compensation must be promptly paid for expropriated property."43 Anaconda had been pressing a New York lawsuit to recover the value of defaulted notes by the corporation owed it by the Chilean Government for the 1969 sale of 51 per cent of Anaconda's assets in Chile.44

In a counter-criticism by Chilean officials of American reaction to the seizure of copper mines, Alfonso Inostroza, president of the

Chilean Central Bank criticized the lack of loans by the World Bank by saying,

Our country received not one new loan from the World Bank, in spite of having submitted elaborate projects for its consideration. In acting as it did, the World Bank acted not as an independent multinational body at the service of the economic development of all its members, but in fact as a spokesman or instrument of private interests of one of its member countries.\(^\text{45}\)

Meanwhile, the struggle in the courts continued. Kennecott requested and received an injunction against the sale of Chilean copper from El Teniente mine in a Paris court. The injunction was issued on a shipment of 1,250 tons of copper worth $1.4 million. Chile reacted by halting shipments of copper to France from the El Teniente mine. Allende also took control of Chile's copper sales in response to the embargo. Corporación de Cobre continued operating domestic copper production programs. Longshoremen in Rotterdam, the Netherlands, refused to unload Chilean copper aboard a West German ship destined for Le Havre. The President of the Rotterdam District Court ruled that the Kennecott Copper Corporation should be allowed to seize a West German freighter, the *Birt Oldendorff*, in port at Rotterdam. The general counsel and secretary of Kennecott, Gene Smith, stated that his company would seize El Teniente copper wherever it was found. The French cargo was freed for delivery only after the Paris court agreed to enjoin payments pending a decision on who really owned the mines and copper.

Smith added, "In some situations we may seize the copper, but it's easier to impound money than copper." 46

In the French court's decision, both Kennecott and Chile claimed victory. The court's decision to release the $1.3 million payment to Chile was complicated by the court's order to have Chile maintain an equal amount in escrow. Chile was happy because it was awarded the payment; Kennecott was relieved because it proved the CODELCO was not immune from civil actions arising from its commercial operation. CODELCO claimed immunity as an agency of the State, but the court determined that the State agency was separate from the State and could be a party to a civil case. The president of the court, President Vassaogne, called for additional study of the issue, because Chile has the sovereign right of nationalization, but French law requires compensation. The Special Tribunal determined that Cerro Copper Company was owed $13,254,000 for the Andina mine and $24,300,000 for notes and interest. The $37,554,000 total was to be paid in dollars over an extended period. 47

A district court in Hamburg, West Germany, ordered a shipment of more than 3,500 tons of Chilean copper to be turned over to a court-appointed officer. The action was taken as a result of a preliminary


action taken by Braden Copper Company. The copper, valued at $3.5 million, was taken off the Russian ship, *Harry Pollit*. The Chilean Mines Ministry published a statement, declaring Kennecott "has reinstated its moves to block the normal commercialization of Chilean copper," and added, "the necessary measures to confront this new action" have been taken. The Chilean ambassador to West Germany, Federico Klein, reported that although the West German embargo was successful, Kennecott's efforts to obtain similar injunctions against Chilean copper deliveries to Great Britain, Sweden, and the Netherlands were not successful. The shipment to West Germany was reported to be worth $12.5 million. The West German court was expected to rule in favor of Chile, because in past cases before the West German courts, West German judges have not ruled on property questions outside the nation.49

Salvador Allende made still another verbal assault on the United States on December 4, 1972, at the United Nations. The Chilean President stated,

> From the very day of our triumph on September 4, 1970, we have felt the effect of large-scale external pressure against us ... It is action that has tried to cut us off from the world, to strangle our economy and to paralyze trade in our principle export, copper, and to deprive us of access to sources of international financing.50

Allende also concluded that multinational corporations were waging war with sovereign states, and the corporations do not have to account to

48 Ibid.


any regulating body representing the collective interest. In response to Allende's statement, Kennecott's president, Frank R. Milliken, declared,

No amount of rhetoric can alter the fact that Kennecott has been a responsible corporate citizen of Chile for more than 50 years and has made substantial contributions to both the economic and social well-being of the Chilean people.\(^{51}\)

Third world nations backed Chile's position in her struggle with the American copper multinational corporations. In October, 1972, Chile received the support of eight Latin American Countries: Argentina, Colombia, Ecuador, Guatemala, Mexico, Peru, Uruguay, and Venezuela. The nations affirmed any nation's right to "freely dispose of its natural resources."\(^{52}\) Chile also sought the support of the other major copper-producing countries in order to form a united front between Chile, Peru, Zambia, and Zaire. These four members of CIPEC stated that the conference they attended on October 17, 1972, would "study the creation of a permanent mechanism of protection and solidarity vis-a-vis any economic or commercial aggression against one member country."\(^{53}\)

Analysts of the Chilean economic and political situation have been sympathetic to the Latin American nation. Nevertheless, the ability of a country such as Chile to control her own natural resources is difficult when other nations dominate international markets as well as most

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\(^{51}\)Ibid., pp. 1, 9.

\(^{52}\)New York Times, October 20, 1972, p. 57.

