The Violent Road to Neoliberalism: 
How Chile Pioneered The Current Hegemonic Economic Model

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Submitted in Partial Fulfillment of the 
Prerequisite for Honors in History 
under the advisement of Alejandra Osorio

April 2023

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Acknowledgements

I’m deeply indebted to my wonderful advisor, Professor Alejandra Osorio, without whom this project would have not come about. I feel endlessly lucky to have had your support and mentorship through the thesesing process and, moreover, through these past two years. I have become a better writer and thinker because of you. Thank you for believing in my potential, encouraging my interests, and always pushing me to improve. Though I’ll miss our chats during Office Hours, I look forward to many years of friendship to come.

Thank you to the F.A.O. Schwartz Foundation for providing me with the financial support to undertake this work. Thank you to my thesis committee — Professor Lidwien Kapteijns, Professor Ryan Quintana, and Professor Patrick McEwan — for being willing to help me along this learning process. Thank you to my amazing thesis readers — Hailey and Caroline, I’m so happy we had each other through this process. My thesis would be nothing without your edits and feedback. Professor Ramseyer, thank you for taking the time to provide me with suggestions and the encouragement to keep going.

The going certainly got tough, and the tough kept me going. To my amazing, stupendous, fabulous friends and roommates — Alex, Heidi, and Jiahui. I love y’all. Thank you for the endless pep talks and food deliveries. I’m leaving Wellesley having unearthed how hard I’m capable of laughing and loving. I’ve learned so much from you, and I’m so excited for all that awaits. To my parents — Appa, thank you for always being willing to edit my sentences over text and for the countless cat videos to drown my sorrows. Amma, thank you for always being willing to listen to my long-winded tales and satiate fun conversational tangents. Thank you for always supporting my endeavors, even when they don’t always make sense. To Satchel — thank you for putting up with my constant keyboard clacking over the past year. I hope to have a fraction of your patience some day. And finally, I’m utterly grateful to the many cats that kept me company through the long nights of working.
I dedicate this thesis to the Chilean workers whose sacrifices and perseverance helped bring about democracy in Chile.
Surely this will be my last opportunity to address you... my words are not spoken in bitterness. I shall pay with my life for the loyalty of the people... the seed we have planted in the worthy consciousness of thousands upon thousands of Chileans cannot forever remain unharvested... they have the might and they can enslave us, but they cannot halt the world’s social progress, not with crimes, nor with guns. History is ours, and the people of the world will determine it.

Salvador Allende, 1973
# Table of Contents

**Introduction**  
4

*Subverting Democracy in the Name of Democracy: American Interference in Twentieth-Century Chilean Politics*  
12

*Freedom Without Liberty: The Chicago Boys in Chile*  
57

*Making Gringos Chilenos: Development Shifts in Chile from 1970 to 1988*  
88

**Conclusion**  
151

**Bibliography**  
154
Introduction

What we now understand as the global neoliberal economic order began as an experiment in Chile. This experiment, which started as a simple theory, became actualized through domestic military action and American intervention — the latter building on an existing precedent of American imperialism in Latin America. The onset of neoliberalism shifted development imperatives in Chile and eventually around the world. Interestingly, viable alternative economic visions to global capitalism were presented within Chile, the birthplace of neoliberalism — prior to being violently suppressed by the 1973 military coup, which arose from domestic conditions generated by the United States’ involvement. At this time, the Chilean right, allied with the United States, interpreted the economic, political, and social value of freedom far differently than the Chilean left. While the early 1970s promoted state-driven development to catalyze societal freedom, these plans were replaced only a decade later with neoliberal free-market ideology guaranteeing individual liberties.

The story of how Chilean democracy collapsed in 1973 begins fifty-six years earlier in Russia. November 7th, 1917 marked the date of the Great October Socialist Revolution, when the leftist Bolshevik Party, led by Vladimir Lenin, hosted an armed insurrection in the city of Petrograd to overthrow the Russian provisional government. Workers and soldiers, hungry and disillusioned by their country’s involvement in World War One, rallied around the Bolshevik cause. Globally, there was an increase in “populist anger at elites openly profiting from the unending World War….fuelled by the ideologies of anarchism, socialism, and nationalism.”\(^1\) The United States and other European nations also experienced “a monumental upsurge in labor radicalism and left-wing militancy”, but the European victories were short-lived and the Red

Scare of 1919 muted all leftist political activity in the U.S. Only in Russia did leftism prevail, with the Bolsheviks enduring a bloody civil war to establish the first known socialist society and economy in history.

By the end of the Civil War in 1923, Russia had dissolved into a new transcontinental state called the Soviet Union. Led by Lenin, the Soviets “repudiated capitalism, a system of economic production and social organization that had grown exponentially during the nineteenth century…argu[ing] that the accumulation of private property was fundamentally unfair, and capitalism as a mode of production, with its in-built cycles of booms and busts, was highly inefficient.” The Soviets’ revolutionary new policies stunned the world, as they began nationalizing banks, transportation systems, factories, and agricultural estates and investing in “the fields of education, culture, healthcare, labor and women’s rights.” As the Bolsheviks seized power to build a communist system that, “at its peak, ruled over one-third of the human race”, the United States entered the First World War in 1917 which eventually established it as a leading Western power during the second half of the twentieth century.

The United States became fearful of communism due to its perceived threats of violence and disorder. Not only did the economic system counter American economic values, it threatened U.S. investments globally. The anti-capitalist movement began to spread across developing countries because of its rejection of imperialism. Lenin’s *Imperialism: The Highest Stage of Capitalism*, published in 1917, argued that “the capitalist scramble worldwide for new markets, natural resources, and cheap labor to offset falling rates of profits at home rang true to many laboring in European colonies. The Marxists [understood] colonialism as enabling the success of

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2 Chatterjee, “Imperial Subjects in the Soviet Union”, 914
3 Chatterjee, 914
4 Ibid
6 Existing scholarship utilizes the terminology of “developing” and “developed” nation, which I will be using through this thesis.
capitalism in Western Europe.” Marxists drew in developing nations because of its decolonial framework, so colonized nations began to champion “national liberation as social revolution.”

Despite its proclaimed support for decolonization, the United States was unnerved by this phenomenon. The American economic system was wholly capitalist, based on the rights of private property, open markets, and free trade. National decolonial struggles — which renounced the American philosophy — “amounted to global social conflict and, as such, an antagonism towards an 'open' capitalist economy based on US-designed rules and institutions.” Liberation movements desired the “end of … external political and economic domination,” which often coerced states into integrating into the capitalist world order. With the United States’ entry into the Cold War, its fight to preserve this order prolonged its interventionist practice of economic and political domination.

The Cold War, an ideological conflict between the communist Soviet Union and capitalist United States, would commence shortly after the end of World War Two — as fascist Germany, the nations’ unifying enemy, ceased to exist. Beginning in 1947, the Cold War would define the second half of the twentieth-century as a battle for global domination between the two states. As the United States and U.S.S.R. vyed to prove their technological, cultural, economic, and political superiority, other nations’ internal political struggles would become subsumed into this larger conflict.

Latin America was one of those very regions. Its rich history of progressivism had begun independently from the Russian Revolution, but its leftist political developments inadvertently “provided avenues for the expansion of Soviet international power and at the same time directly

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7 Chatterjee, 918
9 Saull, “Locating the Global South in the Theorisation of the Cold War”, 257
10 Saull, 256
challenged the health and stability of the postwar US-led international capitalist order.”

Though Latin American leftist movements did not explicitly collaborate with the U.S.S.R, the United States believed the region to have “important commonalities that were associated with the wider global social struggle between capitalism and communism.” Its proximity to the United States threatened the U.S. “sphere of influence,” which referred to the United States aiming to control development in the West. Richard Saull writes:

It was these differences, centered on the relationship between the formal and coercive authority of the state and the realm of socioeconomic production, that provided the defining and competitive schism of world politics after 1945 between revolutionary communism and capitalism. The significance of the social constitution of states was not confined to the differences in how the socioeconomic properties of each superpower conditioned the way in which they related to the wider international system and other states, but also, and more importantly, lay in the expansion and contraction of these two forms of socio-economic relations across the globe after.

Importantly, the Cold War did not introduce communism or anti-communism into Latin America — in fact, President Gabriel Gonzalez Videla outlawed the Chilean communist party and imprisoned its remaining members during the 1940s. The Cuban Revolution, however, began in 1959 and radically transformed how the United States understood Latin America. No longer was the region a potential threat — Communism had infiltrated the U.S.’ sphere of influence. The Cuban Revolution magnified Latin America on the U.S. government’s radar.

Leftist movements in the region were surveilled and sabotaged, often to protect the U.S.’ political standing and financial investments. In June of 1954, the CIA helped topple the democratically-elected government of Jacobo Árbenz in Guatemala, because his proposed agrarian reforms and labor protections endangered the United Fruit Company’s profits. After Cuban leader Fidel Castro came into power in 1959, the U.S. government placed an economic

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11 Ibid
12 Saull, 257
13 Saull, 256
embargo against the nation; this preceded the CIA financing the Bay of Pigs, a failed military operation to overthrow the Castro regime, and the agency’s eight assassination attempts on his life between 1960 and 1965.

My thesis focuses on the Latin American case of Chile, where progressive movements had thrived since the 1920s. Beginning in 1958, however, the CIA began interfering with the outcome of the nation’s presidential elections. Over the course of fifteen years, the CIA spent tens of millions of dollars in an effort to prevent one bespectacled, mustached man from taking office. The agency’s propaganda campaigns eventually failed in 1970, when Salvador Allende became the first democratically elected socialist leader in Latin America. Chileans were exhilarated by his promises to nationalize domestic industries and expropriate foreign-owned companies; implement strong labor protections; and install welfare programs which would ensure more equitable access to housing, food, and social security.

These promises were inevitably undermined by the U.S., who aimed to topple the Allende regime by sowing domestic chaos and generating external economic and diplomatic blockades. Allende’s term, though successful, was short-lived. The military overthrew Allende in a coup d’etat on September 11th, 1973. The military junta appointed General Augusto Pinochet as the new dictator of Chile, who terrorized the nation with his cruel and repressive regime. The Valech and Rettig Commissions detailed the human rights abuses under Pinochet, after he stepped down as president in 1990. According to these reports, 27,255 people were tortured and 2,279 people were executed — though an unknown number (estimated in the hundreds of thousands) were exiled or simply disappeared, many to never be seen again.

Existing scholarship has extensively documented the military repression and state terrorism perpetrated by Pinochet, much of which indicts the U.S.’ role in enabling Pinochet’s
rise to power. I plan to explore how American political intervention gave way to the reconfiguration of Chile’s economic infrastructure — by an American economist. The economic theory of neoliberalism, which would inevitably reshape Chile’s culture and economy, was incubated in an American university. Milton Friedman, a University of Chicago economist, conceptualized neoliberalism as the resurgence of 18th-century laissez-faire capitalism. The theory advocated for deregulation; privatization; austerity, or decreased government spending; and free trade. Neoliberalism rejected the welfare-state that Keynesian economics had defined, in hopes that the market, rather than the government, would govern a society more efficiently.

The shifting development imperatives in Chile interpret the concept of freedom very differently. Under Pinochet, individual liberties were paramount to the idea of freedom. A robust market could ideally facilitate greater choice for an individual; however, austerity policies and economic malaise shrunk individuals’ income which in turn infringed upon their ability to consume freely. Even if the economic sphere did preserve a sense of liberty for Chileans, the market was policed by the violent and repressive social sphere. Allende, on the other hand, believed in a collective sense of freedom that could be guaranteed by government spending and regulations — state-mandated protections for laborers and state-guaranteed benefits for consumers aimed to create more equity and liberty for all.

My thesis framework utilizes American foreign and economic policy to explore the history of Chilean development, from the mid-1960s to the late 1980s. In Chapter One, I explore how American foreign policy influenced Chilean politics during the 1960s and 1970s. I aim to demonstrate that American corporate and government collusion helped create the necessary conditions for a *tabula rasa* in Chile. Working with an infrastructural blank slate, American economists could deploy their novel theory of neoliberalism to generate an economy, from the

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ground-up. Chapter Two focuses on the history of externally-led economic development in Chile and ends with the Chicago School’s arrival in Chile. The manufactured political conditions, detailed in Chapter One, better contextualize the second chapter’s study of how neoliberalism was actualized into practice. Chapter Three highlights the consequences of the United States’ political and economic intervention in Chile, presented in the prior two chapters. Using a comparative analysis, I study and contrast the development policies of Pinochet and Allende; by understanding what economic policies serve which audiences, this chapter reveals the differences between Allende’s internally-led development ideas and Pinochet’s externally-influenced economic model.

Historian Greg Grandin writes that Chile was the birthplace of the experiment that was the “radical free market economy.”\textsuperscript{16} I aim to extend his argument to argue that Chile became the testing grounds for American foreign policy and American economic policy, and that the imposition of one experiment enabled the other. Admiral Ismael Huerta Díaz, who ironically participated in the coup and would become the military junta’s first Foreign Minister, “wrote in his diary that Chile had become a ‘tragic’ ‘laboratory’ for ‘foreign ideologies, foreign personalities.’”\textsuperscript{17} The United States’ foreign policy, responsible for ousting President Allende, also enabled the conditions for American economists to host their neoliberal free-market experiment in Chile. The Chilean case importantly compels us to not only understand models of economic development, but interrogate how and why systems come around. Perhaps the biggest indictment of neoliberalism lies in both its execution and inception.

\textsuperscript{16} Greg Grandin. \textit{Empire's workshop: Latin America, the United States, and the rise of the new imperialism.} (New York: Owl Books, 2007), 160
\textsuperscript{17} Tanya Harmer. “Fractious Allies: Chile, the United States, and the Cold War, 1973–76.” \textit{Diplomatic History} 37, no. 1 (2013), 114.
Chapter One

Subverting Democracy in the Name of Democracy:
American Interference in Twentieth-Century Chilean Politics

1. Introduction

World War II ideologically ripped the world in half, with the Axis and Allied powers both vying for global domination. In the war’s aftermath, another brewing conflict would come to envelop the globe. The second half of the twentieth century became defined by the United States and Soviet Union’s geopolitical conflict. The Cold War saw both nations attempting to establish spheres of influence, in hopes of vanquishing the other through political and military dominance. The United States hoped to build the world in its own image and export its brand of capitalism near and far. Globalizing its economic model was both politically and economically viable for the United States. Its economic investments would benefit and its position against Russia would strengthen with increased allies in the war effort.

With Latin America’s physical proximity and rich history of progressive movements, the United States became desperate to woo its contested grounds with free-market capitalism. This chapter studies how the United States intervened in the democratic processes of Chile to generate local economic and political infrastructure that could bolster the American capitalist project. This is only one case, of many, where American arrogance and greed are easily identifiable and unfathomable — if this history is foreign to you. I will begin by briefly discussing American interventionist foreign policy in the Latin American region. After this overview, I will move into describing how the United States’ conflation with freedom and capitalism justified its disrupting elections in Chile over the course of ten years.
2. Latin America and the Cold War

Molding nations in its image often demanded that American foreign policy support right-wing autocracies in order to deter the rise of communism and left-wing movements. Anti-Bolshevism undergirded the [American] framework “for analyzing and understanding all political unrest,” and dictators were understood to be “necessary antidotes for the ills of political and social disorder and conduits for modernization.”\(^{18}\) President Franklin D. Roosevelt supposedly once declared that Anastasio Somoza García of Nicaragua, “may be a son-of-a-bitch, but he is our son-of-a-bitch.”\(^ {19}\) Though potentially fictitious, the quote “captures the ambivalence of American attitudes and policy to-ward right-wing dictatorships.”\(^ {20}\) Not only did authoritarian regimes offer the United States expanded trading and investment opportunities, their guaranteed cooperation with Americans could fuel and protect the growth of liberalism. In guiding global development, liberalism embodied the American vision of economic democracy.

Charles Hughes, secretary of state under Warren Harding, believed that Latin America’s failings compelled the United States to intervene: “It is revolution, bloodshed and disorder that bring about the very interposition for the protection of lives and property that is the object of so much objurgation.”\(^ {21}\) Roosevelt’s Good Neighbor Policy, which attempted to establish cordial relations between the U.S. and Latin America, only “reinforced their ideas of Latin Americans’ inferiority and the need for a strong hand to guide them now that the United States would no longer intervene to solve their problems.”\(^ {22}\) A biographer of Roosevelt, Patrick Maney, wrote that

\(^{18}\) David Schmitz, Thank God They’re On Our Side: The United States and Right-Wing Dictatorships, 1921-1965 (Chapel Hill: University of North Carolina Press, 1999), 22
\(^{19}\) Schmitz, Thank God They’re On Our Side, 18
\(^{20}\) Ibid
\(^{21}\) Ibid
\(^{22}\) Schmitz, 162
this policy stemmed from Roosevelt’s belief “in the universality of American values and [in] peoples the world over…embracing] those values if only they had an opportunity to do so.”

Chile, however, was quite disinterested in American economic ideals; in the aftermath of the Second World War, the country even pressed the United Nations to consider a framework for human rights that was divorced from liberalism. During the drafting of the Universal Declaration of Human Rights, Chilean delegate Hernán Cruz stated that “if political liberalism does not ensure the economic, social, and cultural rights of its citizens, then it cannot achieve an enduring progress. Yet neither can progress be gained by those who suppress liberty under the pretext or illusion of satisfying material needs.” With support from other Latin American delegations, Panama and Chile created draft charters which argued that the declaration must address social and economic rights such as the right to work and unionize; the right to an adequate standard of living and welfare benefits like social security; the right to housing, food, clothing, healthcare, education; and the right to equality for women.

Fearful that these demands were indicative of burgeoning leftist movements in Latin America, the post-war period marked the United States shaping national intelligence agencies — such as Argentina’s Secretaría de Inteligencia del Estado, Chile’s Dirección Nacional de Inteligencia, Brazil’s Sistema Nacional de Informações — into “command centers of the region’s death-squad system,” which would enforce the same right-wing dictatorships that the United States government propped up.

Historian David F. Schmitz has penned that “the wartime view of fascism as the enemy had yielded to the danger of Soviet expansion.” The 1950s saw containment become the United States’ first foreign policy objective, which identified the need to isolate and contain communism

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25 Grandin, *Empire's workshop*, 70
26 Schmitz, 300
to stop its influence upon neighboring countries. This policy transformed relations between the United States and the African, Asian, and Latin American regions; the U.S. began supporting dictatorships so long as they were anti-communist. As one contemporaneous Army Intelligence Report wrote, “Where dictatorships have been abolished, the resulting governments have been weak and unstable.”

To legitimize the United States’ actions on the global stage, President Dwight Eisenhower championed these efforts as *advancing democracy*; after all, the United States could not overtly admit that its political meddling in Latin America only sought to advance its own economic and political interests. Eisenhower believed that the term capitalism was dangerous to use because of it being “synonymous with imperialism” to the rest of the world. In the hopes of substantiating his verbal support for political democracy, he created economic assistance programs in Latin America.

Yet these economic assistance programs were informed by a private belief that Latin American leaders were naive and required guidance, much like children. The first director of the Central Intelligence Agency, Allen Dulles, remarked that Fidel Castro’s administration “had to be treated more or less like children. They had to be led rather than rebuffed. If they were rebuffed, like children, they were capable of doing almost anything.” American diplomat Spruille Braden, famous for his involvement in the 1954 Guatemalan coup d’état, dismissively declared that “our Latino friends were playing at economics, just as a child will pretend in his games to be something he isn’t and has no immediate possibility of becoming.”

The goal of stability underlied the United States’ support of authoritarian regimes and economic assistance programs. Instability, penned one State Department report, “may invite Communism. A new,

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28 Schmitz, 444
authoritarian regime, though less ‘democratic’ than its predecessor, may possess much more stability and may well lay the ground for ultimate return to a more firmly based ‘democracy.’”

American triumph in the Cold War became the central issue during the 1960 presidential election. John F. Kennedy successfully campaigned on the promise that he — and the Democratic party — were more poised to defeat the Soviets than his rival, Richard Nixon. In Kennedy’s inaugural address, he proclaimed that “In the long history of the world, only a few generations have been granted the role of defending freedom in its maximum danger. I do not shrink from this responsibility—I welcome it.” With Latin America being an active theater of the Cold War, the United States hoped that its support of particular forms of economic and social development would correctly modernize the region — in other words, “[not] leaving the transformation to be organized by Communists.”

Walt Whitman Rostow’s Modernization Theory heavily influenced Latin American development programs — such as the Peace Corps and the Alliance for Progress — to valorize the highly industrialized, capitalist, and consumerist Western economic model. These programs, which began under Kennedy, aimed to “creat[e] change from above rather than revolution from below.” Building better housing, educational, and healthcare systems could demonstrate the virtues of capitalism and proselytize Latin Americans to the American way of life. As opposed to colonial forms of violence and subjugation, the institution of material rewards was far more persuasive and effective at indoctrinating Latin Americans into the Western sphere of influence.

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32 Public Papers of the Presidents: Kennedy, 1961, 1–3
33 Schmitz, 307
34 Schmitz, 303
However, “development could not cure overnight the social ills which were seen as the breeding ground of communism.” Military assistance to Latin American armed forces often accompanied these social programs to fight the threat of communism. The CIA was founded as an early American product of the burgeoning Cold War in 1941. Dulles, director of the agency from 1953 to 1961, believed that the objectives of the C.I.A. were not solely military or strategic, but also “scientific, political, and social.” The agency’s covert operations — defined as activities which could not reveal “any U.S. responsibility for them” — aimed to civilianize central intelligence and influence cultural shifts within nations with strong leftist movements. These activities included propaganda and the dissemination of materials, economic warfare, and assistance to underground anti-communist guerilla groups and movements.

3. Chile’s 1964 Election

Both the 1958 and 1964 presidential elections featured a candidate named Salvador Allende. A practicing physician, his interest in social medicine drew him to socialism and electoral politics. He ran for president as a member of the Socialist Party on a platform which favored land reform, nationalization of industry, and the redistribution of income. Importantly, Allende was not a Marxist candidate — he was considered a moderate in his coalition, the Popular Action Front (FRAP), which was primarily made up by Socialist and Communist parties. In 1958, Allende faced Jorge Alessandri Rodriguez, a conservative who was strongly pro-business and financed by American corporations. Allende lost to Alessandri by a margin of less than three percentage points, and the Chilean Congress voted Alessandri into office after

37 Jeffreys-Jones. The CIA and American democracy, 83
38 Chapter Three details Allende’s policies and politics in more detail.
neither candidate received a majority. Despite receiving monetary aid from the CIA, Alessandri’s popularity shrunk over the next few years, and he was expected to lose the next election.

It was less clear who would emerge as Chile’s next president, however. Alongside Allende, the 1964 election included Eduardo Frei on the ballot. A liberal from the centrist Christian Democratic Party, Frei was far more hospitable to Americans and pro-businesses than Allende. Allende’s campaign frightened United States officials who believed that “of all the Latin American nations, Chile offers the Communists their best prospects for entering and potentially dominating a government through the electoral process.”39 After all, Allende had only lost by a small margin in 1958.

Much of the United States’ preoccupation with Chile also concerned its large copper supply. The nation was a leading producer of copper, with it making up sixty percent of Chilean exports; yet eighty percent of its production was in the hands of large American firms like Anaconda and Kennecott Copper. In the 1960s, Anaconda earned five hundred million dollars from its investments in copper mining. Allende’s promise to nationalize the copper industry — having the state own and operate the mines — threatened American private investments of more than 750 million dollars. His potential victory, which endangered the American policy of containment and its substantial financial investments — compelled the CIA to infiltrate Chilean government, politics, and society. The CIA could ensure Chile “remained a progressive democratic nation that—not so incidentally—encouraged American multinational corporations to do business within its borders.”40

Beginning in early 1961, the United States government began establishing relationships with key political parties who could oppose the Popular Action Front. The Special Group —

39 Schmitz, 375
40 Seymour Hersh. The Price of Power: Kissinger in the White House (New York City: Simon and Schuster, 1983), 511
consisting of President Kennedy’s national security adviser, a representative for the Secretary of State, a representative for the Secretary of Defense, and the CIA Director — authorized spending several hundred thousand dollars to build up Frei’s party, the Christian Democrats. Using a third-country funding channel, the Special Group deposited 180,000 dollars for the Christian Democrats to use in 1963. The CIA underwrote half of the cost of Frei’s campaign and the campaign for the Democratic Front, a right-wing coalition. Frei was not informed of this covert support. The Agency for International Development (AID) also helped funnel millions of U.S. dollars into Chile; as an American institution, it served the interests of Western liberalism. USAID’s role in this political interference also reveals how development was and continues to be immensely politicized because infrastructure is dictated by politics.

Through its programs and covert CIA funding, the United States spent twenty million dollars to guarantee that Frei would win. Funds were granted to the Radical Party, an ultra-conservative militant right wing group, alongside private citizens’ groups who were anti-Allende. The CIA launched a massive campaign using the press, radio, films, pamphlets, posters, leaflets, and wall paintings to peddle anti-communist propaganda. This “scare campaign” was reinforced by its publicized images of Soviet tanks and Cuban firing squads. In handing out hundreds of thousands of copies of an anti-communist letter from Pope Pius XI, the Christian Democrats aimed to appeal to the vast number of Chilean Catholics.

Intensive propaganda activity began during the third week of June of 1964. A CIA funded radio campaign broadcast pro-Frei propaganda twenty times a day on forty-four different stations; thousands of cartoons, posters, paid press advertising, and newscasts helped reach as many Chilean voters as possible. The CIA campaign sourced from abroad materials as well.

