Three Modes of Planning
and the Experience of Professional Planners

by

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THREE MODES OF PLANNING
AND THE EXPERIENCE OF PROFESSIONAL PLANNERS
by
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Submitted to the Department of Urban Studies and Planning
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requirements for the Degree of Doctor of Philosophy

ABSTRACT

The dissertation analyzes the experience of a small group of professional planners working for socio-economic development and structural change, in close relation to the decision-making process, under three different political administrations in Chile from 1958-1973.

This was a dramatic period in Chile's history in which a conservative regime was followed by a "reformist" one, and this by a revolutionary one, in a sequence of increasing social tension leading to the violent military counter-revolution of 1973 which killed President Allende and destroyed the political tradition of representative democracy.

The situation of the planners in this period constituted a natural experiment or quasi-experiment that provided new knowledge about the process of planning, the planner's role and the content of planning, including the combination of functional and substantive rationality and the emergence of a new concept of socio-economic development.

A control group was provided by comparing the attitudes and behavior of planners with other more traditional professionals in relation to the same events.

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Title: Professor of Urban Anthropology
THE ARGUMENT OF THIS STUDY

On Planning, Development and Class Struggle.
A Historical Theoretical Framework and Definitions.

"There can be no doubt that all our knowledge begins with experience." (Kant: Critique of Pure Reason)

Introduction

Planning knowledge is based on the practice of planning because it originates in practice and it is validated by practice. The purpose of this study is to analyze the practice of planning during the last three democratic administrations in Chile, of the Presidents: Jorge Alessandri (1958-1964), Eduardo Frei (1964-1970), and Salvador Allende (1970-1973); to extract the knowledge which that experience may provide about the content of planning; the role of planners and the process of planning.

This was a dramatic period in Chilean history, in which a conservative government was followed by a liberal government, and this by a socialist one. This resulted in a sequence of growing social tension leading to the violent counter-revolution of 1973 which destroyed the democratic political regime and installed the present neo-facist dictatorship.

Many authors have analyzed this period, but several among them have ignored the existence and action of planners and planning in it. However, planning was an important function of the State, and the State was one of the major protagonists in the historical process mentioned above. Planners had influence in the design of the policies and pro-
grams of the Chilean government; their presence and activities had an impact on the agencies of the State bureaucracy, and even the same idea of planning had a role in the national and international politics of Chile during that period.

Since 1959, the Economic Commission for Latin America of the United Nations (ECLA) had been sustaining that planning and structural changes were needed to carry the Latin American countries from economic stagnation and underdevelopment into a process of industrialization and rapid economic growth. The theses of ECLA were officially adopted by the United States and the Latin American countries in the "Charter of Punta del Este" (August, 1961) which started the Alliance for Progress and required each Latin American country to engage in planning for socio-economic development.

In Chile, planning was introduced as a State function before the Alliance for Progress, by the creation, in 1939, of the State Development Corporation (CORFO) as an instrument of industrialization and economic development. Thus, the Chilean government, some months before the signing of the Charter of Punta del Este, was able to anticipate its requirements by publishing the "National Plan of Economic Development 1961-1970" (the "Ten Year Plan").

The Alliance generated a new emphasis, however, on planning that led to the organization of a National System of Planning in 1965, headed by the National Planning Office (ODEPLAN), adviser to the President, and several sectoral and regional planning offices. During the same years, a number of Chilean professionals (among them this writer) were trained in planning, and an important group of international planning consultants went to Chile to assist the government in the new planning tasks.
An important element in the analysis of this study will be the consideration of ideas as historical role players. Planning may be defined as the conscious effort to change the present reality to conform it to an idea of how that reality should be. Several ideas, among them the idea of planning itself, had a concrete impact on the social reality of the period under analysis. Mention has been made of the influence of the ECLA on planning and social and economic development, and that the Chilean political parties were organized around the ideas which served better to interpret the traditions and interests of the social classes which they represented.

The practice of planning is based on the assumption that history is the result of conscious human actions, and that the decision-making process of social organizations and institutions would be improved by the introduction of scientific rationality and knowledge in it. The idea of planning, as opposed to free-trade and laissez-faire economic policies, played a role in national and international politics and was associated with the functioning and participation of the State in the process of economic development and social change.

Chile may be characterized as a slow-growing, capitalist, dependent, underdeveloped country and the practice of planning during the period under analysis was related to the general objective of achieving rapid, self-sustaining social and economic development. The three administrations mentioned above and the social forces which supported them, each had a different concept of socio-economic development and about the participation of the State in its achievement. This conditioned the practice of planning in them and provides the opportunity to compare three modes of defining and solving planning problems and the role and parti-
cipation assigned to planners in each one.

For the purposes of this analysis, a mode of planning is a specific set of relations among planners and planning, the State and the social classes and their foreign allies, and the role assigned to planners and planning in that given set of relations. The core of the study will be the detailed analysis of each of the three modes.

In this study, social classes are not statistical or theoretical constructs, but concrete social groups differentiated by their relative control over the means of production, the economic surplus and their power over the social system. Under the formal appearance of a representative democracy until 1973, and in more explicit form since that year, the Chilean social structure has been a rigid hierarchical system controlled by a small professional elite. This elite is the external expression of a dominant class which concentrates wealth and property and is tied to the international system of the most developed capitalist countries and their multinational corporations.

Apart from this dominant class, during the period under analysis, the Chilean social structure included: a small petty-bourgeoisie integrated by owners of small stores, family business, trucks and mechanical shops; and a large salaried working class divided into three segments: white collar employees, blue collar industrial workers, and agricultural workers. The social organization and participation of these other social classes were submitted to the formal and informal rules imposed by the dominant class.

In this study, the Chilean State is considered to include the Executive, Congress, the Judiciary and two semi-autonomous institutions: the Armed Forces and the Comptroller General, this last in charge of
supervising the legality of the actions of the Executive. Under the Constitution of 1925, which ruled until 1973, the President of the Republic, head of the Executive, and the members of the two branches of Congress were elected by popular vote. The other institutions were professional and specialized bodies which autonomy was protected by self-generation, tenure or special legal statute. The Executive had pre-eminence over the other powers of the State but a system of checks and balances insured that no one of the branches of the State could establish absolute hegemony over the others.

During the period under analysis, planning was a function of the Executive which achieved new importance, but planners had to compete with other power centers already established within the State bureaucracy. In addition, the State was only one of the major actors in the historical process, the others being the social classes, their organizations and their foreign allies. Therefore, the impact of planning and planners was necessarily marginal, shaping or modifying the determinant social forces but unable to alter their substance. For this reason, this analysis has to relate the planning experience to the general context of the social structure, the class struggle and the participation of the State and the foreign sector in it.

1. On Dependency, Class Struggle and the Relative Autonomy of the State.

The functions and institutions of the State are generated by the social structure. They are designed to serve the political and economic interests of the dominant class. But the State may achieve some degree of autonomous development and functioning. In most developed countries this relative autonomy of the State is resultant from the complexity of the administration, and is related to the emergence of a group of pro-
fessionals and managers who some authors consider to be a "new class" in between capital and labor. In Chile, however, the relative autonomy of the State was related to the characteristics of the dominant class and its cultural and economic dependency.

The Chilean dominant class has few of the dynamic and progressive traits of the industrial bourgeoisie of Europe or the United States. On the contrary, it is an oligarchy which imitates the old aristocracies of Europe by its disdain for manual labor and its acute sense of class distinctions. The Chilean oligarchy has traditionally identified "progress" with the import and reproduction of ideas, formal models and fashionable trends generated in the most developed capitalist countries.

This dominant class inherited, from the Spanish colonial administrators, the aristocratic cultural traits and the social structure based on the exploitation of labor in farms, mines and industries, for the benefit of a small privileged elite. Since formal independence from Spain was declared at the beginning of the XIX Century, this same dominant class used foreign ideas and models to shape the institutions of the new State, and invited foreign experts to assist in this task, with the purpose of giving Chile the formal appearance of a modern society.

After an early attempt at an autonomous capitalist development, the Chilean oligarchy has been willing to accept the technical and financial advantages of the multinational corporations and their predecessors in the international market. It has allowed them to take control over some strategic resources and the main exports of the country and to acquire decisive influence in industry, commerce and communications. In exchange, the most developed capitalist countries and international agencies have provided the financial and technical assistance needed to
maintain the control of the Chilean elite over the social system, and
to organize and develop the institutions of a modern State.

However, this same dependency was the vehicle for the introduction
of institutions and ideas, to the country, which conflicted with the
interests of the dominant class. Such was the case with the political
regime of representative democracy, and of the Liberal, Marxist and
Christian Left ideas which inspired the organizations and political
parties of the other social classes. In addition, the lack of dynamism
of the Chilean oligarchy and its dependency of foreign investors and
entrepreneurs, resulted in the low rate of growth and the extreme vul-
nerability of the Chilean economy to changes in the international mar-
ket.

Thus, a permanent feature of the history of Chilean development is
the tension emerging from three basic structural contradictions. They
are:

1) The class struggle resultant from the class polarization, the
lack of economic growth, and the exploitation of the working class by
the Chilean oligarchy and its foreign allies.

2) The institutional conflict between the rigid and hierarchical
social structure and the democratic principles of the political regime.

3) The ideological conflict between authoritarian and democratic
tendencies within the dominant class, as they responded to the internal
class struggle and the changing influence of their foreign allies.

Many means have been used by the dominant class to solve these con-
tradictions, including the outright use of brute force in the military
repression of the working class. However, until 1973, the Chilean oli-
garchy was interested in maintaining a respectable image in the inter-
national market, and preferred to apply less crude devices such as the technical formalization of social problems or the manipulation of the electoral and legal processes. Most of these means required the intervention of the State, and the increasing complexity of the solutions implied an expansion of the role of the State and its relative autonomy.

A special example of this was the deep disturbance suffered by the relations between the Chilean oligarchy and its foreign allies as a consequence of the Depression of the 1930's and World War II, which forced the Chilean elite to use the State as a source of financing and industrial development and led to the creation of CORFO, the introduction of planning, and the participation of the State in direct productive activities.

2. On Foreign Experts, Professionals and Planners.

Among the many means used by the Chilean dominant class to solve the basic contradictions of the social structure, two are of special importance for this analysis. They are the role assigned to foreign experts in the development of Chilean institutions and the training of Chilean professionals, and also the role of the Chilean professionals in the administration of the State and other positions of social importance.

Ever since the independence war against Spain, foreign experts were invited to assist the Chilean oligarchy in providing the ideas and models for the building of the Chilean institutions, training the Chilean professionals for the administration of the State, and serving as arbiters of the ideological conflicts within the dominant class. They provided an assumed "objective" scientific or technical rationale
for the social structure and the decisions of the dominant class, and contributed the skills and knowledge not existing in Chile for the solution of government problems.

The international planning consultants who arrived in Chile in response to the Alliance for Progress were only one chapter in a long series of similar missions which had a decisive influence on Chilean institutions and development. Foreign experts designed the Chilean Civil Code and banking laws, organized the Office of the Budget and the Central Bank, trained the Chilean military and school teachers, and provided the models for economic policy, among other many important contributions to the "modernization" of the Chilean institutions.

The imposition of foreign models and formal concepts gave to the Chilean society, the external appearance of a modern democratic state, managed by professional standards. However, it also opened the opportunities for the foreign control over basic resources of the country and restricted the development of initiatives and original research generated in Chile.

The same foreign experts mentioned above helped to organize and develop the Chilean universities, and since the XIX Century, the families of the oligarchy adopted the practice of sending their children to the University to acquire the learned skills needed to rule the country. It also established the social requirement of being in possession of a University degree to aspire to high positions in politics or in business. This "objective" standard served to legitimate the power of the dominant class through its association with technical proficiency, and to make more difficult the access to power for members of other social classes, since the highly selective educational system and the general
economic conditions restricted the admission to the University to children of the oligarchy.

Chilean professions and professionals followed the European models by combining the British concept of "liberal professional" with the "guild" type of organization in the tradition of continental Europe. They played a role similar to that of XIX Century professionals in England as developers of the ideology of the ruling class and providers of a presumably scientific rationale for the legitimacy, decisions and operations of the established social system. They also incorporated, later, some of the cultural traits of the so-called "Professional Managerial Class" (PMC) of the United States as a result of the growing influence of the US in Chile during the present century.

However, there is an important difference between the Chilean professionals and their colleagues in Europe and the United States. While the Europeans and US professionals constituted a group separated from the dominant class - if associated with it - which could be qualified as a "new class" or PMC, the Chilean professionals were part of the dominant class itself, and added their monopoly of training and knowledge to the concentration of wealth and property of the oligarchy.

As University graduates, planners were members of the professional elite, but they differed from the more traditional professionals in several ways.

A first such difference was the training of planners. Even though some of the most prominent members of other professions had been able to complement their training in Europe or in the United States, the large body of Chilean professionals were trained by Chilean universities. By contrast, all planners had international training since until the
late 1960's, there was no formal academic training in planning in the Chilean universities.

In addition, the University in Chile was divided into professional schools which had no cross registration nor common courses and tended to isolate each profession within the field of its special knowledge, while planners are trained to combine diverse specialities in multidisciplinary teamwork.

A second difference between planners and other professionals was the special association of planners with the State. It is difficult to consider planners as "liberal professionals" since, even the private practice of consulting is done for the State or other large social organizations. And in Chile this private practice was rather restricted. However, the international training of planners gave them some professional opportunities which were not open for other Chilean professionals.

Perhaps the most important difference between planners and other professionals in Chile was the association of planners with social and economic change. Actually, a small group of professionals had ever served as introducers and leaders of progressive movements, and even the parties of the Left which emerged from the organization of the working class had a number of professionals among their representatives in Congress and their directive organs. However, as it was explained above, the professions were developed for the support of the system and most of the professionals supported the political Right, as members they were of the dominant class.

But planning was the professional expression of the ideology of social change and economic development which was prevalent among Latin American intellectuals during the 1950's and 1960's. And planners
achieved new status with the changes proposed by ECLA and the Alliance for Progress.

In general, it may be said that planning is a common activity of all human beings, which means that the boundary between professional planners and other professionals and decision-makers is not easy to determine. However, this study will analyze the activities of a particular group of professionals who may be defined attending some of their most salient distinctive characteristics which are:

a) Training: the planners considered in this study had specific training for their trade, acquired either at formal schools and courses in planning, or through extended and continuous practical experience in planning tasks.

b) Position: most of the planners considered in this study worked for planning agencies or for planning divisions of State agencies, or for the planning institutes and centers of the universities and international institutions located in Chile.

c) Mentality: the planners considered in this study tended to have a common and distinct perspective towards the issues involved in making decisions for social organizations and institutions. Some of the basic elements of this particular professional perspective were: the long term view by which every short term decision was considered also in its long term consequences; the comprehensive view by which every specific problem was analyzed in relation to the whole system in which it was inscribed; and the tendency to maximize the formal rigour of analysis even in non-quantifiable matters.

In addition, it is of the nature of the professional planning work to be registered in reports and documents, many of which were available
for this study in their original form or through their use by other commentators of this period. On the other hand, even though the number of planners expanded considerably during the period, from no more than 50 professionals in 1958 to the near 300 members of the Chilean Society of Planning and Development (PLANDES) in 1970, still they remained a small group of professionals with similar training and perspective, who were located at specific points in the formal organization of the social structure.

3. Format of this Study.

The situation of the Chilean planners, as a small group with similar characteristics, doing their professional work in three successive different political environments, during a period of increasing social tension, which ended in a violent change of the system, has some of the elements of a natural experiment or quasi-experiment. Even a control group may be provided since the attitudes and behavior of planners can be compared with those of other more traditional professionals in relation to the changes suffered by the political and economic environment. However, this is a dialectical experiment because planners and the other professionals had an active role in the production of those changes, and in turn, they were changed themselves by the events of the period.

These features condition the format of this study.

Two chapters will document the factual basis for the historical and theoretical framework described above, giving a more detailed description of the environment and actors involved, and the core of the study will be a detailed analysis of the practice of planning in each of the three administrations of Alessandri, Frei and Allende, in a sequence that explores the dialectical relationship mentioned before, as follows:
a) Analysis of the general context of the political and economic manifestations of the class struggle at the beginning of each administration.

b) Analysis of the policies and programs announced and implemented by each administration, with special reference to the participation of the State and planning in them.

c) Analysis of the specific tasks carried out by planners within each administration, in relation with their policies and programs.

d) Analysis of the results of those tasks, policies and programs, and their impact on the process of socio-economic development and the class struggle, and

e) Analysis of the consequences of those results for planners and planning.

This central part of the study will be followed by a chapter on conclusions in which a comparison will be made of the practice of planning, the content of planning, and the role of the planners in the three administrations in relation to the current state of planning theory and methodology.

My own personal experience working in planning under the three administrations was a vantage ground for the direct observation of the practice of planning during the period. As it can be expected, this experience gave me definite ideas about the subject of this inquiry. However, this study is an effort to look anew at the same events with independent information, making use of the time passed to provide a fresh and different perspective on the same subject, to validate and to extend the base of the knowledge acquired.
For this purpose, two types of sources of information have been used: original documents, such as the planning documents of Chilean and international agencies, and analysis of other authors based on these original documents. Whenever possible, two independent sources have been used to verify a specific event when original documents were not available.
Chapter I
THE CHILEAN SOCIAL STRUCTURE AND THE STATE

Introduction

In Chile, planning is a function of the State, and the functions and institutions of the State are generated by the social structure, designed to serve the economic and political interests of the dominant class.

Therefore, the analysis of the practice of planning must be preceded by a description of the general background in which it takes place, including the State and the social structure. For this purpose, this chapter will contain the following sections:

(1) The general characteristics of the Chilean society with particular reference to the structure of production and the social classes.

(2) The characteristics and organizations of the Chilean dominant class.

(3) The dependency of the Chilean oligarchy, its impact on the economic performance of the country and the cultural and political consequences of it.

(4) The historic development of the Chilean working class and of the class struggle.

(5) The legal system in Chile, its functions in the social structure, and the political regime of representative democracy under the Constitution of 1925, and its response to the processes of the social structure.

These sections could provide by themselves themes for a particular
study, but are here by necessity reduced to a schematic, if as complete as possible, description of the economic and political environment, for the practice of planning in Chile.

1. General Characteristics of the Chilean Social Structure.

In 1970, the total population of Chile was near 10 million, of whom the registered voters were 3.5 million and the economically active population little less than 3 million, while the population growth rate was estimated to be 2.4% per year for the period 1965-1970. (ODEPLAN, 1971, p.293)

The same year, the gross domestic product (GDP) of Chile was estimated to be about $8 billion, and ECLA estimated the rate of growth of the GDP to be 4.2% per year, and the per capita growth rate 1.7% per year for the period 1950-1968. These rates were lower than the average rates for Latin America as a whole which were 5.2% and 2.2% respectively during the same years. (Prebish, 1970) These figures characterize Chile as a slow-growing, underdeveloped country.

One of the salient characteristics of the Chilean economy during the 1960's was the extraordinary polarization and concentration in the distribution of income. On one extreme, 71% of the population received an income per capita which was less than half of the national average and had access to only 26% of the total income, while at the other extreme, only 4.5% of the population perceived 45.5% of the total income and enjoyed incomes per capita several times larger than the national average. (ODEPLAN, 1971 Table VII, p.XXXVI)

This polarization of income results from the concentration of ownership and control of the means of production and the financial apparatus by the Chilean dominant class and its foreign allies. The 1965 agricul-
tural census found that 4.2% of all the units of production (farms) owned 79% of the total agricultural land, and other studies demonstrated that 17% of all the industrial and commercial corporations owned 78% of the total assets of those corporations, while inside them, the ten major stockholders had more than 50% of the shares in 85% of the said corporations. (ODEPLAN, 1971, p.XXVII; Stallings, 1978, p.36)

Moreover, this concentration inside each sector was related to intersectoral linkages since a reduced number of conglomerates controlled the largest productive units in several sectors at the same time. In personal terms, many members of the dominant class and their direct relatives were simultaneously owners of large agricultural states and controlled stock in banks, industrial and commercial enterprises. Thus, from 1950 to 1970, only one quarter of the economically active population were owners of their means of production, and among them only 3% were employers, while the salaried working class included 75% of the said active population. (ODEPLAN, 1971, Tables II and 31; Gil, 1966, p.19; Stallings, 1978, p.35)

The now classic study of Ricardo Lagos, found in 1958 that eleven economic groups controlled most of the economic activities in the country through their interlocking control of the boards of directors and executive leadership of the seven largest private banks. These banks held controlling stock in the major industrial, mining and commercial enterprises, and concentrated among them 74.4% of the assets and 60% of the deposits of all private banks in Chile. One of them, Banco de Chile, oldest among Chilean banks, had 42.8% of the total capital and reserves of all the 28 private banks existing in Chile at that time. (Lagos, 1961)

This concentration of wealth, property and income in a small group
of less than 5% of the total population has led historians and social scientists to qualify the Chilean dominant class as an "oligarchy". In addition, this dominant class has also concentrated the educational opportunities and has restricted the access to higher education so it includes a large majority of the professionals who manage the agencies of the State and the big business.

In fact, a study made for the Educational Planning Commission in 1964, found that more than 170,000 children of school age had no access to the educational system, and that of 100 children who entered the first grade, only 30 completed six years of basic education, less than 5 completed high school, and only half of these were admitted to the University; the principal cause of these high rates of student desertion from school were economic. (Gill, 1966, pp.22-23; Bonilla & Glazer, 1970, p.212)

But the Chilean dominant class was not alone in the control of the means of production and economic opportunities in the country. During the period considered in this study, foreign corporations controlled Chile's major exports (copper and nitrates), the telephone company and international communications, the supply of electricity for the two largest cities, Santiago and Valparaiso, the distribution of oil and gasoline, car assembly plants and tires and auto parts production, the production of electronic equipment, and had a large share in all branches of industry, wholesale commerce and finance and banking. (Stallings, 1978, pp.43-45; De Vylde, 1976, pp.12-17)

Since the Chilean dominant class and its foreign allies controlled most of the means of production, they were also the main source of employment for the rest of the Chilean population. In 1970, about 96,000 em-
ployers provided jobs for 1.8 million salaried workers, which added to
the 400,000 State employees and about 600,000 self-employed, constituted
the 2.9 million total economically active population. (ODEPLAN, 1971,
Table 55, p.69; Stallings, 1978, p.34)

This distribution of the active population, as based on the owner-
ship of the means of production and on the social relations of produc-
tion is an objective base on which to analyze the Chilean social struc-
ture and to define the social classes. However this is a crude first
approximation which requires some refinements before it is used for the
purposes of this study. A first such refinement is to add a new variable
to the analysis, the control over the economic surplus as reflected in
the distribution of income in the following table. For the purposes of
this table, "low income" is defined as the income per capita which is 50%
of the national average or less, and "high income" that which is 200% or
more of the national average, "medium income" being the one located be-
tween these two arbitrary limits.

Table 1.a: CHILE: Distribution of Income by Occupational Category, 1968
(in percentages)

<table>
<thead>
<tr>
<th>Income</th>
<th>Occupational Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employers</td>
</tr>
<tr>
<td>Low</td>
<td>3.8</td>
</tr>
<tr>
<td>Medium</td>
<td>34.0</td>
</tr>
<tr>
<td>High</td>
<td>62.2</td>
</tr>
</tbody>
</table>

| Total   | 100.0      | 100.0       | 100.0        | 99.9        | 100.0 |

(Source: ODEPLAN, 1971, Table II, p.XXX)

This table shows a correlation between occupational category and in-
come since at one extreme 62.2% of the employers enjoyed a high income,
while at the other, 87.1% of the blue-collar workers suffered a low income which at that time represented less than $300 per year. This polarization is more significant if it is considered that the low-income blue-collar workers were 1.1 million while the high-income employers were about 60,000.

In addition, the table above represents the net income received by individuals actually involved in some economic activity but the polarization of income is accentuated if the analysis is made on a household basis. On average, each family in 1968 had 5.1 members, and a survey that year found that all the high income families had at least two income producing members since family ties were a traditional mechanism of social segregation and wealth concentration of the dominant class. Even if women or old people were not members of the economically active population, they received rents from real estate or interest from capital investments. Thus, the same survey demonstrated that the 2% of the families of highest income had an average family income which was 14 times the national average. (ODEPLAN, 1971, p.XXXVII)

Previous analysts have used the figures above to make a class analysis of the Chilean social structure, but doing so, they have taken only one of the variables included in the table.

A conventional analysis projected by the Chilean dominant class with political purposes, and adopted by some U.S. historians and political scientists, makes use of income groupings similar to those of the vertical margin of the table above to divide the Chilean social structure in three classes: an upper "aristocracy", a "middle class", and a "lower class". (Gil, 1966, p.23)

John Johnson, for example, interpreted the evolution of Chilean
politics during the present century as showing "the major success achieved by the urban middle sectors being politically 'entrenched'" , and for him those middle sectors were identified with the military and the Radical Party. (Johnson, 1958, pp. 66 & ff.) And Federico Gil made a similar analysis of the evolution of the social structure from a "fairly rigid two-class society" into which, at the turn of the century, was inserted an "emerging middle group" which became "one of the largest segments of the Chilean society", estimated "in 1949 in roughly one fifth of the total population." (Gil, 1966, p.23) Still in 1977, Paul Sigmund wrote about "the existence of a relatively 'large middle class'." (Sigmund, 1977, p.21)

However, the same Sigmund added that the "disparity between rich and poor in Chile was still very great." (idem id.) And Gil, after making a valiant effort to build a "middle class by mixing together several disparate elements" found that

This middle class lacks the characteristics usually ascribed to such groups in more developed countries ... it has yet to develop a distinctive consciousness and ideology of its own. The urban middle sectors, in general, tend to assume upper-class attitudes and to defend the value judgements of the aristocracy.

(Gil, 1966, pp.26-27)

Actually, the "middle class" myth was an important ideological instrument used by the dominant class to divide the working class, reinforcing the legal segregation between white collar and blue collar workers. Through the multi-class political parties of the "Center", (Radicals and Christian Democrats) the dominant class was able to organize coalitions with elements of the petty bourgeoisie and some white collar employees, especially State employees, to defend assumed "middle class interests" supposedly threatened by the advances of the labor movement and the organ-
izations of blue collar workers. (Stallings, 1978, p.38)

Similar political role played the equally mythical "aristocracy" mentioned by Gil in the quotation above. Some Chilean historians, in particular Francisco Antonio Encina and Alberto Edwards, and some U.S. analysts, have identified the Chilean dominant class with an assumed "Castillian-Basque Aristocracy" of traditional landowners who had embodied in the past the best qualities of the most glorious pages of Chilean history. To this mythical aristocracy, the responsibility for the political stability and the physical and economic expansion of the country during the XIX century is attributed, and their descendants are the "natural" leaders of the Chilean people. (Nunn, 1976, pp.8-9, 15-16; Gil, 1966, p.38)

But the Chilean dominant class has never been really aristocratic nor of "Castillian-Basque" origin or solely based on the the ownership of agricultural land, even though those characteristics have been used, at times, as symbols of status. In fact, the Chilean dominant class inherited its aristocratic tendencies from the Spanish colonial administrators who despised manual labor and exploited workers in the mines and agricultural production - but rarely were noblemen and more often were bureaucrats and merchants. The most important hero of the Independence war against Spain and first Chief Executive of independent Chile, Bernardo O'Higgins, was the illegitimate son of an Irishman who was Colonial Governor of Chile in the XVIII century. And the reputed "creator" of the Chilean modern State, Diego Portales, was a bankrupt merchant turned politician, who was also the son of another Spanish colonial bureaucrat. (Loveman, 1979, pp.127 & 134; Crow, 1971, pp. 454 & 640-642)

A different approach to the analysis of the Chilean social classes was taken by Barbara Stallings in her excellent study, "Class Conflict
and Economic Development in Chile. Making use of the occupational categories as they appear in the horizontal margin of Table 1.a as indicators of ownership of the means of production and of the social relations of production, she qualified the employers as "Bourgeoisie", the self-employed as "Petty-Bourgeoisie", and the white and blue collar workers as members of the salaried "Working Class". (Stallings, 1978, p.34)

This is a more objective approximation than the artificial construction of a "middle class" or the acceptance of the aristocratic pretenses of the Chilean dominant class, but it is still a too simplistic use of statistical categories for the definition of a complex phenomenon, as the same table shows.

It is difficult to characterize all the self-employed as members of the same Petty-Bourgeoisie when three quarters of them appear to have an income that is less than half the national average. Actually, a large number of those low-income self-employed were the owners of agricultural properties so small or poor that they cannot sustain the farmer and his family (minifundios) who, therefore, increased the pool of unemployed agricultural workers in search of temporary or seasonal jobs. (ODEPA, 1970, pp.16&17) The same special consideration should be given to a large group of urban self-employed who Stallings, herself, considered as a cover up for much of the disguised unemployment so prevalent in Chile ... unemployed members of the proletariat tend to become part of the lowest stratum of the petty bourgeoisie (e.g. street vendors) because the industrial sector is not capable of generating enough employment to absorb the growing labor supply. (Stallings, 1978, p.37)

The previous table requires an explanation of those groups which contradict the general trend, that is the employers with low income and the salaried workers with high income.

26
The same analysis of Stallings made the distinction between the "monopoly" and "non-monopoly" sectors among employers, in relation to the high degree of concentration of ownership that has been mentioned before. The monopoly sector of large enterprises (more than 200 workers) associated with the multinational corporations, account for most of the large group of employers with a high income, while the small enterprises of the "non-monopoly" sector may justify the existence of employers with medium and low income. However, these can also be the result of induced statistical mistakes resultant from the reluctance of employers to give income information for official enquires. Large firms had access to foreign technology and to foreign and national credit which were not easily accessible to small enterprises, and therefore, tended to be more capital intensive and also had the economics of scale that the small firms didn't have. (Stallings, 1978, pp.36-37)

The said large monopolies tended also to have well organized and highly skilled workers who were able to obtain better wages than other workers, because of their productivity and because the cost of labor was a low proportion of the total cost due to the high capital to worker rate. This may explain the existence of the small group of blue collar workers with incomes higher than two times the national average and, sometimes, actually put the workers of the monopoly sector in conflict with the rest of the working class. The higher wages of the monopoly sector reflected in higher prices, and the less skilled and lesser organized workers could not defend themselves against the resultant inflation. (Stallings, 1978, p.38; De Vylder, 1976, p.48)

Many executives of large corporations, high officers of State agencies, and the professionals working for the State and such corporations
were included statistically among the white collar workers since this was the type of employment contract they had for tax and social security purposes. This explains the 7.4% of white collar employees who appear to have a high income in the table. Thus, the Chilean dominant class is not reduced to the "employers" category as in the analysis of Barbara Stallings, but includes the high income white collar employees and also the high income self-employed who are most probably wealthy professionals.

2. The Chilean Dominant Class and its Organization

The Chilean dominant class is integrated by three functional groups: businessmen, professionals, and politicians which correspond to the three types of organizations of the class for collective action: professional associations, sectoral associations, and political parties.

Professional associations ("Colegios Profesionales") had some of the characteristics of the traditional European "guilds" and will be further analyzed in another section of this chapter.

The traditional associations of wealthy businessmen by economic sector were created in the past century, the most important ones being: Sociedad Nacional de Agricultura (S.N.A.: National Agricultural Society); Sociedad de Fomento Fabril (SOFOFA: Industrial Development Society); Sociedad Nacional de Minería (S.N.M.: National Mining Society); and Cámara Central de Comercio (C.C.C.: Central Chamber of Commerce). These sectoral associations were formally tied to each other by the creation, during the 1930's, of an umbrella organization: Confederación de la Produccion y del Comercio (C.P.C.: Production and Commerce Confederation) which became the most important organization of the dominant class. (Stallings, 1978, p.58; Gil, 1966, pp.294-295)

The traditional political parties of the dominant class were origin-
ally the Conservative Party and the Liberal Party, which created in the XIX century, shared the control of the Executive and Congress until 1939, and constituted the political Right. Before 1933, the Conservatives, representing agricultural landlords and traditional Catholics, had differences with the Liberals who sustained the separation of the Church and the State and represented urban industrialists and merchants. However, both parties supported the same conservative economic policies, and after 1933 entered in an almost continuous coalition until their final fusion in 1966 in the National Party. (Gil, 1966, pp.245 & ff.; Stallings, 1978, p.41)

But the dominant class had also decisive influence within the two large multi-class parties which occupied the Center of Chilean politics during the period analyzed in this study.

One of them, Partido Radical (P.R.: Radical Party), emerged in mid-XIX century as one of the consequences of the rebellion of liberal extremists and the provincial bourgeoisie against the authoritarian regime imposed by the Conservatives of Santiago. The Radicals later evolved into a social-democracy position and expanded to include white collar employees. (Gil, 1966, p.257)

The other, Partido Democrata Cristiano (P.D.C.: Christian Democratic Party), emerged in the 1930's as a small group of progressive Catholic intellectuals and young professionals who split from the Conservative Party and expanded during the 1950's to include members of all the social classes, though under the control of the original group. (Gil, 1966, pp.266 & ff.)

The Radicals controlled the Executive from 1939 to 1952, and were the largest force in Congress between 1953 and 1963, but were replaced by
PDC during the 1960's as the main force in the political Centre. Both Centrist parties were generated by ideological conflicts within the dominant class and never lost their links with it. However, they entered in temporal coalitions with the parties of the Left which represented the working class, and sometimes adopted progressive and populist positions. Neither party could solve their internal contradictions and both divided in the late 1960's, but in the period between 1932 and 1970, they provided the appearance of a real democratic alternative to the traditional parties of the Right.

In both cases their original ideas were rooted in Europe, but later they achieved good relations with the U.S. Liberals, first the Radicals who admired the New Deal of Roosevelt, and then the Christian Democrats through the Alliance for Progress. (Gil, 1966, pp.257 & ff.; Stallings, 1978, p.41)

A distinctive feature of the Chilean social structure, both in business and politics, has been the long term preeminence of some families. Among the Chilean Presidents between 1828 and 1973, there were four pairs of father and son: Francisco Antonio and Aníbal Pinto; Manuel and Pedro Montt; Federico Errázuriz Zañartu and Federico Errázuriz Echaurren; and Arturo and Jorge Alessandri. And several other cases of close relatives such as President Manuel Bulnes who was the nephew of President Joaquín Prieto and son-in-law of Francisco Antonio Pinto, or President German Riesco who was nephew and cousin to the Errázuriz. In addition, six of the Presidents: Joaquín Prieto, Manuel Bulnes, Manuel Montt, José Joaquín Páez, Arturo Alessandri, and Carlos Ibáñez, performed that office for two periods which restricted the access to the Presidency even more. One single extended family, Errázuriz, provided four Presidents and 59 members
of Congress before 1927, and, in more recent times, the Alessandri family provided two Presidents, several Senators and Deputies and candidates to the Presidency in 1920, 1932, 1946, 1952, 1958, and 1970. (Nunn, 1967, pp.9-10 & 87; Loveman, 1979, p.137)

The power of these families was not restricted only to politics. The Errázuriz started as major landowners in the richest agricultural region of the country, and diversified later into urban business and real estate. Jorge Alessandri, at the time of his election to the Presidency in 1958, was the Chief Executive of the paper and cellulose monopoly "Papeles y Cartones", one of the largest industrial corporations of the country, and of a large distributing firm (CODINA), being director of a bank and SOFOFA and several other corporations as well as President of CPC. One of his brothers, a well known corporate lawyer, had for a time been Dean of the Law School of Universidad de Chile, and another, a physician, had been Dean of the School of Medicine. By marriage and business, the Alessandri family was tied to the Matte family, of large real estate holdings in downtown Santiago. The Alessandri-Matte group controlled or had direct interests in 69 corporations which, in 1960, amounted to 16.1% of the total private investments in the country. (Roxborough, 1977, p.56)

Other families of the dominant class had little interest in elected offices and concentrated more in their private business, even though they managed to have decisive influence in politics when they consider it necessary. A good example is the Edwards family, which acquired preeminence in financial, industrial and commercial business, but achieved a strong influence in politics through their ownership of "El Mercurio", the oldest and most prestigious newspaper in Chile. The Edwards and Matte families
were also related by family and business and, in 1891, the two were instrumental in obtaining financing in London for the rebellion of Congress against President José Manuel Balmaceda. More recently, the head of the family, Agustín Edwards Eastman, Editor of El Mercurio, President of the Edwards Bank and of the beer and soft drink monopoly, "Cervecerías Unidas", arranged, in 1955, the contract of the Klein-Sacks Mission by the Ibañez Administration. In 1970 he was President of the Chilean subsidiary of IBEC (Rockefeller), and had 20% interest in the Chilean subsidiary of Ralston Purina, while Cervecerías Unidas had the Chilean franchise of Pepsi Cola. The Edwards group had control over 12 financing companies, 12 major industrial enterprises, 2 large publishing houses, and extensive urban and agricultural landholdings. (Stallings, 1978, p.36; Roxborough, 1977, p.56)

A later chapter will analyze the important participation of Agustín Edwards in the mobilization of forces which led to the overthrow of Allende in 1973.

3. The Dependency of the Chilean Oligarchy

The example of the Edwards family is a good sample of the ties of the Chilean dominant class with the multi-national corporations.

In the period following Independence from Spain, the Chilean oligarchy appeared to have some of the dynamic characteristics of other modern bourgeoisies. It was engaged in an effort to develop a self-sustaining capitalist economy with nationally financed industrial and mining ventures and the active participation of the State through public works and State owned finance and transportation services such as the State Railroads. During this period, Chile won two expansionist wars against Peru and Bolivia in 1836-39 and 1879-82, and acquired two provinces rich in
mineral resources. However in 1882 the Chilean government, under the influence of the free-trade and laissez-faire ideas introduced to the country by the French economist Courseul-Seneuil, decided to turn the mines back to private ownership, an opportunity which was used by British interests to take control of them. (Hirschman, 1963, p.166)

Nitrate, produced in the mines controlled by the British companies, became the most important Chilean export, and export and import taxes were then the most important State revenues. Before 1918, the expansion of mineral exports provided a comfortable backing for the laissez-faire policies of the pseudo-aristocratic Chilean dominant class, because it was free of income taxes and the land taxes were maintained very low. The passive nature of the government was very well represented by the famous phrase of President Ramon Barros Luco,

There are only two kinds of political problems: those that get solved by themselves, and those that have no solution at all. (Hirschman, 1963, p.173)

Favored by the same laissez-faire policies, U.S. interests took control of the largest copper mines and gradually replaced the British as the most important foreign influence in the Chilean economy. After the end of World War I, synthetic fertilizers displaced Chilean nitrate from the international market and copper became the most important Chilean export until today. (Loveman, 1979, p.238)

Even though the nitrate crisis and the great depression of the 1930's forced the Chilean State into a new activism, the Chilean dominant class was no longer interested in developing a self-sustained capitalist economy. On the contrary, as the example of the Edwards family shows, the Chilean oligarchy became interested in integrating itself into the international system of the large multi-national corporations. The subsidi-
aries of multinational corporations in Chile provided the opportunity for members of the Chilean dominant class to join the ranks of the executives of those such corporations. And the Chilean executives of those subsidiaries took care of mobilizing their influence to provide a favorable political and economic environment in the country for their companies.

The political parties of the Right always sustained the necessity of foreign investments for Chilean development, and the need to provide special incentives to attract such investments. This, in practice, implied a privilege for foreign investors over national ones.

Actually, in the 1960's, the most important foreign investments were in mining (copper, nitrate, and iron ore), but 25% of all industrial corporations had some participation of foreign capital and this group represented 60% of the total capital of industrial corporations. In fact, the foreign investments were concentrated in the monopoly sector of large enterprises, especially the production of electrical equipment (60% foreign owned), rubber (45%), transportation equipment (43%), and chemicals (38%). They also controlled 50% of wholesale trade and five private banks, apart from the telephone and electric companies mentioned previously. (Stallings, 1978, pp.43-45; De Vylder, 1976, p.12)

This economic dependency was one of the main factors of the low rate of growth of the Chilean economy since decisions on investments and production policies for an important share of the productive capacity were taken outside of the country, independent of Chilean needs and interests and even in contradiction with such interests and needs. In addition, the favorable treatment of the foreign investments resulted in a continuous drain of Chilean money and resources. "During the decade of the 1960's, direct foreign investment totaled $900 million compared with the repatri-
ation of $839 million in profits and $873 million in depreciation, producing a net outflow of $812 million." (Stallings, 1978, p.45)

During the period analyzed in this study, the most important symbol of the Chilean economic dependency was the case of the large copper mines. Chile is one of the largest producers and exporters of copper in the world, and copper accounted for about 80% of the total value of Chilean exports. The "Gran Minería" (Large Mines) which produced between 80% and 90% of the total copper exports were owned by two U.S. corporations; Anaconda and Kennecott, which hired Chileans as executives for their subsidiaries in the country, but decided on their production, refining and market policies from their headquarters in the United States, until the Chilean government decided to participate in them in 1965. (Stallings, 1978, p.43; Loveman, 1979, p.261) The nationalization of the copper mines by the Allende Administration in 1971 was one of the major factors for the decision of the U.S. government to support the Chilean dominant class in its efforts to overthrow the government. (Sigmund, 1977, pp.141-142; De Vylder, 1976, p.128)

However, as stated previously, the dependency of the Chilean dominant class was not only economic but scientific, technical and cultural as well. Ever since the Independence war, foreign "experts" helped the Chilean oligarchy to organize the Armed Forces, to create State and legal institutions, and to develop the national educational system, and doing so they introduced new models and ideas to the country. The historic role of these foreign experts will be analyzed in detail in a later chapter, but it is important to note here that even though the adoption of foreign ideas and models gave the Chilean social structure the formal appearance of a modern system, it also implied the emergence of ideological conflicts
within the Chilean dominant class and even the use of foreign ideas against the interests of the oligarchy. That was the case of the democratic ideas which served as ideology to the Liberals and Radicals during the past century, and which were incorporated into the Constitution by the imitation of French and U.S. institutions, and the Marxist analysis which was adopted as ideology by the political parties of the working class. (Gil, 1966, pp. 244 & ff.; Loveman, 1979, p.181)

One special relation of cultural and ideological dependency of the Chilean social structure with Europe was the Catholic Church. Christianity was introduced in Latin America in the institutional form of Spanish Catholicism, and as such it was an important part of the imposition of European ideas on the native population. On July 28, 1508, Pope Julius II conceded to the Spanish Crown universal patronage over the Church in the "Indies". The Church became an agency of the royal government, dependent on the "Consejo de Indias" (Council of Indies) for personnel, finances and regulations. The King collected the tithe and allocated its distribution, and assigned, to the Church, specific public functions such as education, health and other social services. The Church reserved for herself the matters of doctrine and morality. (F.V. Scholes, in R.E. Greenleaf, ed., 1971, p.22)

This reserve was the refuge of a persistent, if not very successful, faction within the Church, which tried ever to raise the ethical consciousness of the colonial rulers on the basis of a Christian humanism. In addition, the centralized nature of the Spanish administration implied that few of the Bishops in Latin America were native Americans. This led to a conflict within the Church in the period during which the Latin American countries were gaining Independence from Spain. While the Bishops
tended to be royalists and sustained conservative ideas, the lower clergy, with a large number of native born priests, supported the "criollo" position and were more favorable to the liberal ideas associated with it. (K. Schmitt, in Greenleaf, ed., 1971, pp.157-163)

In Chile, this was a source of division within the dominant class. Even though a friar, Camilo Henríquez, was a Secretary to the first government, "Junta", in 1810, Bernardo O'Higgins had several conflicts with the Church during his "Directorate" (1817-1823) and Liberal governments had many others during the past century, when the issue of the relations between the Church and the State was the main source of difference between the Conservative Party on one side and the Liberal and Radical Parties on the other. Actually, the Church was tied to the State by the Conservative Constitutions of 1828 and 1833, and "Diego Portales supported the Church and used it pragmatically as a bulwark of political stability." (Kinsbrunner, 1973, p.53; See also Loveman, 1979, pp.181-182)

In the same way that the humanistic faction of the Church battled to defend the rights of the Indians in colonial times, and liberal clergymen joined the patriots in the struggle for Independence from Spain, a growing group within the Catholic Church in the present century began to provide a critical analysis of the social structure. Inspired by the social encyclicals of the Popes Leo XIII: "Rerum Novarum" (1891), and Pius XI: "Quadragesimo Anno" (1931), priests such as Fernando Vives and Jorge Fernández Pradel worked to create a social conscience among political leaders and Bishops, and established a "Social Secretariat" directed to support the unionization efforts of the workers of Santiago in 1917. In 1923, the Archbishop of Santiago, Crescente Errázuriz (of the same preeminent family mentioned before) entered in negotiations with President
Arturo Alessandri for the peaceful separation of Church and State which was formalized in the Constitution of 1925. (Loveman, 1979, pp.306-307; Halperin, 1965, pp.179-181)

After the death of Archbishop Errázuriz, other less progressive bishops tried to declare that militancy in the Conservative Party was obligatory for Catholics, but Father Vives obtained a letter from the Vatican Secretary of State, Cardinal Pacelli (later Pope Pius XII) which established that no political party could be considered as the exclusive representative of the Catholic Church. (Halperin, 1965, pp.181-182)

The same "Social-Christianism" movement inspired in the social encyclicals of the Popes, and the ideas of the French philosopher, François Maritain, moved a group of young Catholics to form a new political movement inside the Conservative Party. But their ideas put them at odds with the politics of the Party and, in 1938, they split to form a new political organization named first Falange Nacional, and after 1957, the Christian Democratic Party (PDC). After World War II, the Chilean Christian Democrats established good relations with the parties of the same name in Europe and joined the international organization of the Christian Democracy based in Europe. (Gil, 1966, pp.72-73 & 266-276; Halperin, 1965, pp.178-205)

In the 1960's, PDC grew to become the largest single party in Chilean politics. The government of the Christian Democrat President, Eduardo Frei, was the one which installed a National System of Planning in 1965, and it was the division between the Christian Democrats and the Right which allowed the election of Salvador Allende to the Presidency in 1970.

The example of the Catholic Church is a good demonstration of the impact of ideas during the period under study and how the dependency
of the Chilean dominant class made it vulnerable to foreign ideas and models which could be contradictory to its own interests. In a parallel situation, the labor organizations and the political parties of the Left, which represented the working class, embraced European Marxism to serve as the basis of their ideology.

4. The Development of the Chilean Working Class and the Class Struggle

According to the 1970 Census, 47.1% of the working class was employed in direct productive activities such as agriculture, mining, industry and construction; 7.5% worked in transportation, communications, electricity, gas and water services; and 45.3% were employed in commerce, finance and other services. Besides the 400,000 employees of the State, the sectors which employed the largest number of workers were agriculture with 341,000 workers, and industry with 321,000. Other large sectors were construction (130,000), transportation and communications (118,000), and commerce (141,000). The same source indicates that 65% of the white collar employees worked in commerce, finance and other services, while 63% of the blue collar workers were employed in direct productive activities. (Stallings, 1978, p.35)

White collar employees were divided into two large groups: the 377,000 employees of the public sector (the rest of the State employees were blue collar workers), and 321,000 employees of the private sector or "empleados particulares". (ODEPLAN, 1971, Table 253, p.339)

A number of white collar employees had positions of supervision over blue collar workers and the employees of the public sector were associated with the power of the State in the eyes of the public. Moreover, as it was mentioned before, many executives of private corporations, professionals and high officers of State agencies, were included statistically among
white collar employees because that was the type of employment contract they had. In addition, the legal segregation between white collar and blue collar workers resulted in higher average salaries for white collar than blue collar employees as the Table 1.a on page shows. All of this tended to give the white collar workers a subjective identification with the dominant class while, objectively, they were at its service.

In fact, the real opportunities for upward mobility of white collar employees were severely restricted due to the reservation of higher positions for professionals, politicians and, in the private sector, for relatives of the owners of the firms. In addition, the great expansion of the tertiary sector during the last fifty years, led to the creation of many white collar positions subordinated to the dominant class but without direct control or supervision of other workers. Actually, in 1968, more than 70% of the white collar workers had an income per capita below the national average, and most of them had little hope of improving their position by promotion. (ODEPLAN, 1971, Table II, p.XXX)

For these reasons, even though the white collar employees demonstrated some ideological ambiguity and served as basis for the two large political parties of the Center (Radicals and PDC), they showed no lack of solidarity with the labor movement in the class struggle. Actually, white collar organizations served as leaders of the labor movement in 1948 against the conservative economic policies implemented by Jorge Alessandri as Minister of Finance of the Administration of President Gabriel González Videla.

Since the organizations of blue collar workers were in disarray due to the repressive measures of the "Defense of Democracy Law" (better known as "ley maldita" in the labor movement), State employees organized in the Asociación Nacional de Empleados Fiscales (A.N.E.F.: National Association
of Public Employees) and employees of the private sector organized in the "Confederación de Empleados Particulares de Chile" (C.E.P.CH.) formed a coordinating committee presided by Clotario Blest, an employee of the Treasury and leader of ANEF. Bank employees started the strike which expanded and developed into a general strike that led to the dismissal of the Minister of Finance and to the end of his conservative policies, in 1950. (Hirschman, 1963, pp.189-190) Shortly after, the same organizations were instrumental in the creation, in 1953, of the most important organization of the working class, "Central Unica de Trabajadores de Chile" (C.U.T.: Unified Workers Central) whose first president was Clotario Blest.

However, the oldest and strongest organizations of the working class were the labor unions of the blue collar workers and the political parties of the Left.

At the end of the past century, the concentration of large numbers of workers, subject to miserable working and living conditions in the isolated locations of the mines, provided the natural environment for the emergence of the Chilean labor movement. Nitrate and coal miners, together with the railroad workers who linked them (the coal mines were in the south and the nitrate mines were in the north of the country), staged the first general strike registered in Chile in 1890. (Loveman, 1979, p.206)

The first national organization of workers, "Federación Obrera de Chile" (F.O.CH.) was founded in 1909, and the first enduring political party of the working class was "Partido Obrero Socialista" (P.O.S.: Socialist Workers Party) organized in 1912, which was closely related to FOCH, sharing leaders and strategy with the labor organization. (Gil,
1966, p.55; Loveman, 1979, pp.216-228) Even though the first labor leader elected to Congress in 1906, Luis Emilio Recabarren, was deprived of his seat on a technicality, POS continued to present candidates, and in the 1920's had four Deputies.

From the beginning, the labor movement was in contact with the foreign linkages of the Chilean social structure because of the importance of British interests in the nitrate mines, and later the control of U.S. capitalist of the largest copper mines. However, the working class was seriously damaged by the tendency to follow the traits of the dominant class in the adoption of foreign ideas and models.

During the 1920's and parallel to FOCH and POS, an anarchist movement achieved strength among longshoremen and construction workers by denouncing any compromise with the existing system. And in 1921, Luis Emilio Recabarren, leader and founder of POS and FOCH, went to Moscow and affiliated the Chilean labor organization to the Red International of Labor Unions (R.I.L.U.). Upon his return to Chile in 1922, POS changed its name to "Partido Comunista de Chile" (P.C.: Communist Party), and officially adopted the Marxist-Leninist ideology and the organizational principle of "democratic centralism", created by Lenin for the Communist Party of the Soviet Union. This resulted in the division of the party and the labor movement, and the reproduction, in Chile, of the international conflict between "Stalinists" and "Trotzkysts" which had little relation with the objective conditions of the Chilean working class, but had long lasting consequences for the labor movement and the ensuing course of the class struggle. (Gil, 1966, p.60; Loveman, 1979, pp.217 & 227-228)

Divided, the labor movement was unable to make use of the paralysis
of the established system which led to the military coup of 1924 and to
the adoption of a new Constitution in 1925.

The Communist Party achieved a strong international organization and
discipline but was deprived of revolutionary dynamism and flexibility to
react to the objective conditions of Chile and, in 1932, denounced the
short-lived "Socialist Republic" as a bourgeois movement. (Halperin, 1965,
p.43; Roxborough, 1977, p.23)

In 1933 the same group of military officers, intellectuals and young
professionals who failed to establish a socialist republic, together with
the Trotzkyst faction divided from the Communists, organized the second
large party of the working class and the political Left, "Partido Social-
Stallings, 1978, p.29)

Salvador Allende was one of the founders of the Socialist Party and
the differences between Socialists and Communists had an impact on the
period analyzed in this study, and therefore merit a further short expla-
nation.

Both parties had a genuine base within the working class, even
though the Socialists had a more diversified composition than the Commu-
nists, and both parties sustained a Marxist ideology. However, the Soci-
alists rejected any affiliation with international organizations centered
in Europe, while the Communists were members of the international organi-
zations based in Moscow and tended to follow their general strategy. As
a result, even though the Socialists ever tended to develop a "Chilean
way to Socialism", they also received many elements who had left the Com-
munist Party as a consequence of international conflicts, from the
Trotzkysts who founded PS to the Chilean followers of the Yugoslavian or

In addition, the Communists had traditionally adopted the strategy of the "peaceful road to socialism", that is, of working through the established political regime of representative democracy, while the Socialists were born of an aborted revolution and sustained a much more critical position in relation to the established system. They tended to consider that the representative democracy, established by the Constitution of 1925, was an instrument to maintain the power of the dominant class, and even though they were willing to follow, for a time, the "peaceful road" of the Communists, they were always waiting for the opportunity to achieve power through radical changes in the established system, which placed them at the left of the Communists. (Halperin, 1965, p.143; Gil, 1966, pp.286-287)

As it was seen above, the original base of the labor movement was among miners and the railroad workers, but during the 1920's and 1930's it expanded to include industrial workers, white collar employees and peasants. Still, in 1936, the Workers Confederation of Chile (C.T.CH.), which replaced FOCH as a national labor organization, was a blue collar organization, but the creation of CUT in 1953 unified all sectors of the working class. It was estimated that during the Allende Administration, CUT included all the workers who could legally be organized. (Stallings, 1978, p.40; Roxborough, 1977, p.32)

The response of the Chilean dominant class to the growing organization and mobilization of the working class was conditioned by the ideological conflicts inside the oligarchy and by the changes in the economic situation of the country. As a result, the working class suffered peri-
ods of harsh repression alternating with others in which they enjoyed a restricted measure of freedom. In most cases the repression was directed against blue collar workers and peasants, but white collar employees were also affected after their organizations joined the labor movement in 1948.

In the first period, from 1890 to 1910, the rule was the crude military suppression of the labor movement in actions which culminated in the senseless killing of 3,600 miners and members of their families by the Army in the school, Santa María, in Iquique in 1907. (Loveman, 1979, p.226; Stallings, 1978, p.27) This was followed by a period in which the laissez-faire policies of the government were extended also to the labor movement. But the crisis of the nitrate mines after World War I resulted in a great increase of unemployment and labor conflicts which led to a new period of repression that extended from 1920 to 1936 with new massacres in San Gregorio (1921), La Coruña (1925) and Ranquil (1934).

In La Coruña, the Army killed 1,200 nitrate miners and destroyed their houses with artillery barrages. In Ranquil, the national police (Carabineros) machine gunned a large number of peasants who were protesting the loss of their small lots of land. (Loveman, 1979, pp.239-246 & 270; Roxborough, 1977, pp.19-22)

However, this second period of repression was accompanied by a parallel effort to institutionalize the labor conflict by the creation of a social security system in 1924, the recognition of the voting rights of workers in the Constitution of 1925, and by the dictation of the Labor Code and its subsequent enforcement in 1931. (Loveman, 1979, pp.243-249; Roxborough, 1977, pp.21-22)

After 1937, the dominant class, internally divided by its ties with
both sides in World War II, took a more conciliatory approach to the labor movement, trying to tame it, to divide it or to compromise with it rather than confronting it.

In 1937 the Radical Party entered in a coalition with the parties of the Left to form a "Popular Front" that won the Presidency for the Radical, Pedro Aguirre Cerda in 1939. The Popular Front government created CORFO and introduced planning as a State function in Chile. However, to obtain acceptance for its project in a Congress dominated by the Right, the Executive negotiated an agreement between the dominant class and the labor movement by which the rural areas were excluded from unionization efforts. Thus, the agricultural workers were not allowed to organize, and the existing organizations were destroyed by government action. This led to a destruction of the Popular Front and to a conflict between Communists and Socialists. (Loveman, 1979, pp.270-280; Roxborough, 1977, pp.25-27; Kaufman, 1972, p.26)

In 1946, Gabriel González Videla, considered to be the leader of the left wing of the Radical Party, obtained the highest number of votes among four candidates in the presidential elections, with the support of the Communists. Since none of the candidates obtained a majority of the popular vote, Congress had to choose between the two highest pluralities. This led González Videla to get an agreement with the Liberal Party to achieve its support in Congress, and resulted in the strange situation of a government coalition which included the party of businessmen and the Communists together. (Gil, 1966, p.72; Loveman, 1979, p.283)

In 1947, President González Videla went to Brazil to participate in the Inter-American Conference which adopted the "Rio de Janeiro Treaty of Reciprocal Assistance" (the Rio Pact), and enrolled Chile in the
Cold War, helped by U.S. financial aid for the Huachipato steel mill and some hydroelectric projects. When the Communists tried to respond through a series of strikes in the copper, nitrate and coal mines, the Executive, with the support of the Rightist majority in Congress, passed, within 48 hours, the "Defense of Democracy Law" which deprived the Communists of their civil rights, and sent many labor leaders to concentration camps or to exile. (Gil, 1966, p.72; Johnson, 1958, p.87)

The Defense of Democracy Law, known also as "Ley Maldita" by the labor movement, started a new period of repression which lasted for ten years. However, it led to a new unity of the Left, by forcing the Communists and Socialists to forget their sectarian squabbles. This was reflected in the organization of CUT in 1953 and by the creation of a new permanent political alliance, "Frente de Acción Popular" (FRAP: Popular Action Front) in 1957. (Gil, 1966, p.276; Roxborough, 1977, pp.31-32)

In addition, the "Ley Maldita" marked the end of the compromise of 1939 between the dominant class and the labor movement, and led to a new emphasis within the labor movement for the organization and mobilization of agricultural workers. Communists and Christian Democrats, in particular, were very active, and organized in the vineyard region of Molina, the first large scale strike of agricultural workers in 1953. When the government of Carlos Ibáñez, abrogated the "Ley Maldita" just at the beginning of the period analyzed in this study, which coincides with the last period of relative freedom of the working class before the brutal repression of the present military dictatorship.

One important characteristic of the Chilean social structure was the legal formalism which permeated all social relations.

Almost any agreement, social grouping or organization was conceived as a formal contract which assigned well defined rights and obligations. And the social conventions which surrounded any social relation were as rigid as legal norms, including details as proper attire and ways to do things. (Condon, 1961, pp.5 & 8) There was a widely held expectation that the law could solve most of the social problems.

This resulted in a great number of formal rules (near 20,000 valid laws in 1970) and the extended preeminence of lawyers in all the spheres of social action. Such legal formalism was used as a symbol of the universal legitimacy of the established social system, and together with the formal political regime of representative democracy, constituted a source of nationalistic pride until 1973, distinguishing the "Chilean way" from other Latin American countries ruled by arbitrary dictatorships. (Gil, 1966, p.viii; Loveman, 1979, pp.6-7)

The Constitution of 1925 that ruled until the counter-revolution of 1973, "insured to all the inhabitants of the Republic equality before the law." (Art. 10, No. 1) But in practice, the dominant class made use of the law as an instrument of control of the social system and to give a caste-like organization to the social structure with well defined social classes and little social mobility between them. In direct contradiction to the Constitutional rule, the diverse social groups were divided not only by class and function, but also by the particular legal statute applied to each of them.

The class nature of the legal system was clear in its origin. The
law was produced by the State and the State was controlled by the dominant class under the appearance of a representative democracy. As a result, the members of the dominant class tended to consider their own rights as preceding the law, and the value of the law as dependent on its functional utility. In contrast, the members of the working class tended to consider the law as the only source of rights recognized by the dominant class. Paradoxically, this meant that the law had more importance for the working class, who were submitted to it, than for the dominant class, who used the law as an instrument of social control.

A good example of the class orientation of the legal system is given by the Civil Code adopted in 1855. The Civil Code defined the law and gave the rules for its validity and interpretation. In accordance to its Article 7, "the law rules since its publication in the 'Diario Oficial' (Official Daily) and after this publication, it is presumed known by everybody, and no one may allege ignorance of the law". And later, the same code ruled that the first criteria for the interpretation of the law is the fidelity to its literal text, not its spirit or objective. (Art. 19)

At the same time that the Civil Code was adopted, nearly 80% of the Chilean population was illiterate (Gil, 1966, p.19) which meant that the Civil Code was putting the law at the service of the educated elite. Even though, later, most of the Chilean population became able to read the law, the added complexity of a great number of rules and the elaborate language, used in legal texts, required the intervention of lawyers for its interpretation, and most of the lawyers were members of the dominant class and at its service.

The Civil Code is probably the most important piece of legislation
for the dominant class and it is still in force after several political regimes and big social changes have taken place in the country. In fact, aside from the rules on definition, validity and interpretation of the law, it contains the rules of property rights and created the "Registro del Conservador de Bienes Raices: (National Registry of Real Estate), regulates contracts and personal obligations, and defines family rights and inheritance rights.

Given the concentration of wealth and property by the dominant class, these rules were obviously very useful to its members, but they were practically useless the great mass of the population.

Another important code of the XIX century was the Criminal Code ("Código Penal"), which defined crimes and penalties in a rigid system of mandatory sentencing which has been criticized by its mechanical approach to criminal cases, and by its scales of weight of penalties which allowed judges little discretion and tended to give more importance to crimes against property than crimes against persons.

But the most important body of legislation for the working class was the Labor Code of 1931, which regulated labor conflicts and formalized the segregation between employers and employees and among different types of workers. The Code defined the "Contrato de Trabajo" as an individual work contract which included some mandatory features and diverse rights for employers more than for workers. It also contained the rules about labor organizations and about labor conflicts, and authorized legal strikes after such cumbersome requisites that most strikes, after the Code was adopted, were technically "illegal". (Roxborough, 1977, p.61)

But the most important social impact of the Labor Code was the for-
mal segregation established by it among white collar employees ("empleados"), blue collar workers ("obreros"), and agricultural workers ("obreros agrícolas"). These categories were reduced to only two by Law 16,250 of 1965, which eliminated the differences between agricultural and industrial workers. (Loveman, 1979, p.245; Stallings, 1978, p.38)

The same Labor Code provided the formal mechanism by which an occupational role was to be classified ("Junta Clasificadora de Empleados y Obreros") and the criteria to be used for such classification, being the distinction between "intellectual" and "physical" work. White collar "intellectual" workers were given, by this code and subsequent legislation, more rights and better benefits than blue collar "physical" workers, in matters of wages, organization and social security, with agricultural workers being the "less privileged" of the three groups. (Gil, 1966, p.23; Stallings, 1978, p.38)

White collar employees were authorized to organize, regionally or nationally, by trade and could negotiate collective agreements on that basis. Blue collar workers could only organize by shop or factory and their regional and national organizations were "illegal". Before Law 16,625 of 1967, it was practically impossible for agricultural workers to organize within the legal framework. (Loveman, 1976, p.259)

The minimum salary for white collar employees (Sueldo Vital) was fixed each year by a commission in which the employees were represented together with representatives of the employers and the State, after a survey had been carried out to estimate the cost of living for a typical employee family. By contrast, the minimum wages for blue collar workers were fixed by law on an irregular basis since they depended on the wil-
lignness of Congress and the Executive to legislate. Until 1965, the minimum wages for agricultural workers were lower than those of industrial workers because it was assumed that agricultural workers received some benefits in kind.

The different categories of workers also had diverse systems of social security which provided better benefits for white collar than blue collar workers. The social security funds were also important because they were related to medical insurance and to the financing of housing for the respective workers. (Gil, 1966, pp.179-183)

The legal segregation described above resulted in the differences in income of the occupational categories which appear in Table 1.a. Actually, the income of white collar employees was, on average, three times the income of blue collar workers during the period of 1960-1969. (ODEPLAN, 1971, Table 34, p.48)

These differences were instrumental in restricting the possibilities of a unified organization of the working class, and added to the previously mentioned distinction between workers of large firms and small enterprises, to create conflicts among the immediate particular interests of each category of workers and the long term interests of the working class as a whole. (Stallings, 1978, p.38)

The classification of Chileans was completed by the special statute of the civil service ("Estatuto Administrativo") which ruled public employees, giving them different rights and obligations than the workers of the private sector, and by the special "fuero" of the military who had their own legislation ("Codigo de Justicia Militar") and their own Military Courts.

All these legal statutes added to the economic differences and re-
stricted educational opportunities to create a complex system of pre-defined roles, in which each Chilean was assigned, at birth, a position in the social structure, and had great difficulties to move out of it. The period analyzed in this study includes an effort, first to make this system more flexible and open through the reforms of the Frei Administration, and later the attempt of the Allende Administration to change the entire system, before the counter-revolution in 1973 made it more rigid and arbitrary under the military dictatorship.

Only two of the basic components of the Chilean State were chosen by popular election, until 1973, and even though in appearance they were the most important ones, in practice they were not strong enough to determine the long term role and direction of the State by themselves. It is not a coincidence that the electoral process was eliminated entirely by the counter-revolution in 1973. The dominant class used the democratic regime to solve its own internal conflicts and to achieve international respectability by following the models of more developed countries, but was willing to discard any pretenses of democratic procedures as soon as they became a threat for the established social structure.

Historically, this was not necessary before 1970 because many means, incorporated into the system, insured that the regime was maintained under control by the dominant class. Until that year, the regime of constitutional representative democracy corresponded to the description of Frederick Pike:

Actually what we have praised as democracy in Chile since 1920 has amounted to little more than a system in which a small privileged class has been gentlemanly in determining, through very limited electoral processes, which of its members would rule the country.

(Pike, 1963, p.XXV)
In fact, several features of the constitutional system were instrumental in maintaining the control of the dominant class, notwithstanding the ever growing electorate, and the access gained by representatives of other social classes to the political process before 1973.

A first such institution was the system of proportional representation and the staging of different dates and periods for the elections of President and Congress. The system of proportional representation, established in the Constitution and the electoral laws, favored party fragmentation and coalition politics. Added to the different dates and periods of election, the election of a President and Congress frequently resulted in hostility to each other. (Sigmund, 1977, p.16; Kaufman, 1972, p.16)

Related to the former was a second Constitutional rule which helped the dominant class to maintain control of the system. It was the election of President by Congress in the event that none of the candidates achieved the absolute majority of the popular vote. The contradictory tendencies inside the two large parties of the Center, the tendency to divide into a large number of small parties, and the continuous squabbles between Socialists and Communists before 1957, resulted in the presentation of more than two candidates in all the presidential elections after 1932. In these conditions, only twice, in 1939 and in 1964, one candidate obtained the majority of the vote, and all the other Presidents had to negotiate their elections with the majority of Congress, where the dominant class had ever a strong representation. (Gil, 1966, p.227; Sigmund, 1977, p.15)

Of special importance were two cases of these negotiations. The already mentioned case of the election of Gabriel González Videla in
1946, in which the Liberal Party entered government to neutralize the influence of the Communists who had helped to elect the President, and the "Act of Constitutional Guarantees" that Salvador Allende had to sign with the Christian Democrats in 1970, to achieve their votes in Congress, and which contained restrictions to his future government actions. (See Chapter 5.)

Another mechanism of control of the dominant class over the system, in spite of the democratic regime, was the inclusion of representatives of the traditional associations of landlords and businessmen (SOFOPA, SNA, etc.) in the directive boards of the agencies of the State. A good example of this was the Board of the Central Bank, integrated by 13 members of who two were appointed by the President, two by the Senate, two by the Chamber of Deputies, three by private banks, two by the associations mentioned above, one by private shareholders, and one by labor organizations. A similar situation in other policy making agencies of the State, such as CORFO or the State Bank, gave inside information and formal influence to the dominant class in the design of economic policy, independently of the political tendencies of the elected officials.

(Stallings, 1978, p.58; Loveman, 1979, pp.220-222)

The most direct means used by the dominant class to maintain control was the manipulation of the electoral processes. During the past century and until 1948, the main instrument used was the restriction in the access to voting rights, to the point that in 1927 only 10% of the population was eligible to vote and less than half of this number actually voted. (Nunn, 1976, p.158)

The concentration of economic power by the dominant class also gave it an advantage in the electoral process which was fully used to main-
tain its control. The traditional paternalistic organization of the "latifundio" system in agriculture, made the landowners political bosses of the peasants who owed them their jobs, their houses, and had no other contact with the rest of the world. Attempts of other political forces to penetrate the rural areas were successfully resisted by the landowners until the 1950's. This was associated with the distortion introduced by the manipulation of census figures and administrative divisions which gave undue weight to the regions in which the dominant class had traditional political control. (Gil, 1966, p.208)

The economic power of the dominant class was felt as political influence in the cities also in several ways. The high rates of unemployment and the extreme poverty of a great majority of the working class, made it susceptible to the bribery and pressures of the employers. This was complemented until 1958 by the electoral law which allowed the outright buying and controlling of votes before the reform of that year. (Gil, 1966, pp.223-224; Loveman, 1979, p.235) More "sophisticated" means were used to tame or "convert" populist leaders, as in the case of González Videla who was compensated by his turn from Leftist leader into anti-communist zealot by being appointed, after his presidential period, Chief Executive of the Chilean subsidiary of RCA, Vice-President of the French and Italian Bank for South America, and consultant for Ford Motor Company in its Latin American operations. (Loveman, 1979, pp.289-290; Rojas, 1976, p.55)

In addition, the dominant class was favored by its control of the means of mass communications. In 1970, three chains printed 750,000 daily newspapers all over the country, sustaining the views of the dominant class, while only 280,000 were published supporting other ideas in
papers published mainly in the large cities. The most powerful and extended radio broadcasting networks were also property of organizations of the dominant class (Sociedad Nacional de Minería, Sociedad Nacional de Agricultura, La Cooperativa Vitalicia) compensated only by one strong radio controlled by the State Bank, and weaker and scattered local radios. Two large publishing houses (Lord Cochrane and Zig Zag), owned by economic groups of the oligarchy, accounted for 95% of the magazine market, and published 2.7 million copies per week, included the Spanish version of The Reader's Digest, in competition with the 20,000 copies of the Leftist "Punto Final" and the lesser number of printed copies of the Jesuit owned "Mensaje". (Feinberg, 1972, p.93)

Even though the TV channels were reserved to the State and the universities by law, the lack of local production facilities and resources meant that the programs were heavily dependent on U.S. and European series and documentaries. Only some talk shows of large audiences, during the 1950's, provided the opportunity for the public to compare diverse political views in relation to the national issues.

The control of communications and information by the dominant class was useful not only in electoral campaigns, but on a more permanent basis, served as a continuous instrument of formation of public opinion favorable to the viewpoint of the dominant class in policy matters. It also contributed, together with the educational system, to obtain that the values and norms of the dominant class permeated the whole social structure and legitimized the system in spite of its objective contradictions.

However, the Constitution of 1925 opened the opportunity to vote to all men older than 21 who could read and write, and even though it was
difficult to register, especially for workers who could not abandon their jobs on the few days and hours fixed for registration, the number of voters grew steadily. (Gil, 1966, p.207)

In 1949, the same González Videla Administration which deprived the Communists and Labor Leaders of their civil rights by the "Defense of Democracy Law", formally compensated the repression of the working class by giving full political rights to women who were, until then, restricted to vote only in municipal elections. This resulted in a great expansion of the electoral rolls, and also provided the Right with a head-start in the political organization of women. This proved to be very important in 1958, when the feminine vote assured the election of Jorge Alessandri to the Presidency while Allende obtained more votes among men. (Gil, 1966, pp.212-215)

Finally, in 1958, a coalition of the Centrist parties and the Left passed an electoral reform which restored the political rights of the Communists and made permanent the registration process. It also changed the electoral procedures to eliminate the buying and control of votes. These measures led to an explosive expansion of the electorate, from less than half a million in 1946 to 1.5 million in 1958, and to 4.5 million registered voters in the last free elections which took place in Chile in 1973. (Gil, 1966, Table 9, p.213; Stallings, 1978, Table A.1)

Together with this expansion of the electorate, a competition developed between the Christian Democratic Party and the parties of the Left, for the organization of these new political participants, in particular the rural population and the recent migrants to the cities who lived in the large "poblaciones" which circled major urban areas. Membership in labor unions grew from 276,000 in 1958 to 551,000 in 1970,
and the increase was particularly remarkable among agricultural workers whose labor unions had only 2,000 members in 1958 and jumped to 114,000 in 1970.

Many other forms of grass-roots organizations such as neighborhood councils ("Juntas de Vecinos"), "mothers' centers", community commands, and consumer and production cooperatives were also supported by the above mentioned political parties to create a basic network capable to mobilize the great mass of the working class during the 1960's. (Cusack, 1977, pp.21-22; Stallings, 1978, Table A.4)

This organization drive of the Left and the Christian Democrats was reflected by the electoral results as the following graphs clearly show. The traditional parties of the Right and the Radicals, whose organizations were created in the past century, were unable to compete with the younger and more modern activism of the Left and PDC. On their side, the Christian Democrats, after the rapid upsurge between 1950 and 1967, started a decline after they identified their policies with the Right, while the Left had a continuous growth after the big depression resultant from the "Defense of Democracy Law" (1948-1957).

The meaning of electoral results in Chile was obscured by the continuous succession of elections of different natures, which enhanced the importance of short term changes. Politicians, press reporters and even social scientists, such as Barbara Stallings, Paul Sigmund and Federico Gil, mixed in their analysis the results of presidential, congressional and municipal elections, as if they were compatible data indicating the public reaction to government policies.

However, even though the Chilean electorate was the same, it was levied very different kinds of choices in the diverse types of elections.
CHILE: Percentage of the Vote of the Major Political Parties in the Municipal Elections from 1944 to 1971

Percentage of vote

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CHILE: Percentage of the Vote of the Major Political Parties in the Congressional Elections from 1925 to 1973

Percent of vote

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Election Year
Presidential elections were choices among individual candidates representing coalitions of parties and general approaches to national issues. Congressional elections, by contrast, were choices among lists of candidates representing each list a political party, and the issues were a mixture of national problems with regional and local concerns. And the municipal elections were also choices among lists of candidates by parties, but were much more concentrated on local issues than national ones. (See Gil, 1966, Chapter 5, pp.206 & ff.)

Thus, to combine the results of these three types of elections in the same analysis is of doubtful validity for scientific purposes, and actually confuses the basic structural changes by mixing them with problems of individual personality, party allegiance and local problems. The comparison between elections of the same nature eliminates most of these distortions and allows to perceive the long term trends shown by the two graphs above.

In fact, these graphs show the basic reason why the Left took the electoral way instead of the violent one to change the system. They also indicate the basic reason for the counter-revolution of 1973, since the long term trends demonstrate the inability of the dominant class to continue controlling the social system within a regime of representative democracy.
Chapter II

OF FOREIGN EXPERTS, CHILEAN PROFESSIONALS, PLANNERS AND PLANNING

Introduction

The previous chapter presented a description of the general back-
ground for the practice of planning in Chile during the period under
study. This chapter focuses on the particular aspects of such back-
ground more directly related to planners and planning.

Two basic characteristics of planners and planning are analyzed
here:

a) Planners as members of the Chilean educated elite of profession-
als, and

b) The strong relations of planning and planners to the foreign
sector through the international training of Chilean planners, the par-
ticipation of foreign experts in the practice of planning, and the in-
troduction of planning in Chile in response to international events.

For this purpose, the Chapter will be divided into four sections
which are:

1) The Foreign Experts and the Development of the Chilean Institu-
tions

2) The Chilean Professionals and Planners

3) CORFO and the Introduction of Planning in Chile

4) ECLA, The Alliance for Progress and Planning

These sections should serve to place planners and planning in their
particular context of being dependent on the Chilean dominant class while
opposed to its interests. This peculiar position came about because
planning was reluctantly accepted by the Chilean dominant class under external pressure, and planners were members of the dominant class who served as agents of change of the established social structure.

1. Foreign Experts and the Development of the Chilean Institutions.

A fundamental cultural tradition of the Chilean dominant class was to consider itself more European than native American because its members were a mixture of descendants from the old Spanish colonial administrators and more recently arrived European immigrants. One of the important consequences of this cultural trait has been the extraordinary influence that foreign experts have had in all aspects of the development of Chilean ideas and institutions.

In colonial times, the centralized nature of the Spanish Empire discouraged local innovations and required that all cultural, legal and technical values and norms responded to those of the metropolis. In the XVIII century, the presence of the Bourbons on the Throne of Spain changed the organizations of the colonies, and French ideas began to challenge the old Spanish traditions; but still, these changes imposed from Europe were passively accepted by the "criollos". Actually, the Independence from Spain came at the beginning of the XIX century, not as the result of the strong local desire for self-determination, but as a consequence of the Spanish King's imprisonment by Napoleon. (Loveman, 1979, pp.100-119; Crow, 1972, pp.337-343)

Independence did not change the Chilean social structure nor the cultural traditions of the dominant class, even though it opened the country to other influences. In fact, it was during the war for Independence that the Chileans had the first opportunity to make use of foreign experts and ideas. In the first stage of the war (1810-1814), the
patriots were divided into two factions. One was headed by the President of the Revolutionary Junta, José Miquel Carrera. Carrera had the direct assistance of the Consul of the United States, Joel R. Poinsett, who participated "more or less directly in almost all the public affairs of Chile, and even accompanied Carrera in his first campaigns against the Spaniards." (Stuart, 1955, p.380) The other faction was led by Bernardo O'Higgins, who had been educated by his father in Europe. O'Higgins made use of his dominion of the English and French languages by reading "revolutionary books" which he interpreted for his friends. When O'Higgins, with the help of the famous "Liberation Army" of José de San Martín, finally defeated the Spanish colonial army, he appointed a British "expert", Thomas Lord Cochrane, to organize the Chilean Navy and to help San Martín in his expedition against the Viceroy of Lima. (Stuart, 1955, pp.379-382; Crow, 1972, pp.468-469)

Independence was followed by a series of experiments. Through the use of foreign models, the Chilean dominant class tried to give shape to new Chilean institutions. French and U.S. political institutions were especially imitated in several Constitutions, including a "federalist" one in 1926, and a "liberal" one in 1928. This period of experimentation ended when a conservative group, which included Mariano Egana, Manuel Rengifo, and General Joaquin Prieto, under the leadership of Diego Portales, took control of the country and started to implement the authoritarian and centralized regime known as "autocratic republic" or "democracy of the oligarchy" which lasted until 1925. (Crow, 1972, pp.640 & ff.; Gil, 1966, pp.36-37) It was at the beginning of this regime that Mariano Egana invited the well-known Venezuelan man of letters, Andrés Bello, to Chile.
Bello had been sent to England together with Bolivar in 1810 to procure funds for the Venezuelan patriots in their struggle against Spain. They failed, and the Spanish repressed the patriots which left Bello stranded in England. For the next 18 years, he taught Spanish, served as tutor to the children of Lord Hamilton, published a literary and political magazine of liberal ideas, married an English woman, Elizabeth Dunn, and met many Latin Americans who, like himself, passed through London in search of help against Spain. Among them were the Chileans who later invited him to their country. (Crow, 1972, p.643)

In Chile, Bello was first appointed Under-Secretary of Foreign Relations, and later was in charge of organizing Universidad de Chile, founded in 1842, where he was the first Rector (President). In the meantime, he was preparing the project of Civil Code which was presented to the government and approved by Congress in 1855. This code has served since then as the basic statute of the dominant class, because it contains the legal rules on property rights, contracts, family relations, inheritance, and the validity and interpretation of the law itself. (Crow, 1972, p.644; Silvert & Reissman, 1976, p.113)

As a professor, Andrés Bello introduced his students to the ideas of Bentham and James Mill, which became the ideology of the so-called "Generation of 1842". This was a group of liberal intellectuals, led by Francisco Bilbao and José Victorino Lastarria, who inspired the Liberal rebellion against the autocratic regime. (Crow, 1972, p.644; Loveman, 1979, p.153)

During the same year, 1842, another foreign scholar and educator, Domingo Faustino Sarmiento, who was later President of Argentina, was appointed first director of the first school of teachers existing in
Chile, the "Escuela Normal de Preceptores" (National Normal School). Since Universidad de Chile had at the same time the superintendence over all the educational system, Chile was then the first Latin American country to have a public national educational system. The two major institutes within the system, however, were directed by foreign experts. (Gil, 1966, p.14)

As Rector of the University, Bello hired several other foreign experts. Perhaps the most important of them was the French economist, Jean Gustave Courselle-Seneuil, who arrived in Chile in 1855 as the first Professor of Economics of the University and later became adviser to the Minister of Finance. Courselle-Seneuil has been described by Albert O. Hirschman as "a fervent partisan of free trade and laissez-faire". Hirschman added:

Poor Courselle-Seneuil! His one-man technical assistance mission could hardly have been more successful according to ordinary standards of performance. His advice was punctiliously followed, the laws he drafted were passed, his bust stands in the University of Chile and his influence as a teacher and publicist came to be widely felt. But just because of that, virtually every serious ill subsequently experienced by the Chilean economy, from inflation to monoexportation, has been traced to him. (Hirschman, 1963, p.166)

In fact, Courselle-Seneuil was the author of the extremely liberal banking law of 1860 which is reputed to be the cause of the first act in the history of Chile's secular inflation. This law produced a real anarchy of speculative credit just before both the closing of the markets for Chilean products in California and Australia and the war of 1879 against Peru and Bolivia, which required the most financial discipline. (Hirschman, 1963, p.167)
The members of the Chilean government commission, who decided to transfer the nitrate mines in the provinces conquered by Chile after the war in 1882 to private interests, were also disciples of Courselle-Seneuil, perhaps more royalist than the King. The mines had previously been expropriated by the Peruvian government, who paid their former owners 20 year bonds. During the war, the bonds depreciated and were acquired by speculators, especially the British financier, John T. North. Because of this decision of the Chilean government, North became "King of Nitrates". The commission of the Chilean government, integrated by former students of Courselle-Seneuil such as Zorobabel Rodriguez and Marcial Gonzáles, rejected the State's control of the mines in the name of laissez-faire and free trade principles. Instead, they allowed their control by British interests. (Hirschman, 1963, pp.165-166; Loveman, 1979, pp.197-198)

The same war was followed by other important elements of foreign influence, especially in the Armed Forces and in the educational system.