\(^{53}\)New York Times, October 18, 1972, p. 75.
capital investment in the nation. Andre Gunder Frank envisions Chile as a nation trapped in the metropolitan domination of the United States, resulting in increasing inability to provide investible economic surplus up to its potential, due to the capitalist metropolis-satellite structure. The decline of wheat and nitrate exports by the 1950's augmented Chilean dependence on foreign financing would have to be requested, thereby adding to inflationary problems. Another problem that adds to the inflationary periods and tax regulations by government is that some Chilean industries practice investment procedures such as inefficient profit reinvestment toward equipment and inadequate dividend returns to stockholders.54

The history of American aid has not proved to be a successful mechanism to protect private economic interests belonging to United States citizens. The United States has found it unwise politically to enforce strong, direct sanctions such as in the case of a 1969 forced contract renegotiation between Anaconda and the Chilean Government and in the nationalization of the copper industry in Chile. Accusations that the United States practices political dominance, economic intervention, and alteration of Latin American values through its investments are verified by examples of having foreign policies opposed to Latin American interests. One example of this disregard for Latin American interests is the wartime price control of Chilean copper, in direct contrast to Chilean considerations. This practice of employing American aid and

trade policies to improve American business interests compounds Latin American apprehension and augments hostility toward foreign investors.  

The multinational corporation is presently a political liability for governments such as the United States that wish to develop close ties with the leadership of Chile. In the final analysis, the ultimate responsibility of forming a basis for mutual concern and cooperation rests with the managers of foreign corporations. They need to fully understand Chile's particular development problems and work with Chilean agencies to forge positive dimensions in Chilean foreign corporate relations.

In conclusion, Chile has long depended on copper as her major export. Since the 1920's when large-scale operation of the copper industry required foreign financing, Chile's copper was owned and managed by foreigners. In 1967, Chile began to take ownership of the copper facilities that operated within her boundaries; in July, 1971, nationalization took place. However, the American multinational copper corporations that were nationalized did not accept expropriation without compensation. A legal dispute ensued that continues still.

Not only is the case of Chile's copper nationalization an interesting history of an industry, it is a history of a nation attempting to win back its own natural resources. Chile's lack of a balanced budget

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and perpetual refinancing make the nation dependent on foreign investment and finance. The role of the multinational in the future can take two courses. It can continue to exploit the Chilean economy and society, or it can be altered to understand Chilean needs and develop a viable program for Chilean development.
CONCLUSION

In summary, this study has dealt with the historic rise of Salvador Allende, with the social composition of the electorate that considered his candidacy, and with two policy changes Allende made in Chile. Hopefully, this description has yielded some fundamental understanding of the nature of the Allende government.

The historic events that preceded the election of Salvador Allende made his election possible. Allende held his first public office as a result of the gain in popularity by the Radical Party following 1937. After that Party lost support in 1952, Allende symbolized the opposition to the Ibanez administration. The administration had not provided benefits for the newly franchized lower class. Allende promised such rewards in 1958 when Allende opposed the conservative Jorge Alessandri. Allende lost by a significant majority, but succeeded in gaining enough support to gain national recognition as the national leader of the extremist Left. In 1964, Allende again lost, this time to Eduardo Frei, the Christian Democrats' candidate. Throughout the terms of both his opponents, Allende served as a senator, in strong opposition to the administration's policies.

Following the September 4, 1970, popular election in which Allende gained a plurality but lacked the required majority to gain the presidency, Salvador Allende was chosen as President of Chile by that nation's Congress on October 24, 1970. Allende had, for many years, campaigned for maximization of peasants' rights and privileges, for
redistribution of the nation's wealth, for nationalization of major businesses and industry, and for a breakdown of the dominance by large landowners. The upper class opposed Allende's programs, for under them they would lose control of the political life of the country. Some members of the middle class feared implementation of the programs as well, while others, who were sympathetic toward the nation's peasants, favored putting the programs into effect. The support of the lower class for Allende was assured. With this mixture of lower and middle class support, Allende gained the plurality of votes that provided him with more votes than any other presidential candidate in the 1970 election.

Once elected, Allende initiated a series of reform programs that shook the nation. Among these programs were the expropriation and redistribution of large landholdings and the nationalization of the nation's copper industry.

Allende gained much support from the peasants by promising to do away with the latifundio system which had tied the peasants to poorly managed land. Begun during the Frei term, land reform was completed by 1972. Almost all large landholdings, especially the least productive ones, were expropriated by the government and divided among the laborers who had worked on the land. This reform program proved to have limited success, as peasants turned toward violence as a means of taking over land, and as production declined under the poor management of the inexperienced peasants. The land remained unproductive, as the workers squabbled among themselves and refused to work the land.
What could Allende have done to achieve success for the agrarian reform programs? Moderation might have been the key to the support of the middle class but would have lost lower class support. By avoiding moderation, he alienated American financiers who could also have increased his chances for success. Allende needed the continued support of peasants and the support of more members of the middle class. What some of the middle class feared was the kind of extremism and economic chaos that developed during the Marxist's term.