41 The Church Committee, Covert action in Chile, 45
42 Hersh, The Price of Power, 512
43 Schmitz, 375
Chilean newspapers reprinted articles from other nations — including an endorsement of Frei by the sister of another Latin American leader; a message from the women of Venezuela about the dangers of socialism; and warnings from figures in military governments elsewhere about the consequences of an Allende victory. Five thousand miles away, an electoral committee was established in Washington, D.C. in order to manage the Chilean election effort. The CIA strategically worked on-the-ground in important voter blocks, targeting slum dwellers, peasants, organized laborers, and dissident Socialists. The Chilean CIA station also utilized American-style campaigning, such as polling, voter registration, and get-out-the-vote drives.44

The Business Group for Latin America was also eager to help fight the spread of communism in Latin America. Recognizing the threat that Allende posed to their investments, chairman of Chase Manhattan Bank David Rockefeller organized a council of fellow corporate executives in 1963. Members included the CEO of Anaconda, C. Jay Parkinson; the head of the International Telephone and Telegraph Company (ITT), Harold Geneen; and the board chairman and CEO of PepsiCo, Donald Kendall. The CIA and the Business Group’s main Chilean contact was a man by the name of Agustín Edwards, who ran the Edwards Group which owned the conservative Chilean newspaper, El Mercurio.45 Because Edwards loathed Allende and his policies, he allowed the CIA and the Business Group —eventually rebranded into the Council of the Americas — to “use his organization and his contacts to channel their covert monies into the 1964 political campaign.”46 Edwards facilitated the deposit of all CIA funds to the Christian Democrats, disguising the American covert funds as his own private donations.

With this immense amount of aid, Eduardo Frei was unsurprisingly elected as president with a fifty-seven percent majority in 1964. A CIA study found that “U.S. intervention enabled

44 The Church Committee. Covert action in Chile, 9
45 Hersh, 513
46 Hersh, 514
Frei to win a clear majority… instead of merely a plurality.”

Frei surprised voters and the United States with his progressivism, however. His “revolution in liberty” implemented agrarian, tax, and housing reforms, and he even began the process of “Chileanization” — or partially nationalizing some corporations. By 1967, the government had purchased 25 percent of the Chilean Anaconda firm and 51 percent of Kennecott’s Chilean company. However, Frei’s negotiations with the companies ensured that they were still receiving high profit margins. His reforms never addressed other industries, and American business activity — alongside its profits — actually increased through the late 1960s.

The CIA continued to furnish money to the Radical Party “in order to enhance the Christian Democrats' image as a moderate progressive party being attacked from the right as well as the left.”

Ironically, CIA-backed efforts in neighborhoods established important grassroots networks which increased support for Frei’s leftist policies. However, Frei lacked a majority in Congress and was caught in the middle between the FRAP parties — who desired more extreme changes — and the right-wing — who refused to back Frei if agrarian reform passed. While he maintained a friendly relationship with the United States, Frei also established diplomatic relations with the Soviet Union and re-established trade relations with Cuba.

4. 1970 Election

CIA funding continued through Frei’s term, in an effort to ward off Marxism in Chile. From 1964 to 1970, the CIA spent almost two million dollars on around twenty covert action projects in Chile. The 40 Committee provided a fourth of these funds. The 40 Committee, a top-secret affiliate of the CIA, became formally actualized as a group monitoring covert...
operations in 1953. Once called the 303 Committee and the Special Group, this group was “to exercise political control over covert operations abroad.”\textsuperscript{51} Their work had to be sufficiently untraceable so the United States government could disavow any revealed projects. Henry Kissinger — National Security Advisor and Secretary of State to President Richard Nixon — was thought to be the chairman of this committee. The Department of Justice noted that Kissinger had actually taken personal meeting notes alongside the official minutes which were distributed to other officials. A scathing New York Times article revealed there was no real sense of accountability; the criteria for what constitutes a covert operation were unclear; and there was no thorough review process of their projects. This publication indicted the Committee and its members — most notably Kissinger — for their roles in countless covert operations over the years.\textsuperscript{52}

In February 1965, a 40 Committee operation successfully defeated 13 FRAP candidates “who would otherwise have won congressional seats.”\textsuperscript{53} The CIA station handpicked twenty-two candidates in a local election; with 175,000 dollars to support their campaigns, nine were ultimately elected. In 1967, the Committee authorized 30,000 dollars to “strengthen the right wing of the Radical Party.”\textsuperscript{54} In the March 1969 congressional election, the 40 Committee approved the usage of 350,000 dollars to support candidates from moderate parties alongside dissident socialist parties, both of whom would take away votes from the FRAP party. Ten of the twelve CIA-funded candidates won their races.\textsuperscript{55}

The CIA continued to use its neighborhood networks to train and organize urban poor into anti-communists until the program was forcibly canceled after being publicly exposed. The

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\textsuperscript{51} The Church Committee, 41  \\
\textsuperscript{53} The Church Committee, 18  \\
\textsuperscript{54} Ibid  \\
\textsuperscript{55} The Church Committee, 20
\end{flushleft}
agency also supported several grassroots organizations to compete with the Marxists’ organizing prowess, and founded an anti-communist women’s group to specifically appeal to women voters. One CIA agent worked in organized labor to fight the influence of communist sentiments within union federations like the Central Unica de Trabajadores Chilenos (CUTCH).\textsuperscript{56} However, these projects were unsuccessful. Another similar project initiated after the 1964 election was terminated after the CIA agent in charge refused to manipulate the election results and artificially “deliver”\textsuperscript{57} in the upcoming presidential election. The CIA continued to finance propaganda and right-wing media publications while radio shows and newspapers substantively attacked Chile’s political left and promoted CIA-selected candidates.\textsuperscript{58}

One notorious CIA initiative, Project Camelot, sought to “devise a ‘general social systems model’ to help with the prediction and prevention of disorder in ‘the developing nations of the world,’ especially in Latin America.”\textsuperscript{59} Beginning in 1964, the project emerged out of “the U.S. effort to win the Cold War on the battleground of ideas.”\textsuperscript{60} Engaging academics, the project aimed to use social science to contribute to social stability and promote the “U.S. ideological offensive,”\textsuperscript{61} as Dr. Theodore Vallance’s Congressional testimony put it. The role of research in the national propaganda effort culminated into Project TROY\textsuperscript{62} and its subsequent offshoot, Project Camelot. Major philanthropic organizations, such as the Rockefeller Foundation, eagerly hoped to “have the social sciences…contribut[e]… to the problem of human control.”\textsuperscript{63}

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\textsuperscript{56} The Church Committee, 18
\textsuperscript{57} The Church Committee, 22
\textsuperscript{58} The Church Committee, 19
\textsuperscript{59} Jeffreys-Jones. 145
\textsuperscript{61} Ryan Hunt. Project Camelot and Military Sponsorship of Social Science Research, 1
\textsuperscript{62} Project TROY, housed at the Massachusetts Institute of Technology and funded by the State Department, brought together historians, scientists, and social scientists to “get the truth behind the Iron Curtain.” See Horowitz, Irving Louis. The Rise and Fall of Project Camelot: Studies in the Relationship Between Social Science and Practical Politics (Cambridge, MA: M.I.T. Press, 1967).
\textsuperscript{63} Hunt, 14
Many other universities replicated this program, tying academic research to military goals. Project Camelot, based at American University, was referred to as the “Manhattan Project for the behavioral sciences.” With over a million dollars of funding, Theodore Vallance hoped it would become a predictor of social change — perhaps a driver of social order — in developing nations. However, the project was criticized by scientists like Dr. Johan Gatlung who, while courted by the project, would not accept its offer of employment because he was repelled by “the notion of the Army as an agency of development.” Unable to attract Chilean scholars and denounced by the U.S. ambassador to Chile, the project was canceled only a year later by Robert McNamara.

Frei’s decisions to nationalize companies and re-establish relations with Cuba frightened the CIA, who believed that both he and his party had “tilted dangerously far to the left.” Henry D. Hecksher, the CIA station chief in Santiago, insisted that CIA headquarters turn to funding Alessandri instead of Frei during the 1970 presidential election. When Richard Nixon came into the presidential office in 1969, he was intent on removing Frei from office — even scratching his name off of the State Department’s list of potential visiting leaders. His distaste for Frei was so prevalent that the U.S. ambassador to Chile, Edward Korry, had to present Frei’s ideas as his own. “Otherwise,” Korry recalled, “we reckoned it would be automatically disregarded or turned against him.”

In his first year of office, Nixon met with Frei’s Foreign Minister, Gabriel Valdés, who openly critiqued the United States’ behavior towards Chile and the recent cuts that Nixon had made in aid to Chile. Angered by Valdés’ “arrogant and insulting lecture” Nixon arranged for
Kissinger to have lunch with Valdés. Kissinger began the meal by proclaiming, “Mr. Minister, you made a strange speech. You come here speaking of Latin America, but this is not important. Nothing important can come from the South. History has never been produced in the South.” When Valdés responded that Kissinger knew “nothing of the South,” Kissinger answered, “No, and I don’t care.”

Investigative journalist Seymour Hersh writes that this incident embodied the White House attitude: “Like a child, Latin America was to be seen and not heard.”

With Frei deciding not to run for office again, the candidates for Chile’s presidential election in 1970 consisted of Salvador Allende, Jorge Alessandri, and Radomiro Tomic — a Christian Democratic Party nominee who was to the left of Frei. Representing the Popular Unity (UP) party, Allende now represented a new coalition of Marxist and non-Marxist parties. The UP’s basic program was premised on “beginning the construction of socialism in Chile.”

Allende championed nationalizing the copper mines; accelerating agrarian reforms; socializing sectors of the economy; increasing wages; and improving relations with socialist and communist countries. Income disparity was especially important to the campaign. Several studies from 1968 revealed that twenty-eight percent of Chileans received less than five percent of the national income while two percent of the population received nearly forty-six percent of the income.

By 1969, the 40 Committee was formulating their strategy for the 1970 Chilean election. However, disagreements began to arise between Ambassador Korry and the CIA station chief, Henry Hecksher. While Korry was vehemently anti-Communist, he believed that the CIA’s propaganda program could not openly support Alessandri. Thus, the Committee decided that they would wage “spoiling” operations to prevent one candidate from being elected — Salvador

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70 Ibid
71 Ibid
72 Lois Oppenheim. Politics in Chile: Democracy, Authoritarianism, And The Search For Development (Boulder: Routledge Press, 2007), 40
73 The Church Committee, 20
Allende. In a 1970 40 Committee meeting, Kissinger commented: “I don’t see why we need to stand by and watch a country go Communist due to the irresponsibility of its own people.”

Nixon could not stand the very idea of an Allende victory, stating: “I have yet to meet somebody who firmly believes that if Allende wins, there is likely to be another free election in Chile…” He believed that the threat of communism was greater than ever before, ironically because of a surge in democratic movements in Latin America. Nixon warned that, “While we are witnessing the development of democracy in Latin America, we are at the same time witnessing the development of a serious communist threat.” For the United States, democracy in Latin America remained a subordinate goal to containing communism; thus, disrupting democracy was justifiable and worthwhile if it dampened Soviet global influence.

On March 25, 1970, the 40 Committee approved the commencement of these spoiling operations — spending over a million dollars on propaganda to influence the election outcome. In June, Ambassador Korry provided a proposal explaining each phase of the interference — the first phase provided support for the anti-Allende campaign; the second phase, or contingency plan, planned to contribute $500,000 to buy votes in the Chilean Congress should there be a runoff between Allende and Alessandri. Though the contingency plan was inevitably not authorized, the spoiling operations alone artificially decreased Allende’s chances of being elected. The 40 Committee’s goal was to “undermin[e] communist efforts to bring about a coalition of leftist forces” and “strengthen non-Marxist political leaders… in Chile…to develop an effective alternative to the Popular Unity coalition in preparation for the 1970 presidential election.”

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74 Hersh, 522
75 The Church Committee, 52
76 Hersh, 440
77 The Church Committee, 20
78 The Church Committee, 21
79 The Church Committee, 20
79 The Church Committee, 20
The CIA produced and disseminated hundreds of thousands of leaflets, posters, and picture books in an effort to disrupt Allende’s campaign. One group, tasked with editorial support, created political features, editorials, and news articles to be placed in various radio shows, print press, and news services. Examples of propaganda ranged from a booklet depicting the chaos that an Allende regime would guarantee to translations of various anti-Soviet publications. The goal was to equate Allende’s victory with “violence and Stalinist repression.”

This tactic both branded Allende as an undesirable candidate, and reinforced the United States as a beacon of benevolence as opposed to the cruel and cold Soviet Union. Street artists on the CIA payroll were instructed to paint images evocative of communist firing squads. Propaganda posters were rife with images of the violence in Czechoslovakia, renderings of tanks in downtown Santiago, and drawings of Cuban political prisoners before the firing squad.

From regular radio commentary shows to editorials in El Mercurio, CIA assets disparaged Allende to an audience of well over five million people. Alongside publishing biased media coverage, the CIA aimed to splinter the non-Marxist Radical Party in order to reduce the votes that the Popular Unity party would receive. Black propaganda, a form of propaganda “purporting to be the product of another group”, was heavily used “to sow dissent between Communists and Socialists, and between the national labor confederation and the Chilean Community Party.” These “spoiling” operations were critical to sowing panic and chaos in the months leading up to and after the election. The “scare campaign”, drawing parallels between Allende and Stalin, “contributed to the political polarization and financial panic of the period.”

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80 Ibid
81 Ibid
82 CIA Assets refer to people within organizations who provide insider information to an outside spy; they are oftentimes on the CIA payroll.
83 Church Committee, 22
84 Church Committee, 23
Edwards continued to facilitate CIA funds through his organization, with nearly 300,000 dollars going towards anti-Allende propaganda efforts.85 Alongside owning three daily newspapers in Santiago, Edwards was affiliated with other corporations like PepsiCo and owned a successful granary and chicken farm. Edwards was counting on an Alessandri win, telling Ambassador Korry that “he had plowed all his profits for years into new industries and modernization, and would be ruined if Allende won.”86 Many multinational corporations, having heard Allende’s promises to nationalize several industries, were worried about Allende’s potential presidency. The Council of the Americas, made up of the heads of several American corporations, offered the State Department 500,000 dollars to support Alessandri’s campaign. The CIA would have to match this donation amount, but Korry refused to allow such interference.

The top executives at a prominent telecommunications company, International Telephone & Telegraph (ITT), were particularly concerned by an Allende victory. The multinational company — which had long been accused of anticompetitive behavior by the FTC — owned 70 percent of the Chilean Telephone company, which Allende intended on nationalizing if elected. Harold Geneen, the president of ITT, bypassed Ambassador Korry to approach his friend and former CIA director, John McCone, to ask for his help in protecting the company. McCone was a director of ITT at the time, and his wife was a major stakeholder of Anaconda.87

With McCone’s assistance, Geneen directly offered the CIA one million dollars to intervene in the 1970 election. While the CIA declined this offer, they helped advise and assist Geneen in donating an eventual 350,000 dollars to Alessandri’s campaign. Other U.S. companies donated an equivalent amount of money to the campaign.88 Later asked about his involvement,
Geneen would defend ITT’s actions as “lawful,” stating: “In any case it would have only been for the purposes of seeking to preserve for the stockholders a major investment.”989 Prior to this explanation offered in 1976, “Geneen had repeatedly denied any ITT involvement in Chilean internal politics.”990

Up until Election Day in Chile, the CIA — utilizing outdated census data — was confident that Alessandri would emerge victorious. Yet September 4th marked Allende’s narrow victory against Alessandri after Allende received 39,000 votes more than his opponent. With neither candidate receiving a majority, a congressional runoff election was scheduled for October 24th.91 In Washington, CIA Director Richard Helms was furious to see the results the next morning. An anonymous official would recount the agency’s attitude, saying: “The CIA….had staked our reputation on keeping Allende out. Alessandri’s loss hurt the CIA’s standing [in the White House] and its pride.”92 This official also claimed that Helms and his deputies “just couldn’t put up with Allende. He became part of a personal vendetta. They’d gone so far and got out on a limb.”93

Ambassador Korry filed a dramatic cable, bemoaning his hearing ‘‘the tanks rumbling under my window’ as Allende’s socialism began to take over Chile.”94 Kissinger wrote that “Nixon was beside himself.”95 Historian Greg Grandin substantiates this observation, remarking that Nixon screamed “that son of a bitch, that son of a bitch” when he heard Allende had won. With Ambassador Korry in the room, the president “commenced a seven-minute monologue on how he was going to ‘smash Allende.’”96 Kissinger wrote that Nixon “sought as much as

990 Quoted in Hersh, 243 991 Ibid 992 Hersh, 529 993 Ibid 994 Ibid 995 Ibid 996 Hersh, 530 997 Grandin, 84
possible to circumvent the bureaucracy” in order to remove Allende from power. Despite the CIA telling the White House that “an Allende victory in Chile would not pose any likely threat to the peace of the region,” President Nixon would gather his National Security Council just two days after Allende’s election to “bring about his downfall.”

Much of Nixon’s anger stemmed from disappointing his “corporate benefactors” — Jay Parkinson, Harold Geneen, and Donald Kendall — while Kissinger was primarily interested in pleasing Nixon. Kissinger also believed that “Allende [w]as…a far more serious threat than Castro… Allende was a living example of democratic social reform in Latin America. All kinds of cataclysmic events rolled around, but Chile scared him.” With growing leftist movements arising in Europe, Kissinger feared that Chile’s democratic election of Allende would legitimize socialism on the global stage. Driven by an ideological hatred for communism and fears of a domino effect in Latin America, Nixon swore to prevent Allende from taking office. Newly hired Yeoman Charles Radford would recount that he even witnessed a proposal to assassinate Allende: “I was stunned; I was aghast. It stuck in my mind so much because for the first time in my life I realized that my government actively was involved in planning to kill people.”

5. Track 1 and Track II

The 40 Committee met on September 8 and 14 to discuss potential courses of action before the October 24 congressional vote. Nixon told Helms that “an Allende regime in Chile would not be acceptable to the United States and instructed the CIA to play a direct role in organizing a military coup d'état in Chile to prevent Allende's accession to the Presidency.”

97 Hersh, 530
98 Ibid
100 Hersh, 531
101 Ibid
102 Hersh, 511
103 The Church Committee, 23
During the September 14th meeting, Nixon met privately with Donald Kendall and Agustin Edwards who pleaded for the CIA to thwart Allende’s path to the presidency. Nixon brought CIA director Helms into the room, and gave him “a blank check to move against Allende without informing anyone—even Korry—what he was doing.”\(^{104}\)

Two tracks emerged from this meeting, which were both aimed at preventing Allende from becoming president. Track I comprised a coordinated and covert effort to prevent Allende from winning the congressional runoff in October, using “political, economic and propaganda activities.” Track II attempted to sow dissent among members of the Chilean military, who might be encouraged to overthrow Chilean democracy and forcefully install a military dictatorship; this would prevent Allende from taking office if he were to win the congressional runoff. Korry was aware of Track I, but like the rest of the meeting attendants, kept these projects confidential and never put any memoranda in the official CIA record-keeping system. One senior CIA official would say, “‘You don’t take notes’ in such meetings…‘but as soon as you’re in your car, you dictate a memo for the record.’”\(^{105}\)

Track I began with an idea to buy votes in the Chilean Congress. Knowing that Alessandri was an unpopular candidate, members of the 40 Committee suggested that they bribe members of Congress to guarantee an Alessandri win; he would then resign, which would allow Free to legally run again.\(^{106}\) The authorized $250,000 for this effort was never spent because Korry refused to sanction direct intervention.\(^{107}\) Instead, the CIA continued their propaganda campaign.

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\(^{104}\) Hersh, 537  
\(^{105}\) Hersh, 538  
\(^{106}\) Hersh, 533  
\(^{107}\) The Church Committee, 26
The CIA began printing articles in newspapers across Latin America that predicted “economic collapse under Allende”\textsuperscript{108}; distributing posters and painting walls with images “that equated Allende’s election with such events as the 1968 Soviet invasion of Prague and Castro’s purported use of firing squads”\textsuperscript{109}; generating cables of support and protest from foreign newspapers; supporting underground press and financing small anti-Allende newspapers “whose views were so extreme [that they] even ‘alienated responsible conservatives’”\textsuperscript{110}; and subsidizing the radio programs and advertisements of a paramilitary right-wing group, Patria y Libertad. The CIA also provided U.S. journalists “inside” briefings in exchange for biased coverage against Allende. One Time cover story initially printed that Allende was a reasonable moderate who took constitutionality very seriously; shortly after the journalist received a CIA briefing, the news angle shifted to demonize Allende.\textsuperscript{111}

The CIA attempted to convince Frei to run for re-election by mailing him biased anti-Allende press coverage alongside encouraging representatives within the Christian Democratic Party and the Catholic Church to visit and plead with Frei. However, Frei was not swayed and “refused to interfere with the constitutional process.”\textsuperscript{112} With the re-election gambit impossible, the CIA began to wage an economic offensive against Chile in late September of 1970. Intended to “demonstrate the foreign economic reaction to Allende's accession to power” and “preview the future consequences of his regime,”\textsuperscript{113} the 40 Committee approved cutting off loan credits to Chile and pressured firms to withdraw their investments. By early October, Journalist Seymour Hersh writes:

\textsuperscript{108} The Church Committee, 24
\textsuperscript{109} Hersh, 523
\textsuperscript{110} The Church Committee, 8
\textsuperscript{111} The Church Committee, 25
\textsuperscript{112} The Church Committee, 24
\textsuperscript{113} The Church Committee, 25
A full-fledged bank panic had broken out in Santiago and vast funds were being transferred abroad. Sales of durable goods, such as automobiles and household goods, fell precipitously; industrial production dropped. Black-market activities soared, as citizens sought to sell their valuables at discounted prices.\(^{114}\)

To prevent Allende from becoming president, Track II intended to overthrow the government prior to the October 24th election. CIA operatives with forged foreign passports — otherwise called “false-flaggers” — would sneak into Santiago in hopes of contacting and bribing extreme right-wing officers to initiate a coup. This “was to be an American coup carried out by Chileans.”\(^{115}\) The CIA eventually connected with General Roberto Viaux and Captain Arturo Marshall, who were right-wing terrorists that had already tried to lead a failed coup against Frei in 1969.\(^{116}\) The false-flaggers also made contact with another extremist group, led by General Camilo Valenzuela. The CIA station in Santiago provided Viaux with 20,000 dollars and a life insurance policy of 250,000 dollars. One colonel, who later was in charge of distributing out 100,000 dollars to anti-Allende groups, “recalled that the cash was too bulky to carry: ‘I kept it in my riding boots in the trunk of my car.’”\(^{117}\)

Initially oblivious to this plan, Korry became suspicious that the CIA planned to initiate another “Bay of Pigs failure.”\(^{118}\) He desperately tried to convince Kissinger not to work with Viaux, and publicly expressed to Nixon that he was “dead wrong” and that “Nothing on God’s green earth [could] stop [Allende’s election].”\(^{119}\) Despite Korry threatening the secrecy of Track II, Nixon told the Committee to continue with the plot. Concerned that CIA involvement in anti-Allende activities could be exposed, Korry’s meeting inspired Kissinger to stall Viaux and opt for Valenzuela to lead the coup. Kissinger claimed the plot ceased after October 15th; Nixon

\(^{114}\) Hersh, 534  
\(^{115}\) Hersh, 242  
\(^{116}\) Hersh, 554  
\(^{117}\) Hersh, 559  
\(^{118}\) Ibid  
\(^{119}\) Hersh, 562
claimed he was never consulted about a coup plot. Yet on October 16th, the CIA headquarters cabled station chief Hecksher, “It is firm and continuing policy that Allende be overthrown by a coup. . . . We are to continue to generate maximum pressure toward this end utilizing every appropriate resource.”

The agency even tried to bribe Valenzuela to move more swiftly on executing the coup. On October 19th, the CIA promised him “three machine guns stripped of all identifying markings, six tear-gas grenades, and 500 rounds of ammunition” to kidnap the Chilean Army commander-in-chief, René Schneider, who was thought to be the last obstacle to a military coup.

The CIA-supported plan involved grabbing the general after a military dinner and transporting him to Argentina. Without Schneider, Frei would resign and an aide of Valenzuela’s would take charge of the military government, dissolving Congress in the process and preventing Allende from being elected.

After a few men from the Valenzuela and Viaux group failed to kidnap Schneider, the CIA offered the men $50,000 each if they would try again. On the 22nd of October, Valenzuela’s associates cornered Schneider; after the general attempted to defend himself with a revolver, the men assassinated him. Viaux and Valenzuela were both convicted for their roles in the murder, but the CIA refused to acknowledge that they had provided these assassins with financial assistance. One CIA operative, Bruce MacMaster, feared that Viaux’s men might “implicate the CIA in the action taken against Schneider.” However, bribery could always protect the Americans; as MacMaster knew, Viaux’s associates were willing to be financially compensated

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120 Hersh, 567  
121 Hersh, 566  
122 Hersh, 558  
123 Hersh, 574
for their silence and the United States “could probably get away with paying around $10,000 for the support of each family.”

Schneider’s assassination raised several questions about the “political neutrality of the armed forces, the potential for future military intervention of some type, and the degree of U.S. involvement in Chilean affairs.” Schneider’s assassination, “far from easing the way for a successful coup in the days before Allende’s election, made it impossible.”

Mobilized by the Chilean citizenry and military personnel’s anger towards this blatantly anti-democratic right-wing attack, Allende handily won the October 24 congressional election. Nixon and Kissinger were furious at Helms and Korry, who would never hold another ambassadorial position in the Nixon administration. On November 3rd, 1970, Allende was inaugurated as president of Chile.