After 1882, the Chilean government was interested in maintaining strong Armed Forces for several purposes. The Indians in southern provinces had used the government's involvement in an external war as an opportunity to start a rebellion. The rebellion repeated many episodes of the same kind which had occurred since colonial times, and the government used the Army in the hope of achieving a "final solution" to the Indian question. At the same time, an unsolved border dispute with Argentina and the lack of a final treaty with Peru and Bolivia constituted external threats which impeded the total demobilization of the military. These problems served to justify a huge program of modernization and professionalization of the Armed Forces that included contracting German in-
structors for the Army and British instructors for the Navy.

Probably the most important of these military foreign experts was the German Lieutenant Colonel, Emil Koerner, who arrived in Chile in 1885 as Sub-Director of the Military School, and the next year founded the "Academia de Guerra" (War College) as an institute of advanced studies for high ranking officers. In this effort, Koerner used the Prussian Army and military institutions as a model, and even included armaments and uniforms. (Loveman, 1979, pp.195-196; Nunn, 1967, pp.249-250)

The German influence was also felt in the educational system. A first group of German teachers arrived in Chile in 1885. They had been contracted by José Abelardo Núñez, the Chilean educator who had been sent to U.S. and Europe to study the means of improving the elementary schools. The German teachers took over the direction of the Normal schools that existed in the country, and imposed their Herbatian techniques of instruction. (Gil, 1966, p.17; Silvert & Reissman, 1976, pp.128-129)

A similar process was followed by secondary education under the influence of Valentin Letelier, who in 1889 founded the "Instituto Pedagógico" (Pedagogical Institute) with six German professors. The French model of "lycee", which had been used for secondary education since the beginning of the XIX century, was then changed to the German "gymnasium", with some Swedish inserts in physical education and manual training. (Gil, 1966, p.18; Silvert & Reissman, 1976, pp.129-132)

It is not surprising that some analysts found the Chilean educational system "extrajerizado" (foreignized). As Clark C. Gill wrote:

The Normal Schools reflected German objectives. Discipline, methods, plans and programs were German imi-
tations. German influence had pervaded the secondary and technical schools as well.

(Gill, 1966, p.19)

Gill added:

A foreign spirit alien to Chilean realities, was imposed on the schools, as evidenced in the rigid monarchial concept of discipline. By their aristocratic orientation, the German professors inspired even greater class cleavage in Chilean society and within the schools created inflexible barriers among pupils, teachers and directors.

(Gill, 1966, p.17)

What Gill does not appear to perceive is that probably those aristocratic tendencies of German teachers were what led the Chilean dominant class to contract them in the first place. "Modernizing" schools through the German professors resulted in an intelligent device to reinforce the caste-like nature of the Chilean structure and the control of the dominant class over it.

The German Director of the Academy of War, Emil Koerner, together with the financing of the British and the assistance of the British Navy instructors, were instrumental in 1891 in organizing the forces of Congress against President Balmaceda. Balmaceda was trying to recover the nitrate mines for the State as a first step in a program of economic development, and the help of the foreign advisers and British financing were the essential elements that led to the victory of Congress over the President. (Loveman, 1979, pp.208-209; Nunn, 1976, pp.77-78) After the Civil War, Koerner became Chief of the Chilean General Staff. In 1894, he went to Germany to inspect armament recently acquired by Chile, and returned with thirty-six German officers who served for two years as instructors of the Chilean Army. They were replaced by another twenty-seven German officers in 1897. Some of these instructors remained in
the country until 1910 and succeeded Koerner as Director of the Academy of War until that year. (Nunn, 1967, p.111)

In addition, the best students of Koerner and his German military instructors were sent to Europe on study trips until the 1930's, which strongly linked the Chilean Army with the European military, especially the Germans. (Nunn, 1967, pp.111-112)

The next chapter in the series of important foreign experts corresponds to the Kemmerer Mission. In 1920, Arturo Alessandri was elected president with a populist platform which included some concessions to the working class, administrative and constitutional reforms, and a new activism of the State in economic policy including controls on banks and insurance companies. The Conservative majority of Congress stalled his proposals and denied him necessary legislation; in a supreme act of defiance, they raised their own salaries while depriving the Executive of resources to pay the public employees, including the Armed Forces. This led to the revolt of the young officers of the Army and Navy who, in 1924, "rattling their sabres" in the galleries of Congress, pushed the approval of several important pieces of legislation in 24 hours. (Gil, 1966, p.58; Loveman, 1979, pp.242-243)

Alessandri resigned and left the country, but he was called back by the military after they had dissolved Congress. Free from parliamentary opposition and empowered by the military to legislate by decree, he engaged in a program of basic reforms which included the new Constitution, approved by plebiscite in 1925. But as Graham H. Stuart wrote:

One of his first acts was to invite a commission of financial experts, headed by Professor Edwin Kemmerer of Princeton, to devise measures to put Chile on a stronger financial basis.

(Stuart, 1955, p.407)
As described by Hirschman:

Upon arrival at the Santiago railroad station, the North American professor was received by five or six civilians, officials of the Finance Ministry, and about 300 officers in military uniform and formation!

(Hirschman, 1963, p.176)

As Courselle-Seneuil before him, Edwin Kemmerer and his associates were entirely successful in technical assistance. The Mission arrived in July of 1925, and most of the bills it drafted were enacted before the end of that year. They included such important matters as the establishment of graduated income taxes for the first time in Chile; the creation of the Central Bank; a General Banking Law which created the Superintendent of Banks and gave rules for the functioning of the banks under the control of the State; a monetary law which established the Gold Exchange Standard and fixed the parity of the Chilean peso; the creation of the Office of the Budget and the regulation of the yearly procedures for preparing and approving the Budget, and the creation of the Comptroller of the Republic to supervise the fiscal and legal management of the State.

Naturally, the U.S. institutions served as models for these laws and institutions, and the Kemmerer Mission may be taken as an indicator that the old tradition of dependency on Europe for models and ideas was being replaced by the influence of the United States. (Stuart, 1955, p.407; Hirschman, 1963, pp.175-178; G11, 1966, p.97)

Carlos Ibáñez, who was one of the leaders of the military coup of 1924, arranged to succeed Alessandri with an authoritarian regime modeled after the European examples of Mussolini and Primo de Rivera. But he maintained the good relations with the U.S. through the Kemmerer Mission and the same Edwin Kemmerer returned to Chile in 1927 to supervise the
implementation of the policies he had designed. The strict adherence to these policies and the growth of the Chilean exports in the late 1920's gave Ibáñez backing for easy access to credit from U.S. banks, which he used for a large program of public works and modernization of the railroads. This, together with the repression of the working class, served to attract foreign investments to the extent that, in 1930, "foreign capital exceeded the total of national investment in manufacturing and industry, as well as mining, and was not far behind native capital in commerce." (Pike, 1963, p.198)

Thus, as in the case of Courselle-Seneuil and the other foreign experts mentioned before, the Kemmerer Mission was not only a product of the dependence of the Chilean dominant class, but it also reinforced the same dependency. Moreover, as in the case of Courselle-Seneuil, the rigid attachment of Chilean followers to the ideas of Kemmerer in matters of gold exchange standard and commercial credit was disastrous because it actually increased the impact of the international depression of the 1930's by delaying necessary protective measures in the name of economic principles. The gold value of Chilean exports declined by 88% between 1929 and 1932. With the exports went the imports, which were reduced to the barely essential. Import and export taxes were the main source of fiscal revenues, and foreign capital was the origin of most of the investment capital. The disappearance of both taxes and foreign credit led to the practical paralysis of the country, and Ibáñez was overthrown in 1931. (Hirschman, 1963, p.179; Loveman, 1979, pp.251-253)

Courselle-Seneuil and Kemmerer were not blamed for the bad experiences associated with them. After the Depression and World War II, the Chilean dominant class resumed the tradition of calling in foreign ex-
perts to solve the problems of the country. However, this tradition took a curious turn in 1949 when a request was made to the United Nations for technical assistance to fight inflation. The U.N. designated two well-known European economists, Professors Iversen and Lindhal. But the International Monetary Fund (IMF) made its displeasure at being excluded from, what it considered, its own area of competence known. The Chilean government hastily extended an invitation. The IMF sent another mission, headed by its Director of Research, Edward M. Bernstein. The competition of these two prestigious groups of experts produced two contrasting reports, neither of which was implemented because, in the meantime, the policies of the Chilean government had changed due to internal political pressures. (See page  ) (Hirschman, 1963, pp.190-191)

This situation became a common feature of the following period in the field of technical assistance. The emergence of the U.N. as a source of technical assistance provided the opportunity to evaluate one foreign expert against the other. The experts from the U.N. tended to have a different perspective than the IMF, the World Bank or other international agencies controlled by the United States, as it will be further analyzed later in this study.

After the treason of González Videla of the working class, and the failure of the conservative economic policies of his Minister of Finance, Jorge Alessandri in 1950, the confusing political environment provided the opportunity for the former dictator, Carlos Ibáñez to be elected President in 1952 with a populist platform and an unorganized support of 47% of the vote in a field of four. (Gil, 1966, p.77) But when his contradictory economic policies resulted in 84% inflation for the year 1955, the dominant class obtained from the government, through the offices of
the publisher of El Mercurio, Agustín Edwards, the contract of the Klein-Sacks Mission, a group of consultants headed by the retired Vice-President of the National City Bank of New York, Prescott Carter, and included two former officers of the Federal Reserve Bank of New York. (Hirschman, 1963, p.203)

The Klein-Sacks were an assumedly "impartial group of experts" (as presented by El Mercurio) who would advise the Minister of Finance as how to put the finances of the State in order and to control inflation. But as in the case of the Kemmerer Mission before them, the Klein-Sacks did much more than that. Since it was not convenient for the "populist" Ibáñez to appear allied to the parties of the Right, the Klein-Sacks Mission served as an instrument which allowed Ibáñez to adopt conservative policies on technical grounds, and the dominant class could support those policies without entering into an open coalition with the government. In the vacuum left by the Ibáñez Administration, the Klein-Sacks experts took over and pushed monetary policy through memoranda to the Minister and direct lobbying in Congress. In addition, the Mission served as a direct link between the Chilean government on one side, and the IMF and the U.S. government, the Eisenhower Administration, on the other.

But the implementation of the policies of the Klein-Sacks Mission produced a deep recession which affected even the business of the oligarchy and led to the urban riots of 1957. Thus, the Klein-Sacks Mission became a scapegoat that was criticized by all parties in the electoral campaign for the presidential elections of 1958. (Hirschman, 1963, pp. 202-207; Gil, 1966, pp.190-191)
In the following chapters of this study the participation of for-
eign experts in the practice of planning in Chile from 1958 to 1973 will
be analyzed in detail. But the Chilean dominant class's practice of im-
plementing foreign ideas and models is more recent still.

Together with the military dictatorship which emerged from the
counter-revolution of 1973, a group of conservative economists associated
with *El Mercurio* and the School of Economics of the Catholic University
in Santiago, assumed control of the higher economic positions in govern-
ment. This group was popularly known as the "Chicago Boys" because se-
veral of its members were graduated from the Department of Economics of
the University of Chicago through an interchange program between that
department and Catholic University. In 1975 and 1976, they invited
Milton Friedmann and Arnold Harberger, their former professor in Chicago,
to come to Santiago to supervise the implementation of their own ideas.
Both U.S. professors, as monetarists, were pleased, according to *El
Mercurio*, to see their models implemented; Milton Friedmann even recom-
mended an intensification of the same policies in what he called a "shock
treatment". But others have qualified the same policies as "economic
genocide" because they consist basically in the repression of labor and
the reduction of wages in real terms, to attract foreign investments.
(Sigmund, 1977, p.265; The Economist, February 2, 1980; Gunder Frank,
1976)

As indicated by the description above, the foreign experts have
played several important roles in the historical development of Chilean
ideas and institutions. They actually designed many of these institu-
tions, helping to provide the Chilean State with the appearance of a
modern organization administered according to professional standards, in
spite of the traditional caste-like social structure.

Sometimes the foreign experts served as "neutral" arbiters who could give an "objective" solution to social conflicts; in other cases they were used as convenient scapegoats to be blamed for the problems of the country. In both roles, they allowed the Chilean dominant class to elude the responsibilities resulting from its privileged status. (Hirschman, 1963, pp.207-208)

However, the most important role of the foreign experts was their instrumental participation in the dialectical process of cultural and economic dependence. As it was mentioned before, the influence of foreign experts was a product of the cultural dependence of the Chilean dominant class; but, at the same time, it served to perpetuate and deepen that dependence by presenting opportunities for foreign capital to take over strategic resources of the Chilean economy and to introduce the ideas and models which helped to reproduce the process.

To adopt the ideas and models introduced by the foreign experts was a kind of strict initiation rite leading to a symbolic membership in the intellectual and scientific community of Europe and the United States. This may explain the almost fanatic adherence of Chilean followers to the ideas of Courselle-Seneuil, Kemmerer, Friedmann and Harberger. By contrast, ideas generated in Chile were not accepted unless they were actually adopted by some of the foreign experts, as it happened with several of the policies implemented by the Kemmerer and Klein-Sacks Missions. (Hirschman, 1963, p.206)

2. Chilean Professionals and Planners.

The deepest and most permanent influence of the foreign experts as instruments of cultural dependence was the participation of many of them,
from Andrés Bello to Friedmann and Harberger, in the Chilean educational system.

The aristocratic character given by German experts to elementary and secondary schools was indicated before. In addition, access to school was severely limited, mainly because of economic factors and social rigidities; the educational methods were "based on memorization rather than thinking"; and scientific knowledge was something learned from books or at school, not the product of original research. (Gil, 1966, pp. 58-59; Pike [in Petras, ed.], 1968, p. 216)

In spite of the 1920 law which provided for compulsory elementary education, and the declaration in the Constitution of 1925 that "education is a priority concern of the State", studies published in 1964 found that over 170,000 children, aged 7 through 15, were not attending school. The principal reason was the lack of schools to attend. This situation was worse in rural areas where elementary schools were scarce, in poor buildings, and offering no more than three of four grades for lack of personnel and physical facilities. (Gill, 1966, p. 46)

Secondary schools were concentrated in the large urban centers, and the lack of transportation and the absence of scholarships put them out of reach for the rural population. In addition, the under-staffed and overcrowded schools located in low income neighborhoods had difficulties meeting the standards fixed by the Ministry of Education, and promoting their students to higher levels. Moreover, the low income of peasants and blue collar workers required the participation of their children in the work force at an early age for the support of themselves and their families. Thus the opportunities for secondary education were restricted for all but the children of the oligarchy and some members of the petty-
bourgeoisie. (Bonilla & Glazer, 1970, p.214; Gill, 1966, pp.48 & 58)

More rigid still was the highly selective process of admission to the university. In fact, to enter the university, a student had to complete secondary education and pass a national general examination, called "Bachillerato" until 1966 and "Prueba de Aptitud Academica" (Academic Aptitude Test) after that year. This general examination eliminated about half of the candidates, and in addition, the most prestigious University Schools had admissions tests which further restricted the access to them. (Bonilla & Glazer, 1970, p.217; Gill, 1966, pp.77-78)

The results of these restrictions are shown in the table below.

Table 2.a: CHILE: School Age Population in Schools by Grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>1940-42</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>2</td>
<td>61.8</td>
<td>66.4</td>
</tr>
<tr>
<td>4</td>
<td>34.9</td>
<td>48.9</td>
</tr>
<tr>
<td>6</td>
<td>17.0</td>
<td>29.4</td>
</tr>
<tr>
<td>8</td>
<td>7.7</td>
<td>15.2</td>
</tr>
<tr>
<td>10</td>
<td>5.0</td>
<td>9.2</td>
</tr>
<tr>
<td>12</td>
<td>2.8</td>
<td>4.5</td>
</tr>
<tr>
<td>1st. Year University</td>
<td>1.5</td>
<td>2.3</td>
</tr>
</tbody>
</table>


It is clear that the restrictions existing for low-income families to send their children to school were not present for the families of the dominant class who had the economic means to send their children to private schools and to hire tutors, if necessary, to insure their access to the university. Therefore the children of high income families were the great majority of the small group of students who actually completed high school and were able to enter the university. (Gill, 1966, p.48;
The different access of social classes to educational opportunities in Chile was the result of a conscious decision of the educational authorities. As explained by Oscar Vera, (UNESCO expert and chief educational planner of the administration of Jorge Alessandri), after Independence the problem was posed: education for the elite or education for the people. The solution was a highly stratified educational system, or more properly, two parallel educational systems. The elite had access to private elementary schools and public or private secondary schools, after which to university could follow. The people, meaning especially blue collar workers and peasants, had access to inadequate public elementary schools and to a few limited possibilities for secondary and vocational education afterward. (Bonilla & Glazer, 1970, p.215; Gill, 1966 p.16)

The rationale for this system was provided by another foreign expert, the Polish scientist Ignacio Domeyko, who participated in the preparation of the Education Organic Law of 1860, and was the third Rector (President) of Universidad de Chile. He sustained that only the children of the governing class should be allowed to enter secondary and higher education, supported the literacy requisite for voting, and argued that certain occupations should be reserved only for secondary school graduates. (Silvert & Reissman, 1976, p.120)

However, Domeyko had an "enlightened conservative" ideology which is common among Latin American intellectuals and foreign experts. He sustained the necessity to provide elementary education to all classes because, as he wrote,

Only learning can let men know that, beyond natural rights, they also have social obligations which are
arranged and determined by the form of the institutions themselves. In this way ... man will enjoy his inner liberty, he will know how to aspire to every national freedom without warping existing relations or changing the reality of the world in conformity with utopias. In a word, the true perfection to which a people should aspire through its public education consists in submission to order and law through conviction.

(As quoted by Silvert & Reissman, 1976, p.121)

Thus, the 1860 law made elementary education free, separated from the supervision of Universidad de Chile, and postulated the goal of one school for boys and one school for girls for every 2,000 inhabitants, which has still not been fulfilled 100 years later. (Gill, 1966, pp.15-16)

Actually, the restricted educational opportunities had in Chile a definite relation to the access to positions of power. By law, military officers and public employees had to be graduates from secondary school, and the high positions in the State bureaucracy were reserved for individuals holding a university degree, the so called "professionals".

Following the pattern of cultural dependency described before, the professionals and professions in Chile followed the European and U.S. models, combining the British concept of "liberal professional" with the "guild" type of corporate organization which is traditional in continental Europe. However, while translating foreign institutions into the Chilean conditions, they reproduced not the process by which the institutions had emerged, nor the original meaning of them, but the finished form of their models.

In Europe, the rise of modern professions was one of the component elements of the revolution of the liberal, capitalistic, industrial, bourgeoisie against the aristocratic "ancient regime". In this context,
the professions represented a "collective mobility project" which struggled to achieve a higher status for their members against the aristocratic system of "purchase and patronage", in competition with the individual aggressiveness of merchants and industrialists, and with the bureaucratic regulations of the expanding modern state. (Reader, 1966, pp. 73 & ff.; Larson, 1977, pp. 9 & 67)

In this struggle, the European professions had to solve the contradiction between their ideological support of free competition against aristocratic privilege, and their interest in restricting inclusion and protecting their monopoly of a share of the market. They solved it by their emphasis on the special knowledge that served as basis for their social legitimacy, and by calling the state to "protect the consumer" against unqualified practitioners. For this reason, in Europe and in the U.S. the development of the professions has been closely related to the expansion of scientific and technical knowledge. (Larson, 1977, pp. 50-54)

In Europe and the United States, professionals do not fit into any of the two main social classes of a capitalist system, the capitalists and the proletariat. Because they are often salaried employees and because of their relative autonomy, they cannot be identified with the capitalists. Their privileged position sets them apart from the rest of the salaried working class. Therefore many social analysts have included professionals in a new class, the "Professional-Managerial Class" (PMC), which is "educated labor", necessary for the reproduction of capitalist social relationships. (Barbara & John Ehrenreich in P. Walker, ed., 197, pp. 5 & ff.)

Formally the Chilean professionals filled the attributes of the sociological ideal type mentioned above. They had a special knowledge of
an esoteric nature, acquired through a long period of training and socialization, since they, as Chilean professionals, had to be university graduates.

But knowledge in Chile has been something learned at school or in books, not the result of original research. Patricia Weiss Fagen wrote:

The universities in Chile up to now have been efficient vehicles for the transmission of foreign influence... Instead of an intellectual and scientific community determined to break away from concepts and disciplinary models inappropriate to the stage of national development, Chile has been supporting a university community whose frame of reference is provided by North American and European academic leaders. This identification, in turn, has strongly affected choices of research areas, teaching orientations, and selection of channels of publication and dissemination.

And she added:

it is true that for most of them (Chilean scientists) the practicability and the very concept of a "national science" has been something of an absurdity.

(Fagen, 1973, pp.16-17 & 25)

The public service orientation of Chilean professionals was implicit in their role as functional group of the dominant class in charge of the administration of the State and the big business. As Fagen put it:

The traditional university in Chile has served, as elsewhere, to train and socialize the national elite for eventual leadership. It had assured the preservation of the cosmopolitan society, transmitted international, largely humanistic culture to the upper classes, and reinforced the cultural and social differentiation of the elite from the masses.

(Fagen, 1973, p.9)

Even though during the present century, and especially after World War II, entrance to the university was open to other than members of the traditional oligarchy, still their admission was a privilege for the few, as Table 2.a has shown. Only at the end of the 1960's in the University
Reform during the Frei Administration, was an effort made to extend the opportunities for university education to a larger number; but this process was reversed by the counter-revolution of 1973. (Fagen, 1973, pp.40-46)

In more specific terms there was a close relationship between some professions and certain sectors of the state administration in which high positions were reserved for such professionals. Aside the professionalization of the Armed Forces and the traditional association between lawyers and the judiciary, in the Ministry of Public Works, the high positions were reserved by law for Engineers; similar rules related physicians to the Ministry of Public Health. Most of the high rank positions in the Ministry of Housing were filled by architects, and those of the Ministry of Agriculture were agronomists, while secondary school teachers and principals were also expected to be university graduates.

The personal calling or vocation of professionals to an occupation or career, which relates practitioners to each other and to a particular corporate organization and code of ethics, was reinforced in Chile by the discrete formal separation of specialized professional fields, and the vertical integration of each professional institution.

The Chilean universities were divided into professional schools which had little interchange or relation with each other. There were no common courses or cross registration, nor a period of general education common for all students. Professional socialization followed a pattern of "transformation of the lay conceptions of the outsider into the technical orientation of the insider through the emphasis in the mastery of technical skills and knowledge as a prerequisite for professional status." (Bonilla & Glazer, 1970, p.241; Gill, 1966, pp.74-75)
Only during the 1960's were some interdisciplinary research centers created at the graduate level, starting new lines of inquiry which achieved great importance during the University Reform of 1967-1969. But these centers were imposed over the traditional structure without changing it, and were practically suppressed after the counter-revolution of 1973.

After graduation, the segregation among the different professions was continued by their organization in semi-public corporations on the tradition of the medieval guilds called "Colegios Profesionales". These "Colegios" were incorporated by special law which regulated the respective professions. They were given power to rule the ethical conduct of their members, to advise and assist the State in both setting relevant policies and in appointing the professionals to reserved positions.

University schools, Colegios and the State participated in most cases together in the accreditation and certification of new professionals. The State agencies not only provided employment for the already graduated professionals, but also offered opportunities for the professional practice required in most professions before graduation.

The law formally protected the "autonomy" of universities and professional "Colegios", but this autonomy was more nominal than real, due to the integration of professions within State agencies to the growing dependency of the universities on State financing. (Gill, 1966, pp.75-56)

In addition, the State, the universities and the professional organizations were all managed by the same relatively small group of individuals who knew each other personally within each profession, and who had family or business ties with members of other professions. Thus, the autonomy of professions and universities was really the result of their being elements of the organization of the dominant class, not independent
from it or from the State. Actually the status of "professional" was an instrument of political control used by the dominant class to restrict access to the higher positions of the social structure, and to legitimize itself by its identification with technical proficiency.

The "objective" standard adopted by the dominant class was to consider professionals as better qualified to occupy high ranking positions. This was accepted even by the political parties of the Left and caused the direct representation of the working class in Congress and in the Executive to be restricted. It has been mentioned before that the Socialist Party was founded by a coalition of young professionals and Trotskyist workers, and this determined the future social composition of the party. But during the 1930's the Communist Party also received a group of professionals who had been student leaders like Carlos Contreras Labarca and Pablo Neruda. In the period 1965-1969, among the Deputies of the Left to Congress, only 30% of the Socialists and 20% of the Communists were blue collar workers, while 39% of the Communist Deputies were professionals. (Gil, 1966, pp.64 &284; Kaufman, 1972, p.80)

The three Presidents whose administrations will be analyzed in this study were professionals, as well as all the individuals who served as Ministers of Alessandri and Frei, and 44 out of the 55 persons who served as Ministers under Allende. Only during the Allende Administration were there any Ministers who were blue collar workers, peasants or labor leaders. (Stallings, 1978, p.61)

Even though the presence of professionals in the parties of the Left may be seen as an indicator of the relative autonomy of the professions from the dominant class, it should be better considered as the result of the dominant class's ability to impose its own values and norms
on the whole country. The electoral surveys of Eduardo Hamuy demonstrated that 70% of the professionals voted for the Right in the last two presidential elections, and the professional "Colegios" were an important instrument of the dominant class in its struggle against the Allende government. (Stallings, 1978, pp.55 &141; Sigmund, 1977, p.185)

As it was mentioned before, the Chilean professionals played a similar role to that of XIX century professionals in England, as developers of the ideology of the dominant class and providers of a presumably "scientific" rationale for the decisions and operations of the established social system. (Jones, 1971, pp.240-270)

A good example of the ideology of the Chilean dominant class as formulated by professionals in scientific terms, is given by the book, Checkmate to Underdevelopment, by Fernando Monckeberg, a pediatrician and nutrition expert, who became the most important scientific adviser of the military dictatorship after 1973. The book was published in 1975 as part of the effort of the author to obtain international support for his nutritional research. However in the preface of the U.S. edition, Luigi Einaudi introduces the author and presents the book as

reflecting the growth of a professional class sensitized to the foundations of social and economic progress elsewhere, and increasingly demanding of a coherent approach to the development of Chile's own potential.

(PP.7-8)

Monckeberg mixes his own research with references from research published in professional journals to "scientifically demonstrate" that low income people suffer from low I.Q. and high malnutrition indexes.

But the key ideas are clearly expressed.

To say today that all men are equal is utter nonsense that will not stand up the most cursory scientific analysis. ... A minority stand out of all the mass of
human beings because of some exceptional traits that each of them has and can develop. ... The human race has always been led by this elite which has guided and channeled the masses by many different means and ways. (p.79)

It is clear that for Monckeberg, the "exceptional traits" of the elite cannot emerge from the "flat and gray environment" of the working class. He explains that in Chile the elite should emerge from "that 20 or 30 per cent of the population, ... the middle and higher strata ... who have a standard of living which resembles that of most of people in the developed countries". (p.80)

He argues that this elite has failed until now to carry the country "on the road to prosperity" because the people from the middle and high strata "see no advantages in and feel no need for an elite that will lead to substantive change", and "pulling-at-coattails" will reduce any individual who excels in his own field "to the level of an equalitarian mediocracity under the mask of social justice". (p.81)

The book ends by repeating some well-known conservative thesis about development. The final objective is socio-economic development for the benefit of all, but to achieve this objective a previous requisite is to support the immediate interests of the dominant class. In Monckeberg's words:

Development calls for advanced technology ... we have to develop human resources in the fields of science and technology. ... We must take all necessary steps to provide select scientists and research workers with an adequate environment. And because we need capital ... that must come from abroad; it certainly will not come unless we offer certain basic assurances. (pp.148-149)
The ideas above would be of little importance if Monckeberg were an isolated fringe conservative, but his book is fairly representative of the prevalent ideas among the thinking elements of the Chilean dominant class, and includes concepts which are commonly used in Latin America.

In fact, his last argument about development is a reproduction and reformulation of the platform of Jorge Alessandri in the presidential elections of 1958. (See page 145) The idea on the inability of the lower classes to overcome their depressed situation by themselves was used before him in a 1965 Latin American Seminar on Planning to explain the difficulties confronting planners when they attempted to make technical and political values and norms compatible. (ILPES, 1966, p.29) Actually this is the argument of Liberals to sustain the need for State intervention and planning.

Apart from the clergy and the military, traditionally in Chile the most important professions were Law, Medicine, and Engineering. In 1960 there were about 6,000 lawyers in the country, who in addition to having control of the Judiciary, had high positions in all the State agencies, where the "Fiscal" or "Chief of the Legal Section" was generally the second or third in command. Most of the politicians, including the majority of the members of Congress, were also lawyers. Civil engineers, who were about 3,200 in 1960, tended to be associated with private business not only in technical matters but also as executives, and had control over State investment and construction activities including the Ministry of Public Works and the State Economic Development Corporation (CORFO). There were also some 7,000 technical engineers. The 5,000 odd physicians were probably the most successful practitioners as "liberal professionals". Most of them combined a lucrative private practice with part-time
employment in the public health services that they controlled. By a curious coincidence, the three presidents whose regimes will be analyzed in this study were representatives of these three professions. (Alberti, 1966; UCLA: Statistical Abstract of Latin America, 1971)

Today, in Chile, the most important specialized professionals are the officers of the Armed Forces, who, since the counter-revolution of 1973, took control of the State and replaced all the political powers with their own military dictatorship. But previously the military was assumed to be under the control of the civilian government and the Constitution of 1925 excluded them from participation in politics. The Constitution said that the Armed Forces are bodies "essentially obedient" and "non deliberating", which respond to the President as Supreme Chief Commander.

The most important armed bodies of the State were four: the classic Army, Navy and Air Force, and the national militarized police, "Carabineros". In 1970, the Army consisted of about 40,000 officers and men; the Navy had 15,000; the Air Force had 8,000, and the Carabineros 15,000. (Nunn, 1976, note 3, p.325) The Carabineros was a fully professional institution which legally was under the Ministry of Interior and was created in 1928 by the Ibáñez dictatorship as a militarized and technically specialized corps, out of the fusion of all preceding police forces. (Nunn, 1976, p.171) The other more conventional armed forces related to the Executive through the Ministry of Defense and consisted of a permanent body of professional military men, and the military recruits. The recruits were, by law, 18 year old Chilean men who were trained each year to serve at least six months. (Nunn, 1976, p.112)
His analysis in *Arms and Politics in Latin America*, Edwin Leuwin put Chile among the group of Latin American countries where the "Armed Forces are Non-Political". (Leuwin, 1961, p.168) He added (together with other analysts) that the intervention and failure of the Chilean military in extramilitary functions in 1925 had "burned their fingers" and led them to "withdraw from politics and resume their traditional professional orientation." (Id. p.169) However, Leuwin stated that the Chilean armed forces were

not really under the control of the civilian government. True, governments can call the military to preserve internal order, but where institutional military matters are concerned, the civilian authorities have no control.

In addition, he describes the situation as

a sort of gentleman's agreement by which the government allows the armed forces to function unmolested and to look after their own affairs and the share of 20 to 25 per cent of the national budget is not revised downwards, and need have no fear they will seize control.

(Idem id. p.169)

The President could retire the high officers of the Armed Forces, but for appointments had to follow the internal seniority rules of the institutions to avoid an open conflict; and in both cases he had to request the approval of the Senate, where the military always had powerful friends. In addition, the military had "fuero"; that is, it was ruled by its own legislation (Code of Military Justice) applied by specialized Military Judges and a "Martial Court", and had jurisdiction over all matters affecting military men during peace times and the whole population in times of war of state of siege. (Gil, 1966, pp.101-102)

Actually the "traditional professional orientation" of the Armed Forces is by nature political since it deals with essential elements of power in society. In the Chilean case, the military was historically no
less political than the Judiciary, which was described above as an autonomous professional institutions of the State.

The first Chilean military school was created by Bernardo O'Higgins in 1817 in the midst of the Independence War against Spain, and was re-organized in 1832 as an elite school in which "entrance requirements were prohibitive to all but the best-educated aspirants to cadet status. (Nunn, 1976, p.42) A similar school for the Navy was founded in 1845 in Valparaiso, and in 1886 the Academy of War was organized as an institute of high studies for the members of the General Staff of the military. A number of other schools were also established for technical specialities, non-commissioned officers, and corresponding schools for the Air Force and Carabineros. (Nunn, 1976, p.73)

During the past century, the Chilean Armed Forces served a dual purpose closely related to the interests and policies of the dominant class, of which the military officers were members. In the Independence War and in two expansionist wars against Peru and Bolivia, the Chilean military fulfilled the needs of national identity and defense against foreign enemies, and added two provinces rich in minerals to the national territory. In between the foreign wars, the Armed Forces insured the internal order of the country by battling rural bandits, the Mapuche Indians and the political opponents of the government. Until 1851, all the presidents were military men; after 1851 the civilians controlled the Executive even though the military maintain its political importance. Since 1928, Presidents were under constitutional rule. (Nunn, 1976, pp. 38-79; Loveman, 1979, pp.193-195)

After the second war against Peru and Bolivia, ("War of the Pacific": 1879-1883) the tension resulting from Chile's occupation of terri-
tories that had been controlled by the defeated countries, and a potential conflict with Argentina because of border disputes, served as a justification for civilian support of strong Armed Forces, professional upgrading, and modernization of equipment. German instructors were hired for the Army, and British instructors for the Navy. The Academy of War was founded and the compulsory military service was mandated. Since that time, the Defense Minister became the civilian agent of the military in charge of insuring that the traditional 20 to 25 per cent of the national budget allocated to the military was not reduced. (Leuwin, 1961, p.147; Nunn, 1967, pp.249-250)

But no war came, and the main role of the Armed Forces turned inward. They were instrumental in repressing the working class and the labor movement through a long series of violent actions, which included the senseless massacre, commanded by Colonel Silva Renard, of 3,600 striking miners and their families in the school Santa Maria in Iquique in 1907. Similar episodes in Valparaiso (1903), Antofagasta (1906), San Gregorio (1921), and La Coruña (1925) where more than 1,200 workers were killed and their houses destroyed by artillery shelling. (Loveman, 1979, pp.226 & 246)

The military also served as final arbiters of the conflicts inside the dominant class. This was the case of the Navy and the German instructors of the Army who took party with Congress to defeat President Balmaceda and to install the parliamentary regime in 1891. The same parliamentary regime ended in 1924 when the military supported the populist measures proposed by President Arturo Alessandri against a stalling Congress, dissolved Congress, prepared the conditions for the adoption of a new Constitution in 1925, and ruled the country until 1932, when the De-
pression led to their substitution by a new civilian government headed by the same Arturo Alessandri. (Nunn, 1976, pp.109 & 131; Loveman, 1979, pp.203 & 242)

Since then, the Armed Forces legally took control of the country on election days, crushed an attempted coup of Nazi civilians in 1939, and continued to exert violent control over the working class and the labor movement in Ranquil (1934), over the railroad workers (1936), in the coal mines (1948), in José María Caro (1962), in El Salvador (1966), and in Puerto Montt (1969). They sustained a revolt in 1969 against the military policies of the Frei Administration, and in 1973, finally decided to end the rule of the same Constitution they had helped to adopt in 1925 when they found that the civilian politicians of the dominant class were no longer able to control the established regime by themselves. (Loveman, 1979, pp.270-271; Stallings, 1978, pp.90 & 105)

Since 1886, the professional upgrading of the Armed Forces Chilean officers through foreign instructors and study trips to Europe and later to the United States, made the military an important link between the Chilean dominant class and its foreign allies.

After World War II, the Chilean Armed Forces joined the Interamerican Defense System and were enrolled in the Cold War by a bilateral Military Assistance Pact with the United States in 1951. (Leuwin, 1961, pp.196-201) As a consequence, the Chilean military has been trained in the U.S. and in the U.S. bases of the Panama Canal Zone, where no less than 3,667 Chilean military were trained between 1950 and 1968. At the same time, nearly 50 U.S. military were in permanent U.S. Missions in Chile. (NACLA, 1972, p.53)
Through these interchanges, the Chilean military incorporated the professional doctrine of "National Security" sponsored by the U.S. advisers and instructors. Actually this was a fitting rationale for the traditional attitude of the Chilean Armed Forces toward the working class and the labor movement, as has been described before. This doctrine gave as much importance to the "internal enemies" as to the external ones, and sustained the need to fight the "subversive" activities of Marxist elements contrary to the values of the "Western Christian Civilization". (Leuwin, 1961, pp.232 &242; Rojas, 1976, pp.60-61)

In Chile, new professions associated with the traditional ones frequently emerged, as in the case of economists whose original university degree was "Commercial Engineering" or the many lawyers who became sociologists or political scientists before the respective university schools were formally created. A similar case was that of planners, since until the 1960's, there were no formal studies in planning in Chile, except some individual courses in the schools of engineering, architecture or economics.

Even though since 1939 CORFO was charged with preparing a national development plan, and since 1940 the municipalities had to prepare a kind of master plan called "Plano Regulador" to receive financial and technical assistance from the Ministry of Public Works, CORFO delayed the fulfillment of that function until 1960. The city planning consultants provided by the U.S government to help in the reconstruction of the region affected by the earthquakes of May of the same year complained of the lack of professional training in planning of their Chilean counterparts. One of them wrote:

The lack of a city planning curriculum in the universities of Chile allows each individual (sometimes with
disastrous results) to form his own philosophy concerning the profession. The emphasis on architectural solutions in planning tends to underplay the economic and social aspects. ... Here, because there is a limited scientific background, geology, landscape architecture, geography, sociology, economics, and anthropology are neglected in favor of architecture.

He added:

This is readily understandable since the architect practically single-handedly furthered city planning in Chile for the last three decades, in a development parallel to the "City Beautiful" movement in the United States from 1880 to 1910.

(Condon, 1961, p.10)

Another of the same group of city planning consultants found that he had to work in regional planning for Puerto Montt, even though he was a consultant in city planning, because CORFO, which was in charge of such regional planning, only had experts in economic planning and therefore was unable to complete the work. (Navarrete, 1962, p.7)

At the time when the above mentioned consultants arrived in Chile, there were no more than 50 professionals with training or good experience in planning in the country. Ten years later, there were about 300 professionals working in planning offices, many of whom had training in planning in the U.S., in Europe, or in the courses of the Latin American Institute for Social and Economic Planning of the U.N. (ILPES), and there was training of planners at the graduate level in the Universidad de Chile and Universidad Católica de Chile in Santiago. (See Chapters 3 & 4)

As university graduates, planners were members of the professional group within the Chilean dominant class but they had several differences with the more traditional professions.

One such difference was in training. While most of the other professionals had only the undergraduate training received in Chilean uni-
versities, and only the most prominent of them had been able to complement their studies in Europe or the United States, most planners had international training since there was no planning education in Chile until the late 1960's. Training in planning was at the graduate level, which meant that planners added more comprehensive education of U.S and European universities to their original degree obtained in Chile. In addition, the traditional orientation of professional education in the Chilean universities had been directed to differentiate and segregate one profession from the other, while the professional orientation of planners led them to attempt to coordinate the different specialized fields into multidisciplinary team work.

These characteristics put planners in a high status, but in a potential conflict with the most traditional professions jealous of protecting their own fields of expertise and the privileges achieved. As expressed by Germanico Salgado in his 1967 analysis of planning in Latin America:

> In a nutshell, from the point of view of the interests of certain pressure groups forming part of the ruling classes which wield power in several countries and also from the angle of organization and administration, planning is still foreign to the institutional experience of many Latin American countries.


This tension is reflected in more specific terms in the second major difference between planners and other professionals: their relations with the State.

As it was explained before, in Chile there was a close integration of some professions with some agencies of the State, and this integration was not only at the highest level. Entire services were "professionalized" as in the cases of the Judiciary, the higher ranks of the Armed
Forces, the Comptroller General, secondary education, and the public health services, which meant that near 70% of the university graduates entered to work for the State. As Osvaldo Sunkel wrote: "The liberal professions, as they exist in the United States and other countries, are fairly insignificant in Chile, since they are largely confined to the government bureaucracy." (In C. Veliz, ed., 1969, p.130)

The traditional orientation of the professionals perceived the main function of the State to be the support of the interests of the dominant class, because, "originally, the public administration was constituted as an extension of the power structure of patriarchal families and their circle of protégés..." (ILPES, 1966, p.33) More recently this public administration has expanded and,

the traditional structure of Chilean society has allowed a limited degree of social mobility ... undoubtedly selective, which has contributed to the strength of the same social structure by incorporating new talent and wealth, and creating the illusion of an "open" society. On the other hand the newcomers have not changed the traditional system, since subordination to the existing Establishment appears to be the very condition of entry into it.

(Sunkel, in Veliz, ed., 1969, p.131)

The expanded public administration

retains the characteristics of every phase of its evolution and tends to have a double loyalty: on one side the particularistic interests which open the access to State employment and give political support to the public officers, and on the other, the general interests of the community which the government should represent.

(ILPES, 1966, p.33)

Moreover, for the professionals in Chile, State employment was a source of social security benefits and health insurance, but was far from being their only source of income. As David Condon found: "The Chilean professional employed by the government necessarily must supplement his
modest salary with outside contracts." However as the same author noted, the professional salary was not "modest" in relation to the general level of income in Chile, since it could be $450 per month (at 1961 prices) while "a common laborer's daily wage was seldom over $1.50". (Condon, 1961, pp.2 & 10) Therefore, this meant that professionals employed by the State added to the double loyalty mentioned above the separation between their role in the public administration and their individual professionals goals.

In contrast, planners considered this double loyalty as "irrational", and postulated that "the first task of planners at the level of the State administration is to reform it by subordinating the particularistic interests to the general interests." (ILPES, 1966, p.34) As Condon explained:

The Chilean professional employed by the government who conforms and makes no changes, has the best opportunity to retain his position, independence, solitude and salary. But the planner, whose vocation represents change, cannot, by nature, be dormant.

(Condon, 1961, p.2)

In fact, as it was indicated before, the Chilean professionals were created to support the established system; but planning, in the period to be analyzed, was associated with the general ideology of development and structural changes. This ideology was developed by ECLA and became predominant in Latin America after the Alliance for Progress.

The opportunities in Chile for working in planning as a private consultant were restricted, and most planners were employed directly by the State, especially after the installation, in 1965, of a national system of planning which included a National Planning Office (ODEPLAN), several sectorial planning offices and regional planning offices.
Because of their early links through CORFO and the Housing Division of the Ministry of Public Works, most of the Chilean planners were recruited from among economists, engineers and architects. But the pre-eminence of some government programs of the 1960's such as the Agrarian Reform and the Educational Reform, gave other professionals, particularly agronomists, educators, and social scientists, entrance to the planning field. Since the Comptroller General did not recognize degrees obtained in foreign universities, planners had to maintain their original professional affiliation to be employed by the State. However, they developed their own professional organization: "Sociedad Chilena de Planificación y Desarrollo" (PLANDES: Chilean Society of Planning and Development) and published their own professional journal: PLANDES Bulletin.

Even though the possibilities for planners to work as "liberal professionals" in Chile were practically non-existing, the two centers created during the 1960's in Universidad de Chile (CEPLA) and Universidad Católica (CIDU) provided alternative work opportunities for planners. In addition, most of Chilean planners never lost their links with ILPES or the other international agencies and foreign universities to which they had been affiliated as employees or students. Therefore, many of them had the possibility of working outside of the country if they, due to political reasons, could not work for the Chilean State, as they did before 1958 and have done after 1973.

3. CORFO, and the Introduction of Planning in Chile.

As it happened with other institutions of the Chilean State, the introduction and practice of planning as an official State function was associated with the international situation and its impact on the Chilean
social structure.

The Great Depression of the 1930's and World War II changed deeply the channels of relation between the Chilean dominant class and the more developed capitalist countries. The U.S. influence which had been growing since the beginning of the century, took a more definite and formal shape, and a conflict developed inside the Chilean oligarchy between the most elite and authoritarian of its members who sympathized with Nazi Germany, and the more liberal elements who followed the traditional links with Great Britain and the United States. (Loveman, 1979, pp. 250 & 275; Gil, 1966, p. 66)

The second Presidency of Arturo Alessandri was inaugurated in 1932 during the worst period of the Depression, and after a period of political anarchy which followed the fall of the dictatorship of Carlos Ibáñez in 1931. With a coalition of Conservatives, Liberals and Radicals which gave strong support to the government in Congress, and with the help of an armed group of civilians named "Milicia Republicana", the Alessandri government was able to achieve control of the military, and through harsh repression by the police, forced the labor movement to submit to the rules of the Labor Code. (Loveman, 1979, pp. 264-270)

In the economic field, the government dissolved COSACH, the nitrate company created by Ibáñez, and replaced it with a State controlled corporation: "Corporación de Ventas de Salitre y Yodo" (COVENSA: Nitrate and Iodine Sales Corporation) that had the monopoly of exports of both products and started a search for new markets. (Stuart, 1966, p. 407; Kinsbrunner, 1973, p. 134)

In addition, the repressive labor policies were associated with fiscal austerity and government stimulus to construction and industry.
The shortage of imported goods due to the Depression represented an opportunity for national industrialists, who with the financial help of the State and a source of cheap labor in the large number of unemployed mine workers, started a process of industrialization for the substitution of imports. The increases in industrial production and construction rescued the economy from the worst effects of the Depression and reduced the number of unemployed workers from 262,000 in 1932 to only 13,600 in 1935. (Kinsbrunner, 1973, p.134; Loveman, 1979, pp.264-265)

However, the same process of industrialization moved the focus of the labor movement from the mines in retired regions to the cities in the center of the country. The prices which had been low and stable during the early depression years, began to rise again, while the salaries were maintained low. The Radical Party felt that the Conservatives and Liberals were taking advantage of their support to the government without benefits for the petty bourgeois and white collar elements who served as basis to the Radicals.

For that reason they accepted the proposal of the Communists to organize, together with the Socialists, an "anti-facist" Popular Front, similar to the European coalitions of the same name. The harsh repression of a railroad strike by the government in 1936 was the opportunity which led to the formation of the first executive committee of the Popular Front. (Loveman, 1979, pp.265-272; Kinsbrunner, 1973, p.135)

The Chilean "Frente Popular" had a first test in the congressional elections of 1937, in which "the Rightist parties managed to preserve their majority in Congress but thanks only to systematic bribery and wholesale vote buying." (Gil, 1966, p.68) The great gains of the Socialist Party in these elections convinced the Radicals of the coalition's
benefits, in spite of the internal opposition of the right wing of the Radical Party.

As the largest party in the Popular Front, the Radicals were in position to dominate the coalition, and after long and tough bargaining they were able to convince the Socialists to retire their candidate, Marmaduke Grove, and support the candidacy of the Radical Pedro Aguirre Cerda for the presidential elections of 1938. Aguirre Cerda was a lawyer and owner of a large farm near Santiago, and had been Minister of Interior of Arturo Alessandri's first administration. At the time of his candidacy, he was Dean of the School of Economics and Commerce of Universidad de Chile and was considered one of the leaders of the conservative wing of the Radical Party in its opposition to the formation of the Popular Front. (Gil, 1966, pp.68-69; Johnson, 1964, p.83)

In contrast with the Left that selected a centrist from the dominant class as their candidate, the Right, divided by the influence of the Nazis, elected an extreme conservative as candidate, the Minister of Finance, Gustavo Ross. He was considered a financial wizard by the Right, but was despised by the general population because of his incredible lack of social sensibility and his assurances to the dominant class "that he would know how to buy the required number of votes." (Hirschman, 1963, p.183; Gil, 1966, p.68)

A third candidate, the former dictator Carlos Ibáñez was presented by the Nazi Party. When this candidacy failed to attract public support, the leader of the Nazis, the Deputy Jorge González Von Marees, attempted to kill President Alessandri. While Alessandri read the State of the Country message to Congress, González Von Marees fired shots at him. The government applied the security laws to the Nazis and prosecuted González
Von Marcees. He was convicted and due to enter prison on September 8, 1938. On September 5, the Nazis tried to overthrow President Alessandri through armed rebellion, directed also to the elimination of Ross and Aguirre Cerda. They expected that Army unit sympathizers of Ibáñez would support them, but this support never materialized. The government crushed the rebellion and summarily executed the rebels after they surrendered. From prison, Ibáñez and González Von Marees ordered their followers to vote the candidate of the Popular Front which produced the unique situation of an "anti-facist" Popular Front supported by the Nazi Party. (Gil, 1966, p.69; Halperin, 1965, pp.45-46)

Aguirre Cerda won the Presidency with 212,000 votes against the 199,000 votes received by Ross; the small difference was recognized after Ross failed to convince the Army to back a recount. (Nunn, 1976, pp.235-236; Loveman, 1979, p.273)

Aguirre Cerda had great admiration for the New Deal of Roosevelt. His position in economics was clearly Keynesian, as he sustained that the key to development was the expansion of demand resulting from increases in salaries and wages. (Hirschman, 1963, p.185) The platform of the Popular Front combined these ideas with economic nationalism and State intervention under the slogan "Pan, Techo y Abrigo" (Bread, Housing and Clothing). (Loveman, 1979, p.277; Roxborough, 1977, pp.26-27)

But Aguirre Cerda had to deal with a hostile Congress where the parties of the Right had majority, and no congressional election was due until 1941. In addition, in January, 1939, two months after the inauguration of the Popular Front Administration, an earthquake devastated Chillan, Concepción, and the adjacent provinces, killing 50,000 and rendering many times that number injured and homeless. (Loveman, 1979, p.276)
The government sent Congress a double package requesting reconstruction of the earthquake-affected region, and a six-year plan of national economic development which included low-cost housing and industrialization. Congress rejected the package, arguing that its high cost represented higher taxes, inflation and an expanded State bureaucracy. In addition, S.N.A., the traditional association of agriculturalists and landlords, complained to the government that the efforts of Socialists and Communists to organize labor unions among agricultural workers was producing "the initial elements of a state of revolution". (Loveman, 1979, p.278)

Aguirre Cerda, the Popular Front, and the labor organizations reached a compromise with the dominant class in a new package designed by the Minister of Finance, Roberto Wacholtz. Two agencies were created: one for reconstruction and the other for economic development. Representatives of the traditional associations of businessmen were incorporated in the directive board of both to insure that they were not used for political purposes by the Popular Front. The financing of the two agencies was charged to a copper export tax and to external credits to avoid an internal tax increase. In addition, the government ordered the illegal suspension of labor union organizations in the countryside.

The Minister of Interior, Arturo Olavarria, devised a system to destroy the existing labor unions of agricultural workers that he called "el juicio final" (judgment day). If rural workers declared a strike the police called them to a meeting where they were asked if they were willing to continue the movement. Those giving affirmative answers were put on the left side, while those willing to return to work were grouped to the right. Then the "bad" men of the left were ordered to take their
families and belongings and were evicted from the farm. Thus, the peasants were forced to pay for the industrialization and economic development of the country. (Loveman, 1979, pp.277-279; García, 1970, p.284)

The new legislation for economic development and industrialization did not change the existing institutions, but added to them a new, important, and innovative agency: "Corporación de Fomento a la Producción" (CORFO: Economic Development Corporation). (Hirschman, 1963, p.184)

The Kemmerer Mission had created a center of power in economic matters integrated by the Ministry of Finance, the Office of the Budget, and the Central Bank. CORFO, as an autonomous agency with its own financial resources, and with the Minister of Economy, who was also the State regulator of commerce and industry, as chairman, constituted a new and independent focus of economic power within the system. (Gil, 1966, pp.78 & 135; Loveman, 1979, p.259)

Since the Radical Party had the control of the Ministry of Finance, and the Socialist Party was originally opposed to the compromise with the Right, a Socialist, Oscar Schnake, was designated Minister of Economy, and the Socialists were given a large level of participation to staff the new agency. (Roxborough, 1977, p.27; Gil, 1966, p.289)

With some precedence in the special banks created by the Ibáñez dictatorship to help finance the new industrial, mining or agricultural ventures, CORFO was the first State Economic Development Corporation of Latin America, and was endowed with a far-reaching authorization which made it the "key state mechanism for the planning and promotion of economic development." (Glade, 1969, p.438)

The mandate of CORFO included industrial development, agricultural improvement, balance of trade strengthening, private and public capital
the industrial proletariat is the dynamic force of economic development and the revolution toward a classless society. But without industrialization such proletariat does not exist, and therefore the first step toward progress is the development of an industrial base. Since the past had demonstrated that the Chilean dominant class was unable or unwilling to industrialize the country, a planned State action was needed to expand the industrial sector where a revolutionary proletariat could emerge. (Roxborough, 1977, pp.26-27; Stallings, 1978, p.32)

On their side, the Radical Party was impressed with the New Deal of Roosevelt and admired T.V.A. At the same time, the members were interested in expanding the State action to provide jobs for the petty-bourgeoisie and white collar workers who were the base of the party. The economic policies of the dominant class tended to restrict the professional and white collar positions. (Stuart, 1966, p.408; Gil, 1966, p.261)

From a third viewpoint, the dominant class, after a reluctant first moment, was attracted to the possibility of using CORFO as an instrument to expand its economic base without risks. In fact, in practice CORFO: a) invested in activities which required large amounts of capital and had a low rate of return and a long period of maturity, such as hydroelectric power, oil exploration or steel production; b) endured the initial costs and risks of new ventures, to sell after the established enterprises to private investors; or c) was backed with the collateral guarantee of the Chilean State, the foreign loans for Chilean private corporations. (Gil, 1966, p.135; Stallings, 1978, p.31)

CORFO was mandated to collaborate and coordinate with other State institutions, but an action-oriented and flexible institutions such as CORFO was able to do more things faster than the centralized agencies of
formation, technical consulting, and project machinery and equipment imposition. CORFO was authorized to contract credits in the country or in the international market; it could develop policies and execute them by itself or by contracts, could organize and initiate companies to operate them directly or in partnership with private investors, give loans to private firms, and make equity investment. CORFO was managed by an Executive Vice President responsible to the Board of 21 members who included representatives of business associations, and the professional organization of Engineers, aside from government representatives and a representative of labor organizations under the Presidency of the Minister of Economy. (Gil, 1966, p.135; Glade, 1969, p.439)

The creation of CORFO implied the introduction of planning as an official function of the State in Chile. CORFO was directed to collaborate with other institutions to devise programs for the promotion of production, and was also charged with drafting a comprehensive plan for national development which would embody a due regard for intersectoral and interregional balance while strengthening the country's balance of payments position.

(Glade, 1969, p.439)

CORFO was organized into five divisions: Industries, Agriculture, Mining, Finance, and Studies and Planning. The technical staff of CORFO was mainly integrated by engineers and economists, and before 1960, "CORFO's record in the development of Chile's national industries is often cited as the most successful example of national economic planning in Latin America." (Gil, 1966, p.163)

In the creation and charter of CORFO, three different philosophies were mixed. From the Marxist point of view of Socialists and Communists,
the traditional bureaucratic organization created to serve laissez-faire economic policies. Because of this, CORFO in practice many times duplicated the functions of those traditional agencies to serve its own purposes. (Barraclough, 1974, pp.219-220)

These problems were multiplied when other State agencies with the same perspective of economic activism as CORFO were created for different functions. For example, the State Bank, created in 1953 by the fusion of several pre-existing smaller agencies, stated in its charter that

in addition to providing a full range of commercial, mortgage, savings and investment services for firms in agriculture and industry, it was authorized (a) to establish and to operate deposit warehouses, fertilizer plants, and agricultural processing installations, (b) to intervene in the management of industrial enterprises, (c) to engage in domestic and foreign trade, and (d) to carry on other operations of an agricultural, industrial and commercial character.

(Glade, 1969, p.434)

The same year, 1953, the Mining Credit Institute (CACREMI) started operations of a copper smelting plant through a subsidiary named "Empresa Nacional de Fundiciones: (ENAF: National Foundries Enterprise). The "Instituto Nacional de Comercio" (INACO: National Commerce Institute) was organized to manage the State monopoly on the import of basic foodstuffs and to regulate the internal market of essentials. (Gil, 1966, p.136; Glade, 1969, pp.433-434)

In its initial stages until the early 1950's, CORFO engaged in a fruitful series of sectoral and project plans for industrial development, and created subsidiaries for their implementation. Such was the case of ENDESA (National Electric Enterprise), in charge of the National Plan of Electric Power; ENAP (National Petroleum Enterprise), in charge of oil exploration; CAP (Pacific Steel Co.), in charge of the construction and
management of the Huachipato steel mill; HONSA (National Hotel Co.), in charge of the construction and administration of tourism facilities; SEAM (Agricultural Machinery Service), in charge of importing and operating agricultural machinery, and IANSA (Sugar National Co.), in charge of implementing a program of sugar beet production and processing.

In this period CORFO also entered into joint ventures with private investors, either Chilean, as in MADECO (copper mill and wire plant) and MADEMSA (household appliances), or foreign as in INSA (tires and rubber products) with General Tire. In addition, in the course of its operations, CORFO loans were granted to hundreds of enterprises in a wide variety of fields, and up to the end of 1958, investments had been made in the stock of some 66 companies, in 41 of which CORFO had held a majority interest.

(Glade, 1969, p.440)

The action of CORFO had a sensible impact on the economy of the country. Industrial production grew 50% between 1946 and 1955 and the share of industry in the national income went up 42% in the period 1940 to 1955. (Gil, 1966, p.162; Roxborough, 1977, p.26)

As it was expected by the parties of the Left, the growth of industry originated the growth of the industrial proletariat. "In the years between 1940 and 1952, the number of workers employed in manufacturing jumped from 298,000 to 408,000, from 15% of the working population to 19%." (Roxborough, 1977, p.27) This growth was capitalized on by the Communists, because the Socialist Party, after the Popular Front, entered into a deep crisis of splits and personality conflicts. (Roxborough, 1977, p.29; Gil, 1966, p.71)

The growth of the Communist Party reached a climax in 1946. In coalition with the Radicals, the Communist Party helped to elect Gabriel
González Videla and joined his government during the first year. But afterward, the Communists were neutralized and badly affected by the "Defense of Democracy Law" which deprived them of civil rights and declared their organizations illegal in 1948. However, the dominant class realized that notwithstanding the repression of the labor movement, CORFO was an independent conglomerate which was threatening their control of the economy of the country. Through CORFO, the State economic action had expanded and acquired a relative autonomy. Thus, the dominant class started a campaign to reduce State expenditures and to divest CORFO of its subsidiaries. An important share of the CORFO enterprises were then transferred to private control. That was the case of INSA, MADEMSA, MADECO and CAP.

After this, CORFO was directed to provide financing and technical assistance to private investors rather than to invest by itself. (Gil, 1966, p.135; Stallings, 1978, pp.48-49)

In addition, the copper exports which were the base of CORFO financing through the export tax, declined from a high of 500,000 tons in 1942 to less than 400,000 in 1952. The U.S.-based copper companies argued that the combination of domestic inflation, discriminatory exchange rates and high taxes made Chile a less profitable place from which to acquire copper than elsewhere. In 1954 the Ibáñez Administration negotiated an agreement with the companies to solve some of the problems mentioned above by simplifying exchange rates and reducing export taxes ("Nuevo Trato"). This agreement set the price of copper according to the London market as a basis to fix the export tax, but the price dropped from 56 cents per pound in 1956 to 20 cents in 1958. All this reduced the stability and volume of the resources available to CORFO. (Glade,
Without the action of CORFO the growth of the Chilean economy was reduced to the point where per capita growth rates were negative between 1953 and 1956. It is not surprising that the inflation rate went to 84% in 1955, but the dominant class was not willing to activate CORFO again and chose instead to arrange the contract of the Klein-Sacks Mission following the tradition of calling upon foreign experts when in trouble. (ECLA, 1966, p.92)

In planning, CORFO did not produce the National Plan of Development mandated by its charter until 1961, but many other activities prepared the way for this task. As it was seen above, in the beginning the emphasis was on sectoral planning and projects. At the same time, the Division of Studies and Planning was preparing Economic Geography of Chile which was first published in 1950, and developing a system of National Accounts with the technical assistance of the United Nations.

In 1954 CORFO published Plan for Agricultural and Transport Development which was never implemented because it was heavily dependent on foreign aid which was never obtained. (Glade, 1969, p.439; Gil, 1966, p.154)

However this plan began the series of studies which later produced the Program of Livestock Development (1961) and the Program of Fruit Production (1962), which were carried out by the Agricultural Division of CORFO. The first included the genetic improvement of cattle for milk and meat production, and the construction of modern slaughterhouses, meat packing and storage facilities, and milk processing plants in the producing regions. The second financed the expansion of orchards and the fruit processing plants for internal production export. (ODEPA, 1970, p.XXV)
But the new emphasis in planning during the 1960's came as a result of the ideas developed by the U.N.'s Economic Commission for Latin America (ECLA), especially as a result of the U.S. policy change towards Latin America after the Cuban revolution. This requires further explanation.

4. ECLA, The Alliance for Progress and Planning.

At the end of World War II, Chile and the other Latin American countries agreed with the United States proposal to support the creation of the United Nations Organization, but insisted on the necessity of a regional organization of economic cooperation to substitute the old Pan American Union, in the "Act of Chapultepec" of 1945. (Levinson, 1970, p.37; Bailey, 1967, p.77)

Chile also joined the Bretton Woods agreement which created the International Monetary Fund (IMF) in 1944, and the General Agreement on Tariffs and Trade (GATT) in 1947, thus formalizing the Chilean participation in the international capitalistic system organized under the hegemony of the United States. (Blake, 1976, pp.12-13 & 46-47)

In addition, Santiago was chosen by the United Nations as the seat of its regional offices in Latin America, which meant installing the Economic Commission for Latin America (ECLA), the regional offices of F.A.O. and several other international agencies in the Chilean capital. The affiliation with the international organizations and the internationalization of Santiago, fitted well with the cultural traditions of the Chilean dominant class; but the U.N. agencies represented a new source of ideas and models different from those of Europe and the United States.
Probably the most important idea to achieve importance through the existence of the United Nations was the concept of economic development. Before the U.N. provided the world with a series of standard statistical indicators, there was no way to compare one country with another on a common ground. Concepts such as "progress", or the qualification of countries as "advanced" or "primitive", "modern" or "backward", were associated with subjective feelings of nationalistic pride or historical prestige rather than scientific measurements. But the U.N. produced an assumedly "objective" measuring instrument by which the different countries could be compared, and this instrument was promptly used to classify countries into two large groups according to indexes of their economic performance: "developed" and "underdeveloped". This comparison and classification led to a couple of basic questions: Why did some countries have higher levels than other countries in all the indicators? How could those countries with low levels reach the same high levels of the others? It was assumed that all countries could reach reasonably high levels and all the national societies considered those high levels as a desirable goal.

The issue of economic development became a focus of competition between different political systems, and led to the emergence of other associated concepts such as "economic and technical assistance". Actually the technical agencies of the U.N. grew out of the need for a better definition and response to the basic questions postulated above, and the most powerful nations developed their own mechanisms of international assistance and cooperation as a means of increasing their influence on other countries. As a consequence of their different political interests, the organisms of the U.N. frequently developed a technical approach offered
by individual countries.

In Latin America, ECLA represented a source of ideas and models with a Latin American perspective, alternative to the ideas and models generated in Europe and the United States. Under the direction of Raul Prebisch, the staff of ECLA made a critical analysis of the conventional capitalistic way of thinking about economic development, using the history of Latin America as a base for proposing a new thesis on the roots of underdevelopment and the ways to overcome the obstacles for economic growth. These ideas constitute a general view of the political economy of development known as the "structuralist" position, in contrast with the "monetarist" position of the IMF and the World Bank, that is the international agencies dominated by the U.S. (Perloff, 1969, pp.9-10; Hirschman, 1963, pp.212-214)

The classical and neo-classical economic theory of development sustained by the IMF and World Bank postulated that the growth of exports would produce the surplus capital required to make the necessary investments for future development. The same theory maintained that free commercial interchange in the international market leads to an international division of labor, which, due to the principle of "comparative advantages", is mutually beneficial for all the participant countries. Therefore, the best way to induce development is to eliminate tariffs and other obstacles to the free interchange of goods and money among countries. (A good presentation of this traditional conservative theory is contained in the Chapters 32 to 37 of the 6th edition of Samuelson's *Economics*.) This theory served as ideology of GATT, an organization directed to facilitate the free interchange of goods, and of IMF as the international financial agency with the objective of facilitating the free interchange of money.
The analysis made by ECLA of the historical trends of the foreign trade of Latin American countries demonstrated that those historical trends were in contradiction to the postulates of the traditional economic doctrine presented above. The division of labor, which allocated the production of primary goods to the underdeveloped countries of Latin America and the production of manufactured goods to the developed countries of Europe and the U.S., resulted historically in a secular deterioration of the terms of trade. From 1870 until World War II, and again after 1950, the prices of agricultural products and minerals which constituted the bulk of Latin American exports had grown at a slower rate than the prices of the industrial goods imported by the Latin American countries from Europe and the United States. (Blake, 1976, pp.31-33)

This was to continue in the future because the new technologies would reduce the demand for raw materials, and because of the impact of "Engel's Law" on the income elasticities of primary products and manufactured goods. (Perloff, 1969, p.9; Glade, 1969, p.404)

As it has been observed by Joan Robinson,

there are two broad categories of markets in which the relations of supply and demand for particular commodities operate differently. ... In the first type the producer offers his goods to a dealer and takes whatever price they will fetch; in the second, the producer sets his price and sells as much as the market will take.

The first market corresponds to primary products and the second to industrial goods. (Robinson, 1973, pp.147-148)

In the analysis of ECLA, this observation was complemented with another: The oligopolistic organization of industrial production and the strength of labor unions in most developed countries would translate the
productivity gains in the export sector would result in price decreases that would benefit the consumers in more developed countries. (Glade, 1969, p.405; Blake, 1976, p.31)

Three other elements were added by ECLA in this analysis of the obstacles for development. They were: the latifundio pattern of ownership of agricultural land, the uneven distribution of income, and the small size and lack of competition of the internal market in Latin American countries. (ECLA, 1966, pp.14-15)

Owners of large tracts of agricultural land (latifundios) were not interested in increasing production and productivity because they obtained a high income from the extensive cultivation of part of their land. The intensive cultivation of all their land would require higher production costs and would increase supply in an already depressed export market, resulting in lower prices. They'd prefer to cut production so that, at least in the internal market, the prices would be high and their production costs would be low. This combined with the deterioration in the terms of trade mentioned above resulted in chronic deficits in the balance of trade and internal inflation. (Prebisch, 1970, pp.177-179)

The skewed distribution of income prevalent in Latin American countries compounded the problems by reducing the population's potential for savings. The large groups of low income people could not save because they were pressed to satisfy their essential needs, while the ruling classes had an excessive propensity to consume as a result of the inflationary process and their desire to reproduce at home the environmental niceties of the more developed countries. As a consequence of this, the rate of savings in Latin American countries has been historically insufficient to finance a process of accelerated industrialization and develop-
ment. (Hirschman, 1963, p.213; Prebisch, 1970, p.123)

The small size of the internal market and the monopolistic organization of it left Latin American countries with poor allocation of resources, idle production capacity and increased costs of production. This situation precluded the appearance of innovation, distorted the structure of the labor force and impeded the introduction of modern technologies especially suitable for large scale operations. (ECLA, 1966, pp.14-15; Prebisch, 1970, pp.221-222)

ECLA postulated that the industrial sector is the most dynamic factor of economic development. Therefore, ECLA felt that the main component of a development policy should be an aggressive program of industrialization to substitute imports and to diversify exports toward a stronger position in the international market. The same analysis made it clear that free market forces allowed to follow their course would not provide such a program. On the contrary, they would intensify the problems by deepening the trends which historically have been demonstrated to be contrary to the interests of the Latin American countries. (Glade, 1969, pp.405-406; Perloff, 1969, p.10)

In addition to this industrialization program, the policy proposals of ECLA included the creation of two major international institutions and several structural changes inside each Latin American country.

In the international field, ECLA reinforced the old aspiration of the Latin American countries for a regional financing agency which could provide capital for investments in soft terms and without the ties of the World Bank and the Exim Bank with the U.S. policies. An Inter-American Bank would be more responsive to the needs of the Latin American countries and more open to the search for appropriate technologies and better prices
than those of the U.S market. (Perloff, 1969, pp.10-11; Levinson, 1970, p.40)

ECLA also proposed the idea of the economic integration of the Latin American countries, following the example of the European Common Market, to provide the large market required for many industrial activities to achieve the necessary and efficient economies of scale. (Prebisch, 1970, pp.164-165)

The most important internal structural alteration proposed by ECLA was the Agrarian Reform geared to change the large latifundios into family, collective, or cooperative farms, thereby making a more intensive use of the agricultural land, increasing agricultural production and productivity, and raising the income of the rural population. This would increase the internal market for industrial products, would provide food for the urban population and would reduce the pressure over foreign exchange resources. (Prebisch, 1970, pp.178-179)

Such a complex package required the intervention of the State and the introduction of planning in the Latin American economies; ECLA was providing technical assistance in planning since 1949 at the same time that it was introducing the idea among professionals and politicians of the necessity for the structural changes and the State action described above. (UN/ECA.102, pp.20 & 43)

ECLA ideas were influential in generating a Latin American position on development issues which was significant in the internal debate of each Latin American country during the 1950's, and more so in the relations between Latin American countries and the U.S.

Chilean economists like Anibal Pinto, Jorge Ahumada or Osvaldo Sunkel, used the background material provided by ECLA's annual Economic
Survey of Latin America to criticize the "monetarist" policies applied by the Klein-Sacks Mission and the I.M.F., and to propose alternative "structuralist" solutions to the same problems of inflation and economic development. (Hirschman, 1963, pp.213-214)

However, the U.S. policy-makers were slow to understand the process that was taking place by the influence of ECLA. Even though in the 1940 Habana Conference of Latin American Foreign Ministers the U.S. accepted the idea of an Inter-American Bank that would obtain from Latin American countries a common front before the European conflict, after World War II was over, that idea was postponed or rejected. (Levinson, 1970, p.36; Stuart, 1966, pp.33-34)

In 1948 in Bogota, the Inter-American Conference approved the charter of the Organization of American States (O.A.S.) which replaced the old Pan American Union. But, "Secretary of State, George Marshall, explained that the United States could not simultaneously undertake the economic reconstruction of Europe and provide massive assistance to the underdeveloped world." (Levinson, 1970, p.37; See also Bailey, 1967, pp.78-83)

Even as late as the Tenth Inter-American Conference of Caracas in 1954, the center of interest of the meeting was the rather bullyish performance of the Secretary of State, John Foster Dulles, in political matters. In two days, he and all the military dictators of the Hemisphere pushed a declaration which stated that a Communist regime in any of the Latin American countries was to be considered a threat to the security of all O.A.S. countries in the terms of the Rio Pact of 1947. In this way, he obtained some legitimacy for the C.I.A. intervention in Guatemala the same year, but left the issue of economic cooperation pend-
ing until a later meeting that would take place in Quitandinha, Brasil. (Bailey, 1967, pp.94-95; Perloff, 1969, p.10)

To prepare the Quitandinha Conference, which took place in November 1954, Raul Prebisch called a conference of experts, headed by Eduardo Frei (then Senator and later President of Chile) and including Carlos Lleras Restrepo (later President of Colombia) as spokesman. These experts prepared a report on the basis of the analysis and proposals of the ECLA staff. The report was submitted to the O.A.S. meeting after previous circulation among the delegates of the different countries. This report anticipated the Alliance for Progress in its recommendations which included:

1) The creation of an Inter-American Fund for agriculture, mining and industrial development, which later became the Inter-American Development Bank, I.D.B.;

2) Foreign financing of investments at the level of $1 billion per year for 10 years, through the Inter-American Fund, the World Bank and the EximBank;

3) An agreement on price stability for the most important Latin American export products; and

4) National planning to determine priorities and to allocate public and private investments. (Levinson, 1970, pp.39-40; Perloff, 1969, p.11)

The report was supported by the Latin American delegates; among them were Roberto Oliveira Campos, who was later Minister of Planning of Brasil, and Felipe Herrera, then Minister of Finance of Chile and later President of the IDB.

But the U.S. government, represented by the Secretary of the Treasury, George Humphrey, rejected the report and repeated the traditional
statements urging the Latin American countries to attract private foreign investments through the control of inflation and "realistic" exchange rates. He declared his "firm determination to maintain a strong healthy economy in the United States and an international system of free trade". A similar position was taken by Eugene Black, the President of the World Bank. He commented on the figures of the report saying:

In the presentation of calculations of this kind, little attention is usually paid to the heavy burden that would be imposed on the foreign financiers of countries that follow them.

(Levinson, 1970, pp.41-42; Perloff, 1969, pp.11-12)

The U.S. position started to change after the violent reception of Vice President Richard Nixon in a "goodwill tour" of Latin America which took place in April and May of 1958. In September of the same year the foreign Ministers of OAS approved the creation of the IDB and accepted the idea of President Kubistcheck of Brasil to massively attack the socio-economic problems of the Latin American countries. He called his idea "Operation Pan America". (Levinson, 1970, pp.44-45; Perloff, 1969, p.13)

Shortly after, the actions of ECLA resulted in the organization of the Latin American Free Trade Association (LAFTA) as a first step toward the organization of a Common Market among the countries of the region. The Treaty of Montevideo signed in February, 1960, and ratified by all the countries of South America and Mexico, created a process of gradual reduction of tariffs and other restrictions on trade among the signatories which put the basis for the Common Market before 1972 following the recommendations of ECLA. (Prebisch, 1970, pp.164-165; Glade, 1969, p.472)
LAFTA was the first organization of Latin American countries without the participation of the United States, and as such it was considered initially in less than favorable terms by the U.S. government. In addition, critics from the Left denounced LAFTA as an instrument of the ruling classes, as a union of governments and not of people. In practice, the opposition of businessmen interested in maintaining protection of their monopolies through high tariffs, the extreme differences between countries, and the complexities of the system of product by product negotiations led to the paralysis of LAFTA in 1968. (Perloff, 1969, pp.182-183; Levinson, 1970, p.181)

However LAFTA created a consciousness about the common problems of the region and provided a technical forum where those problems could be treated in practical terms. Moreover, it generated a more active cooperation among some of the member countries, such as the "Acuerdo de Cartagena" signed in 1968, toward the planned economic integration of the countries of the "Andean Region" which includes Bolivia, Colombia, Chile, Ecuador, Peru and Venezuela. (Glade, 1969, pp.437-482; Prebisch, 1970, pp.166-167)

After the violence suffered by Nixon on his trip, the triumph of Fidel Castro in Cuba at the beginning of 1959 heightened the concern of the U.S. and the ruling classes of Latin America over the revolutionary potential throughout the region. Now the proposals of ECLA and Kubistcheck appeared as attractive and sensible alternatives to the spread of socialist and anti-imperialist movements. As President Kennedy said: "If the only alternatives for the people of Latin America are the status quo and Communism, they will inevitably choose Communism." (Levinson, 1970, p.56)
Kennedy made U.S.-Latin American relations a campaign issue, and in a policy speech in Tampa, Florida, used the Spanish expression, "Alianza para el Progreso", for the first time. The phrase had been coined by Richard Goodwin to symbolize his concept of a new era of cooperation between the U.S. and "our sister republics". After his inauguration, Kennedy designated a group of experts with Adolf Berle, from Columbia University, presiding. Including Lincoln Gordon of the Harvard Business School, Robert Alexander of Rutgers, Arthur Witaker of The University of Pennsylvania, and two "hispans": Teodoro Moscoso, former head of the development program of Puerto Rico called "Bootstrap", and Arturo Morales Carrion, the group was directed to study a new policy toward Latin America. Richard Goodwin served as personal link with the President.

(Levinson, 1970, pp.51-54; Perloff, 1969, p.20)

But the President also called the Ambassador of Venezuela in Washington, Jose Antonio Mayobre, and asked him to organize a parallel group of Latin American experts. Mayobre acceded and organized a group that included Raul Prebisch of ECLA, Felipe Herrera, President of IDB, and Jose A. Mora and Jorge del Sol of OAS. This group prepared a statement of four points which was given to the President. The U.S. group met three times and prepared a report entitled "Alliance for Progress: A Program of Inter-American Partnership". Based on both, the President proposed the Alliance for Progress in a speech to an audience of Latin American diplomats in Washington on March 1961. (Levinson, 1970, pp.55-56; Perloff, 1969, p.20)

One of the basic themes of the President's speech was planning. He said:

I propose that the American republics begin on a vast new ten-year plan for the Americas, a plan to trans-
form the 1960's into a historic decade of democratic progress.

He added:

I will shortly request a ministerial meeting of the Inter-American Economic and Social Council, a meeting at which we can begin a massive planning effort which will be at the heart of the Alliance for Progress.

For if our Alliance is to succeed, each Latin nation must formulate long-range plans for its own development, plans which establish targets and priorities, ensure monetary stability, establish the machinery for vital social change, stimulate private activity and initiative, and provide for a maximum national effort. These plans will be the foundation of our development effort, and the basis for the allocation of outside resources.

(The text of the speech is included as annex to Levinson, 1970)

The repeated mentioning of planning and "vital social change" indicated Kennedy's acceptance of the structuralist ideas of ECLA. However, before the meeting announced in the speech could take place, the Bay of Pigs fiasco made it clear that the change of policy was far from complete, and the new partnership did not include the possibility of accepting a socialist regime in one of the Latin American countries.