In the agrarian sector, moderate programs would have included slower land reform programs and the prevention of violent latifundio take-overs. If confiscations had been strictly regulated, if they were limited to unproductive land, if the government had trained the new landowners to use modern management techniques, and if the workers had been very zealous, increased production, rather than declines, might have been possible. What was needed was better planning, control of the peasants, and assurances to the middle and upper classes that their businesses would not be overlooked in any improvement plans. Allende preferred what was popular among his constituency to what was economically practical and sound.

Instead of moderating his programs of reform or administering them more efficiently, Allende haphazardly speeded them up, completing them one year earlier than had been planned. In an effort to please the lower class by giving them land, Allende inexorably alienated the middle and upper classes, without whose acceptance, failure soon came.

The nationalization of Chile's major foreign business holdings was the second reform program to socialize Chile. The nationalization of
copper interests in Chile proved to be a difficult undertaking, with opposition arising from the American multinational corporations involved. Other problems Allende found were the decline in international copper prices and decreased levels of production in the copper mines under the inept management of Chilean nationals. The price drops were not the result of Chilean failures but could be blamed on factors in the international market. However, such factors as a decline in working hours and an increase in wages affected production, as workers were free to direct their own industry.

In the industrial sector, many improvements could have been made. The lack of management skills was a problem. The interests of the workers were placed before national interests. Management positions were vacated by Americans following expropriation and filled by political favorites (sometimes without any experience in mining at all). Also, other copper-producing nations increased production, and world prices fell far below the preceding year's high prices. The confiscation of American copper mines and other multinational corporations alienated American economic financiers who strongly advocated Allende's overthrow.

The road to improvements in the standard of living for Chilean peasants, who constitute the overwhelming majority of the population, was cut short by the military coup that eliminated Allende as a contender for power in 1973. The American-supported government has returned to the traditional latifundio system in which peasants have returned most confiscated land to former owners. Nationalization of the copper industry has continued, but payment for expropriated properties will be
made, forcing the Chilean government to remain indebted to the foreign corporations for many years to come. Other nationalized businesses, such as banking facilities, were returned to their private owners as capitalism replaced socialism in the Chilean economy.

In retrospect, the failure of the Allende government may be explained by its speed in implementing reform without allowing for adjustment. The Frei administration began programs similar to the ones for which Allende was responsible but with greater moderation. Allende lacked the support of the American government. Without the needed economic aid that the United States had given previous Chilean administrations, failure was likely unless programs were strictly administered. Castro's successful experiment in Cuba shows how strict administration coupled with major non-American aid may succeed. From the beginning of Allende's administration, recognition of the Socialist's victory by the United States was refused. President Nixon refused to send a congratulatory notice like the ones sent to previous presidents. There was only limited economic aid to the Chilean government. However, the military, which conservatively accepted but did not support the Allende programs, received significant American aid. This acceptance greatly aided the coup that forced Allende out of office.

In Chile, with its strong democratic tradition, aid on a large scale from Communist countries and the subsequent dependence on them was shunned. Allende feared the repercussions of such foreign aid by conservative elements of the upper and middle classes.

If only Allende had used moderation in his reform efforts, improvements might have come and might have remained. He alienated the middle
class with extensive take-overs of even some small businesses and with increased economic pressure on them through inflation and lack of many goods and services. Support by part of the middle class had made his election possible. The middle class' decision to reject military intervention during the early part of his administration gave Allende time to experiment in Chile. When the experiment failed, it was the middle class that authoritatively arose to plea for military intervention like that of 1973. There were economic improvements and means of achieving increased socialism without offending the middle class; however, Allende chose not to follow them. With the middle class and American financiers opposing the programs, Allende was unable to reach any of his goals for achieving Chilean socialism. Composed of predominantly middle class officers, supported by the influential middle and upper classes, and financed an equipped with American dollars and weapons, the armed forces of Chile easily terminated Allende's three-year reign.

Perhaps, Allende was not willing to take risks that a radical approach required. Allende rejected elimination of the Chilean secret police that would have allowed the peasantry to rule. A radical would have abrogated the conservative police squad, but Allende feared the effects of such an act (the increased antagonism of the wealthier social classes). Duplication of Castro's radical approach seems to have been abandoned in an effort to execute a unique scheme in the Western Hemisphere, the voluntary socialization of a democratic nation.

After examining these factors, it is easy to see why Allende failed in his dream. He simply attempted to satisfy too many groups without satisfying any one group. He tried to give the peasants as much as
possible without disrupting the middle and upper classes' status any more than necessary. He attempted to do all this in a binding constitutional democracy. The political situation demanded careful diplomacy, adroit strategy, and skillful execution of any programs. These were deficient in Allende's administration.

These same demands will have to be met for the current Chilean government to achieve success. The Chilean economy drastically needs transformation, but prospects for such reform seem unlikely in the near future. Democratic government has not returned to Chile. The reaction to Allende's policies has been a complete reversal of what Allende had dreamed. The improvements Allende began have not only been voided, but it seems that hope for a recovery of the economy of Chile is even more remote than it was prior to Allende's ascension.
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