6. CIA Operations: 1970 to 1973

While Allende claimed that Chile’s road to socialism was “not exportable,” he believed that Latin America needed to speak with “one voice.” He hoped to “convince [others]” to take up socialism and “reject U.S. ‘diktats’ on how to conduct their economic affairs.” Allende’s election seemed to be a “watershed [moment] that compelled the White House to pay attention to Latin America and to seize control of U.S. policies there.” In response to Allende’s proclamations, Nixon swore that nationalism and anti-Americanism in Latin America would not be tolerated:

No impression should be permitted in Latin America that they can get away with this, that it’s safe to go this way….All over the world it’s too much the fashion to kick us

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124 Ibid
125 Oppenheim, Politics in Chile, 39
126 Hersh, 579
127 Kornbluh, The Pinochet file, 226
128 Ibid
129 Kornbluh, 129
We cannot fail to show our displeasure…There must be times when we should and must react, not because we want to hurt them but to show we can’t be kicked around. The new Latin politicians are a new breed. They use anti-Americanism to get power and then they try to cozy up. Maybe it would be different if they thought we wouldn’t be there.\textsuperscript{130}

Allende was thought to be a temporary problem, with CIA officials often musing over how easy it could be to assassinate him immediately. One officer explained the technique in an interview: “All a President would have to say is something innocuous — ‘We wish he wasn’t there.’”\textsuperscript{131} Internal conflict was also suspected to catalyze a coup climate, which would give the military justification to intervene. Analysts predicted that “Allende’s administration may be short lived.”\textsuperscript{132}

The United States actively worked to guarantee a brief Allende presidency. The plan now involved “a long-term, expanded effort to destabilize the Chilean government—economically, politically, and militarily.”\textsuperscript{133} Kissinger approached Nixon outlining the U.S.’ options: they could seek out a a modus vivendi, or peace, with the Allende government; take on an overtly hostile stance; or “adopt what is in fact a hostile posture but not from an overt stance, that is, to move in hostility from a low-key posture.”\textsuperscript{134} In offering these options, Kissinger ruled out peace as a viable diplomatic policy, but he knew that any hostile U.S. policy towards Chile would be criticized. As he stated:

[Allende] would project Chile as an ‘independent’ socialist country, not as a ‘communist government’ or a Soviet puppet. We ourselves have traditionally espoused the principles of self-determination; we have stressed our opposition to the concept of intervention in foreign affairs. It would therefore be costly for us to act in ways that appear to violate those principles.\textsuperscript{135}

\textsuperscript{130} Kornbluh, 141
\textsuperscript{131} Hersh, 540
\textsuperscript{132} Kornbluh, 148
\textsuperscript{133} Kornbluh, 137
\textsuperscript{134} Kornbluh, 140
\textsuperscript{135} Ibid
Thus, Nixon approved option three — pursue detached and aloof diplomatic relations with the Popular Unity government while simultaneously engaging in “direct hostile actions designed to make [the government] collapse.”

This strategy was laid out in the November 1970 National Security Decision Memorandum 93 (NSDM 93). A seven million dollar budget supported covert actions aimed at “creat[ing] and exacerbat[ing] economic, political, governmental, and military tensions ‘to divide and weaken Allende.’” The “cool and correct” posture towards Chile would be accompanied by outright economic warfare, calls for political action and assistance for opposition political groups, support for anti-Allende publications, and the use of media outlets to “play up Allende’s subversion of the democratic process and involvement by Cuba and the Soviet Union in Chile.” The United States would inevitably spend eight million dollars between 1970 and the 1973 coup. These efforts would solidify the United States’ hard stance against leftism in Latin America, and ideally encourage other Latin American nations to also “oppose the consolidation of a Communist state in Chile hostile to the interests of the United States.” Importantly, Allende was not communist and did not oversee the state of Chile becoming communist. The United States’ conflation of all non-capitalist systems into one dislikable ideology effectively polarized the West and the Soviet Union on opposite ends of the binary. That in turn compelled other developing nations in the U.S. sphere of influence to strictly conform to western capitalism.

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136 Kornbluh, 39
137 Kornbluh, 149
138 The Church Committee, 1
139 Schmitz, 375
5a. Economic Pressure

Chile’s economy was almost entirely dependent on its copper exports, which made up four-fifths of the nation’s foreign exchange earnings. While Allende sought to diversify trade, the nation remained economically dependent on the United States. By 1970, Chile’s debt to the United States had surpassed one billion dollars. The nation had heavily relied on American credits to fund the machinery and parts for several industries alongside Chile’s trucks, buses, taxis and planes. American private investments in Chile amounted to 1.1 billion dollars in 1970, “out of an estimated total foreign investment of $1.672 billion.” United States corporations controlled eighty percent of copper production in Chile. Thus, the Allende government became preoccupied with the “decisions of foreign corporations…[and their] ramifications throughout the Chilean economy.”

In their quest to oust Allende, the Nixon administration began efforts to impose an “economic ‘cold turkey’” on Chile. In his meeting notes with Nixon, CIA Director Helms wrote his purported instructions: “Make the economy scream.” Cutting off financial aid and loans would ideally cripple the Chilean economy and galvanize the Chilean electorate to kick Allende out of office. Artificially disempowering the nation’s economy could empower Chilean democracy to work in the United States’ interest. Not only did the U.S. government engage in economically strangling Chile, it “enlisted the cooperation of international financial institutions and private firms in tightening the economic squeeze” on the nation. In another attempt to “hurt Chile,” Nixon posited dumping U.S. copper holdings on the international market to drastically drop the price of copper.

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140 Kornbluh, 135
141 The Church Committee, 32
142 Ibid
143 Tanya Harmer, Allende’s Chile and the Inter-American Cold War (Chapel Hill: UNC Press, 2011), 141
144 The Church Committee, 33
145 The Church Committee, 27
146 The Church Committee, 33
Partnering up with private firms, multilateral institutions, and other nations, the U.S. built an economic “invisible blockade” against Chile — a country whose “economy was deeply dependent on financial, industrial, and commercial relations with the United States.”¹⁴⁷ The cutoff was quite successful as “no agency in the government and none of the multilateral lending banks dared cross Richard Nixon or Henry Kissinger.”¹⁴⁸ U.S. aid to Chile, which had amounted to 35 million dollars in 1969, was merely 1.5 million dollars in 1971.

Military sales and aid programs, however, remained unchanged. In fact, U.S. funding for training programs in Chile doubled to over two million dollars by 1972. U.S. military equipment sales also tripled between 1970 and 1973, rising to a whopping 19 million dollars. These transactions were also critical to Track II. Kissinger wrote to Nixon, “With regard to the Chilean military we are maintaining our military mission on a ‘business as usual’ basis…in order to maintain maximum contacts with the Chilean military.”¹⁴⁹

Nixon also attempted to block Allende’s ability to renegotiate Chile’s sizable foreign debt — inherited from Frei’s administration. At the 1971 Paris Talks, where delegates from various countries aimed to help nations pay off their debt, Treasury Secretary John Connally represented the United States and was informed to halt the negotiation of Chile’s loans. As Nixon told Connally:

Any suggestion, expressed or implied, that I favor U.S. support of an agreement to renegotiate the Chilean loan is in total contradiction to the views I have expressed on a number of occasions in various meetings on this matter. . . . I expect you to see that all agencies of the government strictly comply with my position.¹⁵⁰

Despite its attempts to persuade other foreign creditor nations, “the United States alone refused to consider rescheduling Chile's foreign debt payments until there was movement toward

¹⁴⁷ Kornbluh, 143
¹⁴⁸ Hersh, 182
¹⁴⁹ Kornbluh, 146
¹⁵⁰ Kornbluh, 147
indemnization for the U.S. copper companies.” Chile did manage to renegotiate 800 million dollars in debts to foreign governments and some U.S. banks.

In hopes of exerting its influence over the Inter-American Development Bank (IDB), the White House attempted to replace the incumbent IDB chairman “who was deemed not sufficiently malleable, according to a secret memo written by Kissinger’s deputy, Alexander Haig.” Kissinger told Nixon in a November 1970 meeting that, “We have instructed our representative to delay action on Chilean loans pending before the Inter-American Development Bank. We are seeking the cooperation of the IBRD [World Bank] to similarly delay loans to Chile.” Without the U.S. representative voting to approve loans to Chile, the nation essentially could not access any financing since “an affirmative vote by the U.S. [was] required for loan approval.” With the U.S. controlling forty percent of the votes in the bank, this was most likely “driven more by political opposition to an Allende regime than by purely technical judgments about Chile's finances.” The IDB, which had loaned Chile 46 million dollars in 1970, provided a meager 2 million dollars in 1972.

Prior to 1972, the World Bank had lent Chile more than 234 million dollars. 31 million dollars had been approved just the year before Allende’s election, but Chile did not receive any loans from the World Bank after 1970. The U.S. worked tirelessly to disqualify Chile from being considered for any loans, circumventing its lack of veto power through creating a series of qualifying questions which would demonstrate that “Allende’s economic platform did not meet criteria for credits.” These questions, fed to Bank staff by members of the U.S. State Department, successfully halted a 21 million dollar loan to aid in livestock-improvement.

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151 The Church Committee, 34
152 Kornbluh, 143
153 Kornbluh, 144
154 Ibid
155 The Church Committee, 35
156 Kornbluh, 144
Both the Agency for International Development (AID) and the U.S. Export-Import Bank were under classified instructions to “withhold ‘any new commitments of U.S. bilateral assistance to Chile.’” AID’s assistance to Chile, “which averaged nearly 70 million dollars annually during much of the 1960s, totaled just 3.3 million dollars in the three years of the Allende presidency.” The U.S. Export-Import Bank went from providing 280 million dollars in commercial loans and credits between 1967 and 1970 to no financial assistance in 1971. Facing pressure from business leaders after Allende nationalized the copper industry, Kissinger — at Nixon’s insistence — ordered the bank to drop Chile’s credit rating from a “B” to a “D” rating. The fall in credit rating “aggravated Chile's problem of attracting and retaining needed capital inflow through private foreign investment.” In August of 1971, a 21 million dollar loan to fund a Chilean airline’s purchase of Boeing jets failed because of this engineered rating reduction.

The low credit rating, in conjunction with the lack of loans, prevented Chile from purchasing “major industrial equipment, spare parts, and other machinery critical for key industries, particularly copper mining.” The Chilean Ministry of the Economy calculated in late 1972 that “almost one-third of the diesel trucks at Chuquicamata Copper Mine, 30 percent of the privately owned city buses, 21 percent of all taxis, and 33 percent of state-owned buses in Chile could not operate because of the lack of spare parts or tires.”

Allende’s socialist programs would frequently be cited as responsible for Chile’s lack of international financial support. Kissinger once said, “It was the policies of the Allende government, its insistence on forcing the pace beyond what the traffic would bear much more
than our policies…that contributed to the economic chaos.”¹⁶⁴ However, declassified records demonstrate “conclusively that the Nixon administration moved quickly, quietly and politically to shut down multilateral and bilateral aid to Chile—well before Allende had had any opportunity to implement his own economic policies or any question of Chile’s creditworthiness had arisen.”¹⁶⁵

While starving the Allende administration of financial support, the Nixon administration authorized millions of dollars to support opposing parties’ political efforts. They provided El Mercurio, an anti-Allende propaganda machine, with two million dollars which became critical to supporting CIA-backed candidates in the 1973 Congressional Election. Understanding its essential role in bringing about the end of the Allende administration, the ITT Corporation also secretly deposited 100,000 dollars to El Mercurio. As Kissinger aide William Jorden noted, “El Mercurio is important. It is a thorn in Allende’s side. It does help give heart to the opposition forces.”¹⁶⁶ U.S. officials were in constant communication with American business and labor leaders, even briefing AFL-CIO president George Meany on how the union organization could support the CIA’s mission in Chile — as some of its associates had done in anti-Allende operations during the 1960s. CIA officials would often host “luncheon meetings’ and other secret rendezvous with high-level ITT executives.”¹⁶⁷ The Nixon administration’s refusal to reschedule Chile’s foreign debt payments also served the interests of corporate benefactors, many of whom sought compensation for their nationalized copper companies.

¹⁶⁴ Kornbluh, 143
¹⁶⁵ Ibid
¹⁶⁶ Kornbluh, 158
¹⁶⁷ Kornbluh, 146
5b. Diplomatic Isolation

In an effort to counter the “domino effect”, Nixon began constructing foreign policies that could diplomatically isolate Chile. As Allende aimed to unite Latin Americans with “one voice”, Nixon began formulating a “‘program of reward and punishment—not openly but just quietly’ rewarding Latin American countries ‘when they start acting properly!’”\(^{168}\) Allende pursued a policy of “ideological pluralism” or non-alignment, forging relationships with as many nations as possible. While this list included socialist and communist nations like Cuba, Chile also did not closely align itself with the Soviets. In the NSDM 93, the United States aimed to “rally other Latin American nations to join the United States in isolating and undermining Allende’s sociopolitical experiment.”\(^{169}\) Without regional allies, Nixon believed Chile could not “implement policies contrary to U.S. and hemispheric interests.”\(^{170}\)

The White House initially tried to expel Chile from the Organization of American States (OAS), as they had done with Cuba. Nixon allied himself with the military dictatorships in Brazil and Argentina, and became quite friendly with Chile’s traditional rival, Peru.\(^{171}\) Beginning in 1971, there were rumors that Brazilian generals and military officers were recruiting Chilean residents in Brazil to form a resistance movement against the UP. The Chilean Embassy in Brasilia even noted that “the Brazilian army had staged military exercises specifically designed around the premise of fighting guerrilla forces residing in Chile.”\(^{172}\) Chilean diplomats actively tried to ease fears of Allende exporting his revolution abroad, instead championing “the democratic, peaceful, noninterventionist character of Allende’s government.”\(^{173}\)

\(^{168}\) Harmer. *Allende’s Chile*, 244
\(^{169}\) Kornbluh, 142
\(^{170}\) The Church Committee, 27
\(^{171}\) Harmer. 157
\(^{172}\) Harmer. 193
\(^{173}\) Harmer. 195
Much of Washington’s fears stemmed from exactly what these Chilean diplomats were espousing. Allende had the potential to lead and galvanize the “Third World chorus that demanded changes to the global economy and assurances that the United States would not intervene in other countries’ internal affairs.” During Allende’s speech at the UN in 1972, he “delivered a compelling performance, appealing to the ‘conscience of the world’ and publicizing Chile’s ‘financial strangulation.’” Impassionately articulating how international agencies and multinational corporations exploited and extracted resources from the Third World, Allende argued that “imperialism exists because underdevelopment exists; underdevelopment exists because imperialism exists.” Chile’s new development model was necessary to solve the issues that imperialism had created, and he cited Vietnam as an example of how “the abuse of power saps the moral fiber of the county that misuses it … whereas a people defending its independence can be raised to heroic heights by its convictions.”

Unsurprisingly, the Nixon administration was deeply offended and angered by Allende’s speech. George H.W. Bush, then U.S. Ambassador to the UN, told Allende that the U.S. “did not consider [them]elves ‘imperialists’…. that we still had a deep conviction that our free enterprise system was not selfish but was the best system—certainly for us, though we had no intention to insist on it for others.” This model, Bush insisted, did not hurt people when it moved abroad because “it was the best way to provide a better standard of living for all.” Allende’s speech, however, resonated across the globe. In fact, he received a standing ovation “similar to those received by the Pope and President John Kennedy.”

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174 Harmer. 293
175 Harmer. 260
176 Harmer. 259
177 Ibid
178 Harmer. 258
179 Harmer. 258
5c. Internal Strife: CIA Clandestine Intervention

Alongside diplomatic isolation and economic warfare, the United States unleashed a 13.4 million dollar campaign of CIA clandestine intervention. These media propaganda activities continued the Track I plot, which sought to sow internal discontent among Chileans against Allende. CIA-funded assets in a Santiago daily paper contributed articles and editorials that favored U.S. interests (such as criticisms of the Soviet Union’s invasion of Czechoslovakia), alongside authoring articles critical of Chilean leftists and stifling news that did not favor the United States (such as coverage of the Vietnam War). Alongside financial support for El Mercurio, the CIA subsidized and even founded right-wing newspapers, magazines, and wire services to proliferate criticisms of Allende. The CIA managed to certify Chile as a nation where freedom of press was threatened, distorting Allende’s global image as someone akin to the authoritarian leaders of the Soviet Union.

The CIA heavily influenced Chile’s policy and its political parties. Anti-Allende research organizations, which helped draft bills for opposition parliamentarians, relied on the CIA for over three-quarters of their funding. From 1971 to 1973, the 40 Committee authorized nearly 4 million dollars to support the Christian Democratic Party and the National Party. The CIA capitalized on and exacerbated the internal divisions in the UP Coalition as well, encouraging the Radicals to break off from the “moderate” coalition. The 40 Committee also funded private sector organizations which harbored anti-Allende sentiments. In late 1972, one million dollars in funds was distributed to a coalition of small businesses and other opposition groups.

While the CIA had previously only funded moderate groups, Kissinger suggested a different strategy. Calling himself the “devil’s advocate,” Kissinger mused that if Allende saw

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180 The Church Committee, 7
181 The Church Committee, 28
182 The Church Committee, 16
“himself…as a moderate….why not support extremists?” The Chilean Right was a powerful force to mobilize against Allende. With landowners, businessmen, and National Party legislators opposed to the UP Socialization program as “an attack on their fundamental economic and political interests”\(^\text{184}\), they began to combat these shifts through any means necessary. The National Party legislators created administrative chaos in Congress, refusing to pass any of the UP legislation save for the copper nationalization. Businessmen refused to invest their money in productive activities. The CIA began funding several organized civilian groups, strikes, and projects including: “wresting control of Chilean university student organizations from the communists” and “exploiting a civic action front group to combat communist influence within cultural and intellectual circles.”\(^\text{185}\)

The CIA also provided a prominent right-wing paramilitary group, Patria y Libertad (Fatherland and Liberty), with 38,500 dollars in hopes of “creat[ing] tension and a possible pretext for intervention by the Chilean military.”\(^\text{186}\) By the middle of 1973, Patria y Libertad began carrying out acts of terrorism by bombing electrical transmission towers and bridges. While the CIA ceased its funding in 1971, Patria y Libertad was one of the many voices in support of the national truckers’ strike in 1972, which certainly received financial assistance from the CIA. A variety of anti-Allende coalitions gathered behind the truck owners’ \textit{paro}, or work stoppage, which began out of fear and anger that their industry would be nationalized. The National Party and Christian Democrats voiced their support while shop owners and local businesses closed their businesses in solidarity with the strikers. The strikers also called for

\(^{183}\) Kornbluh, 150
\(^{184}\) Oppenheim, 97
\(^{185}\) The Church Committee, 9
\(^{186}\) The Church Committee, 31
guarantees from the government that they would begin receiving spare parts like U.S. made tires, which “indicated the degree of success of the US economic blockade against Chile.”

Alongside riling up civilians and the private sector, the CIA remained in close contact with the Chilean military. In 1969, the CIA station in Santiago established a covert program which monitored coup plotting. The program, which lasted through 1973, involved placing a number of CIA assets in the Chilean armed services. These agents would not only report on potential insurgency plots, but also provide the Chilean military “advice about [the] mechanics and timing” of a coup; this, in turn, could pass on “indications of U.S. Government support following a successful coup.” In infiltrating officer squadrons, agents could enable a collaboration between potential coup leaders and the CIA to accomplish the “program’s end objective, a military solution to the Chilean problem.”

To that end, the CIA began sponsoring an anti-Allende newsletter which specifically targeted the armed forces. The United States also trained a record number of Chilean military personnel in Panama up until 1973. The CIA station began gathering critical information to support a military dictatorship during the aftermath of a coup: lists detailing people to be arrested, people to be protected, and government agencies to be occupied. The U.S. agency even persuaded the Australian Secret Intelligence Service to place their own agents in Chile, who were tasked with relaying information to Washington.

Despite military sales increasing during the Allende years, the United States had threatened to cut off military aid prior to the October 24th congressional vote if the military refused to follow through on a coup plot. In 1971, the CIA also attempted to conduct a

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187 Oppenheim, 69
188 The Church Committee, 36
189 Kornbluh, 160
190 The Church Committee, 37
191 Hersh, 559
192 The Church Committee, 26
“deception operation” in hopes of convincing Chilean generals “that Allende was secretly plotting with Castro to undermine the army high command, in order to ‘arouse the military’ to ‘move against [Allende] if necessary.’”193 Though the operation was never successfully carried out, CIA agents used this fabricated information to pursue their inevitable goal: “work[ing] consciously and deliberately in the direction of a coup,” as the station cabled in November 1971.194

Political scientist Lois Oppenheim writes that “the impact of the longstanding US anti-communist campaign on Chilean military thinking cannot be overlooked as a factor in creating a military mentality supportive of a coup.”195 The Cuban Revolution spurred on a new environment, as it represented a Communist breach into the Western sphere of influence. The United States responded by training other Latin American armies with counterinsurgency techniques. Rather than protecting a country’s borders from external enemies, militaries began to emphasize purging their nations of internal subversives.196

After Allende added the military to his cabinet to end the October 1972 truckers’ strike, this only “accelerated the process of politicization within the armed forces.”197 The army began independently exercising its own power, even carrying out raids against Leftist Groups to search for illegally held arms. The National Party and the Christian Democrats were also assured that Allende could be ousted through a military coup. By mid-1973, both political parties and the armed forces understood that “[military] intervention was in the nation's best interest” and “inevitable.”198

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193 Kornbluh, 160  
194 Ibid  
195 Oppenheim, 97  
196 Ibid  
197 Oppenheim, 98  
198 Oppenheim, 76
5d. **American Accountability**

On March 21, 1972, the CIA’s involvement in Chilean affairs was exposed to the world. Columnist Jack Anderson reported that leaked ITT records revealed “the intrigue of covert corporate collaboration between the CIA, White House, and embassy officials to provoke economic chaos.”199 A Washington Post Editorial led with this story the following day, unable to fathom how “an American President could consider the possibility of acting to prevent the democratically elected president of a supposedly friendly country from taking office[!]”200 While these revelations only confirmed Chilean leftist suspicions of American economic imperialism, the United States was inundated with the Nixon administration’s various scandals. From the Watergate saga to ITT’s relationship with the Nixon administration, it was clear that “the White House was in league with unscrupulous and violent men.”201

A Congressional Committee was set up just two days after Anderson’s article was published, determined to understand both covert action in Chile and “the activities and influence of multinational corporations on U.S. foreign policy.”202 Headed by Idahoan Senator Frank Church, this Committee would look into the anti-Allende operations to broadly articulate “examples of abuse conflicting with our professed principles as a Nation.”203 Withstanding pressure from business leaders, political officials, and the Nixon administration, Church was determined to let “the American people know the truth and complete story.”204

This story would prove hard to substantiate, as testimonials to the Committee were often dishonest and incomplete. Charles Bray, a press secretary for Nixon’s Secretary of State, doubled down on his statement that “There were no improper activities in which the embassy, the mission

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199 Kornbluh, 164  
200 Ibid  
201 Hersh, 550  
202 Kornbluh, 164  
203 Schmitz, 376  
204 Schmitz, 291
in Santiago, our representatives in Chile engaged.” CEO Harold Geneen, Vice President Edward Gerrity, and Southern Cone Manager Robert Berellez, of ITT, all lied in their hearings: Geneen asserted that ITT “did not take any steps to block the election of Salvador Allende”; Gerrity “claimed the $1 million that ITT had offered to the CIA to help block Allende was for ‘low-cost housing . . . a farming program’”; Berellez refused to admit that the CIA had any contact with ITT in Chile.

Former CIA director Richard Helms answered “No, sir,” to two separate questions asking about whether the CIA attempted to overthrow the government and whether the agency funded Allende’s opponents. Even Kissinger’s autobiography falsely asserted, “On October 15, I called off Track II before it had ever been implemented.” Ultimately, these hearings would scrutinize and publicize the United States’ several attempts to interfere with democracy in Latin America. Its failures were a near relief. However, the Church Committee report was not yet complete; just a year and a half after Anderson’s story was published, a military coup toppled Chile's democracy and left Allende dead.

7. The 1973 Coup

Politician Luis Corvalán stated that 1973 was posed to be “the most decisive year for Chile … the year when decisions will be carried out that will determine our path to socialism.” This was a most prescient statement, for the path to socialism for Chile would suddenly end in its tracks in September of that year. While the CIA hoped that 1973 would generate the “slowing down [of] socialization [in] Chile,” even the agency could not have predicted the imminent violent halt to the socialization process.

205 Kornbluh, 166
207 Harmer. 261
208 Harmer. 267
1973 marked the most important election in decades. Voters were to decide between the socialism of the UP and the capitalism of the Christian Democrat-National Party coalition. Despite a million dollars spent on funding the opposition party, the UP won 43.39 percent of the vote. Discontentment was high, but as one UP slogan painted across walls declared, “This government is shit but it is mine.” The CIA terminated their support of the Christian Democrats, citing the party’s leftward trend and Frei’s own disillusionment with “the traditionalist capitalist system[‘s ability to] realize development goals and aspirations.” Washington doubted their alliance with the Christian Democrats and the military. Despite the U.S. helping create an “‘atmosphere of political unrest and controlled crisis’ to ‘stimulate’ military intervention,” the military was divided in pursuing a coup.

Even as Allende tried to appease the United States’ demands, Chile and the United States had drastically different understandings of Latin America’s political, economic, and social dynamics. In a conversation with Secretary of State William Rogers, Allende insisted that the United States’ economic imperialism was to blame for regional underdevelopment. Rogers blamed “hemispheric nationalists,” remarking that “the U.S. welcomed nationalism….as long as it was constructive.” Rogers would argue unconvincingly to Chilean leaders that the United States had “a system that worked.”

In the months prior to the coup, the CIA was in contact with Chilean plotters but recognized that “the ingredients for a successful coup [were] unlikely to materialize.” A coup attempt nevertheless occurred on June 29th, after several rogue forces attempted to take over the presidential palace. The plot’s failure was attributed to it being “an isolated and poorly
coordinated effort.” On August 20, the 40 Committee authorized one million dollars to fund opposition political parties, sustain strikes, and “orchestrate a takeover from within—pushing the military to take key positions in Allende’s cabinet where they could wield the power of state and reduce him to a ‘figurehead’ president.”

By August 31st, CIA assets reported that “the army is united behind a coup, and key Santiago regimental commanders have pledged their support.” The military hoped to plan its takeover alongside the Truck Owners Federation, who were just about to strike. The truckers’ strike “became a key factor in creating the coup climate the CIA had long sought in Chile.” This coincided with the Christian Democrats abandoning talks with the UP Party, instead deciding to work towards a military coup.

In identifying who might lead the new military government, General Augusto Pinochet was never seen as a likely candidate. Described as a “mild, friendly, narrow-gauged military man… who clearly enjoyed the feeling of being important,” he also was seen as someone “who would not lead any coup.” After his wife and son turned against Allende, Pinochet — who once did not see the necessity in overthrowing Allende — was now sure “that Allende must be forced to step down or be eliminated…. [the] ‘only alternatives.’