Actually the Alliance for Progress was conceived, and was reaffirmed after the Bay of Pigs adventure as a response to the threat of a socialist revolution in the Hemisphere. (Perloff, 1969, p.19; Levinson, 1969, p.51)

The meeting requested by President Kennedy took place in August, 1961, in Punta del Este, Uruguay. All the countries were represented by their respective Ministers of Finance. The U.S. delegation was presided by the Secretary of the Treasury, Douglas Dillon, and the Cuban delegation was led by Che Guevara; the political debate of the Conference centered around the statements of both.
A message from President Kennedy opened the conference announcing that the United States would allocate more than $1 billion in aid for economic development during the first year of the decade of the Alliance for Progress. His message also called on the Latin American countries to engage in land reform, tax reform and other social changes necessary to mobilize the internal resources for self-sustaining growth, and to distribute more equitably the benefits of development. Dillon added that the Latin American countries could expect as much as $20 billion in external resources during the decade if they took the required internal measures.

Guevara responded by challenging Dillon to make his offer of $20 billion more than a single promise, reminding the delegates that many such promises had never been ratified back in Washington. He joked that the loans of the Alliance would "bear the stamp of Cuba", and finally attacked the Alliance as an instrument of economic imperialism, defying the delegates of other countries to meet again in 1980 to compare their own countries' economic and social development with that of Cuba. (Levinson, 1970, pp.65-67; Perloff, 1969, p.22; The Acts of the Conference were published by OAS.)

The agenda and the working papers of the Conference had been prepared by four "task forces" organized by a committee integrated by Jorge Sol (OAS), Felipe Herrera (IDE) and Raul Prebisch (ECLA).

The task forces were integrated by Latin American experts and their U.S. counterparts, a group of faculty members of Harvard and MIT headed by Lincoln Gordon. Each of the task forces prepared position papers on their respective topics which were: economic integration, primary commodities, public participation, and planning and development. This last
one, planning and development, was in practice the most important one since it tried to give institutional implementation to the "structuralist" ideas refined since Quitandinha. It was presided by Felipe Pazos, former President of the Cuban Central Bank during the first year of the Revolution, and included as U.S. experts, Albert O. Hirschman, Harvey Perloff and Gerhard Colm. (Levinson, 1970, pp.62-63; Perloff, 1969, p.21; Gordon, 1963, p.4)

The Conference participants, with the exception of Cuba, approved a Declaration to the People of the Americas, which established the general goals of the Alliance, and the Charter of Punta del Este, establishing an Alliance for Progress within the framework of the Operation Pan America. (Both the Declaration and the Charter have been published by OAS)

The general goals of the Declaration were specific and detailed in the objectives of the Charter. The language of Walt Rostow was present in the first of these objectives which postulated the achievement of a growth rate of no less than 2.5% per capita per year so as to attain "at the earliest possible date, levels of income capable of assuring self-sustaining development." The other objectives of the Alliance according to the Charter were:

2) a more equitable distribution of national income;
3) balanced diversification in national economic structures;
4) to accelerate the process of rational industrialization;
5) to raise greatly the level of agricultural productivity and output;
6) to encourage ... programs of comprehensive agrarian reform leading to the effective transformation, where required, of unjust structures and systems of land tenure and use;
7) to eliminate adult illiteracy and by 1970 to assure, as a minimum, access to six years of primary education for each school age child in Latin America;
8) to increase life expectancy at birth by a minimum of five years, and to increase the ability to learn and produce by improving individual and public health;
9) to increase the construction of low cost housing for
low income families;
10) to maintain stable price levels, avoiding inflation or deflation;
11) to strengthen the existing agreements on economic integration; and
12) to develop cooperative programs designed to prevent excessive fluctuations in foreign exchange earnings ... and to facilitate the access of Latin American exports to international markets.

In relation to the methods to be used, Lincoln Gordon wrote: "There are two points of special importance: systematic planning for economic and social development, and the principle of self-help and institutional reform." (Gordon, 1963, p.13)

In fact, the Title II of Chapter II of the Charter contained the agreement of the Latin American countries to formulate national plans of economic and social development which responded to the proposal of President Kennedy and the expert advice of ECLA. The same Charter described what elements should be included in such national development plans:

1) establishment of mutually consistent targets ... in expanding productive capacity in industry, agriculture, mining, transport, power and communications, and in improving conditions of urban and rural life including better housing, education and health;
2) assignment of priorities and the description of methods to achieve the targets;
3) the measures which will be adopted to direct the public sector and encourage private action to support the plan;
4) the estimated cost in national and foreign currency of the plan;
5) the estimated available internal resources, private and public, for the execution of the plan;
6) the direct and indirect effects of the plan on the balance of payments and the estimated external financing required;
7) the policies to be followed to permit the implementation of the plan within a framework of price stability; and
8) the machinery of public administration to be used in carrying out the plan.

(Charter of Punta del Este, Title II, Appendix; See also Perloff, 1969, p.28)
In the original draft of the Charter, these national plans were to be evaluated by a Committee of Experts to assure that the external financial aid was allocated for purposes coincident with the goals of the Alliance, and that its amount was technically justified. But a strong opposition was presented by the big countries (Brasil, Argentina and Mexico) on grounds that this was restrictive to their sovereignty. The role of the Committee of Experts in the Charter became an advisory one. In addition, moved by the urgency given by Kennedy to the Alliance tasks, a mission integrated by Teodoro Moscoso and Richard Goodwin bypassed the requirements of the Charter by giving loans to Chile and Argentina at the beginning of 1962. (Levinson, 1970, pp.108-111; Perloff, 1969, pp.30-37)

Small countries, on their side, resisted the idea of planning on the basis of their lack of sufficient technical personnel. In response, the U.S. agreed to include in the Charter a provision for financing technical assistance in support of the national development plans. The Charter mentioned in particular, experts to be contracted by governments to prepare investment projects; agreements with ECLA, IDB and OAS to organize the countries' national planning agencies; or to formulate development programs such as: agrarian reform, health, education, housing, cooperatives, tax reform and institutional reform. (Charter, Title II, Chapter IV)

The Charter gave the Latin American countries eighteen months to formulate their national plans of development and submit them to the Committee of Experts which would designate an ad-hoc committee to analyze each plan. Sixteen countries submitted plans during the first five years of the Alliance, but some of the larger countries (Brasil and Argentina) never bothered to do so, and some of the plans submitted were useless.
The Committee of Experts, commonly known as the Committee of Nine or "the nine wise men", was integrated by Jorge Sol of El Salvador, Raul Sáez of Chile, Hernando Agudelo of Colombia, Jorge Grieve of Peru, Ernesto Maleccorto of Argentina, Manuel Noriega of Guatemala, and Felipe Pazos, a Cuban exile in the U.S., and Paul Rosestein-Rodan and Harvey Perloff of the United States. (Levinson, 1970, p.109; Perloff, 1969, pp.31-32)

The Committee was deprived of effective power to implement the purposes of the Charter; but the financial assistance agencies, such as AID and IDB, tended to implement the planning requirements of the Alliance through the individual applications of the countries, and in practice required such an amount of information for each individual project, that it was very difficult to obtain it without the systematic comprehensive planning assumed by the Alliance. (Perloff, 1969, pp.32-33) At the same time the Committee of Nine was able to lobby for the creation of a more powerful multilateral organ of the Alliance and was finally replaced by the Inter-American Committee of the Alliance for Progress of the O.A.S. (CIAP) created in 1964. (Perloff, 1969, pp.37-40)

The Charter of the Alliance for Progress provided legitimacy to the "structuralist" ideas introduced by ECLA, and represented a fairly complete description of the concept of socio-economic development and what was later designated as the "desarrollista" (developmentist) approach to the problems of the underdeveloped countries. (Prebisch, 1970, pp.18-19)

Until Punta del Este, ideas such as planning or agrarian reform had been rejected as "socialist" banners, but now they were incorporated into the accepted set of government actions. In dependent societies such as
the Latin American ones, the fact that these ideas were supported by the U.S. government made them a kind of intellectual fad of the Latin American ruling classes. As observed in a seminar on planning in Santiago in 1965:

"The concept and idea of planning are in fashion in Latin America. ... As any concept which becomes fashionable, its application has been outspread in an excessive way..." (ILPES, 1966, p.5. In Spanish in the original)

In Chile, the Alliance had a deep influence because the ground had been prepared by the actions of CORFO and by the presence of ECLA in Santiago. In addition, the possibility of the democratic election of a socialist as President in 1958, led the United States to give special attention to the country. But this influence is better analyzed when put in the context of the last three democratic administrations that ruled Chile before the counter-revolution of 1973, as it will be in the following chapters of this study.
Chapter III

ALESSANDRI (1958 - 1964) AND "RELUCTANT" PLANNING

Introduction

At the end of the fifties the political debate in Chile was concentrated on the issues of inflation and economic development. The 84% rate of inflation for 1955 and the subsequent calling of the monetarism of the Klein-Sacks Mission were followed by a recession in which per capita income actually declined and social tensions erupted in the riots of April 1957 in Santiago.

Chilean economists of the Left, based on the studies of ECLA, criticized the Klein-Sacks Mission and its policies from a structuralist point of view according to which inflation and economic stagnation were a result of basic elements within the existing social structure such as the latifundio system of agricultural landholdings, the skewed distribution of income, and the dependency of the Chilean exports on one single product: copper.

The Chilean dominant class developed its own structuralist position which was sustained by Jorge Alessandri, the Presidential candidate from the Right in 1958. Alessandri agreed with the structuralist criticism of monetarism which he considered naive. But for him the structural factors consisted of the excessive intervention of the State in industrial activities which increased taxes, deviated resources that should have been directed to public works, and deprived private investors of incentives to develop production. He sustained the need to reduce the inter-
vention of the State and to increase the "efficiency" of the State machinery to reduce taxes so the private industrialists could regain the initiative for economic development that had been taken from them by the State.

With these ideas as platform, Alessandri was elected President in 1958 in a contest which confronted him with his successors in the Presidency, Eduardo Frei and Salvador Allende.

Together with Alessandri, a new group of the dominant class entered to occupy government positions displacing the traditional politicians of the Right. They were the "gerentes", that is the executives of industrial and commercial enterprises who were supposed to introduce their managerial expertise in government operations and provide the climate of confidence necessary for private investors to develop production. The private sector, freed from the unfair competition and interference of the State and assisted by a friendly government, was assumed to be the dynamic force for economic development. The resultant increases in production would, in time, eliminate the inflation produced by insufficient supply, and would also carry with them income increases which would trickle down from the dominant class to the rest of society.

The new team, under the leadership of Alessandri and his Minister of Finance, Roberto ("El Ruca") Vergara, implemented policies to eliminate State controls on foreign trade and capital movements, to reduce State expenditures and taxes and to restrict wage increases. These policies were accompanied by spectacular measures such as the introduction of a new monetary unit ("Escudo" (Eo.) and the unification of exchange rates fixed at Eo. 1.05=US $1).
At the beginning, these policies appeared to work. Industrial production had a strong recovery in 1959, and in August of that year the prices stopped rising for the first time in twenty years. But the dominant class did not respond to its own economic model. The growth of private investment in direct productive activities was not enough to compensate for the reduction in public investments of the same kind. Even more, domestic private investment declined in absolute and relative terms every year after 1959.

This lack of development added to the tax cuts made to encourage investments, reduced the internal revenues, and the State had to get new and increased foreign loans to balance the budget. The foreign debt grew from $569 million in 1958 to $1,896 million in 1964.

This dependency on foreign financing made the Chilean government extremely vulnerable to the pressures of the U.S. government and the international lending institutions such as the IMF and the IDB, in matters of economic policy. These pressures forced the Chilean government to accept the idea of development planning in spite of its strong laissez-faire ideological bias. Upon returning from a 1959 trip to the United States, where he arranged loans for $130 million, Roberto Vergara ordered CORFO to prepare a National Plan of Development. This helped the Chilean government to anticipate the requirements of the Alliance for Progress; the Ten Year Development Plan was published in January, 1961. But the Plan was criticized by the World Bank and by the Committee of Nine of the Alliance for Progress because of its lack of social elements, particularly strong agrarian reform, income distribution and employment programs and policies. (Committee of Nine, 1962)
On their side, the IDB, under the presidency of Felipe Herrera, approved any project contingent upon its inclusion of a plan of regional development. AID directed part of the $135 million in emergency aid provided by the U.S. on the occasion of the 1960 earthquake, to contract U.S. consultants in city and regional planning to work in the reconstruction projects.

In response to the Alliance for Progress, the Alessandri Administration designated a National Commission on Educational Planning. The executive secretary was Oscar Vera, on loan from UNESCO. This Commission received, in 1963, a substantial grant from the Ford Foundation. The same Ford Foundation provided assistance in rural development and community development facilities planning for the Maule Norte Plan, a regional development plan required by the IDB in relation to a $40 million loan for an irrigation project. The Ford Foundation also provided assistance in city planning and community facilities for the housing projects financed by AID.

The foreign influence in the new emphasis on planning in Chile was complemented by the installation, in Santiago, of the Latin American Institute for Economic and Social Planning (ILPES), organized by ECLA with the financial assistance of IDB. ILPES started operations in 1962 in response to the needs of the Latin American signatories of the Charter of Punta del Este. ILPES reflected the ECLA perspective on development and constituted an intellectual center for Latin American planners which balanced the influence of AID advisers and U.S. trained planners. In Chile, ILPES had a strong influence due to the permanent contact between ILPES personnel and trainees, the Chilean university professors, and government experts.
As seen above, planning during the Alessandri Administration was not a product of the government philosophy, but a result of external pressure, policy failures, and natural catastrophe. As such, planning served as a formal justification and rationalization of decisions already made rather than a rational method of arriving at decisions. In practice, planners had the opportunity of being trained "on the job", collecting and analyzing information and providing requested reports to the international lending agencies. In this sense, the role of the Chilean and foreign planners working under Alessandri was similar to that of U.S. city planners preparing proposals to obtain Federal grants.

However, the Chilean planners, as professionals, were members of the Chilean dominant class, and therefore were able to make use of their knowledge. They collected information in a more effective way than local planners in the U.S. In fact, planners had an important role in the design of the platform of the two main contenders for the presidential elections of 1964, and both platforms were aimed at structural changes for economic and social development. The two of them also included planning as a necessary tool to achieve these objectives.

All these points will be detailed and documented in the following sections of this chapter.

1. Inflation, Development and the Presidential Campaign of 1958.

Inflation has been a permanent feature of the Chilean economy ever since the past century. But inflation has a different character for the different components of the Chilean social structure. For the working class, whose only source of income is a wage or salary, inflation is a real problem affecting the ability to cope with basic needs; for the dominant class it is mainly a symbolic and instrumental issue. (Hirschman,
In fact, the concentrated control of the productive structure of the country allowed the merchants and industrialists to raise prices at least as fast as wages and salaries, while their access to credit expanded the supply of money for them without the corresponding increase in production and productivity. Since only a small group actually had access to credit, this expansion of money represented the appropriation by that group of the net results of the economic cycle, while the great mass of salaried workers was reduced to the yearly fight to recover, through adjustments of wages and salaries, the purchasing power lost by inflation during the preceding cycle.

Inflation was used by the dominant class to control, on a technical level, the raises in wages and salaries demanded by the labor organizations. In this sense, any such raise was denounced as "inflationary". But inflation was also used by the dominant class to control the relative autonomy of the State by making use of the principles established by the Kemmerer Mission. Kemmerer had fairly rigid ideas in matters of monetary stability, which he expressed in three principles: 1) Gold Exchange Standard; 2) Balance of the budget; and 3) Regulation of the money supply in accordance with the needs of business through discount of short-term paper, supplemented by open market operations. According to these principles, the Central Bank, until 1950, believed that credits to commerce and industry were "organic", that is non-inflationary, because they would be self-liquidating. By contrast, credits to the State, even those given to the State's development agencies were "inorganic" by definition. (Hirschman, 1963, p.181)
It is not surprising that the effort made by Jorge Alessandri, as Minister of Finance of the Gonzalez Videl Administration in 1948, to control inflation through budget surplus and wage and price freezes, was a failure. The money supply continued to grow as a result of the extensive use of credit by the merchants and industrialists who had access to it. (Hirschman, 1963, pp.189-190) Actually, the anti-inflationary policies were technical dressing which accompanied the harsh repression of labor organizations under the "Defense of Democracy Law". Through this law the dominant class tried to reverse the process of income distribution, started by the Popular Front, in favor of white collar and industrial workers. (Roxborough, 1977, p.32)

On that occasion, Jorge Alessandri went too far in his reactionary drive. White collar employees had been defending themselves against inflation by the yearly calculation of the "Sueldo Vital" (see page  ) and by mortgage acquisitions through pension funds. Alessandri suspended the cost of living adjustment of salaries, and used the pension funds to balance the budget. This led the white collar employees to revolt in a general strike which resulted in the dismissal of the Minister of Finance. But Alessandri became a leader of the dominant class. (Hirschman, 1963, pp.189-190; Roxborough, 1977, p.32)

He was very well endowed to assume such a leadership. His father, Arturo Alessandri, had been president twice and gave Jorge Alessandri and his brothers a well known name and a good position in the dominant class. The Alessandri family became one of the most powerful groups in Chilean politics. Three of the brothers were Senators, one was Dean of the Law School of Universidad de Chile and eminent corporate lawyer (Arturo), and another (Hernan) was Dean of the School of Medicine; still
another Alessandri (Fernando) was candidate of the Right in the presidential elections of 1946, as was his brother-in-law, Arturo Matte, in the 1952 elections. The Alessandri-Matte group had control of sixty-nine corporations which amounted to 16.1% of the total Chilean capital assets. (Roxborough, 1977, p.56)

Jorge Alessandri was an engineer who had avoided partisan politics to become the Chief Executive of one of the largest industries of the country, the paper and cellulose monopoly "Papeles y Cartones", and one of the largest distributing firms (CODINA). He was also director of SOFOFA and president of the most important organization of the dominant class, the "Confederación de la Producción y del Comercio" (C.P.C.: Commerce and Production Confederation was the coalition of the organizations SOFOFA: industrialists; S.N.A.: agriculturists; S.N.M.: mining interests, and C.C.C.: merchants), Because of his lack of participation in partisan politics he could be presented as an "independent", and had an image of honesty and austerity which was carefully cultivated by the publicity of the dominant class. (Stallings, 1978, p.60; Feinberg, 1972, pp.94-95)

The 1958 presidential elections marked a regrouping of the political parties after the confusing period of the Ibáñez Administration. After the repression of labor organizations and the divisions of the Socialist Party at the beginning of the 1950's, the Left was unified again in 1957 to organize the "Frente de Acción Popular" (FRAP: Popular Action Front). However, they had still a weak showing in the congressional elections of that year. The political center was divided between Radicals who were trying to recover from the bad image created by the Gonzalez Videla Administration, and the Christian Democrats who were growing ra-
pidly. The Right, after considering the possibility of supporting the Christian Democrat, Eduardo Frei, decided to present the candidacy of Jorge Alessandri. (Gil, 1966, p.80; Stallings, 1978, pp.78-79)

The background for the issues debated in the 1958 campaign was provided by the impact of the Klein-Sacks Mission.

As it was seen before, (see page 73) when the effort of the Ibáñez Administration to apply populist policies without affecting the interests of the dominant class led to an inflation of 84% in 1955, the Klein-Sacks Mission was hired to control inflation, to serve as contact between the Chilean government and the Eisenhower Administration in the U.S., and to serve as a device to allow the populist Ibanez to adopt conservative policies which the Right could support in Congress without entering into formal agreements with the Executive. (Hirschman, 1963, pp.204-205)

Helped by the financial assistance of the IMF and the U.S. government in loans adding to $75 million, the Mission achieved some success in controlling inflation by restricting salary adjustments to only 60% of the rise in the cost of living of the previous year, plus tighter restrictions on bank credit, simplification of exchange rates and the provision of advance deposits for imports. (Hirschman, 1963, p.205; Gil, 1966, p.191) In 1957 the inflation rate had declined to 17%, but the Chilean economy fell into a recession in which "the minimum wage fell by 15 per cent, and the pay of government employees by 41 per cent between 1955 and 1958 (in real terms)". (ECLA, 1966, p.311) The most important factor of this recession was the exclusion of the construction business from bank credits which led to massive lay-offs of construction workers and contradiction in the building materials and other ancillary industries, and the restriction in demand resulting from the reductions in the real
income of the working population. (ECLA, 1966, pp.314-315)

This recession produced social tensions which led to the violent riots of April, 1957, in Santiago and to the renewed unity of the Left mentioned above. The resentment about the direct intervention of the Klein-Sacks Mission in Chilean politics was reinforced, and all this gave strength to the "structuralist" critics of monetarism. The Left and the Christian Democrats maintained that inflation was a symptom of deeper problems which affect the economic structure in itself. Monetary policies have impact only on the propagating factors of inflation such as credit expansion and salary adjustments, but they leave the underlying structural factors untouched. ECLA and the Chilean economists believed that the major structural problems were: low productivity within the agricultural sector due to the latifundio pattern of landholding; the skewed distribution of income which led the low income masses to exert pressure on food consumption and the high income elite to conspicuously consume imported goods, both of which pressed on the revenues in foreign exchange; and the extreme dependency of the Chilean economy on one export product, copper. The metal was subject to extreme price fluctuations in the international market, and its production and distribution was directed from the headquarters of the U.S.-based corporations that owned the mines. (Hirschman, 1963, p.213; Kaufman, 1972, pp.32-33)

But the conservative economists working for SOFOFA developed a rightist version of structuralism which was presented by Jorge Alessandri in the campaign for the 1958 elections. This position sustained that the structural factors of inflation were all related to the excessive growth of the State and its intervention in direct productive activities. Alessandri agreed with the structuralist criticism of monetarism saying:
"It is naive to think that the problem of inflation in Chile could be solved essentially through credit measures, without an attack on its fundamental causes." (As quoted by Hirschman, 1963, p.214) But for him, the structural factors consisted of state intervention in industrial activities. Through increased taxes and by misdirected resources that should have been better employed in more traditional public works, private investors were deprived of incentives to develop production. Alessandri said:

We cannot and should not limit government spending on public works: this is the proper domain of the State. Where the government role must be cut is with respect to industrial activities. The State is not efficient as a producer. It should limit its activities to assisting and stimulating the private sector.

(Stallings, 1978, p.65)

He sustained that the intervention of the State in the industrial sector implied ignorance of requirements of construction and maintenance of roads, ports, schools, irrigation and water purification projects; it constituted unfair competition for the private sector, required higher taxes from it, and led people "to expect the government to solve all their problems when, in reality, they can only be solved by the people themselves." (Stallings, 1978, p.64)

Alessandri apparently was sincere in this position and, as director of SOFOFA, had advocated sanctions against private enterprises which sought or accepted financial assistance from CORFO during the 1940's. But most of the members of the dominant class had made use of the development funds of the State, and they used the argument only to oppose any action of the State in favor of other social classes and to restrict the relative autonomy of the State. (Stallings, 1978, pp.48 & 64; Roxborough, 1977, pp.54-55)
However, neither the personality of Alessandri, his skillful presentation of the issues, nor the strong and well financed publicity campaign, were enough to insure his election. In the last year of the Ibáñez Administration, a coalition of the Left, Radicals and Christian Democrats, was formed in Congress against the Right. This informal coalition was known as "TOCOA" (Standing for "Todos Contra Alessandri": All Against Alessandri), with the support of Ibáñez, revoked the Defense of Democracy Law returning the Communist Party to legality. A reform of the electoral law was passed which was directed to open registration and to eliminate the possibility of the traditional pacts and means of vote control that favored the Right, especially in rural areas. (Stallings, 1978, p.79; Loveman, 1979, p.297)

Only the division of the other political forces among three candidates: Allende (FRAP), Bossay (Radical Party), and Frei (Christian Democrats), and the appearance of a strange fifth "populist" candidate, who competed with Allende for the same electoral base, allowed the election of Alessandri. He obtained only 33,500 votes more than Allende in a total polling of 1,250,350 votes. In fact, Alessandri obtained 31.2% of the votes, followed by Allende with 28.6%, Frei with 20.5% and Bossay with 15.5%; the so-called "Cura de Catapilco", Antonio Zamorano, obtained 3.3%. Zamorano was a defrocked priest who had been elected in 1957 to the Chamber of Deputies on the FRAP ticket and ran a campaign of defense of the poor against the rich. His apparently good financing and surprising publicity, in spite of his lack of partisan organization and support, led many to suspect that his candidacy had been supported by the Right and the CIA to take votes from Allende. In fact, his 41,000 votes were more than the difference which separated Alessandri from Allende, and his
votes were obtained in the same social base which generally supported the Left. (Stallings, 1978, p.79; Sigmund, 1977, p.25)

The election of 1958 had also the peculiarity of confronting the political forces and ideas of the three men who succeeded each other in executive control during the next fifteen years. But the different political forces were in different positions and perspectives. As it was seen before, the Left was in a process of reorganization after the Defense of Democracy Law, and the campaign was instrumental in establishing a national network which included, for the first time, the rural areas that had been controlled exclusively by the traditional parties of the right. Also in ascendance, the elections showed Frei getting many more votes than the Christian Democrats had obtained the year before in the congressional elections and the campaign represented the opportunity to organize the Christian Democrat Party at the national level. In contrast, the Radical Luis Bossay obtained a far lower percentage of the vote than his party had in the congressional elections (15.5% instead of 21.5%), and even Jorge Alessandri's 31.2% was lower than the percentage obtained by the Conservative and Liberal Parties in 1957. (Stallings, 1978, Table A1, p.242) The traditional parties: Radical, Liberal and Conservative, appeared to lose ground while the Christian Democrats and the Left were growing. This trend was confirmed in the 1961 congressional elections, but the electorate gave Alessandri initial support by reducing the votes of the Left in the municipal elections of 1960. (Stallings, 1978, Table A1, p.242)

On the other hand, the closer that Allende and the Left were to getting the largest plurality of the vote, the more alarmed the dominant class and its supporters in the U.S. became. It was clear that the two
main factors of the Allende defeat this time, the candidacy of Antonio Zamorano, and the feminine vote (32.4% of the men voted Allende but only 22.3% of the women) were not permanent factors. The electoral campaign had been a forum which invalidated the old slogans and replaced them with a fairly reasonable analysis of the national problems and possible solutions. (Loveman, 1979, p.297; Roxborough, 1977, p.37)

These considerations were instrumental in determining the position of the parties of the Right afterwards, and favored the replacement of the politicians by businessmen and technocrats in the new government. In fact, the first team which accompanied Alessandri into government was integrated by industrialists, landowners, and professionals who worked for private corporations. Some of the most important members of SOFOFA, including Luis Marty in economics, Jorge Fontaine in mines and Patricio Huneuus in transportation, were given subsecretarial positions in the economic sector of the administration. With outstanding industrial and commercial executives under Alessandri, the administration became known as "gobierno de las gerentes", and had hopes of introducing efficiency in government operations. It is not surprising that in Alessandri's first three years, the members of SOFOFA had better access to government than the old politicians of the Right. (Stallings, 1978, p.80; Hirschman, 1963, p.218)

2. Ideology and Policies in the Early Years of Alessandri.

The general philosophy of the government of Alessandri was to identify the national interest with the interests of the dominant class, especially the industrialists associated with SOFOFA. Abelardo Silva, named Chairman of the important Foreign Exchange Committee of the Central
Bank, informed SOFOFA of his intention "to direct all his actions to the national interest and therefore to be at the orders of SOFOFA in all activities that have to do with the industrial sector." Members of SOFOFA were also advised to channel all their suggestions directly to the Minister of Finance, not through their representatives in Congress as before. (Stallings, 1978, p.80)

It is one of the traits of the dominant classes to confuse the public or national interests with their own particular interest, as expressed in the famous phrase of the French King: "L'Etat c'est moi." But in the case of the administration of Jorge Alessandri, this general tendency was rationalized in economic terms. Since the Chilean oligarchy attributed inflations and economic stagnation to excessive State intervention, its policy for stabilization and economic growth rested basically on private investments and activities. The private sector, represented by SOFOFA and the other organizations of the dominant class, was assumed to be the dynamic force which, once liberated from the burden of State regulations and taxation, would develop production. Increases in production would, in time, eliminate the inflation resulting from insufficient supply, and would produce increases in income that would trickle down from the dominant class to the rest of society. The general ideas of the Alessandri Administration contrasted with the Klein-Sacks policies in two major elements: the first, that inflation was produced by shortages of supply, rather than by excess demand as Klein-Sacks maintained; and the second, that Alessandri considered tax cuts to increase the capital available for private investments while Klein-Sacks unsuccessfully proposed to increase taxes for high income groups to cut their propensity for consumption. To make up for the revenues lost by cutting taxes,
while maintaining the level of public investments necessary to provide infrastructure, the Alessandri government had two options: to increase the internal debt through the Central Bank which had produced inflation, or to contract foreign loans. The latter way was chosen by the administration. (Stallings, 1978, p.81; Roxborough, 1977, p.38)

Even though the Alessandri platform for the 1958 elections did not include a detailed economic program, his basic ideas were well known. Shortly after his inauguration, the leader of his economic team, Roberto Vergara, who had been appointed to three Ministries: Finance, Economy, and Mines, presented to Congress a package of policies directed at achieving two expressed substantive goals: stabilization and economic growth. The package contained four general policies, some short-term measures, and a request for extraordinary powers to carry them out. (Stallings, 1978, pp.81-82; Hirschman, 1963, pp.218-219)

The four general policies were: (1) wage increases only in line with productivity increases (with the exception of the first readjustment of salaries mentioned below); (2) elimination of the fiscal deficit through reduced expenditures and foreign loans; (3) establishment of a single exchange rate and elimination of controls on foreign trade, and (4) elimination of state controls on foreign and domestic capital. (Stallings, 1978, p.82)

The short-term measures were directed to reactivate the stagnant economy; they consisted of a 33% wage and salary readjustment, which was equal to the cost of living increase in 1958, and an increase in government investments in public works and low-cost housing. (Stallings, 1978, p.83; Roxborough, 1977, p.38)
The anti-inflationary drive was undertaken in two stages: first, in early 1959, through a process of recuperation from the recession utilizing the short-term measures described above, and second, a later clamp-down on inflation through credit controls, liberation of foreign trade, and reduction adjustments of wages. (Hirschman, 1963, pp.218-219; Stallings, 1978, p.83)

SOPOFA participated actively in the discussion of specific measures and asked its members to absorb the cost of these readjustments by stabilizing prices as a demonstration of support for their own government. On the other side, CUT, the Central Labor Organization, criticized the package and authorized its executive council to call a general strike if necessary. Alessandri denounced the opposition of labor organizations as a "call to sedition" and promised to act with "inflexible rigidity" against any attempt to "subvert the public order". But CUT, perceiving an adverse public climate did not call a strike, and Congress approved the policies and measures, and granted the extraordinary powers requested in April, 1959. (Stallings, 1958, p.82)

The approval by Congress was followed by a series of spectacular measures. A new monetary unit was introduced called "Escudo" (One escudo = Eo.1 = 1,000 old pesos), and exchange rates were unified and fixed at Eo.1.5 = $1 (U.S. dollar). Foreign trade controls were eliminated except that heavy import deposits were set on many goods that were prohibited before. (Those deposits were gradually reduced during 1960 and 1961.) The Central Bank stopped rediscounting for the commercial banks, for the Treasury, and the State Bank; the government and the Central Bank revised and strengthened the system of credit control. State controls and regulations on foreign and domestic investment capital were
practically eliminated while the existing exemptions in taxes and import
duties for investments were maintained. (Hirschman, 1963, p.219; Gil, 1966,
p.191)

In May of 1959, Roberto Vergara came to the United States to nego-
tiate the external financing required by the policies and measures de-
scribed above; he also arranged loans for $130 million from the IMF, the
U.S. government and private banks. These loans were used to absorb the
impact of the liberalization of foreign trade, and to finance public in-
vestments without raising taxes. The same Vergara predicted that U.S.
public and private capital would enter Chile in large amounts over the
next three years in response to the climate of confidence created by the
Alessandri Administration. To make the environment still more attractive
for foreign investors, the extraordinary powers granted by Congress were
used to dictate two measures in 1960 and 1961, which gave tax exemptions
and guarantees of repatriation of profits and capital as incentives.
(Stallings, 1978, p.87; Roxborough, 1977, p.38)

These new measures and the new economic policy were adopted within
the existing institutional framework, but the dominant class's control of
the State was reflected in the operation of those institutions. Vergara,
as Minister of Finance, concentrated all foreign exchange operations in
the Central Bank and filled the executive positions of the Bank with peo-
ple responding to him. In addition, through the Office of the Budget, he
assumed direct control over all the decisions in matters of public invest-
ments. An announcement was made that CORFO would stop investments in di-
rect productive activities and would be a provider of credit, financial
backing and technical assistance to private investors in the future.
Thus, the Bank and CORFO, which were maintained during previous govern-
ments as autonomous agencies directed by a Board in which the oligarchical organizations had control, now were put under the centralized control of the new team. (ECLA, 1966, p.321; Stallings, 1978, p.86)

By the use of the extraordinary powers conceded by Congress, The Executive enacted through two decrees (DFL 2 of July, 1959, and DFL 205 of April, 1960) legislation which gave a big push to create and develop Savings and Loans associations, and provided incentives for the construction of houses and apartments by private investors. The same statute concentrated all the operations related to housing construction by the public sector under the Housing Corporation (CORVI). (CORFO, 1965, p.709)

At the beginning, these policies and measures appeared to be effective. Industrial production had a strong recovery in 1959, and SOFOFA advised its members that "they had the duty to end the system of calculating their costs of production with excessive margins of protection and security and, on the contrary, they must make sacrifices" as a demonstration of support for their own government and the stabilization program. As a result, even though inflation was more than 30% for the whole year, prices stopped rising in August for the first time in twenty years. (Stallings, 1978, p.83; Hirschman, 1963, p.219)

After the lack of direction of the Ibanez Administration, the Alessandri team appeared to know what they were doing. This was reflected in a generally favorable public opinion of the government. Thus, in the municipal elections of April, 1960, the Left and the Christian Democrats were set back, while the parties of the Right and the Radical Party which informally supported the government, were sustained. In fact, while Allende, in 1958, got nearly 30% of the vote, now the parties of the Left obtained less than 20%. While Frei had reached more than 20% in the pre-
sidential elections, the Christian Democrat Party obtained only 13.9% of the vote in the 1961 elections. On the other side, the Right obtained 29.5% of the vote and the Radical Party returned to its position as largest individual party by receiving 20.5%. (Gil, 1966, pp.233-234; Stallings, 1978, Table A.1, p.242)

This public support allowed the government to propose a wage and salary readjustment of only 10% for 1960 when the rate of inflation for the preceding year was more than 30%, and to protract the debate of such a measure until November, 1960. However, the labor organizations protested with a series of strikes. When the police killed two workers and wounded 35 others in an attempt to repress a public demonstration organized by CUT, FRAP and CUT called for a general strike and a mass demonstration in honor of the victims on November 7. The strike was a complete success and led to negotiations and a final settlement in which the government conceded a 15% wage and salary readjustment, retroactive to January, 1960, and dropped charges against the President of CUT, Clotario Blest and other leaders who had been detained during the incidents. (Stallings, 1978, p.84)

The increasing social tension that was compounded by the Chilean oligarchy's lack of response to its own economic model led the Alessandri Administration to encounter increasing difficulties which led to its final failure.

Most of the production increases in 1959 were the result of full utilization of the existing plants that were previously idle, not of new investments in fixed capital. In fact, domestic private industrial investments declined in absolute and relative terms every year after 1959 as noted in Table 3.a. The Chilean dominant class followed its tradition
of avoiding the risks of large long-term investments, and choose instead to make use of the opportunities provided by the Alessandri Administration to get rent and tax shelters through urban and rural real estate investments.

The housing policy, directed to attract private capital, offered readjustment of the investment capital and dividends according to the rate of inflation, and exempted the taxes on interest earned from capital invested in housing through the savings and loans associations. This policy was successful and housing construction grew from less than 9,000 units per year during the last three years of the Ibanez Administration to 36,000 units in 1959. A similar volume remained during the rest of the Alessandri period, with a peak of 43,000 units in 1962. More important for the philosophy of President Alessandri, however, was the growth of private construction which reached an all-time high in 1963, surpassing public housing construction in the last three years of the Alessandri Administration. (ODEPLAN, 1971, pp.326-330; CORFO, 1965, p.701)

On the other hand, farmland investments provided social status and a means of evading income taxes. Income from farmland was taxed on a presumptive basis in relation to the land assessment. Since these assessments were far below the commercial value of the land, industrialists and merchants who were owners of agricultural states, were able to attribute their high income to agriculture, declare a loss in their industry or commerce, and thus pay little or no income tax. In addition, the commercial value of agricultural land did rise with the inflation rate, which made it a choice investment against monetary instability. (Gil, 1966, pp.174-175; Stallings, 1978, p.86)
Thus the private capital directed at housing construction or real estate investments was subtracted from the total private capital which was assumed to be the dynamic force of industrial development. It is not surprising, then, that private industrial investments did not substitute the role previously played by CORFO; they tended to decay after 1959 through reduced participation, and were substituted by public investments, as well as foreign private investments in the last year of the Alessandri period, as shown below.

Table 3.a: CHILE: Investments in Fixed Capital in Industry, 1961-1964  
(in millions of 1965 escudos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Public</th>
<th>Private</th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>50</td>
<td>317</td>
<td>312</td>
<td>5</td>
<td>367</td>
</tr>
<tr>
<td>1962</td>
<td>42</td>
<td>299</td>
<td>280</td>
<td>19</td>
<td>341</td>
</tr>
<tr>
<td>1963</td>
<td>79</td>
<td>278</td>
<td>269</td>
<td>9</td>
<td>357</td>
</tr>
<tr>
<td>1964</td>
<td>161</td>
<td>246</td>
<td>182</td>
<td>64</td>
<td>407</td>
</tr>
</tbody>
</table>

(Source: ODEPLAN, 1971, Table 105, p.155; Stallings, 1978, Table A.7)

However, the foreign investors were very slow to respond to the incentives offered and the optimistic predictions of Roberto Vergara mentioned before. Chile was a small market opened to the competition of imports, and therefore it was not very attractive to multinational corporations in search of large markets or monopolistic positions. The traditional foreign investments in the country had been in mines and utilities, not in industry; therefore the proper connections were lacking. Moreover, in 1961, the changes in policy introduced by the Kennedy Administration and the Alliance for Progress established new rules for the economic relations with Latin American countries. The private corporations waited to evaluate the impact of these new rules before including Chile in their own investment plans. For all these reasons, foreign private investments...
in industry did not reach any important volume until 1964. In this last year of the presidency of Alessandri, the U.S. government threw all its support behind the presidential candidacy of Eduardo Frei in the presidential elections of that year.

In addition, the Chilean oligarchy made use of the liberalization of foreign trade to satisfy its tendency to imitate the consumption patterns of high income people in Europe and the United States. As a result, the imports of consumer goods and luxury items expanded rapidly and produced a growing negative gap in the balance of trade. This led to a crisis in December, 1961, when the Central Bank found its supply of foreign exchange depleted and had to suspend foreign exchange operations. In fact,

the imports of consumer goods increased from an average of 140 million dollars in 1956-58 to 158 million in 1959-61. Their contribution to total imports also rose from 29.4 to 32 percent between the two periods considered.  

(ECLA, 1966, note 84, p.320; see also Stallings, 1978, p.88)

The increases in imports of consumer goods helped to maintain the stability of prices in the internal market, but added to the speculation over exchange. Flight of capital of the Chilean dominant class became a continuous drain on the foreign exchange reserves, and was not compensated by the steady but slow growth of exports, nor by the rapid expansion of the foreign debt which nearly trebled between 1958 and 1964. (See Table 3.b) In fact, the loans provided by the international agencies and the U.S. government were substantial, but were not enough to fill the negative gap in the balance of payments, as the following figures show:
Table 3.b: CHILE: Balance of Payments 1959-1963 (Millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Account</td>
<td>-24.7</td>
<td>-140.8</td>
<td>-245.6</td>
<td>-142.4</td>
<td>-128.4</td>
</tr>
<tr>
<td>Capital Account</td>
<td>+41.9</td>
<td>+96.7</td>
<td>+110.7</td>
<td>+71.5</td>
<td>+98.9</td>
</tr>
<tr>
<td>Balance</td>
<td>+17.2</td>
<td>-44.1</td>
<td>-134.9</td>
<td>-70.9</td>
<td>-29.5</td>
</tr>
</tbody>
</table>

(Source: ECLA, 1966, Table 309, p.320)

The favorable balance in the capital account reflects the continuous inflow of foreign loans during the period, since foreign investment capital, as seen before, was negligible until 1964.

The pressures on the foreign sector, and the lack of industrial development shown in 1960 when industrial production actually decreased, made it impossible to maintain monetary stability without external help. This situation was accentuated by two earthquakes in the southern provinces in May, 1960, which killed more than five thousand and produced damages estimated at $400 million. (Sigmund, 1977, p.27; Roxborough, 1977, p.38)

The growth of the foreign debt during the Alessandri period is shown in the following table:

Table 3.c: CHILE: Estimate of the Foreign Currency Debt, 1958-1963 (Millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>1958</th>
<th>1960</th>
<th>1963</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>388.9</td>
<td>424.0</td>
<td>1,126.3</td>
</tr>
<tr>
<td>Private Sector</td>
<td>180.1</td>
<td>379.3</td>
<td>550.8</td>
</tr>
<tr>
<td>Total</td>
<td>569.0</td>
<td>803.3</td>
<td>1,677.1</td>
</tr>
</tbody>
</table>

(Source: ECLA, 1966, Table 308, p.318)
The Alessandri Administration entered into new and increased foreign loans which led the Chilean economy to a complex cycle of debt payments. New loans were needed to pay the original credits, since the service of the debt was making use of an increasing share of the export revenues. As explained by the Minister of Finance in November, 1964:

the total commitments contracted by Chile as of December 31, 1963, represented an outflow of foreign exchange of about 335 million dollars in 1964. To appreciate the full magnitude of this amount it should be borne in mind that Chile's total exports of goods during the present year will be below 600 million dollars; hence, considerable more than half its export earnings will have to be earmarked for servicing earlier commitments.

(As quoted by ECLA, 1966, p.318, note 68)

This dependency on foreign financing made the Chilean government extremely weak, lowering its resistance to the influence of the U.S. government and the international financing institutions such as the IMF, the World Bank, and the IDB in matters of economic policy. The laissez-faire policies and the personal style of Jorge Alessandri and his Minister of Finance, Roberto Vergara, did not fit well with the detailed justification and technical evaluations that had to be attached to loan applications. The Alessandri Administration was willing to reduce the State intervention in economic activities, but the international agencies and U.S.A.I.D. were pushing some planning even before the Alliance for Progress. The amount and kind of information they requested implied more State control, not less. In addition, there was a conflict between the policy of the international financing institutions of favoring the development of capital investments, and the requests of the Chilean government that included the financing of current expenditures.
Thus, a combination of lack of response of the Chilean oligarchy, social tension, external pressures, and natural phenomenon, led to the change of policy analyzed in the next section of this chapter.


As observed by Harvey Perloff, the Alessandri Administration "was not particularly keen on planning". (Perloff, 1969, p.229) As it was explained before, its original policies responded to a philosophy of laissez-faire, and were directed to achieve two substantial objectives: monetary stability and economic development through the action of a free market, liberated from State intervention. Alessandri and Vergara believed that by providing an environment of monetary stability, and eliminating State controls, private capital would be the dynamic force of economic development.

However, even though Jorge Alessandri was one of the leading industrialists, his economic team was integrated by members of SOFOFA, and the policies implemented were clearly favorable to private capitalists; the members of the Chilean dominant class were not responsive to their own government. (Stallings, 1978, p.86)

In addition, very early on the Alessandri Administration realized that the reliance on foreign financing for the program of monetary stability and free trade implied some constraints which were not compatible with the policy of liberation of controls and restricted State action. For example, IDB, under the presidency of Felipe Herrera, approved any credit project contingent upon its inclusion in a plan of regional development. This was not only to follow the general recommendations of ECLA; it was also a safeguard for the bank to avoid financing isolated projects with no relation to the general development of the country, and for the
expensive public works to which military dictators give priority for publicity purposes. Thus, the pressure of international financing agencies forced the Chilean government to accept, at least in formal terms, the concept of development planning. (Glade, 1969, p.509)

On the other hand, some of the professionals working for the government considered planning to be a necessary component of the State's effort to increase efficiency. For this reason, the DFL 2, which centralized all the housing construction activities of the public sector into the Housing Corporation (CORVI), created the Department of Planning and Economic Studies of CORVI. It's goal was "to orient and dictate the norms for the implementation of the Housing Plan." (CORFO, 1965, p.710)

And Roberto Vergara, upon his return from the United States in 1959, ordered CORFO to revise and complete the studies that the Corporation had been doing in preparation for a national development plan, as directed by its statute in 1939. Through this effort, the Chilean government anticipated the requirements of the Alliance for Progress and prepared for future financial aid negotiations. This plan would provide the technical information requested by international agencies and the formal justification for future financial aid applications, even if it was never implemented. (Perloff, 1969, p.229)

Internally, also, the plan would give the appearance of concern for economic development at a time when the State development activities were reduced. This was especially important in order to maintain the support of the Radical Party whose votes were needed in Congress to pass legislation proposed by the Alessandri Administration. In fact, the extended struggle over wage and salary adjustments, and the lack of industrial development in 1960 gave base to the critics of the government to "claim
that just as in 1956-57 (with the Klein-Sacks Mission), stability was again being bought at the price of 'development'.” (Hirschman, 1963, p.219)

The failure of the private sector to respond to governmental policies also led to increasing tension between the "gerentes" of the team of Roberto Vergara and the traditional politicians of the Right. Vergara, as a triple Minister (of Mines, Finance, and Economy), was the focus of the resentment created by both the economic policies and "his high-handed and self-assured methods of operating". (Hirschman, 1963, p.220)

His clear decision to make the working class pay for the stabilization program through the delay in salary adjustments because of inflation, and his unwillingness to increase State expenditures, even when the southern earthquakes made it imperative, led to an open conflict with Congress, and finally his resignation in September, 1960. (Hirschman, 1963, p.220; Stallings, 1978, pp.84-85) But the plan he had ordered CORFO to complete was published in January, 1961, as "National Plan of Economic Development 1961-1970", also known as the Ten Year Plan.

The publication of the Ten Year Plan was coincidental with the inauguration of John F. Kennedy as President of the United States, and started a year of events in the field of planning in Chile.

On March 13, Kennedy launched the Alliance for Progress in a speech to the Latin American Diplomatic Corps accredited in Washington. In that speech he emphasized the need for development planning. The following day he sent a "Special Message to Congress" requesting appropriations for the Inter-American Fund for Social Progress and for reconstruction in Chile. The message mentioned that the U.S. had provided $35 million in emergency aid to the regions affected by the earthquakes of May, 1960,
and asked Congress to appropriate $100 million, previously authorized for long-term construction and rehabilitation. (Levinson, 1970, p.347)

Part of the $135 million was directed to contract U.S. consultants in City and Regional Planning, and reconstruction projects, if included in a long-term development plan for the respective city or region, were approved for financing by USAID and the IDB. In June, 1961, the U.S. planning consultants attached to reconstruction aid arrived, to act as advisors on planning in the earthquake devastated areas of southern Chile, and to assist Chilean technicians in the development of Regional Long-Term Development Plans. (Navarrete, 1962, p.2)

The congressional elections of March, 1961, marked the end of the public support initially enjoyed by the Alessandri Administration. The opposition registered gains in voting of the municipal elections the year before, and the parties of the Right lost the number of Deputies and Senators needed to sustain presidential vetoes in Congress. To solve the problem, the Right tried to formalize the Radical Party's informal support of the administration. But the Radicals were about to occupy government responsibilities. They were seeking some basic changes in economic policy, including the full adjustment of salaries and wages to compensate for inflation, and a program of agrarian reform. Finally, the coalition of the Radicals with the Right was formed and four Radicals entered to occupy Ministries in August, 1961. Among them the then Dean of the School of Economy of Universidad de Chile, Luis Escobar, a confessed structuralist. (Kaufman, 1972, pp.51-52; Stallings, 1978, p.85; Hirschman, 1963, p.220)

That same month, the Charter of Punta del Este, which institutionalized the Alliance for Progress and made the use of development planning
not only legitimate but imperative, was signed by the U.S. and all the Latin American countries except Cuba. (Levinson, 1970, pp.349-371)

However, the free market philosophy of the administration did not disappear with these changes. The lack of controls of foreign and internal trade, and free movements of capital were maintained until December, 1961. But the sustained growth of imports and remittances of capital to the exterior led to the end of this policy too. As seen in Table 3.b, the deficit in the current account of the balance of payments multiplied by ten between 1959 and 1961, from $24.7 million to $245.6 million, and the favorable balance in the capital account did not grow enough to compensate for that increase. The resultant deficit of $135 million in the balance of payments of 1961 consumed the existences of foreign currency of the Central Bank and made it impossible to maintain the rate of Escudo 1.049 per dollar which had been fixed in 1959. (ECLA, 1966, pp.318-320; Stallings, 1978, pp.88-89)

The Central Bank suspended all operations of foreign exchange for three weeks in December, 1961, and applied many of the controls which had been discarded in 1959, including import prohibitions and import deposits when this period was over. A dual exchange rate was established, one for imports and the other for tourism and capital remittances, and this rate was devaluated to 34%. However, the discussion about the devaluation of the rate for imports extended for most of 1962, affecting even the reputation of Jorge Alessandri as a strong-willed and honest man.

Organized salaried workers who were afraid of the inflationary impact of a devaluation, and industrialists and merchants who had heavy debts in dollars (see Table 3.c) were opposed to devaluation. The IMF, the U.S. government and other industrialists and exporters pressed the
Chilean Executive for devaluation. Alessandri appeared for a long time unable to decide, and some members of his inner circle made use of their inside information to speculate with foreign exchange a few days before the President finally announced, on October 10, that the escudo was allowed to float, which meant, in practice, a devaluation. (Stallings, 1978, p.89)

The devaluation indicated the end to the original stabilization program of the Alessandri Administration. Inflation, which had been maintained at a relatively low rate of 11.6% in 1960, 7.7% in 1961, and 13.9% in 1962, shot up to 44.3% in 1963 and 46.0% in 1964. (Average annual consumer price increases, from ODEPLAN, 1971, Table 25, p.39)

During the same month in 1962, the Chilean government received the Evaluation Report of the Committee of Nine of the Alliance for Progress on the National Economic and Social Problems of Chile, that is, the Ten Year Plan as modified to adapt to the requirements of the Charter of Punta del Este.

4. The Ten Year Development Plan and the Alliance for Progress.

As it was explained before, the statute of CORFO in 1939, charged the corporation with preparing a national plan of economic development. However, for fifteen years, CORFO concentrated on sectorial plans for electrification, steel production, petroleum, agriculture and transport. Only in 1955 did it start the preparation of an over-all plan of economic development for the decade 1960-1970. The plan was completed in 1958, but was not published until Roberto Vergara ordered it revised in 1959, in view of the requirements of the international financing agencies. (Perloff, 1969, p.229; Committee of Nine, 1962, p.1)
The plan, as it was "adopted" by the Chilean government in 1961, postulated, as a general goal, a rate of increase of the GDP of 5.5% per year during the decade, which represented a rate of 3% per capita per year given the rate of population growth of 2.4%. (ECLA, 1966, Table 343, p.356; Gil, 1966, p.193) The general objectives of the plan were to create the necessary conditions for maintaining price stability, proceeding with import substitution, diversifying exports, substantially increasing agricultural production, deriving the fullest advantage from the possibilities offered by the traditional mining exports, and efficiently directing investments. (ECLA, 1966, p.355)

It postulates that the basic dynamic factors are the expansion of agricultural production and of exports, and that the achievement of the objectives above requires the full utilization of the installed capacity and a significant increase in the rate of investments from 10% of the GNP in 1959 to 18% in 1970. (ECLA, 1966, p.356)

But following the philosophy of the Alessandri Administration, the original plan did not propose any structural change. Even the increase in the rate of investments was a marginal one because those investments included "primarily major projects which were either under way or about to be implemented." (ECLA, 1966, p.357)

Upon publication in January, 1961, the Chilean government submitted the plan to the World Bank and requested it be examined as background for future financial aid applications. The bank designated a commission of experts who, after sixteen months of study and analysis, submitted their report in April, 1962.

The report comprises not only an over-all evaluation of the plan, its financial implications and the policy that should be pursued, but also detailed studies of sectoral programs. (Committee of Nine, 1962, p.2; Perloff, 1969, p.229; The emphasis is mine.)
However, in the meantime, Chile had signed the Charter of Punta del Este, which changed the rules for financial aid to Latin American countries. Therefore, before receiving the bank's report, on February 26, 1962, the Chilean government:

officially transmitted to the Secretary-General of the Organization of American States (OAS), through the Secretary-General of the Inter-American Economic and Social Council (IA/ECOSOC), the National Economic Development Program, for evaluation by an ad-hoc committee, in accordance with the provisions of the Charter of Punta del Este, Title II, Chapter V,3.

(Committee of Nine, 1962, p.1)

The ad-hoc committee consisted of three members of the Committee of Nine of the Alliance for Progress: Hernando Agudelo, Felipe Pazos, and Paul N. Rosestein-Rodan, and three other experts: Gerhard Colm, Rodrigo Gómez and Flavián Levine. (Committee of Nine, 1962, p.1)

Soon after the transmittal of the plan for evaluation to the Committee of Nine, a mission of the Government of the United States, headed by Richard Goodwin and Teodoro Moscoso, the two most important men in charge of the Alliance for Progress in the Kennedy Administration, went to Santiago. In an official statement issued on March 9, 1962, they declared that the U.S. government was to grant $350 million in financial assistance for the first five years of the plan,

provided that the program were evaluated by the Panel of Nine, and that in addition, the Panel annually review the status of the development plan to ascertain whether it was being satisfactorily implemented and whether the necessary social and structural reforms were being expeditiously carried out.

(Committee of Nine, 1962, p.4)

The ad-hoc committee saw its task facilitated by the evaluation already being done by the World Bank, and did not duplicate these studies. In fact, the committee
concentrated its attention mainly on examining the consistency of the economic and social aspects of the program with the principles of the Act of Bogota and the Charter of Punta del Este.

Even though the report of the committee had differences with the report of the bank,

mainly because the studies of the committee are based on more recent figures, ... the committee feels that the two reports ... are mutually complementary.

(Committee of Nine, 1962, pp.3-5)

Actually both the bank and the committee recommended changes in the plan toward a better definition of its social development component and inclusion of structural reform programs. As expressed in the report of the committee:

Admittedly, the program displays some shortcomings, especially inasmuch as it does not expressly include plans for certain social sectors (education, health) covered by the commitments assumed under the Charter of Punta del Este, and fails to specify the instruments of implementation and the policies to be applied in fields of basic importance such as agrarian reform, taxation, etc.

(Committee of Nine, 1962, p.43)

However, the committee found that these gaps were due mainly to the fact that the plan was prepared before the Alliance for Progress started, and that the Chilean government was trying to fill the gaps with new studies and projects in tax reform, agrarian reform and educational planning.

Actually the plan, as originally published, was compatible with the original philosophy of the Alessandri Administration and included the policies already described. The World Bank and the Committee of Nine responded to a different ideology without being entirely hostile to the position of the Chilean government.

Of special interest in relation to this were the targets postulated for exports and imports in the plan, as the following figures show:
Table 3.d: CHILE: Annual Cumulative Rates of Economic Growth as Projected by the Ten Year Plan for the Period 1961-1970. (percentages)

<table>
<thead>
<tr>
<th>Item</th>
<th>Past rate 1950-59</th>
<th>Plan Targets in relation to base year</th>
<th>Total Plan Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1955-65</td>
<td>1965-70</td>
</tr>
<tr>
<td>Supply</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>3.2</td>
<td>4.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Imports</td>
<td>4.7</td>
<td>6.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Demand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>3.8</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Investment</td>
<td>1.3</td>
<td>12.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Exports</td>
<td>1.7</td>
<td>5.5</td>
<td>5.2</td>
</tr>
</tbody>
</table>

(Source: ECLA, 1966, Table 343, p.356)

In fact, even though the plan postulated a decrease in the rate of growth of imports from the historic 4.7% of the previous decade to 3.4% for the period of the plan, the target for 1959-65 actually increased the rate of growth to 6.6%. In part, these notes may be justified by the need for imported capital goods derived from the high investment rate that was postulated for the same first half of the decade. However, they also reflect the explosive growth of imports resulting from the policies of trade liberation adopted by the Alessandri Administration, which left Alessandri's successor the difficult task of reducing the growth of imports to only 1.1%.

The committee changed the projections, and without entering to a detailed forecast for the period 1966-1970, estimated "that an average annual increment of 3% should be enough to cover the needs of the economy." (Committee of Nine, 1962, p.174)

Another difference the committee found with the original plan was in the distribution of investments assigned to the different sectors,
as shown in the figures below:

Table 3.e: CHILE: Distribution of Total Gross Investment 1961-1970
(in percentages)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Private</th>
<th>Public</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>6.3</td>
<td>2.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Mining</td>
<td>6.6</td>
<td>0.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Industry</td>
<td>15.9</td>
<td>4.0</td>
<td>19.9</td>
</tr>
<tr>
<td>Energy and Fuels</td>
<td>2.7</td>
<td>8.4</td>
<td>11.1</td>
</tr>
<tr>
<td>Building</td>
<td>5.8</td>
<td>18.0</td>
<td>23.8</td>
</tr>
<tr>
<td>Urbanization &amp; Communications</td>
<td>1.1</td>
<td>3.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Transport</td>
<td>4.3</td>
<td>9.4</td>
<td>13.7</td>
</tr>
<tr>
<td>Liason &amp; Unforseen</td>
<td>2.4</td>
<td>2.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Inventories</td>
<td>4.9</td>
<td>1.2</td>
<td>6.1</td>
</tr>
</tbody>
</table>

(Source: ECLA, 1966, Table 348, p.358)

This distribution responded to the reduction of State intervention in direct productive activities and to the larger role of the private sector, assigned in the original policies of Alessandri. The largest single item, building, reflects the importance given by the Alessandri Administration to the construction business and housing programs, while the low percentage of public investment in agriculture responds to the lack of an agrarian reform program in the original plan.

The World Bank actually changed these figures by increasing the public investments in agriculture by almost three times the original amount, raising the investments in housing construction by 10%, and recommending that all the houses built with public funds should be for low income people, excluding the housing for middle income families considered in the original plan. (Committee of Nine, 1962, Table 2) The committee did agree with the World Bank that the Housing Plan, being ambitious, was "only sufficient to curb the progressive deterioration in low-cost housing facilities which had been taking place during the last two or three decades". (id., p.59)
The committee also raised the figures of investment in agriculture in relation to the proposed program of Agrarian Reform, from 150 million escudos, as proposed by the World Bank, to 700 million. At the same time it reduced the sums estimated for import of agricultural machinery during the first years, postponing them for the later years of the plan. In addition, the committee added 44 million escudos for a proposed oil refinery, and modified the distribution between public and private investments. It projected public investments to be 60% of the total investments in 1963, decreasing this proportion gradually to 52% at the end of the decade of the plan. In this matter the committee recommended the opposite of the policy adopted originally by the Alessandri Administration.

The committee is certain that much can be accomplished ... if, for instance, CORFO were to reassume the role it played in the forties, when the great hydro-electric, petroleum and steel projects were developed...

(Committee of Nine, 1962, p.116, also Table 6, p.358, and Table 8, p.113)

The committee took note of the plan's lack of reference to the problems of income distribution and unemployment, and detailed the recommended measures in agrarian reform, tax reform and educational reform which should have been included in the plan. Also, the committee made a special reference to the immediate problem:

Given the very low level of savings which the country is generating at the present, in 1963 all sectors of Chilean society will be called upon to make the needful sacrifices in order to increase available investment resources as envisaged in the plan. The higher income groups will have to shoulder a heavier tax burden; entrepreneurs will have to absorb a substantial share of the rise in costs; and workers will be obliged to moderate their demands for wage increases.

(Committee of Nine, 1962, p.7)
The committee added:

If the necessary sacrifices are made, the goals of the program may be reached. But no illusions should be cherished as to the thorny path that will have to be pursued.

(id., p.8)

However, with all these reservations, additions and modifications, the committee concluded:

The current development program reinforced by external resources to supplement the country's own effort, should constitute an effective instrument wherewith to rescue the Chilean economy from the stagnation of the past decade, channel an increasing flow of domestic savings toward investment, relieve social tensions, strengthen internal and external finances, and lay the foundations for a development which will permit a rapid improvement in the level of living of the population.

(id., p.6)

As a result of this conclusion, the committee recommended external financial assistance, although not in the amounts considered by the Chilean government. In fact, for the period of 1963-65, the revised plan contemplated a foreign financing total of $760 million, and for the five years 1966-70, an average of $200 million per year, which totalled $1 billion. Of the total $1,760 million, 60% was projected as loans to the public sector, and the balance would be split between foreign investment and loans to the Chilean private sector. (id., p.10) But the committee recommended only $638 million for the period 1963-65 and $649 million for 1966-70. This totalled $1,287 million, of which $1,070 million (or 83%) was reserved for the public sector. The total financial aid recommended represents 18% of the total investment of the plan for the period 1963-1970; but the committee concentrated the financial assistance in the first three years to an amount representing 30% of the total investment "in the aim of enabling Chile not only to increase its
volume of investment, but also to raise its level of domestic savings."
(Committee of Nine, 1962, pp. 181-183)

Thus, the Ten Year Plan achieved the objective of justifying the requests of the Chilean government for external financial assistance; at the same time, it served as a vehicle for the external pressures on the Chilean government to change its policies. Because of its importance to the exterior, the plan achieved prominence in official documents, and the Chilean government made the proper moves to appear in compliance with the requirements and recommendations of the World Bank and the Committee of Nine.

As it was mentioned before on page 152, the Radical Party, in 1961, decided to enter into a coalition with the Right to support the government of Alessandri on the condition that a program of Agrarian Reform was studied and implemented. This condition was sustained by the commitments assumed by the Chilean government when the Charter of Punta del Este was signed. The Radical Party was not as related to landowning interests as the other parties of the coalition were, and needed to compensate their support of a conservative government with some populist measure. Radicals felt threatened in their dominant position at the center of the political spectrum by the emergence of the Christian Democratic Party, and one of the banners of the Christian Democrats and of the Left was Agrarian Reform. (Kaufman, 1972, p. 51)

After the Radicals entered the cabinet in August, 1961, a commission, consisting of representatives from the three governing parties, was formed to prepare agrarian reform legislation. The intra-party bargain was hard, and the traditional organizations of landowners took a militant position against any agrarian reform. But they could not resist the pres-
sure of the politicians and the government, and finally accepted the idea after a meeting of the National Society of Agriculturalists (SNA) reached a standstill on the matter in January, 1962. Two projects were sent to Congress, one was on agrarian reform, and the other was a constitutional amendment that would allow the deferred payment of expropriations. The Agrarian Reform Law (Law 15,202) was enacted in October, 1962, soon after the Chilean government received the report of the Committee of Nine on the Ten Year Plan. The constitutional reform was passed in 1963. (Kaufman, 1972, pp.53–66)

The Alessandri Agrarian Reform Law was denounced by the opposition parties as the "flowerpot reform". (Loveman, 1976, p.235) The constitutional reform restricted the maximum deferred payment term to fifteen years and the only lands which could be expropriated were those that had been abandoned or poorly cultivated. Lack of a clear definition of "abandoned" or "poorly cultivated" land left the process of expropriation subject to long delays. The affected landlords could dispute both the condition and the assessment of their land, in order to fix the price of expropriation legally. (Loveman, 1976, pp.225–230; Kaufman, 1972, pp.66–69)

Actually, the Alessandri Administration did not expropriate any farmland. The law was applied only to lands previously owned by the State or lands which were acquired in very good conditions by the selling landowners, offered for voluntary sale. As a U.S. analyst put it:

For Alessandri, the reform was viewed as a device to elicit funds from the United States. Thus, the political value of the expropriations provision was symbolic rather than operational. The expropriation process remained a dead letter throughout the Alessandri period.

(Kaufman, 1972, pp.67–68)
In fact, of nearly 60,000 Has. affected by the Agrarian Reform before 1965, 40,000 Has. pertained to a single "latifundio" owned by a public agency, the "Hacienda Mariposas" in San Clemente, Province of Talca. Another U.S. researcher wrote that "the Alessandri 'reform' consisted of geographically isolated, high-cost showcase colonies (colonias)." (Loveman, 1976, p.235)

But Law 15,020 had other important consequences. The debate over and subsequent approval of the Agrarian Reform Law changed the perspective of the different actors in Chilean politics. The concept of structural reforms was legitimized and a new relation between the urban and rural areas of the country was provided. At the same time, the failure of the laissez-faire philosophy of Alessandri's initial program was marked.

Law 15,020 also changed the relations within the bureaucracy of the State by strengthening the Ministry of Agriculture, which until then had been considered a less important component of the administration. The Law created two new agencies: CONSFA (Consejo Superior de Fomento Agropecuario), and planning and coordinating agency for the agrarian sector, and the Agrarian Reform Corporation (CORA), in charge of administering and implementing the agrarian reform program. A pre-existing agency of the centralized services of the State, the Council for Agricultural Development and Research (CONFIN), was transformed into an autonomous agency. Renamed the Agricultural Development Institute (INDAP), its purpose was to provide credit and technical assistance to owners of small farms, and to organize cooperatives among them.

These three agencies were conceived as executive elements, while the traditional functions of the Ministry of Agriculture in technical assistance, agricultural extension, and pest control, were concentrated in
the Administration for Agriculture and Fisheries (DIAP) as a branch of the central administration of the State. (Loveman, 1976, pp. 232-235)

The functions of CONSFA are especially significant for this study since it was a planning agency. According to the law, the formulation of regional plans for the division, consolidation and recovery of land, and the improvement of the condition of life of the peasant population were functions assigned to CONSFA. The law also specified, in Article 5, the standards for the regional plans of agricultural development which would allow expropriations on a regional basis. This provided CONSFA with coordinating powers to direct public agencies and institutions toward the implementation of said regional plans, to carry out the studies, and to direct the implementation of better systems of land tenure, rural development and agricultural production. In addition, CONSFA could authorize CORA's creation of special centers of agricultural production in zones of land division or consolidation of minifundios, and could "propose the norms under which agricultural credit should be available in the country, to whom and in what amount, amortization periods and interest rates..."

On paper, at least, CONSFA was a planning agency with implementation powers that could be a strong tool of State action. As expressed by Loveman:

Formally, CONSFA had authority to alter dramatically the terms of agricultural production and to authorize the establishment, at least experimentally, of different types of propietary arrangements in the rural sector. (Loveman, 1976, p. 233)

However, as in the issue of expropriations mentioned before, the letter of the law was one thing and the actions taken by the Alessandri Administration were another. The responsibilities of the three development-oriented agencies of the Ministry of Agriculture, CONSFA, CORA and
INDAP were distributed among the three parties of the government coalition. The executive direction of CORA was assigned to the Conservative Party which had the strongest ties to the traditional land tenure system. This way, the landowners were assured that Law 15,020 was not going to affect that system. The Radical Party took control of INDAP, while the Liberal Party, comprising of industrialists and free traders, took control of the planning agency, CONSFA. This way the bureaucratic rivalries among agencies were compounded with political patronage to make the coordination necessary for an efficient State action very difficult.

The Alessandri Administration not only refused to expropriate any farm; the only regional plan formulated by CONSFA was the Maule Norte Plan, developed in response to IDB's requirements for a $40 million loan which would fund an irrigation project of benefit to the same region where the Hacienda Mariposas (mentioned before) was located.

In the two other main areas of the Ten Year Plan which the World Bank and the Committee of Nine noted, the lack of both a tax reform and an educational program, a similar pattern was followed.

In the matter of taxes, the Committee of Nine's own report states:

The Government (of Chile) does not think it possible in the first stage of the tax reform, to replace the existing taxes on categories, or schedular tax system, by a single progressive tax covering all personal income, although it feels that this would be the most satisfactory procedure. It considers that to bring about so drastic a transformation of the system at a single stroke would be inadvisable...

(Committee of Nine, 1962, p.73)

Thus, the only income tax reforms implemented during the Alessandri period were a simplification and reclassification of the existing categories and a progressive adjustment of income and inheritance taxes to compensate for the effect of inflation. Unifying income taxes for corporations
not only made collection easier, but it also replaced several taxes that amounted to an average of 35% with a single tax that amounted to 30%.

(Committee of Nine, 1962, p.74)

Changes in land taxes were also deferred until the completion of the aerophotogrammetric study which was being prepared with the assistance of OAS. This study technically evaluated the agricultural potential of the different lands, and was not completed until 1966. (Idem., p.71)

In the issues of education, after the Charter of Punta del Este was signed and the Radical Party joined the government coalition in 1961, a commission was designated to study and propose the "General Bases for Planning Education in Chile". The report of the commission was very important because it called attention to some of the grave problems affecting the educational system. In particular, it focused on the large percentage of students who dropped out of the system before completing their education; the lack of educational facilities in the rural areas; and the lack of relevance in educational content. These problems were cited as the reasons behind the need for economic and social development. (Gill, 1966, pp.134-135)

After this report and the observations of the Committee of Nine about the need to include a program of education in the Ten Year Plan, the Chilean government decreed the formation of the Commission for the Integral Planning of Chilean Education at the end of December in 1962. The commission was composed of important members of government and congress, and had, as Executive Secretary, Oscar Vera. He was on loan from UNESCO, where he was Chief of the Latin American Division of the Department of Education. (Gill, 1966, p.135)
In 1963, the commission started a series of research studies on the following topics:

1) The attitudes of the different social groups toward education and the values they attached to it.
2) Educational personnel.
3) Human resources and the needs of development plans.
4) Student enrollment at all levels.
5) School maps showing the location of the educational services in relation to the community to be served.

In addition, the commission organized technical task forces to study the problems of different levels of education and to propose solutions in order to organize the educational system as a whole. (Gill, 1966, p.135)

The importance of all these studies was to provide material to the following administration so that a real educational reform could begin in 1965. They also served to provide proof that Alessandri followed the recommendations of the Alliance for Progress, even though these recommendations had little application during his administration.

Even the more conventional elements contained in the original Ten Year Plan were not able to change the established trends, and the Alessandri government gave them little help.

Administration of the plan was given to the Committee for Economic Programming and Reconstruction (COPERE), consisting of some Ministers and top economic officials with the secretary of CORFO and under the presidency of the Minister of Economy. Later, the Provincial Development Committees were created to carry out the regional aspects of the plan. However, COPERE had little more than a formal function since the State development agencies maintained their autonomy and the high officers in-
involved rarely had the opportunity to analyze any proposal or project in-depth, leaving this task to the technical personnel of each agency. The Provincial Development Committees were to integrate representatives of the public and private sectors in each of the 25 Provinces under the presidency of the respective Intendente, with the technical coordination and assistance of CORFO. Since CORFO had little experience or expertise in regional planning, and the technical assistance to the committees was provided on a part-time basis because there was no special budget for them, the committees had a precarious existence. (ECLA, 1966, p.341; Committee of Nine, 1962, p.29)

The difficulties in implementing the Ten Year Plan were reflected in the comparison between the targets projected by the plan and the actual results of the economic activity during the Alessandri years.

In spite of the strategic importance attributed to the sector by the plan and the emphasis of the World Bank and the Committee of Nine, agricultural production continued to show a growth rate which was lower than the rate of population growth. This weak rate reduced agriculture's participation in the total product during the period of 1960-1964. "Although the evolution of industry has been more favorable, it cannot be called satisfactory." (ECLA, 1966, p.95) By contrast, during the same period, the share of the services sector grew at a fast, sustained rate, especially in trade and finance. Services in these areas grew from 23.2% of the GNP in 1960 to 27.1% in 1963. (ECLA, 1966, Table 94, p.94)

The rate of growth of the GNP went down from 6.2% in 1961 to 5% in 1962, 4.7% in 1963, and 4.3% in 1964, instead of the 5.5% growth rate projected by the plan. (ODEPLAN, 1971, Table 1, p.1)
Thus, the plan served as a yardstick by which the achievements and failures of the policies and actions of the government could be measured. Because of this, the plan attained political importance in spite of the Alessandri Administration's lack of interest in implementing it. Of special significance were the studies made by CORFO after the Committee of Nine observed the Ten Year Plan's lack of reference to the problems of income distribution. (Committee of Nine, 1962, pp.50-51)

In fact, the studies provided a fairly clear picture of who was favored and who was losing, as a result of the policies of the Alessandri Administration.

Table 3.f: CHILE: Indices of Income per Capita Distribution and Growth 1960-64 in Real Terms. (1960=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>National Income per capita</th>
<th>Employers and Proprietors</th>
<th>Total - Blue Collar - White Collar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>1961</td>
<td>110.6</td>
<td>107.9</td>
<td>109.3</td>
</tr>
<tr>
<td>1962</td>
<td>115.2</td>
<td>144.4</td>
<td>112.4</td>
</tr>
<tr>
<td>1963</td>
<td>114.4</td>
<td>168.2</td>
<td>107.4</td>
</tr>
<tr>
<td>1964</td>
<td>116.4</td>
<td>186.0</td>
<td>108.7</td>
</tr>
</tbody>
</table>

(Source: ODEPLAN, 1971, Table 38, p.50)

Table 3.f shows that income per capita practically stopped growing after 1962, which did not impede the dominant class benefitting from a raise of more than 40% in per capital income during the same years. The salaried workers' income, however, grew less than the national income and, in the case of white collar employees, actually decreased from 1962 to 1964. The difference is more striking still if the base figures of the indices are considered. In fact, in 1960, the income per capita of blue collar workers was $1,847$ per year, and for white collar employees was $6,375$, while the income of employers and proprietors was $51,837$ per capita per year. (ODEPLAN, 1971, Table 37, p.50) Far from the
policy of shared sacrifices proposed by the Committee of Nine, the Ales-
sandri policies resulted in a regressive redistribution of income in fa-
vor of the oligarchy, rather than economic development. This situation
was similar to the mood of 1947, when Alessandri was Minister of Finance.

Again, as in 1947, the impact of these policies was reflected in
the results of the electoral polls. The municipal elections of April,
1963, showed that the parties of the Right, Conservative and Liberal,
had reduced their share of the vote from more than 30% in 1961 to 23%.
The Radical Party, with 20% of the vote, had lost its position as the
largest individual party, because the Christian Democrats had risen from
15% in 1961 to 23%. On their side, the Communists and Socialists together
now formed a block as strong as the block of the Right with another 23%
of the electorate. (Gil, 1966, pp.237-238; Stallings, 1978, Table A.1, p.242)

After the municipal elections, the political forces started to pre-
pare 1964 presidential election campaigns. The Right, aware of the poli-
tical realities, decided to support a Radical, and the Radicals elected
Senator Julio Duran as the standard-bearer of the coalition name "Demo-
cratic Front". The Christian Democratic Party appointed Eduardo Frei
again and the Leftist coalition (FRAP) named Salvador Allende as their
candidate.

On paper, this appeared to be a safe solution for the dominant
class, but in March, 1964, a by-election, called to replace a deceased
Deputy in the province of Curico, demonstrated that in a field of three,
the Left could be a winner. In fact, while in the municipal elections,
the parties of the Democratic Front had obtained 49% of the vote in the
said province, against 29% for FRAP, and 22% for the Christian Democrats.
In the by-election, the candidate of FRAP, Dr. Oscar Naranjo, won with 40% of the vote, followed by the Christian Democrats with 27%. (Stallings, 1978, p.94; Sigmund, 1977, p.29) Julio Duran, who had called this by-election "a national plebiscite", was abandoned by Conservatives and Liberals who decided to support "the lesser of two evils", Eduardo Frei, the Christian Democrat. (Levinson, 1970, p.93; Sigmund, 1977, p.29)

At the end of the Alessandri period, the failure of the Chilean oligarchy appeared to be complete. The dominant class had shown its inability to govern within a democratic framework. The favorable conditions at the beginning of the period had only served to redistribute the national income by increasing the share of the upper class and reducing the purchasing power of salaried workers. They did not provide the basis of self-sustained development, nor did they attract foreign investments. The efforts toward monetary stability had resulted in an explosive increase of the external debt. In addition, the Chilean oligarchy had shown its inability to adapt to the new international conditions created by the Cuban Revolution and the Alliance for Progress.

While some elements within the dominant class made a valiant effort to modernize and submit to the requirements of long-term development in a complex society, most of them tried to use their position to get high profits in short-term operations. They took either a fatalistic and pragmatic position ("apres moi le deluge") or became radicalized, integrating new ultra-rightist movements dedicated to the fanatic support of the status-quo. (Stallings, 1978, p.95)

Not only the Right and the Radical Party suffered the consequences of being unable to solve the basic problems they had set to solve. Classical economics and IMF recipes were also discredited, and a new consci-
ence was being created over the relation between development and economic dependence, particularly regarding the foreign ownership of strategic resources, like the copper mines. (Sigmund, 1977, p.30) Even the Committee of Nine considered it "unwise" to base targets of development on projected investments which depended on foreign-owned mines. (Committee of Nine, 1962, p.118) On the contrary, increased State action and development planning were emerging as potential solutions, where classical economics and laissez-faire had failed.

5. Planning and Planners During the Alessandri Period.

As it was explained before, planning during the Alessandri Administration resulted from external pressures and natural catastrophes, rather than from any conviction of the policy makers. However, planners worked, and their work had some consequences.

A good indication of the state of planning in Chile at that time is given by the experiences of the U.S. planning consultants who arrived in 1961 "to act as advisors on planning in the earthquake devastated areas of southern Chile; and "to assist Chilean technicians in the development of Regional Long-Term Plans". (Navarrete, 1962, p.2) In fact, the "final reports" of these consultants contained not only a description of the tasks accomplished and recommendations for future action, but also included an analysis of the planners' impressions on the conditions of planning work at that time in Chile.

Two agencies of the Chilean government appeared to have the responsibility for planning in the region affected by the earthquakes: CORFO, in charge of regional planning; and the Division of Architecture and Urbanism of the Ministry of Public Works (MOP), in charge of city
planning. (Condon, 1962, p.1; Navarrete, 1962, p.7) Urban municipalities had also a kind of Master Plan ("Plano Regulador") which did not contain zoning divisions, but was attached to an urbanization and construction ordinance as an instrument of implementation. Municipalities also had some professional staff of architects and engineers with little, if any, training in planning. (Molther, 1962, p.1)

One of the consultants found that

the lack of a city planning curriculum in the universities of Chile allows each individual (sometimes with disastrous results) to form his own philosophy concerning the profession. ... Here, because there is a limited scientific background, geology, landscape architecture, geography, sociology, economics, and anthropology are neglected in favor of architecture.

(Condon, 1962, p.10)

Some of the consultants found that even the municipal architects who had some knowledge of planning tended to be of the "city beautiful" tradition and had little concern for social or economic problems, and that CORFO professionals tended to concentrate on economic planning with little regard for ecological or social issues in spite of the urgency given to these problems by the earthquakes. (Navarrete, 1962, pp.7-9; Condon, 1962, Note 4, p.10)

The U.S. planners trained in the tradition of home rule and self-reliance, had a difficult time adapting themselves to the strong centralization of the Chilean social system.

A community is not encouraged to solve its own problems, but to look first to the (national) government for solutions. Under the tax system in Chile, it is financially impossible for the locality to manage its own municipal services. The centralization of authority vested in Santiago is acute.

(Condon, 1962, p.10)
Another U.S. planner later wrote:

The apparent internal unity of Chile as a nation is therefore impressive. But it is a unity achieved primarily through the overwhelming power of the national government which, from its seat in Santiago, presides over a poorly articulated and dependent periphery. ... The survival of secondary centers in the periphery derives more from their ability to focus the attention of the national government upon themselves than from an autonomous, political will to manage their own resources in the interest of local populations.