Pinochet signed onto the coup just days before it was to take place, but he was assured by a memo that the “U.S. will support a coup against Allende ‘with whatever means necessary’ when the time comes.” The emerging Junta approved a plan for the coup, and set September 10th as a preliminary date for the event. On September 8th, the CIA communicated this date to

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215 Kornbluh, 181
216 Kornbluh, 182
217 Kornbluh, 185
218 Kornbluh, 184
219 Kornbluh, 161
220 Kornbluh, 162
221 Kornbluh, 161
Washington to verify that “a coup was imminent.” The plot would be initiated by the Chilean Navy, with support from the army and airforce. When the coup was delayed to the 11th of September, the State Department and CIA began “making contingency plans for U.S. assistance if the military move appeared to be failing.”

On the day of the coup, no U.S. assistance was required because as American Lieutenant Colonel Patrick Ryan noted, “Chile’s coup d’état was close to perfect.” On the morning of September 11th, Allende was warned of suspicious troop movements. He chose to depart for the presidential palace, but it became clear that a coup was occurring and “appeared to have the support of all four branches of the Armed forces.” By 8:00 A.M., the Chilean Navy secured the port town of Valparaiso and announced on the radio that they were ousting the Popular Unity government.

Army tanks surrounded the presidential palace, firing at its walls, while rocket attacks on Allende’s office killed many of his guards. In an effort to eliminate threats of counter-insurrection by other Leftists, the Junta leaders “used jets to bomb the presidential palace and besieged the Cuban embassy, expelling all Cubans from Chile as a matter of priority.” Before the communication centers were taken over by the military, Allende managed to address the nation twice through the radio. He began by calling on “workers and students” to come “and defend your government against the armed forces.” At 9:00 A.M., Allende addressed the nation for the last time to acknowledge his defeat by the military and proclaim his pride for the UP’s revolution and “constitutional honor.”

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222 Kornbluh, 185
223 Kornbluh, 186
224 Kornbluh, 187
225 Oppenheim, 82
227 Kornbluh, 187
228 Oppenheim, 82
his family out of the country, General Pinochet refused to let Allende leave the nation alive. He could be heard telling his troops in an audiotape: “that plane will never land” and “Kill the bitch and you eliminate the litter.” Salvador Allende was found in his office around 2:00 P.M., dead from gunshot wounds.

Though the CIA was not directly involved in the day’s violence, the Nixon White House “sought, supported, and embraced the coup.” As CIA operative Donald Winters admitted, “our contacts with the military let them know where we stood—that was we were not terribly happy with [the Allende] government.” The military was also well aware of the CIA’s plot to “directly instigate a coup three years earlier.” Thomas Karamessines, the top CIA official in charge of covert operations against Allende, would concede that “Track II never really ended” during the Church Committee hearings in 1975. The coup climate also relied on U.S. governmental interference, which enabled the eventual overthrow of Chilean democracy.

Just one day after the coup took place, the State Department met with Kissinger to figure out how the press would be told about “how much advance notice we had on the coup.” Kissinger also met with the Washington Special Actions Group that day to discuss how the U.S. government could assist the new military Junta. There, Kissinger joked that “the President is worried that we might want to send someone to Allende’s funeral. I said that I didn’t believe we were considering that.”

On September 16th, Kissinger and President Nixon reveled in their success at ousting Allende. They were disappointed, however, that they could not publicly take credit for the end of Allende’s administration. Their actions were part of a long tradition, but increasing scrutiny

229 Kornbluh, 187
230 Kornbluh, 188
231 Ibid
232 Kornbluh, 190
233 Ibid
234 Ibid
235 Ibid
rendered all American political interventionist projects as covert — unlike the 1954 coup in Guatemala, which had been received positively in the U.S. Kissinger bemoaned that “In the Eisenhower period….we would be heroes.” When Kissinger visited Pinochet in June 1976, Kissinger would express no qualms about his role in Allende’s death and the countless human rights abuses under the Junta. Tanya Harmer writes:

[Kissinger told Pinochet that] he felt honored to be there….and had not come to Santiago to give any lectures on human rights. What mattered to Kissinger was that the Pinochet regime succeeded. “We want to help, not undermine you,” he promised, “It is my evaluation that you are a victim of all left-wing groups around the world, and that your greatest sin was that you overthrew a government that was going Communist.... You did a great service to the West in overthrowing Allende. Otherwise Chile would have followed Cuba.”

236 Ibid
237 Harmer, “Fractious Allies,” 113
Chapter Two

Freedom Without Liberty:

The Chicago Boys in Chile

1. Introduction

The untimely death of both Allende and Chile’s socialist experiment had imposed an economic *tabula rasa* upon Chile. Despite having spent several months planning their political power grab, Chilean military officials had no clear economic vision for the nation to prepare for the days following September 11th, 1973. In contrast to the Peruvian and Brazilian military academies, whose curriculum emphasized an education in economic development, the Chilean armed forces “claimed no expertise in the area of economic policy.” They were solely guided by the belief that “the Marxist cancer must be eradicated from our fatherland”, as General Gustavo Leigh Guzman put it.

Chile’s blank slate would prove advantageous to one Chicagoan economist, eager to put his theoretical model into practice. Milton Friedman, an economist at the University of Chicago, decided to use Chile as a testing ground for his recently-conceptualized economic theory, neoliberalism. Only a few years after the Chicago School defined a set of hefty policy recommendations did a coup in Chile topple Allende’s socialist government, leaving the region desperately searching for an alternative economic model to adopt. Fortunately for the Junta, a robust partnership between the Catholic University of Chile and the Chicago School had produced dozens of economists trained in classical liberalism.

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The United States’ political intervention enabled the conditions for this Western economic model to shape Chilean society, just as the U.S. government anticipated. Washington D.C. helped manufacture the socialist economic collapse in Chile, and the University of Chicago would help nurture a new economic model of neoliberalism from its ashes. The actualization of Friedman’s theory in Chile would inevitably serve as a predictive model for other nations, demonstrating the effects of unfettered free-market capitalism. Simultaneously praised for its effectiveness and criticized for its debilitating social and material costs, neoliberalism was soon to dominate the globe.

2. Chilean Economic Tradition (1950s-1960s)

Conveying the significance and novelty of Pinochet’s economic policy requires an understanding of the economic precedent that existed in Chile. While Chile never adopted an overt communist model, its economic tradition was certainly influenced by progressive thought that could be considered communist in its framework of equity. Certainly, this framework championed social welfare and collectivism but, more importantly, it understood that worker power and control over the means of production were critical to liberating Chileans.

The profession of economics arrived belatedly to Latin America as most countries relied on the advice of “money doctors”\textsuperscript{240}, or foreign economists and visiting professors, from the 1880s to the late 1920s; less than a century later, this phenomenon would reappear in a similar manner under the Chilean military junta. As the field of economics grew during the 1950s and 1960s in Latin America, two distinct schools of thought emerged within the region: structuralism, which championed state control over the economy, and neoliberalism,

which saw comparative advantage and the market as the ideal forces to prompt economic growth.

Structuralism dominated Latin America’s economic policy sphere in the aftermath of World War Two, which informed the shift towards Import Substitution Industrialization (ISI). In an effort to promote self-sufficiency and national development, ISI favored the state diminishing its reliance on imports by promoting domestic production of industrialized goods. This policy arose out of the first World War and Great Depression, when “the interruption of shipping and decline of non-military production in Europe and the United States” caused massive shortages of imported manufactured goods in Latin America. Lack of access to foreign industrialized goods forced countries across Latin America to maximize their own productive capacity, which fueled the growth of local industry in the region during the 1940s.

Argentine economist Raúl Prebisch was an ardent advocate for ISI, and his position in turn was adopted by the U.N. Economic Commission for Latin America (ECLA). Founded in 1948 and based in Santiago, Chile, the ECLA, which was led by Prebisch — adopted import substitution in order to increase state involvement in the economy and control or change comparative advantage.241 The ECLA’s association with the United Nations made the organization’s policy recommendations more palatable to Latin Americans, “allow[ing] the organization to escape suspicion of being a pawn in the U.S.-Soviet Union war over communist ideology.”242

The “social dimension of economic development” informed Prebisch’s theory and the ECLA’s work.243 To Prebisch, development was structurally inhibited by several issues. He strongly criticized the existing latifundio-minifundio land tenure structure. With agriculture

242 Brender, “Economic Transformations in Chile”, 114
mostly defined by *minifundos* or subsistence farms, Prebisch believed this system was inefficient, prevented self-sufficiency, and contributed to poverty. He also highlighted the unequal pattern of trade between the developing countries and developed nations, concluding that “less developed countries tended to be debtor nations because the value of the primary products they sold was much less than the array of food and manufactured goods they needed to buy from the more advanced industrialized nations.” Prebisch also believed that government development programs could not adequately serve citizens without more progressive tax codes.

Prebisch’s criticisms of the economic policies in Latin America spurred wide-scale technical training programs in Chile during the 1960s. Through its affiliated policy institute, the *Latin American Institute for Economic and Social Planning* (ILPES), the ECLA began recruiting policymakers and students to join its two year program on structuralist theory. The ILPES offered courses training professionals on how import substitution could be implemented and how excess labor could be used within domestic manufacturing rather than in export sectors. Leaders in structuralist theory aimed to inoculate these trainees with the view that “the world’s economic system was divided into an industrial center in the developed world and primary-product export periphery in the developing world.”

Those who trained at the ILPES later went on to occupy roles in government and academia across the region. During the 1950s, “structuralists with a leftist orientation” dominated the debate on development in Chile. Most economists at the Universidad de Chile advocated for state intervention and planning in the economy. ECLA staff members who worked as part-time faculty for the university sustained the economics department’s contempt for free-market principles. ECLA economists made up the first economic advising teams for Chilean

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244 Biglaiser, “The Internationalization of Chicago's Economics,” 273
245 Biglaiser, 271
246 Brender, 114
leaders like Eduardo Frei in 1964 and Salvador Allende in 1970, though the latter employed economists from its more radical wing.

Import substitution was accompanied by a push to nationalize foreign-owned export sectors. Chilean exports of copper, nitrate, and silver had helped grow the nation’s economy while also being a main source of exploitation and source of competition between foreign nations. Soon after gaining independence from Spain, British and American merchants began arriving in Chile during the 1820s to access its silver and copper mines. Though the mining industry would greatly bolster Chile’s economy, the profits were not reaped evenly. By 1884, Europeans had ownership of two-thirds of the nitrate mines in Chile. Less than 40 years later, Americans owned the three major copper companies in Chile — Andes Copper, Chile Exploration Company, and Kennecott Company.

Allende would endeavor to move Chile away from its reliance on imports as well as eliminate foreign control over its major resources. By expanding the state’s power to oversee industrial development, take control over the means of production, and initiate the buyout of foreign capital, Allende and other structuralists hoped “to end the economic dependency on more advanced industrial nations.”

The ECLA’s copious production of leftist economists frightened U.S. officials, who believed that the Cold War was only “increasing [the] popularity of communism in the Third World.” The 1959 Cuban Revolution had made the threat of communism within the Western Hemisphere incredibly salient. With the knowledge that a Bolshevik Revolution had successfully transpired just 264 miles away from Miami, the United States desperately tried to prevent more nations from following Cuba’s example.

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247 Lois Oppenheim. Politics in Chile: Democracy, Authoritarianism, And The Search For Development (Boulder: Routledge Press, 2007), 7-8
248 Biglaiser, 273
To counter the ECLA’s work, the U.S. adopted the organization’s very strategy to build out a curriculum that could instruct students on economic policy. The U.S. began forming agreements with various universities to create economic programs that championed a particular kind of development and political stability which aimed to annihilate appeals to communism. Political scientist Judith Teichman has described this arrangement as “an organized transfer of ideology from the United States”, which was prompted by U.S. fears of rising support for left-wing ideas in Chile. The program would ideally produce Chilean economists who would later create policy informed by their American-funded education in liberalism.

Supported by government agencies and private foundations, these economic programs would eventually lead to the creation of the “Chicago Boys”, whose construction and implementation of the neoliberal economic model in Chile would shift development imperatives in Chile and across the world for decades to come. Provided with an opportunity to reshape Chile after the Allende reforms, these American-trained Chilean economists would come to embody a break from the long-established progressive tradition in Chile. They sought to radically reconstruct state and civil society beyond “the overt level of inflation reduction and export expansion to the covert level of patterns of behavior and thought.”

3. The Chicago School

The University of Chicago’s economics department was not always considered to be a distinct school of thought. Yet conservatism, economic orthodoxy, and pro-business leanings had been associated with the inception of the University of Chicago. British economist Alfred William Coats once said that “John D. Rockefeller’s munificent donations bestowed upon the

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249 Brender, 112
250 Ibid
new institution the opprobrious title of the Standard Oil university." The 1930s saw the rise and establishment of a Chicago School of thought. Mainly led by economists Frank Knight and Henry Simons, they emphasized the importance of laissez-faire economics and individual liberty. Only a “large sector of economic life organized privately and competitively” could guarantee individual liberty. This school produced thinkers like Milton and Rose Friedman, who later returned to teach and reinforce this ideology during the 1960s. As economist Don Patinkin stated, this “idealism combined with radicalism [mimicked the] same quality that made Marxism so appealing to many other young people.”

In the aftermath of World War Two, Keynesianism dominated the United States and the world at large. With the physical devastation and economic destitution, nations opted for a welfare state model to aid in their post-war reconstruction projects. Despite nominal differences between nations, there was a global “acceptance that the state should focus on full employment, economic growth, and the welfare of its citizens, and that state power should be freely deployed, alongside of or, if necessary, intervening in or even substituting for market processes to achieve these ends.” Fiscal and monetary policies put in place were designed to utilize the government to shape industrial policies, create strong welfare systems, and regulate entrepreneurial activities. What is now termed “embedded liberalism” referred to a market which was supervised by “a web of social and political constraints and a regulatory environment that sometimes restrained but in other instances led the way in economic and industrial strategy.”

Embedded liberalism began to decline by the end of the 1960s. Stagflation lasted through most of the 70s. Unemployment and inflation surged globally during the first half of the

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251 Quoted in Valdés’ *Pinochet’s Economists*, 50
252 Valdés, 56
253 Valdés, 55
254 David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2007), 10
255 Harvey, *A Brief History*, 11
256 Stagflation is a phenomenon where the rise of inflation is accompanied by disproportionately low economic growth.
decade; fiscal crises caused tax revenues to drop and social expenditure costs to rise. The Arab-Israeli War, the OPEC oil embargo of 1973, and the collapse of fixed exchange rates alongside the Bretton Woods system only exacerbated these financial crises. Countries further expanded the state apparatus to regulate the economy, with the United States Congress passing reforms on environmental, occupational safety, civil rights, and consumer protections. Republican president Richard Nixon even commented, “We are all Keynesians now.”

Communist and socialist parties were taking power in much of Europe and even in the United States, which demonstrated a clear economic and political threat to ruling-class elites across the world. As Marxist economic geographer David Harvey writes, “One condition of the post-war settlement in almost all countries was that the economic power of the upper classes be restrained and that labor be accorded a much larger share of the economic pie.” Milton Friedman, an economist at the University of Chicago, had long been critical of Keynesianism. He wrote, “Those of us who were deeply concerned about the danger to freedom and prosperity from the growth of government, from the triumph of the welfare state and Keynesian ideas, were a small beleaguered minority regarded as eccentrics by the great majority of our fellow intellectuals.” Friedman’s theories around capitalism and freedom would come to inform the University of Chicago’s ideological and pedagogical tenets.

Born to two Jewish and Hungarian immigrants, Milton Friedman always saw his family roots in the United States as exemplary of the meritocratic American Dream. Remarking on his parents’ success as small business owners, he believed that the prejudice and discrimination his parents faced were mere “handicaps that could be overcome, not impenetrable fortress walls.”

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257 Harvey, 12
258 Harvey, 13
259 Harvey, 14
260 Quoted in Valdés, 60
261 Milton Friedman and Rose Friedman. Two Lucky People: Memoirs (Chicago: University of Chicago Press, 1998), 31
He received his master’s degree at the University of Chicago and learned from avid critics of Keynesianism like Frank H. Knight, Henry Simons, and Jacob Viner. Despite his pro-monetarist education, he initially worked for the U.S. Treasury Department during World War Two alongside the architect of the New Deal, Secretary Henry Morgenthau. There, his recommendation helped pioneer tax withholding; at the time, he regarded “increased income taxation” as necessary to prevent inflation. Only when he returned to teach at the University of Chicago did his stances on policy begin to resemble what inevitably drove the theory behind the Chicago School of Economics.

Friedman was heavily influenced by the work of Friedrich Hayek and Alfred Marshall’s 1920 *Principles of Economics* textbook. Friedman attended the inaugural meeting of the Mont Pelerin Society, which Hayek founded in 1947, where he was joined by other economists, historians and philosophers to discuss the threats against “freedom” that the welfare state posed. To these scholars, freedom became narrowly conceptualized as an individual’s right to free speech and expression. No longer was it believed that the government should facilitate the maximization of social welfare for the collective good. Rather, the market would govern society which would better prioritize “individual entrepreneurial freedoms…strong private property rights, free markets, and free trade.” This different conceptualization of freedom would come to underpin their rejection of Keynesianism and state intervention in the market.

Hailing from all over the world, the Mont Pelerin members were united by a belief in the free market and free expression. Their first meeting in 1947, held in Switzerland, consisted of thirty-nine scholars tasked with discussing the future of classical liberalism. The Society strictly identified as an intellectual community rather than a political action group; the society and its

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263 Ebenstein. *Milton Friedman*, 87
264 Harvey, 2
members would go on to influence policy as a think tank, or at other policy institutes. Its participants labeled themselves “liberals” after their staunch belief in personal freedom, while “neoliberalism” alluded to the free-market principles of neoclassical economics espoused by thinkers like Alfred Marshall and William Stanley Jevons.

The market was thought to mobilize “the basest of human instincts such as gluttony, greed, and the desire for wealth and power for the benefit of all”, while the state could “create and preserve an institutional framework appropriate to such practices.”

The state would otherwise be limited in its scope. Strictly forbidden from intervening in the market, the state would only be charged with maintaining law and order, enforcing private contracts, and creating competitive markets. Social good became maximized in conjunction with market transactions, as neoliberalism sought “to bring all human action into the domain of the market.” Friedman loathed social welfare policies, and saw “welfare and equality as…alternatives to freedom.”

Hayek also believed that social welfare was a threat to individual liberties, because welfare demanded a level of state interventionism which would only impede people’s abilities to make free choices. Thus, both thinkers thought of welfare — and collectivism — was antithetical to freedom for freedom was conceptualized only on an individual’s level.

As a professor at the University of Chicago, Friedman put forward several policy recommendations informed by neoliberal theory. He sought to abolish rent control, price control, and wage control; tariffs on imports and restrictions on exports; legal minimum wage rates; agencies tasked with regulating sectors like transportation and communications; social security programs and public housing; government-funded schools; and fair employment practices.

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267 Ibid, 2
269 Harvey, 3
268 Friedman. *Capitalism and Freedom*, 6
267 Friedman, 10
270 Friedman, 56
believed the market maximized freedom because it granted individual consumers more choice. With schooling, he posited that if “present public expenditures on schooling were made available to parents regardless of where they send their children, a wide variety of schools would spring up to meet the demand.”

Friedman began teaching at the University of Chicago in 1946 before there “was [a] ‘Chicago School of Economics,’” and only a decade later was the university’s economics department cited as a distinct school of thought.” While he was initially viewed by his own department as “on the fringe and conservative”, Friedman’s views came to define the Chicago School. Several graduate students at the school claimed that the economics department was entirely under the direction of Friedman alone. George Stigler, an economist who began teaching at the University of Chicago in 1958, also observed that the 1950s marked the beginning of the “Chicago School”, with its distinct characteristics being its “focus on monetary economics and its treatment of price theory.” As Friedman himself stated to the University’s Board of Trustees in 1974:

To economists the world over, “Chicago” designates not a city, not even a University, but a “school.” . . . In discussions of economic policy, “Chicago” stands for a belief in the efficacy of the free market as a means of organizing resources, for skepticism about government intervention into economic affairs, and for emphasis on the quantity of money as a key factor in producing inflation. In discussions of economic science, “Chicago” stands for an approach that takes seriously the use of economic theory as a tool for analyzing a startlingly wide range of concrete problems . . . ; for an approach that insists on the empirical testing of theoretical generalizations.

The Chicago School of Economics was not only distinct in its emphasis on monetary policy, but also in its unique faculty and student interactions. The school emphasized debate, to the point that some described the environment as “combative”, featuring “bullfights” and “bloodbaths.”

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271 Friedman, 91
272 Ebenstein, 129
273 Ebenstein, 138
274 Brender, 118
275 Ebenstein, 133
The workshops offered by the department pushed the students “for academic rigor with high participatory input from the faculty.”

Much like Keynesianism, neoliberal ideology sought to change economic policy by generating a cultural and societal shift. Just as Keynesian economics became a “part of the intellectual culture of the elite and eventually of common culture”, neoliberal thinkers hoped their economic policy could bring about a genuine social revolution. The Chicago Boys were not only interested in constructing a market economy, but rather creating a “market society.” As former Chilean Finance Minister Hernán Büchi wrote, the military regime would come to bring about “an authentic revolution in the productive and social structure, in the orientation of its development, and in the perceptions of the people.”

Friedrich Hayek’s social theory supplemented Friedman’s economic theory. In discussing his ideas around the ‘Great Society,’ Hayek believed that the market should be termed a “‘catallaxy…derive[d] from the the Ancient Greek verb katallattein which, significantly, means not only ‘to barter’ and ‘to exchange’ but also ‘to admit into the community.’” In other words, community could be shaped by market transactions.

Friedman, furthermore, helped validate the field of economics as a true science. Friedman believed that neoclassical price theory and empirical verification was “true economic science.” Not only did the field begin to incorporate mathematical presentations of data but, at Friedman’s insistence, it also began to emphasize prediction. As Friedman argued, “The ultimate goal of a positive science is the development of a ‘theory’ . . . that yields valid and meaningful . . .

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276 Brender, 118
277 Valdés, 60
279 Clark, "Rethinking Chile's 'Chicago Boys'", 1354
280 Clark, 1354
281 Brender, 118
Predictions about phenomena not yet observed.”282 Prediction was necessary, he advanced, because “only if one knows the likely consequences of action can one recommend actions to follow.”283

4. The Chicago School Comes to Chile

As Friedman and his students began to develop theories and policies informed by an adherence to free-market capitalism, the United States was engaged in a war for the very same ideals, albeit with more regulation. Third-world countries became a critical battleground for this war, as the Soviet Union and the United States fought for ideological hegemony.284 As University of Chicago economist Theodore Schultz proclaimed after a trip to Latin America in 1953:

The Soviet Union is making a series of new moves to enlarge its role and strengthen its position in poor countries. It is bringing new and important economic measures into play. We, however, have been slow to perceive that these moves are under way. Our eyes are so fixed on the atomic queens in this chess game of power, that we have all but lost sight of the bishops and knights. It is these lesser pieces that are being maneuvered into position against us, while all powerful queens stand poised. The Soviet Union with its bold new moves has already gained much freedom of action, while we stand by, burdened with inflexibility. The United States must take stock of its economic programs abroad…we want [poor nations] to work out their economic salvation by relating themselves to us and by using our way of achieving their economic development.285

Despite the Soviet Union never actively interfering in Latin American nations’ affairs during the Cold War, the United States became determined to weaponize international educational programs against Soviet influence. The International Cooperation Administration (ICA)286, a United States government agency tasked with furnishing non-military aid, began partnering U.S. universities with Latin American universities in hopes of promoting and implementing U.S. approved ideas of economic development. As Senator William Benton reflected on after visiting Chile in 1961, there were “few ways to contribute to the well being of

282 Ebenstein, 64
283 Ibid
284 I use terminology from existing scholarship; the term “third-world” came out of the Cold War to distinguish any nation which was not aligned with the Western bloc nor the Communist bloc.
285 Valdés, 88
286 The International Cooperation Administration (ICA) was the predecessor to the US Agency for International Development (USAID)
mankind that can match the needed development of Latin American universities…no single area of action open to the United States…is more promising per dollar than the effort to lift the level of its higher education.”

Academics were to take their roles as “missionar[ies] of American modernity seriously.”

Albion Patterson, an American teacher and school administrator, was inspired by the “United States missions in Latin America [that] were characterized by a spirit of invincibility, by a ‘we could accomplish anything we set out to do’ attitude.” Having worked on agricultural development in Paraguay, he saw the potential for a strong economics curriculum within local schools. As the director of the Point Four Program, Patterson visited Chile in July of 1953 to implement an agricultural development plan called “Plan Chillán.”

His success within this small-scale agricultural development program helped him gain support in Washington D.C. for a foreign assistance program that would especially emphasize an education in economics. He saw Chile as a “sophisticated country”, but he believed American intervention could and needed to, in his view, “change the formation of the men…[and] influence the education, which is very bad.”

In the early 1950s, Patterson met Theodore Schultz in Paraguay. Alongside being the dean of the University of Chicago’s economics department, Schultz had received an $875,000 research grant from the National Planning Association’s Technical Assistance to Latin America Program to draft policy recommendations for Latin American governments. Patterson became interested in Schultz’ work on agricultural economics and human capital, as Schultz’ primary focus was on proving “the benefits of education and training for economic growth and

287 Valdés, 88
288 Valdés, 88-89
289 Valdés, 99
291 Valdés, 112
292 Biglaiser, 274
development.” As Patterson would learn, Schultz and his team “wanted to use Chile as a laboratory to test [their] theories.” Patterson proposed his own views on education as fundamental to economic development, and the two began drafting an idea to connect the University of Chicago with a Chilean University. Schultz’ contact, Simon Rottenberg, would be the first director of this partnership.

Schultz’ human capital theory was integral to the Chicago School’s mission in Latin America. Not only did it “provide Patterson ‘scientific’ base for his old convictions on the importance of education”, his theory posited utilizing a population’s labor source more efficiently. In Schultz’ view, conventional calculations of economic growth omitted a critical contributor to a country’s wealth — this being human capital. He wrote how this wealth “consist[ed] of improvements in human effectiveness arising from the fact that man ha[d] developed capacities that result from investment in man…[this] ‘omitted input’ could be the ‘return on investment’ that had been going on in education in the U.S.” Like Schultz, Friedman also saw the importance in “underdeveloped countries…releas[ing]…the energies of millions of able, active and vigorous people.”

Schultz’ recommendation was to utilize external groups, such as the Point Four Technical Assistance Program, foundations like the Rockefeller Foundation, private businesses, and even church groups with missions in Latin America, to assist in “the transfer and development of new knowledge, new abilities and capacities.” Schultz did not believe that the poverty within developing nations was constructed by external structures, but rather “internal characteristics” like a lack of human capital. Rather than focus on structural changes, the “creation of human

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293 Ibid
294 Ibid
295 Valdés, 113
296 Valdés, 97
297 Valdés, 95
298 Valdés, 97
299 Valdés, 98
resources, in the education of individuals” could push forward an economic process in underdeveloped nations, which had already been validated as successful in the United States.\(^{300}\) This knowledge transfer enabled the United States to incubate their economic and social ideas elsewhere — most intensely in Chile.

Albion Patterson initially had hopes of setting up a connection between the University of Chicago and the Universidad de Chile. He met with the head of the school, Juan Gómez Millas, to propose that the United States government would financially support a partnership between the two universities, where scholarships at the University of Chicago could fund an economics graduate program at Universidad de Chile and professors from Chicago would in turn “conduct the ‘modernization’ of the studies of economics at the Universidad de Chile.”\(^{301}\) While Millas was interested, he told Patterson that the leftist orientation of the economics department at Universidad de Chile would inhibit this partnership. The Chicago School’s emphasis on monetarism would severely clash with the Universidad de Chile’s structuralist economics program.\(^{302}\) According to Patterson, Millas knew its economics faculty would be concerned about the “conservative reputation of Chicago economists and the official U.S. support for the contract.”\(^{303}\) Millas also stated that he was uncomfortable with Patterson’s strict stipulation that the Universidad de Chile only partnered with the University of Chicago.

While the arrangement with the Universidad de Chile was not viable, a more suitable candidate for the Chicago School partnership would emerge at the Union of Latin American Universities conference. In November of 1953, Latin American economists from various universities gathered in Santiago to discuss their desire to fit economic programs to the specific needs of particular regions. There could be no general or “national theory of economic

\(^{300}\) Ibid
\(^{301}\) Valdés, 114
\(^{302}\) Valdés, 115
\(^{303}\) Ibid
development”,304 said Dean Luis Escobar of the Universidad de Chile, but each region’s development queries needed “to be interpreted in the light of the political, social, historical, cultural, and economic variables in which to find them in particular.”305 While Milton Friedman at the University of Chicago was attempting to solidify neoliberal theory as “economic science”, the Conference was attacking this notion of a “universal paradigm applicable in any period and everywhere”306 as false. Latin American economists sought to combat the homogeneity of the economics discipline, and wanted to eliminate social injustice, increase societal well-being, aim for material and cultural progress, and champion “the economic independence of the societies to which they belong[ed].”307

One conference attendant, from the economics department of the Universidad Católica de Chile, was frightened by these propositions. Nervous that these proposals could limit the school’s autonomy and infringe upon Catholic teachings, university administrators reached out to Albion Patterson. The dean of the Universidad Católica wrote to Patterson, “We are convinced that national economic development should be realized essentially through the initiative of private capital.”308 In 1954, the head of the school, Monsignor Alfredo Silva Santiago, approached Patterson to negotiate an agreement, and a contract was signed after less than a year of negotiations.

In June of 1955, a team of Chicago economists including Theodore Schultz, Simon Rottenberg, and Professor Arnold Harberger landed in Santiago to negotiate their mutual responsibilities. Between 1956 and 1964, the ICA and AID309 would provide one million dollars to fund the education of Universidad Católica graduates at the University of Chicago and

304 Quoted in Valdés, 119
305 Ibid
306 Ibid
307 Quoted in Valdés, 120
308 Ibid
309 Importantly, AID (the Agency for International Development) is not to be confused with USAID
Chicago School faculty research at Universidad Católica.\textsuperscript{310} Patterson’s Point Four Program would also supply an additional 350,000 dollars to support this initiative. Termed “Project Chile”, the final contract was signed on March 29-30, 1956.

The Universidad Católica had always been regarded as more conservative by Chilean academics and the public. Prior to its partnership with the University of Chicago, however, the Universidad Católica’s economics department was far less influential than that of Universidad de Chile. The latter was considered a “leading center of economic studies in the Latin American region”\textsuperscript{311} while the former did not even have a formal economics program or full-time faculty within its economics department. The Universidad Católica’s School of Commerce only taught principles of accounting, administration, and mathematics, and in 1955 introduced an economics curriculum. Their partnership with the University of Chicago sought to build an economics department that would rival that of the Universidad de Chile’s economics program in ideology and prestige.\textsuperscript{312} After all, the Universidad Católica’s economics department was attempting to combat the influence of “Marxist, left-wing oriented economists…who ha[d] infiltrated the Chilean government and economy.”\textsuperscript{313} Economists at Universidad Católica understood by then how important university training was in dictating “a country's political as well as…economic orientation.”\textsuperscript{314}

5. The Chicago School’s Chilean Immersion

The initial partnership, between 1956 and 1964, produced twenty-six Chilean graduate students at the University of Chicago, many of whom went on to doctoral programs or to teach

\textsuperscript{310} Biglaiser, 274
\textsuperscript{311} Valdés, 117
\textsuperscript{312} Biglaiser, 274
\textsuperscript{313} Valdés, 127
\textsuperscript{314} Valdés, 127
economics at the Universidad Católica. This “first wave” established a monetarist curriculum at the school.\(^{315}\) Friedman would later claim that he played a small role in the Chicago School’s presence in Chile, as Arnold Harberger was the key liaison. As the main advocate for Chilean students, Harberger championed the Chicago School’s “extensive acceptance of Latin American students.”\(^{316}\) Unlike Harvard and MIT, who in the late 1950s only had five to six Latin American students, the University of Chicago boasted forty to fifty exchange students and was willing to provide Chileans with extra instruction and training “in order to be at the same academic level as their American counterparts.”\(^{317}\)

The School of Economics at Universidad Católica eventually received its own campus in the 1960s, complete with brand new facilities. This upgrade in physical infrastructure was secondary, however, to professors’ desire to prevent “the ideological contamination of their students resulting from contact with sociology and law students, both highly politicized schools, and with the rest of the university.”\(^{318}\) These external influences were deemed to be “detrimental to the esprit de corps that they wished to create.”\(^{319}\) By the early 1970s, approximately 100 students had gone through this program.

This partnership between these two schools was slowly influencing economic discourse within Chile. The “Chicago Boys”, as graduates from this program became known, were able to not only shape the business and media sectors but eventually the political and social spheres of Chilean life. Connections to the entrepreneurial Edwards Group, led by Agustín Edwards Eastman, allowed the Chicago Boys to begin working in the business world. The partnership with the University of Chicago formally came to an end in 1973. That year, a Chicago Boy by

\(^{315}\) Valdés, 112
\(^{316}\) Brender, 119
\(^{317}\) Ibid
\(^{318}\) Ibid
\(^{319}\) Valdés, 230
the name of Sergio de Castro was appointed as dean of the Catholic University. He received financial support from the Edwards Group, which employed alumni and professors as research directors at the influential Banco A. Edwards and as executives within their various enterprises and firms. The Chicago Boys employed by the Edwards Group ruthlessly bought up shares in the dying Mortgage Bank of Chile (Banco Hipotecario de Chile, or BHC) to eventually own the institution. These Chicago Boys in the finance sector were known as “las pirañas” (‘the piranhas’).

Due to their “aggressive and unconventional business practices”, the Edwards Group brought in several Chicago Boys to the Center for Social and Economic Studies (CESEC), a neoliberal think tank, in 1963. The Group also invited the Chicago-trained Chileans to host their own section in their newspaper El Mercurio, “the country’s most influential conservative daily” which was also owned by the Edwards Group. This newspaper was crucial to the efforts to bring down Allende. At one point, Agustin Edwards even asked President Nixon and Secretary of State Henry Kissinger to topple the new Chilean government. In the 1970s, El Mercurio also helped sell the concept of economic science to Chileans as necessary to “regulat[ing] entrepreneurial activity…. [and] subordinat[ing] political principles regarding the state’s organization and the country’s social structure.”

The Monday Club, another group of Chicago-trained economists, entrepreneurs, and other Allende dissenters, met in El Mercurio’s publishing house to discuss the plans of the Industrial Trade Union Association (SOFOFA) during the early 1970s. Their discussion entailed scrutinizing the country’s current economic situation, analyzing predictions, and creating

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320 Clark, 1352
321 Ibid
322 Valdés, 247
323 Valdés, 234
324 Valdés, 247
new policy recommendations. During Allende’s first year of government in 1970, the economy grew at a rate of eight percent, more than double what it had been before. Wages and income distribution increased while inflation fell from 36.2 to 22.1 percent. Unemployment also dropped to a record low of 3.8 percent. While the Monday Club was initially disappointed with how well the economy was performing, they could also sense an inflation spike arising, and in August 1972, the group began to outline an economic strategy that a new administration could implement. Ten monetarists worked on various economic topics ranging from agricultural matters to income redistribution to the nationalization of companies.

The work of the Monday Club was highly secretive because they thought such policies could only be implemented if Allende’s term was ended through force, As Orlando Sáenz, president of SOFOFA, argued, “Allende’s government was incompatible with freedom in Chile and with the existence of private enterprise, and that the only way to avoid the end was to overthrow the government.” Chicago-trained economists like Sergio Undurraga and Alvaro Bardón became connected with representatives from the National Party (PN) and the Christian Democrats (DC), feeding them the economic information necessary to attack Allende’s policies. Emilio Sanfuentes, also an economist, helped disseminate the Monday Club’s critiques and analyses of Allende’s policies in right-wing publications like the magazines, Portada and Que Pasa.

In February 1972, Undurraga and Bardón predicted that by the end of the year, inflation would shoot to over 180 percent. The wages and subsidies to state firms continued to increase faster than Allende’s government had anticipated: tax revenue declined and by 1972, the fiscal deficit swelled to 24.5 percent of the gross national product and by 1973, to 30.5 percent.

325 Ibid
326 Valdés, 250
327 Valdés, 251
The inflation rate, by the end of 1972, was double what Undurraga and Bardón had predicted — rising to 260.5 percent and a whopping 605.1 percent by the end of 1973. Chile was by then in a period of profound and unprecedented economic collapse. The coup on September 11th, 1973 halted any opportunity for Allende’s team to implement another course of action.

6. The New Chilean Economic Policy

In the days after the coup occurred, it was evident that the Junta had no definitive economic vision for Chile. The armed forces had no experience in government and “knew little about economic matters” yet the military members chose to occupy all ministerial positions during the first year in power. The generals were certain, however, that this new government project would not resemble Allende’s economic and social policy. The military was compelled to act in this form, not because they were certain of their own leadership prowess, but “rather in reaction to something they regarded as a grave threat to National Security and to their own institutional survival – the Allende administration and the ever more radical political and social situation.” The military Junta’s National Reconstruction Plan, instituted in their first few weeks of power, “implied a profound reform aimed at erasing every trace of Marxism and structuralism and securing support and stability for the new regime.” To this end, the Junta infiltrated university administrations to remove all leftists and leftist sympathizers from their economic departments by brutal means.

Several actors supported the coup, including trade unions within SOFOFA; political organizations; conservative parties and extreme rightwing groups; business associations; and

328 Oppenheim. Politics in Chile, 141
329 Valdés, 16
331 Biglaiser, 276
media publications like *El Mercurio*. Rather than consult other politicians for advice, “the Armed Forces wished to demonstrate their independence from any political grouping”\textsuperscript{332} and prior to the coup, refused to work with any established interest group in Chile. Their desire for autonomy made creating a unified and coherent strategy all the more difficult, even when various economic ideologies existed as options, from “the centrist developmentalism of the Christian Democrats with its mixed economy, directive state, and protected industries” to the right-wing, free-market capitalism espoused by the Chicago Boys.\textsuperscript{333} Two political groups attracted the military’s attention, the *Duros* and the *Blandos*. The *Duros* was made up of hardliners and nationalists, who were inspired by Gremialism and authoritarianism. The *Blandos* were considered moderates, and made up mostly of Chicago Boys who supported Pinochet to carry out their project — rather than because they were committed to long-term military rule.

The Chicago Boys did not surface when the Junta came to power; as they only officially entered the government in 1974, the Navy initially took control of the economy despite their lack of technical background and link to an established ideology. They were staunch believers in market-led growth with government intervention that increased productivity. Chilean naval officers’ “middle and upper-class roots and conservative traditions…[caused them to] instinctively favor liberal economic policies and loathe the Socialist project represented by the Popular Unity.”\textsuperscript{334} With inflation exceeding 800 percent by 1972, goods in short supply, and industry stagnated by “prolonged social conflict”, the officers prioritized curbing inflation, balancing the budget, and implementing moderate cuts in government spending.\textsuperscript{335} Along with the Navy, an emergency economic team was formed which featured several Christian Democrats who had worked under Eduardo Frei, including Raul Sáez, who returned to his post as Minister.

\textsuperscript{332} Valdés, 16
\textsuperscript{333} Peter Winn. *Victims of the Chilean miracle*, 25
\textsuperscript{334} Valdés, 17
\textsuperscript{335} Valdés, 21
of Finance.

The military was well aware that while it would be “easy to overthrow Allende, the important thing [would be] what to do with the government; how to solve the economic problem.”336 Before the coup was carried out, the Navy decided to turn to the Monday Club for economic advice. Roberto Kelly, a former naval officer, had read about the Chicago Boys and their ideas in *El Mercurio*,337 and asked its advisory board president, Hernán Cubillos, to connect him with the Monday Club. Kelly was impressed by how this team had secured funding from the CIA and other Chilean business organizations to create an economic program that could be implemented in the event of Allende’s Popular Unity party being overthrown. The military came to revere the newspaper for its role in ousting Allende.

In August 1972, Roberto Kelly approached the Monday Club to ask if they could produce an economic plan for the Junta. The team promised to provide the Navy with a document, which came to be known as *El Ladrillo* (the Brick), in 30 days. Economist Emilio Sanfuentes handed over a summary of this document to Kelly, who in turn passed it up to the Navy admirals. After the admirals demonstrated sufficient interest in their proposals, economists de Castro and Undurraga began copyediting the original document, sending the Navy a page at a time. On September 11th, 1973, the photocopying machines at El Mercurio tirelessly worked to print out multiple copies of this long document. And as Juan Gabriel Valdés writes, “[b]efore midday on Wednesday September 12th 1973, the general officers of the armed forces who performed governmental duties had the plan on their desks.”338

This 189-page proposal, delivered to the military immediately after the coup, entailed a vision inspired by the ideas of Milton Friedman. It proposed that the state was to remain

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336 Valdés, 17
337 Valdés, 252
338 Ibid
non-interventionist and let the market dominate. Despite the Chilean military’s national security doctrine which placed the interests of the state over the individual, in economic terms, an individual’s economic freedom was to become paramount. Privatization was both an economic and social goal. The Chicago Boys believed market forces could guide the organization of society, their aim being to:

change the way Chileans thought about the world, their very mentality. They wanted the market approach, the belief in individual action rather than state responsibility, to permeate all of society. This was the real revolution. It was a structural revolution of a very different sort, one based on neoliberal thinking, which they hoped would change the very culture of the country.  

Friedman proudly wrote in his autobiography, Two Lucky People, that “thanks to their training, our students were almost the only economists in Chile who had not been involved with or favorable to the Allende government.”

Yet for the first year and a half after the coup, the generals ignored the Chicago Boys’ proposals and opted instead for the military to take charge. Some Chicago Boys occupied low-level positions in the Ministry of Economy and Central Bank, while the Duros took charge in promoting nationalistic political tendencies. The Duros’ policies included reducing tariffs, devaluing the exchange rate, and privatizing companies, and while the government deficit decreased and inflation dropped to 375 percent from its 600 percent high in 1972, unemployment continued to rise while wages fell. It was “tepid economic success [that] led Pinochet to search for alternative solutions.”

In 1975, the inflation still raged and a global recession triggered a severe economic crisis in Chile. The Chicago Boys were initially restricted to an advisory position, but their views became more dominant as the military’s approach to the economy was floundering and the

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339 Oppenheim, 140
340 Friedman and Friedman, Two Lucky People, 398
341 Brender, 124
Chicago trained economists’ “proposed policies appeared to be internally consistent.”342 Roberto Kelly, who brought the Chicago Boys into government, was named Director of the National Planning Office (ODEPLAN) in 1973. Created by President Eduardo Frei in 1967, ODEPLAN became the state agency in charge of recruiting technocrats to government posts, generating principal economic reforms like the privatization of the pension and health care systems along with state-owned companies, and acting as the “social conscience” of the neoliberal model.343 ODEPLAN worked closely with the Navy and the economics department at the Catholic University, and quickly legitimized itself as an efficient and successful team. Miguel Kast, a former Chicago Boy, set up scholarships for post-graduate studies abroad, which “improved[d] the capacity of the administration’s staff [and became]... a means to recruit civil servants.”344

Kelly realized that ODEPLAN was a “gold mine”, that it “could be an important nexus between the liberal civilian economists and the military.”345 Kast and Kelly ushered in several Chicago Boys, who began creating plans around tax and social security reform, labor legislation, and trade liberalization. In the words of economists Carlos Ruiz and Víctor Orellan, they were “incubat[ing] the new state.”346 Admiral José Toribio Merino, the Navy’s commander-in-chief and one of the executors of the coup, formally asked the Chicago Boys to work with the Junta government in 1974. The Chicago Boys impressed Pinochet with their confidence, youth, technical training, expertise, knowledge, and self-assuredness. They espoused the same economic approach that international financial circles favored; they were technocrats rather than politicians which, in the view of the military government, made their first loyalty their

344 C. Huneus, “Technocrats and Politicians in an Authoritarian Regime,” 464
345 Clark, 1352
346 Ibid
“professional field, [rather than] any political party.”³⁴⁷

With the appointment in 1975 of Sergio de Castro and Jorge Cauas as Minister of the Economy and Minister of Finance, respectively, the “consolidation of Chicago Boy power” was officially sealed.³⁴⁸ Decree Law 966, passed in 1975, also provided the Finance Ministry with control over the economy, agriculture, mining, labor, social security, public health, housing and urbanization, as well as over the Economic Development Agency. The Chicago Boys, loyal to General Pinochet, helped oust his opponent, Air Force General Leigh, from the Junta because he favored a more “traditional and corporatist approach to social and economic policy.”³⁴⁹ Neoliberalism was firmly established as Chile’s economic doctrine. Pinochet was pleased by the Chicago Boys’ arrogance and clarity of arguments, along with their connections to the U.S. and their intent on promoting efficiency and modernization. Pinochet also benefitted from their model’s reliance on deindustrialization, which decimated the industrial working class, or the Left’s central social base, by making them “the chief victims of their neoliberal policies, punished for their leading role in Allende’s democratic road to socialism—an appealing moralization of economic policy.”³⁵⁰

Neoliberalism was not only an economic theory but an ideology that spurred on a cultural revolution. The Chicago Boys sought to impose market logic not only upon economic structures but upon the structure of society. De Castro would “echo Hayek when he observed that in the reconstructed Chile, ‘the community expresses itself through market prices.’”³⁵¹ By extending the market model to the rest of society, they could catalyze a “fundamental readjustment of state-society relations.”³⁵² With the private sector pushing forth change and the state removed

³⁴⁷ Oppenheim, 140
³⁴⁸ Clark, 1352
³⁴⁹ Clark, 1353
³⁵⁰ Winn, Victims, 27
³⁵¹ Clark, 1354
³⁵² Oppenheim, 147
from its role as redistributor, Chileans could now act as “self-interested rationally calculating individuals operating in a free market environment.” Individualism would replace the old and familiar collectivist ideas in Chile.

Constructing a market society and subsidiary state would involve the construction of a capitalist elite who could reshape the state and civil society, alongside “the individualization, privatization, and marketization of civil society subjectivities.” While it was claimed that these social modernizations were building a more efficient and productive system, they covertly helped “reorganize the processes of identity formation and the pathways of interest articulation and aggregation, individual advancement, and social reproduction.” In order to erase and replace the collectivist ideals which had formed through a dependence on the state, the Chicago Boys wanted citizens to articulate and form their identities through the market. Thus, “competitive individualism [was] elevated and business people and markets were presented as the drivers and mechanisms of social progress.”

The notion of economic science helped justify this pivot towards the free market model. The Chicago Boys termed the market as the only place to exercise liberty and the “locus for science.” By creating one authoritative economic rationality that was justified as empirically true, other economic alternatives remained stifled since they were chosen by “moral and ideological judgment” rather than the rules of nature. As Jose Piñera stated, “the laws of economic science merely unearth and reveal objective aspects of reality, a reality which cannot be ignored because it is known that to act against nature is counterproductive and self-deceiving.” Valdes explains this phenomenon:

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353 Oppenheim, 146
354 Clark, 1351
355 Clark, 1357
356 Ibid
357 Valdés, 31
358 Ibid
359 Ibid
The Chicago boys immediately converted a set of economic objectives into the sole determinant of all that was socially desirable. Economic analysis was subsequently extended to other areas of social activity, including a proposed ideal “modern individual”: competitive and acquisitive, he was supposed to spawn a culture in tune with his own reproduction and the creation of a “nation of owners.”

By acknowledging economics as a science, the Chicago Boys could imply the government had “less power….since [it] loses responsibility for making [economic] decisions” which would return the power of decision making to individuals.

The Chicago Boys became far more than state technocrats; a politically committed group, they “were the principal agents of this social revolution and the bearers of its new hegemonic rationality.” The Chicago Boys chose the University of Chicago as representative of scientific prestige. One economist spoke about his years at the Chicago School with “true inspiration as if he had entered into a total commitment and with society, as if a model which extends beyond account economics was being created there, one which offers answers to a wide range of existential issues.” Another economist saw the school as defined by its “absolute respect for rationality and empiricism as applied to the study of economic science and also to the policies it recommends.” These principles incubated at the Chicago School began to define Chilean development. Chile was a unique model of economic rationality, which established a precedent that would later come to define most economic models across the world. After the publication of the 1981 Constitution, the second phase of neoliberalism in Chile sought to remove obstacles to attaining individual liberty — unions, trade guilds, and the public health system “prevent[ed] the consumer from freely choosing…”

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360 Valdés, 6
361 Valdés, 31
362 Clark, 1351
363 Valdés, 36
364 Valdés, 35
As the first example of “applying the rules of economic orthodoxy to a developing country”\textsuperscript{365} Chile was often considered a laboratory for these free-market ideals. ICA representatives in Chile “sought an interlocutor who would permit them to start an ‘experiment’ that involved inserting in Chile the most conservative economic ideas regarding a free market economy that were being proposed in the United States.”\textsuperscript{366} The Chicago Reports termed Chile as “a laboratory” which investigated the concept of human capital creation.\textsuperscript{367} The economic model was praised “as an astonishing and admirable experiment” that “economists, bankers, philosophers, and political scientists”\textsuperscript{368} paid tribute to. Friedrich Von Hayek, Milton Friedman, and Arnold Harberger all visited to praise this “experiment in ‘freedom.’”\textsuperscript{369}

The Chicago Boys were well aware of the revolutionary potential of their work. Hernán Büchi spoke in admiration of the military regime’s ability to host “an authentic revolution in the productive and social structure, in the orientation of its development, and in the perceptions of the people.”\textsuperscript{370} Pablo Baraona, who eventually became Minister of the Economy in 1989, described the military regime’s key role as restoring “in the eyes of the public the role of private enterprise in economic development.”\textsuperscript{371} The process of “state emasculation in the economic and social arenas was conducted by its own institutions, backed by those who ran them.”\textsuperscript{372}

The Chicago Boys were not only the primary actors in making neoliberalism hegemonic throughout Chile but its primary beneficiaries as well. Chicago Boys were often connected to financial conglomerates, providing loans to the institutions they were financially vested in.\textsuperscript{373}

The purging of “radicals” opposed to the Chicago Boys’ philosophy further solidified the

\textsuperscript{365} Valdés, 2  
\textsuperscript{366} Valdés, 49  
\textsuperscript{367} Ibid  
\textsuperscript{368} Valdés, 38  
\textsuperscript{369} Ibid  
\textsuperscript{370} Clark, 1354  
\textsuperscript{371} Clark, 1357  
\textsuperscript{372} Valdés, 4  
\textsuperscript{373} Clark, 1356
dominance of neoliberalism. Professors associated with the ECLA and Prebisch-style development were “marginalized”, while the economics department at the Catholic University was further reinforced by ODEPLAN funding. Businessmen associated with the Chicago Boys and the Catholic University went on to found their own private universities, in response to the education-reform law of 1980, which also featured business-oriented curricula with pro-market tendencies.\textsuperscript{374}

Media like \textit{El Mercurio}, alongside think tanks like the Center for Public Studies (CEP) and Liberty and Development (LyD) further advanced the Chicago Boys’ ideological project. The CEP became the “neurological center of business thinking”, aiming to “not only… influence and shape debates over public policy but also… train the business community in the new ideological vision of markets and private enterprise as the vehicles for social progress.”\textsuperscript{375} This systematic indoctrination, carried out through public and private education, reinforced that the Chicago Boys’ positions were “based on the teachings of economic science.”\textsuperscript{376} Science would triumph over “ideologies and individual peculiarities.”\textsuperscript{377} This emphasis on evidence legitimized the ideology of neoliberalism as natural and factual.