(Friedmann, 1969, p.22)

From the same perspective, another author pointed out that the regionalization of development policies and decentralization of decision-making, in Chile, had resulted from problems of national security (as in the case of Arica and Magallanes), political pressure of resource rich provinces (such as Antofagasta), or natural catastrophes like the 1960 earthquakes. (W. Stochr, in J. Friedmann, ed., 1969, p.55)

In fact, CORFO created regional offices in the regions affected by the earthquakes and gave contracts to consulting firms to design regional development plans for areas such as the Chiloe Islands. But the decree of 1962 which created the provincial development committees for the implementation of the Ten Year Plan in the whole country, was never supported with the resources necessary for the committees to work, as it was seen before.

One of the U.S. consultants working in Puerto Montt found that since CORFO had not done any regional planning for the area, he had to prepare some guidelines in regional planning for the Chilean professionals to use, even though his specific task was to advise in matters of city planning. He was able to give some training in planning to the professionals of the region and to convince the local authorities to create Chile's first City Planning Commission, in September, 1961. (Navarrete,
But he and some other consultants found that the government agencies did not coordinate with each other at the local level; neither did they submit their own projects to local planning.

As the controlling center of all technical work, the Ministry of Public Works is responsible for the development of most governmental work projects. Within this framework, little coordination occurs among the various sub-divisions of this ministry, or among this and other ministries. Throughout the government this process pyramids. At the local level the results are costly and disastrous.

(Condon, 1962, p.7)

Special coordination problems were found between the Housing Corporation (CORVI) and the Municipality of Puerto Montt, and between CORVI and the highway work of MOP in Concepcion. Particular criticism was directed to housing projects of CORVI which did not include any provision for schools, recreational facilities, shopping areas, or civic centers.

(Condon, 1962, p.8)

Another consultant found that the municipality of Valdivia was not willing to provide him with an office, even though he was supposedly working for that city. It was only after long negotiations that a part-time assistant was provided for him. He was finally installed in a MOP office and was given the distant support of the Division of Architecture of the Ministry in Santiago.

He described his role in three points: 1) to assist in the establishment of a permanent planning office in Valdivia; 2) to advise the MOP architect-planner and the municipal architect-planner in their tasks of reconstruction and planning; and 3) to help strengthen the administrative process for planning the reconstruction and long-range development of Valdivia. He added:

In describing the U.S planner's role project, the term consultant or advisor is perhaps misleading. Due to
the small staff and the grass roots nature of the project, it was necessary to assume responsibility and take direct actions which were not anticipated in the original concept of the job.

(Fogle, 1962, p.6)

While on two different missions advising the Chilean government on the matter, all the consultants mentioned the need for professional training in planning at the Chilean universities. The first presentation was by Francis Violich, who in 1960 produced a report entitled "Education for Urban and Regional Planning in Chile". The second was by the U.N. expert, Paul Brenikov, Professor of Town Planning of the University of Liverpool, who at that time was collaborating with the School of Economics of Universidad de Chile. One of the consultants, David Condon, thinking that the University of Concepcion would be an appropriate place for the location of the first school of city and regional planning of Chile, encouraged Professor Brenikov to interview David Stitchkin, the Rector of the University. But Stitchkin stated "that he was not interested in introducing such a curriculum". (Condon, 1962, p.11)

In spite of the short term of their contracts and the difficulties they encountered, the U.S. consultants had an impact in the development of planning in Chile. This was particularly significant for the architects associated with the Division of Housing and Urbanism of MOP, whose Planning Department was then directed by Juan Honold and Amador Brieva. Probably the most successful of the consultants from this point of view, was David Condon, the planner in charge of preparing an Intercommunal Plan (Plano Regulador Intercommunal) for the metropolitan area of Concepcion, the third largest city in Chile. Condon had the advantage of working in a large city with more resources than the other consultants, and of being nearby another of the consultants, Frank Molther. Molther
was in charge of preparing the plan for Coronel, one of the municipalities included in the metropolitan area of Concepcion. Condon was able to get his contract extended and attained a good working relationship with Cesar Burotto, the Chilean architect who was chief of the office of the Intercommunal Plan, and served as his counterpart. Making good use of these advantages, Condon was able to put the seeds of what later became ORPLAN Bio-Bio, one of the three regional planning offices which showed some effectiveness during the Frei Administration. (Condon, 1962, p.9; Friedmann, 1969, p.42)

His work in the Intercommunal Plan of Concepcion also served Edmond Hoben and Ivan Alten, the chiefs of the USAID Housing and City Planning Program in Chile, in promoting the first city planning seminar in Chile with the participation of Chilean professionals who later had important roles in the development of planning, such as Ricardo Jordan. In both the Intercommunal Plan for Concepcion and in the Coronel Plan, students of Universidad de Chile received "on the job" training in planning research and methods. (Condon, 1962, p.9; Molther, 1962, p.2)

Finally, his observation about the lack of community facilities in the housing projects of CORVI mentioned above, led USAID which was financing part of the project, to request the Ford Foundation's assistance in planning complementary facilities such as schools, playgrounds, civic centers and shopping areas for the housing projects. (Friedmann, 1969, p.3)

At that time, Ford Foundation was already involved in planning in Chile through a substantial grant conceded to the Commission for Planning Education, and through the rural housing and community facilities component of the Maule Norte Plan. After the request of USAID, the Foundation
provided assistance to create the new Office of Community Facilities Planning of the Division of Architecture of MOP in 1964, and granted fellowships for Chilean professionals (among them this writer) to follow graduate studies in planning in the United States. After the presidential elections of 1964, this program expanded under the direction of John Friedmann, to give technical assistance for the creation of the National System of Planning, the Ministry of Housing and it Planning Division, and the Interdisciplinary Center for Urban Studies (CIDU) of Universidad Catolica. (Clark Gill, 1966, p.132; John Friedmann, 1966, pp.3-16)

On the other hand, since 1962, training for planners and technical and intellectual interchange among planners was facilitated by the installation in Santiago of the Latin American Institute for Economic and Social Planning (ILPES), organized by ECLA with the financial support of IDB in response to the needs of technical personnel associated with the planning requirements of the Alliance for Progress. The Charter of Punta del Este required every Latin American country to formulate a national development plan. Most of the countries did not have enough technically prepared personnel to carry out this task. Even though ECLA had been publishing technical manuals for development planning and carrying courses and seminars on the matter since 1950, the Charter of Punta del Este implied a much more intensive program of training. ILPES was a necessary progression. (ECLA, 1966, p.333)

ILPES reflected the ECLA perspective on development issues and constituted, for Latin American planners, an intellectual center that balanced the influence of USAID advisors and U.S. trained planners. ILPES had influence throughout Latin America because of its trainees, seminars and workshops and its publications through major publishing houses in Mexico
and Buenos Aires. In Chile, this influence was stronger because of the
direct and permanent contact between the staff and trainees of ILPES and
the experts working for the Chilean government and professors in Chilean
universities.

The influence of ILPES in Santiago was complemented by other U.N.
supported institutions such as the School of Sociology of the Latin Amer-
ican Faculty of Social Sciences (FLACSO); the Latin American Institute of
Demography (ILADES), and special agreements between UN agencies and Chilean
universities in fields such as agricultural economics, public health, or
educational planning. (Gill, 1966, pp.129-131)

Given the discredit of the laissez-faire policies in the late years
of the Alessandri Administration, a general climate favorable to the idea
of planning was present in Chile, as well as in the rest of Latin Ameri-
ca. As one observer put it:

Those who formulated the Alliance for Progress had
an almost mystical belief in the power of planning
to solve Latin American problems, reform its social
structures and stimulate its economic growth.

(Levinson, 1970, p.187)

At a seminar of ILPES in Santiago in 1965, it was observed that "the con-
cept and idea of planning are in fashion in Latin America". But in Chile
not only the environment was favorable to the idea of planning, there was
also an on-going program of technical assistance by a number of experts
who helped the following administration to put together a national plan-
ing system. This was reflected in the presidential campaign for the
elections of 1964 in which both major candidates, Allende and Frei, pre-
\[...\]
However, the same popularity that planning acquired after the failure of the free-market policies of Alessandri included some traits which made the practice of planning more difficult.

The Alessandri Administration tended to use planning formally, without any real interest in implementation. In spite of the interest expressed at the beginning for improving the efficiency of the State bureaucracy, Alessandri, Vergara, and their team of "gerentes" carried to government more the habits of personalized leadership which they exerted in private business, rather than the interdisciplinary teamwork and functional rationality of planning.

A good example of this was the location of a copper foundry in Ventanas, near Valparaiso. For months, the experts traded technical arguments, even in the daily press, about the comparative costs and benefits of different location spots, but President Alessandri decided on political grounds. The province of Valparaiso had given him the first plurality of the vote in the presidential elections while the other locations were in the province of Coquimbo which gave more votes to Allende. The experts had to adapt their technical analysis to justify the presidential decision in spite of their previous studies and discussions.

In addition, the Alessandri Administration had a different view of planning than the U.S. advisors or ECLA experts. While the planning experts considered planning as a function of the local or national government, and most of them agreed with the idea of the U.S. liberals of the State who saw planning as a "neutral" apparatus at the service of the public interest, the Alessandri government considered planning (and even the southern earthquakes) as a source of new opportunities for the private business of government contractors and consultants.
In addition, while some people considered planning to be a magic cure for all the problems of development, and tended to formulate simplistic, comprehensive, yet unrealistic solutions, others found the word "planning" fashionable and applied it to any human activity without reference to its proper content. (ILPES, 1966, p.5) On their side, many professionals with little or no training at all in planning, found it convenient to assume the title of "planner" to achieve access to a field which appeared to be potentially profitable. This view was fed by the officers of government agencies who were accustomed to awarding government contracts to a few engineering or architectural firms owned by members of the dominant class.

When the IDB, for example, requested a regional plan of development to justify financial aide for the reconstruction and long-term development of the Chiloe Islands, CORFO gave the task to an engineering consulting firms that had previous contracts with the corporation but had no trained personnel in planning, nor experience in regional development.

The established professions tried to capture the benefits of the new popularity of planning. Competition developed between engineers, architects, economists and even lawyers, to demonstrate that theirs was the most adequate expertise for the practice of development planning. This was reinforced by the traditional association of separate government agencies with the diverse professions such as the predominance of agronomists in the Ministry of Agriculture, of architects in the Division of Architecture and Urbanism of MOP, of economists in the Office of the Budget and some sections of CORFO, and of engineers in other sections of MOP and CORFO. When these agencies assumed planning functions, they tended to favor the respective profession with contracts and employment
opportunities. Because of this, the Alessandri Administration sometimes tried to avoid political problems with the professional organizations by distributing the different components of a planning job to diverse agencies.

In the case of the Maule Norte Plan, for example, the general coordination and responsibility was assigned to CONSFA, the planning agency of the Ministry of Agriculture, where agronomists and agriculture economists were prominent. But engineers got a share of the project through the participation of the Dirección de Riego (Irrigation Works Division) of MOP; and the special unit of community facilities planning of the Division of Architecture supported by the Ford Foundation was put in charge of rural housing and community facilities what opened the opportunity for the participation of architects in the project.

This distribution may appear justified on functional grounds, but the tendency of each profession and agency to protect its own interests, and the lack of any tradition of multidisciplinary work led each agency to produce its own isolated version of the entire plan, which was detrimental for the necessary coordination and efficiency of the whole planning effort. As it was observed by ILPES, this tended to dilute the basic content of planning and the specific attributes of the planning activities. (ILPES, 1966, p.5) Moreover, the established interests of the traditional professions in the respective university schools delayed the possibility of planning training at the graduate level until the late sixties. The lack of interest on the part of the President of the Universidad de Concepción mentioned earlier, illustrates this point well.

In fact, until the creation of interdisciplinary centers of research in planning matters such as CEPLA in Universidad de Chile and CIDU
in Universidad Católica, the only professionals with formal training in planning existing in Chile were foreign advisors or Chileans trained abroad or at ILPES. These planners had a hard time gaining recognition among the great number of self-proclaimed experts. Their difficulties consisted of having to convince the members of traditional professions of the need for and benefits of interdisciplinary cooperation and teamwork in planning projects. Although these difficulties did not disappear entirely, even after the installation of a national planning system, the development of the above mentioned centers contributed to the clarification of the nature and boundaries of professional planning activities and practice.
Chapter IV

FREI (1964-1970) AND "INDICATIVE" PLANNING

Introduction

The Frei Administration considered planning as a necessary tool for social reform and economic development.

Following the formulations of ECLA and the Alliance for Progress, the reform of the social structure was a requisite for economic growth. The existing social structure was a main reason for the low rates of economic development and a major obstacle in the path to overcome economic backwardness. But for this reform to take place, the State had to play an active role which was different from the traditional activities of the public agencies.

Given the objectives of socio-economic development, planning was a means of improving the efficiency and of guiding the actions of the State bureaucracy in carrying out the needed structural changes.

The Frei Platform for the elections of 1964 contained programs on Agrarian Reform, Popular Promotion, Educational Reform, Housing for Low-Income People, and Redistribution of Income, the implementation of which were started by the Frei government in 1964.

Together with these programs the government installed a National System of Planning integrated by the National Planning Office (ODEPLAN), which served as advisor to the president, several sectorial planning offices serving the ministries, and a number of the Regional Planning Offices (ORPLAN), as well as 36 Municipal Programming Offices (OPC) throughout the country, which were under the central coordination of ODEPLAN.
The installation of the planning system represented a considerable increase in the number of planners working in Chile. In 1964, they were a small group of no more than 50 professionals, concentrated mainly in the Division of Planning of CORFO and at the Planning Centre of Universidad de Chile (CEPLA). In 1970, there were nearly 300 professionals working in the different planning offices plus CEPLA and the Center created in 1966 in the Universidad Catolica (CIDU).

The Chilean planners were reinforced by a number of international experts, especially from the Latin American Institute of Socio-Economic Planning (ILPES) of the U.N., and the Ford Foundation Program of "Urban and Regional Development in Chile" (URDAPIC). These same programs served to train Chilean planners in the United States or in courses at ILPES, while others received training at the two planning centers of Chilean universities mentioned above, or through their own work in one of the planning offices.

Planning was defined by the Frei government as being "directive" for the State bureaucracy, but "indicative" for the private sector. The agencies of the State were expected to implement the plans as designed, as they would any other governmental mandate. But private citizens and corporations were not coerced to comply with the plans. For them the plans served as guidelines of desired action. Voluntary behavior in accordance to the guidelines was made more attractive by indirect incentives.

The emergence of any new set of government agencies in the midst of a well-established bureaucracy, as the Chilean one in 1964, was due to stimulate a reaction from the existing agencies. In the case of the planning offices, the new agencies were in charge of guiding and coordi-
nating the action of the old ones. Even though the planning offices in general enjoyed the strong support of the President and Ministers, the established bureaucratic power centers were reluctant to accept the new role of the planning system.

On the other hand, the private sector was polarized by the implementation of the structural reform programs, especially the Agrarian Reform. During the second half of the Frei Administration, social tension increased among members of the ruling oligarchy affected by or afraid of the Agrarian Reform and other measures in favor of other social classes, and among the grass roots organizations of peasants and urban dwellers impatient about the "gradualist" approach of Frei's reforms.

In this environment, the private sector was not amenable to respond to the indirect incentives and constraints of indicative plans.

Moreover, the strong effort for implementation of the programs of structural reform during the first two years of the Frei Administration were coincident with the period of establishment and organization of the planning offices. But in 1967, the Frei government changed its basic direction toward more conventional and conservative economic measures. Thus, when the planning offices were in a better institutional position to provide a technical input the process of structural reform and economic development, they were submitted to provide short-term solutions for emerging problems and a rationalization for conservative policies.

In front of this situation, the planners divided into three groups with different tendencies:

One group sustained that the authority of planners would be based on the quality of their technical advice, insisting on the need for sophisticated models and computerized information systems.
A second group maintained their loyalty to the Administration and served as it demanded, providing technical backing for the policy decisions made until the end of the Frei presidency.

A third group sustained that the ethical duty of the planners was to have a commitment to economic development and structural change. They accompanied the so-called "Rebel" group which had split from the Christian Democratic Party of Frei, to join the Leftist coalition in support of the candidacy of Allende for the elections of 1970.

In practice, because the planners were unable to solve the contradictions of the Frei Administration, all the basic programs fell short of the expectations created at the beginning, which opened the way for the victory of Allende.

All this will be detailed and documented in the following sections of this chapter.

1. The Electoral Campaign of 1964, the Christian Democratic Party and Its Ideology.

The campaign for the presidential elections of 1964 reflected the international situation in the American Hemisphere. Allende represented the socialist alternative to the problems of socio-economic development, with definite relations to the Cuban Revolution, while in a different context and by different means.

Frei was considered to be a representative of the structural changes proposed by the Alliance for Progress in response to the impact of the Cuban Revolution. As such he received strong support from the United States, and the CIA destined $2.6 million to cover more than half of the costs of his well-financed campaign. (U.S. Senate, 1975, "Covert Action in Chile 1963-1973", pp.9 & 15)
In the campaign, the word "revolution" achieved social legitimacy. Conservatives were in retreat not only because of the failures of the Alessandri Administration, but because their lack of support for the new policies of the U.S. (Roxborough, 1977, p.39)

Allende was supported by a coalition of the Socialist and Communist Parties named Popular Action Front (FRAP). FRAP organized a team of experts called Central Planning Office (OCEPLAN) headed by the economist Max Nolff, to prepare a detailed program that would be used as a campaign platform, and as action guidelines for the forthcoming administration should Allende win. (Gil, 1966, p.300)

At the beginning of his campaign, Frei was supported only by his own party, the Christian Democratic Party. But after a by-election in the province of Curico in March of 1964 showed the strength of FRAP as a sure winner among three candidates, the parties representing the ruling oligarchy of Conservatives and Liberals decided to support Frei. (Sigmund, 1977, p.29)

A "Technical Committee of Professionals", chaired by Raul Saez, one of the nine "wise men" of the Alliance and a personal friend of Frei, prepared a "blue book" similar to the platform of the Left. This program had input from the oligarchy through the "Committee of Independents" organized by Edmundo Perez Zujovic, an engineer and businessman who was also a personal friend of Frei. (Stallings, 1978, p.91)

On April 28, 1963, Frei said, in an interview published by The New York Times, that the Christian Democrats and FRAP had the same objectives but FRAP would rely on dictatorship while the Christian Democrats favored democracy. In this way he opened the anti-communist propaganda of his candidacy with the slogan "A Revolution in Liberty".
Frei was to define those objectives later in an essay published by Foreign Affairs in April, 1967. He wrote:

The Latin American revolution has clearly defined objectives: the participation of the people in the government and the destruction of the oligarchies; the redistribution of land and the ending of the feudal or semi-feudal regimes in the countryside; the securing of equal access to cultural and educational facilities and wealth, thus putting an end to inherited and artificial class divisions. Finally a main objective of the revolution is to secure economic development coupled with a fair distribution of its product and the utilization of international capital for the benefit of the national economy.

(E. Frei, 1967, "The Alliance that Lost its Way")

In spite of this revolutionary language, the platform of Frei was clearly softer than the Allende one. While Allende's platform called for nationalization of the copper and nitrate mines, the Frei program contained a proposal for association between the Chilean State and the copper corporations. Where the Allende platform included the nationalization of banks and insurance companies, Frei's talked about some minor "banking reform". The two programs coincided in their emphasis on development planning and industrialization, but the Allende proposals gave the State the main role while the Frei platform leaned toward the State guidance of private investments, and mixed public-private ventures.

The coincidence of the two programs was more complete on issues such as Agrarian Reform, elimination of unemployment and of the existing deficit in housing, health and educational services, and redistribution of income in favor of the working class. (Gil, 1966, pp.298-302; Sigmund, 1977, pp.30-34)

Perhaps the most important difference between the two programs was in their concept of the role of the State as a means to achieve the objectives described above.
The Left, from its Marxist perspective, considered economic development to be a function of the labor of the working class, and the State to be a class instrument. Allende postulated a "profound democratization" of the Chilean society, meaning rescuing the State from the hands of the ruling oligarchy, to put it at the service of the great majority of the Chileans, the working class. (Stallings, 1978, p.90)

On their side, the Christian Democrats tended to consider the State as a "neutral" arbiter of the class struggle. (Sigmund, 1977, p.31) Moreover, a group of social scientists associated with Frei and the Christian Democrats developed a center-periphery model for the analysis of the socio-economic problems of development. In it, the concept of "marginality" was substituted for the idea of class struggle. (Roxborough, 1977, p.41)

Based on the social teachings of the Catholic Church and on the ideas of the French philosopher, Jacques Maritain, this ideology criticized the Marxist concept of conflict as the motor of history and sustained that history is a vehicle with two motors: conflict and solidarity. (Jorge Ahumada, 1958, "En Vez de Miseria") The State shouldn't be considered as a class instrument but as a means to achieve the common good of society as a whole and of every one of its members. (E. Frei, "1968 Message to Congress" as quoted in Stallings, 1978, p.65)

In this ideology, low-income people were "marginal" elements deprived of participation in the social system and of the benefits deriving from such participation. The task of the State was to open opportunities for these "marginals" to be integrated to the whole of society, because socio-economic development is a function of the participation and solidarity of all the elements of the national community.
This "popular promotion" function of the State has three components:

a) the internal integration of marginal people into grass roots organizations;

b) the collaboration between the State and the marginal people at programmatic and institutional levels; and

c) the reform of the existing institutions and the creation of new ones for the integration of marginal people into the global society.

The same condition of marginality impedes marginal people to overcome their own situation. For this reason, "popular promotion" is a function of the State which, as administrator of the common good, should serve as an external force to break the vicious circle of marginality. (Vanderschueren, 1971, in Johnson, ed., 1973, pp.260-261; See also Veckmans, 1969, in Burnell, ed., 1972, pp.51 & ff.)

This ideology was a practical basis for the Christian Democratic Party to penetrate the working class. In the model, organized labor unions were already incorporated into the social system. But in Chile, at the beginning of the sixties, no more than 40% of the industrial workers were unionized and peasant organizations were practically inexistent. (Stallings, 1978, Table A.4) Thus, the Christian Democrats could charge the labor unions controlled by the Left with being a "labor aristocracy", more concerned with their own particular interests that with the welfare of the working class as a whole. (Roxborough, 1977, p.41)

The Marxist belief that the industrial proletariat was the most important force for social change was challenged in this way, and the Christian Democrats set about creating a series of grass roots organizations under its own control. These "communitary" organizations, such as pea-
sant councils, neighborhood committees, mothers' centers, and consumer cooperatives, had a functional or territorial basis. (Sigmund, 1977, p.33)

This ideology was especially effective among practicing Catholics who could perceive the unjust nature of the social system but rejected the materialism of the Marxist position. In fact, the great majority of the Chilean population was nominally affiliated with the Catholic Church, and the founders of the Christian Democratic Party based their reformist political position on the social teachings of the Popes Leon XIII and Pius XI. Even though not many of those who declared themselves to be Catholics were active in the Church, the influence of the condemnation of communism and denunciation of capitalism as un-Christian, and the call for social justice of the Popes' teachings was strong, especially among the youth and the women. (Roxborough, 1977, p.40; Sigmund, 1977, p.31; See also Gil, 1966, pp.266-276)

For the same reason, the work of the Christian Democrats was helped by the cooperation of some social action institutions of the Catholic Church, like the Institute for Rural Education (IER), the Institute for Trade Union and Social Training (INCASIS), and the Chilean Labor Action (ASICH). At the other extreme of the social structure, the "Social Union of Christian Businessmen" (USEC) served as a link between the Christian Democrats and the ruling class, and as a complementary expression of the solidarity among classes proposed by the ideological model. (Stallings, 1978, p.91)

With this ideology, through these mechanisms, and with the financial support first of the European Christian Democrats and later of AID and CIA, the Christian Democratic Party emerged in the late fifties and early
sixties as "the only real multi-class party in Chile". (Stallings, 1978, p.42) In fact, the Party (PDC) had support from each social class in approximately the same proportion that each class had in the whole social structure, except that in the working class women tended to favor PDC while men tended to support the Left. (See Stallings, 1978, Table A.2; Also Gil, 1966, p.214)

These characteristics made PDC the natural center of the Chilean political spectrum, able to attract an important share of the working class and also the modern elements of the ruling class. The sophisticated ideology and progressive position was especially attractive to a group of young professionals who developed Frei's platform and later served as the core of his Administration. (Gil, 1966, pp.272-273; Stallings, 1978, p.99)

The ability of PDC to utilize the mass mobilization techniques which previously had been used only by the Left, made the Christian Democracy a good prospect as a force capable to stop Communism. This led the U.S. to join the Catholic Church in supporting the Frei candidacy and the Christian Democratic Movement.

After the first meeting of the Latin American Bishops Conference, which took place in Brasil in 1958, the international Catholic foundations for social action such as Caritas and Misereor provided funding for the training and organization of "marginals". At the same time, the Chilean Bishops started agrarian reform on the rural properties of the Church and created their own agrarian reform institute (INPROA) which provided a model for the policies and the trained personnel who were employed later by the Frei Administration. Actually the INPROA guidelines were reproduced in the Agrarian Reform Law of 1967 (Law 16,640) and the personnel of
INPROA were taken by the government agencies after 1964. (Petras, 1971, pp.150-153)

In 1963, USAID and the International Development Foundation (IDF), a front organization of the CIA, also began to fund popular promotion projects. (See National Catholic Reporter, July 29, 1977) As reported by Lawrence Stern in the Washington Post (April 5, 1973 and July 11, 1974): "AID found itself suddenly overstaffed, looking around for peasant groups or projects for slum dwellers". More than $20 million, according to the same source, was spent by the U.S. in the effort to influence the result of the presidential elections, and "at least 100 special personnel were sent from Washington and other Latin American countries to provide assistance". (See also U.S. Senate, 1975, "Covert Action in Chile 1963-1973")

With this help and with the support of his own party and the political parties of the ruling oligarchy, Frei was the first and only president to be elected by the absolute majority of the votes in an election under the rule of the 1925 Constitution. He got 1,406,002 votes (56.1% of the total vote) against Allende's 975,692 votes (38.9%) and Duran's 124,869 (5%) in the elections of September, 1964. (G11, 1966, p.304)

Carried by the momentum of this electoral victory, the Christian Democrats achieved another first in the congressional elections of March, 1965. This time PDC alone, and against the emerging opposition of the Right and Left Parties, won 82 out of the 147 seats of the Chamber of Deputies. It was the first time in this century that a single party attained majority in one of the two branches of Congress. PDC also won 12 of the 21 seats of the Senate up for renewal, but could not achieve majority in the upper chamber because only half of the Senators were elected every four years. However, with the majority in the Chamber of Deputies
and with 41% of the popular vote, the Christian Democrats felt that they had a mandate to put into practice in the program they had announced for the presidential elections. (Gil, 1966, pp.308-309)

2. The Program of Frei and the Early Years of his Administration.

As it was presented to the public during the electoral campaign, the program of government of the Frei Administration attempted to find a harmonic combination of social justice and economic development in a comprehensive set of reforms which included:

1) Agrarian Reform, to increase agricultural production and productivity and to give land to 100,000 peasant families.

2) "Chileanization" of the copper, nitrate and iron mines owned by foreign companies. This meant the acquisition by the Chilean State of controlling interest in the mining corporations; the control by the State of the sales of their products in the international market; the expansion of copper production to 900,000 tons per year, and the refinement in Chile of all the copper produced in the country.

3) Expansion of industry through public investments and joint ventures with foreign private capital to high technology levels.

4) A housing program directed to the construction of 60,000 units per year, for which purpose a new Ministry of Housing and Urbanism was to be created.

5) Educational Reform to give opportunities to all school-aged children to receive at least 8 years of basic education, and to modify the curriculum of elementary and secondary education to make it relevant to the needs of modern technology and economic development.

6) A Wage Policy directed to reduce the difference among the different categories of workers (white-collar, blue-collar, peasants, etc.) and
to redistribute the national income in favor of wage earners.

7) Popular Promotion to organize "marginals" and to give them services and opportunities to be integrated in the mainstream of the Chilean society.

8) In the Foreign Sector, to support the Latin American Integration Process (LAFTA) and open relations with all the countries of the world.

To these points, the Minister of Finance, Sergio Molina, added two more in his first presentation in Congress in November, 1964. They were the gradual control of inflation, and the increase in public expenditures for Health Services. (Stallings, 1978, pp. 70 & 97-99; Gil, 1966, p. 302; Levinson, 1970, p. 302; Sigmund, 1977, pp. 42-44)

To carry out all these programs in a coordinated way and to control their implementation, one of the first measures of the Frei Administration was to organize a National System of Planning. The head of the system was the National Planning Office (ODEPLAN) created by law in 1965, advising the president and coordinating the sectorial planning offices such as CORFO (industrial development planning), the Superintendence of Education, the Division of Planning of the Ministry of Housing (created by law in 1965) and the Agricultural Planning Office (ODEPA).

Frei had help in these tasks. Chile received economic development loans, grants and other types of aid in amounts which made it the largest recipient of economic aid per capita in Latin America between 1964 and 1967 (see table below). Actually, Chile was one of the three major recipients of aid under the Alliance for Progress programs. (Levinson, 1970, pp. 204-207)
Table 4.A: Economic Assistance to Chile, 1964-1967 (1)

(millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. Government Grants</th>
<th>Export-Import Bank Loans</th>
<th>InterAmerican Bank World Bank</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>14.0</td>
<td>97.4</td>
<td>22.7</td>
<td>166.0</td>
</tr>
<tr>
<td>1965</td>
<td>19.4</td>
<td>102.4</td>
<td>4.4</td>
<td>139.3</td>
</tr>
<tr>
<td>1966</td>
<td>10.4</td>
<td>93.8</td>
<td>2.7</td>
<td>169.2</td>
</tr>
<tr>
<td>1967</td>
<td>13.2</td>
<td>9.2</td>
<td>240.9</td>
<td>354.3</td>
</tr>
<tr>
<td></td>
<td>57.0</td>
<td>302.8</td>
<td>89.8</td>
<td>828.8</td>
</tr>
</tbody>
</table>

(1) Does not include military aid or re-financing of previous debts.

(Source: NACLA, 1972, pp.48,49, based on official data)

In addition to this direct economic aid, Chile was able to reduce the burden of foreign debt payments. Early in 1965, negotiations with eleven creditor nations resulted in their granting Chile a grace period of three years for 75% of the outstanding debt, which would be paid in five years beginning in 1968. This represented an additional aid of about $100 million for that grace period. (Edwards, 1972, p.16)

On their side, private foreign investors who had been scarce during the Alessandri Administration, in spite of the favorable legal rules and tax exemptions, began to make use of these incentives in 1964, increased their investments to achieve a climax in 1967, and remained strong until the end of the Frei period. In fact, the foreign private investments, which during the three years 1961-1963, reached only an average of Eo. 11 million per year, grew to Eo. 66 million per year in the period 1964-1966, and to Eo. 124 million per year in the period 1967-1969 (all figures in 1965 Escudos). The foreign private investments which represented the 6% of total investments during Alessandri's administration, increased to 20% of the total investments during the Frei Administration. Of special importance were those investments in a petrochemical complex (joint venture of Dow and the Chilean State), in truck and car assemblies (Ford), elec-
tronic equipment, and paper and cellulose plants. (Stallings, 1978, Table A.7)

In matters of technical assistance, the Frei Administration enjoyed the good will of many sources. The U.N. agencies, IMF, OAS, the U.S. and Western European countries, and even Israel sometimes cooperated and sometimes competed with each other to participate in one or several of the "Revolution in Liberty" programs.

In the case of the Agrarian Reform, for example, a detailed analysis of the situation, entitled "Land Tenure and the Socio-Economic Development of the Agricultural Sector", was made by the experts from "Inter-American Committee on Agricultural Development" (CIDA) under the direction of Dr. Solon Barraclough. (CIDA, 1966) The same Dr. Barraclough became the International Director of ICIRA (Institute for Training and Research on Agrarian Reform) as a result of an agreement between the Chilean government and FAO to provide the former with a permanent instrument of technical assistance in agrarian reform matters. (An excellent summary of the work and ideas of Solon Barraclough is contained in his essay, "Agricultural Policy and Strategies of Land Reform", in I.L. Horowitz, ed., 1970, pp.95 & ff.)

As it was mentioned before, INPROA, the agrarian reform institute of the Catholic Church, provided trained personnel and a model of a gradual process of transference of land tenure. This model was followed by the Frei Administration in the project submitted to Congress, which became law in 1967. At the same time, IER, the training institute of the Catholic Church for peasants, entered into an agreement with the Ministry of Agriculture to collaborate with the government in training the rural population to participate in the structural changes of the rural area.
At the time of his designation, the Minister of Agriculture, Hugo Trivelli, was an expert officer of FAO. Many of his collaborators were either former members of international agencies as well, or on leave from them to work with him. At the same time, Hernan Santa Cruz, a Chilean, was the Regional Director of FAO for Latin America. This provided the conditions for a close collaboration between the agencies of the Ministry of Agriculture and the agricultural experts of FAO, ECLA, and IICA (the Agricultural Research Institute of OAS).

Jesus Gonzalez, an expert from FAO and ILPES, and a team of agricultural economists, all on leave from the same institutions, organized the Agricultural Planning Office and designed the methodology for the Agricultural Development Plan, 1965-1980. In addition, Jacques Chonchol, who had also worked for FAO, was appointed chief executive of INDAP and was helped by Paulo Freire, then working for UNESCO, to develop a program of adult education in rural areas.

This involvement of foreign or international experts was repeated in almost all the Christian Democrat programs. While the Educational Reform had the technical assistance of the Harvard School of Education, DESAL (Latin American Development Institute) provided the model for "Popular Promotion". This research center, under the direction of the Jesuit Roger Veckemans, a Belgian sociologist, carried out a research program on "Marginality and Development in Latin America". Veckemans was the founder of the School of Sociology of Catholic University in Santiago and was a member of the "Belarmino Center", a meeting place where the intellectual Jesuits published Mensaje, an influential magazine. (Veckemans's ideas are well represented in his essay on "Traditionalism and Polarization", in E.H. Burnell, ed., 1972, pp.51 & ff.)
DESAL was financed with grants from Misereor, the social action foundation of the German Catholic Bishops, and later from USAID and IDF (International Development Foundation), the front operation of the CIA. (National Catholic Reporter, July 29, 1977)

On the other side, some technical assistance programs had different branches which put them in contact with several aspects of the Chilean government action at the same time. This was the case of URDAPIC (Urban and Regional Development in Chile), the program of Ford Foundation directed by John Friedmann from 1965 to 1969. This program provided assistance to the Chilean government in organizing the Regional Planning Division of ODEPLAN and of some Regional Planning Offices; had experts working with the National Council of Popular Promotion and the Rural Housing Division of INDAP; was involved in the development of the new Ministry of Housing and Urbanism; and had advisors working in the Housing Corporation (CORVI) in Community Facilities Planning. At the same time, the program was providing financial support to the Interdisciplinary Center for Urban Studies of Catholic University and was providing fellowships for Chileans to be trained in planning in the United States. (A complete description of URDAPIC is contained in John Friedmann's Urban and Regional Development in Chile, published by the Ford Foundation in Santiago in 1969)

At the beginning of the Frei Administration, all this help was fruitful and the years 1965 and 1966 were full of events related to the implementation of the program described above. In fact, the agrarian reform was started, making use of Law 15,020, dictated under Alessandri, and a new project was introduced in Congress. Negotiations were completed with Kennecott and Cerro Corporations for the "Chileanization" of the
copper mines program. The Ministry of Housing and Urbanism (MINVU) was created by law. The educational reform began with a crash program of teacher's training, massive enrollment of children, school meals, scholarships, and school construction. The Council of Popular Promotion was organized and a bill introduced in Congress about grass-roots organizations. Law 16,250 was passed in April of 1965, giving peasants the same minimum wage and social security benefits as urban workers. A real redistribution of income took place through a combination of salary and wage adjustments, strict enforcement of tax laws, and increases in the budget of public services. Inflation rates approached the targets (down from 46% in 1964 to 18% in 1967), and the indicators of economic development showed a definite upturn, while a package of Constitutional Amendments was presented to Congress to define the concept of the "social function" of property rights, and to facilitate expropriations and the deferred payment of them. These Constitutional Amendments and the Agrarian Reform Law (No. 16,640) were enacted in 1967. (Stallings, 1978, pp. 97-108; Sigmund, 1977, pp.36-50; Roxborough, 1977, pp.44-45)

Some of these measures did not require a new law and were carried out through existing institutions. This was the case with educational reform. But because most of them had to pass through Congress, Frei followed a clear tactical path. Before the Congressional elections of March 1965, the Administration sent Congress a package of bills which included authorization for the copper "Chileanization" program, institutionalization of Popular Promotion, a wealth tax, and a Constitutional Reform, which would give the President power to call a popular plebiscite in case of conflict with Congress. (Sigmund, 1977, p.36)
The rejection of these bills by the combined opposition of Right and Left in the lame-duck Congress served as propaganda for the Christian Democratic candidates in the elections by dramatizing the need for a supporting Congress.

After the new Congress was elected, the lack of a working majority in the Senate forced Frei to play one side against the other to pass the most important legislation. He expected to have the support of the Right to approve the copper legislation which he called the "continuous girder" (viga maestra) of his program, and to have the support of the Left for the Agrarian Reform and other social programs. (Sigmund, 1977, p.39)

Immediately after the inauguration of the Frei government, in November of 1964, the negotiations were started with the copper companies. They were promptly successful with Kennecott Corporation, which owned the second largest mine in Chile "El Teniente" and with Cerro Corporation, owner of "Rio Blanco" mine. But Anaconda refused to enter into negotiations for the two most important mines it owned in Chile, "El Salvador" and "Chuquicamata". The latter was the largest copper mine in the country, the two together accounted for more than half the total Chilean production of copper. In this first stage, Anaconda agreed to participate with the Chilean government in the new mine, "La Exotica".

A specially created State corporation (CODELCO) was put in charge of the partnership which the Chilean government entered into with Kennecott by acquiring 51% equity in "El Teniente" mine. The price was more than twice the book value of the mine. The $80 million was to be invested by CODELCO to expand production from 180,000 tons to 280,000 tons per year in 1970. For this "loan", Kennecott received 5.75% interest, plus a reduction of taxes from 86% to 44%, and maintained control of the sales
and operations through a management contract. The Chilean government loaned $20 million and international agencies gave another $100 million to finance the expansion program of the joint corporation. Cerro sold 30% of its mine "Rio Blanco" to the Chilean government and Anaconda did the same with 25% of "La Exotica". In exchange, both received reductions in their tax rates. (Perloff, 1969, pp.231-233)

Before the agreements were sent to the Chilean Congress, they were presented to the shareholders of the corporations in the U.S. as highly favorable to their interests. To avoid the creation of a bad image for the Frei government as the result of the "nationalization" of the copper mines, the State Department publicized the agreements as clearly favorable to the companies and the U.S. interests. (Perloff, 1969, p.231)

The "soft" stance of the Chilean government was very well received in the United States and helped the Frei Administration to attract foreign private investments. But it gave rise to wide opposition inside the country. Even within the Christian Democrats, some members of the original team of negotiators resigned and had to be replaced. The arrogant behavior of Anaconda worsened the situation, and when, in 1969, the government decided to get tough and force the sale of Chuquicamata and El Salvador, it was too late. A national consensus had developed concerning the need for a complete nationalization. The delays in Congress had reduced the expansion of copper production to only 12% of the goals expected in 1964. (Edwards, 1972, p.50)

Moreover, the government appeared to be in conflict with the working class when in March of 1966, a strike of the copper workers at "El Salvador" mine was violently repressed by the Army. A group of soldiers under the command of the then Colonel Augusto Pinochet, opened fire over
a meeting of miners and their families, killing six men and two women, and wounding more than 30 others. "El Salvador Massacre" became a symbol used by the Left to show the "real nature" of the Frei government after Frei defended the troops and blamed the Marxist parties for "inciting the violence". (Sigmund, 1977, p.50; Stallings, 1978, p.105)

On the other hand, the delays in the copper legislation allowed the parties of the Right to relate their support of it to their opposition to the Agrarian Reform. In practice they conditioned their final approval of the copper agreements (April, 1966) on property concessions made by the Frei Administration in the Constitutional Amendments and in the Agrarian Reform bill. (Sigmund, 1977, p.49)

Two pieces of legislation passed, in 1965, confronted little controversy. The creation of ODEPLAN had the support of the Left and little opposition from the Right, since it did not affect the interests of the ruling class and did respond to the new policy of the United States in the Alliance for Progress. The creation of MINVU did not change the relations between the State and the sector of the ruling oligarchy tied to the construction business. Frei had personal friends among the high officers of the "Camara Chilena de la Construccion", in particular, Raul Deves who served as official link between the Frei Administration and the private sector of business. (Stallings, 1978, p.59) On the other side, the Left was not opposed to a better organization of the State to carry out the housing program which was similar to their own platform.

However, two major bills were submitted and delayed over a long debate in Congress: the Popular Promotion and the Agrarian Reform.

The Popular Promotion bill suffered the worst treatment. Neither the Right nor the Left were willing to provide the government with machi-
nery for the expansion of its own political base and organized constituency. The Right was ideologically opposed to the organization of the people outside the traditional channels and politically unwilling to allow the creation of institutions outside the control of the ruling oligarchy. The Left rejected the idea that marginals were unable to organize by themselves. In political terms, the function of the grass roots organizations proposed by the Christian Democrats, was seen by the Left as competitive with labor unions and a fragmentary to the working class. Only in 1968 did the government attain from Congress a legal statute for grass roots organizations (Law 16,780) in an effort to establish legal controls over the already existing neighborhood councils and other such organizations. But Congress rejected the creation of the Popular Promotion Council as a permanent State agency. (Vanderschueren, 1971, pp. 277-278; Sigmund, 1977, p.69)

Although the Agrarian Reform bill, together with the constitutional amendment on property rights which was associated with it, was also submitted to a long process of debate, including a split among the Christian Democrats themselves. Law 16,640 of 1967 contained real powers to change the land tenure system in the countryside, but its discussion and implementation was an important element in the conflict which developed inside the Frei Administration and the Christian Democratic Party. For that reason it is convenient to expand its analysis here. (Kaufman, 1972, pp.79-113; Petras, 1971, pp.128-163; Sigmund, 1977, pp.48-49)

A group of young professionals and politicians headed by Jacques Chonchol and Julio Silva had sustained inside PDC that an agrarian reform had to be "massive, rapid and drastic", and the phrase was incorporated into the party platform. (Kaufman, 1972, p.88) The bill submitted to
Congress in 1965, and finally approved in 1967, contained provisions to fulfill only the first of these three conditions. In fact, it authorized to expropriate any farm larger than 80 "basic" hectares. (This is 80 irrigated hectares of the Maipo Valley, near Santiago or their equivalent in other regions according to a table contained in the law.)

However, pressed by his contacts with the ruling oligarchy, Frei emphasized the need to increase agricultural production and productivity, and used the model of a "gradualist" process provided by the Catholic Church. (Petras, 1971, pp.151-152)

In this model, the large farms were maintained as productive units under the administration of a partnership between CORA (the Agrarian Reform Corporation) and the peasants after expropriation. This partnership, named SARA (Agrarian Reform Society), was to last during a "transition" period of up to five years, "asentamiento" (settlements) to provide training and managerial experience to the peasants who would also have time to decide if they were willing to form a cooperative or some other collective enterprise, or divide into small separate farms. Former landowners had the right to retain a parcel of the expropriated land as "reserve" which could be up to 80 "basic" hectares, plus the machinery and equipment existing in the old farm. (Kaufman, 1972, pp.88-97; Petras, 1971, pp.151-153)

This procedure tied the financial and human resources of CORA in a way that made a "massive, rapid and drastic" process of expropriations impossible, and preserved the land base and organizational resources of the ruling class in the countryside. (Kaufman, 1972, pp.99-102)

The conflict around the Agrarian Reform took place not only in the discussion of the bill in Congress but in the implementations of the agrarian reform by the agencies of the State and between organizations of
The Christian Democratic Administration received the institutional organization of the Ministry of Agriculture and the other agencies related to the agricultural sector as they had been organized by Law 15,020 during the Alessandri Administration. (See chapter 3) Under the Ministry of Agriculture, there was a planning and coordinating agency (CONSFA) and a large centralized service: DIAP (Agriculture and Fisheries Services); an Institute for Agricultural Research, and two decentralized ("autonomous") corporations: the Institute of Agricultural Development (INDAP) and the Agrarian Reform Corporation (CORA). (Loveman, 1976, pp.232-235)

In addition, several important State agencies dealing with strategic functions of agricultural development were out of the control of the Ministry of Agriculture. Such was the case of the Agricultural Division of CORFO, which had subsidiaries and development programs in agricultural machinery (SEAM); research and conservation of natural resources (IREN); sugar beet extension; technical assistance and processing (IANSA); and technical and financial assistance to producers in cattle, dairy products and fruits. CORFO was legally tied to the Ministry of Economy which was also in charge of fixing prices for agricultural products, and regulated the foreign trade and internal market of the same products through the Agricultural Commercial Enterprise (ECA). The State Bank (BECH), formally tied to the Ministry of Finances, was in charge of agricultural credit and the import and distribution of seeds, fertilizers, pesticides, small machinery and other basic agricultural inputs. The Ministry of Public Works (MOP) had a special division in charge of the planning and construction of irrigation projects. (ODEPA, 1970, pp.119-121)

The different agencies of the agricultural public sector aligned
themselves in the controversy around the agrarian reform issue according to the position of their senior staff and their ties with "client groups". Thus the professional personnel of CORFO, BECH and DIAP were critical of the idea of an agrarian reform. They continued to provide technical and financial assistance to the traditional landlords following their established policy of gradual modernization of the existing structure in spite of the official policy of structural change. (Petras, 1971, pp.164-168)

They were helped by the gradualist approach adopted by the Frei Administration in the process of expropriations, since at the end of the Frei period, only 18% of the irrigated land and 12% of the non-irrigated agricultural land had been expropriated. (Loveman, 1976, p.272)

On the other hand, since the beginning of the Frei Administration CORA and INDAP took the lead in implementing the structural changes promised in the platform. CORA, under the direction of Rafael Moreno, carried out expropriations using the existing law (Law 15,020) until the approval of the new legislation in 1967. The lawyers of CORA, together with the Minister Hugo Trivelli, concentrated on the preparation and discussion of the new law in Congress. INDAP, under the leadership of Jacques Chonchol, developed a strong program of peasants' training and organization of labor unions and cooperatives in the countryside. CORA and INDAP served as an institutional base for the progressive elements within the administration that looked upon the agrarian reform program as a first step for a general transformation of the Chilean society; as the basic structural change which was a pre-requisite for economic development. (Petras, 1971, pp.163 & ff.; Loveman, 1967, pp.243-244; Kaufman, 1972, pp.86-88)
But there was a difference between the heads of these two agencies.

Jacques Chonchol, the head of INDAP, who was 38 in 1964, had a fairly complete technical preparation and experience. An agricultural economist of Universidad de Chile, he had graduate studies in planning and economic development at the London School of Economics at the University of Paris, after which he served as Chief of the Department of Agricultural Economics in the Ministry of Agriculture, and as expert of FAO in Mexico and in Cuba, where he spent two years as technical assistant to the agrarian reform. He had a deep conviction expressed in books and essays which had made him one of the leaders of the younger generation and the left wing of PDC. (A good summary of the ideas of Chonchol in matters of agrarian reform is contained in his essay "Land Tenure and Development in Latin America", in Veliz, ed., 1969, pp.75-90)

Rafael Moreno, the chief executive of CORA was only 26 in 1964, and even though he had a university degree in agricultural economics, his short experience was more in the field of politics (he was a former leader of the Christian Democratic Youth) than in technical matters. Like all the young leaders of PDC at that time, he was openly committed to structural changes, but his main asset in the job was his personal friendship with President Frei. (Kaufman, 1972, p.87)

These personal differences are important because Chonchol and Moreno as chiefs of autonomous agencies, had relatively free reign in the selection of their collaborators and authority to appoint the senior staff of the respective agency down to the level of executive positions of INDAP and CORA with people who enjoyed their confidence and formed well-integrated teams that followed their leadership. (Petras, 1971, p.176)
But the agrarian reform issue was important enough to carry into the internal debate of the Frei Administration officers who had only a marginal relation to the agricultural sector. Edmundo Perez Zujoyic, Minister of Public Works, and Raul Saez, the chief executive of CORFO, served as links between the president and the traditional ruling class. As such, they pressed Frei for moderation in the agricultural changes. They were joined by the Minister of Labor, William Thayer, whose Ministry resented the activist role taken by INDAP in the unionization of peasants. (Loveman, 1976, p.257; Petras, 1972, pp.154-157)

Hugo Trivelli, as Minister of Agriculture, was the general manager of the government project during the discussion of the Agrarian Reform bill. He had a strong personal commitment to structural changes in the agricultural sector, but despite his personal prestige as international expert and Professor of Agricultural Economics of Universidad de Chile, he had no constituency of his own. He was successful in coordinating the agricultural public sector in policy and programming matters, but to achieve this he had to serve as broker between the conflicting factions. He was loyal to the president and was one of the Ministers who accompanied Fried during the six years of his period.

At the beginning of this Administration, President Frei supported the activities of CORA and INDAP, and pressed for the new Agrarian Reform Law. In this way he maintained the unity of the Christian Democratic Party and balanced his "soft" stance in the copper agreements. (Kaufman, 1972, p.94) But after the approval of the new law in 1967, he turned to the right and tried to restrain the activities of CORA and INDAP which led to the open conflict with Chonchol and his resignation in 1968. (Kaufman, 1972, p.102)
The conflict with the administration was parallel to that existing in the countryside. Actually, both conflicts were related to each other through the attitude of the public officers in front of the peasants and landowners. This attitude varied according to the political position of the agency to which the officers were affiliated. Professionals and technicians serving in the agencies of the agricultural public sector tended to adopt a paternalistic attitude, akin to that of the ruling oligarchy, in their relations with peasants and small farmers. CORA and INDAP tried to change these attitudes to a more democratic mode, more in agreement with the expressed objectives of raising the status of the rural population contemplated in the agrarian reform program. (Petras, 1971, pp.168-169)

On the other hand, Chonchol and INDAP were able to maintain pressure on the agrarian reform process through the training and organization of peasants and small farmers. INDAP was instrumental in the organization of the National Confederation of Peasant Cooperatives, the Confederation of Indian Organizations, and the largest national confederation of peasant labor unions, "El Triunfo Campesino". In these activities, INDAP confronted the competition of the Marxist parties ("Ranquil" Confederation), and of the CIA financed, "independent" Confederation Libertad. (Petras, 1971, pp.205,206; Kaufman, 1972, pp.133 & ff.)

In fact, a group of nominally Christian Democrat activists, with the support of the Minister of Labor, William Thayer, and other conservative elements in the Frei Administration, and with the financial assistance of AID and CIA (through IDF) transformed a group of small Church supported organizations into a national confederation, first known as CNC (National Peasant Confederation) and later as "Libertad". (Kaufman,
This division of the peasant movement was legalized by an amendment introduced by the Deputy Emilio Lorenzini, one of the founders of "Libertad", to Law 16,625 of 1967 on labor unions of agricultural workers. The law established the commune (municipality) as the territorial base for rural labor unions, and the amendment allowed the existence of parallel organizations within the same commune. The amendment was supported by the traditional organization of landowners (SNA) and by the Minister of Labor, William Thayer, in the name of "freedom" to organize. Against the amendment was the left wing of the Christian Democrats and the parties of the Left who argued that the principle of unity was necessary to the strength of the peasants' organizations. The amendment passed and as a result of it two or three labor organizations divided and diluted the peasant movement in many localities. (Kaufman, 1972, p.143)

By contrast, the threat of the agrarian reform had the effect of unifying all the traditional landowners, even those who had farms smaller than the legal limit for expropriations. Organizations like SNA and CAS (Consortium of Southern Agriculturists) increased their membership and joined forces in a common front to oppose legally and practically the agrarian reform with a unified strategy. (Loveman, 1976, pp.321-322; Kaufman, 1972, pp.162 & ff.)

The conflict and controversy around the agrarian reform program was one of the main components of the environment created by the "activist" first half of the Frei Administration. Until 1967, the Christian Democratic government appeared decided to put into practice, the objectives of the "revolution in liberty", and the agrarian reform was one example of structural change really implemented. In fact, the other ac-
complishments of Frei's first years were directed to either a long-term change, like the educational reform; marginal changes in the existing situation, such as the wage policy and the housing program; or were incomplete measures like the copper agreements and the Popular Promotion program. The changes in policy adopted in 1967, restricted the activism of the administration drastically, but didn't reduce the conflict, as will be seen later.

3. The Installation of the National System of Planning.

The analysis above of the situation during the first years of the Frei Administration shows the environment in which the national system of planning was installed and organized.

The center of the system was the National Planning Office (ODEPLAN), created by law in 1965 to serve as advisory and technical staff to the president. ODEPLAN had two divisions, one in charge of global planning and the coordination of the sectorial planning offices created to serve the ministries, and the second in charge of regional planning. The first, division, with the technical assistance of the U.N., took over the personnel and national planning functions, which until then were carried out by the Planning Division of CORFO, especially the national accounts. The second division of ODEPLAN, with the technical assistance of URDAPIC (the Ford Foundation technical assistance program), divided the country into eleven regions and a metropolitan area (Santiago); in each was organized a regional planning office (ORPLAN). (ECLA, 1966, p.341; Friedmann, 1969, p.57)

In the Christian Democratic Administration, the planning system was an important part of the strengthening of the State as a "neutral" apparatus located above the social struggle. The technical information, compre-
hensive perspective, and coordinating action of the planning offices would enable the President and the Ministers to overcome the traditional bureaucracy's lack of response to the new policies. The ruling oligarchy, to maintain control over the State, had divided the same functions among different agencies, even different Ministries, and had created autonomous agencies which duplicated the functions of centralized services. In this way, the State bureaucracy was deprived of the rational efficiency required for concerted action, and its many components tended to serve the specific requirements of diverse "client" groups. (ODEPA, 1970, pp.17 & 23; ILPES, 1966, pp.32-33)

As one of the experts of URDAPIC found in the Ministry of Housing:

In charge of the Ministry were men eager to make innovations and to make the Ministry live up to its exalted mission of formulating the implementing comprehensive housing and urban development policies for the entire country. But the mass of bureaucrats serving under them did not sense a similar urgency and were accustomed to a bureaucratic culture that was peculiarly inappropriate for innovative undertakings.

(Friedmann, 1969, p.125)

On the other hand, the concentration of the ruling class's economic power had been reflected by the extreme centralization of the machinery of the State. Local and regional authorities were entirely dependent on Santiago in any important matter. As a consequence, the local interests and needs had a low priority in national policies and programs unless a natural catastrophe or a threat to the national security called the special attention of the central government. (Friedmann, 1969, pp. 22-24; Veckemans, 1969, in Burnell, 1972, pp.52-53)

In view of this situation, the planning system was given two apparently contradictory tasks in relation to the State bureaucracy. One was to reinforce the central authority of the President and Ministers
by providing a coherent and comprehensive line of action, and by coordinating the executive agencies for its implementation. The other was to decentralize the machinery of the State by the creation of regional and local centers of information and decision-making.

Actually, the second task was a means by which to achieve the first. In the Christian Democratic ideology, decentralization was a solution to the physical marginality which was another dimension of the social marginality. (Veckemans, op.cit.) In theory and from a planner's viewpoint, decentralization was a requirement for balanced development and a more rational use of the provincial resources. For example, ORPLANS were perceived by John Friedmann as the institutional seeds of "growth poles". (Friedmann, 1969, p.62) However, in practice, they served the President to bypass the traditional channels of communication, mechanisms of representation, and sources of information established by the ruling class, including Congress and the political parties. Local and regional leaders found in the planning system a new way to reach the highest executive officers, and the President received technical summaries prepared by the Regional Planning Division of ODEPLAN prior to his visits to the provinces. (Friedmann, 1969, p.61; See also John Miller, in Friedmann, ed., 1969, p.111)

The installation of the national system of planning represented a great expansion in the number of positions open to planners in Chile. But the number of trained planners existing in the country was too small to cover all the positions. In part, the deficit was covered by the international experts already mentioned, and the same programs of technical assistance included the opportunity to train planners in the courses of ILPES in Santiago or abroad. URDAPIC, for example, provided fellow-
ships for seven Chilean professionals to follow graduate studies in planning in the U.S., and financed short-term educational trips for another 29, especially officers of the Regional Planning Division of ODEPLAN and the chiefs of CIDU. (Friedmann, 1969, pp.107-111) The same program helped the Ministry of Housing to achieve an agreement with the Peace Corps by which Corps' volunteers with a Master in City Planning complemented the staff of the 36 offices of municipal programming (MPC) installed in the country. (F. Earwaker, in Friedmann, ed., 1969, p.122)

Many other young professionals were trained "on the job" by the international experts or by the former members of the staff of the Planning Division of CORFO, and some of them later had the opportunity to formalize their training at CIDU or CEPLAN. Thus, from a group of less than 50 professionals with some training in planning existing in the country before 1964, the number of professionals working in planning was nearly 300 at the end of the Frei Administration. They even organized their own professional body in the Chilean Society of Planning and Development (PLANDES) which, in 1968, had 240 members (though not all of them would be considered planners by international standards), published a bulletin and organized seminars and meetings.

Within the planning system staff, there were three views on the character of the planning function. One group sustained an "indicative" mode of planning in which the authority of the planning offices would be based on the quality of their technical advice. This group pushed for sophisticated econometric models and computerized information systems, and approached operational programming from a formalistic viewpoint. (W. Stohr, in Friedmann, ed., 1969, p.66) A second group had a mixed perspective in which the planning system had a "directive"
function in relation to the State bureaucracy and an "indicative" mode for the private sector. This group tried with some success to use the budgetary process to control the action of the State agencies, and their technical sophistication was focused on the incentives and constraints for the guidance of private action such as taxation and price policies. (See Hugo Trivelli's "Introduction" in ODEPA, 1970) Finally, a third group tended to consider the planning system as a component of the authority of the State, and therefore was "directive" as that authority was. Their expertise was concentrated on the means for the State to play a leading role in economic development, on political development, and in the field of public participation in the design of development policies.

In practice, since ODEPLAN was technical staff to the President, as the sectoral planning offices to the Ministers, the planning system identified with the political orientation of the administration. Because of this, the general mode of the planning process changed along with the political position of Frei, from a more "directive" orientation at the beginning to a more and more "indicative" mode towards the end of the presidential period. In formal terms, the legal statute of the planning offices coincided with the second position mentioned above, while giving them enough flexibility to increase or reduce their directiveness in accordance with the political direction of the Executive. (See the legal statute of ODEPA in Law 16,640)

In relation to the State bureaucracy, the same identification of the planning offices with the President and Ministers gave them power to request information and to participate in the budgetary process of the other agencies. However, the planning offices were deprived of
executive powers. In formal terms, the link between the chiefs of the planning offices and the President and Ministers was the same as that of the heads of autonomous agencies and public services. For this reason, the coordination between the planning offices and the rest of the administration for the implementation of the planning proposals, had to take place at the highest level. Even though the planning offices in general enjoyed the strong support of the President and Ministers, the established power centers in the bureaucracy were reluctant to accept the new role of the planning system unless the Ministers or President forced them to do so. (F. Earwaker, in Friedmann, ed., 1969, p.127; See also ECLA, 1966, p.332; and G. Salgado, in U.N. 1967, p.49)

As it was mentioned before, there were two major centers of decision for economic development policy and implementation in the established institutional organization of the State. The oldest one was the Ministry of Finances, created in the XIX century and modernized in 1925 with the additions of the Office of the Budget and two autonomous agencies, the Central Bank and the State Bank. The other was the Ministry of Economy, created in this century to carry out the industrial development State policy and the State intervention in the market, which included supplying essentials and fixing prices. Two major autonomous agencies depended formally on the Minister of Economy, CORFO and ECA.

In the past, whenever the economic situation was critical, the same Minister had been in charge of both ministries to insure a coordinated action. That was the case of Oscal Herrera during the administration of Carlos Ibanez in 1955-1956, and Roberto Vergara during the first years of the presidency of Jorge Alessandri in 1958-1961. But these strong Ministers appeared to have more power than the President
himself, and they were abruptly dismissed when they seemed to be successful. (Hirschman, 1963, p.211)

Frei followed a different path. He took the Planning Division of CORFO to build ODEPLAN as advisory channel to the President, and put the programming department of the Office of the Budget under the coordination of ODEPLAN. The Economic Committee, whose chairman was the President or the Minister of Finance in his absence, was integrated also by the Ministry of Economy, the Chief Executives of CORFO, the Central Bank and the State Bank, the Director of ODEPLAN, and usually the Minister of Agriculture. This committee, "the chief governmental organ for economic matters", in 1967,

transferred most of its technical work to ODEPLAN, which also took primary responsibility for the compatibility of both the short-term and long-term objectives and the formulation of the policies adopted to attain them.

(C. Ossa, 1974, pp.94-95)

Thus, since 1967, ODEPLAN was not only in charge of the long-term planning studies, it was also the conductor of the studies directed to prepare the annual budget and analyze the current conditions and policy statements contained in the presentation that the Minister of Finances made to Congress every November. (C. Ossa, 1974, pp.96-98)

However, some of the established agencies with strong links to the ruling class, and independent sources of financing, such as CORFO or the Central Bank, continued serving the "clients" in the old ways in spite of the efforts of the Frei Administration to make them cooperate with the new policies. The Central Bank Board, as was seen before in Chapter 1, was composed of 11 members. They were also very influential in the Board of CORFO, especially because of the affinities they had with the Chief Executive of the Corporation until 1968, Raul Saez.
In other cases the obstacle to the planning role and the new policies was simply bureaucratic inertia which resisted the change of old established practices, standards and procedures, as it happened with the National Institute of Statistics (INE). While other agencies which were in a process of self-definition, like CODELCO, or serving as spearheads of the "Revolution in Liberty", like CORA and INDAP, considered the planning offices as a threat or an obstacle to their own development as political or economic centers of power.

Two good examples of these difficulties in establishing an efficient planning system are provided by the further analysis of the sectorial planning offices and the respective agencies in the Ministries of Housing and Agriculture.

The Ministry of Housing and Urbanism was created in 1965 and combined functions in the field of housing construction and urban services previously distributed among some twenty-four public agencies in eight different Ministries. The new organization included the Ministry itself, with a planning and budget office, and five large autonomous corporations, the Housing Corporation (CORVI), in charge of housing construction; the Housing Services Corporation (CORHABIT), in charge of financing and distributing housing solutions for low-income people; the Urban Development Corporation (CORMU), in charge of site purchasing and urban renewal projects; the Urban Works Corporation (COU), in charge of construction and control of urbanization services, including water, sewer, telephone, electricity and gas; and the Central Savings and Loans Bank, which was in charge of financing and controlling all the Savings and Loans Associations of the country. (Ch. Frankehoff, in
MINVU and its planning office tried to decentralize the system of gathering information and allocating investments. For this purpose, MINVU entered into formal agreements with the municipalities of the most important urban centers (excluded Santiago) to create Communal (municipal) Programming Offices (OPC). MINVU provided the technical personnel, and the municipalities provided office space and clerical help for the OPCs which were due to become a full part of the municipal organization after MINVU financed the starting period. MINVU also attained an agreement with the Peace Corps by which volunteers with expertise in City Planning were assigned to the OPCs. But the municipalities in practice never financed the OPCs. Due to the budgetary constraints of MINVU the total number of OPCs was restricted and their responsibilities expanded to serve more than one municipality at the same time. In 1969, there were 36 OPCs serving 80 municipalities. To provide them with technical background, MINVU financed a series of "pre-investment studies" by Chilean and foreign city planning consultants. These studies gave comprehensive and detailed information about the respective city and a long-term perspective about the city's development and its housing needs. (F. Earwaker, in Friedmann, ed., 1969, pp.122-122)

With the technical assistance of URDAPIC, MINVU planners designed an annual budgeting process by which the local and regional needs were reported by the OPCs and integrated into the investment allocation and operational programs of the corporations. While the Ministry was concerned with the population needs and the long-term perspective of urban development, the corporations were interested in short-term targets
of production "efficient" housing solutions, and distribution procedures which meant cheap and easy operations. (F. Earwaker, id., p.127)

On the other hand, CORVI had long established links with private contractors who were concentrated in Santiago, and many of them had difficulty moving to work in the provinces. The majority of the "clients" of CORHABIT were also located in Santiago and could storm the offices of the corporation if their demands were not satisfied, as they actually did sometimes.

Because of this, the institutional separation between planning and implementation resulted in a lack of coordination which frequently required the intervention of the Minister as the only authority capable of making the corporations respond to the guidance of the planning office. As Frank Earwaker wrote,

The fact is that the Corporations are not involved in the formulation of the macro-plan of the sector, and therefore, do not feel any loyalty is due to it.

(Op.cit., p.127)

The planners in MINVU were in a very special situation. On one hand, they were associated with the creation of the Ministry and before 1965, there was no agency in the Chilean government in charge of designing long-term comprehensive policies for the sector. On the other hand, the construction of low-cost housing and the control of urban expansion were functions that had been assigned to the State government for long time before the Frei Administration. As a matter of fact, CORVI was created in 1953 as a descendant of another agency established in 1943. The program of housing was one of the few areas in which the Alessandri Administration found the necessity for full State participation in productive activities. (Gil, 1966, p.184) As it happens when a new insti-
tution is created, there is uncertainty because of the scarcity of experienced personnel who feel secure enough to take appropriate action in the new roles. As John Friedmann wrote,

To put the matter in its simplest terms, the Ministry (of Housing) was ill-prepared to administer even routine programs. It was even less prepared to act as a major innovator in housing and urban affairs.

(Friedmann, 1969, p.126)

But the Corporations were full of experienced personnel with "most of the old bureaucratic habits and modes of operation that are typical of such institutions in Chile". (id., p.125)

However, the same Friedmann found that the deficiencies of MINVU provided a favorable climate for the experts of URDAPIC to introduce their own ideas about the organization and policies of the Ministry.

A finely honed instrument of bureaucratic management ... might well have offered far more intransigent resistance than was, in fact, the case.

(id., p.131)

The experts of URDAPIC were in a similar position to that of the Kemmerer Mission in 1925 or the Klein-Sacks Mission of 1956. That is, they were assuming government functions in the vacuum left by Chilean politicians and bureaucrats, and eventually serving as brokers between conflicting interests or as scapegoats for governmental failures. (Hirschman, 1963, pp.206-207)

According to Freidmann, the ideas of URDAPIC experts included the creation of the OPCs, the regionalization of the budget, the introduction of a computerized information system, the incorporation of community facilities in housing projects for low-income people, and the shift in policy from the construction of complete houses to a "sites and services" approach. "URDAPIC can take credit for having been the originator of
many of these ideas and for helping make them operational." (Freidmann, 1969, pp.131-132) With some degree of arrogance, he noted

URDAPIC advisors to MINVU generally had a clearer view of the future than their Chilean counterparts. No group within the Ministry was sufficiently powerful to effectively block an innovation.

(Id., pp.128 & 133)

Perhaps the most important idea of those mentioned above was the change in policy toward a sites and services program. Probably the same lack of resistance alluded to before was the cause of this being a case of "oversteering" mentioned by Friedmann, making use of the terminology of Karl Deustch that means to qualify a corrective action which goes too far. (Id., p.127)

The observation made by John Turner and others, that low-income people can make substantial contributions to the solution of their own housing requirements if they are provided with the security of a permanent site, constitutes a sound theoretical basis for a sites and services strategy. (Van Huyck, 1971, p.ii) In practical terms, if a government is short of funds to provide a complete house to each low-income family in need of it, a second best solution is to give the family a site and the basic services which will allow them to build and to improve their own house.

The Frei Administration had promised to build 60,000 new houses per year but only achieved 52,566 in 1965, and 27,761 in 1966, (see Table 4.b below) and in 1967 was trying to reduce public expenditures. The solution proposed by URDAPIC experts was to put a new emphasis on an existing sites and services program called "Operacion Sitio", and to unify its implementation through an administrative program called "Popular Savings Plan" (PAP), under the control of CORHABIT. (C. Frankenhoff, in Friedmann,
From 1967 on, low-income families could apply for one of five alternative "basic plans", according to the amount of their previous savings and their actual income. These alternatives were: Plan 1 - semi-urbanized site; Plan 2 - completely urbanized site; Plan 3 - basic unit; Plan 4 - family unit; and Plan 5 - family apartment. (Van Huyck, 1971, p.31) The impact of the policy change may be seen in the figures of the following table.

Table 4.b: CHILE: Construction of Dwelling Units versus Improved Sites 1965 - 1970

<table>
<thead>
<tr>
<th>Year</th>
<th>Dwelling Units</th>
<th>Improved Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>52,566</td>
<td>11,196</td>
</tr>
<tr>
<td>1966</td>
<td>27,761</td>
<td>6,144</td>
</tr>
<tr>
<td>1967</td>
<td>44,938</td>
<td>33,644</td>
</tr>
<tr>
<td>1968</td>
<td>52,413</td>
<td>33,937</td>
</tr>
<tr>
<td>1969</td>
<td>37,429</td>
<td>42,274</td>
</tr>
<tr>
<td>1970 (estimated)</td>
<td>37,815</td>
<td>54,181</td>
</tr>
</tbody>
</table>

252,924       181,286

(Source: R. Merrill, 1971, based on official MINVU statistics)

As explained by Robert Merrill,

the sites and services program directed the efforts of MINVU and its member agencies to serve a vastly large proportion of low-income families. The scale of the program was so large that almost all existing squatter slums (callampas) in Santiago were eradicated.

(R. Merrill, 1971, p.14)

In fact, the combination of complete dwelling units and sites and services provided a far larger number of housing "solutions" than the former effort. Since 1961, the Chilean State was directing 30% of its investments to the building of low cost housing. In spite of this, the construction of housing units until 1966, "accounted for 71% of the housing goals (of the Ten Year Plan, 1961-1970) which in turn covered only
69% of the predicted ten-year cumulative need". (Id., p.12)

It is important to mention that thanks to the decentralization attempt on program formulation and implementation mentioned before, a substantial amount of the sites provided were in urban centers other than Santiago. For example, half of the sites assigned in 1968 were in provincial cities. (R. Merrill, 1971, pp.2 & 4)

On the other hand, neither CORVI nor the municipalities were flexible enough to change their standards of housing construction and building regulations to allow for self-help building in the distributed sites. This was reinforced by the lack of funds available for housing improvement loans. (R. Merrill, 1971, p.16) In addition, CORHABIT was unable to absorb the increased administrative load and failed to mount an efficient system of collection. For this, among other reasons, a high rate of payment arrears increased the total cost of the program much over what the planners expected. (R. Merrill, 1971, p.18)

The malleable, newly formed organization found by foreign experts in MINVU, was not present in the agricultural sector. The most important innovation in agriculture was the agrarian reform, but the Agricultural Planning Office (ODEPA) had little relation to its design and implementation. However, some of the same bureaucratic difficulties faced by the planning system were also present in the agricultural sector.

Actually, agricultural planning during the Frei Administration had something in common with the agrarian reform. ODEPA began to work under the old legislation (Law 15,020) and its new form and functions were institutionalized by Law 16,640 in 1967. In fact, until 1967, ODEPA used the legal statute and attributes of CONSFA as a planning and coordinating agency with implementation powers which has been described before.
It also used the technical assistance of a team of experts from ILPES who had worked before on the Agricultural Development Plan for Uruguay (1963). The group was directed by Jesus Gonzalez, integrated by Antonio Perez, Danilo Astori, Jose G. Gimeno, and reinforced on specific issues by Fernando Fuenzalida and Francisco Giner. (ODEPA, 1970, pp.V-VII)

The staff of ODEPA was integrated by about 40 young professionals, most of whom were agronomists, agrarian economists or economists, but included also several lawyers, veterinarians, forestry experts, a group of them had formal training or experience in planning and served as leaders of the work groups which were formed within the four departments of ODEPA, Production Programming, Agricultural Policy, Financial Resources, and Institutional Organization. They were assisted by an Administrative Department with a staff of about 25 persons. (Id., p.V & VI)

The first task of the ODEPA professionals was to prepare a complete analysis of the agricultural situation of the country which included: a) a technical analysis of the potential of Chilean soils, water resources and climate for agricultural production, which used the aerophotogrammetric studies made previously by IREN as a basis; b) a statistical analysis of the trends of agricultural production during the 30 years before 1965 for all the products, including grains, vegetables, fruits and vineyards, meat, dairy products, vegetable fibers and wool, and the present use of resources, including natural resources, artificial inputs, human labor and financial resources; and c) a diagnostic analysis which related the performance of agricultural production to institutional, economic and political factors, using the findings of the CIDA studies on land tenure and agricultural development as a point of reference. (ODEPA,
At the same time ODEPA prepared and lobbied for the chapter of the Agrarian Reform bill which regulated the public agricultural agencies. This chapter of Law 16,640, in addition to the new statute of ODEPA itself, contained the introduction of the legal concept of "Public Agricultural Sector", through which the Minister of Agriculture attained supervisory powers over the policies and programs of all the public agencies dealing with agricultural issues, whether or not dependent on the ministry. (ODEPA, 1970, p.119)

In the same law, ODEPA was defined as a service of the Ministry of Agriculture, directly dependent on the Minister, and as a sectorial office within the national system of planning under the technical supervision of ODEPLAN. In general, the functions of ODEPA were:

a) to formulate the Agricultural Development Plan;

b) To advise the minister in the design of agricultural policy and in the discussion of the programs and budgets of the diverse public agencies of the agricultural sector;

c) To coordinate the activities of these agencies and to supervise the implementation of the Plan; and

d) To coordinate the foreign technical assistance offered to the agricultural sector. (ODEPA, 1970, pp.119 & 121)

As in the case of MINVU mentioned before, planning and implementation were separated functions in the agricultural sector; but ODEPA had more and distinct powers than other similar sectorial planning offices to make the other agencies responsive to the planner's guidance. The Agricultural Development Plan was defined as indicative for the private sector, but the law made it imperative for the public sector. (ODEPA,
Moreover, the coordination among public agencies for planning and implementation purposes took place at three levels:

1) The Plan Administration Committee was integrated by the highest executives of the agencies of the Agricultural Public Sector (ODEPA included) under the presidency of the Minister of Agriculture;

2) The Programming Offices of each of the agencies of the Sector were in charge of the budget and operational program of the agencies in coordination with ODEPA; and

3) The Zonal Agricultural Development Committees was integrated by the regional executives of the public agencies of the agricultural sector in each one of the fifteen zones designated for the territorial decentralization of the said agencies. (ODEPA, 1970, pp.121-122)

Previously, the agencies had different territorial distribution from each other. ODEPA proposed the unified designation of fifteen zones adjusted to the regional division of the country adopted by ODEPLAN, and all the agencies of the sector adapted their internal organization to the new regional distribution. (ODEPA, 1970, p.121)

Even though the nature of the agricultural activities made decentralize operations and decision-making in the agricultural sector easier than in other sectors, still a disproportionately high number of public officers were destined to Santiago. (Barraclough, 1974, p.222)

Formally ODEPA fulfilled its legal functions. The "Agricultural Development Plan 1965-1980" was published in 1967, and many of the policies contained in the plan were adopted as the official policies of the Chilean government for the agricultural sector even before its publication. (ODEPA, 1970, p.XXVII)
The advisory function was made easier by the personal interest that Minister Trivelli had in planning. In practice, Minister Trivelli and ODEPA mutually supported each other to achieve control and coordination of the agencies in the sector. Hugo Trivelli was a friend of Jesus Gonzalez and had been professor of agricultural economics of many of the members of the staff of ODEPA. He closely followed the studies made to prepare the plan, and frequently communicated with ODEPA's senior staff. The combination of experts from ILPES with young, well-prepared and strongly motivated Chilean professionals gave a good technical backing to the policy design and coordination effort.

The plan, published first in 1967 with a second edition in 1970, included a presentation by the Director of ODEPLAN and an Introduction by Minister Trivelli, and was divided into two sections. The first contained the "Objectives, Strategy and Goals of the Agricultural Development", and the second was entitled "The Instruments of Agricultural Development".

The first section was divided into nine chapters which contained a summary of the analysis of the historical development of the sector; the objectives and strategy of the plan; projections to 1971, 1975, and 1980 of the supply and demand of the diverse agricultural products at the national level, resources and factors at the farm level, volume and distribution of income, foreign trade balance, and some investments in facilities for marketing and technical development; and the basis for the evaluation of the plan.

The second chapter was divided into four chapters containing institutional reforms; structural reforms; policy of economic incentives; and financing of the investments and subsidies included in the plan. (The plan was published in two forms. One was an extensive edition in three volumes,
and the other was a reduced version in one volume. For this analysis, the second edition, 1970, of the reduced version is used. The language of the plan is Spanish, and the translation is mine.)

Two basic objectives of the plan were defined as a) economic: to increase production, meaning 44% growth of the physical output of agriculture between 1965 and 1971, and 134% growth between 1971 and 1980; and b) social: "to promote fundamental changes in the rural community" toward a "greater participation of peasants in the social, political, economic and cultural life of the country". (p.20)

The achievement of these objectives would attain a change in the qualitative composition of the structure of production through an increase in the relative importance of cattle and dairy products, fruits, sugar beet, and vegetable oil; an improvement in the diet of the general population; and a radical change in the balance of the foreign trade of agricultural products, which in the past showed increasing deficits.

For this purpose, the plan proposed a change in the use of resources toward intensifying the use of available land (more hectares to be cultivated and higher yields to be attained), a better use of the work force (under-utilized at the time), and an increase in the capital invested and the use of technical inputs. (pp.22-23)

The second section of the plan identified the instruments to be used to these ends. They included reforming the institutions of the public sector toward a better coordination and more efficient service to agricultural producers; the agrarian reform to change the existing land tenure system considered an obstacle for the economic and social development of the sector; and a series of economic policies (prices, marketing, foreign trade, taxes, and technical input supply) directed to provide incentives
for the agricultural producers to follow the guidance of the plan. (pp. 24-25)

The detailed study of the agricultural potential of the country made for the plan was an extraordinary advance over the former estimates. It combined soils, climate and water in territorial "units of use", and calculated the potential yields of the different products for each unit of use at diverse levels of technology. The comparison between the "potential use" of the land, and the "actual use" of it, detected by the Agricultural Census of 1965, provided the basic parameters for the projections of production. (pp.42-44)

The projections of demand were based on demographic trends, and income level and distribution variations, and made a good effort to incorporate improvements in the composition of the diet. But the growth of population expected by the plan was larger than the real growth and the income elasticities used by the plan were weak indicators. (pp.26-31)

While the plan detected an extreme case of inequality in distribution of income within the agricultural sector, it only projected a gradual change of that distribution. In fact, the plan found that 3% of the families of the rural population had access to 40% of the income of the sector, while 75% of the families received only 33% of the income. (p.16) In 1965, 48% of the net product of the sector went to pay labor, while 52% of that product paid the rent of the land, of capital and of the managerial activities. The plan proposed to raise the share of labor to 50% in 1971. (pp.84-89)

The old centralized service of the Ministry of Agriculture, DIAP, was transformed by Law 16,640 into an autonomous agency, the Agriculture and Cattle Service (SAG). SAG was in charge of technical assistance for
agricultural production, extension, soil conservation and improvements, and plant and animal pest controls. Minister Trivelli conceived SAG to be the main service for the implementation of the plan. In theory, at least, it was the public agency in contact with most of the agricultural producers, and was capable of influencing them through extension and technical assistance. Thus, the Zonal Directors of SAG were designated Executive Secretaries of the Zonal Agricultural Development Committees, and Zonal Coordinators for Planning. In addition, the Division of Statistics of SAG was designated as the center for the information system of the Agricultural Public Sector. (pp.120,122)

But CORA provided its own technical assistance to the productive units of the reformed area, and INDAP gave the same technical assistance to small farm owners and their organizations. This restricted the contact of these two groups of producers with SAG and prevented the professionals of SAG from competing with the technical assistance provided by CORFO or one of its subsidiaries, or by the State Bank, since the technical assistance of these agencies was associated with financial or marketing arrangements which SAG could not match.