\textsuperscript{374} Ibid
\textsuperscript{375} Clark, 1357
\textsuperscript{376} Valdés, 32
\textsuperscript{377} Ibid
Chapter Three

Making Gringos Chilenos:

Development Shifts in Chile from 1970 to 1988

1. Introduction

Understanding why and how the United States manufactured regime change in Chile contextualizes the development shifts which occurred in Chile during the 1970s and 1980s. American interference in Chilean politics helped usher in a new economic system in the country, which entirely repudiated the previous order — in ethos and in practice. In this chapter, I plan to explore the specifics of how development imperatives shifted from 1970 to 1988. Allende’s leadership saw the state as a vehicle for bettering social protections for workers and consumers. The state belonged to the people, and the Popular Unity coalition intended to disempower the role of corporations and foreign interests in Chile’s development.

A cruel irony underlies the fact that corporations and foreign interests would disempower Allende — quite literally. Allende’s death marked the death of the People’s State. Pinochet’s undemocratic and authoritarian regime feared and targeted the very people Allende sought to platform while working for the corporations Allende promised to regulate. Under the Junta, the state became a conduit for wealth generation rather than the guarantor of welfare. Notably, this wealth was inaccessible to most Chileans; though the unregulated free market’s profits were intended to trickle down, lax governance encouraged corporate greed and wealth hoarding. With increasing inequality, Chilean society fundamentally shifted from a model of collectivism to a survival-driven individualism.
This chapter highlights the changes in economic and social policy under Allende and Pinochet, as well as each government’s understood successes and failures — while considering what the metrics of success are or should be. Pinochet’s violent enforcement tactics enabled its longevity, but his rule was legitimized by the West through their celebration of his novel economic policies. Allende’s term failed before he was ever elected, for the United States had identified him as a threat to be eliminated, by “whatever means necessary.”

2. Ethos

A friendship with an elderly Anarchist shoemaker sparked Salvador Allende’s introduction to leftist politics during his teenage years, in the early 1920s. His socialist viewpoints were solidified through his years as a medical student, where he read Marx and wrote his final thesis on the social causes of health issues. He recalled how his time as a student exposed him to “the tragedy of poverty.”\textsuperscript{378} While in medical school, Allende lived as a boarder in a poorer neighborhood of Santiago where he “came to know at close quarters the misery, lack of housing, lack of medical care, and lack of education of the Chilean people…socialism was the only solution to these problems…”\textsuperscript{379} In 1933, Allende helped found the Socialist Party alongside his cousin, Marmaduke Grove, who had led a short-lived socialist government the year prior. Allende was elected to Congress in 1937 at the age of twenty-nine.

The Socialist Party soon joined the Chilean Popular Front, allying itself with the Communist Parties and the much larger Centrist Radical Party. The Front was short-lived and unsuccessful in its push for change, as internal conflict between the leftist coalitions “exploded into open hostilities” as the Cold War began.\textsuperscript{380} As Allende witnessed the centrists move towards

\textsuperscript{378} Peter Winn, \textit{Weavers of Revolution: the Yarur Workers and Chile’s Road to Socialism} (New York: Oxford University Press, 1996), 9
\textsuperscript{379} Winn, \textit{Weavers of Revolution}, 10
\textsuperscript{380} Winn, 11
the right and the leftists feud among themselves, he realized that these divisions endangered progress. The “success of the popular movement in Chile depended on the unity of the parties of the working class, despite the differences in rivalries among them.” Allende believed that the country’s socialist transformation could occur in cooperation with the other parties and through its existing institutions. Other Latin American countries found that their socialism “largely embraced Allende’s legacy to build socialism through the ballot box.”

The mid 1900s saw the vast urbanization of Chile, with seventy percent of the nation’s population living in cities by 1970. This coincided with the rise of the industrial working class, which was a critical voting bloc for the Marxist Left; the labor movement was in full swing during these years, with twenty to thirty percent of the labor force having unionized. Even a more conservative candidate like Eduardo Frei of the Christian Democratic Party oversaw the rise of Dependency Theory, which advocated that imperialism and class inequality must factor into shaping future development plans. Alongside national autonomy, high rates of government spending, and state control of industry, Dependency Theory argued for the urban class to rise and “take political action for economic gains.”

The Popular Unity Coalition (UP), which supported Allende’s election as president in 1970, “represented a modified 1930s Popular Front strategy, [which was] given another chance in the very different conditions of 1970.” The UP’s platform championed the principles of Dependency Theory, arguing that socialism was not only possible, but necessary to reversing Chile’s underdeveloped and capitalist system. Allende assured the Chilean population that

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381 Ibid
385 Winn, 7
because there were few beneficiaries from this system, only a few would be negatively affected by these new policies. By uniting the urban poor, peasantry, and middle-class behind this socialist programme, Allende proudly declared that “the people of Chile [had] won the Government after a long road of generous sacrifices, and it [would be] fully involved in the task of installing economic democracy so that productive activity will operate in response to needs and social expectations and not in the interests of individual profit.”

Allende’s Democratic Road to Socialism stood in stark contrast to the authoritarian regime that would succeed him. Pinochet installed a vertical leadership model, using violence and fear to shape a nearly homogenous political, social, and economic landscape. Opposition and dissent were stifled as Pinochet’s vision for Chile became hegemonic by force. Favoring corporate aggrandizement over worker and consumer welfare, Pinochet did not see the state as responsible for alleviating social and economic inequality. Rather, the state’s role was only designed to maximize the free market’s gains.

A strange ironic tension existed between the Chicago Boys’ economic model and the social enforcement of this model. Rather than shrinking the state, Pinochet harnessed state power to push forward his cultural revolution. His advisors “argued, persuasively, that the establishment of a free market necessitated an authoritarian regime.” An ironic idea, that the free market needed to be forcefully imposed, was justified by a decades-long precedent establishing an interventionist state in Chile. The neoliberal technocrats and the socialist revolutionaries of the 60s and early 70s shared a “common desire to utilize the power of the state to carry out a revolutionary reconstruction of state and society. The main divergence was whether the revolutionary road would be socialist or capitalist.”

386 Faundez. “The Defeat of Politics: Chile under Allende”, 59
While some scholars claim that neoliberals wanted a shrunken and emaciated state, the Chicago Boys wanted to deploy state power to reconstruct society. Hernan Büchi, Pinochet’s Minister of Finance, spoke with great frustration about the tendency to link the Junta’s economic policy with deregulation. The Chicago Boys did not want to deregulate but instead sought “to construct new regulations and norms to govern economic and political activity.”389 They saw the “necessity of planning the global activities of the country”, but they believed that development plans in the past had simply been used to “establish mechanisms of control whose only objective is control for its own sake.”390

The process of creating a “subsidiary state” actively involved the state itself. The state reconstructed itself to elevate ideas of individualism, market competition, and a new capitalist elite to enforce a modified Chilean society. ODEPLAN observed how “the role of the state in the military regime [w]as ‘decisive in the socio-economic development of the country.”391 Government spending as a percentage of gross domestic product was higher in the years under Pinochet’s rule than under Allende’s administration.392 In order to sufficiently turn over planning to the private sector, “deploying the entire repressive power of the state military apparatus” became necessary to creating a “‘free society’ and this involved nothing less than the forging of liberty, particularly the sole type that mattered to them - economic liberty.”393 Only by weaponizing the military state could the free market and personal liberty become synonymous among Chileans. Political liberty could not exist without individual economic freedom.

Famed lawyer and former student of Hayek, Ernst-Ulrich Petersmann, wrote how “the common starting point of the neoliberal economic theory is the insight that in any

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389 Clark, “Rethinking Chile's 'Chicago Boys''”, 1354
390 Clark, 1354
391 Clark, 1355
392 Ibid
393 Valdés, 31
well-functioning market economy the ‘invisible hand’ of market competition must by necessity be complemented by the ‘visible hand’ of the law.”394 Despite the Chicago Boys attempting to separate themselves from Pinochet’s violence, calling it “inevitable, unfortunate, restricted only to isolated abuse”,395 these reforms were actualized precisely because of the authoritarian regime. As El Mercurio wrote, “The current experience would not have been feasible if exceptional conditions had not existed in politics and in labor.”396 Castro concurred with this thought, remarking that “a person’s actual freedom can only be ensured through an authoritarian regime that exercises power by implementing equal rules for everyone.”397 The oxymoronic quality of this statement was not contemporaneously questioned.

3. Economic Policy

Allende’s socialist policies inherently involved the abolition of property. This would come about in three ways. Firstly, prices and wages would be controlled to “guide the productive capacity of the country towards the production of cheap and good quality consumer articles.”398 Secondly, the flow of money would be directed “towards the real needs of the market, together with the redistribution of credit and the avoidance of usury in the money trade.”399 Lastly, the foreign trade policy would emphasize the development and diversification of exports, the opening-up of new markets, and self-sufficiency. Allende used the state apparatus to reorient resources towards poor and middle-class Chilean workers. Shortly after Allende took office, his Minister of Economy, Pedro Vuskovic, stated that “state control is projected to destroy the

394 Quinn Slobodian. Globalists: The End of Empire and the Birth of Neoliberalism (Cambridge: Harvard University Press, 2018), 70
395 Valdés, 30
396 Valdés, 29
397 Valdés, 30
398 Espinosa, “Salvador Allende's development policy”, 101
399 Espinosa, 101
economic base of imperialism and class domination by ending private property of the means of production.”

Public ownership became the means of ensuring a more equitable distribution of wealth and power. Allende sought to liberate the copper, iron, nitrate and coal mines from foreign control; private banks and insurance companies, which had long held a monopoly on credit, were to be state-owned. Through nationalizing these industries, Chile could create a “dominant public sector” to steer the nation’s social and economic development. These policies hoped to “end Chile's economic stagflation and to give national economic development priority over private pecuniary gain.” Enterprises were to be publicly and privately owned; land reform was to be extended to those most marginalized with preference for “cooperative ownership”; estate planning “would replace ‘the irrationality of the market.” The private financial system would also be socialized.

When Allende came into office, seventy-eight percent of all private assets were owned by just seventeen percent of all firms. Three U.S.-based multinational companies managed all large operations in Chile’s mining sector, which made up sixty percent of Chile’s total exports. By some metrics, “the socioeconomic situation of many Chileans appeared to be objectively worse at the end of the 1960s than it was in the middle decades of the twentieth century, when Allende embarked on a career in politics.” One economist revealed that from 1950 to 1970, the purchasing power of Chile’s living wage had significantly decreased. A 1970 government economic report estimated that nearly half of Chile’s formally employed population, or 1.25 million people, lived on an income well below the minimum wage. Inflation also chipped away

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400 Espinosa, 100
401 Winn, Weavers of Revolution, 300
402 Winn, Weavers of Revolution, 40
403 Winn, Weavers of Revolution, 58
404 Winn, Weavers of Revolution, 75
at consumers’ purchasing power, with local food markets “labeling basic food items, like pasta and rice, with superficial superlatives like ‘special’ and ‘extra’ to justify—and obfuscate—price markups.”

Thus, Allende’s promise to bring about the end to inflation particularly resonated with workers. Medical care was also difficult to access, with one-third of the country’s adult population and half of the youth population affected by chronic malnutrition. One 1970 study claimed that “‘an acceptable level of [human] development’ was ‘unlikely to be reached’ in a country, like Chile, where such a large part of the population still consumed a diet so deficient in protein.”

Allende promised to place “social needs…like health care, nutrition, education, and housing…above the economic interests of domestic monopolies, foreign corporations, private banks, and Chile’s landowning class.” The People’s Government drafted a list of forty social welfare measures, including the implementation of higher cash transfers to poor families, free school breakfast and lunch programs for elementary-aged students, and an expanded milk distribution initiative for young children which provided a pint of milk a day to each child in Chile. Other measures included expanded health services for the poor which encompassed more accessible health clinics, vaccinations, and family planning services and abortion clinics. Alongside constructing more daycare centers and low-income housing, the UP hoped to create a nationally unified educational system “to increase the number of scholarships, build more schools, decrease literacy, and provide adult education and children's daycare facilities.” The UP also “called for the strict enforcement of rent controls, universal access to basic medical

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405 Winn, Weavers of Revolution, 100
406 Winn, Weavers of Revolution, 120
407 Winn, Weavers of Revolution, 130
408 Lois Oppenheim. *Politics in Chile: Democracy, Authoritarianism, And The Search For Development* (Boulder: Routledge Press, 2007), 42
exams and medicines…. and the establishment of a fair tax system, which included the abolition of regressive consumption taxes on things like basic foodstuffs.”

Democratic rule accompanied the implementation of these socialist policies. Institutional reforms were put in place to decentralize power and “increase popular participation”; assemblies were established on the regional and neighborhood level while the Bicameral National Congress was replaced by a single chamber entitled the “People’s Assembly.” The program believed that this “new power structure will be built up from the grassroots by extending democracy at all levels.” As historian Peter Winn writes, “economic democracy would be guaranteed by worker participation in the administration of the public sector enterprises and in the planning process.”

The egalitarian ethos of the Popular Unity policies revealed themselves in promises of “free milk, medical care, and basic education to all children.”

By April of 1971, these policies were beginning to revitalize the economy, as production increased and unemployment declined. By using price controls rather than wage freezes to control inflation, Allende placed the burden of funding social services on businesses rather than workers and consumers. With promises to eliminate unemployment and increase real incomes, his agenda aimed “to resolve the immediate problems of the great majority.”

Appealing to middle-and lower working class people, blue and white-collar workers, intellectuals and peasants, “it contained something for almost everybody…[with] particular assurances to the non-marxist middle class that a popular unity victory would only benefit them and hurt only ‘monopolists’ and ‘imperialists.’” Many of those in Allende’s coalition feared his rule as being too bourgeois or too revolutionary, as Allende asserted later on: “It was the people who chose

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409 Winn, Weavers of Revolution, 120
410 Winn, Weavers of Revolution, 64
411 Ibid
412 Ibid
413 Ibid
414 Ibid
415 Winn, Weavers of Revolution, 65
me. My own party was against me. The leaders of the Popular Unity were against me. But the people made me their candidate.”

Pinochet was certainly not elected by the Chilean people, and the brutality that characterized his rise would come to foreshadow his rule. Friedman, who visited Chile in 1975, met with Pinochet and suggested that he implement drastic cuts in government spending. Utterly disinterested in investigating the political and moral underpinnings of the Pinochet government, Friedman argued that the country was far better off than under Allende’s government, and claimed that “Chilean problems are made in Chile” — an ironic message after the past five years of U.S. manufactured chaos. Friedman diagnosed Chile as economically diseased and suggested that “social market economy is the only medicine…. No country in the world has been successful in improving its economy using any other method than the free market.”

Friedman believed that economic freedom was paramount to a free society. In his writings, he argued that “economic freedom is also an indispensable means toward the achievement of political freedom…. The kind of economic organization that provides economic freedom directly, namely, competitive capitalism, also promotes political freedom because it separates economic power from political power and in this way enables one to offset the other.” He even equated the Allende regime’s “threat of a left-wing dictatorship” with the military junta coup; however, in his view, the junta “at least leaves more room for individual initiative and for a private sphere of life.”

By placing several Chicago Boys within key economic positions, the Junta ensured that its seventeen-year lifespan would undo every reform that Allende put in place. By May 1974, 21

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415 Winn, Weavers of Revolution, 66
417 Edwards and Montes, “Milton Friedman in Chile,” 111
418 Edwards and Montes, 114
419 Edwards and Montes, 115
factories that were nationalized by the Allende administration were returned to their previous owners. Friedman advocated that Chile go further and take on a “shock treatment”, the kind that Japan and Germany had undergone after World War Two. This would involve “eliminating price and wage controls, strengthening the fiscal situation in order to eradicate the fiscal deficit, and keeping a strict limit on the quantity of money.”

Reducing public spending by twenty to twenty-five percent and removing regulations on the private sector was also recommended to slash the inflation rate, which stood at 700 percent by the end of 1973. Joel Stillerman argues that the Chicago Boys were already in the midst of implementing this proposed treatment by the time Friedman arrived in 1975. In a letter dated May 16, 1975, Pinochet responded to Friedman’s correspondence detailing these neoliberal suggestions, Pinochet assured him that they were on the same page:

The valuable approaches and appraisals drawn from an analysis of the text of your letter coincide for the most part with the National Recovery Plan proposed by the Secretary of the Treasury, Mr. Jorge Cauas. The Plan is being fully applied at the present time—a plan for which we have high expectations of advancing the Chilean economy.

Jorge Cauas, a Christian Democrat who had been named Pinochet’s Minister of Finance in 1974, had indeed begun the “National Recovery Plan” on April 24, 1975. This proposal opened up the economy to international competition — relying less on an export-based model, unlike the prior progressive leaders — and began privatizing the hundreds of banks and state-owned enterprises that had been expropriated under Allende. Business regulations were discarded. A *New York Times* article from November 4th of that year wrote of the inflation rate dropping by more than fifty percent, falling from twenty percent in June to nine percent in September. The *Washington Post* highlighted this reduction, but pointed out that the situation

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420 Edwards and Montes, 111
421 Edwards and Montes, 111
was “still grim for the poor.” The “suffering” and “social cost” of these policies were even more unexpected than Pinochet had considered, as 45,000 government employees were fired that year alone.

By 1977, the program seemed to meet its original goals. Inflation had fallen to eighty four percent while GDP grew almost 10 percent per year. However, the harsh and regressive austerity program required an equally “ruthless and massive repression to implement.” Strikes and collective bargaining were outlawed; price controls and consumer goods subsidies were abolished while wages were frozen. The price of bread skyrocketed to over a thousand percent of its initial value while real wages fell by fifty percent in the six months following the coup. Labor’s share of the national income, which “had risen to 66 percent in 1972”, fell by fifty percent.

4. Land and Agrarian Reform

The UP hoped to socialize a large proportion of its economy. The enterprises would either be state-owned in a social property area, owned partially by the state and private hands in a mixed sector, or remain privately owned in a private property sector. Generally, “enterprises deemed critical to the economic development of the country” were to be socialized. This included banks, utilities, foreign commerce, and the mining, transport, communications, and petrochemicals industry. The UP also hoped that worker participation and ownership would be integral to the social property area.

In the final days of 1970, Allende began the process of expropriating Chilean land and resources. On December 21, Allende proposed an amendment to buy out American ownership of

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422 Edwards and Montes, 116
423 Edwards and Montes, 108
424 Winn, Weavers of Revolution, 121
425 Ibid
the Chilean copper mines, which totaled millions of dollars. On New Year's Eve, he “promised the Chilean people a special year end ‘bonus’: the nationalization of the country's private banks, using the mechanism of the stock market to acquire their shares as in any capitalist takeover.”

When he flew to the southern coal mine in Lota, he was greeted by cheering miners who relished his announcement that the government had majority ownership over the mine. In the next two weeks, Allende planned to buy out the “private shareholders of Chile's only steel mill” and publicly announced his interest in “purchas[ing] the nation's second largest iron mine from Bethlehem.”

By February, Allende had headquartered himself in Southern Cautin where the most rural land seizures were taking place — much to the delight of indigenous people and peasants in the area. Following in Frei’s footsteps, Allende’s expropriation of large agricultural states “‘freed’ a large number of landless agricultural laborers from the land.” The UP aimed to expropriate 1.5 million hectares of forest lands, which would “meet the needs of peasants, resident laborers, and the unemployed rural poor” in sustainably using the land’s resources. Allende also encouraged “cooperative and communal forms of agriculture over individual ownership of small plots.” In a 1971 speech, Allende explained that these land reform policies were “done…in order to preserve the reserves of native forests that have been implacably exploited for private profit, create sawmills, implement a policy of reforestation, and install a cellulose plant to provide jobs in this zone . . . in order to put an end to the misery [and] hunger . . . of the Chileans who work in sawmills and logging.”

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426 Winn, Weavers of Revolution, 74
427 Ibid
429 Oppenheim, 40
Pinochet’s government immediately reversed Allende’s land reform policies, returning all of the expropriated land to their previous owners. They were disinterested in continuing the state-run wood, pulp, and paper industries, which they believed was a failed UP project. Based on the Chicago Boys’ free-market policies, the Junta passed laws “to stimulate the privatization and growth of the forestry sector.” One such law, Decree-Law 701, prohibited the legal expropriation of forested land and not only allowed, but funded forestation with government-provided credits and lines of credit from the Central Bank. Because of the “guarantee against expropriation, as well as the low prices at which public land was auctioned off”, Decree-Law 701 allowed large corporations to amass ownership over large expanses of land. Forestry companies “began to expel inquilinos (tenants) from the private estates they purchased and to buy land from campesinos at low prices, establishing a monopoly over forests.” These companies monopolized the land to grow cheap and profitable pine plantations, all the while receiving subsidies and credits from the state. Without access to agricultural lands, small landholders and campesinos (peasant workers) became cheap wage labor for these large companies.

Three major financial groups, Cruzat-Larrain, Matte-Alessandri, and Vial, replaced the multitude of small and medium-size landowners who once “played a significant role in the forestry industry in partnership with the state.” This monopoly also may have contributed to the drop in production rate — what once stood at 9.9 percent fell to an annual growth rate of 8.4 percent per year. Cruzat and Matte-Alessandri controlled fifty percent of pine plantations and one hundred percent of the cellulose industry. The three companies “owned 75 percent of plantations,

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431 Klubock, “Labor, Land, and Environmental Change,” 345
432 Klubock, 350
433 Klubock, 353
434 Klubock, 352
78 percent of industrial production, and 73 percent of exports and received 85 percent of the state subsidies and credits for forest cultivation and management.  

Importantly, these industries did not invest in new projects or expand industry; they solely profited off of “purchasing already existing companies at bargain prices and by accumulating lands for planting pines for which they received state subsidies and access to cheap credit.” Small landowners did not have the same access to credit and state subsidies that the large companies relied upon, the leader of the National Forestry Corporation (CONAF) workers’ union pointing out how small holdings ceased to exist because “the state doesn’t provide incentives or subsidies for the small producers. Only the large companies receive credits and incentives.” Having monopolized the sawmills and factories, these companies could also purchase wood at very low prices. The state employed force to eradicate the forestry labor unions, which had a lot of sway within the industry.

These pine plantations were not only endangering agricultural workers and small agricultural producers; they were eroding the region’s ecological biodiversity. The forestry companies burned native forests to the ground in order to plant pine trees, which were a cash crop. In hopes of protecting their investments, they also attempted “to displace smallholders and resident laborers from the margins of their expanding estates by establishing security zones protected by private guards on the outskirts of plantations.” Creating barriers to physically isolate campesinos — such as closing off roads or placing obstacles near their land — also aimed to exile the campesinos. These practices and frequent fires disturbed the residences and lifestyles of rural communities, who relied on the forests for firewood, water, and food. Pressured off their

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435 Klubock, 354
436 Klubock, 356
437 Klubock, 360
438 Ibid
land, many campesinos sold their land in frustration to these big companies and fled to the city. In turn, these large companies only grew more powerful.

Despite the belief that “privatization [and] the operation of market forces…would stimulate the modernization and development of the forestry industry”, the state was not removed from development; it heavily controlled certain market transactions and dynamics. The planting of one million hectares of pines “had been accomplished both through direct state action, state subsidies and credits, and pre-1973 investments in developing the forestry sector.”

While private capital invested one million dollars in forestation, the state had invested nearly nine million dollars in the industry by 1977. The state also sold off industries, plantations, and forests at “well under the value of the enterprises’ properties and assets to financial groups that had cultivated close relations with the regime.”

Allende made a concerted effort to help the small landholders and peasants by providing them “technical assistance and a subsidized credit system.” State-directed development aimed to create a horizontally integrated forestry production system, which “united the diverse steps in the production process, from planting and logging in the forests and producing lumber in sawmills, to industrial processing in large cellulose and paper factories.” Alongside the UP programme, strikes by the peasants and forestry workers, helped “preserve native forests from deforestation by private estates and logging companies and to manage sustainable exploitation to meet the needs of campesinos through CONAF. Though Pinochet believed the military regime’s policies enabled the growth of forestry production, they simply built upon a long tradition of Popular Front developmentalist policies. Reforestation of pine plantations began under Allende, and was accelerated beyond sustainable measures under Pinochet.

439 Klubock, 372
440 Ibid
441 Ibid
442 Klubock, 375
Pinochet’s agricultural reforms hoped to make Chile more competitive in the global market. Alongside importing “forty thousand tons of German-produced synthetic fertilizers and several thousand tons of high-quality barley and potato seeds” to improve agricultural productivity, there was an emphasis on producing goods that would make good exports rather than would meet domestic food needs. In other words, “food security—the ability of a nation to fulfill its citizens’ dietary needs—would be violently delinked from the idea of food sovereignty: the notion that all people have the right to consume healthy food and to exert democratic control over the agricultural system that produces such food.”

5. Housing

Under Allende and his predecessors, poor city dwellers in Santiago organized movements to demand access to home ownership. Through 1973, people would establish squatter settlements after seizing large tracts of land, and poblador, which literally means settler, began to connote “a uniquely political character as it began to refer to poor residents who had organized powerful social justice movements.” The UP’s housing justice project relied on the support of these pobladores, who saw themselves as “transformative, collective actors… one of the more recognizable social forces backing the socialist project of Salvador Allende.”

The pobladores lost power once Pinochet came into power. Occupation of urban lands became criminalized as the dictatorship “steadily quashed land occupations, carried out massive evictions of squatter settlements located in the wealthiest areas of Santiago, and killed hundreds of poor residents.” Urban development prioritized land usage that was most profitable. Land prices and speculation were controlled through “the displacement of squatter settlements and the
creation of socially homogeneous comunas (municipalities) in Santiago.” Yet urban land prices actually continuously increased, growing 1,000 percent between 1982 and 2012.

In the face of few options, low-income Chileans turned to sharing a home with relatives. Referred to as allegados, these poor families were conceptualized by the regime as “rational actors who would be able to obtain housing as a commodity in the private market. Homeownership, in that sense, came to be understood as the result of an individual effort rather than a collective one.” Though the state technically provided housing to residents, this process was framed as a voucher-system where low-income individuals received housing through the free-market — enabled by subsidies from the government, people could purchase homes built by real estate developers. Access to housing, once achieved through the collective action of pobladores, was now facilitated by market logic and rugged individualism; housing became a transaction between buyer and seller.