CORA and INDAP professionals and technicians were young, enthusiastic innovators. Those from CORFO and BECH were traditionally related to the most progressive faction of latifundio owners. But the professionals and technicians from SAG, the older technical agency of the agricultural sector, were mostly in contact with the more conservative group of latifundio owners; that is, the group most susceptible to the effects of agrarian reform. (Petras, 1971, pp.186-189; Feinberg, 1972, p.67)

In INDAP, Jacques Chonchol, under attack from the right wing of the administration, was willing to have an understanding with Minister Trevilli.
He accepted the budgetary supervision of ODEPA and the services of the planning office as brokerage in the relations between INDAP and the Office of the Budget and other financial authorities. However, the plan contained no policies or programs in the main areas of action of INDAP, so INDAP's role in implementing the plan was marginal and indirect. (Petras, 1971, p. 158 & note 84, p. 218)

Protected by its formal autonomy, CORA was reluctant to follow the directives coming from ODEPA. Rafeal Moreno solved its budgetary problems by going directly to the President; since CORA was busy with the individual problems of each expropriation and each "asentamiento", it had little use for the regional and national production figures contained in the plan. (Petras, 1971, p. 169)

However, some of the agencies independent of the Ministry of Agriculture showed interest in the plan as a general guideline of the policies to be followed by the Agricultural Public Sector. Actually, the plan did not change the programs already being implemented by those agencies; instead, it facilitated implementation by making them compatible with each other, and with the general objectives and policies of the agricultural sector. For this purpose, members of the technical staff of those agencies were called on to collaborate in the respective sections of the plan. (ODEPA, 1970, pp. VI & VII)

In fact, the plan adopted the programs of CORFO and its subsidiaries in fruits, sugar beet, dairy cattle, and agricultural machinery imports and services, with little or no modification. It also supported the investment programs of CORFO and ECA in slaughterhouses, warehouses, silos, and other facilities for storing, marketing and processing agricultural products. (pp. 101-106)
Neither additions to the plan changed the irrigation projects under construction or programmed by the Ministry of Public Works (MOP). But MOP was not easily convinced that its Irrigation Division had to be included in the Agricultural Public Sector. Only after long and difficult negotiations did MOP accept that this division was an autonomous state enterprise still under its authority but represented by the Ministry of Agriculture on the directive board. (pp.66-67 & 120)

The Agricultural Commercial Enterprise (ECA) had been the target of strong public criticisms because of the assumed lack of programming of its operations. Varied useless and damaging claims had been made that lack of opportunity and erroneous estimates about the needed volumes had opened purchasing powers and fixed support prices and imports of agricultural products by ECA. Because of this, ECA was willing to discharge part of its responsibility by following the general policies of the plan regarding the annual program of imports, seasonal opening of purchasing powers, fixing of support prices, and regional priorities for internal productions established by ODEPA. (pp.135-141)

The plan detected that there was poor coordination between the different State agencies that provided credit to agricultural producers. It proposed the gradual concentration of agricultural credit operations in the State Bank and the coordination of credit policy through the creation of the National Agricultural Credit Board. The Board was chaired by the Minister of Agriculture and integrated by the chief executives of the Central Bank, BECH, CORFO, CORA, INDAP, and SAG. The executive secretariat was ODEPA. (pp.120 & 169) The plan also expanded the role of BECH to include distributing seeds, fertilizers and pesticides, which was well received by the bank.
But ODEPA had great difficulties each year in achieving acceptance of the proposed policy on agricultural prices from the Ministry of Economy. The plan conceived the price policy as an instrumental incentive to guide production toward the desired goals, while the Ministry of Economy was more interested in reducing the impact of inflation on the urban population. Most agricultural prices were submitted to some kind of regulation, either as maximum prices to the consumer or as minimum prices for the producer, or both. Therefore, the implementation of the policy of the plan required complex and laborious yearly negotiations between ODEPA and DIRINGO, the agency of the Ministry of Economy in charge of price controls. These negotiations often resulted in delays in publishing official prices, making them irrelevant to the agricultural season. They also produced short-term confusing trends which obscured the long-term objectives of the plan. In fact, the plan postulated an increase of prices to the producer of 5% in 1975 and 6% in 1980 in real terms (discounted inflation and the changes in productive costs) over the level of prices of 1966. But the agricultural prices for 1967 were 5% lower than the 1966 prices in real terms. (pp.128-131)

With the technical assistance of ILPES's international expert, Jose M. Gimeno, ODEPA made an in-depth study of the taxes imposed on agricultural producers, and Law 16,640 gave the Ministry of Agriculture the mandate to design a general taxation policy for the agricultural sector. In response to it, the plan contained a taxation policy directed to three objectives: 1) to increase the fiscal revenues generated by the agricultural sector; 2) to serve as an instrument of re-distribution of rural income; and 3) to serve as a tool for economic development. But the Ministry of Finances delayed the acceptance of such a policy until its own agencies
could complete the study of a general tax reform in which they were engaged. Since this last project was never completed or approved, the agricultural taxation proposals were never implemented. (pp.143-153)

The detailed analysis of the actions of planners in MINVU and in the agricultural sector presented above is a good example of the role of the planning system during the Frei Administration, and of the difficulties encountered by the planning offices within the old bureaucracy of the State. Even where planning was well established, as in the cases examined before, the response of the old agencies was uneven, at best, and negative many times. The planning system was far from being well established in all its components. Most of the sectorial offices were less developed than ODEPA or CORFO and there were important gaps in the system. In fact, in spite of the high importance of the mining sector for the Chilean economy, there was no planning office at the Ministry of Mines or in any other place which could serve for it. On the other hand, only three of the ORPLANs -- those of Bio-Bio, Arica and Magallanes -- were really fulfilling their role. The rest were "little more than decorative elements". (Friedmann, 1969, p.42)

Moreover, in 1967, when the planning system had achieved institutional stability and was beginning to exert influence on the operations and policies of the State, the Frei Administration changed its general direction. (Sigmund, 1977, Ch.4; Stallings, 1978, p.108)

4. The Final Years and the Performance of the Frei Administration, and Planning.

1967 marked the end of both the "Revolution of Liberty" and Frei's attempt to maintain the State in a "neutral" position over the class struggle. (Stallings, 1978, p.108; Sigmund, 1977, pp.57 & ff.)
The same programs being implemented in the early years of the Frei government produced a realignment of the political and social forces opposed to the administration, and new class alliances emerged.

The Liberal and Conservative Parties, badly defeated in the Congressional elections of 1965, decided to join forces in 1966, forming the new National Party. At the same time, together with SOFOFA and SNA, they were trying to reinforce the National Confederacy of Industry and Commerce under the symbolic leadership of Jorge Alessandri. They exerted strong pressure in an attempt to stop, and then to reduce the impact of the Constitutional Amendment on Property Rights. (Kaufman, 1972, pp.147-149; Sigmund, 1977, p.17; Stallings, 1978, pp.102, 112)

On the other side of the political spectrum, the Radical Party was looking for a new alliance with the Left. In December of 1966, they supported the election of Salvador Allende as President of the Senate, and in July of 1967, elected a new Directive with a platform of opposition to the Christian Democrats and to the National Party and working in favor of the "unity of all the forces of the Left". (Sigmund, 1977, pp.60-61; Stallings, 1978, p.122)

Apart from the pressures of Left and Right, three basic factors influenced the change in policy of the Frei Administration: the changes in the Alliance for Progress and in the Latin American Policy of the U.S.; the contradictions within the ideology and program of the Frei Administration; and the conflict inside the Christian Democratic Party.

After the death of U.S. President John F. Kennedy, both the structure of the Alliance for Progress and the commitment of the U.S. to its objectives and philosophy were still too weak to survive the change in the U.S. government. President Johnson appointed Thomas Mann, former high
officer of the State Department under Eisenhower, and Ambassador to Mexico under Kennedy, to be in charge of the joint operations of AID and the State Department in Latin America. With him a new approach known as the "Mann Doctrine" was taken by the U.S. government in the relations with Latin American countries. This pragmatic doctrine was strongly favorable to private business, and had a clear preference for economic growth over social reform. It also discarded the privileged treatment, previously given, to democratic regimes (such as the Chilean one) over military dictatorships. Now the U.S. government was indifferent to the nature of the political regime so long as it was not Communist. (Levinson, 1970, p.88) The Committee of Nine was first duplicated and then replaced by CIAP (Comite Interamericano de la Alianza para el Progreso), an agency subordinated to the Economic and Social Council of OAS. In lieu of the emphasis of the Committee of Nine on long-term planning and social reform, CIAP established an annual review of the economy and policies of each country. The CIAP report was discussed in a meeting in Washington which required the attendance of high officers of the country (generally one Minister) and representatives of AID and all the international agencies of financial assistance. (Perloff, 1969, pp. 38-41)

The programs of the Frei Administration "were, in essence, a specific embodiment of the broad Alliance for Progress principles". (Perloff, 1969, p.228) In addition, Ralph Dungan, the U.S. Ambassador in Santiago, made public his support of the Christian Democratic government. (Sigmund, 1977, p.40)

However, in 1966 the Mann Doctrine was reinforced by the appointment of Lincoln Gordon as Assistant Secretary of State for Latin American Af-
fairs. Gordon, as Ambassador to Brasil in 1964, had been instrumental in providing support to the military coup to overthrow President Goulart, and to the military dictatorship afterwards. The Brasilian military, in turn, had been supportive of the United States' 1965 intervention in the Dominican Republic, which had been denounced by Chile as contrary to the OAS Charter. (Levinson, 1970, pp.90, 95-97; Sigmund, 1977, p.41)

In June of 1966, Senator Ernst Gruening presented a report to the Sub-Committee of Foreign Aid of the U.S. Senate on Government Operations. The report, "United States Foreign Aid in Action: A Case Study", used the case of Chile to make a critical analysis of the Alliance for Progress. As J.P. Morray notes, "the Senator's report is full of annoyance with the Chileans and also with American aid officials who have failed to give to the Chileans detailed and continuous supervision". (in Petras, ed., 1968, p.101) In fact, Senator Gruening's report states that "Chilean agencies cannot be depended upon to exercise adequate control over the end use of investments". (Report, p.68) In addition, in spite of receiving the highest amount of aid per capita among the members of the Alliance for Progress, and being one of the eight countries to receive more aid from the U.S., the report points out that Chile had not given an adequate response to all that aid. "Disappointingly, there is little to indicate that U.S. assistance is having a meaningful impact upon Chilean economic and social development." (Id., p.121)

It is not surprising that in September of 1966 the CIAP annual report on Chile was pessamistic, expressing concern over the low rate of private investment and the inflationary pressures created by government deficits and wage increases. (Sigmund, 1977, p.57) At the same time, the U.S. government reduced its direct assistance to the Chilean government
and replaced it with credits for purchasing capital goods in the United States through the Export-Import Bank. (See Table 4.b)

The change in the policy of the U.S. toward Latin America was made more specific still in the case of Chile when Ambassador Dungan resigned in 1967, and was replaced by Edward Korry. Having been a Kennedy man, Dungan openly supported the Christian Democratic administration and was attacked by the Right for doing so. (Sigmund, 1977, p.40) Korry followed the Gruening report and the CIAP analysis, and adopted a much harder position in relation to the Frei Administration, while trying to establish better relations with the oligarchy and with the military, as alternative forces which could stop the advance of the Left. (Uribe, 1975, pp.36, 65, & 82-85)

Frei himself made a strong criticism of the new U.S. policy in his essay, "The Alliance That Lost Its Way", published in Foreign Affairs, in April, 1967. In his essay, Frei denounced the "unholy alliance of the extreme right and left formed to prevent the implementation of the Charter of Punta del Este." He also deplored that the United States "fell into the trap" prepared by Latin American reactionaries to destroy the true meaning of the national effort to accomplish the tasks of the Alliance, and to make it a label for all forms of aid.

He wrote,

Uncoordinated emergency loans became "Alliance loans"; technical and financial aid freely given to dictatorships was also "Alliance aid". The Alliance, in fact, became just one more source of assistance instead of a concerted program of mutual cooperation ... its ideological significance was completely lost.

(The essay was reproduced in Horowitz, ed., 1969, pp.457-468)
Gabriel Valdés, Minister of Foreign Relations of the Frei Administration, tried to engineer a progressive Latin American response to the U.S. policy. He pushed for regional economic integration in the "Andean Pact" (Cartagena Treaty of 1968), and for building an independent Latin American position in the "Consensus of Vina del Mar" (1969). This was a document which emerged from a meeting of Latin American foreign ministers to set the "new basis for social and economic Inter-American cooperation" from which the U.S. was pointedly excluded. (Sigmund, 1977, p. 81)

But these were long-term measures with mostly symbolic value, since they were to have practical results after the presidential period of Frei. The Frei administration was too dependent on the U.S. in financial matters. As Harvey Perloff wrote,

There is little doubt that the external financial support provided by the U.S. government and the international lending agencies was very important in permitting Chile to move ahead with some assurance in its large program of investments, its stabilization policy, and its efforts to promote social progress ... it is hard to emerge from a close examination of the Chilean situation without concluding that the Chilean "revolution" would be in very bad trouble without substantial external financial assistance.

(Perloff, 1969, p. 237)

The Minister of Finances, Sergio Molina, presented the 1967 budget, which represented a reduction in public expenditures, to Congress after the 1966 CIAP meeting. In the customary "State of the Public Finance" address to Congress, in November, Molina used the same analysis as in the CIAP report to justify a basic change in economic policy. He mentioned the inflationary pressures resulting from budget deficits and wage increases, and the corrective measures to be taken -- a slowdown in monetary expansion, and a shift in public investment from housing construction and social services to long-term ventures in productive activities.
such as copper, paper, cellulose, and petrochemical production. (Stallings, 1978, p.108)

However, the regrouping of the internal opposition and the external pressures were probably not enough to cause such a drastic policy change. Actually, the Frei platform had made the claim that there is a basic compatibility between social justice and economic growth, that the dilemma sustained by the Klein-Sacks Mission, by the IMF and by the Alessandri Administration, between monetary stability and social progress, was a false dilemma, that structural social reforms are a necessary condition for economic development. (Stallings, 1978, p.71)

But in practice, the Frei Administration had been short on the revolutionary language of Frei and his platform. He put among the objectives of the Alliance for Progress and the Latin American Revolution, "the participation of people in government and the destruction of the oligarchies". (Frei, op.cit.)

However, the Christian Democratic concept of the State being "over" the class struggle led the Frei Administration to adopt an attitude of technocratic paternalism whereby low-income people were "helped from above", but had very little opportunity to participate in the workings of the government. (Feinberg, 1972, pp.67-68)

Apart from the Agrarian Reform (which was supported by a sector of the ruling class) no other component of the Frei program was directed to the "destruction of the oligarchy". In spite of many speeches and projects, no big effort was deployed to achieve a "tax reform" or a "banking reform". Actually, the way followed was one of policies which, by indirect means, should produce structural changes in the long-term. Wage adjustments to re-distribute income and to increase demand; introduction of
modern technology to increase productivity, and educational reform to expand opportunities and to open education as a way for social mobility and social progress were the main policies followed. They, together with the agrarian reform and the Chileanization of copper, were expected to produce necessary, deep structural changes without disrupting production in the short-term. (Stallings, 1978, pp.70-72)

The ideological concept of marginality, used by the Christian Democrats, contains the underlying assumption that marginal people are to be incorporated into the social system as it is. The main effort of Popular Promotion was to extend the already existing social institutions and services to more people, not to create a new social system.

Moreover, the industrial development program of the Frei Administration was dependent on investments from the private sector, the established ruling class, and foreign private investors. If the government, in view of the changes in the Alliance for Progress, had decided to impose higher taxes to the oligarchy to continue the programs of social reform, it would have contradicted the main thrust of its industrial policy. (Stallings, 1978, p.65; Sigmund, 1977, pp.42-43)

The same contradictions between revolutionary rhetoric and conventional policies were part of the increasing conflict within the Christian Democratic Party, which weakened the political support of the Frei government. In fact, the fast growth (from 4% of the popular vote in 1949 to 22% in 1963) and multiclass composition of the party formed a natural base for conflicting ideological and political interests. (Gil, 1966, pp. 266-276; Stallings, 1978, pp.61-62) The apparent unity shown by PDC since the first candidacy of Frei in 1958, began to disappear as soon as the implementation of the 1964 platform was started.
In the field of rural labor unions, the conflict mentioned extended to the rest of the labor organizations when the Minister of Labor, William Thayer, tried to promote the establishment of labor organizations, controlled by Christian Democrats, parallel and rival to the existing labor unions dominated by the Left. (Stallings, 1978, pp.102-103; Sigmund, 1977, p.64)

The internal conflict gave shape to the discussion among the 1,540 delegates to the Second National Congress of the Party, which took place on August 26-29, 1966. The National Congress was the supreme policy-making body of PDC and defined issues of statutes and basic principles. In it, three factions could be discerned. The left wing, or "Rebel" group, rejected the submission of the party to Frei and criticized the administration's failure to fulfill the revolutionary objectives of the 1964 platform. The right wing, or "Officialist" group, argued for a categorical support of Frei's government and the principle of unity of actions between the party and the administration. In the middle, a third group, "Terceristas", served as a mediator between the other two groups to preserve the unity of the party. (Sigmund, 1977, p.53)

The Rebels represented many of the professionals working for the government and had strong support within the machinery of the party, especially the Labor Section and the Youth. They were mainly a group of people who had entered politics after World War II and had a third world perspective on development issues. By contrast, Frei and the Officialist group had started their political careers in between the two World Wars, and because of their extended participation in the political field, had acquired links with the ruling class. They also shared their admiration for European models with the traditional politicians. (Kaufman,
In the 1966 National Congress, the Officialists were able to get approval for their policy position and elected Patricio Aylwin as president of the party. But the elections for the National Council gave eight members to the Rebels, nine to the Officialists, and two to the Terceristas. This meant that Frei could be outvoted in the permanent directive board of PDC. (Sigmund, 1977, pp.53-54)

When the change in the U.S. policy began to be felt, in the second half of 1966, Frei was in a very difficult position. With a contradictory program and promises difficult to fulfill, his major programs (copper agreements, agrarian reform, and popular promotion) were still entangled in Congress and his own party was weakened by internal conflict. He was in no position to resist the recommendations of CIAP.

The change in economic policy, announced at the end of 1966, soon had economic and political consequences. In economic terms, the change led to a deep economic stagnation which made the record of Frei worse than Alessandri's in economic development matters, as shown by the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>GNP</th>
<th>GNP per capita</th>
</tr>
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<tr>
<td>1961</td>
<td>6.2</td>
<td>6.1</td>
<td>3.6</td>
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<tr>
<td>1962</td>
<td>5.0</td>
<td>5.4</td>
<td>2.4</td>
</tr>
<tr>
<td>1963</td>
<td>4.7</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>1964</td>
<td>4.2</td>
<td>4.6</td>
<td>1.6</td>
</tr>
<tr>
<td>1965</td>
<td>5.0</td>
<td>6.1</td>
<td>2.4</td>
</tr>
<tr>
<td>1966</td>
<td>7.0</td>
<td>9.2</td>
<td>4.6</td>
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<td>1967</td>
<td>2.3</td>
<td>0.8</td>
<td>0.0</td>
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<tr>
<td>1968</td>
<td>2.9</td>
<td>3.5</td>
<td>0.6</td>
</tr>
<tr>
<td>1969</td>
<td>3.1</td>
<td>5.1</td>
<td>0.7</td>
</tr>
<tr>
<td>1970</td>
<td>2.5</td>
<td>2.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

(Source: ODEPLAN, Antecedentes sobre el Desarrollo Chileno 1961-70)

In political terms, the change in policy led to an increase in the social tension and to a growing polarization of the Chilean population along class lines. It led to a denial of the basic objectives of the Chris-
tian Democratic program and ideology. The copper agreements and the agrarian reform were finally approved by Congress early in 1967. In January of that year, the Right and Left aligned in the Senate to reject President Frei's request, according to the Constitution, to travel to the United States by invitation of President Johnson. (Sigmund, 1977, p.57)

The Right and Left also capitalized on the increasing popular discontent with the Frei Administration. In the municipal elections of April, 1967, the Christian Democrats dropped their percentage of the vote from the 43% they had received in 1965 to 36%. (Sigmund, 1977, pp.58-59; Stallings, 1978, p.108)

After the electoral defeat, the Christian Democratic Party tried to revive the "revolution in liberty". A majority of Rebels and Terceristas took control of the National Council of the party and voted to look for an agreement with the Left to get prompt approval of the agrarian reform law. A week later, the National Assembly appointed a Political-Technical Committee, chaired by Jacques Chonchol, to design a new program for the party which could return the government to the revolutionary track of the early years of the Frei Administration. (Sigmund, 1977, p.59; Stallings, 1978, p.109)

The committee, integrated by a group of young planners and politicians, prepared a report, entitled "Proposals for Political Action for a Non-Capitalist Road to Development During the Period 1967-1979", which was presented to the five hundred delegates to the National Assembly of the party in July of 1967. The Assembly approved the report and elected a National Council dominated by Rebels and Terceristas under the Presidency of Senator Rafael Gumucio, one of the founders of the party and
leader of the Rebel faction. (Sigmund, 1977, pp.62-63)

The new program of the party, generally known as "Plan Chonchol", criticized the neo-liberal concept of development espoused by the Frei Administration and the international experts as contrary to the Christian Democratic principles. Jacques Chonchol later wrote that the simple modernization of the system without actual change would only insure the privileges of those in power. (Chonchol, in Burnell, ed., 1972, pp.32 & ff.) The report demanded recognition that the State was the fundamental dynamic element in the economic development of Chile, and requested effective control and use of the instruments and mechanisms of the economic system. Toward this end, the program demanded an increase of State control over the copper mines, the nationalization of the coal and nitrate mines, State acquisition of the privately held shares of CAP (the steel company), the nationalization of the telephone company, and total control by the State of the Central Bank. The program supported a banking reform project presented by the Youth of the Party, and renewed an old banner of the Christian Democrats, the participation of workers in the management of industrial and commercial enterprises. This last was to be introduced gradually, beginning with the State owned enterprises. (Sigmund, 1977, p.62; Stallings, 1978, p.109; W. Thayer, in Sigmund, ed., 1970, pp.312-313)

The new executives of the party had a meeting with President Frei in July of 1967, during which they presented the new program for a "Non-Capitalistic Way of Development". They also requested Labor Minister Thayer's resignation and an end to the efforts to create a labor organization parallel to the existing United Labor Central (CUT). Even though some of the proposals of the program were later carried out or attempted by the government (copper and telephone nationalizations, Central Bank
control), in general, the president rejected the position of the party. (Sigmund, 1977, p.64; Stallings, 1978, p.65)

The PDC new program was not made public by the Christian Democrats to avoid an open conflict with the Frei Administration. But PEC, a CIA financed magazine, obtained a copy, and published it on July 28, 1967. (The CIA financing of PEC is documented in the U.S. Senate report, "Covert Action in Chile 1963-1973", pp.18 & 57) Frei responded by granting an interview to El Mercurio on July 30, 1967. In his interview, Frei searched for an understanding with the oligarchy and reasserted his call to national and foreign private investors for further industrial investments. (El Mercurio, July 30, 1967)

In addition, some important members of the Officialist group criticized the Plan Chonchol in public. The Minister of Finances, Sergio Molina, said that it contained "a series of declarations on general policy, but not coherent model", and he added that the technical solutions were "insufficient and superficial". (As quoted by Stallings, 1978, p.109)

Raul Sawz, the chief of CORFO and successor to Molina as the Minister of Finances, qualified the program as "a complete and interesting study ... for the moment impossible to apply". (As quoted by Sigmund, 1977, p.67)

William Thayer published a book in 1968 which rejected the concept of workers' participation in the management of industrial State enterprises as presented in the Christian Democrat program. Thayer sustained that there was no way of insuring that the interest of the workers would always coincide with the requirements of the common good of the country. He added that the idea may be well experimented in new enterprises owned by the workers from the beginning as production cooperatives or similar organizations. (W. Thayer, in Sigmund, ed., 1970, pp.312-313)
This was the justification for a project of forced savings presented by the Minister of Finances, Sergio Molina, in November of 1967. To reduce the inflationary pressures generated by wage increases, 5% of those increases were to be sent to a "Workers Capitalization Fund". Employers would match the savings of their employees. The fund would be managed by representatives of the workers and of the State, and the money would be destined to create new enterprises or to buy old ones, which would then be property of the workers. The same project gave the workers a 20% increase to compensate for previous years' inflation, but included a prohibition of strikes and a suspension of collective bargaining rights during 1968. (Stallings, 1978, p.110; Sigmund, 1977, p.65)

The issue of the "chiribonos", as the forced savings plan was called by the Left, produced a new conflict between the government and the labor organizations that stimulated declaration of a general strike on November 23. The strike was successful and the country was paralyzed, but clashes between the strikers and the police left four workers dead and sixty-four injured. (Stallings, 1978, p.111)

The project of forced savings also increased the internal conflict of the Christian Democrats. Edmundo Perez Zujovic, Minister of Public Works and one of the personal links between Frei and the oligarchy, requested, in public, that the party ask for the resignation of Pedro Felipe Ramirez, the young engineer who was chief executive of the Service of Technical Assistance, because he had criticized the "chiribonos". The National Council of PDC rejected the request of Perez Zujovic and called on him to defend his own conduct. This issue produced a split between the Rebels and the Terceristas. Frei used the opportunity to call an extraordinary session of the National Assembly of the party on January 6 and
7, 1968. In the assembly, Frei gained the support of the Terceristas to obtain control of the party, and a new National Council was elected under the presidency of Jaime Castillo, a personal friend of Frei and ideologist of the Officialist faction. (Sigmund, 1977, p.66; Stallings, 1978, p.113)

Frei then reinforced his administration's turn to the right by appointing the industrialist, Perez Zujovic, as Minister of Interior, in control of the police and the public order. Later, when it became clear that the Senate was going to reject the project of forced savings, the bill was retired from Congress and Sergio Molina resigned as Minister of Finances. Frei made use of this circumstance to also accept the resignation of the Minister of Labor, William Thayer, as a conciliatory gesture toward his opponents in the party. However, to replace Molina, he first appointed Raul Saez and then appointed Andres Zaldivar, both of whom had strong links with the oligarchy. (Stallings, 1978, p.114; Sigmund, 1977, pp.66-67)

After the failure of the forced savings project, the Frei Administration presented only two other important projects -- the so-called agreed upon nationalization of the copper mines owned by Anaconda (June, 1969), and the reforms to the Constitution which created the Constitutional Tribunal to decide on the constitutionality of laws and decrees, and was allowed to call a plebiscite in case of conflict between the President and Congress (1970). These constitutional reforms were supported by the Right after their electoral growth and public opinion polls appeared to favor the return of Jorge Alessandri to the presidency in 1970. (Sigmund, 1977, pp.87-88)
These projects had no impact on economic stagnation, increased unemployment (from 4.7% in 1967 to 6.0% in 1970), or growing inflation rates (from 17% in 1966 to 35% in 1970). (ODEPLAN, 1971, Table 73; Stallings, 1978, Table A.6)

Actually, all the programs of the Frei Administration fell short of the goals postulated at the beginning. As a result, the last years of the period were marked by increased social polarization and tension along class lines.

The agrarian reform had promised to make 100,000 new farm owners, but the actual number in 1970 was only 28,000. (Edwards, 1972, p.50; Petras, 1971, pp.242-245)

The housing program had promised 360,000 new houses, but only 250,000 had been completed in 1970. The program had been changed to provide 180,000 more "solutions" through the sites and services approach. (Edwards, 1972, p.50; Van Huyck, 1971, p.32)

The copper output was to increase by 90% between 1964 and 1970, but the actual increase was only 10% due to the delays suffered by the copper agreements in Congress. (Edwards, 1972, p.50; Perloff, 1969, p.232)

After two years of real increases in wages and salaries in 1965 and 1966, the re-distribution of income stopped. Even though the salaries of agricultural workers were equalized with those of industrial blue collar workers, the distance between these and the white collar workers actually increased. In fact, white collar employees received better treatment than the other workers from the Frei Administration. (ODEPLAN, 1971, Table 30; Stallings, 1978, pp.216-217)

In accordance with the Christian Democratic ideology and the Frei platform, the government favored grass-roots organizations of every kind.
Labor unions of rural workers, which in 1964 had 2,000 members, had more than 125,000 members in 1970. Industrial organizations that had 270,000 members in 1964 reached 553,000 in 1970, while popular promotion meant the creation of many neighborhood councils, mothers' centers, and cooperatives. But these organizations were given restricted participation in local issues, while they were excluded from national or regional decision-making mechanisms. The Frei Administration appeared satisfied to maintain political participation at the symbolic level of the electoral process. Neither labor unions nor neighborhood councils were called on or admitted to participate in the deliberations related to the design of policies effecting them, and the peasants were not included in the process of deciding about expropriations for the agrarian reform. (Cusack, 1977, pp.21-23; Petras, 1971, p.245; Friedmann, 1969, p.166; Stallings, 1978, pp.102-103)

In the absence of active participation in decision-making, the flourishing of grass-roots organizations produced an increasing number of conflicts in all sectors. The number of strikes, which under Alessandri totaled less than 500 in any given year, reached more than 1,000 in 1966, and as high a number in every succeeding year of the Frei presidency. (Roxborough, 1977, p.61)

The peasants, frustrated with the slow pace of the agrarian reform process, tried to push it through direct action, as the following table shows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1966</td>
<td>36</td>
</tr>
<tr>
<td>1967</td>
<td>9</td>
</tr>
<tr>
<td>1968</td>
<td>27</td>
</tr>
<tr>
<td>1969</td>
<td>148</td>
</tr>
</tbody>
</table>

(Source: ICIRA, Barraclough, 1974, p.196)
On their side, the opponents of the agrarian reform increased their violence from clashes with peasants to harassment of CORA and INDAP officers and murder of a regional chief of CORA, Hernan Mery, in the act of the formal expropriation of a latifundio. (Feinberg, 1972, p.83; Sigmund, 1977, p.98)

In the housing sector, even though the sites and services program gave a solution to 181,000 families in addition to the dwelling units already mentioned, this was still short of the needs. The Left was able to organize "houseless committees" (comites de los sin casa) that pressed the government for a solution, and to organize "invasions" of vacant lots to build self-made dwelling units. (Stallings, 1978, p.115) In one of these land occupations in the southern city of Puerto Montt, the police were sent to dislodge ninety-one families. They opened fire and killed nine of the squatters in March of 1969. (Stallings, 1978, p.114, Sigmund, 1977, p.77)

In the SABA incident of January, 1968, the workers took over the factory during a strike after the owners threatened to take the machinery out to install the plant in another place. The police were sent in to evict the workers, and in the struggle, a small fire started in the factory. Twenty-eight workers were jailed and given tough sentences, but the SABA case was followed by four similar cases in 1968, and by 24 occupations of industries in 1969. (Stallings, 1978, pp.115-118)

But the social tension was not restricted to these clear examples of class conflict. In 1965, a group of University of Concepcion students, under the leadership of Miguel Henriquez, a member of a well-known family of Concepcion, organized MIR (Movement of the Revolutionary Left). MIR rejected the electoral way and sustained the necessity of armed struggle.
for the revolution. It criticized the position of the Communist Party and of the traditional Chilean Left, and engaged in organizing peasants and urban dwellers to exert pressure on the system through acts of defiance of the "bourgeois legality". In 1967, MIR appeared in Santiago to "expropriate" some banks to finance their activities, and to steal arms from the police. (Sigmund, 1977, pp.69-70; Stallings, 1978, p.114)

Also in mid-1967, the Student Federation of Catholic University decided to occupy the buildings of the University to press for a long-overdue reform which no rational argument had made possible until then. The President of the Federation, Miguel Angel Solar, was a member of the Rebel faction of PDC. (Sigmund, 1977, pp.61-62)

The movement of the students at Catholic University had national consequences.

On one hand, it started a series of other movements which began at the School of Education (Pedagogico) of Universidad de Chile, the same year, and extended to all other colleges and universities in the country during the next two years, leading to a general university reform. (Sigmund, 1977, p.61; Bonilla & Glazer, 1970, pp.302 & ff.)

On the other hand, the movement at Catholic University affected important elements of the traditional social structure. Catholic University was more a symbol of the linkage between the oligarchy and the professions than any other university in Chile. As a private college of restricted admission, its student body was comprised mainly of the graduates from private high schools. At the same time it constituted an important relationship between the Catholic Church and the ruling class. (Gil, 1966, p.273)
The buildings occupied included the studios and transmitter of the TV Channel of the university, one of the three existing in Santiago. The students allowed the TV Channel to work as usual, but made use of the newscasts to explain their own position. Thus, they were able to discredit the attacks of the rightist press, especially El Mercurio, the most important publicity organ of the oligarchy. El Mercurio based its influence on the assumed "objectivity" of its information and its respect for the truth. The students hung a banner in front of the university facing Santiago's main avenue. The banner read, "El Mercurio miente" (El Mercurio lies), and were able to demonstrate that the periodical carried false stories with political purposes in two interviews. (Feinberg, 1972, p. 92)

In March of 1968, Raul Saez, as Minister of Finance, presented a new project on wage adjustment to replace the project presented by Sergio Molina that had been rejected by Congress. Along with the new project, Saez tried to reduce public expenditures further and cut the budget of CORA and INDAP by 25%. The peasants' department of PDC qualified this as "freezing the agrarian reform", and the Rebel faction denounced it as a betrayal of the electoral promises of Frei. Finally, Saez was led to resign after only three months on the job. The cuts were reduced, and CORA officers were sent to Washington to negotiate a loan of $20 million to finance the continuance of the agrarian reform process. (Kaufman, 1972, pp. 239-242)

However, the cuts were felt with more intensity in INDAP, and in November of 1968, Jacques Chonchol resigned as Chief of INDAP with a long letter to President Frei. The letter had good words for the Minister of Agriculture Hugo Trivelli, but criticized the slow progress of the agrarian reform, as well as the obstacles placed in his own work path by
other members of the government, in a clear allusion to the conflict that had developed between him and Perez Zujovic. (Sigmund, 1977, p.72; Kaufman, 1972, p.102)

In March of 1969, the congressional elections marked the further descent of the Christian Democrats and polarization of the political forces toward Left and Right, following social class. PDC attained only 29.8% of the vote (down from 36% in 1967 and 43% in 1965) while the Right won in the high-income districts and the Left in the blue collar neighborhoods. (Sigmund, 1977, p.74; Stallings, 1978, Table A.1)

 Shortly after the elections, the Christian Democratic Youth attacked Perez Zujovic as responsible for the "Puerto Montt Massacre" but the National Council of the party defended the Minister. (Sigmund, 1977, p.78)

 The internal division of the Christian Democrats reached its climax in the meeting of the National Assembly of the party which took place on May 1. The meeting had been called to decide on the strategy to be followed by the party for the next presidential elections. The Officialist faction was willing to enter in a combination with the Right to repeat the situation of 1964. But the National Party, encouraged by the electoral results of March and public opinion polls, was convinced that Alessandri could repeat his triumph of 1958 with three candidates. (Sigmund, 1977, p.74)

 The Terceristas were able to convince the Officialists that the only candidate able to maintain the unity of the party was Radomir Tomic, the former Ambassador to Washington, who was considered as the natural successor to Frei. Local caucuses had made known their position as "a Tomic candidacy or nothing".

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Tomic held a critical position in relation to the Frei Administration akin to that of the Rebels. He was in favor of a coalition with the Left which he called "popular unity". (Feinberg, 1972, p.97)

However, weakened as PDC had turned out to be in the March elections, it was still too big to be a comfortable partner in any kind of coalition. The Christian Democrats were in the position of being the dominant force in a combination of parties and the Communists and Socialists were not willing to repeat the bad experiences of the past, when the Left had supported presidential candidates of the Radical Party. Moreover, the Officialists refused to concede the authorization requested by Tomic to negotiate an agreement with the Left, and obtained, from the assembly, the approval of their thesis by a vote of 233 votes against 215. The assembly also elected a new National Council presided by Jaime Castillo, and almost all members from the Officialist faction. (Sigmund, 1977, p.79)

On May 6, a group of the Rebel leaders headed by Senator Rafael Gumucio resigned from the PDC with a letter stating

The most advanced current of Christian thought is no longer picked up by us and in fact, rather than an instrument of revolutionary change, we are an instrument of the status quo, an administrator of the system, guarantor of the established order.

(As quoted by Stallings, 1978, p.115)

Along with Gumucio, the Senator Alberto Jerez, the Deputy Julio Silva, Jacques Chonchol, and many of the leaders of the youth, the peasants, and the labor sections of the party also resigned. (Sigmund, 1977, p.79)

They were accompanied by a large segment of the Triunfo Campesino peasant confederation and by many of the young professionals who, while working in the government to implement the "revolution in liberty", had become increasingly frustrated by the obstacles that the Frei Administration put
in the way of the structural changes proclaimed as necessary at the beginning. (Stallings, 1978, p.109)

The group that resigned from PDC formed a new political movement named Movement for Unitary Political Action (MAPU), with Jacques Chonchol as its first Secretary General. MAPU later joined the coalition that supported the candidacy of Salvador Allende for the presidential elections of 1970. (Sigmund, 1977, p.79)

In 1968 and 1969, the military also participated in the general climate of social tension. Problems which were not made public in May of 1968, led to conversations between the Christian Democrats and the Communists, and to the appointment of General Tulio Marambio as Minister of Defense (the only military in Frei's cabinet). (Sigmund, 1977, p.67) But in October of 1969, the newspapers of the Right published a letter sent by the officers of the Army's First Division in Antofagasta, asking for the withdrawal of the calling to retirement of the Division's Chief, General Roberto Viaux. While the government sequestered the periodicals and initiated prosecution against them, Viaux moved to Santiago and set up quarters in the Tacna Artillery Regiment. He was supported by the Academy of War and other units and was surrounded by regiments called by the government even though their loyalty was doubtful. But Viaux declared that his was only a tactical move directed to achieve some "professional" demands, the resignation of the Minister of Defense and of the Chief Commander of the Army, an increase in the salaries for the military, and the improvement of the military equipment. (Stallings, 1978, p.120; Rojas, 1976, pp.63-65)

Frei took control of all the means of communication and received support from all the political parties except the Socialists. The Central
Labor Organization (CUT) called for a general strike and the occupation of the factories "against the reactionary coup".

After negotiations which took almost two days, Viaux and the government reached an agreement. Viaux and the officers supporting him were retired and submitted to military trial for insubordination, but General Marambio, the Minister of Defense, and General Castillo, Chief Commander of the Army, presented their resignations and a project was sent to Congress to increase the salaries of the military. (Sigmund, 1977, p.87; Stallings, 1978, p.121; Rojas, 1976, p.64-65)

The task of planners was extremely complex within this changing and conflicting environment. Even where planning was well-established, it was unable to solve the internal ideological and political contradictions of the Frei Administration, and the planning system was far from being well-established in all its components as it was seen before. As a consequence, the planning offices were unable to free the State bureaucracy from the ties it had with the dominant class, nor could they transform the State into an instrument of socio-economic development placed above the class struggle. In fact, at the end of the Frei Presidency, the planning system was a new center of decision-making within the State bureaucracy, but the old centers continued to work and were only partially subordinated to the new structure. In general, the impact of the Frei Administration in the modernization of the Chilean State appeared at the end to be much less important than the total reform introduced by Arturo Alessandri in 1925 or the creation of CORFO by the Popular Front in 1939. (See Chapter I)

However, the planning system introduced some measure of functional rationality and coordination in the operations of the public administra-
tion, and provided an important element of the characteristic style of the Frei government. Coming after the inability of Ibanez to manage the State machinery, and of the attempt of Alessandri to reduce and dismantle it, the young professionals of the Frei team appeared to know how to make it work, thanks to the techniques and information provided by the planning system.

In contrast to the empty, flourishing formal speeches of the traditional politicians, the Christian Democrats liked to give a didactic or academic tone to their public speaking. For this purpose, the figures and technical analyses provided by the planners became very useful. Actually, ODEPLAN (and through it the other planning offices) was put in charge of preparing the annual "State of the Nation Message" which, according to the Constitution, the President had to deliver in the opening session of Congress each 21st of May. The Ministers followed the example of the President by asking for technical support and information from their respective planning office whenever they had to make a major speech in public.

But in more substantive matters, the planning system was less effective. Actually, planners who had participated in the design of the basic programs of the Frei Administration were many times deprived of participation in the implementation of the same programs. Jacques Chonchol, for example, who had been the main force behind the agrarian reform program within the PDC, and who was considered by many to be the ideal chief of the Agrarian Reform Corporation or the Agricultural Planning Office, was instead appointed Chief of INDAP where he had only indirect impact on the agricultural policies of the administration. On the other hand, some of the most important decisions of the Frei government were taken out of the
planning system entirely. This was true in the case of the copper agreements and subsequent organization of the copper mines, and also in the case of the change of economic policy at the end of 1966 under the pressure of CIAP and the international financing institutions. In fact, only after the decision was made to reduce the programs of structural reform and to return to conventional policies, ODEPLAN was put in charge of the annual budgetary process and its coordination with long-term policies and programs. (Ossa, 1974)

Even when the planners had an opportunity to intervene in major policy decisions, their technically-based proposals were distorted either by the internal conflicts of the administration or by the increasing polarization of the country. The examination of the practical impact of the already analyzed cases of MINVU and ODEPA is a good example of these distortions.

As it was seen before, in 1967, when the planners of MINVU realized that the original goal of 60,000 housing units per year was out of reach, they decided to give more emphasis to a sites and services program called PAP. At the time, PAP was the largest program of its kind attempted in the world and was reasonably successful, according to the international standards for this kind of program. (Van Huyck, 1971, p.33) However, the implementation of it, and the lack of coordination between MINVU and the transportation planners of the Ministry of Public Works (MOP) translated into unexpected negative results which discredited the program from the political point of view.

In fact, the program was subject to political attacks since the beginning of its implementation because of its association with the turn to the Right of the Frei Administration in 1967. In this sense, the program
was considered a cheap substitute for unfulfilled campaign promises. In addition, the policy of providing houses to the petty-bourgeoisie and only sites to the workers was considered discriminatory by social class. Still, given the lack of apparent alternative solutions, these criticisms were valid.

But the negative aspects of the program were accentuated by the impact it had on the shape and distribution of the larger cities. The tendency to locate housing projects where cheap land was available, segregated low-income neighborhoods to the outskirts of the cities. This was reinforced when the program was used for political patronage purposes, and to remove shanty towns from high-income neighborhoods, attending the petitions of real estate speculators. The resultant "poverty belts" were far from the urban opportunities in employment, health care and education that their occupants had in their previous location. No new services were providing opportunity, nor was the quantity of old services increased as required, as it was shown in a study by CIDU. (Merrill, 1971, p.13)

This situation was made worse by the lack of coordination between the architects and urban planners of MINVU and the engineers and transportation planners of MOP. While the planners in MINVU had progressive ideas that were distorted during implementation, the engineers of MOP responded to the tendency of their Minister, Perez Zujovic. They were interested in replicating the models developed in industrialized countries in Chile, and in providing business to the private engineering firms with which they had been traditionally related. The government, interested in attracting foreign private industrial investments, accepted the expansion of individual car production, with little emphasis on bus production. As a result, Santiago and the other large cities began to suffer traffic con-
estion with individual cars. MOP engaged in the large and expensive project of building a subway for Santiago, while the great mass of the population had few and poor means of public transportation. In spite of the efforts of the experts of URDAPIC, the coordination of the planners of MINVU and MOP was still poor in 1969. (R. Gakenheimer in Friedmann, ed., 1969, pp.161-163) While the sites and services program added 181,000 additional "housing solutions" to the primitive housing program, the land invasions by the "Comites de los Sin Casa" grew in number in the last years of the Frei Administration. (Merrill, 1971, p.13; Stallings, 1978, p.115)

Published in the midst of the changing and conflicting environment provided by the agrarian reform, the "Agricultural Development Plan 1965-1980" appeared mostly irrelevant to the actors involved in the struggle.

Actually, the whole concept of "indicative" planning had little probability of being successful in this environment, and the technical approach of the plan was a mistake. In fact, the behavioral analysis of agricultural producers during the previous thirty years had not predictive value at all in the new conditions created by the structural reform being carried out.

But even the interpretation of the historical behavior of agricultural producers was difficult. For example, the analysis of the plan showed a historical inverse relation between prices and production: a high level of prices corresponded to a high rate of growth of agricultural production. (ODEPA, 1970, pp.14-15) Apparently, when prices were high, the owners of large farms cultivated a smaller section of their land to reduce costs, but when prices were low, they extended the cultivated area to compensate for the lower return by hectare. In these conditions the
response of the producers to the manipulation of prices was very difficult to predict, more so if the producers were affected by the agrarian reform. However, the plan attempted to use an increase of agricultural prices in real terms as an incentive for higher production. (pp.128 & ff.) This purpose was further obstructed by the confusing signals sent to the producers as a result of the conflicting policies of the Ministry of Economy in matter of prices. While the plan postulated a 5% rise of agricultural prices for 1971, the prices of 1967 were 5% lower than those of 1966 in real terms. (ODEPA, 1970, Table 74, p.131)

It could not be expected that agricultural producers would be stimulated to increase production and productivity with such contradictory official price policies. In fact, in early 1969, a newly organized federation of small farmers blocked the main highways and assembled in front of government offices to protest the "political" fixing of the price of wheat. (Cusack, 1977, p.27)

In practice, more effective in increasing agricultural production, was the impact of the increased taxation resulting from the agrarian reform. In fact, until 1964 agricultural taxation was maintained very low, especially because the assessment of land for real estate taxes was far below the commercial value of the land. Law 16,640 fixed the price of expropriation by the tax assessment, and was preceded by a general revaluation which took place in 1965. As a consequence, agricultural taxes for 1965 were four times higher than those of 1964, and even they were still low in comparison with taxation in other sectors. Many farmers were forced to increase their production to pay for the new taxes. (ODEPA, 1970, p.143)
But the technical weaknesses of the plan were openly manifested in 1968, when an exceptional drought in most of the country took the base off the production projections contained in it. When the so-called "eternal snows" of the Andes Mountains disappeared, the lack of water forced many cattle farmers to sacrifice their herds, while others changed the water-consuming, high priced crops favored by the plan to wheat and other products that required less water. This meant the actual reduction of meat and wheat imports for 1968 and 1969, and a change in the composition of crops and the basic numbers of cattle which had served for the plan calculations. (Sigmund, 1977, p.64; ODEPA, 1970, p.XXX)

Thus, a combination of technical errors, natural phenomenon, foreign pressures, and political and bureaucratic obstacles made the task of planners, during the Frei Administration, increasingly frustrating. After 1967, a growing tendency appeared within the administration to utilize planning as a formalistic rationalization to explain failures and to justify conservative policies.

In addition, the public acceptance of planning in the early sixties changed, following a world trend of disenchantment with the possibilities of change within the bounds of "functional rationality". Still, in 1965, the participants in a seminar of ILPES could state that "planning is in fashion in Latin America", (ILPES, 1966, p.5) But the student movements of 1968 in all the world, and also in Chile, placed the honored nations of neutrality and objectivity of science and technology in jeopardy. Political activists, at the end of the sixties, were suspicious of experts and scientists who did not have a clear commitment to social ends, while academicians and intellectuals were arguing about the diverse paradigms for the analysis and interpretation of reality. The practical experience
of the Frei Administration had shown that it is very easy to cross the boundary between technical proficiency and unjustified arrogance, and that technocratic elitism is not enough to move the country toward development.

All this put planners in a much more uncertain position than the one they had enjoyed in the early years of the decade. Now "functional rationality" was legitimate only if at the service of socially-accepted objectives shared by the planners themselves. "Objectivity" now meant making explicit the implicit assumptions of the conventional scientific methods and techniques, and being aware that more than one paradigm could be valid for the analysis and solution of the problems faced by the planners.

Planners responded to the emerging new situation in differently ways. Some of them took refuge in the technical quality of their work and developed sophisticated models in the hope that some could be convinced to apply them by their intrinsic value. Others maintained their loyalty to the administration and served as it demanded, providing technical backing for policy decisions until the end of the Frei Presidency. Some of these were also responsible for the radical platform of the Christian Democrat candidate in the presidential elections of 1970. (Feinberg, 1972, pp.100-102)

Even URDAPIC, the technical assistance program of the Ford Foundation, published planning proposals for the future decade, directed to fill the gaps and to increase the impact of the programs in which the international experts had participated. (Friedmann, ed., 1969) Several members of this group, who were senior officers of the planning offices, went to work for international agencies or to work in Chilean universi-
ties at the end of the Frei Administration.

But a third group of planners felt that they had an ethical commitment to economic development and structural changes. Many of them accompanied the Christian Democrats who formed MAPU and entered into the coalition which supported the candidacy of Allende in the elections of 1970. They provided continuity to the planning system in the next administration and information to prepare the platform of the coalition.

Even though the planning system, as it was seen before, identified with the administration and therefore could be partially responsible for the accomplishments and failures of the Frei government, this group of planners allowed planning to survive as a new professional element incorporated into the Chilean social system with a permanent social function. Not only the legal statute of the planning offices made them lasting components of the State bureaucracy, but the same personnel served under them for two different political regimes.

However, the role of the planners, the concept of the planning function, and the results and consequences of planning were different under the Allende Administration, as will be shown in the following chapter.
Chapter V

ALLENDE (1970-1973), CLASS STRUGGLE, DIRECTIVE-PARTICIPATORY PLANNING
AND COUNTER-PLANNING

Introduction

The period under analysis was one of increasing social tension in Chile, culminating with the Allende Administration and the counter-revolution that ended the democratic regime in 1973.

Preceding chapters have shown how the Alessandri and Frei governments failed to fulfill their originally stated goals, and how this failure increased the polarization of social forces and intensified the class struggle.

According to the program of the Allende Administration (also known as the U.P. Program) planning and popular participation were two basic elements of the struggle "to end the domination of the imperialists, the monopolies and the landed oligarchy, and to start the construction of socialism in Chile". (From the U.P. Program, NACLA, 1972, pp.130 & ff.) Therefore, planning had a directive-participatory character, or, as the U.P. Program put it, "an executive and democratic character", during the Allende Administration.

The U.P. Program specified the goals of the Allende government, which included the accelerated completion of the agrarian reform; the nationalization of the copper, nitrate, and coal mines; and the creation of the "Social Area" of the economy by transferring the control of the major industries, private banks, and large distributing firms to the State, and starting a new organization of production through coordinating the ac-
tions of the State with the participation of workers in a planned system which would constitute an embryo of socialism.

The Allende Administration found the national system of planning, organized by the Frei government, within the Executive, and most of the professionals still working, even though the office chiefs left with the departing administration.

The implementation of the U.P. Program implied a change and expansion in the role of planners. On one hand, the nationalizations and the resultant organization of the Area of Social Ownership required a modification and adaptation of the State bureaucracy. Planners were called to design the new structure and functions of the State agencies and to formulate the operational program for their administration of the Social Area. This put Chilean planners in a similar position to that of corporate planners working for a large conglomerate.

On the other hand, the planners were also in charge of designing and operating the mechanisms through which the organized workers could participate in the policy making and operational programming of the Social Area since, as Allende explained, "It is up to the State to orientate, organize and direct, but in no way to replace the will of the workers." (First Message to Congress, 1971)

These participation mechanisms were necessary to solve the potential conflict between the official line of the government and the unleashed initiatives of the workers released from the fear of government repression, and to create the new structure of production based on the agreement between the workers and their government.

In addition to the obvious technical problems involved in such tasks, there were other, not so evident, difficulties which gave the planner's
role a particular political and social sensitivity. The leaders of the Left were conscious about the scarcity of well-trained professionals willing to work for a genuine working class government. Therefore, planners were given special consideration and achieved particular prominence during the Allende Administration, to the point that several professionals with training and experience in planning were appointed as Ministers.

However, the same quality of being well-trained professionals made planners suspect of lack of true commitment to the revolutionary process, of being mere technocrats in the eyes of the political activists of the Left. In particular, this happened when planners made the existing constraints for the implementation of initiatives emerging from grass-roots organizations explicit. Many innovations were produced by the working class in the environment provided by the Allende government which actually encouraged them.

Thus, in practice, planning became the difficult art of balancing and coordinating the working class's freedom of initiative in its multiple expressions with the government's central purposes and long-term perspective. Planning provided the instrument for integrating these particular expressions into the coherent framework of the long-term objectives, reformulating these objectives if necessary.

The planning tasks were made more difficult by the coordinated counter-planning and action of the opposition forces. The Chilean dominant class controlled Congress and had the support of the Judiciary, the Comptroller General, most of the Armed Forces officer corps, the organizations of the petty-bourgeoisie such as truck owners and small store owners, plus the U.S. government, and the multinational corporations that had investments in Chile. The Chilean dominant class and its foreign al-
lies realized that the success of the Allende Administration implied the end of the traditional social system that had been built for their own benefit. Together they first tried to impede the working class from gaining access to the Executive control, and later used all means to deviate or stop the Allende government from achieving its objectives.

With the planning of CIA "technical" assistance, they developed two tracks of action.

They used their control of Congress, the Judiciary, and the Comptroller General to impose paralytic legal restrictions and controls on the actions of the Executive. They used their economic power in a series of attempts to paralyze the economy of the country, and they employed their publicity as a means of creating an image of incompetence and economic chaos to discredit the Allende Administration.

Ever since the 1970 elections, they were conspiring to produce a military coup. In their second plan of action, they carried out many terrorist attacks, first to obstruct the access of Allende to the presidency, and later to overthrow his government.

Despite all these obstacles and difficulties, the organizations of workers and the State agencies of the Executive under the Allende Administration were able to fulfill most of the stated goals of the U.P. Program by completing the agrarian reform, nationalizing the copper, nitrate and coal mines, and organizing the Area of Social Ownership, including many large industries, almost all the private banks, and several large distributing firms. They also started to organize a new structure of production that encouraged active participation of workers in the decision-making of the Social Area.
After the Chilean dominant class and its foreign allies failed to stop the Allende government and the progress of the working class through the use of their political and economic power, the only resource left to them was the military. But Allende was able to maintain constitutional loyalty of a small but important group of officers. Because of this, the military plot failed on three occasions. Only when the loyalist group of officers was displaced or assassinated could the counter-revolution eventually succeed. The counter-revolution took place on September 11, 1973, killing Allende and a great number of workers and destroying the democratic regime.

After the counter-revolution, a group of economists, known as the "Chicago Boys" because of their training at the University of Chicago and their fidelity to the ideas of Milton Friedmann and Arnold Harberger, assumed the main policy-making positions in economic and social affairs. Helped by the military repression of the working class, they destroyed the Social Area of the economy and restored the control of the Chilean oligarchy and the multinational corporations over the Chilean social structure.

The planning system still formally exists, but it has been reduced to little more than an information service which provides figures for the propaganda of the dictatorship. Any attempt to make independent social or economic research, or even to use the same official figures to criticize the government is repressed. Many Chilean planners (including this writer) were forced to emigrate, and those remaining in the country have difficulties finding work because the military regime is hard on any manifestation of independent thinking.

To the casual observer, the electoral campaign for the presidential elections of 1970 could appear as a repetition of the 1958 campaign. The same three parties -- the Right, the Left, and the Christian Democrats -- two of the same candidates -- Salvador Allende and Jorge Alessandri, and platforms which expanded the same basic positions of the participant forces.

However, there were some fundamental differences between the two elections and the conditions in which the campaign took place had changed drastically since the previous occasion.

Both the Right and the Christian Democrats had already enjoyed the opportunity to apply their ideas in practice; and they had failed. This failure had resulted in economic stagnation and social tension. This was reflected by the growing number of labor conflicts, the occupations of lands by peasants, the formation of extremist armed groups of Right and Left who carried out terrorist actions, and the rebellion of the military in the "Tacnazo" of October, 1969. (See Chapter IV)

The Left had continued to grow in the electorate and appeared the big winner of the 1969 congressional elections. In addition, the internal contradictions of the two large political parties of the Centre -- Radicals and PDC -- in 1969, led to the division of both in Left-leaning and Right-leaning factions which split to join other forces. In the case of the Radical Party, the Leftist faction took control of the party and expelled the leaders of the right wing who formed a coalition with the Right. In the Christian Democratic case, it was the left wing which split to enter the coalition of the Left.
There were also some important changes in the international scene which had an impact on Chile. In the United States, the liberal rhetoric of the Alliance for Progress had been replaced by the "realpolitik" of Nixon and Kissinger. The strategy of pushing for structural reforms had been abandoned in favor of a new support of the Latin American status quo and the military dictatorships which helped to maintain it under the doctrine of "national security".

By contrast, the Catholic Church, after the Second Vatican Council, was postulating a new position, separate from its traditional ties with the dominant class. In the 1968 Latin American Bishops Conference (CELAM) in Medellin, Colombia, the Church officially denounced the "extreme inequality among social classes", and decided that the place of the Church was to follow the Gospel and side with the poor. (Document on Peace)

The Medellin Conference also developed two theses which had very important consequences on Latin American politics ever since.

1) Not only individual human beings may generate injustice, social structures may also generate and maintain injustice, "oppressive structures which emerge out of the abuse of having, of the abuse of power, of exploiting the workers, of unjust dealings..." (Document on Justice)

2) Oppressive and unjust social structures constitute "institutional violence". Revolutionary violence is only a second moment, a response to institutional violence. Thus, to achieve peace and justice, it is necessary to make urgent, comprehensive and deep changes in the social structure of Latin American countries. (Document on Peace)

These two theses generated a strong interest for the new "theology of liberation" and, in practical terms, changed the political situation of the Christian Left. Until then, Christian leftists were directed by
the Church to generate alternative movements and programs to those sponsored by Marxists, and the Right was able to neutralize them by appealing to the strong anti-communist stance of the Catholic Church. Now the Medellin Conference appeared to legitimize potential strategic alliances between Christians and Marxists for common programs of social change.

(McGrath, 1973, pp.86-87)

The new position of the Church led the Christian Democrats in Chile to abandon their efforts of organizing labor unions parallel to those controlled by Socialists and Communists, and to integrate those labor unions into the central organization (CUT). It also facilitated the participation of Catholics in the new coalition of the Left, organized in 1969.

(Stallings, 1978, p.115)

After the congressional elections of 1969, the political forces regrouped to prepare for the 1970 campaign.

Frei and his faction within the PDC, tried to reach an agreement with the Right to repeat the situation of 1964 in a joint Christian Democrat-Right candidacy against the Left. After their strong recovery in the congressional elections and based on the results of some public opinion polls, the politicians of the Right had reached the conclusion that a new candidacy of Jorge Alessandri would be successful in a field of three, and that since the Christian Democrats would be forced to vote with the Right anyhow, no previous agreement was necessary. (Stallings, 1978, p.115)

On their side, the Rebel faction of PDC failed to convince the entire party of the benefits of a coalition with the Left. They also were not helped by the Left, which was openly reluctant to enter into an agreement with the Christian Democrats for reasons similar to those of the
Right. (Stallings, 1978, p.115; Sigmund, 1977, p.79)

In May, the Rebel faction of PDC split to organize their own movement (MAPU). In June, the Radical Party decided to approach the Left, elect a new Directive and expel its more conservative elements. In September, 1969, a "Popular Unity" Congress was called to design a platform and to select the candidate of the Left for the elections of 1970. (Roxborough, 1977, p.65; Sigmund, 1977, pp.88-89)

In the meantime, the Right had started their campaign without a formal declaration of candidacy but with the clear purpose of supporting Jorge Alessandri. Public opinion polls pointed to him as the potential winner in 1970, but the age and health of the former president were not up to the requirements of a long campaign. However, the military revolt, led by General Viaux in October of 1969, (Taczano) demonstrated that some sectors of the Right favored a military coup, and Viaux appeared as a potential substitute for Alessandri. This forced Alessandri to anticipate the proclamation of his candidacy in November of 1969.

Making use of the most important means of mass communication controlled by the dominant class, the campaign of Alessandri had been, until then, a carefully paced and orchestrated campaign, based on the well-known marketing techniques of appealing to the emotions of the public. The basic theme of the campaign was order and security under the slogan, "Alessandri is tranquility for tomorrow". The other candidates represented violence and chaos. Alessandri, in his propaganda, was "El Paleta", a firm and solid man. This contrasted with the undecided and demagogic Christian Democrats and the terror and violence of the Left. "Alessandri will come back", said the publicity, and with him the country will return to "normalcy" and peace. (Feinberg, 1972, p.83)
The anticipated proclamation of Alessandri as a consequence of the Tacnazo was disastrous for his campaign. It forced the ex-president to expose his age and ill-health and demonstrated that the extreme Left did not have a monopoly on political violence. This was the first presidential election in which television was a factor. Unfriendly cameramen were able to show Alessandri as a very old man whose hands trembled at the same time that he spoke about the necessity of a strong government for Chile. (Sigmund, 1977, p.102; Feinberg, 1972, p.82)

The image was further destroyed by the increasingly violent opposition of the Right to the agrarian reform. Armed "white guards" tried to intimidate peasants and government officers and clashed with peasant organizations. One of these gangs, under the leadership of Gabriel Benavente, a latifundio owner of the province of Linares, shot and wounded an INDAP official, and later entered the local offices of the Agrarian Reform Corporation (CORA) and killed the Regional Chief of CORA, Hernan Mery, while Mery was proceeding to formally expropriate Benavente's estate. When the killing of Mery was debated in Congress, Victor Carmine, a Deputy of the National Party, shouted, "This is only the first death". He was expelled from the National Party, but the Right's claim of being the lonely defenders of law and order was discredited. (NACLA, 1972, p.68; Sigmund, 1977, pp.98-99)

The Tacnazo also had the impact of unifying the Left by facing its leaders with the actual possibility of a rightist military coup. Since 1964, Socialists and Communists had divided in matters of strategy. The Communist Party sustained a "wide front" strategy. They wanted to expand the existing coalition of the Left (FRAP) to incorporate the "progressive elements" of the bourgeoisie and petty-bourgeoisie, meaning
Radicals and Christian Democrats. However, the Socialist Party rejected this approach based on past experiences and repeated a popular saying, "the Left wins the elections and the Right wins the government". They considered that an alliance with the Radicals or Christian Democrats would be for the benefit of the dominant class, not the workers. (Sigmund, 1977, pp.71-72; Roxborough, 1977, pp.63-64)

Moreover, a growing segment inside the Socialist Party was rejecting the possibility of real social change through the electoral process. A group of these Socialists left the party in 1965 to form the Revolutionary Left Movement (MIR) which sustained the inevitability of armed struggle for the revolution.

In 1967, the most radical faction within the Socialist Party took control of the party under the leadership of Carlos Altamirano, but they could not stand the combined pressures of the "anti-dogmatic" elements inside the party, led by Salvador Allende, and the Communist Party on the outside, so acceded to participate in the Popular Unity Congress of September, 1969.

Carlos Altamirano, himself, was able to evaluate the danger of a military coup through a personal interview with General Viaux during his rebellion in the Tacna quarters. After that interview, the radical faction of the Socialist Party was convinced that the conditions were not favorable for a strategy of armed struggle and decided to support the electoral way again. (Feinberg, 1972, pp.107-108; Stallings, 1978, p.120)

Apart from the Communists, Socialists, Radicals and MAPU, the Popular Unity Congress invited representatives from two small groupings of former supporters of Ibañez, the Independent Popular Action (API), led by Senator Rafael Tarud who had good relations with the Arab community
in Chile and with small store owners, particularly in provincial towns; and the Social Democratic Party (PSD) of a similar base. (Roxborough, 1977, p.65; Sigmund, 1977, p.79)

The Popular Unity (UP) Congress debated three major issues; the organization of the UP coalition; the platform for the 1970 elections; and the selection of the UP candidate for the elections.

In matters of organization, the collective character of the UP was emphasized. The selected candidate would accept the platform and, if elected, would serve as head of a multi-party government with a political committee of the UP as consultant on government policy matters. To avoid the formation of individual zones of influence by party, no single party would have control of any particular branch or service of the public administration. Ministries and high government positions would be assigned according to a formula which would insure the participation of all the parties in all the areas of government. For the campaign, Popular Unity Committees (CUP) were established all over the country as seeds of more permanent grass-roots organizations and as instruments for electoral propaganda. (Roxborough, 1977, p.65; Feinberg, 1972, p.116)

After the agreement on the organizational scheme, and on a basic program of government to be presented as platform for the electoral campaign, the discussions extended for almost two months on the question of the candidate.

The Radical Party was uneasy because of its weak position in relation to the two large working class parties, and tried to maintain the possibility of a candidacy of someone other than a member of the Communist or Socialist Parties. At the beginning, every party proposed one of their own leaders as a candidate, but soon most of them were retired leaving
only the leader of API, Rafael Tarud (supported by PSD and the Radicals) and Salvador Allende for the Socialists, with the support of the Communists and MAPU. Finally, all parties agreed on the candidacy of Salvador Allende in the early days of January, 1970. (Roxborough, 1977, p.67; Sigmund, 1977, p.91)

Both the Right and the Left perceived the electoral campaign as a classic confrontation along class lines, but the age of Jorge Alessandri and the violence of the Right opened the opportunity for the Christian Democratic candidate, Radomiro Tomic, to become a genuine third alternative and not only the standard bearer of the party faithful.

Tomic demonstrated a good campaign and introduced two new ideas in Chilean politics, within a progressive platform akin to the UP Program. They were his identification with the "Christian Left", and the proposal of "autogestion", or worker's enterprises under self-management, to replace the capitalist structure of production. (Feinberg, 1972, pp.98-99)

Tomic was able to raise his possibilities from the low standing he had in the polls at the beginning of his campaign to a respectable competitor at the end, but he was unable to overcome the negative image of the government and the internal divisions of the Christian Democratic Party. However, the division of the dominant class between two candidates was enough to allow the victory of Allende, in spite of the public opinion polls which indicated Alessandri as a sure winner. On September 4, 1970, Allende obtained 1,070,334 votes, or 36.2% of the total vote. Alessandri obtained 1,031,159 votes, or 34.9% of the total, and Tomic had 821,801 votes or 27.8%. (Stallings, 1978, p.243; Roxborough, 1977, p.69)

According to the Constitution, since none of the candidates obtained an absolute majority of the popular vote, Congress had to decide between
the two highest voted candidates in a special joint session, within 50 days of the popular election. Whenever this happened in the past, Congress had followed the tradition of choosing the candidate with the highest plurality to be president, without too much uncertainty, in most of the cases.

But in the case of Allende, the intermediate period between the popular election and the confirmation by Congress, was full of events that anticipated the struggle of the Allende Administration, defining the participant forces and settling the scenario before it was formally inaugurated. On one side, the dominant class with its foreign allies, were determined to maintain their control of the Chilean social structure, even if this implied destroying the political regime of representative democracy and the rule of the law which was traditional in the country. On the other side, the working class organizations achieved control of the Executive through the democratic regime, and attempted to use this basis to eliminate the supremacy of the dominant class and its foreign allies in the country, and to substitute the traditional regime for a socialist one.

The regrouping of forces started immediately after the September 4th elections. While Tomic, as defeated candidate and leader of the progressive wing of the PDC, visited Allende to concede his victory, politicians of the Right were approaching the more conservative elements of the PDC whose leader was President Frei, to obtain their support in Congress for Alessandri. In Congress, the Left had 80 votes and the Right had only 45 out of the total of 200 members of the two chambers. Thus, the 75 votes of the Christian Democrats were essential to decide the election of the new president. (Sigmund, 1977, pp.110-111)
On September 13, Allende replied in a public rally threatening with a general strike which would paralyze the country if the workers were deprived of their victory.

In the meantime, the U.S. government was studying the Chilean situation via communication with the multinational corporations that had investments in Chile, particularly ITT. In a meeting of the "Forty Committee" on September 14, the U.S. authorized "a massive anti-Allende campaign, involving propaganda and economic pressure", including the designation of $250,000 as a contingency fund for any covert operations, such as bribing Chilean congressmen, deemed important by the Frei team. (Sigmund, 1977, p.113)

The same day, the Directive of the Christian Democratic Party found a solution to the internal conflict between the Christian Democrats willing to vote Allende, and President Frei and his group opposing it. Negotiations with the UP to support Allende in Congress would begin if the Left accepted the introduction of a "Statute of Constitutional Guarantees" as an amendment to the Constitution, to bind the Allende Administration to maintain the pluralist regime of representative democracy. (Sigmund, 1977, p.120)

The economic pressures authorized by the Forty Committee and the legal ties imposed by the Statute of Constitutional Guarantees, are two good examples of the actions of the U.S. government and the Chilean dominant class to control and stop Allende by "legitimate" means. These were grouped later by the CIA under the denomination "Track I".

But on September 15, another set of actions was started under the CIA denomination of "Track II". This consisted of clandestine operations to subvert the legal regime and combine with the more peaceful means of
Track I to precipitate the "natural" demise of the government of the working class, or to stop the process altogether through a military coup as happened finally in 1973. (Thomas Karamesines, in U.S. Senate, 1975, p.254)

After the election, many members of the oligarchy ran to the banks and left Chile, scared of the prospect of a Leftist government. But some of the early emigrants had other motivations. Agustin Edwards, proprietor of *El Mercurio* and President of the Edwards Bank, and the soft drinks and beer monopoly, "Cervecerías Unidas", left the country and became a high executive of Pepsi Cola Corporation in the United States. In a paradoxical role, he was dealing with Soviet Union officials for the installation of the Pepsi-Cola franchise in that country and simultaneously lobbying in Washington to mobilize the Nixon Administration against the "Communist" Allende.

On the morning of September 15, Edwards, accompanied by Don Kendall, President of Pepsi-Cola and personal friend of Nixon, had a breakfast meeting with Henry Kissinger and John Mitchell. Later that same day, Nixon, Kissinger and Mitchell discussed the ways to "save Chile" with Richard Helms, Chief of the CIA. Helms was given orders to plan a military coup, if necessary, "to prevent Allende from coming to power or to unseat him". (U.S. Senate, 1975, pp.227-229)

Following these instructions, the CIA and the Military Attache of the U.S. Embassy in Chile contacted potential participants for a coup and helped organize a group of Chilean military officers and civilians for that purpose. Thus, at the same time that the PDC and the UP were negotiating the constitutional guarantees, the CIA and the U.S. Ambassador, Walter Korry, were preparing a military coup to stop the constitutional
process before the joint session of Congress elected the new president.

The plan involved the creation of a favorable environment for military intervention by deepening the economic crisis already produced by the situation during the last years of the Frei Administration. President Frei would resign under pressure by the military, a new election would be called, and Frei could be elected again. To eliminate potential obstacles, General Camilo Valenzuela, the principle conspirator, planned to have the four higher ranking Army chiefs abducted so that he could assume the rank of Commander-in-Chief of the Army. (U.S. Senate, 1975, p.234; Sigmund, 1977, p.112)

The conspiracy included the Chief of the National Police, General Vicente Huerta, the Commander-in-Chief of the Navy, Admiral Hugo Barrios, and of the Air Force, General Carlos Guerraty, and a group of officers of lesser rank. Parallel to the military in active duty, the ex-General Viaux, directed a group of civilian conspirators, among them Senator Raul Morales and members of the fascist organization "Patria y Libertad" (Fatherland and Liberty). (Sigmund, 1977, pp.120-121; U.S. Senate, 1975, pp.234 & 239)

The first stage of the plan took place as scheduled. On September 23, the Minister of Finance, Andres Zaldivar, gave a speech, publicized over a national television and radio network, in which he painted the economic crisis in the darkest terms. The next day, "Patria y Libertad" held a rally in Santiago during which its leader, Pablo Rodriguez, called to defend the freedom of Chile "with our lives if necessary". After the rally, his organization engaged in a series of terrorist bombings, while it was receiving financial assistance from the CIA. (Sigmund, 1977, pp. 116-118)
But President Frei was undecided in spite of the pressure of the United States Ambassador, and was "double-dealing to preserve his own stature and image as the champion of Latin American Democracy", as the ITT agents put it. Therefore, the negotiations between the Christian Democrats and the UP continued, until finally, an agreement was reached and Congress was sent the project of constitutional guarantees on October 8, (Sigmund, 1977, pp.116-119)

The constitutional guarantees did not contain anything that was previously declared by Allende or the UP. However, they were calculated by the Christian Democrats to impede the formation of any kind of popular militias or grass-roots organizations, different from the already, legally established Armed Forces or neighborhood councils. They also restricted any attempt to change the existing situation on controlling the means of mass communications, the statute of the political parties, or the educational system, In short,

the Christian Democrats sought to buttress, with constitutional amendments, Chile's existing political system against the incoming Allende Administration's plans for a new institutional regime.

(Loveman, 1979, p.332; See also Sigmund, 1977, p.119)
The agreement on the constitutional guarantees deprived the Frei faction of the Christian Democratic Party of their arguments against voting in favor of Allende in Congress, and increased the pressure on the coup plotters.

In addition, the Commander-in-Chief of the Army, General Rene Schneider, made public his position to support the Constitution and communicated this position to the United States Military Mission in Chile. Even though General Schneider was not sympathetic to Allende, nor to socialist ideas, he had expressed his support of the Constitutional process, whatever its results may be, in an interview with the very important daily publication, El Mercurio, before the elections.

After the elections, he went to visit Allende with two other general and reported the events of this visit in a speech to the Army's Polytechnical Academy on October 15. According to General Schneider, Allende had given him assurances that he would "remain within the bounds of the Constitution and the laws", and that his program of change would "not pose a threat to our Western, Christian way of life". He also agreed with Allende that a government like his was the only government that could "prevent a violent and tragic people's insurrection from exploding." (Rojas, 1976, p.72; U.S. Senate, 1975, p.234)
These agreements with the Christian Democrats and with the Army were, no doubt, constraining for the future action of the Allende Administration, but appeared to pave his access to the presidency. However, the conspirators went ahead with the planned coup.

On October 18, General Valenzuela reported to the U.S. Military Attache that everything was prepared. That same day, the CIA provided arms, ammunition, and gas grenades, sent from Washington by the diplomatic pouch, to the Chilean officers of the Army and Navy who had requested them. On October 19 and 20, two attempts were made to kidnap General Schneider but failed because the general changed cars and lost his pursuers in the traffic of Santiago. During the third attempt, made the morning of October 22, General Schneider resisted the aggressors, and was shot by them in his car.

Schneider did not die immediately, but three days later in the military hospital. This situation probably caused confusion for the conspirators. While the bulk of the Armed Forces rallied to support the new Commander-in-Chief, General Carlos Prats, whose constitutional ideas were similar to Schneider's, the conspirators failed to act. (Sigmund, 1977, pp.122-123; U.S. Senate, 1975, pp.245-247)

The same day of the attack on General Schneider, the Senate gave final approval to the constitutional guarantees in a session which Salvador Allende gave a farewell speech to the parliamentary body of
which he had been a member for twenty-five years. He described the constitutional guarantees as a "moral commitment". (Sigmund, 1977, p.119)

Thus, the period between the popular election and the confirmation by Congress defined the terms and the participant forces for the struggle which followed. The traditional legal formalism of the country and the blunders of the conspirators allowed Allende to assume the presidency. Tied by agreements with the military and the Christian Democrats, his administration was constrained and had to strictly submit to the Constitution and the law. But the Chilean dominant class and its foreign allies did not feel as compelled to submit to the same legal and constitutional rules in their efforts to "destabilize" the Allende government.

The working class achieved access to the Executive, but suffered the hostility of all the other branches of the Chilean State. The Judiciary demonstrated its negative attitude very soon, when the Supreme Court refused to grant the authorization required to indict Senator Raul Morales for his participation in the assassination of General Schneider. For some time, the progressive wing of the Christian Democrats maintained the independence of their party from the Right, but after a while PDC was controlled by the Frei faction and made a common front with the Right to organize an opposition majority in Congress.

In the same way, the Armed Forces were, for some time, under the control of the "Constitutionalist" faction, and allowed the sacrifice of the conspirators as scapegoats. But no independent investigation of the attempted coup was authorized to uncover the whole network of officers involved, their relations with the CIA and the U.S. Embassy, nor the involvement of President Frei's team. Only the publication of the ITT Papers by Jack Anderson, in March of 1972, opened the possibility of exploring
those relations, and at this late time, the impact of the revelations was very different than an earlier exposé would have been. (Sigmund, 1977, p.169; Boorstein, 1977, pp.183-184)

In the ensuing struggle, the dominant class was able to mobilize a large share of the State together with the financial and productive resources it owned. The traditional organizations such as SOFOFA and CPC, the professional "Colegios" and political parties of the Right, and the conservative factions of the Radical and Christian Democratic Parties were involved. Also obtained was the support of the "gremios" or organizations of the petty-bourgeoisie such as truck owners or small store owners. In addition, the Chilean dominant class had the financial assistance of the U.S. government and of the multinational corporations which had investments in Chile, and included the "technical" assistance and planning of the CIA.

The working class mobilized the labor organizations and the parties of the Left, including the left-wing factions of the PDC and Radicals, but the 600,000 members of labor unions in 1970 were only 30% of the salaried workers. In addition, the Allende Administration, once in control of the Executive, could make use of the legal and financial resources of the State to implement the UP Program, and had some technical and financial assistance from Socialist countries, although not in the volume and depth of the assistance provided to the dominant class by its foreign friends. The participation of Chilean planners and planning in this struggle will be analyzed in the following sections of this chapter.

2. The UP Program and Planning.

Allende was confirmed by Congress on October 24 and General Schneider died the following day. The formal inauguration took place on November
3, 1970. Less than three years later, on September 11, 1973, the body of President Allende was carried out of the destroyed Presidential Palace, where he died in defense of his regime against the military counter-revolution. The period in between, as described by Barbara Stallings, is "I never completely understood what Marx meant when he talked about class struggle, until I found it here in the streets." (Stallings, 1978, p.viii)

The basic program of the UP was a didactic document which repeated some key concepts again and again to dispel any doubts about their true meaning. Even though its language was political, and purposely avoided the use of technical jargon, its structure was a very familiar one for planners. After an analysis of the Chilean situation, a general objective was stated and several policies and programs were designed to achieve that objective. (English translations of the UP Program are included as annex to NACLA, 1972, and Feinberg, 1972, from where the following quotations were taken)

The analysis of the Chilean situation was contained in the Introduction.

Chile is living a profound crisis which manifests itself in social and economic stagnation, in general poverty, in the injuries of every sort suffered by workers, peasants and other exploited sectors. But, Chile's problems can be solved. Our country contains vast riches. ... Moreover, the Chileans possess the will to work and progress, and have technical and professional capabilities.

The Program continued,

What has failed in Chile is the System. Chile is a capitalistic country dependent on imperialism and is dominated by sectors of the bourgeoisie who are structurally linked to foreign capital ... For a few, the daily sale of a portion of Chile is a very lucrative business. Making decisions for the rest of the people is what they do every day. For the vast majority, on the other hand, the daily sale of their effort, intel-
ligence and work is a disastrous business, and this majority is still, in large part, denied the right to decide on its own destiny.

But the introduction also states that this situation is not a static one.

The development of monopolistic capitalism halts the expansion of democracy and exacerbates anti-popular violence ... as a consequence of the expansion of world capitalism, the submission of the national monopolistic bourgeoisie to imperialism increases progressively ... These dependent bourgeois are unable to solve the fundamental problems of the country, problems which arise precisely from their class privileges that they would never give up voluntarily.

This was the main argument of the UP against Alessandri, "the candidate of the rich", but the Introduction included the rejection of the Christian Democratic position.

The reformist and developmental (desarrollista) solutions that the Alliance for Progress encouraged and the Frei government made its own, have not succeeded in changing anything of importance ... reformism is incapable of resolving the people's problems.

At the end of the Introduction, the Program formulated its own basic objective.

The only alternative that is truly in the interest of the people - and therefore the fundamental task for the People's Government - is to end the domination of the imperialists, the monopolists and the landed oligarchy, and to start the construction of socialism in Chile.

After the Introduction, the UP Program was divided into four major parts:

1) A political and institutional program which contained three sections, "On People's Power", Extending Democracy and Workers' Conquests", and "A New Institutional Order, the Popular State".

2) An economic program in two parts, "The Construction of the New
Economy", and "Economic Development Policy".

3) A social program which included two parts, "Social Tasks" and a policy for "Culture and Education".

4) "The International Policy of the People's Government".

The headings of the different sections of the program point to its comprehensive nature. In fact, the diagnosis made clear that the system had to be changed as a whole, and therefore, the transformation of the Chilean society had to include its economic, political and cultural elements.

For the UP it was clear that the conquest of the presidency was not enough to insure the transfer of the power of the dominant class to the workers. A total change was needed in the nature and functioning of the State. The property rights over the means of production and the mode of production, the system of education and the means of cultural expression, and the relations between the country and the rest of the world, also had to be changed. However, the control of the executive power was conceived as an instrument to start these changes because of the prominent role of the presidency in the State machinery and because of the prominence of the State in the country's activities of every order. (Roxborough, 1977, p.72)

Perhaps the most important item of the UP Program was the creation of an "Area of Social Ownership", which would constitute the dominant nucleus of the new economic structure and replace the existing concentration of economic power in few monopolies and foreign enterprises. The UP considered that the base of the power of the dominant class and the foreign capitalists associated with it was the concentration in the ownership of the means of production. Therefore, the first step in the con-
struction of the new economy, was to transfer such ownership to the State and to the workers through deepening and extending the agrarian reform, and through expropriating and nationalizing the monopolies and strategic resources. According to the program these included:

1) The large mining companies of copper, nitrate, coal and iron;
2) The country's financial system, especially private banks and insurance companies;
3) Foreign trade;
4) The great distribution enterprises and monopolies;
5) The strategic industrial monopolies;

And, in general, all the activities required for the country's social and economic development.

But the UP was not willing to build the new economy as a kind of State capitalism, changing the traditional bosses with public employees but maintaining everything else the same. On the contrary, the UP Program and Allende made clear that parallel to the construction of the new economy, was the building of a new institutional order. As Allende said shortly after his inauguration,

I know that the connotations of the word "state" causes a certain apprehension. The word has been much abused, and it is often used to discredit a just social system. Don't fear the word state because you, all of us, form part of the state, of the people's government. Working together, we should improve it and make it efficient, modern, and revolutionary ... Much has been said about the people's participation, and this is the time to put it into practice. All Chileans, of any age, have a task to fulfill.


In fact, two themes are common to all the sections of the UP Program, people's participation and planning.
The political section of the Program explained,

The new power structure will be constructed from the grass-roots, by a process of democratization at every level and an organized mobilization of the masses ... the unions and social organizations of the workers ... will be called to participate in decision-making at the appropriate levels in the institution of power.

This participation was to be the source of the government strength, contrary to the concept of the oligarchy and imperialism who equate power with the coercion of people.

In the same political section, the theme of planning was introduced and related to the participation issue.

The Popular Government will immediately undertake a real administrative decentralization, which combined with a democratic and efficient planning will eliminate bureaucratic centralism, replacing it with a coordination of all State agencies ... In the Popular State, the instruments of economic and social policy will constitute a national system of planning, they will be of an executive nature and their mission will be to direct, coordinate and properly order the State action ... Workers'organizations will have a fundamental participation in the planning system.

This was repeated in the economic section of the UP Program.

In the new economy, planning will play an extremely important role. The central planning organizations will be at the highest administrative level and their democratically generated decisions will have an executive character.

In his first "Message to Congress", delivered on May 21, 1971, Allende repeated the same concepts.

The establishment of the area of social ownership does not signify the creation of a system of state capitalism, but the beginning of a truly socialist structure. The social area will be managed jointly by the workers and by representatives of the state ... The general criterion to define the socially owned area is the necessity of conceiving it as one single integrated unity, capable of generating all its potentials ... This implies the immediate establishment of a planning system with real power to allocate economic surplus to the different sectors of production ... Our transitional regime does not
consider the existence of the market as the only regulators of the economic process. Planning will be the main guide for the productive processes.

(Allende, 1973, pp.159-166)

Allende inherited the national planning system, created by the Frei Administration, in which the National Planning Office served as advisory to the President himself, and the Sectoral Planning Offices were advisory to the Ministers. They were influential, as their proximity to the decision-making sectors allowed them to be, but under Frei, they were unable to control those centers and the autonomous development agencies of the State. In any case, their goals and programs had an "indicative" character for the private sector, which maintained the control over the most strategic economic resources and activities. (See Chapter IV)

With Allende, the planning system became the center of the State executive organization and had to change its character to serve the purposes of the UP Program. In fact, at the beginning, the planners in the Allende Administration were given three basic tasks: 1) to design the mechanisms by which the participation of workers would be integrated into the decision-making process; 2) to give technical assistance in the construction of the Social Area by identifying the private activities which should be incorporated into the Area and by organizing those already incorporated into a unified system; and 3) to adapt the organization of the State, which had been created to support the traditional capitalistic, dependent system, to play an active role in partnership with the workers' organizations in the construction of a new socialist system.

In the process of implementing these three basic tasks, two others emerged to be incorporated into the role of the planners. They were 4) the integration of the social and technical innovations generated by
the participation of the workers into a unified framework, avoiding the 
fragmentation of the process and reducing the inefficiencies resultant 
from autonomous and independent local initiatives, and 5) the development 
of devices to reduce the negative impact of the subversive counter-plan-
ing of the Chilean dominant class and its foreign allies.

Planners, for the most part, were working simultaneously in all of 
the five tasks. The complexity of the role and the identification of the 
planning work with the government action in the construction of a new so-
cial system, required a total commitment to their work, by the planners.

As mentioned previously, planners, during the end of the Frei Admini-
stration, had divided into three groups, the third of which, integrated 
mainly by the junior personnel of planning offices, felt that they had an 
ethical commitment to economic development and structural change. The 
Frei Administration, which initially had expressed the same commitment, 
had changed to conservative policies after 1967. For this reason, this 
third group of planners supported the UP in the 1970 campaign and formed 
the nucleus of the planning staff of the Allende Administration. They 
provided continuity in the planning system while most of the planning 
chiefs of the Frei Administration went to work for international agencies 
or for the Chilean universities.

Actually, two of the most influential members of the first cabinet 
of President Allende, the Minister of Economy, Pedro Vuskovic, and the 
Minister of Agriculture, Jacques Chonchol, were trained in planning.

In 1969, Vuskovic was elected Director of the Institute of Economics 
of the Universidad de Chile. Shortly after the UP Program was adopted 
by the political parties of the UP coalition, he and a group of the in-
itute members started studies about the specific means of implementing
the program. These studies were based on the extensive research that had been done since the professionals of the Left had prepared the programs of ODEPLAN during the 1964 presidential campaign.

The group expanded with members of other university schools and some Leftist professionals working for the government agencies. In mid-1970, they had a general meeting in El Quisco (a resort near Santiago), which was inaugurated by Allende himself. This was formally a technical group of experts. The political parties were not represented officially, even though the professionals affiliated with the diverse parties served as links to them. But the leadership of CUT participated actively in it. (P. Garcia, in Gil et al., ed., 1979, p.166)

After the meeting of El Quisco, several working permanent commissions were organized to design the specific measures to be taken for the implementation of the UP Program, under the coordination of Pedro Vuskovic. These commissions studied the definition of criteria and the legal means of including foreign-owned and monopolist firms in the Social Area of the economy, elaborating a preliminary list of 140 such enterprises. They also studied the necessary reorganization of the State agencies (CORFO in particular) and designed the draft of the mechanisms to be installed for the workers' participation in the administration of the nationalized enterprises and in the general process of socio-economic planning of the government. (P. Garcia, op.cit., pp.166-167)

After the victory in the popular election in 1970, and before the confirmation of Allende by Congress, Pedro Vuskovic was officially designated economic coordinator with the government. He was also given the specific task of designing the emergency short-term policies necessary to respond to the economic crisis induced by the Chilean dominant class
and its foreign allies in their efforts to stop Allende from assuming the presidency. The working commissions were expanded with representatives of the political parties, and became specialized organs of the UP coalition which served as policy-setting bodies for the different sectors. (Idem., id., id.)

According to the UP Program, after the inauguration of Allende, planners and planning were placed at the center of the activities of the government, and the pre-election preparations helped to make the implementation of the program easier. However, that preparation could not eliminate the big obstacles that had to be overcome, nor the paucity of resources available to the Allende Administration.

The choice of the electoral and legal means for revolutionary changes, the so-called "Chilean (or Second) Way to Socialism", was a practical necessity, not an ideological imperative. Given the objective conditions of the country, the Left was helped by the traditional myths about the Chilean democracy and respect for the law, but this help had a price. Elections were the means by which the UP obtained control of the Executive, and the UP expected that the actions of the Allende Administration were going to expand and strengthen its electoral base as they did. But the electoral way required a response to the immediate expectations of the voters, which implied a conflict between short-term requirements and long-term policies. (Roxborough, 1977, p.74)

On the other hand, the attachment to the Constitution and the existing laws would insure the response of State employees, in spite of their traditional tendency to give preferential treatment to the dominant class, and could also maintain the "neutrality" of the military. However, while the existing legislation granted extense powers to the Executive, it had
been designed to maintain and serve the established system, not to change it. Congress, which had to dictate new legislation, and the Judiciary and Comptroller General, which interpreted the existing one, were controlled by the opposition. Therefore, the use of the existing legislation for the implementation of the UP Program was necessarily restricted.


For this reason, the strategy of the UP coalition was one of gradualism. In a first move, the existing legislation was to be used to the limits of its potential to implement the program. It was expected that the results of this implementation would increase the electoral support of the government as much as necessary to change Congress and dictate new legislation for further advance toward the basic objective.

(Roxborough, 1977, p.74; De Vylder, 1976, pp.36-37)

In the following sections of this chapter, the means used by the Chilean planners to implement the UP Program will be analyzed as well as the impact of the implementation. Particular reference will be given to the economic development of the country, the changes suffered by the labor unions and the political parties, the counter-planning of the Chilean dominant class and its foreign allies, and the new tasks which all these impacts generated for the planners.

3. The Implementation of the UP Program.

The events that took place between the popular election and the confirmation of Allende refined the definition of some of the constraints for the implementation of the UP Program described above, and added a new one which was not expected at the time of the UP Program formulation.

The agreements with the Christian Democrats and the military reinforced the necessity for the UP to work within the established legal and
constitutional rules as it has been predicted when the Left had chosen the electoral way. But the economic crisis precipitated by the flight of scared members of the oligarchy and accentuated by the conspiracy of the attempted coup, was a new problem that could not have been predicted and needed a solution.

The Left was not prepared to make use of the same economic depression to accelerate the State's takeover of the main productive activities to organize the Social Area of the economy, which was the first priority of the economic program, nor was the UP sure that the military would accept such an action. In the uncertainties which involved the confirmation by Congress and inauguration of President Allende, such anticipated implementation of the UP Program appeared very difficult in practice and politically dangerous.

Thus, the priorities were altered. In the original structuralist view of the UP Program, the changes in the structure of production by the formation of the Social Area would result in a gradual distribution of income in favor of the working class. This redistribution was anticipated in order to reactivate the economy through the resultant increased demand. A group of economists and planners under the direction of Vuskovic, prepared in the midst of the economic depression, a plan for the new government's first economic measures in a document dated October 19, and entitled "Orientaciones Basicas del Programa Economico de Corto Plazo" (Basic Orientations of the Short-Term Economic Program). As explained by Pedro Vuskovic,

The short-run economic policy can, in very general terms, be characterized as a policy of economic re-activation based upon an income redistribution.

(De Vylder, 1976, p.53; Roxborough, 1977, p.79)
The means utilized for the implementation of the short-term economic program was the policy on salaries and wages and the policy on public expenditures.

As it had been announced by the UP Program, the policy on private and public remunerations was established by agreement between the government and the national labor organization (CUT) signed on December 7, 1970. (De Vylder, 1976, p.53; Stallings, 1978, p.128) The agreement was easy since three blue collar workers and former labor leaders became Ministers of Finance, Public Works, and Labor, and for the first time in the history of Chile, CUT enjoyed the inside position in government which was restricted to the organizations of the dominant class before the Allende Administration.

The agreement on remunerations contained three principles: 1) All salaried workers, except the very highest paid employees, would receive compensation for the loss of purchasing power resulting from inflation since January, 1970; 2) A progressive scale would provide a higher readjustment to the lowest paid workers; 3) A process of equalization would be started of all the social benefits for all workers, including family allowances and pensions. (De Vylder, 1976, p.54; Stallings, 1978, pp.127-128)

The government planners expected that the income of workers would increase more than the rate of inflation which was 34.9% for the year 1970, since the agreement with CUT established only the minimum levels. In practice, after all the local negotiations ended, the 1971 raise in salaries and wages was nearly 55% over 1970. (De Vylder, 1976, p.54)

However, at the beginning, this was not clear and several foreign-owned and monopolic enterprises were sabotaging the program by continuing
the lock-outs and deliberate bankruptcies started in September. Therefore, the income policies were reinforced with the expansion of the public expenditures, particularly in projects which absorbed unemployed workers and satisfied social needs such as housing, education and public health. Fiscal expenditures grew from 19 to 33 billion escudos, and the budget of the Housing Ministry increased by 150% in 1971 over 1970. (De Vylder, 1975, p.55)

When Allende assumed the presidency in November of 1970, due to the depressions, there were large margins of unused productive capacity in all branches of industry, large numbers of unemployed workers, large stocks of unsold consumer goods, and large reserves of foreign exchange. The above mentioned policies produced an increase in demand which made use of all these resources during 1971, and transformed the depression of late 1970 into the spectacular expansion of the first year of the Allende Administration.

Never, since 1952, had the Chilean economy grown so fast in one single year. Real wages rose considerably and personal consumption expanded by 12.9% over 1970. For most of the Chilean people, and especially for the lowest paid and for those unemployed who got new jobs in 1971, the first year of the UP rule brought striking benefits. (De Vylder, 1976, p.77)

Actually, the GDP grew 8.6% in real terms in 1971, in comparison with 7% growth in the best years of Alessandri and Frei, and unemployment was reduced from 7.2% in 1970 to 3.9% in 1971. Moreover, this expansion took place with a reduction in the rate of inflation, from 34.9% in 1970 to 22% in 1971. (Roxborough, 1977, p.97; De Vylder, 1976, p.63)

The forced change of priorities due to the economic depression of late 1970, did not imply the abandonment of the original UP Program. On the contrary, the short-term economic policies were designed to provide
time for the implementation of the long-term structural changes. Even though the very success of the short-term policies created some new obstacles for the UP Program, at the beginning they allowed the Allende Administration to start accelerating the agrarian reform process, nationalize strategic resources, and organize the Social Area of the economy in a favorable environment of general expansion.

The achievement of the goals of the UP Program was well advanced in the first two years of the Allende government, though in different grades in the diverse sectors of the economy. Copper and all other strategic mineral resources were nationalized during 1971. 3,628 agricultural estates were expropriated between November 1970 and March 1973, which added to the 1,508 estates expropriated under Frei, and meant the practical elimination of the latifundio system. Four large foreign-owned distribution firms were nationalized and served as a basis for a new State owned system of distributing essential goods to the population. Almost all the private banks were also acquired by the State, and in May of 1973, 285 industrial firms were controlled by the Chilean State and were being organized into the Social Area of the economy.

However, there were some differences in the means employed in the diverse sectors to transfer control to the State.

The only case in which the Allende Administration attained support from Congress was the nationalization of the large copper mines. Due to the national conscience existing in regard to the necessity of controlling this strategic resource, producing most of the foreign exchange revenues of the country, Allende sent the project to Congress in the form of a constitutional amendment so it could be submitted to plebiscite if rejected by the opposition majority. But Congress passed the project by
a unanimous vote on July 11, 1971. This day was then designated by the
government as "National Dignity Day" and posters proclaimed that "Chile
put his long pants on". (De Vylder, 1976, p.126; Stallings, 1978, p.132)

The constitutional amendment made the Chilean State owner of all the
copper mineral deposits within the country, and declared null and void
any previous rights or contracts over them. This added copper to the
State's already existing exclusive ownership of oil and radioactive mi-
neral deposits. It also ended the "Chileanization" program of Frei which
had established mixed companies between the Chilean State and the U.S.
based corporations that exploited the Chilean copper mines, namely
Kennecott, Anaconda and Cerro.

The nationalization of copper included a provision to compensate the
copper companies according to the 1970 book value of their interests in
Chile. But it also established the right of the Chilean State to make
deductions on such compensation because of poorly maintained or obsolete
installations that were a consequence of the negligence of former owners,
and also because of the "excess profits" obtained by the companies during
the last fifteen years. Deductions for the poor condition of the instal-
lations were to be calculated by the Comptroller General on the basis of
a technical evaluation. Excess profits were to be defined and calculated
by the President through a comparison of the profits obtained by the
companies in Chile and the returns from other investments in other coun-
tries. The criteria used was that Chilean profits should not exceed the
average profits received by the companies in their operations elsewhere.
(De Vylder, 1976, p.126; Stallings, 1978, p.132)

The constitutional amendment also established a special tribunal to
which the companies could appeal the deductions established by the Com-
controller or the President. But the tribunal confirmed the estimates of
the Comptroller and the President in August of 1972. (De Vylder, 1976,
p.128)

The criteria used to compute excess profits, also called "The Allende
Doctrine", had a considerable impact on underdeveloped countries and was
utilized by the United States to justify its hostile attitude against the
Chilean government. However, this hostility preceded the election of
Allende, and the decision to nationalize was shared by all the powers of
the Chilean State and the great majority of the Chilean people, not only
by the Allende Administration. (O. Sunkel, in R. Williamson et al., ed.,
1974, p.149)

The control of other mineral resources by the Chilean State was
achieved through direct negotiations with the private owners. This was
the case when the State acquired the U.S. controlled majority interest
in the Anglo-Lautaro Nitrate Co., owner of the largest nitrate deposits
in Pedro Valdivia and Maria Elena, for a price of $8 million. This can
be compared with the $24.6 million paid by the Frei Administration for
only one-third of the same company. (De Vylder, 1976, p.132)

Similar agreements were achieved with Bethlehem in acquiring its
iron ore mining interests, and with the Chilean investors who owned the
largest coal mines, "Lota-Schwager" in Arauco province. While in 1970,
the Chilean State owned and controlled only one large mine, 1972, the
number jumped to 34 large mines. The small mines which remained in pri-
ivate hands, accounted for only 10% of the total mineral production.
(De Vylder, 1976, p.133)

In the case of the agrarian reform, the Allende Administration made
use of the same law passed under the Frei regime, but added some parti-
cular modalities in its application in addition to the much faster pace of the process of expropriations.

One of these modalities was the result of the commitment of the UP Program to people's participation. During the Frei Administration, the designation of estates to be expropriated was made individually, on the basis of assumed "technical" reasons and on internal decisions of CORA, frequently under pressure by the conservative friends of the administration who had access to President Frei. In contrast, during the Allende Administration, the expropriations were the result of discussions between the officers of the Ministry of Agriculture and the peasants' organizations during which the estates to be expropriated in a given year in an entire province or zone were determined. (Steeland, 1977, pp.119-120)

A second such modality emerged in response to the great number of land seizures by peasants that occurred in 1971, which were directed to press for the expropriation of the respective estate. Since the normal process of expropriation was too slow to solve emergency situations, the Allende government made use of another rule of the Agrarian Reform Law. Article 171 authorized the intervention by the civil authority, that is the assumption by a government officer of all the managerial powers, to restore work in a farm paralyzed by a labor conflict. (Loveman, 1979, p.338; Steeland, 1977, p.96)

This last instrument of intervention was also used by the Allende government and the peasants to take over estates that were below the 80 "basic hectares" limit fixed by Law 16,640, and to reduce the number and extension of the reserves that, according to the law, were left to the former owners of the land.
A special case of agrarian conflict emerged in the province of Cautín where the general demand of peasants for land was added to the historical claim of the Mapuche Indians (known as Araucanos by the Spanish Conquistadores), who had been disposed of their own land by the white "huincas". The peasant branch of MIR known as MCR (Revolutionary Peasant Movement) was very active in the zone organizing peasants for land seizures and had sustained some clashes with the "white militias" of armed landowners and with the police. (Steeland, 1977, pp.69 & 85-95)

For these reasons, the Allende Administration choose the province of Cautín to give an early and spectacular demonstration of the new rhythm and mode of the agrarian reform. In January of 1971, Jacques Chonchol moved the entire high command of the Ministry of Agriculture to Cautín to organize the process of expropriations and to establish the future relations of peasants with the government. For this purpose, the government supported the creation of the peasant councils at the communal and provincial levels. Peasant councils were representatived bodies of the agricultural workers organizations. They existed in the respective commune or province and were assigned functions inthe relations with the State, particularly the annual decisions on expropriations. (Steeland, 1977, p.119; De Vylder, 1976, p.177)

In the commercial sector, the Chilean State had the monopoly on foodstuff imports. The Agricultural Commerical Enterprise (ECA), which was in charge of these imports, was also authorized to participate in the internal commerce of the basic goods required by the population, to regulate its market and to insure a basic price to agricultural producers. The State acquired the control of four large distributing companies owned by foreign interests, Duncan Fox, Agencias Graham, Gibbs & Co.,
and Williamson Balfour, on whose base a new State company was organized, DINAC. In groceries, DINAC's main field, the market share reached 29% at the end of 1972.

These state enterprises were coordinated with the creation of thousands of local supply and price committees known as "Juntas de Abastecimiento Popular" (JAP) which were in charge of enforcing price controls. They later distributed the so-called "family basket" to the neighbors of the respective sector. (De Vylder, 1976, p.160; Loveman, 1979, p.337)

The purchase of shares from private investors was the strategy followed to control most of the private banks and many private industries. With the financial backing of the Central Bank, CORFO was able to offer a good price for the stock of these firms in the depressed market of late 1970 and early 1971. Thus the State acquired all the foreign owned banks and 22 out of 24 private banks existing in Chile during the course of 1971. (Stallings, 1978, p.132; De Vylder, 1976, p.158)

In the industrial sector, the UP Program made the distinction between monopolies and non-monopolies, and divided the projected new structure of production in three subsectors; the Social Area, of enterprises controlled by the State; the Mixed Area of State and Private joint ownership; and the Private Area. Strategic activities and monopolies would be integrated into the Social Area, while most of the industrial firms would remain in the Private Area. The Allende government made several efforts to define the three areas in a new law. It defined the criteria to include industry in the Social or Mixed Areas, and indemnity to be paid to the owners. (De Vylder, 1976, p.136; Stallings, 1978, p.130)

According to the bill presented by the Executive to Congress, all companies with a capital exceeding 14 million escudos in December, 1969,
were to be put in the Social or Mixed Areas. These were some 253 firms which included the mining companies, commercial firms and banks, plus a series of industrial firms actually owned by the State. Even though they represented only a small minority of the 35,000 industrial firms existing in Chile, 150 manufacturing companies were to be included, because they had an important share of the assets, value of production, and employment in the total sector, as the following table shows.

Table 5.1: Relative Importance of the Social and Mixed Areas in the Industrial Sector as Planned by the Allende Administration (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Social Area</th>
<th>Mixed Area</th>
<th>Social and Mixed Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Fixed Assets</td>
<td>53.3</td>
<td>16.1</td>
<td>69.4</td>
</tr>
<tr>
<td>Gross Value of Production</td>
<td>27.7</td>
<td>15.2</td>
<td>43.9</td>
</tr>
<tr>
<td>Industrial Employment</td>
<td>15.4</td>
<td>6.8</td>
<td>22.2</td>
</tr>
</tbody>
</table>

(Source: De Vylder, 1976, Table 6.15, p.149)

Congress rejected the bill in spite of the efforts to placate the opposition. This led the government to reduce the list of industries to be expropriated to only 91. Two Christian Democratic Senators, Juan Hamilton and Renan Fuentealba, introduced a rival bill in the form of a constitutional amendment which required congressional authorization for each individual firm to be expropriated and provided that 11 companies falling under State control after October 14, 1971, should be returned to their private owners. The Hamilton-Fuentealba project was passed by Congress, but was vetoed by Allende, and the Right did not have the two-thirds vote necessary to overcome the President's veto. Thus, the issue of defining the three areas of the economy by a new law was tabled.

(Stallings, 1978, pp.130-131; De Vylder, 1976, pp.135-138)
However, the government was able to use several other resources to incorporate the indicated industries into the Social Area. The instrument of negotiations used with most of the subsidiaries of multinational corporations, and the use of the powers of CORFO to acquire the stock of private companies was previously mentioned. But negotiations were not possible in some cases, and after some time, the Chilean dominant class, with financial assistance of the CIA, made successful efforts to stop the takeover of some specific companies, like the paper monopoly, directed by Jorge Alessandri, the oldest and most important of the private banks, "Banco de Chile", and the holding company for El Mercurio. (Sigmund, 1977, p.157; De Vylder, 1976, p.141)

But when direct negotiations failed and buying stock was not possible, the Allende Administration still had the resource of applying an old and almost forgotten law, dictated during the short-lived "Socialist Republic" of 1932, the so-called DFL 520. This law authorized the "requisition" of expropriation of a firm because of speculation, hoarding or failure to produce goods of basic necessity as defined by the Ministry of Economy.

Besides this law, the Labor Code, and the Internal Security Law authorized the government to decree the intervention of a firm which ceased to work because of lockout or strike. In both cases, requisition and intervention, the State assumed the administration of the company with all the attributes necessary to manage it. Even though they had been considered originally as short-term emergency measures, they served the UP government in creating the Social Area in spite of the lack of new legislation. (Stallings, 1978, p.131; De Vylder, 1976, p.139)
The authorization of expropriation contained in the DFL 520 was wide enough to allow the taking of all the enterprises planned to be incorporated into the Social Area. But because it required the previous full-price payment by the firm it its former owners, it was a very expensive procedure and was used only in four cases. Requisitions and interventions were easier and less costly because they also served to respond promptly to the lockouts and sabotage employed by the dominant class against the economic policies of the Allende Administration. (De Vylder, 1976, p.139; NACLA, 1972, p.22)

This was the case with NIBSA, a subsidiary of a U.S. producer of brass fittings and valves; with the Chilean subsidiary of Ralston Purina, and with the two largest producers of cement, which dropped production and laid-off workers when their production was indispensible for the short-term policy of reactivating the economy. In other cases, the requisition or intervention came as the result of a previous action of the workers of the firm, sometimes with the connivance of the government. Two cases of this kind had particular importance. In one case, on May 24, 1971, the workers occupied fourteen textile mills in the province of Santiago. This meant the subsequent intervention of a large share of this industry. In the other case, the workers of the largest car assembly plant in Chile, owned by the Ford Motor Co., in Casablanca, province of Valparaiso, seized the plant when the company decided to close it and end operations instead of negotiating with the Chilean government for its transfer to the Social Area. The government ordered the requisition of the industry and took over the day after the workers had occupied it. (NACLA, 1972, p.22)
The process of formation of the Social Areas was well advanced by May of 1973, when 285 industrial establishments were under the control of the State, in contrast with the 31 industries owned by the State in 1970. Of these 285, there were 165 owned by the State and 120 under intervention or requisition. (De Vylder, 1976, p.145; Stallings, 1978, pp.136-137)

The UP Program considered the nationalizations only as "an initial step" which had to be followed by the establishment of a new structure of production based on the joint participation of the workers with the State in the administration of the Social Area.

The Chilean State had been active in economic development tasks ever since the 1930's, and diverse, autonomous agencies had been designated to fulfill functions analogous to those required by the implementation of the UP Program. However, their scope of action had been much more limited than the requirements of the rapidly growing Social Area, and the dominant class had maintained them under control by denying them the necessary financial support. By duplicating functions among them, they also developed rivalries which reduced the efficiency of their action.

In addition, the dominant class had imposed its ideology on the State bureaucracy. It was assumed that the State was a poor administrator and should leave the initiative to the private sector. Public employees were accustomed to treating the members of the oligarchy with deference while they imposed authority on workers and peasants.

Therefore, two changes had to be made in the structure and workings of the State machinery. One, duplications had to be eliminated to increase efficiency, and the other, the perspective of public employees
had to change to work together with the organized workers.

This last was perceived as a long and difficult process of education, but the UP government had some starting leverage to carry it. The public employees were socialized to follow the instructions of the President and Ministers and could be legally punished for not doing so. The law defined civil service as a service to the general public, not only for the privileged elite. The Left had strong influence in public employee organizations and could mobilize these organizations to support the government. The Left also was able to play the obvious increase in the importance of the State bureaucracy implied by the UP Program, against the tendency of public employees to identify with the dominant class. On this basis, it was expected that the practice of the participatory mechanisms would complete the change of attitude of the State bureaucracy.

In the meantime, the planners were asked to study and implement the reorganization of the agencies necessary for the efficient administration of the Social Area. As in the case of the formation of the Social Area, each sector needed a different treatment and had a different legal status.

The same advantages of concentration that have the big conglomerates and multinational corporations so attractive for investors and managers in the most developed capitalist countries were useful to solve the problems mentioned above. CODELCO concentrated the scarce professional resources remaining in Chile, serving all the mines instead of being distributed in each one of them. Thus, in spite of the flight of technicians and the growing hostility in the labor unions of supervisors, technicians and office personnel, which were controlled by the Christian Democrats, the copper production actually increased in 1971 and 1972. (De Vylder, 1976, pp.131-132)
However, the legal status of the Ministry of Mines was an obstacle to providing a better organizations for the mining sector. In the traditional system where the large mines were controlled by foreign corporations and had policies that were decided outside of the country, the Ministry of Mines had little power and scarce personnel during the Allende Administration mostly in administrative tasks. But with the nationalization of the large mines, the Ministry became one of the most important branches of government and needed expansion. However, in its original legal statute, there was little room for the new functions, and Congress was not willing to change that statute. The lack of a sectoral planning office for the mining sector made centralizing the policy decisions in the Ministry difficult. This was accentuated by the autonomy of CODELCO and COVENSA, and the dispersion of management functions in other agencies of the State. CORFO in particular, had subsidiaries involved in oil exploration and production, iron mining, and coal mining.

Borrowing personnel from the mining companies owned by the State, the Ministry of Mines was able to achieve some measure of efficiency in its complex task in 1973. But then the main concern of the Minister turned out to be ending the strike provoked by the Christian Democratic labor leaders. (Stallings, 1978, p.149; De Vylder, 1976, p.133)

Several other State controlled enterprises were developed to deal in the marketing of some basic items: SOCOAGRO for the distribution of meat; SACOOP for vegetables; ENAVE in the production and distribution of poultry and eggs, and SOCORA in charge of the exports of agricultural products of the reformed area. In January of 1973, a Secretary of Distribution was created to coordinate all these State enterprises, and to serve as sectoral planning office for the supply and distribution of
groceries and other essential goods. As in the case of the Ministry of Mines, the lack of willingness of Congress to legislate on the subject made the Secretary of Distribution dependent on personnel transfers from other services of the State and from the same distributing companies mentioned before. (De Vylder, 1976, pp.160-161)

In the industrial sector, the reorganization was easier due to the past experience and the flexibility of the statute of CORFO. For the purpose of managing the Social Area in industry, CORFO divided its professional personnel among specialized "Committees" or task forces each dealing with a particular branch of industry, such as the "Textiles Committee", the "Automobile Industry Committee", etc. Each committee was related to one of the nationalized banks which served as financing channel for the respective branch of industry. All of them were coordinated by CORFO's Division of Planning, which served as sectoral planning office for the industrial sector and related it to the National Planning Office and the National Committee of Economic Development. (ODEPLAN, 1972)

The only problem presented in this case were in the fringe areas where CORFO had historical functions in areas other than industry, like mining or agriculture. However, CORFO was reluctant to expand to fields which could be covered by others because the task in the industrial sector became complex enough with the fast enlargement of the Social Area. Thus, CORFO was willing to agree to put its Agricultural Division under the control of the Ministry of Agriculture. The Division included two committees, one on agricultural machinery and the other on agro-industries. There were also several programs of technical assistance.

The Agrarian Reform Law of 1967 had created the concept of "Agricultural Public Sector" to give the Ministry of Agriculture control and
coordination of all the agencies of the State dealing with agricultural production and development. But because the Frei Administration never dictated the decree that was needed to implement this norm, the Allende Administration found the same situation that had motivated the legal norm. This situation was described in a technical evaluation as follows:

This development of the agricultural institutions has two essential characteristics, its growth "by aggregates" and the service of particular "clienteles". This is, the superposition of new agencies in each stage without changing the old institutional structure, whenever the service of new clients was imposed.

The process generated an excessive division of functions, fulfilled by different institutions, many times in parallel to each other, to attend the same of different clients.

(Barraclough, 1974, p.220)

Thus, several agencies under different Ministries and with diverse legal statute, from centralized institutions to State controlled private corporations, duplicated the action of the State in the most important functions. In technical assistance to the farmer, for example, the three largest agencies of the Ministry of Agriculture, CORA, SAG and INDAP, competed with CORFO and with the State Bank. This resulted in the farmer receiving different and sometimes contradictory advice from the diverse State agency experts. Similar situations occurred in other sectors.

In spite of the creation of the Agricultural Planning Office during the Frei Administration, CORFO had continued to plan for agricultural development independently from the Ministry of Agriculture. The two large autonomous agencies of the Ministry, CORA and INDAP had developed their own planning staffs that tended to bypass ODEPA because of the concentration of the latter in long-term projections and policies. (See Chapter IV; Also Barraclough, 1974, pp.220-223)
To solve these problems, the Allende Administration decided to centralize the direction of the State's action for the agricultural sector in the Ministry of Agriculture by implementing the authorization contained in the Agrarian Reform Law. This was the purpose the decree was dictated in November of 1970, defining the institutions which integrated the "Agricultural Public Sector". (Barraclough, 1974, p.223) In addition, a commission, integrated by experts who represented the different political parties of the UP coalition, and chaired by a planner (this writer) who represented the Minister of Agriculture, Jacques Chonchol, was designated to study the distribution of functions among the diverse agencies in order to eliminate duplications and competition among them.

To avoid submitting a new project of law which had little probability of being approved by a Congress controlled by the opposition, the Commission proposed that the diverse agencies sign an agreement to coordinate their actions under a unified authority. The agreement proposed by the Commission was submitted to the legal staffs of the different agencies to give it a mandatory legal form. It was gradually implemented in mid-1970 and was finally published in July of 1972. (Barraclough, 1974, p.226)

The objective of the agreement was clearly expressed,

The National Unified Programs, put together similar functions under unified direction, eliminating parallel levels of authority, decision, and implementation; saving human, material and economic resources, and, in general, achieving the benefits of a rational organization.

(Article 1 of the Agreement as reproduced by Barraclough, 1974, p.226. The translation is mine)

The formulation of the agreement showed that the functions of the State were conceived as programs of action, not in static abstract terms.
They were distributed among the agencies as follows: 1) All planning functions were concentrated in ODEPA; 2) The functions of land expropriation and distribution, technical assistance for production, and construction of rural housing and other buildings, were given to CORA; 3) The technical training and organization of peasants and the system of communications inside the sector, were functions charged to INDAP; 4) All agricultural credit and the distribution of inputs for agricultural production were assigned to the Agricultural Division of the State Bank; 5) SAG was concentrated on the conservation of natural resources and the control of animal and plant pests; 6) The two committees of CORFO under the control of the Ministry of Agriculture were put in charge of all the functions related to the import and administration of agricultural machinery, and the development of agro-industries, respectively; and 7) The Institute of Agricultural Research (INIA) concentrated all the projects and resources for research of the sector. (Barraclough, 1974, p.226)

In addition, the agreement unified the territorial distribution of the Agricultural Public Sector. It created the positions of Zonal Director (at the provincial level) and Area Chief (at the communal level) as direct representatives of the Minister in each Zone and Area, unifying the direction of the State action in the agricultural sector at the local level, where before every agency was independent from each other. Zonal Directors were aided by zonal offices of ODEPA that assisted them in the coordination and planning tasks of the respective zone. (Barraclough, 1974, p.227)

Streamlining of the State bureaucracy was a necessary but insufficient condition for implementing the UP Program in the agricultural sector.
It should be remembered here that, according to the 1965 agricultural census, of the 5.5 million hectares of arable land existing in the country, only 2.8 million hectares were open to cultivation. Of these, only 1.5 million hectares were actually put into production every year.

In addition, the particular extensive cultivation techniques used by most of the latifundio owners were unable to produce the amount of food required by the Chilean population, which resulted in ever-increasing food imports. (See Chapter IV)

Moreover, the UP and the majority of the peasants were critical of the implementation given to the Agrarian Reform Law by the Frei Administration. Before 1970, CORA had expropriated only estates which exceeded the limit of 80 basic hectares. CORA also had maintained the individual units of production ("fundos"), organizing in each one "asentamientos" which included only "inquilinos" (the permanent workers of the old latifundio). However, the inquilinos of all the latifundios were fewer than 10% of the total workers, and the traditional units of production had proved inefficient in maximizing the output of the available resources.

Therefore, added to the fast and massive program of expropriations, the UP Program included the principle that the benefits of the Agrarian Reform should reach all the agricultural workers. It also proposed to expand the cultivated area and to intensify cultivation in order to provide work and increased income to all the peasants, and to supply more food for the rest of the Chilean population. (De Vylder, 1976, pp.177-178; Barraclough, 1974, p.26)

These objectives required a change in the relations between the agricultural sector and the other sectors of the economy. As explained by Jacques Chonchol, the Chilean case was different than the traditional
type of economic development where the surplus of agriculture had been used to provide the starting capital for industrial investment. In contrast, Chile's agricultural sector required large amounts of capital from other sectors to change the traditional system and to intensify the use of the resources. (De Vylder, 1976, p.177; Chinchilla-Stenberg, 1974, p.121)

However, this also meant changing the character of investment in the agricultural sector. The emphasis of the UP Program was on capitalization at the farm and the local levels rather than at the level of huge isolated projects which was traditional. For example, in the past, the State had engaged in large irrigation projects through the Ministry of Public Works, and did not provide the necessary funds to make a proper use of the water. Costly dams and canals were poorly used because the minor works needed to prepare the soils and to carry the water to the farms were never done. The UP government gave priority to these works because they opened new areas to cultivation, made better use of the existing resources, and at the same time, provided employment to more people than the large projects did.

For the same purpose, two interrelated measures were taken by the Allende government. One was a program of mechanization directed to intensify the use of the natural resources. In 1970, there were 18,000 tractors in Chile. Most of them were in the hands of the traditional landowners, while the reformed area and the small farm owners were without machinery or other capital investments. Because of this, 10,000 new tractors were imported in 1971 and 1972, with the goal of providing each unit of production with the basic equipment and grouping the rest into "Communal Tractor Pools" which served the respective area. The other
measure was the direction of credit toward the agricultural sector, in amount far larger than in previous times, in an effort to reach all the producers with the amounts needed to finance the use of machinery, the expansion of the cultivated area, and the change from extensive to intensive crops. (De Vylder, 1976, p.177)

However, in the agricultural sector as well as in the other productive activities, machinery and money were not enough by themselves to achieve the objectives of the UP Program, even with the help of a well-organized and efficient State bureaucracy. Organized workers were the most important factor of production, and at the same time, were the main political support of the Allende Administration. Their will and mobilization were necessary, and for this purpose the UP government planners created the participation mechanisms directed to incorporate the workers in the planning and decision-making of the government and the Social Area.

In March of 1972, the Institute of Development Studies of Sussex University (IDS) and ODEPLAN, organized an international "Round Table" in Santiago to discuss "The Chilean Road to Socialism". In it, Luis Figueroa, then President of CUT, defined participation in the UP government as follows:

By workers' participation we mean participation in the production and marketing mechanisms. But participation should no be limited to the economic sphere. It must extend to the whole of economic and social life, ranging from the production committee in a section of the enterprise to the administration of the whole company, right up to the level of regional and national economic planning. On this basis, different forms of participation are being developed.

(ODEPLAN-IDS, 1973, p.187)

Actually, at the end of 1970, the same time that the agreement between the government and CUT on salary adjustments took place, a joint committee was installed, coordinated by ODEPLAN, to prepare the "Basic
Norms of Participation by the Working People in the Social and Mixed Sectors. A project of "Basic Norms", which was submitted to the government and to the National Council of CUT for its ratification, was published and put into effect on June 28, 1971. But before these Basic Norms were approved and implemented, representatives of CUT, as a national organization of workers, were designated in all the high collective decision-making bodies of government, and in the National and Provincial Development Councils created to coordinate the planning activities of the different sectors at the respective levels. Workers were also designated as representatives of the President in the directive board of CORFO, the State Bank, the Central Bank, CODELCO, and all the autonomous agencies and large enterprises of the State. (De Vylder, 1976, pp.150-151; Stallings, 1978, p.127)

The Basic Norms established guidelines for the participation system in the industrial sector according to the scheme represented by Figure 5.1. Three levels of participation were possible in each firm incorporated in the Social Area: the General Assembly, the Coordinating Committee, and the Management Council.

The Management Council was the highest executive authority within the firm, and in a first stage, was conceived as a mixed body where representatives of the workers would meet the representatives of the government, with the State maintaining the uppermost control. But after a time, the firms tended to divide into many particular forms of participation according to the different degree of labor mobilization, the attitude of the administration, the political affiliation of the workers, and the information system within the firm. (Espinoza, 1975, p.311 & ff; De Vylder, 1976, pp.150-152)
FIGURE 5.1

CHILE: Workers Participation Scheme for Industrial Firms, According to the Basic Norms of 1971.

MANAGEMENT COUNCIL

1 Government Representative
5 Representatives of the State
5 Leaders Elected From the Factory Labor Force

WORKERS COORDINATING COMMITTEE

Union Leadership
5 Executives Elected From the Whole Labor Force
Presidents of the Production Committees

Production Committee
Section Assembly

Production Committee
Section Assembly

Production Committee
Section Assembly

Production Committee
Section Assembly

GENERAL WORKER ASSEMBLY

(Source: Espinoza, 1975, p.63)
The Chilean economist, Juan Guillermo Espinoza, made an empirical study, in 1972 and 1973, of the process of participation and its results, using a sample of 35 enterprises of the Social Area. He observed,

Towards the end of 1972, there existed great diversity in advancement in matters of participation among the firms making up the Social Area. At one extreme, there were some that were completely managed by their workers, and at the other extreme, there were some in which the participation model had been set in motion in a faulty manner or where participation organizations rarely met, and the executives designated by the government made all the decisions independently. (Espinoza, 1975, p.71)

His evaluation also demonstrated that the structure of worker participation worked better where the workers were more involved, and where they decided on more important issues in the management of the firm. In addition, he noted that the level of participation was directly related to the performance of the industrial enterprise. High participation intensity was associated with higher discipline, lower absenteeism, higher investment rates, higher production and productivity, increased demand for education and technical training, more equalitarian systems of remunerations, and better social services for the workers and their families. In addition, the firms in which worker participation was stronger, "were the same firms that were pushing hardest for worker participation in sectoral and national planning". (Espinoza, 1975, pp.320-327; See also De Vylder, 1976, pp.150-152, and Roxborough, 1977, pp.95-96)

Actually, the division of CORFO into specialized committees by branches of industry implied a four level structure of planning and participation: the individual firm, the branch committee, CORFO as planning office for the whole industrial sector, and the national level of ODEPLAN and the Economic Development Committee. Responding to the complexity of the task, ODEPLAN prepared a series of handbooks for operational program-
ming at the different levels tieing them into a coordinated process. (ODEPLAN, 1972)

Given the good results of participation where it was well estab-
lished, the government introduced a bill in Congress related to worker
participation, in July of 1972. The bill included the joint management
of the Social and Mixed Areas by the State and the workers, and added the
possibility of worker participation in the Private Area, as well as the
creation of worker enterprises under self-management. At the same time,
CUT started to prepare a National Congress on Worker Participation di-
rected to analyze the experience and discuss the modification of the
Basic Norms, introducing majority worker representation into the manage-
ment councils of the individual firms. (Espinoza, 1975, p.317)

The formation of the Social and Mixed Areas and the participation of
the workers in their management, affected only 22% of the industrial and
mining workers directly. For this reason, the participation of all the
organized workers of the three areas and different sectors at the sector-
al and national levels was very important. In addition, the people
achieved participation in public policy through territorial organizations
which included the general population.

In June of 1971, the Minister of Economy, Pedro Vuskovic, was invi-
ted to a public meeting prepared by the Women's Federation and the Neigh-
borhood Councils of Santiago, to discuss the consequences of the high
prices and the supply and distribution of essential goods. The Minister
said,

This right is being exercised to demand that the govern-
ment report directly to the people; a right to summon
them to ask them for an explanation, to ask them what
the government is doing. It is not the Minister who is
calling you; it is the workers who are summoning and de-
manding the presence of government officials ... We have assumed our share of responsibility. But I must also tell you that we are not capable of handling this situation as if it were only an administrative or bureaucratic problem ... we feel we have the right to ask that this responsibility be shared by you, by all of you ... It is the people of Chile themselves who must help to attain the success of the economic policy of the government of the people, in the fields, at the factories, in the home, in each center of activity.

(Johnson, ed., 1973, pp.458-471)

In that meeting, the Minister suggested the creation of local supply and prices committees (JAP) which began to be organized with the support of the technical agencies of the Ministry of Economy. Later, when the tension increased, due to the violent opposition of the Right to the UP government, the working class created other important territorial organizations, such as the "Comandos Comunales" and the "Cordones Industriales". (De Vylder, 1976, p.152; Loveman, 1979, pp.337 & 342)

The territorial organization for participation were of particular importance in the agricultural sector, due to the nature of the productive activities and their ties with the distribution of land. On the other hand, the participation of the agricultural workers in the process of planning for agricultural development was very important for coordinating the practical knowledge and pressure for land of the peasants, with the national requirements for increased agricultural production. For this purpose, the UP government and its planners created the participation mechanisms directed to achieve an agreement between the peasants and the Allende Administration.

As it was mentioned before, in December of 1970, the Decree 481, signed by President Allende and his Minister of Agriculture, Jacques Chonchol, regulated the "Peasant Councils", which in some regions, existed previously as a spontaneous creation of the peasants themselves.
According to the decree, the councils were to be organized at the national, provincial, and communal levels, to be integrated by representatives of the labor unions, cooperatives, "asentamiento" committees, committees of small farm owners, and any other such peasant organization existing in the respective area or region. Their objective was to give the opinion of the peasants to the government on the preparation and formulation of all plans, policies, programs, and budgets, in matters such as prices, credit, commercialization, taxes and others related to agricultural production and the Agrarian Reform, or related to the social and economic conditions of rural labor.

(Barraclough, 1974, p.206; Steeland, 1977, pp.17 & ff.)

In January of 1971, the "Consejo Nacional Campesino" (CNC) was created with representatives from the large organizations that grouped labor unions and other peasant bodies. CNC was integrated by two representatives from each of the confederations -- Triunfo Campesino, Ranquil, and Libertad, Confederation of Asentamientos, Confederation of Peasant Cooperatives, and the Confederation of Mapuche Organizations. (Loveman, 1976, p.286)

When the Minister of Agriculture moved the Ministry to the province of Cautín, he had a series of meetings with the recently convened Peasants Councils, out of which two basic measures emerged. One was the participation of the Councils in the annual programming of expropriations for the respective area or province. The other was the expansion of the Communal Peasant Councils to include representatives of the agricultural workers elected at large, in addition to the representatives of the organizations. (Barraclough, 1974, p.203; Steeland, 1977, pp.96-100)
In Chile there were some 260 communes in which there was some agricultural production. At the end of 1971, there were Peasant Councils in 186 of them, and there were Peasant Councils at least at the communal level in all the agricultural provinces of the country in 1973. (Steeland, 1977, p.18)

As in the industrial sector, the Peasant Councils had many differences among them in spite of the common statute. The intensity of participation varied in relation to their composition, the degree of peasant mobilization, the political affiliation of the agricultural workers and their organizations, and the attitude of the local officers of the Ministry of Agriculture and its agencies. The CNC had an important role at the highest national level and became the equivalent of CUT in the agricultural sector in direct and close relation to the Minister and the UP Agricultural Committee. As expressed by Kyle Steeland,

In counties where the Peasant Councils were strongest, they effectively united the different strata of poor peasants to the extent that this was possible. They also exercised a good deal of real power, although still in a very limited way.  
(Steeland, 1977, p.18)

The most important practical problem found by Peasant Councils was the lack of independent financing, since peasants were poor and in many areas the meetings of the Council required transportation and lodging expenses. The government tried to facilitate the autonomous financing of the councils by giving them responsibility in the managing of the Communal Machinery Pool, and the infrastructure of commercialization existing for the service of an area or region. Some of the Peasant Councils also achieved a good relation with the workers of nearby industries and established direct interchange of food for the industrial products needed in the countryside, serving rural areas. (Steeland, 1977, p.18)
But the most important role assigned to the Councils was their participation in the annual process of production planning for the next season, which was prepared by ODEPA and applied gradually since 1971. The following diagram described the scheme of this process by which the activities of the State and the peasants were coordinated to increase production and to provide information on the technical and practical problems that had to be solved in order to achieve that increase.

In the following diagram, the Framework contained the proposed targets of production for the 25 most important agricultural products, and was prepared by ODEPA on the basis of the historical performance of the respective province and the results of the survey of the previous year's harvest. In a first year it did not contain big changes but asked from the peasants to repeat the best production they had obtained historically for each product in the respective locality. However, it tried to concentrate some productions in particular zones in relation to the soil, climate and water resources, instead of the traditional tendency to cultivate the same products everywhere.

The Framework also contained the means that the State was willing to provide to facilitate the achievement of the proposed production goals. They included the seeds, fertilizers, pesticides, and machinery (the supply and distribution of which was controlled by State agencies and enterprises), as well as the financial aid represented by the special lines of credit of the State Bank. It also indicated the constraints existing for the State action insisting on the basic responsibility of the agricultural workers for the result of agricultural production.

The Framework was prepared at the provincial level by ODEPA in Santiago, and was sent to the Zonal Offices of the Ministry of Agricul-
FIGURE 5.2
Annual System of Agricultural Planning in Chile 1971-73

Level

National

(ODEPA) Proposals Framework (goals, means, and constraints at the provincial level)

Consolidation Operational Program
and compatibility (of Zonal Plans) (Input and) (seeds) (machinery)

Provincial

(Zone) Detailed Communal Frameworks

Consolidation and compatibility (of Communal Plans)

Communal

(Area)

Communal Meeting (Peasant Committee and Officers of ODEPA)

Communal Plan (goals and requirements)

Comprehensive Agricultural Credit

Communal machinery Pool

Farm

(Asentamiento,
CERA, CHPRO, Cooperatives of Small Farms)

Production Plan (of each productive unit)

Productive Activities

Provincial machinery needs

339
ture in each province, to be divided and detailed at the Communal level. The Communal Framework served as basic discussion document for the Communal Meeting in which the Peasant Council of the locality and the officers of the Ministry of Agriculture tried to reach an agreement on the goals of production for the next season. The resultant Communal Plan was a kind of pact between the peasants of the Commune and the government. The peasants committed themselves to achieve the production targets agreed upon, and the Ministry of Agriculture assumed the responsibility of providing the required inputs according to its possibilities.

Since the Communal Meeting generally took place in the midst of the agricultural year, preceding the one considered in the Communal Plan, it served also to control, at the local level, how the agencies of the State were fulfilling their compromise of the previous year, and the peasants frequently used the Communal Meeting to voice their complaints and provide suggestions for the State action.

The Communal Plans prepared in the Communal Meetings had a double function. On one hand, they served as a basis for preparing the individual production plans of each productive unit, including the old "asentamientos", the cooperatives of small farms, and the new productive organizations created by the UP government. On the other hand, coordinating Communal Plans at the provincial level into compatible Zonal Plans, and of these at the national level, provided the basic elements to the operational programming for the agencies of the Agricultural Public Sector. In some cases, it was necessary to return to the local level to refine the information, since the aggregate Communal and Zonal Plans exceeded the capabilities of the State machinery to provide the required input.
The Left had criticized the "asentamientos" because of their tendency to exclude a great number of workers from the benefits of the Agrarian Reform, creating a new petty-bourgeoisie of beneficiaries, with many of the vices of the old system. For this reason, making use of other dispositions of the Agrarian Reform Law than those utilized by the Frei Administration, the UP government and the Peasant Councils designed the program of expropriations by region, instead of expropriating individual latifundios. (Barraclough, 1974, p.26; Loveman, 1976, p.320)

In the asentamientos, the individual latifundio was preserved as the unit of production, and the "inquilinos" had a society with CORA (SARA) for its administration, in which CORA retained the managing role. By contrast, under the UP government, the diverse productive units of the same area were integrated into Agrarian Reform Centers (CERAs), which not only included the inquilinos of the expropriated estates, but also the temporary workers of the same area, and even the "afuerinos" (seasonal migrant workers) who could qualify according to the respective Peasant Council. (Barraclough, 1974, p.27; De Vylder, 1976, p.187)

CERAs were managed by an executive committee of the peasants themselves, elected by the General Assembly that included all the workers and women of the CERA. While in the original implementation of the Agrarian Reform Law, the asentamientos could be divided into individual small farms, CERAs were always conceived as transitional organizations moving toward cooperative enterprises. (Barraclough, 1974, p.27; De Vylder, 1976, p.187)

Also created by the UP government making use of a forgotten disposition of the Agrarian Reform Law, were the "Production Centers" (CEPROs). These productive organizations were specialized State farms, some 50 in
number in 1972, distributed along the country to serve as demonstration farms for the introduction of new technologies, and to carry out high-cost strategic productions such as genetic seeds or pedigree reproducers. (Barraclough, 1974, p.28)

The operational programming, included in the diagram of the yearly process of agricultural planning presented above, involved all the agencies of the Agricultural Public Sector. But the diagram shows only four of them: the Sectoral Planning Office, the State Bank, the National Enterprise for Seeds, and the National Service of Agricultural Machinery. These four were the institutions that directly intervened in providing basic production inputs.

The State Bank concentrated the supply of credit for the agricultural sector and had a long experience as a major importer and distributor of fertilizers, pesticides and small machinery. ENDS was a subsidiary of the State Bank, created by CORFO during the Frei Administration to produce and distribute certified seeds in a long-term program of improvement of the genetic stock. SEAM was the subsidiary of CORFO that imported tractors and other large machinery, managed the pools of combines and other heavy machinery that served entire regions, and provided maintenance services and training for the operators of the Communal Machinery Pools managed by the Peasant Councils. (ODEPA, 1970, p.120; Steeland, 1977, pp.170-171)

The policy of credit for the agricultural sector of the UP government included a substantial increase in the amount of financial resources directed to agriculture, the centralization of their distribution through the State Bank, and their coordination with the general policies and the annual process of planning. For this purpose, three basic lines of credit
were established by the State Bank. One was directed to the acquisition of the inventories of the expropriated latifundios by the peasant organizations. Another was to finance the commercialization of agricultural production through the buying powers of the State agencies. The third, the "Credito Agricola Integral" (CAI: Comprehensive Agricultural Credit), was to finance the productive activities of each productive unit in accordance with the respective production plans. (De Vylder, 1976, pp.190-191; Instituto de Economia, 1972, pp.521-523)

This credit policy is a good example of the involvement of the planners in the Allende Administration, not only at the general level of designing programs and policies but also at the level of the implementation details. The general ideas and basic design of the credit policy had been developed in ODEPA under the direction of the Chief of the Financial Division, Juan del Canto, during the Frei Administration, but were not implemented then because of the conservative turn of the economic policy in 1967. Del Canto accompanied Jacques Chonchol when the Christian Democratic Party divided in 1969, and was designated Director of the State Bank in charge of agricultural credit by the Allende Administration. In this position, he was the principal responsible for adapting the same ideas to the new conditions and implementing them.

The favorite instrument utilized by Del Canto was the Comprehensive Agricultural Credit (CAI). CAI provided advance financing to cover the costs of the productive activities and input necessary to fulfill the production plans in each productive unit, and was paid with the results of the harvest at the end of the season. It replaced and expanded similar lines of credit previously managed by CORA and INDAP, and complemented the annual system of agricultural planning with a coordinated instru-
ment of implementation.

CAI also served to introduce a measure of discipline in the credit distributed to the beneficiaries of the Agrarian Reform. Since the beginning of the Frei Administration, CORA had been replacing the salaries paid to the peasants by the former landlords with a "credit" (anticipo) supposed to be recovered at the balance of the agricultural year in the respective asentamiento. However, in practice it had been a paternalistic subsidy to the peasants since CORA was unable or unwilling to enforce its payment, and the rates of recovery had gone down from 35.9% in 1968, to 25.9% in 1970, and to 16.1% in 1971. The replacement of this old credit by CAI established a more direct tie to the production results, and resulted in an immediate improvement of the return rates to 40.8% in 1972. (Barraclough, 1974, pp.170-171)

The system of participation and planning in the agricultural sector resulted in increases in production and productivity. In the harvest of the 1971-72 season, the 80 Communes then included in the annual planning process, increased their production from 8% to 12%, while the production of the sector as a whole grew only 1.6%. In the 1972-73 season, again the 80 Communes increased their production in contrast with the sector as a whole which actually declined in production, due to the bad weather conditions in the winter sowing time, and the impact of the truck owners strike in the spring distribution of seeds and fertilizers. (De Vylder, 1976, pp.198-202)

4. The Impact of Implementing the UP Program.

The tasks given to planners in the Allende Administration were related to the changes in the relations of production contemplated in the
relations of production contemplated in the UP Program. They were providing technical assistance in the formation of the Social Area; reorganizing the State agencies to serve their new functions; and designing and implementing the participation mechanisms. The preceding chapter explained who the Chilean planners fulfilled these tasks.

The implementation of the UP Program implied deep changes in the Chilean social structure and its international relations, and generated a response from the major protagonists affected by it. This response required new activities of the planners to maintain the process in the direction required by the objectives of the UP Program.

It should also be considered that the nature of the planners' work within the Allende Administration prevented them from producing detailed blueprints of what was to be accomplished with anticipation. As explained by the Minister Director of ODEPLAN, Gonzalo Martner,

A flexible dynamic system cannot be imposed by decree... An overall strategy together with detailed planning in certain strategic sectors is preferable to a closed system.

(In Zammit, ed., 1973, p.73)

This section will analyze three major aspects of the impact of the implementation of the UP Program and the response of some of the protagonists to it. They are:

a) The influence of the implementation of the UP Program on the economic development of the country;

b) The changes suffered by the UP coalition and the politicians of the Left; and

c) The process of class polarization and struggle, and the counter-planning of the Chilean dominant class and its foreign allies.

One of the most common expressions used in the U.S. press to refer to the Allende Administration has been "economic chaos". Since this is a concept normally used by the U.S press to describe any socialist regime
or underdeveloped country, and it was also used by the Chilean military to justify their counter-revolution, it could have been dismissed as a mere piece of propaganda. However, some assumedly serious analysts of the period, such as Alec Nove, Paul Rosenstein-Rodan, or Paul Sigmund, have taken a similar position, blaming the mismanagement of the economy by the Allende Administration as the main reason for its tragic demise. Even some left-leaning economists have been critical of the economic policies of the Allende Administration. Although they tend to attribute the final result to forces other than purely economic ones.

Aggregate conventional indicators similar to those employed to evaluate the economic performance of Frei and Alessandri in previous chapters, are used in the following table to describe the period of Allende and the following years.

Table 5.2: CHILE: GDP at Factor Costs and National Income 1970-1977

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(Source: ODEPLAN, National Accounts, in Varela and Michel, 1980)

The table above demonstrates that never in history has the Chilean economy produced more than in 1972, and that the national income reached was also an all-time high for that year. Since the distribution of income in Chile was never more equitable than under the Allende Administration, it should be concluded that far from "chaos", the economic situation was better for the great majority of the Chilean population than in
any other period. (Stallings, 1978, pp.215-224)

It must be considered in the analysis of the figures of the table, that during the whole period of the Allende Administration, the Chilean dominant class and its foreign allies were trying to sabotage the Chilean economy. However, only the tragic events of 1973 and the accompanying paralysis of economic activities could produce a drop in production and income. Even this drop was far less important than the true economic crisis produced by the "Chicago Boys" in 1975 through the implementation of Milton Freidmann's "shock treatment" recipes. (The Economist, February 2-8, 1980)

However, the UP government planners did not expect that the deep changes introduced in the areas of property and control of the means of production were going to take place without disturbing the established patterns of production and distribution. On the contrary, since the aim of the implemented policies and programs was to change the existing system, some of the problems emerging from such implementation were predicted and appropriate measures were taken to solve them.

The expansion of demand in 1971 rapidly consumed the existing reserves and stocks, and the increases in production made full use of the physical infrastructure, which made its gaps and bottlenecks apparent. (De Vylder, 1976, pp.94-98)

These structural weaknesses were known in advance and had been denounced in the analysis for the formulation for the UP Program. As in every other underdeveloped country, the productive infrastructure of Chile was unable to satisfy the needs of the general population. Moreover, it was designed to produce exports and to reproduce in the country some goods and artifacts used by the Chilean dominant class to imitate
the more developed countries, not to respond to the demands of massive popular consumption. In 1972, the Minister of Economy, Pedro Vuskovic, observed,

There has been much faster progress in income distribution than in adjusting supply to this new structure of income ... the higher purchasing power of the workers is not always matched by the availability of the products they want or are in a position to buy.

(In Zammit, ed., 1973, p.53)

On the other hand, the private sector, as was also expected by the Chilean planners, was unwilling to make use of the opportunities provided by the expanded demand by making long-term investments. Foreign investors were naturally unsure of a country that was nationalizing foreign-owned enterprises. The Chilean owners of investment capital were more interested in sending their money to the exterior, or in making fast profits from the black market speculation developed by the Chilean dominant class to sabotage the economic policies of the UP government. Actually, private investments, which had been on the average of $281 million per year for 1961-1970, and had reached $260 million in 1970, dropped to $93 million in 1971, and to $39 million in 1972. (Stallings, 1978, pp.161-162; De Vylder, 1976, p.84)

Therefore the solution to the problems created by the gaps and bottlenecks which were appearing in the physical infrastructure of production was to be found in an increase of public investments. This was seen by Chilean planners as an opportunity to change the general direction of the development of the productive infrastructure. As the Director of ODEPLAN explained in a planning seminar in 1972,

One of the new model's basic aspects consists in transferring the impetus for development from a wealthy minority, which generated an important proportion of the
of the total demand in the economy, to the demand generated by the bulk of the population.

(In Zammit, ed., 1973, p.72)

A National Committee on Investments was created by Decreee at the end of 1971, to coordinate and expand the investments of all the State agencies, and to formulate a National Investment Plan. It was presided by the Director of ODEPLAN, acting as direct representative of President Allende, and integrated by personal direct representatives of the Ministers of Finance, Economy and Agriculture, and the Chief Executive of CORFO, the Central Bank and the State Bank.

Even before the National Committee in Investments (NCI) was created, the emphasis of public investments on satisfying the basic needs of the majority of the population was implemented. A large proportion of the expansion of public expenditures considered in the short-term reactivation policies of late 1970 was directed to the construction of housing and community facilities. While under the Frei Administration, housing construction starts had been on average of 42,000 units per year, they increased to 80,000 units in 1971. Similar increases were registered in the construction of schools, hospitals and health centers. (De Vylder, 1976, pp.68-70; Instituto de Economia, 1972, pp.274-277)

The strategy of the UP government planners was to use the increase in demand for consumer goods as a "pulling" force to stimulate the development of a national production of the machinery, tools and spare parts needed to produce those consumer goods. In turn, the intermediate industries producing consumer goods would generate the necessary demand to sustain heavy industry. (G. Martner, in Zammit, ed., 1973, p.74)

NCI added two sectoral priorities in the evaluation of investment programs and projects. Copper and agricultural production investments
were given preferences because of the impact of both sectors on the balance of payment to the country. Copper exports were the main source of foreign exchange, and food was the largest item of import. Therefore, they impinged on the external resources needed to import capital goods for investments in other sectors.

NCI requested that every sector of the State agencies make a presentation of their investment programs and projects through the respective sectoral planning office. The presentation would contain a detailed description of the investment projects and their financial requirements in national currency and foreign exchange.

NCI was supported by the technical staff of ODEPLAN and the Office of the Budget for the analysis and evaluation of the programs and projects. In addition, it was assisted by the specialized personnel of each sectoral planning office in the respective presentation. Only projects and programs approved by NCI were financed by the State through the nationalized banks, and their foreign exchange component was included in the foreign exchange budgets prepared by the Secretary of Foreign Trade and Foreign Exchange (SEREX).

On these bases, NCI was able to prepare a detailed national plan of investments which was completed in the early months of 1973. Several large projects were started even before the plan was officially adopted. (Roxborough, 1977, p.130; De Vylder, 1976, p.97)

One important aspect of the strategy of the Chilean planners in matters of investment for economic development was the increasing reliance upon national engineering capabilities to reduce the problems associated with the country's technological dependency. In particular, it was necessary to search for more appropriate small-scale, labor-intensive techno-
logies, rather than those usually recommended by foreign engineering consultants. However, few of the Chilean engineers were industrial engineers, with knowledge and experience in the design of industrial projects. Most of them were civil engineers whose experience was concentrated in construction and traditional public works. In addition, the majority of the Chilean professionals were hostile toward the Allende Administration. For these reasons, CORFO concentrated the engineers who had the necessary skills and were willing to work in a special unit, to serve the needs of all the sectors presenting projects to NCI. (Zammit, ed., pp.71 & 93)

Some of the projects approved by NCI and started under the Allende Administration were directly related to the priorities mentioned above. This was the case in the production of agricultural machinery and implements in Concepcion, and the production of industrial input and spare parts for the copper mines in Antofagasta. (Zammit, ed., 1973, pp.162-165)

However, other projects involved the continuation of already started important works such as the Santiago Subway, or projects of a special nature such as the UNCTAD Conference building. This was a rather large structure (over 40,000 square meters) which had to be built in less than a year, and was the pride of the Chilean construction workers and architects who were willing to demonstrate to the world their capabilities and efficiency. (De Vylder, 1976, p.70) This building, the Santiago Subway, and the expansion in housing construction, increased the consumption of construction materials, so the NCI also approved the construction of a new cement plant in the south of Chile. But this project, which had the financial aid of the Soviet Union, was never completed because the Allende government was overthrown shortly after it had been started.
Even though the expansion of public investments did not compensate entirely for the decline in private investments, the activities generated by the development and construction of these and many other investment projects approved by NCI were, to a large extent, responsible for the low rates of unemployment prevalent during the Allende government. (Sigmund, 1977, pp.236 & 273)

Actually, the unemployment rates were lower under Allende than at any time before or after. During the Alessandri Administration the industrial unemployment rate in the Greater Santiago area was on the average 6.6% per year, and during the Frei period this average went to 5.2%. Under Allende, this rate decreased to 3.9% per year. It should be noted here that soon after the overthrow of Allende, the rate of unemployment increased to 7% in December of 1973, and reached a high of 19.8% in March of 1976. The average for 1978 was 14%, according to the official figures of the present military dictatorship. (Stallings, 1978, pp.172-174; Varela & Michel, 1980, p.10)

Most of the investment projects had long gestation periods and their full impact could not be expected before some years. In the short-term the gaps and bottlenecks of the productive infrastructure resulted in shortages, distortions in the structure of imports, inflationary pressures, and opportunities for the Chilean dominant class to develop a parallel market with clandestine financing to avoid the government controls. Three of these impacts were of particular importance and will be further analyzed. They were the case of the demand for and supply of food, the pressures on the external sector, and the problem of inflation.

Most economists have assumed that the income elasticity of the demand for food is relatively low. They argue that low-income people will
satisfy their nutritional needs first, before any other necessity, and therefore, in the event of an income raise, they will spend more money on other goods than on food which was the first priority in their original expenditures. Thus a process of income redistribution in favor of the lower income strata would have little impact on the demand for food, and great impact on the demand for other not so essential goods. In Chile, surveys on the consumption habits of the population made in 1968 and 1969, seemed to confirm this assumption, because they found that high-income families employed only 10% of their income on food, while low-income families used 67% of their income for the same purpose. (Bucher et al., 1973, pp.29-31)

However, a more detailed analysis of the same date showed these figures to be misleading, because of the extreme difference in income between the families compared above. Actually, in absolute terms, the high-income families were spending three times more money on food than the low-income ones. Poor people in Chile had a wide margin for improving the quantity and quality of the food they consumed. Therefore, the redistribution of income in 1971 resulted in a strong expansion in the demand for food, particularly special items, like beef, which had previously been consumed only by the dominant class. (Bucher et al., 1973, pp.88 & 93; De Vylder, 1976, p.202)

This situation provided the opportunity for the Chilean dominant class to develop a black market of food, and to mount a political campaign blaming the government for the assumed scarcities, and accusing it of trying "to control the people by the stomach" because of the measures taken to insure the supply of food.
The black market was based on hoarding the supplies provided by the traditional landlords, who owned medium-sized farms not affected by the Agrarian Reform, and by peasants of the early asentamientos who sympathized with the Christian Democrats. (De Vylder, 1976, pp.198-202; Steeland, 1974, pp.138-139)

Even though the agencies of the State substantially increased their purchases of agricultural products, still in 1972, more than 70% of the national production was commercialized through private channels. The State had legal control over the commercialization of wheat, and had a practical monopoly on the market for sugar beets and oil seeds, but traditional landlords and disaffected peasants changed their productions toward items that were not easily controlled by the government and that yielded high prices in the black market. Thus, in 1972, bad weather and truck owners lock-out helped the production level of the cultivated wheat, sugar beets, and oil seed, areas to fall far below the previous years, while it increased for corn, other cereals and pulses. At the time, poultry, pork, milk and egg production also increased. (Barraclough, 1974, pp.122-123; De Vylder, 1976, pp.193-201)

Since the legal and political conditions of the country made it very difficult to impose general controls on the marketing and distribution of foodstuffs, the government increased the imports of agricultural products to insure the supply of food to the general population. Actually between imports and controlled national production, the total availability of food for the Chilean population increased by 27% between 1970 and 1972. The creation of DINAC and the action of the JAPs made providing the "family basket" at official prices to a growing number of working class families possible since 1971. (De Vylder, 1976, p.202; Loveman,
However, the increased food imports, together with the growth of imports of other consumer goods and services, reduced the availability to import capital goods through foreign exchange. The international copper price declined sharply in 1971 and 1972, from 60 cents per pound in 1970 to 48 cents in 1971. This reduced the value of the Chilean exports despite the increases in copper production, as the following table shows.

Table 5.3: CHILE: Balance of Payments 1970-1973

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Exports</td>
<td>1,254.7</td>
<td>1,132.8</td>
<td>978.2</td>
<td>1,429.3</td>
</tr>
<tr>
<td>Copper</td>
<td>839.8</td>
<td>701.2</td>
<td>618.2</td>
<td>1,055.7</td>
</tr>
<tr>
<td>Imports</td>
<td>1,160.2</td>
<td>1,225.1</td>
<td>1,330.9</td>
<td>1,625.6</td>
</tr>
<tr>
<td>Food</td>
<td>135.5</td>
<td>192.2</td>
<td>338.9</td>
<td>511.6</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>276.2</td>
<td>248.0</td>
<td>165.1</td>
<td>243.3</td>
</tr>
<tr>
<td>Commercial Balance</td>
<td>155.7</td>
<td>-18.1</td>
<td>-188.8</td>
<td>-386.6</td>
</tr>
<tr>
<td>Balance of Payments</td>
<td>113.5</td>
<td>-299.8</td>
<td>-229.0</td>
<td>-111.9</td>
</tr>
</tbody>
</table>

(Source: Banco Central de Chile, in Varela & Michel, 1980, p.49)

The weak international economic position of the country was worsened by the historical accumulation of external debt, which had grown from $598 million in 1960 to $2,975 million in 1970. (ODEPLAN, 1971, Table 318, p.54) Moreover, the renegotiation of the external debt and the short-term loans contracted during the Frei Administration resulted in payments due in 1971 and 1972 which presented 40% of the export revenues of those years. (P. Vuskovic, in Zammit, ed., 1973, p.54)

In addition, the Nixon-Kissinger plan to "destabilize" the Allende government included external economic pressures such as releasing copper from the strategic stockpile by the U.S. government, depressing the international price; and squeezing credit, which was denounced by President
Allende as an "invisible blockade". From 1970 until 1973, Chile did not receive new loans from the U.S., from EximBank, or from the World Bank. The IDB reduced its loans to two small operations with Chilean private universities, and the private banks also suspended their credits, even the short-term operations customary in international trade. Thus, Chile had to pay cash in advance for anything imported from the United States, if a seller could be found because many U.S. firms refused to provide the goods they had been supplying previously.

This was calculated to produce serious difficulties in the Chilean economy, since the balance of payments of the country had been heavily dependent of foreign financing, and because most of the productive machinery existing in Chile, as well as the spare parts needed for maintenance, were imported from the United States. (Stallings, 1978, p.135; Sigmund, 1977, pp.174-175; De Vylder, 1976, p.99)

But the West European countries and the Socialist countries were willing to occupy the place vacated by the United States. They provided the credits needed to maintain and increase the level of imports, as the table shows. Even the deficit in the balance of payments was reduced in 1973, when the international price of copper returned to is normal levels. (De Vylder, 1976, p.105)

Since the beginning of the Allende Administration, the Chilean government tried to establish negotiations with the major creditor countries to reschedule the payments due on the external debt. But since the U.S. was opposed to any such negotiation, Chile decided to force the matter by declaring a suspension of payments on the external debt. Shortly after, in January of 1972, the private banks acceded to reschedule their part of the debt. In April, another agreement was reached with the mem-
bers of the so-called "Paris Club", integrated by the U.S., Japan, Canada and the Western European countries, to reschedule the payments due in 1972. The same agreement now called for a meeting in May of 1973 to negotiate the payments due on this last year. (Sigmund, 1977, p.175)

The UP Program postulated the State control of all the operations of foreign exchange, and the existing legislation authorized the government to intervene in all aspects of foreign interchange. But, as in other cases analyzed before, diverse laws dictated at different times, had given overlapping, and often conflicting functions to several State agencies in this matter. The Ministry of Economy and the Ministry of Foreign Affairs shared the policy-making powers with the Central Bank, while CORFO, ECA, Codelco, COVENSA, and the State Bank operated in foreign trade and foreign exchange with formal autonomy from the policy making institutions. The main role of the State in foreign economic affairs was its regulating function since the field was mostly given to the private sector. (C. Dominguez, 1969)

For the purpose of implementing the UP Program, the Chilean planners concentrated the powers of most of these state agencies into the newly created Secretary of Foreign Trade and Exchange which began to operate at the beginning of 1972. SEREX was able to secure the provision of foreign support for all the projects included in the National Plan of Investments prepared by NCI. Through a better control of imports and a rising copper price at the beginning of 1973, SEREX also achieved an external situation far less critical than that of 1972. but it was still weak. (Roxborough, 1977, pp.154-156)

Chilean planners had more difficulties dealing with inflation, but this "technical" problem was related to the internal ideological differ-
ences within the UP coalition.

In the structuralist view of the Minister of Economy and most of the Chilean planners, inflation was the monetary result of deeper economic problems, and monetary policies were ancillary to the program of structural changes. In addition, during 1971, inflation was maintained relatively under control by Chilean standards. Consumer prices rose only 22% in 1971, thanks to a combination of price controls, increased production and imports, and the consumption of previously accumulated stocks. (De Vylder, 1976, p.71)

But in early 1972, the stocks had disappeared, and the limitations of the productive infrastructure were emerging as gaps and bottlenecks. This added to the hoarding and sabotage of the Chilean dominant class and the "invisible blockade" resulting in increasing shortages of some consumer goods and spare parts.

Since the Allende Administration was committed to maintaining the gains made by the working class through the redistribution of income produced by the short-term economic policies, salaries and wages had been raised 22% at the beginning of 1972 to compensate for the previous year's inflations. But the opposition-dominated congress rejected the tax increases proposed by the government, which meant an increase in the budgetary deficit from 10 to 26 thousand million escudos between 1971 and 1972. (De Vylders, 1976, p.90)

These inflationary pressures and the black market organized by the opposition were reflected in the Consumer Price Index (CPI), the indicator generally used to measure the purchasing power of wages and salaries. In July, the CPI had indicated that the wage adjustment made at the beginning of the year had practically disappeared during the first half of
the year due to inflation. Both CUT and the government had to consider the possibility of a new adjustment. (De Vylder, 1976, pp.88-89; Sigmund, 1977, p.176)

It should be noted here that CPI, as well as other conventional indicators, were directly affected by the implementation of the UP Program. They had been designed to measure the performance of the established system but the basic objective of the UP Program was to destroy this system and replace it with one of a different nature. In doing so, it destroyed the basis of the traditional indicators.

This Index was calculated monthly by the National Institute of Statistics (INE) on the basis of a price survey of a sample list of consumer goods in the stores. The weight of the different items in the Index was revised periodically according to surveys on the consumption habits of the population, which were generally conducted between population census. The last survey in use during the period being studied was from 1965.

In spite of the expansion of demand and changes in its composition, the weight of the different items in the CPI was not changed, which deprived the Index of accuracy. In addition, because of the black market and "family basket", many items considered in the calculation of the CPI practically disappeared from the stores where the CPI survey was carried on, and the survey became unrealistic. (De Vylder, 1976, p.88)

Chilean planners tried to solve the problems by creating new information systems which could measure the emerging new conditions. They developed new accounting systems for the enterprises of the Social Area, for the CERAs, and other productive units of the agricultural reformed area. ODEPLAN started to use input-output and material balances techniques to serve the needs of the new structure of production, while the
Office of the Budget and the Central Bank were also adapted to control the money supply and public funds more efficiently under the new conditions. (ODEPLAN, 1972, Zammit, ed., 1973, pp.71 & 99-100)

But these new information systems developed slowly and in mid-1972 CPI still continued to be considered the indicator of inflation by the general public. The traditional indicators were used by the dominant class and its foreign allies to demonstrate the "economic chaos" introduced by the government policies, since they were able to register the destruction of the old system but not the construction of the new one.

The problem of inflation had been present for a long time. Planners could have dealt with it if it weren't for the differences in the UP coalition. The impact that the introduction of the structural changes by the Allende Administration had on the UP coalition itself and its social base was not realized in the beginning. The labor unions and the political parties of the Left had been born and expanded within the same social structure that the UP Program was directed to change, and therefore they were also affected by the dismantling of the traditional system.

Labor unions, for example, had traditionally considered the government as an enemy. Their leaders had been trained to fight the "enterprise" for marginal advances, mainly wage increases. But under Allende, they were called on to participate in the administration of the enterprise. They entered into formal agreements with a government that called itself "government of the workers", and they had to decide on the design and implementation of national policies of socio-economic development.

CUT made a good effort to adapt itself to the new conditions, in spite of the strains imposed on its structure by the growth in the number of affiliated unions. It had a very positive intervention in the design
and implementation of the participation mechanisms, and also made important innovations in developing non-monetary benefits for the working class, such as the distribution of supplemental food for children or the building of new schools, health centers and nurseries. (De Vylder, 1976, p.111; Zammit, ed., 1973, pp.189&220)

It was difficult for CUT to control the demand of its affiliates for higher wages, since this had been the major thrust of its action in the past. The same participation mechanisms actually reduced the leading role of the labor unions in the working class. Moreover, the workers and peasants, free from the fear of government repression, developed new forms of action and organization on territorial bases which cut across the vertical organization by branches of industry of CUT. Thus, instead of leading the workers, CUT appeared following their initiatives and sometimes opposing them. (Roxborough, 1977, pp.161&ff; Stallings, 1978, pp.40-41)

The political parties of the UP coalition, whose leaders were trained in parliamentary manouvers, electoral campaigns, and mobilization of people against the established system and the government had similar difficulties. Under Allende, with the best cadres serving the government, the possibilities for maneuvers and compromises in Congress drastically reduced, these parties had troubles defining their new role and functions. Electoral campaign techniques were still needed, but they were of little use in mobilizing people to implement the UP Program and to build a new system.