6. Consumption: Food

With the richest one percent of Chileans possessing “an income that was sixty-nine times greater than that of the poorest 10 percent” in 1970, increasing consumers’ purchasing power was vital to the UP agenda. To this end, infrastructural improvements were made to connect rural agricultural production with urbanizing consumer centers. The UP government established consumer education campaigns, which taught rural and urban consumers “how to prepare food…during times of economic plenty…. [and how] to embrace values of household thrift and resourcefulness when economic times got tough.” Wage increases and price controls were implemented, therefore, “to ensure that the anticipated bounty generated by agrarian reform

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448 Ibid
449 Peréz, 126
450 Frens-String, Hungry for Revolution 127
451 Frens-String, 4
settlements would be earmarked for the urban poor and working classes.”

Beginning in late 1971, the UP created “consumer committees” in the various neighborhoods of Santiago. Called juntas de abastecimiento y precios (supply and price control boards), these grassroots institutions helped facilitate the distribution of basic foods in the metropolitan areas of Chile. The militant UP members who organized this network, many of whom were women, were educated and trained by the state’s consumer protection agency to be accessible price inspectors and economic advisors. This democratization and decentralization of knowledge allowed “ordinary citizens [to] transmit new ideas about family nutrition and in-home food preparation to their fellow community members.” This system extended economic democracy and political participation to the masses’ everyday lives.

Flush with a large supply of fish from a partnership with the Soviets, the Allende Government implemented regular gatherings termed “Fish Days.” Here, “elected officials, activists from local mothers’ centers, supply and price control board members, and at times members of the national police and military, gathered to prepare and consume fresh seafood and other domestically produced foods that the Allende government made available at little or no cost.” Other neighborhoods began an event called Operation Merluza, which was a weeklong cooking exposition led by social workers, nutrition experts, and public health officials; female participants would often leave with “thirty ‘easy and economical recipes’ for preparing frozen Merluza that could be shared with their neighbors.”

State-building began to occur from the bottom-up, establishing a “dialectical relationship between state and society.” Joshua Frens-String writes that these fish distribution programs

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452 Ibid
453 Ibid
454 Frens-String, 151
455 Ibid
456 Frens-String, 6
were “examples of revolutionary praxis….to bring more poor and working people into contact with a nationally produced food product that was, at least in the popular imagination, still associated with elite consumption habits. [This] ‘substitution economy’ aimed to boost domestic consumption of protein-packed alternatives to scarce, prohibitively expensive beef.” As UP members would remark, “the revolution would be ‘flavored with empanadas and red wine.’”

National food sovereignty and nutritional abundance became critical to a more just economy; with more equitable food distribution, the national GDP also grew by eight percent in 1971. Domestic food production in particular rose as “production of flour grew by more than 14 percent, sugar by nearly 17 percent, condensed milk by nearly 26 percent, cooking oil by more than 31 percent, pasta noodles by more than 81 percent, and coffee by more than 155 percent.”

The milk distribution program became a symbol of the UP’s holistic approach to public health. Allende immediately moved to expand the program; what had previously been limited to Chile’s urban areas now involved thirteen hundred state clinics that reached 3.6 million children across the country. One survey suggested that 78 percent of families eligible for the program in Santiago were participants. The state increased its distribution of powdered milk from 13,700 tons in 1970 to 40,500 tons one year later; other data found that Chile’s overall consumption of milk increased by 39 percent between 1970 and 1972.

The organization of food distribution in Chile was constructed as a three-tiered pyramid. At the top sat large firms — many which were owned by foreign nationals — which controlled the distribution of imported and domestically produced foodstuffs. Semi-wholesalers were underneath, selling their food products at large supermarkets. Small neighborhood markets, at the

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457 Frens-String, 151
458 Frens-String, 1
459 Frens-String, 127
460 Frens-String, 130
bottom, were what “most consumers relied upon to meet their basic daily needs.” Recognizing the inefficient distribution of food to consumers, Allende sought to nationalize the companies at the top which in turn would leave the state alone in charge of wholesale distribution. The middle part of the pyramid would be eliminated, enabling small retailers — “butchers, bakers, small bodega-style dry goods purveyors, and neighborhood produce sellers” into consumer committee affiliates.

However, there was plenty of opposition towards UP policies. Anti-Allende protestors, many of whom were women, complained that Allende’s first year in office had only exacerbated Chile’s food scarcity and inflation. One November 1971 call to action read, “Daily we see that there is no meat, chicken, milk, noodles, and other essential items, and when we do find these products, we have to pay prices that are far beyond our resources.” These women would march down public streets with empty pots and pans to visually demonstrate their inability to feed their families. As one resident recalled in 2001:

The first year was good, so good. Everyone had money, you bought what you wanted. . . . But then things started to disappear and things got more difficult….many people that were for Allende started to turn against him because they lacked things. You went to buy a kilo of rice at the store and were told ‘there’s none,’ A liter of oil: ‘there’s none.’ There was nothing. . . . And the shop owners went around telling the people ‘It’s because of [the UP], poh.’ And so we became their enemies.

Other critics argued that the UP was spending too much money importing goods which could be produced in Chile, like milk and beef. In 1972, Chile imported 318 million dollars worth of food and 512 million dollars of food in 1973 “to make up for domestic shortfalls.” One commission concluded that the agricultural production levels were similar, if not lower than, what was recorded in 1936.

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461 Frens-String, 146
462 Frens-String, 139
463 Frens-String, 155
464 Frens-String, 171
With Pinochet ending price controls, the prices of basic goods — like bread — shot up by a thousand percent, in turn causing nutritional intake to fall. One study of Santiago shantytowns revealed that towards the end of the 1970s, “nearly three-quarters of the residents of the first community and two-thirds of the members of the latter community consumed less than the internationally recommended 2,319 calories per day….respondents indicated that somewhere between 75 and 80 percent of those calories were derived from nutrient-poor foods like flour, oils, fats, and sugar.” One housewife contrasted their current circumstances with that of their pre-Pinochet consumption, noting how “before you could buy milk, the kids drank the milk for breakfast, we ate meat more often…now you just see bones…now we don’t even have eggs because they’re so expensive…Fruit, to be frank, we almost never eat.”

While consumer goods were readily available under Pinochet, policies of liberalization, austerity, and privatization had left many without the money to purchase anything. Opponents of Pinochet protested this general economic insecurity through organizing hunger marches, planning neighborhood potlucks, and memorializing life before and after the 1973 coup through making patchwork tapestries. No longer was milk considered a “a basic social right of all children”; working-class communities were stripped of their ability to exercise control over their consumption. Instead, teachers taught young schoolchildren “how to compare prices, examine the terms and conditions of one’s purchases when buying on credit, and avoid making purchasing decision[s] under the pressure of a seller.” This consumer culture, though not remarkably different from its predecessors, emphasized the consumer’s agency and responsibility “that until present times had been held by the state.”

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465 Frens-String, 197
466 Ibid
467 Frens-String, 199
468 Frens-String, 200
469 Ibid
The welfare of Chileans was ensured through consumption rather than state protection. As consumers, they became “guardians and defenders of their own interests.”\textsuperscript{470} The Chicago Boys conceptualized consumption as “the most important personal freedom”, so the state stopped providing support to civilians.\textsuperscript{471} While Allende believed that the state should ensure the right to consumption, “the neoliberal Chilean state turned consumption into a narrow, individual economic act… it was an activity that was dictated by an individual’s time and ability to navigate the market.”\textsuperscript{472} Chicago Boy Álvaro Bardón believed that “the simple desire to consume motivated individuals to work hard and keep producing…. What does one work for and make sacrifices for if money doesn’t have any purchase?”\textsuperscript{473} Yet purchasing power continuously declined through Pinochet’s reign; inflation hit 400 percent while real income dropped by nearly 26 percent in 1975. By 1976, one-fifth and one-quarter of working-age Chileans were unemployed. However, this figure fails to account for the massive underemployment in Chile — people were still considered employed even if they could only secure work for twenty hours a week. With Chile’s vast underemployed population, nearly forty percent of working age-Chileans were not working full-time.

7. Labor and Gender

Allende’s program envisioned development being led “by the workers and placed at the service of the interests of the majority.”\textsuperscript{474} His United Nations speech on December 4th, 1972 argued that the old structure, “based on the exploitation of the workers and the domination of the

\textsuperscript{470} Ibid
\textsuperscript{471} Ibid
\textsuperscript{472} Ibid
\textsuperscript{473} Frens-String, 201
main means of production by a minority”, needed to be discarded.\textsuperscript{475} Through nationalizing banks and industry, Allende hoped to create a state-controlled social property area. His hope of making the state the driver of development stemmed from World War II, where Chilean industry was modernized after “the state emerged as the principal source of investment credit and as the chief risk taker in projects of uncertain profitability, long gestation, or large initial investment.”\textsuperscript{476} In the aftermath of the war, the “Chilean road to industrialization had been constructed, paved by the state and paid for by the consumer in the form of higher prices.”\textsuperscript{477}

Drafted in 1931, the existing Chilean Labor Code offered few protections for workers who were prohibited from organizing unions at larger facilities and engaging in industry-wide collective bargaining. Efficiency was paramount to the production process, so the workload became a “capitalist stream…[and] a worker's nightmare.”\textsuperscript{478} The Yarur textile mill — owned by Palestinian immigrants — paid workers more to work at a faster pace and produce at a higher rate, which resulted in less camaraderie among the employees. The owners refused to open the windows or spend money on air conditioning and the increase in heat, noise, and cotton dust resulted in deafness, fainting, and brown lung disease among its workers.

The Yarur Mill was one of several industries to be seized by its workers during the Allende years. Allende himself warned Amador Yarur, the owner, that despite their friendship, he would “take this industry away from [him]...[and] it [would] belong to the workers and the people of Chile.”\textsuperscript{479} On April 25, 1971 a company union was solidified. Allende’s popular government gave workers hope for higher wages and better working conditions. This “participatory socialism” allowed workers to “bec[o]me their own managers”, making the textile

\textsuperscript{475} Allende. “Speech to the United Nations”
\textsuperscript{476} Winn. Weavers of Revolution, 22
\textsuperscript{477} Winn. Weavers of Revolution, 23
\textsuperscript{478} Winn. Weavers of Revolution, 45
\textsuperscript{479} Winn. Weavers of Revolution, 62
mill the first worker-owned industry.\textsuperscript{480} Compañerismo replaced the ethos of competition among workers. This process enabled colleagues to become friends outside of the mill as institutions like athletic teams and cultural groups were established for workers to fraternize with one another. The anniversary of their liberation was celebrated with drinks, food, music, and dance.

Workers also received several internal promotion opportunities and access to “vocational and educational advancement for themselves and their children.”\textsuperscript{481} A new sense of dignity satiated the alienation that workers once felt towards their labor. They no longer felt exploited because they were “now… working for Chile”; their work satisfaction was shaped by the realization that they could now “apply [their] own initiative[s]” and “develop [them]selves professionally.”\textsuperscript{482} Within the first year, the UP saw a thirty percent rise in real wages and “a nearly 10 percent shift of national income from capital to labor.”\textsuperscript{483} A third of the workforce registered for UP membership.

Farms, sawmills, and forestry industries came under state ownership as well, thanks to “an increasingly militant rural labor movement” in the 1960s and 70s.\textsuperscript{484} This rural labor movement aimed to eliminate rural poverty and create a more “socially just and modern economy.”\textsuperscript{485} A strict kind of masculinity was sold to these supposedly “illiterate and….servile peasant men” in hopes of creating more “assertive citizens and able producers.”\textsuperscript{486} This brand of masculinity encouraged campesino men to strike and stand up to their boss, and support their wives and children. While men’s labor sought to financially support their household, women labored “for the family.”\textsuperscript{487} Cleaning the house, clothing and feeding families, harvesting the

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\textsuperscript{480} Winn, \textit{Weavers of Revolution}, 85
\textsuperscript{481} Winn, \textit{Weavers of Revolution}, 118
\textsuperscript{482} Winn, \textit{Weavers of Revolution}, 133
\textsuperscript{484} Klubock, 241
\textsuperscript{485} Heidi Tinsman, “More Than Victims: Women Agricultural Workers and Social Change in Rural Chile”, in \textit{Victims of the Chilean Miracle}, ed. Peter Winn (Durham: Duke University Press, 2004), 265
\textsuperscript{486} Tinsman, “More Than Victims,” 266
\textsuperscript{487} Tinsman, “More Than Victims,” 269
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family subsistence plots and raising chickens were women’s responsibility. While men comprised over 96 percent of the permanent age earners, women were encouraged to manage household budgets, which “implied certain female rights to male wages and authority over expenditures.” The state also implemented sponsored craft and sewing projects, which allowed women to contribute to the family budget without interfering with their childcare and housekeeping duties.

Women also supported the burgeoning labor movements within copper mines. Through ensuring the family’s welfare, wives became accustomed to the poor working conditions that their husbands faced. They too relied on the same wages and benefits that their husbands received during strikes. This — alongside their geographic isolation living in the Andes and dangerous physical labor — created a sense of solidarity among all community members against the corporate common enemy. These families forged a class identity in response to frustrations over the company controlling their “recreation, education, the cost of living, housing, and health care.”

Miners, however, occupied a “privileged position” and “strategic role” in the national economy since “earnings from taxes on copper exports composed the bulk of Chile’s foreign revenues, something close to 90 percent by 1971.” Despite the high wages and social welfare benefits, such as healthcare, pensions, education, cultural and social activities, offered by the North American mining companies, the miners were largely proponents of nationalization. Copper miners had no access to secondary school education and suffered from chronic occupational diseases. With accidents commonplace in the mines, workers had short life expectancies. The disparity between “the prosperity of copper companies and workers’ everyday

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488 Tinsman, “More Than Victims,” 272
490 Klubock, “Class, Community, and Neoliberalism in Chile,” 231
lives and the gap between miners’ salaries in Chile and in the United States encouraged and legitimated Chilean miners’ demands for economic improvement.”

The three big corporations which dominated the copper market, Anaconda, Phelps Dodge, and Kennecott, relied on Chile’s “sources of copper throughout the twentieth century…play[ing] a central role in [their] investment and production strategies.” The company townships were unapologetically “American”, a visual representation of the foreign monopoly over Chilean copper reserves. These camps “maintained a middle-class and ‘American’ standard of living [and] became an English-language camp.” The teachers in elementary schools were all North American; the grocery stores stocked American cereals like corn flakes and American beauty magazines; traditional U.S. holidays such as the Fourth of July were observed; American sports like golf and baseball remained accessible to residents. These camps remained segregated and inaccessible to Chilean workers.

Copper, which made up the vast majority of Chile’s exports in 1970, was an incredible volatile commodity; its value fluctuated heavily in relation to international demand. As the Chilean economist Jorge Ahumada argued in 1958, “The Chilean economy tends to be very unstable because exports fluctuate greatly. Exports are unstable because they are made up of 60 percent of copper, a product for which demand changes violently and frequently.” It was not a surprise, therefore, when the National Congress nationalized its copper industry on July 11, 1971. For the past fifty years, the Chilean state had “consistently increased taxation and regulations…. [I]ncreasing state dependence on the mining industry [led to] incomplete attempts to reduce, or at least control, the power of foreign capital.”

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491 Klubock, “Class, Community, and Neoliberalism in Chile,” 238
492 Angela Vergara. Copper workers, international business, and domestic politics in Cold War Chile. (University Park, PA: Pennsylvania State University Press, 2008), 3
493 Vergara, Copper workers, 33
494 Vergara, 33
495 Vergara, 2
Allende celebrated the nationalization at El Teniente, where he restated copper’s importance as the “wage of Chile” (el sueldo de Chile) and the “responsibility of copper workers in sustaining the national economy and the revolutionary process under way in the country.”

As part of Chile’s socialization, workers came to control the nationalized industries. Workers, through the Central Unica de Trabajadores (CUT), could participate in the workplace assemblies and production councils as well as help make decisions around economic planning. By contributing to “discussions on general policies in the industry…production policies, and…decisions affecting workers and their families in the mining camps”, they “would be part not only of some or all production processes, but they would also understand the relationship between their work and economic development, markets, prices, commerce, and controls.”

In the aftermath of nationalization, the company town was dismantled which “had a symbolic dimension for the local community, representing the end of foreign domination.” Housing and social services were desegregated; a scholarship fund was established for workers to pursue a college education. In building schools and social or recreational centers, “the new administration sought to enhance the social and urban infrastructure and thereby benefit common unskilled or semiskilled workers.” To alleviate the isolation and pervasive masculinity within mining communities, the UP strove to improve transportation systems and create recreational opportunities outside of the camps to better “integrate the mines into the rest of the country.”

The longest and most tenuous strike occurred from April to June 1973 at El Teniente. Thought of as a contributor to Allende’s downfall, workers protested a wage increase law.

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496 Vergara, 1
497 The Central Unica de Trabajadores (CUT) was the largest and only trade union in Chile, from 1953 to 1973. It was established to unite the labor movement under one organization.
498 Vergara, 163
499 Vergara, 168
500 Vergara, 167
501 Ibid
approved in 1972. The strike, mostly supported by white-collar workers, became weaponized by the political opposition to question and undermine “the legitimacy of the government.” Though the strikes ended after two months, the government’s finances and production were not to recover before Allende was overthrown.

Allende’s government saw a massive fall in unemployment and rise in real wages. In Santiago, the unemployment rate fell from 8.3 percent to 3.8 percent in just a year. According to Chile’s planning ministry, real wages increased by twenty percent, and 1971 saw 146,000 more people employed than in 1970. Within his first year of office, Allende had overseen increased worker participation in the management of their workplaces, redistribution of income and land, the fall in inflation and unemployment, the expanded housing, educational, and health programs, and the expansion of Social Security. In November of 1971, Allende gave a speech to a packed football stadium where he noted how, “[Now], we control 90 percent of what were the private banks…more than 70 strategic and monopolistic Enterprises have been expropriated, intervened in, requisitioned or acquired by the state. We are owners! We are now able to say our copper, our coal, our iron, our nitrates, our steel; the fundamental basis of heavy industry today belongs to Chile and the Chileans.”

In contrast, Pinochet’s policies favored business over the worker. Having appointed Sergio Fernández as Labor Minister in 1976, Pinochet and the Chilean military viewed labor organizations “as dangerous enemies to be neutralized during the coup and as central targets of the repression that followed.” The headquarters of CUT were one of the first facilities seized on the day of the coup. In other factories, military officers tortured and interrogated workers to identify subversives in the workplace. Militant labor leaders and activists “disappeared, some to

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502 Vergara, 176
503 Winn, Weavers of Revolution, 22
504 Winn, “‘Pinochet Era’”, 22
early graves or torture chambers, others to exile or the underground resistance.**505 Even moderates, such as Christian Democratic union leaders, were brutally persecuted and detained.

The government dissolved CUT in November 1973, and ceased all union elections by the next month. Between 1973 and 1976, all labor activism was chilled into a hibernation. While the most leftist leaders were either imprisoned, assassinated, or exiled, other conservative union leaders attempted to work within the confines of the military’s rules. After the military took over factories, workers became subject to hazardous workplace conditions. Chile’s national beef company, SOCOAGRO, ripped up the existing labor contracts and ended wage adjustments; the weekly hours extended to forty-five hours, and workers were even forced “to pay for their own boots and uniforms, which they were required to wear while on the job.”**506

In line with the recommendations of the Chicago Boys, labor relations were also shaped by the neoliberal economic model. Economic freedom, though available to businesses, was absent for workers. Prices skyrocketed, with the price of bread increasing by 1,000 percent in the last three months of 1971, while wages remained frozen. Government controls caused real wages to fall between 1973 and 1975. Pinochet’s policies centered on “coercion…until 1978, when the regime ended its ‘internal war’ and set about institutionalizing itself.”**507

Repression was inherent in the process of institutionalization as well. Decree-Law 198 allowed the government to freely remove union leaders; labor gerontocracy — placing “company men or workers too fearful or feeble to do much more than hold informational meetings that no one attended, write minutes that nobody read, and administer declining social funds” — replaced union democracy and essentially ensured the lacking success of unions.**508 State-led mediation boards were abolished. Most significantly, the regime passed a series of laws, which became

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505 Ibid
506 Frens-String, 197
507 Winn, “‘Pinochet Era’”, 22
508 Ibid
known as the *Plan Laboral*. These policies not only sought to define labor relations by market logic but “represented an effort to make permanent the subordination of Chile’s workers and the weakening of their organizations.”509

Thus, the Pinochet revolution became consolidated and institutionalized. This new labor code accompanied “the privatization of health care and social security, and the decentralization of education and local government” — collectively called the “Seven Modernizations.”510 Created by Minister of Labor, José Piñera, it created new forms of unions — “company unions (workers from one company), intercompany unions (workers from at least three different companies), independent workers, and construction workers” — but only company unions had the right to collective bargaining.511

The power of striking ceased to exist, as they could only last sixty days and employers had the right to hire temporary replacement workers during the strike. Workers were not guaranteed their jobs after fifty-nine days. Law 18.018 ensured that workers were no longer protected from massive layoffs or unfair firings; Law 18.020 halted unemployment insurance; law 18.044 limited wage dispute settlement terms to a year; law 18.134 stopped automatic wage hikes and severance payments. Negotiated contracts only applied to members of a union; with company unions quite common, employers “could manipulate contract negotiations so as to undermine the independent union.”512

D.L. 2200 and Law 18.018 “increase[d] employer flexibility, decrease[d] job security, and reduce[d] labor costs.”513 The worker was bound to a contract that an employer could modify unilaterally at any point, shifting job descriptions or workplace locations. Job security ceased to

509 Winn, “‘Pinochet Era’”, 32
510 Winn, “‘Pinochet Era’”, 38
511 Vergara, 186
512 Winn, “‘Pinochet Era’”, 34
513 Winn, “‘Pinochet Era’”, 32
exist, as employers could “fire workers without cause on thirty days’ notice” or on the spot so long as they paid a month’s wages in advance. Severance pay “limited the traditional severance pay arrangement of one month for each year of service to a maximum of five months, with no severance pay at all where the enterprise claimed dismissals were for ‘business needs’—a claim that penniless workers were ill-placed to contest in court.”

Businesses could also hire apprentices and minors without paying them minus wage, and force workers to work longer than 12-hour-days without overtime so long as “their work week did not exceed forty-eight hours.” Pregnant and sick workers lost all rights they once had, and employer contributions to union housing and social funds ended. Yellow unions became commonplace, as multiple parallel unions could form within the same enterprise. D.L. 258 “forbade industry-wide contracts, restricting collective negotiations to private sector enterprise unions…. [and ensured that] there could be no negotiation of worker participation in the management of the enterprise, nor of work rules on the factory floor.”

D.L. 3746, effected in 1981, forced workers to sue in regular courts where “judges lacked the specialized knowledge of the old labor courts and no longer had as part of their function to protect the workers from abuses by their employer.” Alongside the abolition of specialized courts and mediation boards, state labor inspectors were weakened and “state officials lacked the power and means to intervene.” As Peter Winn writes:

The Plan Laboral favored business by lowering labor costs; increasing flexibility in hiring, firing, and using workers; and decreasing the power of unions to promote and defend the interests of their members. In principle, it created a “free” labor market comparable to Chile’s neoliberal market economic reforms. In practice, it left workers subordinated to both market forces and employers. 

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514 Winn, “‘Pinochet Era’”, 33
515 Winn, “Pinochet Era”; 35
Despite the systematic disenfranchisement of workers, they continued to silently resist—using unions to “probe for loopholes in the new laws.”\textsuperscript{516} Even when the regime would thwart a free union election by calling for new elections on short notice without providing the opportunity to campaign, “workers found ways to identify candidates who would defend their interests and to inform other workers about for whom they should vote—whether by bathroom graffiti or cafeteria buzz.”\textsuperscript{517}

Most workers at the Yarur Mill had fled or been imprisoned, tortured, killed or exiled, “leaving only the proud banner – ‘Ex-Yarur: Territory Free of Exploitation’” – to oppose the Junta’s entry.\textsuperscript{518} Other factors in Santiago wielded improvised weapons against “the overwhelming firepower of a ruthless modern military”, holding them off their takeover for five days.\textsuperscript{519} Winn’s \textit{Weavers of Revolution} describes the week that ensued:

Some 25,000 Chileans were killed by their own Armed Forces…many were killed by soldiers who shot first and ask questions later; others were executed in sports stadiums and military barracks, often after barbarous tortures. Those whose tragic fate was featured in the media and protested abroad were all prominent people - political, cultural, labor leaders. but most of the victims of this Terror were unsung and unknown – young, male workers in the shantytowns and working class poblaciones.\textsuperscript{520}

By 1976, all of the expropriated mills had been returned to their former owners. These businessmen, who had been “accustomed to levels of protection that had enabled them to operate inefficiently and pass on their high costs to the consumer”, were shocked by neoliberal policies that decreased tariffs on textile imports from 100 percent to 10 percent.\textsuperscript{521} As exchange rates dropped, national production was no longer protected from international competition. Low

\footnotesize{\textsuperscript{515} Winn, “Pinochet Era”, 36
\textsuperscript{517} Ibid
\textsuperscript{518} Winn, \textit{Weavers}, 207
\textsuperscript{519} Winn, \textit{Weavers}, 209
\textsuperscript{520} Winn, \textit{Weavers}, 210
domestic demand and an immensely high supply of imported textiles crippled Chilean textile entrepreneurs’ business.

The Chicago Boys saw the textile industry as “a high-cost, uncompetitive industry, dependent on government protection and political influence…a prime example of what was wrong with the Chilean economy.”522 Entrepreneurs began “exploiting their workers more” in order to survive in such a competitive market.523 Workers were often hired on short-term contracts; others attempted to divide the work force by constructing “individual contracts whose differences reflected ‘loyalty’ more than skill or production.”524

The fear of termination made workers too afraid to participate — much less join — a union. Emaciated government welfare programs also damaged any safety net that could support unemployed workers. One factory, where workers “had won 100 percent wage increases during the Allende era…lamented that their goal during the Pinochet era was merely to survive.”525 The struggle to survive compelled Chileans to become more individualistic. Younger workers lacked a certain “class consciousness” that once was rampant in factories.526 Women, whose husbands ended up unemployed, “often felt constrained by being the sole support of their family.”527 Other workers, exhausted from working 12-hour days and weekends to compensate for their high debts and low wages, were not inclined to participate in union activities.