Many politicians of the Left who had a Marxist perspective expected that the destruction of the economic base of the dominant class would deprive the Right of its electoral power, more or less automatically. Even though they had clearly stated that to win the Presidency was not the
same as to conquer social power, they were surprised by the ideological strength of the established system.

Since the salaried working class, including white-collar, blue-collar, and agricultural workers, represented 75% of the total population, UP politicians expected that in the long term, the measures in favor of the working class of the Allende Administration would provide the electoral majority needed to fulfill the basic objectives of the UP Program within the framework of the Constitution.

In addition, the anti-imperialist and anti-monopolist government program did not affect the interests of the petty-bourgeoisie in the UP coalition's view where Radicals and other small groups actually represented those interests. (Roxborough, 1977, p.124)

Historically, the strength of the Left had been based on the well organized, blue-collar workers of the large industrial and mining enterprises, precisely the group most directly involved in the organization of the Social and Mixed Areas of the economy. But this group represents only 22% of the industrial working force. It was an excellent core of organized workers for social and political action, though it had limited electoral weight. The Left had to compete with the Christian Democrats for the support of other groups of workers such as the white collar employees, peasants, and non-organized industrial workers, and was particularly weak among female voters. (De Vylder, 1976, pp.49-50; Sigmund, 1977, p.107)

In addition, the UP coalition underestimated the strength of the ties between the petty-bourgeoisie and the dominant class. Many of the owners of small and medium sized firms had business relations with the large monopolistic enterprises as sub-contractors or suppliers of
goods and services. Even if they maintained their business with the new administration of the nationalized enterprises, they felt threatened by the disappearance of the people with whom they were accustomed to deal. (Stallings, 1978, p.134)

Most of the members of the petty-bourgeoisie sustained an ideology that identified them with the values of the dominant class, even against their own objective interests. As Frederick Pike observed,

> Because of their desire to assume upper-class attitudes, middle groups have developed very little consciousness of themselves as members of a distinct class. Almost the only clear middle-class trait in Chile had been the tendency to shun the lower mass and to embrace aristocracy. (in Petras & Zeitlin, eds., 1968, p.211)

On these bases, the Chilean dominant class, with the financial help of the CIA and other foreign friends, was able to organize a wide political front opposing the Allende government. It included most of the petty-bourgeoisie, and even some elements of the working class, in the name of the "defense of the democratic freedoms against the threat of Marxist dictatorship". (Stallings, 1978, p.139)

Still, the municipal elections of April, 1971, seemed to confirm the analysis of the UP politicians. The opposition was still divided between the National and the Christian Democratic Party, and the UP collected the benefits of Allende's recent assumption of power and the early impact of the short-term economic policies. The UP received 49.7% of the total vote, the Socialist Party 22.3%, and the Communists 16.9%. All these figures represented big gains since the last municipal elections. However, the Christian Democrats, with 25.7% of the vote, remained the largest individual party. The National Party received 18.5%, more votes
than the Communists. (Sigmund, 1977, p.142; Stallings, 1978, pp.242-243)

The municipal elections settled the scenario for the political struggle during the Allende Administration. The government clearly had more popular support than that indicated by the Allende vote in 1970, and this support was also larger than that enjoyed by Frei or Alessandri in their best moments. However, the UP did not attain the clear majority needed to call for a plebiscite as it was required by the Constitution when changing Congress or the Judiciary, and they were controlled by the opposition.

No general congressional elections were due before March, 1973, even if the government obtained the same or a higher percentage of the vote in the congressional elections, it did not insure a congressional majority. Only half of the Senate was to be renewed, and the electoral system of proportional representation was skewed in favor of the Right. The opposition won 914 seats in the municipal councils throughout the country, while the UP obtained only 766 seats with a larger number of votes. (Sigmund, 1977, p.143)

Shortly after the municipal elections, the political parties of the opposition entered into an alliance which lasted until the end of the Allende Administration. It also allowed them to win by-elections in Valparaiso in July, 1971, and in O'Higgins-Colchagua and Linares in January, 1972, while the government won a by-election in Coquimbo in July of 1972. (Sigmund, 1977, pp.149, 165 & 171)

The alliance of the opposition also resulted in the split of the Left wing from the Christian Democratic Party and the formation of a new part, the "Christian Left" (IC), which joined the UP coalition in 1971. But this split was compensated by a similar division of the Radical Party,
whose right-wing separted to form PIR (Radical Left Party) and joined the opposition in 1972. (Sigmund, 1977, pp.149-152)

But the opposition did not have the two-thirds vote required in Congress to overcome the president's veto or to impeach the President. Thus, the political battle appeared as a stalemate between two equiva-

lent forces which could only be solved by a clear definition of the elec-
torate in the Congressional elections of 1973. This conditioned the government action and was a factor included by planners in their pro-

posals. As Predro Vuskovic explained in 1972,

There is an imbalance between the level of electoral support with which the government came to office and the size of the groups which will benefit from the gov-

ernment programs. Accordingly a central objective of economic policy is to widen political support for the government, to the extent this is compatible with other aspects of the program.

(in Zammit, ed., 1973, p.50)

However, the politicians of the UP were concerned about the results of the by-elections of January 1972 which seemed to indicate that the government was losing electoral support after the municipal elections. They were unable to measure the strength of the reactionary ideology of the petty-bourgeoisie, nor the concern of a large segment of the population, women, who felt uneasy about a process that was destroying the old modes and patterns while the new ones were not still well-established. Also, the UP politicians were not able to perceive the substantial clandes-
destine financial support that the Chilean dominant class was receiving from the CIA and other foreign friends for electoral and other political purposes. (Sigmund, 1977, pp.165, 173 & 285)

Therefore, the UP politicians tended to underestimate the impact of implementing the UP Program. In their analysis, if some social groups joined the oppositions in contradiction with their own objective inter-
tests, this was an indication that the measures taken had not affected the traditional system in depth. Two opposite positions emerged from this analysis within the UP coalition.

On one hand, the Communist Party, supported by the Radicals, followed a thesis on stages in the process of peaceful transition to socialism. This thesis, which had been formulated long before the Allende Administration, considered the process as divided into discrete periods that had to be "consolidated" before proceeding to the next. (De Vylder, 1976, p.39; A.Joxe, in Sammit, ed., 1973, p.225)

At the beginning of 1972, the Communists sustained that the anti-imperialist and anti-monopolist components of the "first stage" of the UP Program, that is, the nationalization of the monopolies and foreign-owned enterprises, the formation of the Social Area of the economy, and the expropriations of the Agrarian Reform, were not still completed. Therefore, an agreement with the "progressive elements of the bourgeoisie", meaning the Christian Democrats, was necessary to complete this stage and "consolidate" the gains already made. Without this, further advances would only alienate the "middle sectors" whose participation was needed to complete and consolidate the process. (A.Joxe, op.cit; Sigmund, 1977, p.166)

On the other hand, the majority of the Socialist Party, led by Senator Carlos Altamirano, and supported by MAPU and the Christian Left, sustained a "revolutionary" thesis. This thesis considered that the possibilities of advancing through the legal powers of the Executive were limited, and almost exhausted at the beginning of 1972. Any conciliation or agreement with the Christian Democrats or any other segment of the reactionary forces would be useless and damaging to the basic objectives
of the UP Program. If the actions already taken by the Allende government had not completed the destruction of the power of the dominant class, it was necessary to adopt truly socialistic measures by developing "People's Power" through the establishment of grass-roots organizations of workers and peasants. (Roxborough, 1977, pp.161 & ff.; De Vylder, 1976, p.86)

The differences inside the UP coalition presented a complex problem for President Allende and his administration. The emergence of the grass-roots organizations of workers and peasants that served as a basis for "People's Power" had actually been encouraged by the government. Allende was not willing to repress the movements of the working class by force, even if they exceeded the limits desired by his administration. He had proclaimed many times that his was "the government of the workers". It was Allende, himself, who coined the phrase "people's power" to describe his regime in this inaugural speech. (Johnson, ed., 1973, pp.157-158; Debray, 1971, pp.93 & ff.)

However, the President was also determined to avoid a direct violent confrontation with the dominant class that could result in a bloody civil war. Moreover, he felt constrained by the "constitutional guarantees", and by the agreement that he had made with the military before his confirmation by Congress. (Johnson, ed., 1973, p.156; Debray, 1971, pp.119-120)

President Allende had a long experience with similar conflicts among the political parties of the Left, and was able to make use of his well-known parliamentary ability to maintain the unity of the UP coalition despite the above-mentioned differences. But he considered the policial parties of the Left as genuine and effective channels of communication
with the working class, and was not aware of the potential conflict between the directives of those parties and their social base emerging from the implementation of the UP Program. (Debray, 1971, pp.93-95)

No one in the Left was willing to discard the advantages of being in control of the Executive, and Salvador Allende had a large personal popularity which excluded the possibility of a revolutionary parallel power, as MIR found in practice. Therefore, the President felt free to use his political skills in an attempt to divide the opposition through manipulating the "middle class" myth. He was always making the distinction between the "middle sectors" (meaning the petty-bourgeoisie), the professionals, and some white-collar workers on one hand, and the oligarchy and its foreign allies on the other. (Roxborough, 1977, pp.75-76 & 166)

However, this attempt led him to coincide with the Communists over the need to keep the possibilities of dialogue with the Christian Democrats open, long after the polarization of the country had made such a dialogue useless. This separated him from the great majority of the working class who felt interpreted by the "People's Power" position, had little interest in theoretical "stages" or consolidation, and felt no constraint from Constitutional guarantees to the dominant class. (De Vylder, 1976, p.143; Roxborough, 1977, p.162)

The UP tried to solve its internal differences and find a common directive for future action in two high level meetings of political and government leaders, which took place in El Arrayan in February of 1972, and in Lo Curro in June of the same year. But these meetings were not very successful and actually added new problems to the tasks of the planners.
Planners tended to coincide with the analysis of the "revolutionary" position, even though their professional bias kept their interest in introducing the order and control which coincided with the position of the Communists. Moreover, in spite of their own personal position, they were serving the administration and therefore were many times denounced as "technocrats" by the political activists who sustained the "revolutionary" position.

In Lo Curro, the government planners proposed, through the Minister of Economy, three basic measures to deal with inflation and the black market.

1) More frequent and discriminate wage adjustments. In 1971 wages had increased once during the year and had favored all the workers, but they had preserved the traditional system which favored some workers over others. The planner sustained that a more refined policy was needed to discourage the "economist" tendencies of the most powerful labor unions, and to rationalize the social security system and family allowances. Thus, it was proposed to increase the minimum wages faster than the income of better paid workers, while making allowances to maintain the purchasing power of the professionals and technicians who were needed in the new situation. (De Vylder, 1976, pp.90-91; Stallings, 1978, p.223)

2) Increased control by the State of distribution mechanisms, and discriminatory price adjustments. This meant drastically raising the prices of luxury items and goods for the conspicuous consumption of the dominant class, and favoring the agricultural producers, while at the same time maintaining the consumer price of essentials at a low level. (Stallings, 1978, p.135; Boorstein, 1977, p.188)

Since the government controlled imports and a large part of the in-
dustrial productive capacity of the country, it was able to set many of these prices directly. But the development of a parallel market by the dominant class made the control of inflation through fixed prices impossible unless the State controlled a larger part of the distribution mechanisms. For this purpose, the planners proposed the following point in which they coincided with the "revolutionary" position.

3) The mobilization of the working class for the control of the black market through the JAPs and vigilance committees in the Social Area and in the reformed agricultural area to impede the sabotage, hoarding, and transfer of production to the parallel market by the dominant class and its friends. (Roxborough, 1977, p.167; Stallings, 1978, p.135)

The last two points were rejected by the Communists who argued that Chile was still a capitalist society and therefore some capitalist measures were needed to consolidate for advances achieved during the first 20 months and to put some order in the process. In accordance with this analysis, they recommended, through Hernan Millas, 1) To limit the Social Area to 90 firms and define the three areas of the economy, giving guarantees to small and medium size firms so as to win the support of the petty-bourgeoisie; 2) To hold down wage increases, and the government deficit in particular, with a more efficient management of the Social Area; and 3) To raise prices and devalue the Escudo in order to achieve "stability at a higher level". (Stallings, 1978, p.135; Boorstein, 1977, pp.187-189)

In a typical parliamentary compromise, President Allende and the UP coalition adopted the Communist proposals, but added an agreement with CUT to raise wages as much as needed to compensate for past inflation, and to introduce the new price increases. Still, the contradiction of
these measures with the general direction followed until then by the government, required a change in the economic team of Ministers. The Minister of Finance, Americo Zorrilla, and the Minister of Economy, Pedro Vuskovic, were replaced by Hernan Millas and Carlos Matus, respectively, even though Vuskovic remained as head of the Economic Development Committee of the Cabinet and as Chief Executive of CORFO. (Stallings, 1978, p.136; Roxborough, 1977, p.127)

The meeting of Lo Curro and the issue of inflation and the measures taken demonstrated how the politicians of the Left, including President Allende, underestimated the degree to which the process they began had advanced. As Barbara Stallings explained, the analysis of the Communists and the measures adopted in Lo Curro by the UP and the President "failed to realize that the class struggle had brought the opposing forces to such a level of polarization that, until the question of political power was resolved, conventional measures could only make the situation worse". (Stallings, 1978, p.136)

Not only the analysis was faulty, the implementation of these measures required practical steps which made them contradictory to their own objectives.

On one hand, the effort of the Millas-Matus team to finance the enterprises of the Social Area through prices that reflected the real costs of their products, required a series of detailed studies by industrial branches. These studies were not all finished at the same time because of the lack of enough technical personnel. Therefore, the price increases did not coincide with the devaluation of the Escudo, as the original intention had been. Instead of the expected "shock" impact which would stop the growth of the money supply and the inflationary mentality of
of the public, the impact was gradual, extending over three months. Each day carried the news of price rises in diverse products. Instead of stopping inflation at a higher level, this measure actually fueled the inflationary psychology of the public and merchants who hoarded goods while waiting for their new price.

The CPI, which had increased by 33.2% from January to July, jumped 22.2% in September, and the rise affected not only luxury goods, but essentials as well, because the price increases given to the agricultural producers were passed to the consumers. Therefore, the food price index rose 38.1% in August, and 30.4% in September. (Boorstein, 1977, p.189, De Vylder, 1976, p.88)

The wage adjustment agreed upon with CUT, consisted of a flat rate bonus of 700 escudos in September, followed by a percentage adjustment in October, to compensate for inflation during the nine months of the year. After the price increases reached 99.8%, this had to be approved by Congress. The majority of Congress once again approved the expenditures but rejected the new taxes requested by the Executive to finance them. Thus, the fiscal deficit increased, instead of diminished, as the objectives of the new policy had been. (De Vylder, 1976, p.93; Boorstein, 1977, p.190)

In summary, as Stefan De Vylder put it,

The formula, "stabilization on a higher level", launched by the Millas-Matus economic team, proved inoperative ... The "higher level" was no doubt reached, but not the "stabilization" part of the project.

(De Vylder, 1976, p.88)

The erroneous analysis of the Communists, and the mistake of President Allende and the UP coalition in Lo Curro, were clearly criticized by the same group of the petty-bourgeoisie which the new policies were
supposed to attract. These groups were the spearhead of an opposition campaign which began in July when they impeached the Minister of Interior, labor leader Hernan del Canto of the Socialist Party, because he was accused of smuggling arms from Cuba. (Loveman, 1979, p.341; Sigmund, 1977, p.171)

This campaign was followed by a movement of the Confederation of Retail Commerce in August, and a mobilization of the secondary students controlled by the Christian Democrats and supported by the Students Federation of Universidad Catolica in September. The students of the opposition clashed with UP students and workers in Santiago, Valparaiso and Concepcion. Patria y Libertad and other right-wing extremist organizations, added to the climate of violence several incidents, such as the assault on the radio stations which supported the government in the provinces. (Chinchilla-Sternberg, 1974, p.122; Sigmund, 1977, p.183)

The opposition campaign culminated on October 12, with the lock-out declared by the Truck Owners Confederation, which was followed within 48 hours by a similar stoppage of the retail merchants, the industrialists of SOFOFA, and the professional organizations of lawyers, engineers, physicians, dentists and architects. Later, all the participants in this lock-out joined the so-called "Frente Gremialista" presided by the head of the truck owners, Leon Vilarin.

The National Party supported the movement from the beginning, and the Christian Democratic Party endorsed it on October 14, declaring that any repression of the participants in the stoppage would be a violation of the Constitutional guarantees. With the financial aid of the CIA, the movement was prepared to go on indefinately, in an effort to paralyze the country and to overthrow the government, or at least to stop the imple-
mentation of the UP Program and submit the Executive to the control of the majority of Congress. (Sigmund, 1977, pp.185-186; Stallings, 1978, pp.141-142)

In a coordinated action, Congress started impeachment proceedings against four ministers, and passed a law, introduced by Senator Juan de Dios Carmona of PDC which gave to the military complete control of firearms in the country. This included all the authorization to conduct searches if the illegal possession of such arms was suspected. (Sigmund, 1977, p.183, Loveman, 1979, p.342) But at the same time, Patria y Libertad and other right-wing terrorist groups were attacking the stores which remained open and the trucks and buses which were still running.

The rightist violence included the sabotage of railroad tracks, oil and gas pipelines, and the spread of millions of "miguelitos" (bent nails with three or more points of which one always points upwards) on the roads to blow out the tires of running vehicles. Trucks going from one city to another had to form convoys under guard to protect them from the terrorist attacks. Similar protection was also needed for cargo trains. (Steenland, 1977, p.152; Rojas, 1976, p.117)

The government declared the state of emergency in 18 provinces, which put the armed forces in control of the public order. They imposed a curfew from midnight to 6 AM, took over all the radio stations of the country, and ordered the requisition or intervention of all the stores, shops, and factories which were closed and considered essential, such as food stores. (Sigmund, 1977, p.186)

But it was the extraordinary mobilization of the working class that really sustained the government and practically defeated the objectives of the stoppage. The workers took over the factories and shops and made
them work in the absence of their bosses. Calls of CUT for volunteers were answered by enough people to maintain the essential transportation and distribution services in operation by working around-the-clock on the State railroads and on the few trucks that did not join the lock out.

New working class organizations, such as the "Industrial Belts" and "Communal Commandos", emerged from the grass-roots organizations to coordinate solutions to the problems created by the stoppage in respective areas. New communications were established between peasants and urban workers that resulted in a direct supply system in both directions. Even Christian Democratic blue-collar organizations rejected the official line of their party and joined the UP workers in the mobilization against the lockout. (Stallings, 1978, pp.142-143; Steenland, 1977, pp.151-152)

To the extent that the working class mobilization grew, the government action appeared to be replaced by it. Many government agencies reduced their paperwork to a minimum so as to allow the employees to join the volunteer brigades in emergency tasks. Planners and other government professionals and technical personnel were organized into special emergency task forces to coordinate the resources of the government with the mobilization of the working class, and to maintain the system of information and communications necessary to overcome the crisis.

This mobilization actually defeated the objectives of the lockout. Instead of stopping all the activities of the country, it generated a new network of productive activities and social relations which maintained the basic functions. In the words of Robinson Rojas,

The country was on the move. Haltingly, to be sure, but it was moving. The bosses and the supervisors sat at home, but the workers were walking to the factories. The great landowners remained in the city but the peasants went out to till the crops.
As Barbara Stallings explained, "The economy was still functioning, and the working class and its allies were gaining confidence in their own ability to resolve problems." (Rojas, 1976, p.117; Stallings, 1978, p.142)

The October crisis demonstrated where the allegiance of the petty-bourgeoisie and the so-called "progressive elements of the bourgeoisie really rested. The illusion of conquering the "middle groups", which had been the rationale for the Lo Curro decisions, was destroyed by the joint attack of the truck owners, retail merchants, owners of small and middle sized industries, and most of the professionals. As Stallings put it,

October was also important because it clarified the struggle between the government and the opposition. Its nature as a class struggle between the bourgeoisie and the workers became more obvious than before.

This was so evident that the editor of El Mercurio felt it necessary to explain to his readers that the Chilean conflict was not the class struggle which Karl Marx had written about. (Stallings, 1978, p.141)

The same crisis made it clear to the Chilean planners that the opposition to the Allende government was not a series of isolated responses to specific situations, but a carefully orchestrated effort directed to stop the government from achieving its objectives. In fact, to analyze the impact of the implementation of the UP Program will be incomplete without considering, at least in summary form, the counter-planning of the Chilean dominant class and its foreign allies.

After the fiasco of the assassination of General Schneider, and the subsequent inauguration of Allende as President, the Chilean dominant class was divided and in confusion. The extreme Right blamed the Chris-
tian Democrats for the confirmation of Allende by Congress, and the Christian Democrats were divided between Frei's Right-wing and the Christian Left. Even though most industrialists were scared of the nationalizations, interventions and requisitions of the UP government, many of them were attracted to using the excellent opportunities for profit created by the short-term economic policies. Thus, they took a passive and defensive positions which "shocked foreign financial circles", according to the report given to SOFOFA by one of its most prominent members who traveled abroad in the early months of 1971. (Stallings, 1978, p.138; De Vylder, 1976, pp.62-63)

However, the foreign allies of the Chilean dominant class were anything but passive in relation to the Allende government. The "Forty Committee", under the direction of Henry Kissinger, authorized the CIA to spend up to $8 million to "destabilize" the Allende government. In January of 1971, the multinational corporations threatened by the announced nationalizations organized an "ad-hoc committee on Chile to apply pressures through the office of Henry Kissinger, to make it clear that a Chilean takeover would not be tolerated." The first meeting of this committee was attended by representatives of Anaconda, Kennecott, ITT, Ralston Purina, W.R. Grace, and Pfizer Chemical. (U.S. Senate, 1973, Part 1, p.44)

The coordinated program of action of the multinational corporations and the U.S. government, included three basic elements:

a) External economic pressures which included the "invisible blockade" described before, and the efforts of Kennecott to disrupt the sales of Chilean copper through legal actions in buying countries to embargo payments on Chilean copper exports. (De Vylder, 1976, pp.104-105; Sigmund,
The credit squeeze and the embargo of the revenues of Chilean exports were overt measures, open since all of them could be justified on seemingly logical grounds. For example, the "lack of creditworthiness" was cited by Robert MacNamara, President of the World Bank, as justification for the denial of new loans to Chile. However, at the time these measures were taken, they were anticipating rather than following events which could justify them. The "self-fulfilling prophecy" was a widely-used instrument of attack against the Allende Administration.

These measures were accompanied by a massive publicity campaign. President Allende was never mentioned in press reports without a comment about his being a Marxist, and his government was always associated with the phrase "economic chaos". (Sigmund, 1977, pp.174-175)

But the other two elements of the external campaign against the Allende Administration could not be implemented in the open. They were clandestine operations directed to support the internal political and economic opposition; and mobilizing the Chilean military against the Allende government, known today due to the publication of the "ITT Papers" by Jack Anderson in 1972 and U.S. Senate hearings from 1973 to 1975.

Between 1971 and 1973, the CIA directly gave the opposition parties (PDC, National Party, and Patria y Libertad) $4 million, and also helped to finance splinter groups from the Left, such as the Popular Socialists or the factions of the Radical Party which passed from the UP coalition to the Rightist front of the opposition. (Cusack, 1977, p.112; Sigmund, 1977, p.285)

During this period, the CIA financially supported SOFOFA and other associations of the Chilean dominant class, which served as a basis to
organize a "non-political", "gremialist" front which united professionals, women, small businesses, truck owners, and some secondary and university students, against the Allende government. (Sigmund, 1977, p.286, p.117)

It should be noted that the CIA did not have to "buy" Chilean businessmen, or "bribe" Chilean politicians to change their views. There was a clear coincidence of objectives between the Chilean dominant class and its foreign allies, and the CIA had achieved very good contacts during its long intervention in Chilean affairs since before the 1964 elections. Moreover, the Chilean dominant class was not short of money to finance most of its own political and economic actions, the expansion of the market in 1971 provided it with plenty of cash.

Therefore, even though the CIA money served to "convince" some reluctant individuals, it was mostly used as a catalyst to mobilize the funds of wealthy Chileans who were not willing to put money in the risky business of opposing the government and preferred other, less dangerous, and more profitable ventures. In addition, the CIA provided planning, coordination, and technical assistance on specific means to be used against the Allende Administration. As many observers noted later, many of the tactics used in the struggle against Allende were identical to those employed previously by the Brazilian bourgeoisie to overthrow President Goulart. (Cusack, 1977, pp.101-108 & 121)

Since the Chilean inquiry on the assassination of General Schneider stopped short of uncovering the involvement of the U.S. government in it, the CIA and the military attache to the U.S. Embassy in Santiago were able to restore their contacts with the Chilean military immediately after the inauguration of President Allende. During the complot of October,
1970, the CIA made it known to the Chilean military that the U.S. government was in favor of a coup against Allende. When Allende assumed the presidency, U.S. military assistance to Chile was increased every year, in spite of the prohibition established by President Nixon of any other type of financial or technical aid. (Cusack, 1977, pp.117-118)

In addition to the support of the U.S. government and the multinational corporations, SOFOFA was also able to obtain the financial aid and solidarity of the industrialists of other Latin American countries, Brazil in particular. (Stallings, 1978, p.142; Rojas, 1976, p.125)

With this external help, the Chilean dominant class was able to regroup and organize its struggle against the Allende Administration.

The agreement reached between the political parties of the opposition after the municipal elections of 1971 has been mentioned before. This alliance was to last for the rest of the Allende period, and it established a division of labor between the large parties. While the Christian Democrats assumed the role of "constructive opposition", maintaining a formal dialogue with the government but introducing initiatives directed to reduce the powers of the Executive, in Congress, the National Party adopted a "hard line" of impeachment proceedings against Ministers and other government officers, and coordinated with the terrorist groups of the extreme Right. (Stallings, 1978, p.138; Sigmund, 1977, p.149)

On their side, the two major traditional organizations of the dominant class, the National Agricultural Society (SNA) and SOFOFA, abandoned their old elitist ways and opened to a wide coordinated front with the professional "colegios", and petty-bourgeois "gremios" such as the "Truck Owners Confederation", the "Confederation of Retail Commerce and Small Industry", and the "Association of Small and Medium Size Industries". SNA and SOFOFA
elected, as their leaders, two young executives, Benjamin Matte and Orlando Saenz respectively, both of whom were later discovered to be members of the neo-fascist and terrorist organization, Patria y Libertad. Under their direction, the traditional organizations were founders of the "Frente Nacional del Area Privada" (FRENAP: National Front of the Private Sector), a coordinating organizations which included all the "gremios" mentioned previously. FRENAP had its first public meeting in December of 1971, and Orlando Saenz was the main speaker. (Stallings, 1978, pp.39 & 139)

The counter-planning of the Chilean dominant class and its foreign allies designed two lines of action. One was a permanent series of defensive and hostile measures directed to interfere in the implementation of the UP Program. The other consisted of several counter-offensive waves directed to overthrow the government, which increased in intensity until they culminated in the violent military counter-revolution which destroyed the democratic regime in Chile in September of 1973.

Some of the permanent measures against the government policies were of an economic nature, and consisted of closing factories, sabotaging production, and the organizing of black markets mentioned before. In addition, SOFOFA, with the help of the CIA, was able to organize a "Freedom Fund" to fight CORFO's acquisition of private firms, by directly buying their stock. Orlando Saenz was a pioneer in developing shadow corporations where the capital of firms susceptible to nationalization was siphoned. (Stallings, 1978, pp.139-140; De Vylder, 1976, p.141)

By these means, the Chilean dominant class defended some strategic enterprises from the government's takeover. Among them were: a) Banco de Chile, the oldest and largest private bank in the country, which served
as clearinghouse for the transactions among the diverse financial groups of the Chilean oligarchy, and as the main link with the international financial centers; b) the paper monopoly, which served as basis for the Alessandri-Matte financial group, and was the only supplier of paper for the periodicals published in the country; c) CODINA, the major distributing company which controlled the largest share in the commercialization of essentials; d) the main publicity instruments of the opposition. *El Mercurio*, the daily publication was in danger of bankruptcy because it depended on the advertisements of the large corporations which were nationalized by the Allende government, therefore, the CIA made a special allocation of $1.5 million to save it. (Sigmund, 1977, pp.156-157 & 285-286; Cusack, 1977, p.112)

Other resources, used in a permanent way by the Chilean dominant class against the Allende Administration, were of a legal or institutional nature. The Courts and the Comptroller General made the use of the existing legislation to achieve government objectives more and more difficult, and Congress rejected every major bill introduced by the government, except the nationalization of the copper mines. As Eduardo Novoa, the Chief Counsel of the State under Allende, explained, the legal system is neither inert nor neutral. It has its own internal dynamics and serves particular ends, the defense of the particular historically determined society in which the system is in force. This defensive action also tends to cast as illegal, all those who are against this particular form of society.

(in Zammit, ed., 1973, pp.28-29)
The courts were very active in defending the property rights of the Chilean dominant class through injunctions against the requisition of private business by the government, and the Comptroller began to reject the government decrees for requisitions and interventions. The latter forced the government to make use of the Constitutional mechanism of "Insistence Decrees", whereby the Comptroller's objections were overcome through the signing of the decree by all the Ministers. The Comptroller then was forced to accept such decree, but had to send the antecedents to the Chamber of Deputies, preparing the field for impeachment proceedings. (Sigmund, 1977, pp.156 & 158; Roxborough, 1977, pp.111-112)

The majority of Congress approved more impeachment proceedings during the Allende period than in the entire Constitutional history of Chile, which forced Allende to frequently change his Ministers. But he used a defensive move which consisted of interchanging Ministries between two of his Cabinet members when one of them was under the threat of impeachment. This move was popularly known as "enroque". (Sigmund, 1977, p.164)

Some of these impeachments were also signals for the beginning of the first and second waves of the counter-offensive of the dominant class. Actually, the first impeachment proceedings were initiated by the National Party in September 1971 against the Minister of Economy on the basis of his participation in the formation of the Social Area of the economy. The Christian Democrats used the threat of the impeachment to achieve a formal compromise with the government by which they agreed to vote down the accusation on the condition that the Executive introduce a bill defining the three areas of the economy.
The government did so on October 19 of that year, but the Congressional members of PDC did not consider it, and introduced their own project instead. This was a Constitutional amendment directed to reduce the governmental powers by requesting Congressional approval of each projected transfer of a private enterprise to the Social or Mixed Areas, and making null and void any other transference, including CORFO's buying stock. This amendment was clearly more restrictive than the Agrarian Reform Law which had authorized the expropriation of all the landholdings fulfilling some generic conditions. In addition, this amendment excluded some strategic activities such as the distribution of fuels and energy, and protected the enterprises of the Alessandri-Matte group, such as the paper monopoly. (Stallings, 1978, pp.130-131; Sigmund, 1977, pp. 158-159)

Actually the amendment was the core of the first counter-offensive of the Chilean dominant class, and it was accompanied by a general publicity campaign directed to deprive the government of popular support by the exploiting assumed food shortages in which the technique of the "self-fulfilling prophecy" was employed. El Mercurio, for instance, announced "from a reliable source", that a shortage of some basic consumer goods, in the market was expected. The same day, organized groups of women appeared in the stores and supermarkets early, to buy large quantities of the same goods and explain to other consumers that El Mercurio had announced it scarcity. This naturally tended to produce a run on the particular item by unsuspecting, scared customers, and enabled El Mercurio to publish the next day, photographs of the empty shelves as a demonstration of the veracity of its reports. (Roxborough, 1977, p.106)
Other periodicals were less sophisticated in this campaign. The front page headline of the Christian Democrat daily La Prensa proclaimed that the food situation in Chile was worse than in Biafra. This publicity effort had a climax in the well-publicized "March of the Empty Pots" of December 1, 1971. Several thousand elegant women marched toward the center of Santiago from the suburbs, beating empty pots (bought just for the occasion) to protest the assumed food scarcity. They were protected by young men who provoked several violent incidents when the protestors were prevented from approaching the Presidential Palace by the police. (Roxborough, 1977, p.115; Sigmund, 1977, p.163)

The marching women of the "empty pots" were clearly members of the social class that did not suffer any basic deprivation, and most of them never used those pots personally, because they could and did afford domestic service. Actually, the only shortages worth mentioning at the time of the march were the results of the hoarding by the same marchers and the black market being developed by the dominant class. (De Vylder, 1976, pp.202-203; Roxborough, 1977, p.115)

However the incidents resulting from the march served as an excuse for the opposition to start impeachment proceedings against the Minister of Interior Jose Toha, who was responsible for the "police brutality" employed in the control of the demonstration. Allende moved Toha to the Ministry of Defense, but the publicity campaign was effective, particularly among women. It had an impact on the by-elections of January, 1972 of one Senator for O'Higgins and Colchagua, and of one Deputy for Linares.

Both candidates of the united opposition won their respective elections and they proclaimed this as an indication of the declining support for the government. Actually, the female vote was decisively in favor
of the opposition candidates. The elected Senator, Rafael Moreno, received less votes among men than the UP candidate, Socialist labor leader, Hector Olivares. Women voted two-to-one in favor of Sergio Diez of the National Party in Linares, even though the UP candidate was a woman, Eliana Mery of the Christian Left. (Sigmund, 1977, pp.164-165)

The government tried to achieve an understanding with the Christian Democrats about new legislation for the three areas of the economy during the same month of January. According to the project presented by the Executive to Congress in October, about 253 firms fulfilled the criteria to be included in the Social Area, but the government reduced this number to a list of 91 commercial and industrial enterprises (later reduced to 90) many of which were actually under State control. (De Vylder, 1976, p.137; Stallings, 1978, p.131)

The UP's formal retreat was criticized by the revolutionary wing of the coalition but was officially endorsed by the National Association of Small and Medium Sized Industries, whose members had little to fear from the Allende government in any case. CORFO started a drive to acquire stock in all the firms included on the list which were still not controlled by the State. (De Vylder, 1976, pp.137 & 141)

However, SOFOFA responded with a strong campaign against the whole idea of a Social Area which included publicity by various means to create public opinion against State ownership; the "Freedom Fund" to fight CORFO's acquisition drive; and direct pressures on shareholders,
such as publicizing the names of the "traitors" who had sold to the government. On February 9, 1972, the politicians of the Right, encouraged by the results of the by-elections of January, approved the Constitutional amendment presented by the Christian Democrats to restrict the powers of the Executive and to submit to Congress the control of State takeovers, including all those made after October, 1971. (Stallings, 1978, p.140; De Vylder, 1976, p.138)

As it was expected by the opposition, President Allende vetoed this amendment, and his veto was transformed into a Constitutional conflict. The government was charged with a violation of the Constitution.

The Constitution specified that a Constitutional amendment should follow the same transmittance as any other bill, with the exception of some added features like the requirement of ratification by a joint session of both chambers of Congress for approval, or the possibility of calling a plebiscite in case of disagreement between the President and Congress. But these special rules did not indicate which quorum was required by Congress to overcome the President's veto of a Constitutional amendment.

The government, in this case, sustained that the general rule for vetoes of ordinary laws applied to Constitutional amendments too, that is Congress required two thirds vote to override the President's opinion. The opposition had poor legal logic but good political sense. With majority in Congress but not the two-thirds vote, they sustained that simple majority was sufficient. (Sigmund, 1977, p.168; De Vylder, 1976, p.138)
The opposition projected to utilize this pre-fabricated constitutional conflict as the climax of its counter-offensive, in combination with a series of mass meetings in the major cities of the country, which were to take place in early April under the common name of "March for Democracy". During these meetings, the assumed "transgressions to the Constitution" of the Allende government would be denounced, and a plebiscite would be called for to ask for the resignation of the President, to force him to step down, or to submit to the control of Congress. (Stallings, 1978, p.140; Rojas, 1976, pp. 97-99)

The opposition was helped from inside the government by the members of the dissident faction of the Radicals (PIR) who Allende had tried to maintain as allies by giving them two Ministries, among them the Ministry of Justice, which was in charge of negotiations with the Christian Democrats about the three areas.

The Minister of Justice, Manuel Sanhueza, arranged with the negotiators of PDC, an agreement which was clearly unacceptable for the UP coalition. Then, on April 6, PIR left the government, blaming the Socialists and the extreme Left for the failure of the negotiations. This was four days before the "March for Democracy" was to take place in Santiago. President Allende qualified this move as "a dirty stab in the back". (Sigmund, 1977, pp.168-169; Stallings, 1978, p.140)

The government was preparing its own popular mobilization, and CUT had a meeting for this purpose on March 24. The UP made it clear that, according to the Constitution, the only plebiscite possible
was related to the UP Program, not the Presidency nor the relations between the President and Congress. (Roxborough, 1977, p.166)

The government had unexpected help from the publication, in late March, of the "ITT Papers", in Jack Anderson's column, "Washington Merry-go-Round". The documents demonstrated that ITT had been involved in a conspiracy to stop Allende from gaining the Presidency through a military coup, and implicated Frei and other politicians of the Right in the same complot. This publication deprived the opposition campaign of much of its public support, and forced Frei to make a public statement denying both his involvement and that of the Christian Democrats in any attempt to stop the democratic process by military intervention. (Sigmund, 1977, p.170)

The "ITT Papers" produced internal conflicts among Christian Democrats. While some of them adopted a hard line, like Senator Juan de Dios Carmona, who advocated "civil disobedience" against the government while speaking in Santiago's "March for Democracy", others now refused to go along with the planned confrontation on the Constitutional issue. As Senator Renen Fuentealba did, some tried to reestablish negotiations with the government through personal contacts with the Minister of Justice, Jorge Tapia. (Sigmund, 1977, p.170)

In practical terms, the proposed new legislation for the three areas of the economy was tabled, and the government recovered the initiative. The Christian Democrats lost their image as the genuine democratic alternative for the working class. The gradual decline of electoral support suffered by the government since the municipal elections of 1971, was stopped and reversed to some extent, as shown by
the electoral surveys of Eduardo Hamuy in Santiago in June, and by the victory of the UP candidate in a by-election for one Deputy in Coquimbo in July, 1972. (Sigmund, 1977, p.171; Stallings, 1978, p.244)

As the dictator Pinochet declared to a magazine in 1974, it was in April 1972 that the military became convinced that the political struggle had no Constitutional solution and started planning for an internal war, even with war games on the "occupation of Santiago". (Sigmund, 1977, p.170; Rojas, 1976, p.84)

But the opposition was still not prepared to appear involved in a military coup, particularly at the time when Chile was serving as host to the UNCTAD Conference taking place in Santiago in April and May of 1972. Even the U.S. government, wanting to avoid appearing as if it were strangling the economy of a small country in front of the world forum which was discussing the relations between industrialized, developed countries and underdeveloped ones, acceded to defer the payments due on Chile's external debt in 1972 in the Club of Paris.

The military was divided since the beginning of the Allende Administration. Some of them, including the Commander-in-Chief of the Army, General Carlos Prats, felt in his "professional position, that the best policy through which the military institution could obtain advantages and improvements was to attach itself closely to its proclaimed "tradition" of respect for the Constitution and the elected civil government. (Nunn, 1976, p.267; Rojas, 1976, pp.77-82)

A second group, probably the majority of the officers, expected that, given time, the Allende Administration was going to displace the old po-
liticians, whom they blamed for the ascendance of the working class, which would facilitate the military takeover on their own terms and for their own purposes. In the meantime, they were willing to collaborate with the Allende government to train themselves and to gain experience in the technical aspects of ruling the country. (Rojas, 1976, pp. 77-82)

Still a third group of officers who had close ties with the traditional politicians of the opposition parties, took a "hard line" and tried to push their colleagues into immediate action against the UP government. They helped to organize and gave training and arms to the right wing para-military terrorist groups financed by the CIA, such as Patria y Libertad and the "Commando de Ex-Cadetes".

These hard-liners also provoked incidents like the refusal of the Director of the Military School, Colonel Alberto Labbe, to render honors to Fidel Castro as Chief of State, on the occasion of the Cuban leader's official visit to Chile in December of 1971. In March, 1972, the police discovered that Colonel Julio Canessa, another hard-liner, was the local leader of Patria y Libertad in Temuco. He was engaged in an effort to sabotage agricultural production in the Cautin province with the help of several latifundio owners affected by the agrarian reform.

The inquest found that Canessa was in contact with Labbe and with Generals Hernan Hiriart and Alfredo Canales, and all of them were involved in preparing a military coup. This investigation was helped by other military officers who considered that the situation was not yet ripe for a military takeover, particularly after General Canales made indiscreet remarks at a party, which threatened the internal security.
of the military establishment. Thus, all the plotters identified by
the civilian police were called to retirement in September, at the same
time that the civilian opposition was developing another wave of its
counter-offensive toward the lockout of October which was described

From the beginning of his administration, President Allende tried
to attract the military to support that government through their parti-
cipation in government tasks, and by making repeated references to their
"Constitutional tradition" and to the role of the military in economic
development. In his speeches he developed two military themes: the
basic link between national security and economic and social development,
and the proletarian origin of the soldiers.

He tried to demonstrate to the officers of the Armed Forces that
there are not well trained and equipped military in backward countries.
Technological advances are a component factor in modern armies, and a
country cannot be developed and technologically advanced if its people
are unemployed and undernourished. "We must remember that those who
go to the barracks are the sons of farmers and workers." (Nunn, 1976,
pp.270-271)

Thus, a permanent link was established between the planning system
and the military, both at the level of ODEPLAN where national security
elements were incorporated into the national development plans, and in
several regional planning offices where the military had prominent par-
ticipation. In addition, a series of government jobs were given to mi-
litary personnel, particularly in some large enterprises of the Social
Area such as the copper mines, the steel mills of CAP, and the nation-
alized explosives industry, formerly owned by Dupont. (G. Martner in
Shortly after the call to retirement of General Canales and his fellow conspirators in September of 1972, General Prats reaffirmed the Armed Forces' allegiance to the Constitution. On Independence Day, September 18, 1972, President Allende called the military to help transform Chile into a more modern nation. However, the armed forces had maintained their autonomy and avoided any political link with the Allende Administration until the October crisis. (Nunn, 1977, p.277; Sigmund, 1977, p.184)

At the beginning of the truck owners lockout, the military appeared to take a neutral position. They formally assumed the responsibilities of the State of Emergency, but did not force anyone to return to work, and found every good excuse to deny help to the government in solving the practical problems created by the lockout. Since this was a stoppage of truck owners and there were plenty of truck drivers willing to work, the government ordered the requisition of the trucks and buses. General Herman Brady, who was in charge of the measure, declined to carry out the order arguing that there were 3,500 private buses in Santiago and that the Santiago garrison had only 7,000 men. To put one soldier in each bus or truck to protect it from the terrorist attacks from the supporters of the stoppage would leave the rest of the city unprotected. (Rojas, 1976, p.116)

The military never demonstrated much activity controlling Patria y Libertad or the other right wing terrorists. But they used the opportunity provided by the crisis to practice control techniques over the territory and public order in the whole country. It had been a long time since the last time the State of Emergency had been extended simul-
taneously to so many provinces. (Rojas, 1976, p.116; Steenland, 1977, p.151)

However, the Armed Forces as well as the leaders of the dominant class and their foreign friends, soon realized that the growing mobilization of the working class was overcoming the crisis and threatening to establish an irreversible revolutionary process. The central bureaucracy of the State had apparently been replaced by an emergent network of territorial self-reliant units, coordinated but not controlled by the traditional government mechanisms. As Ian Roxborough and others put it,

People's power in Chile was never sufficiently strong to become an alternative to the State apparatus; but the Christian Democrats and the Army, were vividly aware that it could play that role.

(Roxborough, 1977, p.190; Rojas, 1976, pp.118-119)

The military, therefore, exerted pressure on President Allende to search for a political solution to the crisis, and not to veto the Arms Control Law which had been passed by the opposition majority in Congress during the stoppage. The President responded to the pressure with a typical parliamentary-type move. He did not veto the Arms Control Law, but he convinced the military to enter the government to help him solve the crisis.

The President reorganized his Cabinet on November 2, and designated three high ranking officers to serve as Ministers. General Carlos Prats, the Commander-in-Chief of the Army, was appointed Minister of Interior, which made him Chief of the Cabinet and Vice-President in case of the President's absence. He was accompanied by Admiral Miguel Huerta as Minister of Public Works, and Air Force General Claudio Sepulveda as Minister of Mines. Together with them, the two top leaders of CUT, Luis
Figueroa and Rolando Calderon, were designated Ministers of Labor and Agriculture respectively. This accomplished the alliance between the workers and the military that the President had been pursuing, at least in a symbolic form. (Stallings, 1978, p.144; Nunn, 1976, p.277)

General Prats explained to the press that the new cabinet had two main objectives, to restore order and to administer free and honest Congressional elections in March, 1973. Actually the new cabinet and the presence of the Armed Forces in it had the impact of a cold shower on the mobilization of the working class, and the truck owners, merchants, professionals, and industrialists returned to work and entered negotiations with the government willingly, as soon as the new Ministers were sworn in. The planners and other government officials left their emergency posts and returned to the more routine functions and paperwork. (Sigmund, 1977, p.188, Stallings, 1978, p.144)

The apparent normality was such that on November 30, President Allende departed for a two-week trip to Peru, Mexico, Cuba, the United Nations, the Soviet Union, Algeria, and Venezuela, leaving General Prats as temporary Chief Executive.

To the dismay of the Chilean dominant class and its foreign allies, Allende was very well-received everywhere. He used his visit to the General Assembly of the U.N. to explain to a worldwide audience the principle of "excess profits" as applied in the nationalization of the copper mines. In the same speech, he denounced the conspiracy of the multinational corporations and the "invisible blockade" against Chile. (Sigmund, 1977, pp.192-194)

General Prats did not use the opportunity, as many in the opposition had hoped, to take over the government. On the contrary, he responded
to the confidence of the President by calling for the unity of the
Chilean people for the good of the country, and criticizing Congress
for the bitterness of its opposition. He returned power to the Presi-
dent, when he arrived back, as an almost routine formality. (Nunn, 1976, pp.278-279)

However, under the external calm, the class struggle which had
clearly emerged in October of 1972, was to remain present until long
after the end of the Allende Administration.

Even though the government left the participants in the lockout
without sanctions, the leader of the truck owners, Leon Vilarin, de-
clared to the press, with arrogance, that they had only "suspended"
their stoppage. The workers did not dismantle their new organizations,
nor did they return to the factories occupied during the October crisis.
(Roxborough, 1977, p.174)

A proposal, presented by the Minister of Finance, Hernan Millas, to
return these industries as a means of restoring the dialogue with the
Christian Democrats, was rejected by the working class in public demon-
strations involving the Socialists and other political parties of the UP
coalition. On the other hand, the same Millas was impeached by the op-
position majority of Congress because he fired some professionals from
the Central Bank who had joined the stoppage in October. (Sigmund, 1977, pp.194-195)

The worst result of the October crisis was the reduction in the area
sowed with wheat. Bad weather conditions had reduced the sowing of the
so-called "winter" varieties which constituted the largest share of wheat
production in Chile. The October stoppage was an obstacle in distribut-
ing the seeds and fertilizers needed to offset that decline in spring
sowing. Thus, the area cultivated with wheat, which was usually over 700,000 hectares, was reduced to less than 500,000 hectares, and the production of the grain went down from 1.2 million tons in the harvest of 1972, to 827,000 tons in 1973. (De Vylder, 1976, pp.190-200)

The prediction of this reduced harvest and the need to compensate for it with increased imports of wheat to cover the demand, gave new life to the proposals for a planned distribution of essentials. In addition, the October crisis practically imposed a new system of distribution of essentials, due to the stoppage of the private merchants and distributors. Therefore, the projected expansion of the State control in the marketing of food and other essentials, and the distributions of a "family basket" through the JAPs and other grass-roots organizations presented by the planners, had better luck with the military in the cabinet than with the UP politicians in Lo Curro.

A National Secretary of Distribution was created in January 1973, to plan and control the distribution of essential goods through DINAC and the grass-roots organizations, and the "family basket" was announced as an official policy by the Minister Fernando Flores. (Stallings, 1978, p.145; Sigmund, 1977, p.195)

Air Force General Alberto Bachelet was appointed Director of the National Secretary of Distribution, which led to the resignation of Luis Inostroza, a Socialist economist and planner who was the Chief Executive of DINAC. In that position, Inostroza had been one of the main authors of new policy and had anticipated its implementation, creating more than 100 "popular supermarkets". While El Mercurio celebrated the designation of Bachelet as a victory, Inostroza and the "revolutionary" faction of the UP coalition considered it as a symbol of military control over
the Allende Administration. (Roxborough, 1977, p.177)

However, General Bachelet became one of the strongest supporters of the UP government and program among the military. He died in prison after the overthrow of Allende. While many other military people were opposed to the new policies, their adoption led to the resignation of Admiral Huerta as Minister of Public Works. Huerta was replaced by another admiral. (Roxborough, 1977, p.211; Sigmund, 1977, pp.195,124 & 269)

In fact, since November, 1972, the military officers of the "hard-line" faction were planning a coup "without Prats". They received help from the U.S. military through the personal support of the military attaches to the U.S. Embassy in Santiago, and through a report prepared in Washington with an analysis of the October crisis. The conclusions of the report coincided with the concern of many of the Chilean military who felt threatened by the mobilization and strength demonstrated by the working class. If the organization and mobilization of the people continued growing, as the October crisis had shown, the report projected, in two or three years, the working class organizations would be able to run over the Armed Forces. Moreover, the ordered behavior of the people during the emergency, and their ability to overcome the difficulties produced by the lockout, had gained the admiration of some of the military who were now willing to cooperate openly with the Allende Administration. (Rojas, 1976, pp.118, 119, & 121-122)

To this survival motivation, the U.S. analyst added a "patriotic" one that served the Chilean hard-liners to attract other officers to their position. Assumed U.S. intelligence reports, showed that Peru, Bolivia, and Argentina were making military preparations to make use of
the internal conflict in Chile, to recover territory lost to Chile in the wars of the past century, and to settle, by force, in their favor, some pending border disputes. (Jonathan Kandell, The New York Times, September 27, 1973; Rojas, 1976, pp.121-123)

However, the military was willing to wait until after the elections for Congress in March since many of them expected that they were going to give a "Constitutional" solution to the struggle. Many members of the Chilean dominant class were convinced of their own publicity about the government's assumed lack of electoral support, and expected to obtain two-thirds of the seats in Congress to be able to impeach the President. For this purpose, they had the financial help of the CIA which had been authorized to spend $1.5 million in the electoral campaign. (Sigmund, 1977, pp.197-198)

It should be noted here that because of the division of the Radical Party and the joining of PIR to the opposition, the UP had just over one-third of the seats in Congress. The proportional representation system of the electoral law allowed two-thirds of the seats in Congress to win with much less than two-thirds of the total popular vote. The optimism of the Right was reinforced by the subdued spirit of the UP coalition which felt cornered by the presence of the military in their own government.

The UP leaders were aware of the lack of enthusiasm the working class had for the solution given by Allende to the October crisis, and that the government needed no less than 40% of the popular vote to impede the opposition from obtaining the two-thirds of the Congressional seats. Thus, the UP developed an electoral campaign based on the defense of the "workers' government" against those who were trying to de-
stroy it. Perhaps the best symbol of this campaign was one of its slogans, "This government may be shit, but at least it's ours".

(Stallings, 1978, pp.145-146; Sigmund, 1977, pp.196-198)

By agreement of both sides at the beginning of 1972, government and opposition presented a unified list of candidates. All the UP parties included their candidates in the list of the "Federated Party of the Popular Unity", and the opposition parties did the same in the list of the "Democratic Confederation" (CODE). (Sigmund, 1977, pp.167 & 172)

In spite of the shortages, inflation, the mistakes of the government, and the far more intense publicity of the opposition, the campaign of the UP was successful. The government candidates obtained 44% of the popular vote and the UP had a gain of two seats in the Senate and six in the Chamber of Deputies. It was a limited victory for the government, since it did not achieve the absolute majority needed to change the legislation for the implementation of the UP Program, or to call for a plebiscite to change the Constitution. However, it was a clear defeat for the politicians of the opposition. Their counter-offensives had not reduced the popular support of the government. On the contrary, the core of firm supporters of the Allende Administration had grown since the Presidential election, and the Socialists and Communists received a higher percentage of popular vote and Congressional seats than in any previous Congressional election. (Sigmund, 1977, p.199; Stallings, 1978, p/146)

Paradoxically, the electoral results were well-received by the military conspirators. As one of them explained to the New York Times,

Many of us gave a sigh of relief when the Marxists received such a high vote because we felt that no politician could run the country, and that eventually the
Marxists might be even stronger.


In fact, the electoral results put the government in a much better situation than it had enjoyed since mid-1972. Its supporters had defeated the economic counter-offensive of the dominant class and had also defeated the electoral publicity of the opposition. The Communist Party and CUT had finally accepted the need to rest on the grass-roots organizations and initiatives, and the illusions of attracting the petty-bourgeoisie through conventional economic measures had disappeared.

(Roxborough, 1977, p. 216)

In the international scene, the price of copper was on the rise, and the countries of the "Club of Paris", with the exception of the U.S., had accepted to enter into bilateral negotiations to reschedule the payments due in 1973 on the Chilean external debt. The West European countries demonstrated their willingness to replace the U.S. as providers of industrial technology and investments to Chile, and negotiations were started between CORFO and Citroen, Peugeot, and Pegaso to establish mixed motor vehicle assembly companies in Chile. (Stallings, 1978, p. 177)

Making use of the experience acquired during the October crisis, the government planners searched for new efficient means for the Social Area and the State to coordinate with the grass-roots organizations of the working class. In addition to the National Investments Plan, the Foreign Exchange budget, and the sectorial planning done by ODEPA, CORFO, or the Secretary of Distribution, ODEPLAN prepared a Long-Term Strategy which coordinated all sectors and related all resources to regional development and population distribution, and a National Economic Plan in six-
teen detailed points which included prices, wages, distribution, planning, and controls. (Roxborough, 1977, pp.129-130)

But these plans were never implemented because the Chilean dominant class and its foreign allies launched their final wave of attacks on the government, which led to the overthrow of President Allende and the end of Chilean democracy in September, 1973.

5. Foreign Experts, Professions and Planners under the Allende Administration.

One of the basic characteristics of the Allende Administration was the deep nationalism of its intended structural changes. The UP Program mixed the theme of anti-imperialism with the call for building a new system based on the self-reliance of the Chilean people. President Allende explained many times than the Chilean process did not follow any foreign models, but attempted to build "socialism smelling of red wine and empanadas", the traditional smell of popular social gatherings in Chile. (Morris, 1973, p.3; NACLA, 1972, p.19)

Actually, because it was an unprecedented event for a self-confirmed Marxist with a program of revolutionary changes to be elected President in free elections within a well-established representative democracy, there were no models to follow. Moreover, as Allende said,

> Each country has its own particular circumstances and, it is in light of these circumstances that one must act. There is no set formula.

(Debray, 1971, p.127)

The unique characteristics of the Chilean process, however, attracted world attention and many experts arrived to the country during the Allende years, not as advisors to the government but as researchers willing to study this new phenomenon. In addition, the Allende Administra-
tion gave refuge to many Latin American Leftists who had to leave their own countries due to the political persecutions, and some of them found employment in technical tasks in the State bureaucracy.

On the other hand, the Communist Party, which was mostly a proletarian organization, made use of the "proletarian international solidarity" of the Communists of other countries to obtain technical assistance in some fields. The government itself requested assistance from the U.N., and also received technical assistance associated with the financial aid provided for some investment projects.

Thus, in spite of the strong nationalism of the UP Program, and the prominance of Chilean experts and workers in its implementation, the foreign experts played some important roles in the Allende Administration, though with less notoriety than in other more traditional regimes.

The mining experts from France and the Soviet Union, for example, had an important role evaluating the condition of the machinery and installations left by Anaconda, Kennecott, or Cerro corporations in the nationalized copper mines. On basis of their report, the Comptroller General fixed the deductions that would be made on the book value of the mines for depreciation, poor maintenance and obsolescence and substracted the indemnization that would be paid to the companies for the expropriation of the mines. (Sigmund, 1977, p.153; De Vylder, 1976, pp. 126-127)

The Soviet Union also provided technical assistance and leased four modern trawlers to the nationalized Arauco Fishing Company, where Chilean fishermen learned modern techniques. With them, the catch of Chilean fisheries increased by 44% in two years, and seafood, for the first time,
played a significant role in the supply of protein to the population. However, the same increase in production made the deficiencies in storage, processing and transportation of the seafood from the harbors to its largest market in Santiago, apparent. (World Affairs Report, Vol.2, No.4, p.269; De Vylder, 1976, p.97)

Other foreign experts were not so successful, and produced conflicts with their Chilean colleagues which added to the natural difficulties faced by the Allende Administration.

Some Mexican and Brazilian agricultural economists who worked for CORA found that the production goals posted by ODEPA in agreement with the peasant organizations for the agricultural season 1972-1973, were too conservative because they represented the cultivation of only 45,000 hectares more than the previous year. They argued that the potential use of the existing land and water resources was far larger than the actual use of these resources, and therefore, they postulated a production campaign which incorporated 300,000 new hectares of land for cultivation. 200,000 of these new hectares were located within the large farms expropriated by the Agrarian Reform.

Due to their insistence, the goals were reformulated but ODEPA requested to check their feasibility with the producers themselves through the local officers of the Ministry of Agriculture and the peasant organizations. This checking demonstrated the lack of realism of the proposed "production campaign" and the goals returned to their original amounts. (Barraclough, 1974, pp.141-142)

Since Bulgary is the country that specialized in agricultural production with the COMECON, the Chilean Communists invited some Bulgarian
experts to study Chilean agriculture and to make recommendations on increasing production. Despite their real expertise and good will, the Bulgarians could not improve the existing diagnosis and recommendations in a field that had been deeply analyzed for more than ten years.

Their only substantial contribution was to offer financial and technical assistance in building three large high technology poultry production centers, each able to produce 10,000,000 chickens per year. However, the existing Chilean plans included government aid to small farm owners to build and operate chicken coops of a capacity of 10,000 to 30,000 chickens each. These small operations gave employment and income to many more people than the Bulgarian complexes and could produce the same amount of poultry meat per year. They also improved the situation of the peasant sector that the government was interested in incorporating into the agrarian reform process, the sector that was participating actively in the agricultural planning process.

Thus, in spite of the pressure of the Communists, the National Committee on Investments approved only one of the Bulgarian projects, and sustained the existing assistance program for small producers.

More useful was the evaluation of the Agrarian Reform made by ICIRA in 1972 under the direction of Solon Barraclough at the request of the Minister of Agriculture, Jacques Chonchol. This critical analysis to correct the mistakes and to find new solutions for the emerging problems is still a good reference on the problems of rural development and agricultural transformation today. Some of the Chilean professionals who worked for ICIRA on this study, such a Jorge Echenique and Sergio Gomez, worked at ODEPA afterward to apply their own recommendations. The ICIRA report was published in 1974 in Mexico under the title, "Diagnostico de
la Reforma Agraria Chilena". (Barraclough, 1974)

Of similar importance was the study on the changes in the consumption habits of the population in relation to income levels, that has been mentioned before. This study was directed by the FAO expert, Flavio Machicao, and served as one of the basic documents employed in formulating the Secretary of Distribution's policy on distribution of essentials. (Bucher et al., 1973)

In planning technical matters, ODEPLAN received assistance from ILPES and the Soviet Union, particularly in formulating a long-term strategy through the establishment of material balances and input-output techniques. Soviet experts had difficulties adapting fairly sophisticated techniques and mathematical models elaborated through long years of experience to the rather primitive stage of the Chilean process and planning system. In addition, the Soviet planning experts remained for a short time, during which they tried to train Chilean planners in their techniques through seminars and workshops, which limited their impact. (Zammit, ed., 1973, pp.97-100)

Of a longer and more permanent nature was the relation with ILPES, since this UN institute is located in Santiago. Dr. Estevam Strauss in particular developed a methodology to relate natural resources and demographic trends to socio-economic planning which was used in formulating a long-term strategy for development by ODEPLAN. (ODEPLAN, 1973)

Probably the most notorious of the foreign experts advising the Allende Administration was the Professor of Political Science of FLACSO Joan Garces, who became personal advisor to President Allende. Many members of the "revolutionary" faction of the UP coalition tended to
hold Garces responsible for the President's tendency to side with the Communists in negotiations with the Christian Democrats and attempts to attract the petty-bourgeoisie, and in particular, for the gross mistake of Lo Curro. Actually, in his writings during and after the end of the Allende Administration, Joan Garces always presented the rationale for supporting the positions of the President at all times. This may be a reflection of his own influence on these positions, or simply his loyalty to the President whom he served. (See J. Garces, 1971, in Medhurst, ed., 1972, pp.27 & ff.)

Garces was not alone in his arguments. In discussions which took place in 1971, the Minister Director of ODEPLAN Gonzalo Martner, the Minister of Economy Pedro Vuskovic, and the Director of the Institute of Development Studies (IDS) of Sussex University (England) Dudley Seers, agreed to organize an international meeting of economists, sociologists, political scientists, historians and planners to evaluate the Chilean experience and its future prospects. Since the Chilean process looked at from inside could be confusing, (and there were differences inside the UP coalitions in the interpretation of the events it appeared logical to invite non-involved, qualified observers to render an objective appraisal of the advances achieved and to suggest the appropriate means to go forward. This "Round Table" meeting took place in Santiago in March, 1972.

It lasted for ten days and was preceded by preparatory workshops and visits of the foreign participants to places of their interest in Chile. (Zammit, ed., 1973, p.5)

The Round Table was inaugurated with a speech by President Allende. Five Ministers and several high officers of the Allende Administration, ODEPLAN in particular, participated, in addition to politicians and ex-
perts from the Chilean opposition and private institutions. They were faced by experts from fifteen countries, socialistic and capitalistic, developed and underdeveloped. Among these experts were Hollis B. Chenery of the World Bank, Joseph Grunewald of the Brookings Institution, Celso Furtado, two academicians from the Institute of Mathematical Economics of Moscow, and the Minister of Planning of Ceylon. The proceedings of the Round Table were edited by J. Ann Zammit of IDS, and Gabriel Palma of ODEPLAN, and were published in 1973 under the title, *The Chilean Road to Socialism*. (Zammit, ed., 1973)

In the Round Table meetings, the Chileans explained what the Allende government was doing in relation to planning, participation, and economic policy, with particular references to the industrial sector, the copper mines, and the agricultural sector. The foreign experts provided background papers on the "International Context of the Chilean Road to Socialism", with particular reference to the experiences in Hungary, Cuba, Yugoslavia, and Tanzania. The French political scientist, Alain Joxe, provided the basic framework for discussion in the second half of the meeting with a paper entitled, "Is the Chilean Road to Socialism Blocked?". (Zammit, op. cit.)

In the discussions, the foreign experts were critical of the apparent contradictions between the short-term economic policy and the long-term objectives of the UP Program, and of the reduced importance given in ODEPLAN documents to foreign exchange and foreign trade policies. Solon Barraclough anticipated in the meeting some of the critical points later included in ICIRA's evaluation of the Agrarian Reform. Other foreign experts analyzed in detail the problems of participation, although they
recognized that the historical analogies had doubtful validity given
the specificity of the Chilean conditions, they were clearly skeptical
about the Chilean mechanisms, in view of the historical experience of
Yugoslavia, Cuba, and the Soviet Union. (idem)

All these observations were debated by the foreign experts with the
Chilean officers and planners, and influenced the ensuing decisions of
the Allende Administration and the UP coalition. The change in economic
policy of Lo Curro and the calling of the military to solve the October
crisis coincided with the analysis made during the Round Table about the
future prospects of the Chilean Road to Socialism, particularly in Alain
Joxe's paper, which serves as a framework for the discussion of this
point.

Joxe's paper departed by recognizing the extent and intent of the
advances made by the Allende Administration,

Successive reforms have been carried out at a rate, and
with a political purpose ... which are leading towards
a real and irreversible political and social confronta-
tion -- the transition to socialism. The forces now on
the move are no longer electoral forces.

(Zammit, ed., 1973, p.224)

He indicated that an electoral majority in the Congressional elec-
tions of 1973 and the Presidential elections of 1976 would

fulfill the same role as, generally, armed struggle does
in the destruction of the bourgeoisie.

But, he considered that

... a Popular Unity victory in the 1973 Congressional
elections can in no way be regarded as a certainty...
and the prospect of an electoral defeat inevitably
creates the probability of confrontation.

(idem, p.226)
Joxe asserted,

... the struggle for political power, which would change the existing balance of forces, is not a political struggle within the framework of the established institutions of the middle-class State, but a political struggle at the level of new institutions for the masses, which signify the beginnings of dual power.

(idem, p.229)

This analysis was similar to that of the "revolutionary" faction within the UP coalition, but neither Joxe nor the other foreign experts of the Round Table agreed with this faction's proposals for action.

Joxe and the other foreign experts were highly critical of the redistribution of income resulting from the short-term economic policies adopted at the beginning of the Allende Administration. Since Pedro Vuskovic had explained that one of the objectives of the economic policy was to increase the electoral support of the government, they considered that the short-term economic policies had been "a failure in their own terms" because they had not produced the electoral majority needed to break in favor of the government the political impasse between the Executive and Congress. (idem, p.244)

Joxe added,

The discontent created by supply difficulties cancels out the satisfaction normally associated with a real increase in the workers' purchasing power.

(idem, p.229)

And the redistribution of income

... will inevitably mean a lowering, for the first time, of the real living standards of the privileged classes and, consequently to a natural intensification of the class struggle.

(idem, p.230)

However, Joxe rejected the acceleration of the process as proposed by the Ministry of Economy, Pedro Vuskovic, because of its external im-
pact, "... it is not compatible with the reasonable middle-class image necessary to reassure Chile's foreign creditors". (idem, id.) This position was confirmed by the rest of the foreign experts who unanimously discarded any "radical approach" as "romantically appealing" but "completely unrealistic". (idem, p.240)

In addition, Joxe doubted any possibility of agreement between the UP coalition and the extreme Left (MIR) because of the Communist Party's opposition. But he also denied the feasibility of an agreement between the Allende government and the Christian Democrats because they were controlled by the conservative faction led by ex-President Frei. Therefore, he proposed approaching the military, since, in his opinion, the Army was

... ready to step in to ensure the replacement of middle-class political groups where issues of modernizing political reform and the recovery of national resources were concerned.

(idem, p.235)

Thus, Joxe concluded,

There will, therefore, be a Chilean Road to Socialism. But without confrontation -- victorious confrontation -- this road will inevitably be via the slow conversion to socialism of the Armed Forces, of the Christian Democrats and of the middle classes, detaching them from the imperialist pole of attraction. And that will not be a question of a legislative agreement.

(Zammit, ed., 1973, p.236)

The "international middle class" perspective of the Round Table experts was reinforced shortly thereafter by the celebration, in Chile, of the UNCTAD Conference which implied the confluence in Santiago of many other experts and diplomats with similar ideas. It is obvious that there was a strong coincidence between the analysis of Joxe and the Round Table, and the decisions and activities of President Allende and the
Communist Party at Lo Curro and after.

However, it should also be considered that the position of the Communists and the Radicals within the UP coalition was always similar to that of Joxe in relation to the need to attract the "middle class" and to reject the "revolutionary" proposals, much before the Round Table. But until January, 1972, the UP and the President had supported the fast pace of the process and had accepted the consequences as the normal cost of it. It was only during the defeat in the by-elections of O'Higgins-Colchagua and Linares in that month, the strategy for which the UP coalition began to have second thoughts about, that the Round Table served as a strong rationale to justify the position of those who were willing to reduce the speed and depth of the process.

The impact of the foreign experts' opinions was increased by the traditional cultural dependency of the Chilean society which could not be changed as fast as the ownership of mines, industries and agricultural land. This was helped by the reduced number of Chilean professionals who were willing to support the UP Program and were able to provide an alternative rationale to that of the foreign experts.

In fact, even though the number of professionals who supported the Allende Administration grew from 26.3% in August, 1970, to 32.6% in June of 1972, according to the electoral surveys of Eduardo Hamuy, the large majority of the professionals and their organizations were active participants in the opposition activities developed by the Chilean dominant class and its foreign allies. This is not surprising because the Allende Administration threatened to destroy the traditional role and privileges of the professionals and professions together with the established system. (Stallings, 1978, pp.54-55; Roxborough, 1977, pp.84-85)
It has been mentioned before that in the traditional social structure, the professions were functional groups within the dominant class. They served the established system, providing it with a measure of formal rationality and technical efficiency, and legitimacy to the status of the dominant class by its association with scientific and technical expertise.

It was also mentioned that the dominant class had privileged access to higher education which restricted members of other social classes from becoming involved in the professions. Traditionally in Chile the universities, the professions, and the State were integrated. This meant that the professionals schools were related to the professional organizations and to the specialized agencies of the State in the respective professional field. (See chapter 2)

Since more than 70% of the Chilean professionals worked for the State, and the UP Program represented a considerable increase in extension and depth of the State activities, it could be expected that professionals would be attracted to the new opportunities for professional practice that this expansion implied. In addition, the Allende Administration tried to give special treatment to the professionals and technicians to avoid problems such as those suffered in Cuba at the beginning of the revolution.

In practice, the Allende government was never devoid of professional help. Some of the young professionals and university students accepted the challenge represented by the emergence of innovative new areas of professional work such as the local health centers, the housing construction brigades, or the experimental neighborhood courts, with enthusiasm. (Morris, 1973, pp.221 & 245)
However, many other professionals working for the State resented both the loss of their dominant position because of the participation of workers in decision-making, and the new assertiveness of the working class in governmental relations. Those professionals, whose main source of income was the private practice, had a strong solidarity with the businessmen and latifundio owners who were their clients. Thus, most of the professionals felt the same hostility as the rest of the dominant class toward the Allende Administration.

Professional organizations were instrumental in the developing of a "gremialista" opposition to the Allende government and participated actively in the lockouts of truck owners in October of 1972 and July of 1973, but their campaign started much earlier.

Soon after the inauguration of President Allende, a debate was started around a critical essay of the new State Counselor, Eduardo Novoa, entitled "Justicia de Clase", which was an indictment of the judiciary because of its bias in favor of the dominant class. The observation that the existing courts tended to impose stern sentences on workers and peasants, and to be lenient toward white-collar crimes and members of the dominant class was justified in a public declaration by the "Colegio de Abogados" (Bar Association). The professional organization defended the judiciary, arguing that to denigrate the courts "hammers plans for collective progress" and "accentuates the deterioration of the democratic regime and the state of law of which we are so proud". (Medhurst, ed., 1972, p.83)

This debate became harsher when the Supreme Court denied the necessary Constitutional authorization to include Senator Raul Morales in the judicial inquest about the assassination of General Schneider. Again,
the Colegio de Abogados appeared in defense of the judiciary in front of the public outcry against the incredible decision which practically stopped the investigation much before it could be completed.

The Colegio de Abogados assisted the Christian Democrats and National Party Congressmen to defeat the project of neighborhood courts presented by the government. The project tried to open people's access to the administration of justice by eliminating many formal rituals, and by creating minor claims courts at the local level. These courts would be served by three judges, two of whom would be elected by the residents in the neighborhood, and the third by the local governor among the participants in some neighborhood organization such as Neighborhood Councils or Mothers' Centers.

The main argument of the opposition against this project was that to be elected one of the proposed neighborhood judges, it was not necessary to be a lawyer. In addition, the designation of one of the judges by the government violated the Constitutional separation of powers. As with many other projects of the Allende government, this one was rejected by the opposition majority in Congress, which deprived the neighborhood courts, which had emerged experimentally in several localities of legal sanctions and regulations. (Morris, 1973, pp.220-221)

Colegio de Abogados appeared once more in public against the government in July, 1971, when the government failed to exclude lawyers from the fixed maximum income. It protested for the "lack of consideration shown by the government to our Orden", and the "unjustified and offensive contempt" with which lawyers had been treated and resented in view of "the dignity of their profession". (Medhurst, ed., 1972, p.83;
In August, 1971, the Supervisors of the copper mines declared a strike demanding participation in the management of the mines. Their strike was supported by the "Junta de Profesionales de Concepcion" which united the members of several professions and of the faculty of the Universidad de Concepcion. At the end of the same month, all professionals were called to join the Confederacion Unica de Profesionales de Chile (CUPCH: United Chilean Confederation of Professionals), one of the starting elements of the opposition front organization being coordinated by SOFOPA and the political parties of the opposition. The main theme of attraction to CUPCH was defending the professional roles and privileges against their displacement by the new system being implemented, in the name of "respect for the freedom to work". (Medhurst, ed., 1972, pp.83-84; Roxborough, 1977, p.86)

The UP coalition responded with the organization of a "Frente Patriotico de Profesionales" (Professional Patriotic Front) which was efficient in stopping some of the maneuvers of the opposition inside the professional organizations. This was a minority group, and could not stop their alignment with the rest of the dominant class. This was also reflected in the elections for authorities within the universities which were won by Christian Democrats in all cases except in the State Technical University.

A significant conflict developed inside Universidad de Chile at the end of 1971. The new Rector, Edgardo Boeninger, former Budget Director of the Frei Administration, opposed a project of new structure within the university approved by the Supreme Council in which the UP had majority. Actually the project had been elaborated for several years in
response to the University Reform movements of 1968 and 1969, but the election of Allende in 1970, had changed the perspective in the academic community. Many Left-leaning professors entered to work in the Allende Administration, while many former officers of the Frei Administration entered or returned to the university. The project of new structure threatened to affect the distribution of political forces inside the university.

One of the main points of conflict was the proposed incorporation of the Law School into a new Faculty of Social Sciences, together with anthropology, sociology, and economics. The suggestion that legal studies are an aspect of social science was interpreted by the lawyers, law students, and El Mercurio as an "attack against the rule of law which is the basis of the Western civilization". (Roxborough, 1977, p.87) At the beginning of 1971, this writer, at the request of the Dean of the Law School, prepared a paper analyzing the relations between social change and the legal system. This analysis demonstrated that the theoretical fundamentals and formal rules of the Chilean legal system, which had been adopted in the XIX Century and before, were inadequate to serve the requirements of the changing social reality of the present. It postulated the need for social scientists to make use of the objective analysis of such reality in constructing a new, more flexible legal system, and that this should be the main task of legal studies given the requirements of the country. (C.E. Dominguez, April 1971)

However, most of the lawyers and Law School professors were unable or unwilling to make the distinction between the symbolic and abstract importance of the law, and the specific legal system inherited from the past. Instead of accepting the integration between law and social sci-
ence, they forced the professors of sociology of law at the Law School to be transferred to the School of Sociology in another campus of the university. (Sigmund, 1977, p.163)

In November, 1971, the "Colegio de Ingenieros" (engineers professional association) in a public declaration claimed the "right of leadership" for engineers "who must in no way be submitted to political changes". Shortly after, the same organization protested against assumed "violations of the human rights of businessmen" in preparation for the first public meeting of FRENAP (National Front of the Private Sector) which took place at the beginning of December. (Medhurst, ed., 1972, p.83; Stallings, 1978, p.139)

In general, as one author put it,

The professionals became some of the most vociferous opponents of Popular Unity. For many, this was understandable, as they depended for their wealth on the unequal distribution of incomes which Popular Unity was pledged to change ... The professions were jealous of their corporated privileges and status.

(Roxborough, 1977, p.86)

For example, the hatred demonstrated by physicians against the doctors who worked in hospitals and health centers during the stoppage of October, 1972, surprised observers. Probably the two Ministers of the Allende Administration most hated by the opposition, and with good reason, were two who had high professional qualifications and training in planning, Pedro Vuskovic and Jacques Chonchol. Chonchol had been, for a long time, considered the main theoretical and practical force behind the "fast and deep" Agrarian Reform. Since he was Chief of INDAP under Frei, he appeared as a strong supporter of the new militancy and organization of agricultural workers. (Loveman, 1979, p.342) Vuskovic appeared
as the principal responsible for the organization of the Social Area of the economy, the redistribution of income in favor of the working class, the support of the JAPs, and the increasing socialization of the distribution system.

Because of their central position in the Allende government, planners were exposed to harsh criticism for their real or assumed mistakes. Hostile analysts naturally considered the whole UP Program as a mistake, and consequently, the means used for its implementation were necessarily flawed. Given the difficulties found by the Allende Administration and its tragic end, many sympathetic observers also labeled these failures as internal causes for the final outcome.

An early example of the first group is Paul Rosestein-Rodan, who attributed the overthrow of Allende to "poor leadership, poor planning and lack of economic realism". (Rosestein-Rodan, 1974) Much later, Paul Sigmund followed the same line.

After recognizing that "Allende's economic policy, under the direction of Pedro Vuskovic, had appeared to be a great success during the first year," (Sigmund, 1977, p.172) Sigmund asserts that, "... the favorable economic indicators for inflation, employment, and agricultural and industrial production concealed the basically unsound nature of the Vuskovic policy until it was too late." (id., p.177)

But these analyses had little objectivity as the authors themselves tried to demonstrate, since Rosestein-Rodan started with the proposition, "Allende died, not because he was a socialist, but because he was an incompetent". And Sigmund sustains,

Allende, with his characteristic lack of concern for (and ignorance of) economics, had left the inflation
problem to his economy minister until it finally became evident, in mid-1972, that his policy was a failure. (idem., p.177)

Since Sigmund is a political scientist, it is clear that he cannot claim more expertise than Vuskovic in economics, and that his evaluation about the knowledge of President Allende is purely subjective.

But, more important, is the opinion of those analysts who had no personal hostility against President Allende, and they also criticized the planning aspect of his administration. The criticisms of the ODEPLAN-IDS Round Table in March, 1972, regarding apparent contradictions between the short-term economic policy designed to recover the country from the depression at the end of 1970 and the long-term objectives of the UP Program had been mentioned before.

The basic point of their critical analysis was the Keynesian nature of the short-term measures which sparked the consumerism of the working class, instead of creating a more "socialist" conscience towards production and productivity. This had results in shortages of some items due to demand increases, and had failed to produce the intended electoral majority necessary to further implement the UP Program. (Zammit, ed., 1973, pp 229 & 244)

A similar observation was made by Stefen De Vylder. He wrote,

> It proved, in fact, to be the most difficult to make a planned transition from a policy based on an overall increase in consumption and quite indiscriminate effort to mobilize idle resources, to a more sophisticated development policy based on capital accumulation and economic planning. In part, the increase in output and consumption in 1971 took place at the expense of possibilities of future growth.

He characterized the situation of the economy in the second half of the Allende Administration as "a system of neither plan nor market", result-
ing in stagnation and inflation. (De Vylder, 1976, pp.78 & 101)

In a similar way, planning under Allende was described by other writers in the following terms,

The declared intention was to establish a planned mixed economy, in which the private sector was subordinate to the planned social sector. Yet, although the government planning agency, ODEPLAN, had devised numerous plans on paper, the translation of theory into reality remained as difficult as ever. For the success or otherwise of planning, depended on the outcome of the political struggle, on whether Popular Unity could gain control of the economy.

(Roxborough, 1977, p.94)

The same analysis added,

From 1972 onwards, Popular Unity faced a precarious political and economic situation ... Faced with the dilemma of a powerful opposition and an expectant working class, Popular Unity seemed incapable of imposing any coherent economic policy ... It was not that UP lacked competent economists able to devise technical solutions. It was that the UP lacked the powers to implement its policies. As a consequence, at a time when firm and decisive policies were needed, the economy simply drifted.

(Roxborough, 1977, pp.125-126)

The same perspective is adopted by Barbara Stallings,

It is somewhat difficult to characterize government policy during the last year of the UP, because it had little coherence or focus. Rather, it consisted of trying to survive on a day to day basis, of reacting to the initiatives of others, of floating some trial balloons and pulling them as soon as they encountered rough going.

(Stallings, 1978, p.144)

These criticisms may be resumed in two basic points which required separate analysis: 1) The short-term economic policies were a mistake. 2) Planning in the second half of the Allende Administration was non-existent or ineffective for lack of implementation.

In a previous section of this chapter, it was explained that the short-term economic policies were emergency measures taken to solve the
economic depression resulting from the Frei government policies and from the effort of the Chilean dominant class and its foreign allies to produce an economic chaos which would justify the intervention of the military to stop Allende from assuming the Presidency. Even though Stefan De Vylder and the experts of the 1972 Round Table considered it as "one example of a choice of policy which created more problems than it solved", (De Vylder, 1977, p.215), neither he nor the experts were able to indicate which alternative policy they had taken if in the place of Chilean planners.

It is true that the planners underestimated the impact of the measures adopted to reactivate the economy, but at the end of 1970, it was impossible to estimate, in advance, the response of the businessmen and workers to these policies, given the political uncertainties of the moment. The policies had to be Keynesian in nature since they had to operate in a capitalistic system, not yet affected by the structural changes introduced later.

Actually, two alternative policies were considered at that time. One was to do nothing but wait for the economic crisis to run its course, and the other was to anticipate the structural changes, making use of the crisis itself to take immediate control of the enterprises considered to be included in the Social Area. These alternatives were rejected because both of them had a high probability of attracting military intervention.

The short-term economic policies were far from being the mistake as they were considered by the analysts mentioned above. They provided the necessary breathing space to start the implementation of the structural changes of the UP Program in an environment of economic growth. They
convinced the population that the Allende Administration was serious in its intention to redistribute income in favor of the working class. Even though short-term economic policies did not change the entire electoral distribution immediately, they introduced a clear trend which transformed the 36% vote of Allende in 1970 into the 44% vote of the UP in the March 1973 elections.

The commentators mentioned before analyzed the short-term policies as if they were "the economic policy" of the Allende Administration in 1971, to be replaced by a non-coherent drift in 1972 and 1973. But the short-term measures were not "the" economic policy. As it was indicated before, they were complementary to the implementation of the structural changes contained in the UP Program, which was the basic economic and social policy of the Allende Administration, and which was carried on during the whole Allende period, except the last month before the military counter-revolution.

Even the decisions of the UP coalition and President Allende in Lo Curro, and the lock-out of the opposition in October of 1972 did not stop the process of formation of the Social Area and the Agrarian Reform which continued until July, 1973. In January, 1973, the National Secretary of Distribution was created to direct the planned distribution of food and other basic goods. In April of that same year, the National Investments Plan was completed while many of its elements had already been implemented. At the beginning of 1973, the participation mechanisms were revised and improved through the benefit of past experience, and the annual economic program was prepared to coordinate with the State budgetary process, with the Investments Plan, and with the foreign exchange budget prepared by SEREX.
Far from drifting in a non-coherent fashion or responding only to the initiatives of others, the government planners and the organizations of the working class were slowly shaping a new economic structure by implementing the UP Program. Perhaps the analysts mentioned above were misled by the conventional indicators. As it was observed before, those indicators were designed to serve the traditional system and therefore could detect its destruction, but not the construction of the new structure.

Maybe they were also confused by the unconventional nature of the planners' work under Allende. In most cases, planning is done within the parameters of an established social system; in the Allende Administration, planning was directed to change the parameters and the whole traditional system. Thus many of the conventional technical instruments used by planners were either practically useless for implementing the UP Program, or they had to be substantially modified to serve their new functions.

A good example of this is Stefan De Vylder's use of the concept "disequilibria", used to describe the economy in 1972 to 1973. This term was also employed by ICIRA in its evaluation of the Agrarian Reform. (De Vylder, 1977, pp.209-210; Barraclough, 1974, p.99) The concept was used to describe the process of rapid growth which naturally unbalances the economic system, particularly in a program geared toward destroying the system and replacing it with a new one. It does not make too much sense to criticize this policy for creating disequilibria but many economists trained in the equilibrium models of classical and neoclassical economic theory tended to apply them to a situation which, by
nature, was of disequilibrium and social conflict.

It was explained before that the economic policies adopted in Lo Curro by the UP coalition and by President Allende were efforts to achieve "equilibrium at a higher level", and how those policies necessarily failed. Some of the economists involved in the design of these policies, such as Carl Matus, and some associated foreign advisors, such as Edward Boorstein, continued using the same analytical paradigm. Still in July, 1973, they were attempting to find measures to control inflation through monetarism from the Central Bank. However, they only succeeded in providing good material for the publicity of the anti-Allende forces. (Boorstein, 1977, pp.195-203)

But most of the Chilean economists were able to overcome the drawbacks of their training. Boorstein himself found that investment planners rejected his recipes for controlling inflation through monetary balances. (op.cit., p.203) On the contrary, the conscience was formed at the highest level in the direction of the Allende Administration that conventional economic measures were useless and could be damaging.

For example, the Chilean economist, Sergio Bitar, of the Planning Center (CEPLAN) of Universidad de Chile, became economic advisor of the Cabinet and of President Allende in 1972, and was appointed Minister of Mines at the beginning of 1973. In a series of memorandums with analyses and proposals between November 1972 and June 1973, Bitar repeated the same position defended by Pedro Vuskovic in Lo Curro. He used the concept of "disequilibrium" to describe the monetary and financial situation, and he worried about the dangers of hyperinflation, but he explained, "In these conditions, many conventional instruments of economic
policy naturally demonstrate to be insufficient or inefficient". (Bitar, 1979, p.338)

His proposals for action were based on the proposition that "there had been advances but they are not enough". They included the expansion of the Social Area; the centralization of planning; and the control of the distribution system by the State. This last was proposed through the expansion of the Secretary of Distribution, the reinforcement of the controls of DIRINCO, and the organized cooperation with grass-roots organizations, JAPs in particular, to attack the black market and speculation in the supply of basic goods. (op.cit., pp.351-353)

Actually, the Chilean planners frequently had to specially design new technical instruments for the task they were carrying on under a constant pressure. The process, once started, acquired a dynamism of its own which threatened to catch the planners unprepared to respond to the new situations which continually emerged. A good image of this was given by the UNCTAD building situation. The construction workers were faster than the draftsmen who prepared the blueprints; the first blueprints for the building were ready three months before the construction started, but the last blueprints were provided with only 24 hours of anticipation to their actual use.

On the other hand, even though the UP ideologically favored science and technology, scientific rationality and objectivity had no other value in themselves but as instruments at the service of the process. The pressures of the work to be done left little time for planners to engage in elaborate research or model-building. However, planners were supposed to maintain a clear mind in the midst of the turbulence,
to be able to discern long-term trends, and to perceive the consequences of the whole process, out of the multiple details of the day-to-day operations of the Social Area and the State agencies. (P.W. Fagen, 1973, p.29)

The peculiar conditions of the planning work in the Allende Administration may be well illustrated by the process of defining the policy of agricultural machinery distribution.

It was mentioned before, that in 1970 there existed in Chile some 18,000 tractors serving agricultural production. Most of them were concentrated in the private farms not affected by the Agrarian Reform, since the law allowed the former landlords to conserve their machinery in the case of expropriation. 10,000 new tractors were imported in 1971-1972, destined in part to provide the productive units of the reformed area with a basic equipment which included one tractor per unit. However, the expropriated latifundios totalled only 4,700 as of June, 1972, and several of them had some machinery including tractors. Actually, the figure of 10,000 had been adopted to insure that the government could support agricultural production without being dependent on the assumedly hostile traditional landlords. But a conflict developed over the distribution of the tractors not assigned as basic equipment to the productive units.

Peasant organizations pressed for distribution to the productive units in relation to their "needs", which meant more tractors to the larger farms. But SEAM, the specialized subsidiary of CORFO, sustained that it was more efficient and "socialist" to maintain the tractors under State control in the machinery pools managed by SEAM.
The Allende government was interested in maintaining and increasing the support of the peasant organizations, but was interested, particularly, in favoring the cooperatives of small farms which would be deprived of machinery if it was distributed to the large farms. In addition, there was concern over the case of some beneficiaries of the Agrarian Reform who leased their machinery to their neighbors instead of using it to cultivate the land that they had been assigned.

The general strategy of the Allende Administration was to favor labor-intensive technologies instead of more mechanized ones, but no precise definition had been made about the level of technology to be adopted as ideal in the agricultural sector. Some of the countries which supplied the new tractors, Rumania in particular, were interested in increasing their sales and offered credits and other favorable commercial conditions. These incentives seemed very attractive to SEAM and the other officers in charge of importing agricultural machinery because they tended to see a direct relationship between agricultural machinery and agricultural production and productivity. (Barraclough, 1974, p.132; Zammit, ed., 1973, p.132)

Thus, two decisions, each having complex consequences, had to be made: How many tractors were to be imported? How were they to be distributed? This writer was charged by the Minister of Agriculture with designing a policy that included these two decisions, and time was pressing because the imported tractors were already arriving.

A procedure was developed to estimate the requirements of machinery at the then-predominant level of technology in order to fulfill the production goals agreed upon with the peasant organizations. This procedure
demonstrated that the 10,000 new tractors added to the previously existing ones exceeded the needs of the production program and therefore, no new imports were necessary in the near future, except in special cases.

However, the discussion about distributing the new tractors that were arriving continued. A draft of new policy was submitted to the Agricultural Commission of the UP to solve the conflict, but the Commission did not act on it. The opportunity for formalization of the new policy, however, emerged suddenly when the Minister of Agriculture, Jacques Chonchol, was called by President Allende to discuss the pending problems of the sector. In less than 24 hours, the drafted policy had to be reduced to a three page memorandum so the President could read it.

The new policy included the creation of the Communal Machinery Pools under the administration of the Peasant Councils, with the technical assistance and maintenance services of SEAM. The bulk of the new tractors would be assigned to these Communal Pools. Under the control of the peasants, they would serve all the productive units of the locality according to their needs, not only the large ones. They would also provide an economic base for the Peasant Councils independent of the government.

The approval of the President made this an official policy to be implemented by SEAM and the Ministry of Agriculture. But this approval came shortly before the crisis of October, 1972, which resulted in a shortage of fuel for tractors and other machinery in the rural areas. In addition, the solution of the crisis by calling the military to government implied the change of the Minister of Agriculture. It has also been indicated before that there were differences among Peasant Councils
in relation to their strength and capabilities. Thus, the implementa-
tion of the new policy was delayed until the new Minister could be in-
formed, the distribution of fuel was assured, and the first Peasant
Councils capable of assuming the new responsibility were identified.
However, at the beginning of 1973, the first Communal Machinery Pools
were starting and the National Investments Plan included the maintenance
centers and fuel supply installations related to them. (Steeland, 1977,
pp.170-171)

The description above indicates some of the specific characteristics
of the role of the planner under Allende, and how the technical and po-
litical elements, coupled with the time constraints, synthesized into
innovative solutions that advanced the process of creating the new
socio-economic structure.

Even though the 1965 Agricultural Census and the import registers
allowed a fairly precise estimate of the existing machinery, until 1970
the introduction of tractors in Chile had been a function of both the
effectiveness of the sales personnel from the foreign producers, and of
the availability of foreign exchange in the country, not of the needs of
agricultural production. Therefore, the planners had to create the
technical procedure to estimate these needs in order to justify their
position in the conflict between the peasants and the technocrats. This
was not easy since, as it was indicated before, there were some experts
who were pressing for a fast expansion of the cultivated area, and no
previous definition had been made about the level of technology to be
favored in the agricultural sector. Thus, the solution to the technical
problem required an innovation that defined the technological level.
This responsibility had deep socio-economic consequences.
But the solution of the technical problem was easier than the political one, which implied also a definition of the socialization level within the agricultural sector, and confronted not antagonistic but divergent views inside the UP coalition. The planners in this conflict were in a fairly typical position of their role in the Allende Administration. That is, they were in the center between the State agencies which had a well-defined tradition of their own role, and the workers who rejected the State's exchange of their old bosses and aspired to control their own means of production as a basis for their own self-determination.

However, both parties were locked in old modes of control, and therefore, the planners could overcome the conflict by creating a new structure of relations between the peasants, the State, and the agricultural machinery.

The example above also indicates that it was a mistake to sustain, as Roxborough and other analysts did, that the planner's work remained on paper without implementation under Allende. This study has shown before that the UP Program was actually a planned strategy for action, and that there were planners who coordinated action between the State agencies and the working class organizations in order to implement the program.

The scarcity of available resources in the Allende Administration, and the big obstacles that had to be overcome, should be remembered. The UP never counted with the sympathy of more than one-third of the professionals and white-collar employees who worked for the State agencies, and suffered the hostility from the Comptroller General, Congress, and the Judiciary. In addition, the public employees were traditionally
accustomed to giving preferential treatment to the members of the dominant class while assuming an authoritarian or, at best, patronizing attitude towards blue-collar workers and peasants.

Moreover, the politicians of the Left had been for a long time in the opposition and therefore had little practice in running the government. The UP coalition was an heterogeneous political alliance with internal conflicts over the pace and depth of the measures to be taken in implementing the UP Program; the workers and peasants who the UP Program called in to participate in the government tasks naturally had much less knowledge about the inner workings of the State agencies.

In addition, the Allende Administration was confronted with a planned counter-offensive of the Chilean dominant class and its foreign allies, which in successive waves of operation tried to stop the process of implementing the UP Program and to destroy the Allende government.

Despite all these difficulties, the Allende Administration was able to advance the UP Program quickly and deeply towards its central objective "to bring to an end the rule of the imperialists, the monopolists, and the landed oligarchy, and to initiate the construction of socialism in Chile." (Zammit, ed., 1973, p.259)

In less than three years, the Allende government nationalized the copper mines and all the other strategic economic activities which were foreign owned; completed the process of expropriations of the Agrarian Reform; nationalized most of the banks and large industrial and commercial enterprises, and started the organization of the Social Area of the economy; rescued the country from the economic depression of 1970, increased production and redistributed income in favor of the working class; organized the participation of workers in the management of the
nationalized enterprises and in government planning; started to install a planned system of distribution of basic goods, and increased substantially, the construction of housing for low-income people and the provision of education and health services for the large majority of the population.

It is clear that without planning, it would have been very difficult, if not impossible, to attain all these achievements. Actually, it was the implementation of the UP Program that transformed the Allende Administration from a potential threat to the traditional system of control by the Chilean dominant class and its foreign allies to an actual danger; planners had a major role in this process of transformation, as it had been described previously in this study.

From his "equilibrium" perspective, De Vylder arrived at the conclusion "that by the time the armed forces won their easy military victory, the UP had already been defeated on most other battlegrounds". (De Vylder, 1976, p.214) However, this is actually the opposite of what really happened. As it was shown before, the legal, political, and economic assaults of the opposition against the Allende government failed to stop the process; the only resource left to the Chilean dominant class and its foreign allies was the violent military counter-revolution which killed President Allende and destroyed the democratic regime.

After the Congressional elections of March 1973 the Military Ministers presented their resignations to President Allende with the public explanation that they had accomplished their mission of guaranteeing the normal and free electoral process. There were, however, two other reasons.

The first was the rejection by the Comptroller of the requisition decree of 45 enterprises that had been occupied by the workers since the October crisis. The President was willing to overcome the Comptroller's objections through "insistence decrees", but the signature of such decrees made the Ministers "personally responsible" for their effects. Most of the UP Ministers were committed to the process and, in any case, had little wealth to lose if the affected businessmen tried to execute that responsibility through the opposition dominated courts. But the military Ministers felt the threat more intensely and were reluctant to endorse the "insistence decrees", which were easily signed by their civilian replacements at the beginning of April. (Bitar, 1979 p.234)

The second silent reason for the resignation of the military Ministers was the perception by General Prats that he was in danger of losing control of the Army because of his absorption in the Ministerial tasks. On April 13, General Prats had a meeting with a large number of officers of the Army at the Academy of War, where he defended the Allende Administration and proposed the idea of an alliance between the workers and the military. His argument was that the nationalism of the armed forces coincided with the anti-imperialistic and anti-monopolistic objectives of the UP Program. (Sigmund, 1977 p.208. Rojas, 1976 p.132)

But Prat's move was too late. Immediately after the March
elections, the hard-line conspirators had reached an agreement with Pinochet. Pinochet appeared in public as a "Constitutionalist", loyal to General Prats and to President Allende until September 1973. But he confessed in 1974 that since May 1972 he had been open to the idea of military intervention to solve "the breakdown of our society". Thus he accepted to join the conspirators on two conditions: one, that all the armed forces were involved, including the national Police ("Carabineros") which was the only competitor of the Army for physical control of the national territory; and the other, that he, Pinochet, would be the leader of the coup. (Sigmund, 1977 p.208. Rojas, 1976 p. 132)

For the final offensive against the Allende Administration, the Chilean dominant class and its foreign allies put together all their resources in a planned effort which involved four programs:

1.) To present the government as violating the Constitution and the laws.

In April 1973, the Constitutional conflict over the three areas of the economy was resurrected by the opposition, accompanied by another conflict of the same kind resulting from the introduction of a second Constitutional amendment by Senator Rafael Moreno of PDC. This amendment was apparently directed to stop the Agrarian Reform as it was carried out by the Allende Administration; however, its main purpose was to create new "evidence" of Constitutional "violations" by the Executive. (Sigmund, 1977 p.182)

At the same time, the National Party started impeachment proceedings against four Ministers, on the basis of the "insistence decrees" mentioned above. The Supreme Court made public a formal protest against assumed "illegalities" of the Executive, while simultaneously ignoring the growing wave of terrorist activities of right-wing

These maneuvers had their climax at the end of August, when the majority of Congress passed a resolution accusing the government of attempting to impose a totalitarian system in Chile by violating the Constitution and the law, and called for the military intervention. (Sigmund, 1977 pp.232-233. Lovemen, 1979 p.334)

2.) To create social and economic chaos.

This program began in April with a protest of the Secondary Students, an organization that was controlled by the Christian Democrats, over a projected reform of the educational system being discussed between the government and the Catholic Church. Even though a basic agreement had been reached between the Minister of Education and the Church representatives, and a joint commission had been formed to revise the project, the High School students publicly demonstrated, and with the help of Patria y Libertad, developed violent incidents in Santiago. (Sigmund, 1977 p.204)

They were followed on April 19, by the strike at the copper mine "El Teniente", one of the large nationalized mines. The copper miners were among the best paid workers in the country, but the Christian Democrat labor leaders who controlled the white-collar unions at the mine were able to convince the workers to make use of an omission in the text of the wage law to request a 150% wage increase, instead of the 100% adjustment received by all the other workers as compensation for inflation.

The UP labor leaders managed to get most of the workers to return
to work in 24 hours, but a group of Christian Democratic workers, particularly white-collar employees and technical supervisors, continued to strike and provoked violent incidents in the city of Rancagua. Later, they marched over to Santiago where they were received by Congress and the Christian Democratic Party, and were assisted with food and other supplies by the same elegant ladies who had participated in the "March of the Empty Pots". (Roxborough, 1977 pp.208-210. Bitar. 1979 pp. 232-233)

The Chilean dominant class used the El Teniente strikers to proclaim nationally and internationally that the Chilean working class was against Allende. This publicity was accompanied by a growing wave of terrorist attacks by Patria y Libertad and the "comando de Ex Cadetes". in the one week period from June 17 to June 24 they were responsible for 77 bomb attacks throughout the country. (Roxborough, 1977 p.210)

The "miners of El Teniente" left the scene at the beginning of July, once they accomplished their publicity objective, but at the end of the same month, the truck owners staged a new lockout with similar characteristics to the previous one in October 1972. Merchants and professionals followed them with "solidarity" stoppages, and the lockout was accompanied by terrorist attacks against oil and gas pipelines, railroad tracks, and high tension electric lines. The leader of the truck owners, Leon Vilarin, proclaimed that this lockout was to last until the end of the Allende government. (Stallings, 1978 p.150. Roxborough, 1977 p.218)

The two programs described above were civilian actions which repeated previously attempted moves. This time they were not assumed to overthrow the government by themselves, but to provide a favorable environment for the military actions which also followed two programs:
3.) To neutralize the potential armed resistance of the working class.

The most important instrument employed for this purpose was the Arms Control Law of 1972, which authorized the military to conduct searches in places where they suspected the existence of illegal deposits of firearms.

Since the end of 1972, and with increasing extension and intensity in 1973, the military carried on systematic searches in factories of the Social Area, and other places where the organizations of the working class developed their activities. Until June 1973, there were about 3 searches per week; but in July there were 24, and in August, 45 operations of this kind. (Rojas, 1976 p.141. Roxborough, 1977 p.201)

The political orientation of these searches was clear. Of the 24 operations in July 10 were in factories; 4 against offices of the UP parties; 3 against grass-roots organizations; 3 against government offices, and only 2 against right-wing terrorist groups. However in the same month these terrorist groups made 128 armed attacks against government officials, UP leaders, UP party offices, periodicals, and radio stations which supported the government. (Rojas, 1976 p.141)

The purposes of these operations were quite different from the apparent objectives of the law. They were conducted as a way of testing the fighting capabilities of workers and peasants; of training the troops in fighting civilians; of carrying joint operations of all the armed forces to test their coordination in the field; of detecting UP sympathizers among the military, and of challenging the political response of the UP. (Rojas, 1976 p.141. Roxborough, 1977 p.201)

All these elements were present in what was probably the largest
operation of this type which took place in the southern city of Punta Arenas on August 4, as a kind of dress rehearsal for the September coup. About 2,000 soldiers and sailors with tanks, armored cars, helicopters and airplanes under the command of the local Chief of the Army, General Manuel Torres de la Cruz, surrounded and searched the whole industrial sector of the city. The operation lasted for eight hours and left one worker dead and costly material damaged due to the brutality of the military. The only arm found was a small pistol of a night watchman who had a legal permit for it. (Rojas, 1976 pp.142-143. Roxborough pp.201-202)

4.) To consolidate the internal unity of the armed forces.

The officers at the Academy of War in their "war games" prepared the strategy and tactics to be followed to "occupy" Santiago and the other large cities and to control the national territory, in order to destroy the "enemy", that is the UP coalition and the organizations of the working class. (Rojas, 1976 pp.84 & pp. 194-199)

But to insure the victory in this "war" it was necessary to avoid the internal division of the Armed Forces, by controlling the sympathizers of the government among the military and the members of the "Constitutionalist" faction, particularly the Commander-in-Chief of the Army, General Carlos Prats.

President Allende and the UP were confident that most of the soldiers would be 18 year old working class men recruited through the armed draft. A majority of working class soldiers and non-commissioned officers together with a commanding faction of "Constitutionalist" officers, would be enough to maintain the loyalty of the military to the Constitutional government.

However, the armed forces were physically unable to train all the
potential recruits during the respective year, and therefore had to make a selection among the registered men of age each year. Traditionally this had been a good excuse to free the youth of the dominant class and the petty-bourgeoisie from military service. It had also provided the military service with some social justification in peace times, since the draftees from the working class received some basic education and technical training through the service, which otherwise was out of the reach of poor families.

But since 1970, the Recruitment Service of the Armed Forces changed this policy in the name of the "democratization" of the military service. Anticipating their opposition to the Allende Administration, the military had insured that a large number of draftees would be of the dominant class or the petty-bourgeoisie by giving preference to those who had more education, particularly high school graduates. Moreover, in 1972 and 1973 the military instructors screened their trainees and discharged any recruit who appeared to be an UP sympathizer.

Since May 1973, some officers of the Army and the Navy began to indoctrinate their troops against the UP and the Allende government. They gradually increased their attacks on the President and the organizations of the working class in order to condition the response of the soldiers, and to provoke the open reaction of the Leftists among them. (Rojas, 1976 p.167. Roxborough, 1977 p.198)

In June they started to include in their talks to the troops the idea that the UP was preparing a general onslaught on the military, with a plan to kill most of the officers and many of the soldiers. This same idea was reproduced as "Plan Z" after the overthrow of Allende, in publicity directed to explain that the military had acted in "self-defense". This rather crude invention was discredited by Pinochet

But some civilians and junior officers were impatient, and apparent-\*\*ly the CIA too misjudged the preparedness of the military, and they tried to act before everything was ready. (Rojas, 1976 pp.160-161)

Patria y Libertad increased the frequency of its terrorist attacks at the beginning of June, and on June 26 staged an incident directed to discredit General Prats, and to kill him if possible.

While the General was going by car to his office, he was encircled by three other cars. Two crossed his car in front and bumped it; from the third, a rather masculine-looking woman from a well-known family of the oligarchy, Virginia Cox, tried to annoy him with insults and obscene gestures.

As the authors of the incident expected, General Prats believed that he was under an attack similar to the one which resulted in the death of General Schneider in 1970. He stopped and left his car, firing two shots from his revolver toward the other cars. Immediately he was assaulted by a mob that accused him of trying to kill "a lady". He was only saved from being lynched by the cool reaction of a taxi-driver who took him away in his cab at full speed.

Patria y Libertad made sure that reporters from El Mercurio and the opposition radios were present, and the daily published the incident under the heading: "GENERAL PRATS ATTACKS A WOMAN WHO STUCK OUT HER TONGUE AT HIM." (Rojas, 1976 pp.162-163. Sigmund, 1977 p.213)

The great publicity created around the incident and the calls for General Prats resignation were accompanied by the sending of white feathers (as a symbol of cowardice) to Prats and other "Constitutionalist" officers. This publicity served to reduce the impact of the announcement
made by the Army Chief Commander in Santiago, General Mario Sepulveda and the Minister of Defense, that a complot and a coup involving some military officers and Patria y Libertad and including the killing of President Allende had been uncovered.

One of these officers, Colonel Roberto Souper, Commander of the Second Armored Regiment in Santiago, was advised that he was going to be relieved of his command and arrested. Thus, on the morning of June 29, after killing some opposing subordinates, he mobilized his Regiment and directed six tanks to attack the Presidential Palace (La Moneda) and the nearby buildings. He expected to kill the President, to free the other plotters who were arrested in the Ministry of Defense and to precipitate the military coup since he knew that many officers had decided to overthrow the government.

However, Allende was not at La Moneda, and the Generals who were planning the coup were not yet prepared for it. One of the conditions that they had agreed on with Pinochet was missing. The Police were not included in the plot, and its elite corps, which served as Palace Guard, successfully defended La Moneda against Souper. Therefore, the conspirators joined the "Constitutionalists" who helped General Prats in defeating the rebellion. On the way, he demonstrated that he was not a coward, as the publicity of the opposition had planned. (Sigmund, 1977 pp.213-215. Rojas, 1976 pp.164-166)

Colonel Souper was arrested and the leaders of Patria y Libertad, including the President of SNA Benjamín Matte, found political asylum in the Embassy of Ecuador. But the aborted coup showed the conspirators the type of organization which the mobilization of the working class had to face in a military movement. The actions to control the rebellion confused the intelligence of the UP over the real position of the
military officers in relation to the government. Several of the principal conspirators, such as Generals Pinochet, Brady and Bonilla, appeared as "loyal" supporters of General Prats and President Allende. (Rojas, 1976 pg.165. Steenland, 1974 p.13)

However, the military conspirators felt that their time was running short. They could not deceive the President and the UP permanently, and the industrial belts and other grass-roots organizations of the working class appeared to be preparing for a final confrontation. Therefore, they pressed their civilian friends into declaring the "illegitimacy" of the government, and starting a new truck owners lockout, while they intensified the searches for "arms control". On July 26, a group of the "Comando de Ex Cadetes" assasinated the Navy Attache to the Presidency, Commander Arturo Araya, who had been a good source of intelligence in the Armed Forces for Allende, and was due to return to active service in the near future. (Rojas, 1976 p.172. Sigmund, 1977 pp.222-223)

Moreover, on August 7, the Navy announced that it had discovered a plot which involved low-ranking officers and sailors and some positions of the Left such as Senator Carlos Altamirano, leader of the Socialist Party, Deputy Oscar Garreton, leader of MAPU, and Miguel Henriquez, leader of MIR.

Actually some sailors had denounced to the politicians the continuous indoctrination against the government to which they were subjected by the officers; the Leftist leaders were talking to the sailors and non-commisioned officers to prepare them to disregard the orders of the officers in the event of a coup against the government.

The "plot" was "investigated" by Admiral Toribio Merino who was the Navy leader of the coup conspirators. Merino requested lifting the
parliamentary immunity of Altamirano and Garreton, and submitted the 50 sailors and petty officers involved to harsh interrogations and tortures which were denounced by the Leftist press. (Sigmund, 1977 p.226. Rojas, 1976 p.175)

On August 9, Allende made a final effort to defuse the possibility of a military coup and save his government, by appointing the Commanders-in-Chief of all the Armed Forces as Ministers in a Cabinet named by the President "National Security Cabinet". This time, General Prats was designated Minister of Defense; Admiral Raul Montero was appointed Minister of Finance, Air Force General Cesar Ruiz was named Minister of Public Works, and the Chief of the National Police (Carabineros) was appointed Minister of Lands and Colonization. (Sigmund, 1977 pp. 225-226. Rojas, 1976 p.174)

But this cabinet disintegrated within the same month. General Ruiz tried to anticipate the coup in order to take the leadership from the other conspirators, but he was discovered by President Allende who called him to retirement on August 18. He was replaced by Air Force General Gustavo Leigh who, unknown to the President, was one of the leaders of the conspiracy against his government. (Rojas, p.14)

All the parlimentary ability of President Allende was unable to solve the emerging conflict between the military and the working class in incidents such as the "siege of Punta Arenas" or the attacks of the Navy on Senator Altamirano and Deputy Carreton which were mentioned before.

The fate of the Allende Administration was sealed with the resignation of General Prats. On August 21, a group of women, among them several wives of high officers of the armed forces, staged a demonstration in front of General Prats house, shouting insults and calling
for his resignation. General Prats, who was sick in bed, later received the visit of General Bonilla who, in the name of the corps of Generals, asked for his resignation, because his loyalty to the President was "a disgrace for the Army". Bonilla was followed by the President himself, who reiterated his confidence in General Prats and discussed with him the means of stopping the conspiracy within the Armed Forces.

The next day General Prats had a meeting with 22 Generals and requested from them a public declaration against the woman's demonstration. From photographs he was able to show that the wife of General Bonilla was among the demonstrators. But 18 of the 22 Generals rejected his request. Feeling he could no longer insure the loyalty of the Army to the President, General Prats submitted his resignation the same day. The President, believing in the loyalty of General Pinochet, who had voted in favor of Prats in the meeting of the Generals, accepted the Prats' resignation and designated Pinochet as Commander-in-Chief of the Army. (Rojas, 1976 pp.177-179. Sigmund, 1977 p.231)

Two other Generals who had helped Prats to defeat the Souper rebellion and had voted with him in the meeting of the Generals, Sepulveda and Pickering, went into retirement expressing that they could not stay in an Army commanded by the wives of the officers. Admiral Montero resigned from his Ministry even though he remained as Commander-in-Chief of the Navy. However, the Admirals under the leadership of Toribio Merino requested his resignation too on August 30. Allende rejected his resignation "for the good of the country", but in practice, Merino acted as Commander-in-Chief since that day, and Admiral Montero was put under house arrest on the day the coup finally took place. (Rojas, 1976 p.180, Sigmund, 1977 pp.237-238)
After the meeting of the Generals that resulted in the resignation of General Prats, President Allende was willing to use his Constitutional powers to call to retirement the Generals who appeared more clearly involved in the movement against the former Commander-in-Chief. But Pinochet convinced him to wait until the Army's Qualifications Council which was due to take place during the second half of September. This way, Pinochet argued, the retirements would not be attributed to political motives but purely professional ones. This was a familiar reasoning that had been used by General Prats to delay until September the retirement of General Canales, Colonel Canessa, and other hard-liners in 1972. (Rojas, 1976 p.180)

However, Pinochet's real reasons were that the military coup was programmed for September 14, the date of the National Day's military parade rehearsal, which would justify the movement of troops along the country. But on September 7, the Commanders-in-Chief of the Armed Forces were informed by the President that he had decided to call for a plebiscite to give a final solution to the conflict between the Executive and Congress, and was preparing a public speech for this purpose to be delivered by radio and TV on September 12.

The conspirators who were already prepared for the coup, decided to prevent the political impact of such an announcement. General Leigh of the Air Force, General Mendoza of the National Police, and the representatives of Admiral Merino, met on September 9 in the house of General Pinochet who was celebrating the birthday of his daughter. There they signed the proclamation which they made public on September 11. the day of the coup. (Rojas, 1976 pp.185-188. Sigmund, 1977 p.240)

Most of the Chileans, and many foreign observers were surprised
by the extreme violence developed by the military on September 11 and the following week and months. It seemed entirely unnecessary from a military viewpoint to bomb and destroy the Presidential Palace where President Allende died defending his government in a rather dramatic last stand. He was totally encircled by hostile forces far superior in number and arms than his small group of body guards and personal friends, and could not expect any help from outside.

In a similar fashion, during the wide searches conducted to arrest or kill the leaders of the working class organizations, the military demonstrated indiscriminate brutality which far exceeded the reasonable response to the scattered and weak resistance offered by some partisans of the UP government. Entire working class neighborhoods and "pob-laciones" were surrounded by tanks and helicopters; all houses were searched and occupants beaten, sometimes killed, and many of them arrested, generally in a random fashion which mixed grass-roots leaders and UP sympathizers with ordinary citizens.

Between September 1973 and March 1974, no less than 60,000 people had been arrested, and 10,000 of them remained in prisoner camps at the end of March 1974, according to the International Commission of Jurists report on Chile. The military had lists of the government employees and therefore searched the houses of those who were considered dangerous (among them this writer). But their knowledge of the working class organizations was limited and therefore they tried to capture grass-roots leaders through widespread arrests and the use of torture and informers to detect them. (O'Brien (ed.) 1976 p.275. Loveman, 1979 pp.349-350)

This brutality was part of the planned effort of the military to terrorize the working class into submission. Air Force General Gustave
Leigh, one of the leaders of the counter-revolution, explained to the press on September 17, 1973; "We are taking this course because 100,000 dead in three days is preferable to 1,000,000 dead in three years."

General Pinochet, the present dictator of Chile, declared also that they expected at least 50,000 dead, and were surprised by the scarce resistance that reduced the killing to "only 30,000", as explained by Julio Duran, representative of the Chilean dictatorship to the U.N. Committee on Human Rights. (Rojas, 1976 p.196. O'Brien pp.274-275)

In their original declarations, the military stated that they had been moved by the "moral duty" of deposing a government which "had fallen into flagrant illegitimacy ... destroying fundamental rights, and placing itself outside the Constitution." They promised that "what the workers had obtained will continue and will be maintained."

However, very soon the real nature of the counter-revolution was manifested.

The Constitution was abrogated and replaced by the will of the military who legislated "Constitutional Acts" that tended to change from day to day in the beginning. Congress was closed and the political parties were declared illegal or in "recess" indefinitely, including those which had supported the counter-revolution such as the Christian Democrats. Even though the judiciary promptly demonstrated its gratitude to the military for not being dissolved as the other State powers had been, it was practically ignored; all the important cases were submitted to the Military Courts because of the "State of War". When a normally acquiescent Comptroller General tried to make legal observations to some decrees of the military, he was replaced with another more ductile lawyer. (Sigmund, 1977 pp.248-251)

All the newspapers which supported the Allende Administration and
the Left were closed, and even the Christian Democratic's La Prensa survived the counter-revolution for only a short time. But the publisher of El Mercurio was one of the first civilians appointed to a Ministry by the military dictatorship. Fernando Léniz was put in charge of the Ministry of economy and became in practice the main economics policy-maker of the new regime. He was accompanied by a group of economists, some of them professors of the School of Economics of Catholic University, who were generally known as the "Chicago Boys" because some of them graduated from Chicago University. All of them were dogmatic followers of the monetarist doctrines of Milton Friedmann and Arnold Harberger. Their main task was to restore the control of the Chilean dominant class and its foreign friends over the Chilean social structure, and this was made easy by the political environment provided by the military dictatorship. (Sigmund, 1977 p.264)

CUT was dissolved, its leaders exiled, and the Labor Code and the rest of the Labor legislation were replaced by decrees that fixed wages, repressed strikes, and eliminated labor unions. While wages were fixed, prices were unfrozen and most of the State price controls were dismantled. This resulted in a drastic and deep redistribution of income from the workers to the dominant class. Before the counter-revolution, inflation was projected to be about 200% for the year 1973, but the price increases between September and December represented an increase of at least 300% by themselves, and official inflation reached 375% in 1974 and 350% in 1975. But the military dictatorship did what the Allende Administration could not do: it changed the IPC base and manipulated the figures to demonstrate their "success" in fighting inflation. (BIC, 1975 pp.54-55. Varele & Michel, 1980 p.65)
The wage and salary adjustments did not follow the rise in prices, and therefore the index of real wages on base 1970 = 100 went down to 51.9 in 1974; wages which constituted 52% of the GDP in 1970 went down to 42% of the GDP in 1974. (Varela & Michel, 1980 pp.12-13. The Economist, February 2-8, 1980: Chile Survey)

The military dictatorship dismantled the Social Area of the economy and adopted a policy of "privatization" of all economic activities which implied not only the return to the private sector of the enterprises nationalized by the Allende Administration, but also the transfer to private owners of many other State economic activities including education and health services, and the social security system. Many of the latifundios expropriated by the Agrarian Reform were divided into individual farms assigned to the peasants without any additional support from the State. Thus many of the small farm owners were forced to sell for lack of resources to work their property and a new process of concentration of land ownership was started directed to the installation of export agribusiness. (The Economist op.cit.)

Despite its professed "nationalism", the military dictatorship devaluated the Chilean currency, eliminated import controls, and reduced tariffs to allow foreign products to compete freely with the locally produced goods in the Chilean market, without "artificial" protectionism of the Chilean industries. The Country was opened to foreign investments in such favorable conditions that Chile had to retire from the Andean Common Market, which has more restrictive rules. (BIC, 1975 pp.81-82. The Economist, op.cit.)

The dictator Pinochet and the Chicago Boys expected that their avowed anti-Marxist position was going to provide them with preferential
treatment from the United States. Their willingness to pay indemnization to ITT and the copper companies for the nationalization of their Chilean operations by the Allende Administration added to the repression of the labor movement and tax incentives which would attract private foreign investments.

However, the high rates of inflation of 1974 and 1975 contributed to their poor international image which restricted the possibilities of foreign assistance and investments, and their regime of terror conflicted with the new "human rights" policy of the Carter Administration. The Chilean market was naturally reduced, and their policies reduced it more, depriving it of any possibility to sustain a similar economic development policy to that of Brasil. Thus, even though Chile was able to renegotiate the external debt, and the United States, IDB, and the World Bank restored the channels of financial aid suspended during the invisible blockade, the aid actually received initially was more directed to the regime's survival rather than to economic development.

Therefore, the Chicago Boys invited their former Professors, Arnold Harberger and Milton Friedmann, to advise the Chilean dictatorship in economic matters. The foreign advisors approved in principle what their disciples were doing but recommended intensifying the measures in what Friedmann called a "shock treatment" to control inflation. This was basically a deep cut in public expenditures, from which only the military was excluded, targeting the reduction of 100,000 public employees. The recipe also included a cut in taxes and the elimination of all State subsidies to private activities, which already had been reduced substantially. (Gunder Frank, 1976. The Economist op. cit.)

As the result of this "treatment", Chile suffered in 1975-1976 the
worst economic depression since 1931. It is true that inflation was reduced to 63% in 1977 and 30% in 1978 according to official figures; but production dropped by 12% from 1974 to 1975, and in 1978 it had not yet recovered the 1972 levels. Unemployment, according to the same official figures, reached almost 20% in 1976, and was still over 14% in 1978. Not only the politically repressed working class suffered the consequences; most of the small businesses and members of the petty-bourgeoisie who had enthusiastically supported the counter-revolution, went bankrupt in the deep depression. (The Economist op.cit. Varela & Michel, 1980 p.10)

In a significant way, the U.S. press and news agencies which had always associated the Allende Administration with the phrase "economic class", never did mention the true economic chaos of the Chilean economy during recent years. On the contrary, the Chicago Boys received favorable coverage in the Wall Street Journal and other financial publications, which helped them to obtain large credits from private banks and some foreign investments. However, the bulk of the foreign investments (90%) has been in mining, that is the production of primary products for exports rather than industrial development. The service of the expanded external debt is still taking 38% of the annual export earnings. (The Economist op.cit.)

The worst impact of the economic policies of the Chilean dictatorship has been suffered by the bulk of the working class which represents the large majority of the population. The share of the lowest fifth in the distribution of the national income went down from 8% in 1969 to 5% in 1978; the consumption of calories and proteins went down by 12% and 18% respectively between 1970 and 1978. The number of children who completed primary education was reduced 40,00 from 1973 to 1978; public housing construction went down to 9,000 units per year (average 1974-
private house construction was also reduced to 14,000 per year, while the incidence of infectious diseases such as typhoid, tripled. *(The Economist* op.cit.)

On the other hand, the "privatization" of the economy has been used by the Chilean dominant class to restore the old system of financial groups. This system of economic control has combined some of the old financial groups, which were able to survive the impact of the policies of the Allende Administration, with some new groups that emerged from both the clandestine operations of the black market under Allende and the new concentration of ownership of the means of production resulting from the acquisition of State controlled activities and bankrupt businesses during the economic depression of 1975-1976. *(Varela & Michel, 1980 pp.27-36)*

The dictatorship of Pinochet was made "Constitutional" this year (1981) by the imposition of a new Constitution which institutionalizes the replacement of civilian politicians with the military in the administration of political issues. Thus, the planning of the counter-revolution appears to have been successful to restore the control of the Chilean dominant class and its foreign allies over the Chilean social structure. However, it has also restored the characterization of Chile as a dependent, underdeveloped country which was given at the beginning of this study, and which the introduction of planning was assumed to change.
CONCLUSIONS

On Reason, Revolution and Counter Revolution.

Some Points of Planning Theory

"Caminante no hay camino,
Se hace camino al andar"
(Popular Spanish song)

Introduction

At the beginning of this study it was stated that planning knowledge is based on the practice of planning. Therefore the purpose of this study was to analyze the practice of planning in Chile under the Administrations of Presidents Alessandri, Frei, and Allende (years 1958 to 1973), in order to extract the knowledge which that experience could provide about the process of planning, the role of the planners, and the content of planning.

This was a dramatic period in Chile's history in which a conservative government was followed by a liberal government, and this by a socialist one, in a sequence of growing social tension leading to the violent counter-revolution of 1973, which killed President Allende, destroyed the political regime of representative democracy, and installed the present neo-fascist military dictatorship.

The situation of the Chilean planners, as a small group of professionals with similar characteristics, working in direct relation to the decision-making process of the Chilean State, through three different successive political environments, constituted a natural experiment or quasi-experiment. A control group was provided by comparing the attitudes and behavior of planners with other more traditional professionals in relation to the changes in the socio-
economic environment.

This was however a dialectical experiment since the planners and other professionals had an active role in the production of the socio-economic changes, and in turn, they were changed themselves by the events of the period.

1. - The Chilean Social Structure and the Historical Context.

This study has shown that under the formal appearance of a representative democracy until 1973, and in a more explicit form since that year, the Chilean social structure has been a rigid hierarchical system controlled by a small professional elite. This elite is the external expression of the dominant class which concentrates wealth and property and is tied to the international system of the most developed capitalist countries and their multinational corporations.

Apart from this dominant class, the Chilean social structure included a small petty-bourgeoisie integrated by owners of small business, and a large salaried working class (75% of the total population) divided into three segments: white collar employees, blue collar industrial workers, and agricultural workers or peasants. The social organization and participation of these other social classes in the system has been subjected to the formal and informal norms imposed by the dominant class.

The Chilean dominant class is an oligarchy which imitates the old aristocracies of Europe by its disdain for manual labor and its acute sense of class distinctions. It inherited these aristocratic cultural traits from the Spanish colonial administrators, together with the social structure based on the exploitation of the working class in
farms, mines, and industries for the benefit of the small privileged elite.

The Chilean dominant class has traditionally identified progress and development with the import and reproduction of ideas, formal models and fashionable trends generated in the most developed capitalist countries, rather than native discoveries or innovations.

The most developed capitalist countries have provided the financial and technical assistance necessary to maintain the control of the oligarchy over the Chilean social system and to establish the formal institutions of a modern State.

This study has shown that foreign experts designed many of the basic institutions of the Chilean social organization, including the universities and the educational system, the armed forces, the Civil Code, the Central Bank and the Office of the Budget. These foreign experts have trained the Chilean professionals and have provided the theoretical and practical framework for the setting of economic policies.

In exchange, the Chilean dominant class has granted to the multinational corporations access and protection to control the export producing activities of the country and to achieve decisive influence in industry, commerce, communications and some basic services.

The lack of dynamism of the Chilean dominant class and its dependency from foreign investors and entrepreneurs resulted in the low rate of growth and high vulnerability of the Chilean economy to the changes in the international market.

In addition, the same dependency has served as vehicle for the introduction to the country of ideas and institutions which have been in conflict with the interests of the oligarchy. These included the
political regime of representative democracy, and the Liberal, Marxist
and Christian Left ideas which inspired the political parties and
organizations of the other social classes.

One such institution was planning for socio-economic development
in relation to the participation of the State in economic activities.

This study has shown that the impact of the great depression of
the 1930's, and the division of the Chilean dominant class resulting
from its association with the competing forces in World War II allowed
the introduction of planning as a State function by the creation of
the State Economic Development Corporation (CORFO) in the early 1940's.

CORFO started a tradition of successful industrial development
through planned State action. But it was restricted in its action
during the late 1950's by the conservative policies of the second half
of the Ibanez government and the initial policies of the following
Alessandri Administration which were analyzed in the study.

The practice of planning expanded rapidly however during the early
1960's under the pressure of the "structuralist" ideas of ECLA and
the Alliance for Progress. They considered planning as a necessary
instrument to carry out the changes needed to eliminate the structural
obstacles for socio-economic development.

This expansion of planning for socio-economic development and
structural changes divided the Chilean dominant class. The most con-
servative elements of it, such as those who controlled the Alessandri
Administration, had little interest in structural changes and accepted
planning only as it was required to obtain aid from the United States
or the international agencies of financial assistance. But the most
progressive elements, including President Frei and the Christian Demo-
cratic Party leaders, felt identified with the aims of the Alliance for
Progress. They considered planning as a rational alternative to the violent repression of the working class.

On the other hand, the political parties and organizations of the working class which supported the Allende Administration, had always sustained the necessity of using planning as an instrument to replace the market as vehicle of social and economic distribution and to introduce revolutionary changes by peaceful means.

Even though the concept of planning is not necessarily contradictory with the use of violence, and there are military planners whose means of implementation are violent by nature, in the period under analysis planning was considered as an alternative to violent action. Moreover, it was considered that the use of reason is always more human and civilized, and has a lower social cost than the use of brutal force.

2. - Chilean Professionals, Planners, and Three Modes of Planning.

Since the past century the Chilean dominant class adopted the tradition of sending its children to the university to acquire the learned skills necessary to rule the country. It also established the norm of requiring a university degree to occupy high positions in government or in business. This standard served to legitimize the social status of the oligarchy by its association with technical knowledge and professional skills. But the highly selective educational system made sure that admission to the university was restricted to children of the dominant class. Therefore the professions were conceived as instruments of preservation of the established social system.

The Chilean planners as university graduates were members of the
dominant class, and because of their work they were close to the formal and informal power centers of the social system. However, in contrast with the more traditional professions, planning was associated with a national and international movement for socio-economic development and structural change.

Thus, the role of planners during the period analyzed was contradictory with the interests of their own social class and of the established system. The traditional professionals and politicians tended to consider planners as dangerous revolutionaries who threatened the existing positions and relations in the power structure.

On the other hand, in the eyes of the working class, planners were identified with the dominant class because of their social origin and their work for the State. The political activists of the Left tended to disregard planners as mere "technocrats", and considered the technical restrictions for the achievement of their objectives as "artificial hurdles".

In this study, planners were defined by their formal training in international planning schools, (there was not formal training in planning in Chilean universities until the late 1960's), by their work in planning jobs, and by their particular professional mentality resulting from their training and their position and functions in the State bureaucracy.

Planners maintained a long-term and comprehensive professional perspective which integrated different specialities in multidisciplinary work, and tended to maximize the rigor of their analysis in tasks always associated with the State action. In contrast, the traditional Chilean politicians tended to act, more or less intuitively with a
short term perspective related to the then frequent national elections. While the traditional professionals tended to interpret the issues from the specialized viewpoint of their trade, and to combine private practice with their service to the public sector.

Thus planners could be differentiated from other members of the Chilean professional elite who served similar functions. In addition, a basic characteristic of the planning work is to be expressed in formal documents, many of which were used as direct sources of information for this study.

During the period analyzed, planning was a function of the Executive which expanded rapidly, but planners had to compete with other power centers already established within the State bureaucracy. In addition, the Executive was only one of the State's powers, and the State was only one of the major protagonists of the historical process, the other being the social classes, their organizations and their foreign allies. On the other hand, the practice of planning during the period was associated with the socio-economic development and structural changes of the Chilean society. For these reasons, this study related the analysis of the planning experience to the context provided by the social structure, the class struggle, and the participation of the State and of the foreign sector in it.

The three Administrations analyzed, each had a different concept about the role of the State in the process of socio-economic development, and this conditioned the practice of planning and the planner's role in them.

The Alessandri Administration had originally an ideology of free-trade and restriction of the State's intervention in the economy of
the country. It accepted planning only as the result of the external pressure of the Alliance for Progress and its own dependency on foreign financing for the implementation of its initial economic policies.

This resulted in a reluctant mode of planning which was largely of a symbolic nature. The businessmen-politicians who controlled the government under Alessandri maintained planners outside the decision-making process as mere technical advisors, in a role similar to that of local planners in the U.S. who write proposals to obtain Federal funds.

But the Frei Administration was a showcase for the Alliance for Progress. Therefore it believed that planning and the intervention of the State were necessary means to introduce the reforms needed to rescue the established system from the danger of a socialist revolution such as that of Fidel Castro in Cuba.

Even though Frei's government plan was presented as a "Revolution in Freedom", it was directed to correct the failures of the established socio-economic system in order to save it from the impending crisis, rather than to change the traditional structure. In addition, the Frei Administration considered the State as a neutral arbiter above the class struggle, therefore it adopted a mixed mode of planning which was directive for the State bureaucracy and only indicative for the private sector.

Thus, the planning activities under the Frei Administration were concentrated in improving the efficiency of the State organization through the use of "institution building" techniques, and installing the National Planning System itself. But it put the Chilean planners in a position similar to that of the Council of Economic Advisors in the U.S. in relation to the private sector; setting policies and
incentives and expecting the people to behave in a predicted way.

In contrast to the preceding administrations, the Allende govern-
ment made use of planning as an instrument to dismantle the established
socio-economic system and to begin the construction of a new one based
on the joint action of the working class and the State through a direc-
tive and participatory mode of planning. The Chilean dominant class
and its foreign allies opposed this effort by means of a planned reaction
in stages that culminated in the military neo-facist counter-revolution

Therefore the practice of planning under Allende became the difficult
art of coordinating the free initiative of the working class in its mul-
tiple expressions with the central purpose and long-term perspective
of the government for the common task of implementing the government
plan (the UP Program), and defending the progress of this process
from external attacks.

The role assigned to planners in the Alessandri and Frei Adminis-
trations was compared above with modes of planning existing in the U.S.,
but the role of the Chilean planners under Allende had no analogies any-
where. The nearest similarity that may be found in the U.S. will be a
mixture or combination of the role of corporate planners working for a
large conglomerate with the community organizers and advocacy planners
of the late 1960's.

This study has shown that the planning practice during the period
analyzed was conditioned by three basic contradictions:

a) The class struggle resulting from the class polarization of
the Chilean social structure, the lack of economic growth of the country,
and the exploitation of the Chilean working class by the dominant
oligarchy and its foreign allies.

b) The ideological conflicts between the more conservative and the more progressive elements within the Chilean dominant class, and
c) The contradictions in the U.S. policies toward Latin America in general, and in particular in the support of the different factions of the Chilean dominant class, going during the period from the more progressive elements to the most conservative ones.

All these contradictions were reflected in the basic task of the planners in the period, which was contradictory in itself. On one hand, planning was directed to push the process of socio-economic change and development, that meant unleashing the initiatives of the Chilean people, in particular the working class. On the other hand, planning is by nature a controlled process and was assumed to make these initiatives compatible with a pre-determined framework of ideas.

Despite the difficulties of the planning tasks and the conflicting nature of the planner's role, planners and planning increased in importance during the period analyzed, in parallel to the growing intensity of the class struggle. The planners went from a position of external technical advisors under Alessandri, to official participants in the decision-making process under Frei, and to a central role in the government actions during the Allende Administration.

Three means helped the planners to overcome the conflicts and difficulties, and to expand their work within the contradictory and turbulent environment of the period:

The first was political support. The Left had an ideological commitment to planning, and the Right was forced to accept planning by the Alliance for Progress. Therefore planners had friends on both
sides of the political spectrum and the three administrations analyzed explicitly accepted and engaged in the practice of planning.

The second was the implicit social legitimacy of the planner's role as a result of being planning members of the Chilean dominant class. Professionals in Chile were traditionally considered "entitled" to occupy the highest positions in the social structure. Moreover, because of their international training, planners were assigned the highest rank among professionals.

The third was the particular professional ideology associated with planning in the formulations of the Economic Commission for Latin America of the U.N. (ECLA) and of the Alliance for Progress. Planning was conceived as a necessary instrument to carry out the structural changes needed to eliminate the existing obstacles for socio-economic development. This ideology was based on two assumptions: that history is the result of conscious human actions, and that the decision-making process of social organizations and institutions would be improved by the introduction of scientific rationality and knowledge in it.

A combination of these supporting means allowed the small group of professional planners to work continuously during most of the period in spite of the changing Administrations, and to carry tasks from one government to the next one. This study has shown that, with the exception of the armed violence of the military, the Chilean planners were able to solve most of the problems resulting from the above mentioned contradictions and difficulties.

However these solutions implied basic changes in the professional concepts about the process of planning, the planners' role, and the content of planning, including a substantial modification in the
initial ideas of rationality and socio-economic development. These changes will be analyzed in detail in the following sections.


This study has shown that most of the Chilean planners were trained in the United States, and they were helped by a good number of planning consultants from the U.S. during the Alessandri and Frei Administrations. The Latin American Institute for Social and Economic Planning (ILPES) installed in Santiago by the U.N. agencies in the early 1960's, incorporated some European and Socialist elements in an emerging Latin American perspective on planning issues, but most of the members of the faculty of ILPES had been also trained in the United States.

Therefore for most of the Chilean planners, the planning knowledge learned at school was based on that which was predominant in the U.S. schools of planning in the late 1950's and early 1960's.

The historical tradition of U.S. planning was akin to the first approach of the Alessandri Administration; that is, it was focused on physical development and land use. The New Deal had concentrated on public works and construction projects, and after World War II, the Interstate Highway System, Federal mortgages, and Urban Renewal programs, continued in the same tradition. Even today in the United States the word "development" is associated with real estate and construction activities.

The basic concepts about planning emerged out of the so called "liberal reform". The beliefs that the introduction of scientific knowledge and rationality would improve the intuitive decision-making of traditional politicians and businessmen, and that it was necessary to avoid the collapse of the established system which was confronted with increasingly dangerous crises, was contradicted by the perception of planning
as a "totalitarian" tool identified with Communism or Fascism. Therefore, planning had to be "subjected to democratic control" as Karl Manheim proposed. (Manheim, 1950 p.29)

Thus, planning was concentrated on physical development, planners were assigned the role of mere technical advisors, serving the democratically elected decision-makers, and scientific objectivity and functional rationality were emphasized as sources of the social legitimacy of planning.

In this planning paradigm the planning process was a linear and circular succession of logically related stages which were refined through iterations. The process started with some externally given goals and a scientific and comprehensive analysis of the reality to be affected by the decisions to be made. Goals and analysis would be followed by policies, programs, and projects, interrelated according to the functional rationality of adequacy of means to ends. Policies were means to achieve the goals; programs were means to implement the policies, and projects were means to fulfill the objectives of the programs.

Since the planners were only advisors, and the decision-makers provided the goals at the beginning of the process, and made the final decision choosing from the alternative proposals submitted by the planners at the end of it, the three moments of the planning process, analysis, design and implementation, were considered "value free" scientific and technical activities, detached from partisan politics and the class struggle. In the use of Max Weber's paradigm of functional or instrumental rationality, planning shared the same assumptions of neo-classical economics and functional sociology. Planners coincided with these disciplines in the use of some of the same analytical tools and equilibrium models to explain reality.
The triumph of Fidel Castro in Cuba and the response of the Alliance for Progress resulted in a new interest for underdeveloped countries. From this, other elements were added to the above mentioned planning tradition, with the specific purpose of helping in the training of planners from Latin America and other developing regions, using such theories as Rostow's stages of economic growth, or the concept of "growth poles". This coincided also with the introduction of new technical concepts and instruments for the planning practice, like system analysis and computerized information systems.

The same paradigm of functional rationality served ECLA and the Alliance for Progress in introducing planning to the dominant classes of the Latin American countries. Socio-economic development was the necessary response to the threat of a socialist revolution, and planning was a necessary instrument for socio-economic development. Planning could be used by any political regime because planners were only technical advisors to the political authorities already established. Moreover, due to the social structure predominant in the Latin American countries, planners would be recruited from among the members of the same dominant classes which controlled the political and economic system. Therefore they could be expected to serve the interests of their own social class, as it had been traditionally done by the other professionals. (See Chapter II above)

For example, this is how Lincoln Gordon described planning to the oligarchy of Brasil in 1961:

"Development planning does not mean socialization. What it does mean is the establishment of targets for public investment in fields of high priority (and by implication the elimination of those of low or no priority); the application of sound engineering and economic standards to public
public investment projects; an appraisal of the balance-of-payments problems involved in the program; the provision of adequate machinery for public administration and for cooperation between government and private organization; and the adoption of fiscal and monetary policies to promote development without inflation." (Gordon, 1963 pp. 13-14)

Gordon presented planning as a purely technical activity. He focused on "engineering and economic standards" since the priorities that he mentioned appeared to be determined outside the planning process. Therefore planning was a "neutral" instrument that could be used by the military dictatorship of Brasil, even though all countries signatures of the Charter of Punta del Este had subscribed the "Declaration to the Peoples of America" which stated;

"This Alliance for Progress is established on the basic principle that free men working through the institution of representative democracy can best satisfy man's aspirations, including those for work, home and land, health and schools." (Gordon, 1963 p. 114)

This study has shown that the three moments of the planning process: analysis, design and implementation, were present in the planning activities of the whole period. However they were not related in an ordered sequence according the rules of formal logic and functional rationality. Planning was a continuous process during the whole period in which three types of planning activities were present;

a) The making of formal "plans" or planning documents;

b) The formulation of government plans as electoral platforms for presidential elections; and

c) The design and implementation of the policies, programs, and projects, including the bureaucratic reorganizations needed to carry out those platforms when the candidate was elected.

These three types of activities were sometimes parallel to each
other, and they fed on each other in a planning process which had feedback loops in each of its steps.

Formal plans such as the Ten Year Economic Development Plan 1961-1970, or the Agricultural Development Plan 1965-1980, tended to have little implementation; but the studies made for them were used in the formulation of the political platforms, which by their very nature had source possibilities of research and analysis of their own. In the 1964 and 1970 presidential elections the platforms of the major candidates were actually government plans. They were technically formulated with the active participation of planners, and intended to be implemented if the respective candidate was elected, as it happened with president Frei and Allende.

The implementation of these electoral platforms as government plans required in most cases the design of new formal planning documents. For example, once formulated the UP Program required planners to study the private activities that would be included in the Social Area. They were also required to develop an agreement with the working class organizations for the design and installing of the participation mechanisms. In addition, the UP Program was translated into a series of planning documents by ODEPLAN for implementation by the State agencies.

One particular example of this continuity of the planning process was the educational research made by the Educational Planning Commission under Alessandri and used by the educational reform of the Frei Administration. It was also continued in parallel to this reform to serve as a basis for the new reform of the educational system (ENU) proposed by the Allende Administration at the beginning of 1973.

In a similar way, the legal statute of CONSFA and the Aerophoto-
grametric studies done during the Alessandri Administration were used by the Frei Administration to organize ODEPA and to provide basic data to the Agricultural Development Plan 1965-1980. Also some of the planning consultants working on the reconstruction of the cities effected by the earthquakes of 1960 noted a lack of community facilities in the housing projects of the Chilean government. This observation led to the creation of the Community Facilities Planning Program funded by the Ford Foundation.

It was indicated above that the government plans prepared during the presidential electoral campaigns constituted an important part of the continuous planning process. Planners who participated in formulating these plans were called in to prepare discussion papers designed to select goals and objectives, and to define strategies and priorities; therefore, the goals and priorities were not external to the planning process, but a component of it.

Thus, the planning process was not "neutral" in relation to partisan politics and the class struggle. On the contrary, it was directly related to the modernization of the political process. The analysis of the socio-economic reality necessary for planning purposes had a direct bearing on the political debate, even if the plans were not implemented.

Ever since the Ten Year Plan figures served a frame of reference for the debate between government and opposition in the second half of the Alessandri Administration, there was a close and continuous relation between planning and politics. Still scientific rationality and objectivity served as the basis of the planner's role and of the legitimacy of planning, but they had no absolute value in themselves; objectivity and rationality were instruments serving the process of socio-economic development and structural change.
On the other hand, sophisticated technical skills and scientific analysis were necessary but not sufficient conditions for the professional effectiveness of planners. The most elaborate mathematical model could not solve the lack of opportune information, nor insure the political support necessary for the implementation of the plans. A large part of the work of planners was directed to achieve the cooperation of other professionals and bureaucrats, and of the working class organizations for the fulfillment of the established goals.

All the above mentioned characteristics of the planning process conditioned directly the role of the planners. As this study has shown, the role of the planners was not "to make plans", because making plans and implementing them was the work of many people. The pressures of the work to be done left little time for planners to concentrate on elaborate research and model building. But professional planners had a central position in the planning process; they were expected to discern long-term trends and the consequences of decisions, out of the seamless web of complex interactions within a turbulent socio-economic environment.

On the other hand, because of their social status as members of the dominant class, the planners were reluctant to accept the role of mere technical advisor. They were committed to socio-economic development and structural change; as a consequence during the period analyzed their role combined the requirements and expectations of the socio-political environment with their own professional motivations.

Therefore, the role of the planners exceeded and modified the conventional definitions and had in practice three dimensions; Chilean planners were analysts, catalysts and synthesizers during the period considered in this study.
Analysis for planning purposes is different than "pure" scientific research. It is directed to change the situation and therefore includes the study of the present reality and its problems, the study of the means and steps needed to change that reality, the study of the planning process itself, and the evaluation of the results obtained.

It is characteristic of planning analysis to be comprehensive in nature, that is it tends to consider together the physical, economic and social aspects of the reality, and the links and relations among these different aspects. But the traditional professionals in Chile tended to segregate the knowledge of each particular field of expertise, which made it very difficult to integrate the information provided by diverse specialists and to build a comprehensive understanding of the established socio-economic system. Even within the same sector, the historical division of functions made it sometimes impossible to coordinate the information gathered from multiple agencies with different origins and traditions.

In addition, the nature of the task of planning for socio-economic development and structural change involved the need for gathering information about previously uncharted territories. The conventional formal analytical methods failed to respond to this need.

For example this study has already mentioned the mistake made by the Agricultural Development Plan 1965-1980 of basing agricultural production projections on the historical behavior of the producers, at the same time as the Agrarian Reform was modifying substantially the structure of land tenure and the social relations of agricultural production.

Also noted was the lack of validity of equilibrium models in analyzing development problems, and in particular a revolutionary situation like that of the Allende Administration which by its very nature is
directed to produce disequilibrium.

Therefore the Chilean planners as "analysts" were not only judges of given data; they also had to build their own information systems, had to determine what data was to be collected and how it was to be processed, and had to design their own methods of analysis.

During the Alessandri Administration and in the second half of the Frei government when the planners were restricted in their participation in the implementation of their plans, they always could take refuge in research and improving their information systems for future use. As indicated earlier, the "analyst" dimension of the planners' role had an impact which exceeded the planning process itself, since these studies were basic for planners' participation in preparing government programs of the major candidates in the presidential elections of 1964 and 1970. This study also has shown that the studies done during the last campaign were major factors in the successful implementation of most of the goals of the UP Program in less than three years, despite the initial weaknesses of the Allende Administration and the strong opposition of the Chilean dominant class and its foreign allies.

This impact of the analyst dimension of the planners' role relates also to the second dimension of this role; that of catalyst of the process.

Planners were "catalysts" who mobilized the resources that initiated and facilitated the change process. This was the main function of the foreign planning consultants during the period analyzed; they were external technical advisors who helped the process of change without getting involved in it. This dimension of the planners' role coincides with the conventional definition of the planner role in the United States where it has been sometimes called "the professional change agent".
According to the conventional paradigm of planning, planners as change agents or catalysts should remain detached from the struggles and conflicts of the change process in order to facilitate it by application of functional rationality to its problems. The assumed "neutrality" of science and technology is considered as the major source of social legitimacy of the so-called Professional Managerial Class (PMC) located in between capital and labor in the most developed capitalist countries for the administration of the complex system.

But in Chile the social legitimacy of the planners' role was the result more of their social status as members of the dominant class and their position in government, than of their technical or scientific proficiency. It was also explained that planning was directly and continuously related to politics and was not neutral from the conflicts and struggles of the process of socio-economic development and structural change.

However this dimension of the planners' role as "catalysts" is in reality a result of the nature of the planning task itself. Planning is a function that can be distinguished from the process of production of the goods and services that carry out in practice the planned change. No plan can be really evaluated unless it is implemented, but implementation from a planning viewpoint means operational programming and budgeting; selecting and gathering the resources needed; choosing the technology to be used; designing the administrative organization and the formal regulations required; organizing people and assigning responsibilities, and the development of evaluation procedures.

All these functions help to execute the plans in practice but they stop where the actual process of production begins. The peasants participated together with planners in the process of planning of agricul-
atural production under Allende, but were only the peasants who cultivated
the land to fulfill the production goals agreed upon.

However, in Chile the role of planners as "catalysts" included some
less conventional tasks. The program of peasant organization and training
carried out by INDAP under the direction of Jacques Chonchol with the
technical assistance of Paulo Freire, during the Frei Administration, is
an example. This was a program directed at enabling agricultural workers
to participate actively in the process of socio-economic development and
structural changes. (See Chapter IV above)

The design of the mechanisms for the working class to participate
in the decision-making process during the Allende Administration may be
considered as another expression of the catalytic dimension of the plan-
ners role. In this case the intervention of planners had a more direct
impact than merely providing a vehicle for expressing the initiatives
of the workers; planners often served as government representatives in
the actual functioning of these mechanisms. (See Chapter V)

In general terms, perhaps the most important function of planners
as catalysts to the process was to make the concept of socio-economic
development and structural change operative. The original definitions
of ECLA and the Alliance for Progress were too general and abstract to
be translated directly into policies, programs and projects. In addition,
one of the traits of the Latin American culture which constituted an ob-
stacle for change and development was the tendency to elaborate in ab-
stract discussions about what is to be done, showing little interest or
ability to design practical ways of action. This is favored by the con-
servative elements who are interested in preserving the status quo and
who try to relegate any innovative idea to the eternal arguments of the
so-called "revolucionarios de cafe" (coffee house revolutionaries).

But planners, by training and professional inclination, were able and willing to translate general statements of objective goals into policies, programs and projects which could be implemented, and to develop the means for their implementation. Planners not only demonstrated the practical feasibility of socio-economic changes, but also were able to provide the prestige associated with science and technology to the proposed changes. Moreover, when allowed, they showed that their proposals worked in practice, as it was dramatically done by the fast expansion of the sites and services program of the Ministry of Housing in the late part of the Frei Administration, or the implementation of the UP Program under the Allende Administration.

However this translation of abstract ideas into operative measures implied that it was planners who actually defined in practice the content of socio-economic development and structural change. Therefore planners were not detached from the process but substantially involved in it. This led to a change in the concept of socio-economic development and is related to the third dimension of the planners' role which is explained below.

Planners were "synthesizers". They had to design solutions to the contradictions of the process in order to direct its advancement toward the general objective of change and development.

As analysts planners had the company and cooperation of social scientists, economists, and environmental experts; as catalysts, they coincided, and sometimes competed with political activists and managerial experts; but as synthesizers they were alone in a distinct position and professional responsibility.
The design of a planned synthesis is not to reach consensus through compromise. Such agreement in most of the cases consists of a minimum common denominator for the parties in conflict, and is frequently too general and abstract to serve as a basis for social action.

In Chile, during the analyzed period, planning was directed to further socio-economic development and structural change, and therefore the syntheses had a Hegelian character; they solved the contradictions by raising the process to a higher level, which included the elements of the former conflict but changed their nature and added some new elements generated by the solution.

In part, this dimension of the role of the planners consisted of designing policies, programs and projects to implement particular goals, and solving the technical conflicts over feasibility, shape, and composition of these policies, programs and projects. But it also included the solution to the ideological conflicts regarding goal selection, and the political conflicts resulting from policy, program and project implementation.

An example of this is the case of the distribution of agricultural machinery policy under the Allende Administration. The two parties in conflict, the peasant organizations and the specialized agency of the State (SEAM), were locked in their support of old modes of distributing and controlling machinery. The planners solved the conflict by creating the Communal Machinery Pools. This new organization established a new framework of relations between the peasants and the State for the control and use of agricultural machinery, which increased the efficiency in the use of the machines and generated new job opportunities at the local level. (SEE Chapter V above)
This study has shown that during the period under analysis, the planners had to deal with three basic contradictions of the process: the class struggle, the ideological conflicts inside the Chilean oligarchy, and the contradictions of the U.S. toward Latin America. All these were reflected by the most immediate contradiction that the planners had to solve which was inside the planning process itself.

Planning is by nature a controlled process, and as a function of the State it was associated with authority. In this sense, the use of planning to introduce socio-economic changes in Chile was obviously a process "from above". But the essential purpose of the changes introduced through planning was to give power to the people so they could direct the process "from below" controlling their own destiny.

A similar conflict affected the interpretation of the legal requirement of "citizen participation" in the Federal programs of the 1960's in the U.S. Public agencies interpreted the requisite in terms of "citizen involvement", that is "the orderly channeled input into agency decision-making by low income people, through appropriate structure set up for this purpose." But participant citizens tended to interpret the legal requirement as an opportunity for "citizen action", that is:

"the effort of low-income people to influence organizations to act in ways that give first priority to the needs and wishes of low-income people - as defined by low-income people, and to consider as secondary such constraints as organizational viability and rationale." (Warren, 1974 p.112)

In the United States, the official policy adopted the "citizen involvement" interpretation, and a similar position was taken in Chile by the Frei Administration. Popular Promotion was clearly a program to be directed from above since the "marginals" were assumed to be un-
able to overcome their situation by themselves. (See Chapter IV above)
Actually this was a position implicit in the formulations of ECLA and
the Alliance for Progress about socio-economic development and struc-
tural change.

But the Chilean planners tended to take a different position nearer
the "citizen action" interpretation. Their rationale was to consider the
socio-economic development of the country as a function of the active
participation of the whole population. In addition, it was sustained by
them that the working class had the creativity needed to find solutions
to the country's problems, given long practical experience of its mem-
bers in solving basic problems within an environment of scarce resources.

In practice this meant the creation of a new concept of socio-
economic development which was the basis of the UP Program implemented
under Allende. Paradoxically, the very professional proficiency of the
Chilean planners in the fast implementation of the UP Program, and their
ability to overcome the contradictions of the process, led the Chilean
oligarchy and its foreign allies to forsake all pretenses of democracy
and rationality and to make use of brutal force to restore their control
over the social system.

The Chilean planners were unable to solve the contradiction existing
between their concept of socio-economic development through people's par-
ticipation and the extreme hierarchical formalism and neo-fascist ideas
of the military. The military did not understand that the real "National
Security" is based on a well fed and well educated participant population.
Like the other traditional professionals, they felt that these ideas en-
dangered their privileges.

Thus, the counter-revolution of 1973 put an end to this natural ex-
periment and forced many planners, such as this writer, to leave the
country. However the international relations of the Chilean planners,
resulting from their training and from the support of international
agencies to their activities, helped them to spread their ideas outside
the country, and provided them the means to make use of knowledge acquired
through their experience in Chile in spite of their forced emigration.

The following and last section will analyze some of those ideas, in
particular the concepts of rationality and development as they emerged
from the Chilean experience.

4. Of Reason in History: Planning and Development.

It was indicated before that the expansion of planning during the period
analyzed under the auspices of ECLA and the Alliance for Progress was
associated to a concept of socio-economic development and structural
change, and was based on the assumption that the introduction of scien-
tific rationality and objectivity would improve the decision-making pro-
cess of social organizations and institutes. But the practice of plan-
n ing resulted in a change of the very concepts of rationality and devel-
 opment.

The conventional planning paradigm was based on Max Weber's concept
of functional or instrumental rationality, that is, the adequacy of
means to ends. In it the goals, objectives or priorities, (the ends)
were determined outside the planning process and with them the value
judgements, normative propositions, and ethical statements were left
outside the realm of planning. Formal logic and systematic methods
would increase the efficiency of public institutions eliminating the ob-
stacles for socio-economic development in any political regime or socio-
economic structure.

This was the idea reluctantly accepted by the Alessandri Administration, and was the basis for the "institution building" techniques employed in planning during the Frei Administration. But this study has shown that planning was associated with politics during the whole period; the effectiveness of planning was directly related to the political support of the planned proposals, and the planners maintained a strong commitment to an ideology of socio-economic development and structional change.

Planners were called upon to discuss goals, objectives and priorities with the politicians and their constituencies, and the competing social forces tended to have each a different paradigm of scientific rationality. Planners were expected to make explicit the contradictions of the system, but the Chilean dominant class expected also of them to solve these contradictions in order to overcome the impending crisis, while the organizations of the working class were willing to use the same contradictions to dismantle the existing system and to build a new one.

As it was indicated before, in practice it was the planners who actually defined in operational terms the real meaning of socio-economic development and structural changes. Therefore the practice of planning was not a "value free" discipline detached from political and ideological allegiances. On the contrary, planners had to master the substantive rationality of designating appropriate means to achieve these ends.

In practice, the objectivity of planners consisted in making explicit their own assumptions rather than being neutral in relation to the political debate and the class struggle. Actually planners were radicalized by their own analysis of the Chilean social reality and the frustrations they suffered under Alessandri and Frei.
From the viewpoint of substantive rationality, the formal logic of functional rationality is shallow and primitive because of its distinction between form and content. The separation of subject and object actually denies access to real knowledge because true knowledge is the identification of the consciousness of the subject with the object as it is in itself. While on a first level of understanding formal logic may appear as a condition of knowledge, on a higher level the content of the object will condition and determine its logical form.

An example of this is the already mentioned inability of equilibrium models to serve the needs of planning for socio-economic development. These models either assume that the environment is in stable state, or postulate as an objective of the model to achieve a stable state of some sort. Moreover, the formal logic of these models is based on the Aristotelian principle of no contradiction. But a stable state does not exist in a process of socio-economic change. Development is by nature a contradictory process; in Hegelian terms is a "becoming" in itself.

Planners trained according to the conventional paradigm of functional rationality did not receive education on the matters needed to deal with problems of substantive rationality such as social philosophy or political economy. They had to invent solutions for unpredictable and contradictory situations in a process which was not an ordered sequence of logically related stages, but a continuous process with feedback loops at each step.

In particular planners had to overcome the shortcomings of the original ideas about socio-economic development as they had been formulated by ECLA and the Alliance for Progress.

The original concept of socio-economic development was based on
the assumption that the existing situation of the most developed capitalist countries was a model or universal standard desirable for any society. Following Rostow's ideas, the basic problem of development planning was to find a strategy capable to produce the "take off" of self-sustained growth, since the underdeveloped countries would follow the same stages in their process of development as the U.S. or the Western European countries. For the same reason, the experts of the most developed capitalist countries knew better how to solve the development problems, which meant the imposition of their idea of development from above.

The Chilean planners in contact with the socio-economic reality of the country, found these concepts to be self-defeating. Despite the elitism of some professionals, the planners maintained that there was no reason to believe that intelligence, creativity and initiative are qualities concentrated on the dominant class. A caste-like social system, such as the Chilean one, which does not allow vertical social mobility and maintains oppressed the majority of the population, actually deprives the country of a large part of its development potential.

This deprivation cannot be compensated by any amount of foreign technical or financial aid. Moreover, in a situation of dependency like the one described in Chile, such foreign aid would frequently reinforce and contribute to the perpetuation of the situation of economic stagnation and social oppression.

Therefore planning for development had to include the rupture of the dependency feedback cycles by establishing control over the strategic resources of the country, and had to start with the liberation of the people. Liberation in this context meant raising the consciousness of the oppressed people in order of enabling them to overcome by themselves
their adaptative belief that their oppressed situation was a "natural law", and their tendency to reproduce the model of oppression when they achieved power.

Development planning meant also helping the people to organize for their full participation in the decision-making process of society. This was not only an ethical imperative given their basic human rights, but a practical requirement as well. Only this participation insured the commitment of the population to the intense work necessary for a process of accelerated development. In addition, the solution of the basic needs of the population in the matter of food, health, housing and education was related to the growth of production in concrete social organizations and direct programs rather than in abstract indicators.

These ideas were elaborated during the whole period analyzed in this study and they appeared to be supported by the Frei Administration during its early years, before it turned into a more conservative position. However the same ideas had explicit expression in the UP Program and its implementation under the Alieide Administration.

The concepts of contradiction, dependency, and liberation utilized by the Chilean planners in their tasks during the period analyzed in this study, all refer to collective phenomenon. Moreover, even though some authors such as Paulo Freire in Latin America and Frantz Fanon in Africa have been of particular importance, the generation and expansion of the new concepts about socio-economic development planning were also collective tasks in which many people participated. The Chilean experience had a deep influence but the same concepts have been discussed in the international conferences of UNCTAD and of the Non-Alligned Countries, and have been used in experiences such as the Ujama villages in Tanzania.
The concept of dependency is used today universally for the analysis of situations of underdevelopment, and even some authoritarian regimes in Africa and the Arab countries have taken back control of their countries' strategic resources. While the Catholic Church is using the idea of liberation as theological and moral base for its opposition to the military dictatorships of Latin America.

It was indicated before that the Chilean planners could not be considered as members of a separate social class such as the "PMC" of the most developed capitalist countries, or the "new class" of the Milovan Djilas, since they were clearly members of the Chilean dominant class.

However as members of the dominant class with professional ideology which contradicted the interests of their own social class and of the established system, the Chilean planners could be considered as the incarnation of a State organization independent from the dominant oligarchy. Moreover, it was shown in this study that the planning process was a continuous process and some planning studies were carried out along the whole period.

But the counter-revolution of 1973 interrupted this continuity at the national level, eliminating those studies, forcing many planners to leave the country, and making explicit the source of that continuity.

It was shown by this study that the expansion of the practice of planning in Chile during the period analyzed was supported by ECLA, the Alliance for Progress and several other sources of international technical assistance such as AID or the Ford Foundation, and that most of the Chilean planners were internationally trained. For this reason they were able to achieve external support for their studies and had working opportunities outside of the country or in international agencies which
were not open for other more traditional Chilean professionals.

The same international relations of the Chilean planners helped them to spread their ideas outside of the country and provided them the means to make use of the knowledge acquired through their experience in Chile in spite of their forced emigration.

Making use of the terminology of Argyris and Schon, the Chilean oligarchy and its foreign allies could not correct their mistakes through single loop learning. They had to inquire into their own learning systems, but the change they introduced was a regression; they discarded their espoused democratic theory of action, and made explicit their authoritarian theory in use. However the world community, in particular the developing countries and the international agencies had the opportunity of positive learning through double loop dialectics.

The natural experiment analyzed in this study generated new ideas about planning and about development. Despite the efforts of the Chilean oligarchy and its foreign allies to suffocate these ideas in a bloodbath, they could not suppress the collective international learning about the real potential of reason in history and the human aspiration for liberation.
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