The neoliberal model’s success was touted while Chileans starved and lacked proper health care. Most workers relied on a diet of “bread and tea, onions, rice, beans, and eggs, with a puchero [stew] of “just bones” or organ meats as a feast dish, where in the past they used to eat an asado [roast].”528 If they were lucky to afford food, families now relied on one meal rather

522 Winn, “‘No Miracle for Us’”, 128
523 Winn, “‘No Miracle for Us’”, 132
524 Winn, “‘No Miracle for Us’”, 133
525 Ibid
526 Winn, “‘No Miracle for Us’”, 134
527 Ibid
528 Winn, “‘No Miracle for Us’”, 138
than two. The low wages and poor working conditions were only more negatively affected by the National Health Service’s privatization. For most workers, “a serious illness meant going into debt, as they had no savings to draw on.”\(^{529}\) Financial companies would send their agents to harass workers over missed payments and growing debts. Most lived below the poverty line, and could not afford to live alone.

Pinochet’s regime was far “more willing to violate its professed neoliberal principles on an ad hoc basis than its democratically elected successors.”\(^{530}\) The State Bank would often provide loans to cover the debts of textile mills owned by acquaintances of the regime. In 1985, Textil Viña successfully asked Admiral José Torribio Merino to intervene on its behalf to grant them a loan. When another newly privatized firm failed, the Pinochet regime effectively socialized the company by transforming it into an “‘economic unit’ under state administration.”\(^{531}\) The state “froze the jobs of [these] workers, giving them job security at a time of national economic uncertainty.”\(^{532}\)

The copper industry also began subjecting their workers to a more “rationalized production…through wage and benefit reductions, work intensification, and the promotion of worker competition. Rationalization also included massive layoffs…and targeted dismissals of union activists.”\(^{533}\) One company, Made, hired “one of the Pinochet intelligence service’s most brutal interrogators, Osvaldo Romo…to identify and detain subversives.”\(^{534}\) In hopes of nullifying the blue-collar union’s influence, management implemented each reform alongside the threat of imprisonment or termination.

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\(^{529}\) Winn, “‘No Miracle for Us’”, 139
\(^{530}\) Winn, “‘No Miracle for Us’”, 143
\(^{531}\) Winn, “‘No Miracle for Us’”, 127
\(^{532}\) Winn, “‘No Miracle for Us’”, 136
\(^{534}\) Stillerman, “Disciplined Workers and Avid Consumers,” 168
The workforce shrunk as a result of these firings and the imprisonments of political militants, while other workers with UP affiliations were sent to concentration camps, where they were killed or expelled from the nation. Management also implemented a “voluntary” retirement, which provided older workers higher severance packages in exchange for their departure. They also provided workers with one lump sum payment in response to wage cuts, but workers found this scheme to be illegitimate. As one worker argued,

No one gives away something for nothing. So in order for management to take away workers’ production incentives, they had to pay them a lump sum. . . . People accepted the payment because it helped them satisfy an immediate economic need. So it wasn’t really an exchange; it was a trick designed to take away the benefits workers had fought for and won during the preceding period.535

Workers were also forced to adapt to new machinery, but this mechanization exacerbated occupational hazards without proper compensation. Despite having “learned new skills and taken on new responsibilities and tasks, leading to an increase in production”, workers actually saw their wages drop.536 Employees were often asked for their suggestions on increasing productivity in the workplace, but this only created an “‘Olympics of production’ and [forced an] assimilation [into] the dominant model of upward mobility.”537

Union structures remained a feature of the copper mines, but elections remained prohibited, “union leaders were appointed by the regime, and collective bargaining was suspended.”538 Workers became more individualistic in their laboring patterns to feed their consumption, a triumph of the new system. Company loyalists worked tirelessly to afford materialistic goods, which activists critiqued because “they need to make sure their house looks beautiful outside, but they don’t even have a place to die. They need to have the latest model car,

535 Stillerman, 169
536 Klubock, 219
537 Stillerman, 176
538 Klubock, 214
so all they think about is getting to work early to find a parking space.”

With workers becoming obsessed with consumption for its own sake, they became less involved in the “collective efforts to improve living standards.” Slowly, the Pinochet regime was depoliticizing labor and work.

Those who dared attend union assemblies were often detained for speaking up and “making a demand for something.” Assemblies could also only occur with police permission. Supervisors — often hailing from the military — and foremen were thought of as “being worse than North American bosses,” with workers calling them “Gringos Chilenos.” They would abuse workers and force them to work overtime without pay. Workers did not trust union leaders, who were handpicked by the government and “widely perceived to be the agents of the dictatorship.” Nor did workers trust each other, refusing to “greet one another out of fear.”

Not only did real wages drop by 32.6 percent between 1973 and 1983, workers lost several critical benefits as well. Workers at El Teniente “no longer had access to free medical attention and health care from the company… a basic necessity in an industry where work-related injuries and illnesses proliferated.” Despite illness and injury being so pervasive, private health companies refused to classify workers’ injuries as job-related. This only increased the burden of payment on miners, and they needed to pay fifty percent — sometimes ninety percent — of their medical costs. With social security being privatized, many workers lost their pensions, “which had been invested in precarious investment firms that went out of business during the economic crisis that began in 1982.”

539 Stillerman, 183
540 Ibid
541 Ibid
542 Klubock, 216
543 Klubock, 217
544 Ibid
545 Ibid
546 Klubock, 218
Under Allende, workers lived on government and employer-subsidized land. Large employers were required “to invest 5 percent of profits in worker housing.” Management would purchase large swaths of land, where workers — receiving mortgages from the government — could purchase a plot of land there. A consumer cooperative in the union allowed individuals to purchase “household appliances at wholesale prices through a co-op” connected to the company.\textsuperscript{547} The union had even built a summer resort which became accessible to all members and their families. Under Pinochet, the consumer cooperative was closed down and workers were left to purchase their own residences. Their rental and mortgage payments only exacerbated the debt that many had collected from other lost social services.

Many of the jobs in copper mines were subcontracted out, threatening workers’ job stability. As the labor force became increasingly reliant upon contracted workers, the “labor force became smaller and more skilled…[which] for many,…was a sign of the military’s hidden agenda to privatize the copper industry.”\textsuperscript{548} Many of El Teniente’s employees also worked for private contractors, but they made “roughly half the wages earned by miners employed by the national copper company, [received] no benefits, and [got] little job security.”\textsuperscript{549} Even the 1979 Labor Code prevented workers from receiving any meaningful wage increases; workers, asking for a 23.1 percent increase in salary, received an offer of 4.4 percent from employers. Any wage increase could not make up for the increase in the cost of living or the lost wages from the past five years. Pinochet’s regime was accused of draining “the state companies of capital and [of] invest[ing] little in modernization and expansion,” which catalyzed a crisis in the copper industry. The union called for “increased investment[s]” in mines, rather than privatization.\textsuperscript{550}

\textsuperscript{547} Ibid
\textsuperscript{548} Vergara, 187
\textsuperscript{549} Klubock, 220
\textsuperscript{550} Ibid
Forestry sector workers were not exempt from Pinochet’s brutality. Under his rule, the unions were shut down while their leaders were detained and properties seized. Another union leader remarked how after several union leaders disappeared, “We never heard what happened to them.” In the days following the coup, eighteen forestry workers were arrested on various estates in the city of Mulchén. Their bodies were eventually discovered in a mass grave in 1979. Another forty-four workers from various farms — members of the state-owned Complejo Maderero Panguipulli — “were detained, executed, and buried in mass clandestine graves.”

Communities of rural workers, which had been created in connection to various forestry estates, lost their access to the land and fled elsewhere. As Thomas Miller Klubock writes, “One hundred and three workers and their families, who had lived on the estate from 15 to 40 years, were accused of being ‘revoltosos’ for resisting the expulsion and were forced by carabineros (police) to leave the estate and watch as trucks brought temporary workers hired by private contracting firms to work the forests.” While landowners evicted resident laborers from these estates, the remaining rural peasants “came to constitute a mobile and flexible supply of cheap wage labor to estates, plantations, and industries, laboring for low wages, without benefits, on a temporary basis for subcontractors.”

Prior to the coup, sixty percent of the forestry labor force was permanent. In 1982, seventy-five percent of forestry workers labored for less than six months for one employer, and fifty percent lasted two months at one job. Twenty percent changed jobs every month or two weeks. This transient labor force also corrupted the existence of a strong labor movement, since collective bargaining was not a legal right for temporary employees. As Klubock notes,

551 Klubock, “Labor, Land, and Environmental Change,” 340
552 Ibid
553 Klubock, “Labor, Land, and Environmental Change,” 353
554 Klubock, “Labor, Land, and Environmental Change,” 351
555 Ibid
Workers moved from worksite to worksite, employer to employer, region to region on an almost monthly basis. In logging camps, workers remained isolated and dependent, cut off from communication with the outside world. The expulsion of rural workers from farms, estates, and parcelas led to the dispersal of forestry families throughout rural areas and the breakup of local communities that had provided the foundation of the militant rural labor movement of the 1960s. \(^{556}\)

Employers also did not properly compensate these workers nor did they provide benefits. Many were paid only a part, or not at all, for their weeks of labor. In 1983, “the Departamento Campesino of the Archbishop of Concepción estimated that forestry subcontractors owed workers in the Eighth Region over one million pesos.”\(^ {557}\) However, they barely made the legal minimum wage — making about two U.S. dollars a day in 1980. Workers were expected “to provide their own tools, boots, gloves, and helmets and lived in rudimentary huts…[they] were responsible for feeding themselves with food they brought from outside or purchased at artificially inflated prices at company concessions.”\(^ {558}\) Thus, laborers would turn to cheap diets “that barely allowed them to endure the arduous conditions of the camps and the physically difficult and dangerous labor of logging.”\(^ {559}\) In fact, a third of forestry workers had 56-hour work weeks in 1982. Rural unions that began to emerge after 1983 were snuffed out, as the military regime “jail[ed] and sen[ted] union leaders into internal exile…[sometimes to] concentration camp[s].”\(^ {560}\)

These workers, mostly male, were forced to live as illegal squatters without electricity, potable water, and plumbing. Men were gone for weeks at a time for these jobs, returning to their families with few wages that “failed to cover their families’ expenses.”\(^ {561}\) In a 1983 study, one woman mourned her husband’s frequent and long absences, for when he could find work, “[the companies would] offer him a wage and benefits, and then later…[not] pay anything and he has

\(^{556}\) Ibid
\(^{557}\) Ibid
\(^{558}\) Klubock, “Labor, Land, and Environmental Change,” 361
\(^{559}\) Klubock, “Labor, Land, and Environmental Change,” 362
\(^{560}\) Klubock, “Labor, Land, and Environmental Change,” 369
\(^{561}\) Klubock, “Labor, Land, and Environmental Change,” 365
to come home without work, without money, worse off than before.”\textsuperscript{562} Rural manhood also suffered under the dictatorship, for in the words of one elderly campesino, “[Pinochet] broke us and reduced us to infants.”\textsuperscript{563} Without the same social capital, rural male workers felt infantilized because they could no longer adequately provide for their wives and children. Women, on the other hand, began to enter the workforce under Pinochet’s dictatorship. They began laboring for the fruit industry, as the “realities of poverty implied that women and men needed to share the monetary burden of sustaining households and identify with each other’s common experiences of abuse in the workplace.”\textsuperscript{564}

Though the regime “aggressively promoted a cross-class gender ideal in which men worked to support families while women stayed at home caring for children,” the “dictatorship's gender ideal diverged significantly from that promoted during the agrarian reform.”\textsuperscript{565} Ironically, its policies prevented poor men from keeping their wives home. Feeling an assault on their sense of masculinity, “husbands, fathers, brothers, and uncles exercised considerable control over wives and other female family members.”\textsuperscript{566} Women no longer handle the household budget nor did they decide the kind of work they wanted to pursue. Despite these attempts to maintain gender norms, the dictatorship contributed to “the erosion of men’s sexual authority and women’s entrance into wage work.”\textsuperscript{567}

Under the dictatorship, men were more abusive towards their wives and abandoned their families at higher frequencies. Heidi Tinsman writes:

Men’s violence against women stemmed from causes both nurtured and undermined by the dictatorship. The military regime’s own patriarchal discourse and use of brutality to

\textsuperscript{562} Ibid
\textsuperscript{563} Tinsman, “More Than Victims,” 267
\textsuperscript{564} Tinsman, 269
\textsuperscript{565} Tinsman, 275
\textsuperscript{566} Tinsman, 269
\textsuperscript{567} Tinsman, 275
repress civilians bolstered long-standing notions about the appropriateness of husbands’ physically disciplining wives. At the same time, men who beat their wives over money or supposed sexual liaisons were responding to the ways in which the regime’s economic policy had eroded the very basis of men’s previous material and sexual dominance over women.568

Though male abandonment was higher in the 1980s, women’s newfound wage-earning “allowed women to more independently sustain themselves and their children (however miserably) in ways that had been far less available a generation earlier.”569

As women and men’s wages became more equal, women began to make purchasing decisions around groceries and clothes. Their “willingness to make purchases without prior male approval signified women’s growing sense that wage work implied certain rights to make (at least some) decisions independent of male authority.”570 Women’s purchasing power greatly increased as they understood themselves as wage workers. These women became critical to resisting the authoritarian regime; by weaponizing their identities as traditional caretakers, their critiques of Pinochet were particularly “stinging since the regime’s patriarchal discourse promised to ennable Chilean mothers and families.”571 Ironically, the dictatorship enabled this sense of agency among women to resist the regime.

8. 1982 Shock Plan

Backed by Pinochet, Former Chicago Boy Jorge Cauas launched neoliberal “shock” measures beginning in the mid 1970s. These fiscal “shocks” were termed as such because the implementation of these monetarist recommendations, which were designed to liberalize the

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568 Tinsman, 277
569 Ibid
570 Tinsman, 272
571 Tinsman, 278
economy, occurred simultaneously. On April 24, 1975, the shock plan commenced as the government announced a drastic 27 percent drop in public expenditure. The budgets of all state institutions, including universities, decreased by 15 to 20 percent overnight. Unemployment officially reached 14.5 percent by the end of 1975 – though this is believed to be a vast underestimate — with the bulk of layoffs targeting state employees.572 For context, unemployment stood at less than five percent before the coup. This economic recovery plan cut tariffs from 70 percent in 1974 to 33 percent in 1977, which improved trade but caused GDP to fall by fifteen percent between 1974 and 1976.573 Agricultural subsidies and price controls were eliminated, while wage increases were heavily curtailed.574 With such rigid measures, inflation marginally decreased from 375 percent in 1975 to 212 percent in 1976.

According to Chilean political scientist and diplomat Juan Gabriel Valdes, “the measures that characterized the economic model can be classified into three general areas: ‘liberalization of the price system and the market; an open regime on foreign trade and external financing operations; and reduced government involvement in the economy.’”575 As the Chilean economy opened to the global marketplace, most banks and more than 500 state-owned enterprises were privatized, and 259 of the Allende-expropriated industries “were returned to stockholders by 1978.”576 From 1974 onwards, the internal capital market was liberalized to restore the private sector of banks and financial institutions. The State Corporation for the Promotion of Production (CORFO) transferred eighty six percent of its bank holdings and stocks to private hands. This privatization process “demonstrated the economic team’s indifference to a greater concentration of ownership.”577

572 Brender, 124
573 Ibid
574 Ibid
575 Valdés, 21
576 Oppenheim, 124
577 Valdés, 26
Export sectors received great financial support from the Chicago Boys policies. Decree Law 701 provided subsidies to the planting and management forestry plantations, covering up to seventy-five percent of the cost; the CORFO, Central Bank, and the State Bank opened up several lines of preferential credit for “the purchase of Chilean exports abroad.” The Institute for Agricultural Development (INDAP) doubled its credit program for large-scale capitalist agriculture while simultaneously cutting loans to smallholders. The land reform under Allende had been voided by 1979, as thirty percent of expropriated land had been returned to its previous owners. While 3,500 peasants initially benefited from land distribution under Pinochet, almost half of this land was sold or rented out by the end of the decade “because the peasants lacked government support enabling them to become small farmers.”

The Chicago Boys opened up the market and removed all restrictions on imports. By 1976, average import duties fell from 92 percent in 1974 to ten percent by 1977 in order to encourage cheap imports. Jorge Cauas resigned at the end of 1976, and Sergio de Castro took over his role as Finance Minister. He pushed Chile to leave the Andean Pact — a free trade agreement between the countries of Bolivia, Ecuador, Peru and Colombia — because of its restrictions on foreign investment. Their new foreign investment regime gave “‘national treatment’ to foreign capital operating in any sector.” To encourage trade, the Chilean economy would now focus on its “comparative advantages” in the world market, forgoing industrialization for agriculture, mining, forestry, and fishing. With unrestricted foreign capital flows, banks were encouraged to borrow funds directly from abroad rather than use local currency. This would increase growth rates of eight percent in the late 70s, but the investment

578 Clark, 1356
579 Ibid
580 Valdés, 22
581 Ibid
rate remained low at a level of under fifteen percent. The GDP growth rate barely averaged 2.6 percent.

During the regime’s first decade of power, the labor market was tightly restricted and controlled to “avoid cost-push pressures.” Only with AFL-CIO and U.S. government pressure did the Minister of Labor, Jose Piñera, authorize a labor code to ensure that workers had the right to collective bargaining. However, this framework was quite restrictive and imposed market logic on the workforce; labor unions and strikes were outlawed. The Chicago Boys also developed the Programa de Empleo Minimo (PEM or Program for Minimal Employment), which was a sub-minimum wage public employment program that provided part-time work to around 158,000 workers in 1976. This was a strikingly ineffective initiative, as conservative estimates calculated that in June 1976, nearly 2.5 million Chileans had no income at all.

The 1979 Labor Plan replaced the incredibly progressive Labor Code of 1931 which laid the “foundations for one of the most organized and radical labor movements in the region.” While legalized labor unions were allowed for the first time since 1973, the right to organize and strike were still curtailed. If workers struck, firms could hire temporary workers; a strike could only last 60 days before workers faced the threat of being fired. Unions could only organize on a local level within one individual factory, prohibiting the existence of a national union or association of local unions. Unions were also to be apolitical, since political parties were still criminalized.

The Junta’s labor policy sought “to reconstitute not only labor relations but processes of identity formation and social consciousness. The Labor Plan sought to privatize, localize, and

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582 Ibid
583 Oppenheim, 122
585 Clark, 1358
586 Oppenheim, 148
depoliticise trade unionism by restricting the capacity of unions to form and negotiate benefits for members and serve as a mechanism for the articulation of collective identities and demands into the political system.”

Depoliticizing labor unions intended to “break the historical connections between trade unions and leftist political parties in Chile.”

The shock treatment’s main objectives were “to reduce the magnitude of the public sector, to minimize the government’s regulatory influence on the economy; and to eliminate the role played by the government in direct production and as a body charged with promoting development.” The absence of government participation in private enterprise and economic activities was critical to their plan. Extreme poverty alleviation was the only sector that exercised government intervention, with a budget set for specific mother-infant programs that financed nutrition and maternal education. Otherwise, government spending dropped from forty to twenty-six percent from 1973 to 1979; state spending made up just 2.6 percent in 1975 as compared to 10.5 percent in 1974.

Between 1970 and 1980, government spending on healthcare dropped by 17.6 percent; spending on education decreased by 11.3 percent while family benefits decreased by over 30 percent from 1973-1983. Salary levels were 16.7 percent, below average levels which widened the gap between the rich and the poor. The government eliminated the capital gains tax, which in turn saw land speculation increase. Economic conglomerates, the “piranhas” like the Grupo Vial and Grupo Cruzat-Larrain, “soon controlled major commercial and industrial enterprises and banks” which they purchased from the government. The Chicago Boys also financially benefited from these economic conglomerates, which created a serious “conflict of interest between public policy and private gains.”

587 Clark, 1358
588 Ibid
589 Valdés, 23
590 Oppenheim, 123
Alongside the National Ministries of Health and Education ceasing to exist, municipal governments were crippled by layoffs. Local democracy ceased to exist under the Junta, as Pinochet appointed mayors to municipalities who lacked resources to finance their own social programs. To encourage a real estate boom, about 150,000 people were moved to the poorer outskirts of cities in Chile to expand Santiago’s municipal boundaries and enable land development. Creating a legal separation between the rich and poor, under the guise of social homogeneity, became the central tenet to the Junta’s urban planning policy. One example is the shantytown of Lo Hermida, which moved from the middle-class township of Nuñoa to a town called Peñalolen — in 1984, Peñalolen’s income per capita was less than one-hundredth of Nuñoa’s.

State funding was also distributed unequally which further reinforced resource difference between neighborhoods. Without the central government equitably allocating revenues from each locality, the wealthy townships received much higher percentages of all municipal investment. Santiago, Providencia, and Las Condes had 21 percent of the population, yet received 56.8 percent of all municipal income, while poorer townships like La Granja, La Cisterna, and Pudahel received nine percent of municipal income despite accounting for 36 percent of metropolitan Santiago’s population. Providencia built a Senior Citizens Center, a Health Clinic, and Youth Centers, which came complete with classes on music, art, and dance, while the poorer township of La Florida saw residents struggle to build a one-room daycare center which was accessorized by donated furniture and toys and staffed by local women for half of the day.

The government had conducted a program of forced relocation in 1987, directing “pobladores or working class people out of [poorer] comunas.” Parts of La Florida were

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591 Oppenheim, 150
592 Ibid
593 Ibid
bulldozed to build expensive gated communities while other segments of the neighborhood remained in poverty. Not only did the wealthy and poor of Chile have opposing lifestyles, urban planning decisions insulated socioeconomic classes from one another. The wealthy lived in large private homes located in new, tucked-away and often gated housing developments, built on the land of old working-class neighborhoods. These neighborhoods came complete with shopping centers and other services, allowing the well-to-do to “live their lives without worrying about how others fared. They did not have to worry about political repression or poverty. They were now able to avoid seeing it.”^594

Social security, education, health, agriculture, justice, and public administration were all affected by deregulation, decentralization, and privatization. The government instituted private social security companies, which nearly replaced the public system to provide the public “more choice.”^595 Competing private insurance systems allegedly would increase the employer’s freedom of choice. With the state healthcare system no longer subsidizing healthcare for blue collar workers, healthcare slowly became privatized; instead, wealthy workers switched to the new private system (ISAPRES) while workers under the state health insurance were responsible for paying twenty-five to fifty percent of their medical costs out-of-pocket.^596

The state allowed municipalities to manage education, and military intervention in the universities compelled schools like the University of Chile and the Catholic University to become self-financing. Some departments were entirely eliminated while others, including art, philosophy, history, sociology, economics, and literature, were dramatically transformed to further the Junta’s nation-building project.

^594 Oppenheim, 155
^595 Ibid
^596 Ibid
^590 Oppenheim, 150
State support decreased from 66 percent of schools’ budgets in 1970 to 48 percent by 1987. Student tuition was raised, and education became “contingent on one’s ability to pay rather than providing universal access.” As a part of the military’s goal to create more private institutions, they allowed other post-high school institutions to open without requiring any accreditation or state oversight. The government did not set standards for teaching competency or quality of programs. This meant to promote a sense of “economic and social darwinism.”

The armed forces purged universities of subversives such as members of the Unidad Popular and the Christian Democrats, refusing to view universities as a space for the free exchange of ideas.

The program seemed to yield positive results, with inflation declining to 84 percent and GDP increasing at a yearly rate of ten percent by the end of 1977. With inflation still at 80 percent by early 1978, de Castro devalued the peso to below the rate of inflation, and the official exchange rate was quite low, at 39 pesos equivalent to one dollar. As Sebastian Edwards describes, “the annualized rate of devaluation of the peso with respect to the dollar was 20 percent, while inflation ran at a 43 percent annualized rate…. this mechanism would generate a rapid convergence of domestic inflation to international inflation.”

The shock treatment was declared over by 1976, and de Castro’s appointment by the end of the year “signaled [its] undisputed victory.” Pinochet’s speech on the sixth anniversary of the coup, in 1979, discussed how the foundation of his regime was built upon a free market society. He vowed to forward the “seven modernizations” in order to transform society as a whole. Despite regular condemnations from the United Nations for its human rights record, “the Chicago Boys’ economic strategy
helped the regime gain some legitimacy in the international financial community.”603 As a result, the applied market model soon became emulated across the world and made Pinochet and the Chicago Boys into economic gods.

This model generated several problems beyond Pinochet’s violent enforcement mechanisms. The Chicago Boys policy increased concentration of wealth in the hands of a small and select few, including the economic conglomerates mentioned above, while poverty increased tenfold. Poverty increased from 28.5 percent in 1969 to 49 percent in 1987. The “income potential of all but the top 10 to 20 percent of the population [declined while] …the income of the bottom 40 percent”604 declined tremendously. By 1979, “135 of 150 largest private enterprises were under the control of [the] 10 largest financial conglomerates.”605 Only two months after social security was privatized in 1980, two companies controlled 75 percent of the market. The government sold hundreds of state-controlled enterprises to a single bidder at the lowest price; CORFO had negotiated the sale of 99 firms just between 1974 and 1976.606 Because few buyers had sufficient access to money or foreign capital, the “privatization of the banks facilitated the growing concentration of wealth.”607 Furthermore, despite the model demanding a neutral and non-interventionist state, the Chicago Boys held positions in both the state and in these large conglomerates.

This economic boom was to be short-lived, however. Maintaining a fixed low exchange rate encouraged a flood of imports and made Chilean products more expensive on the marketplace, which inhibited exportation and in turn, generated a negative trade deficit. The financial conglomerates accumulated an enormous amount of foreign debt spending borrowed

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603 Ibid
604 Oppenheim, 146
605 Edwards and Montes, 121
606 Oppenheim, 144
607 Oppenheim, 144
money on speculative endeavors. Chile's debt eventually reached 17.2 billion dollars, one of the highest in the world and nearly five times that of 1973. The neoliberal model also hurt local businesses. The shock treatment induced a recession, which not only decreased consumer demand but also hurt small businesses, who could not compete with the increasing number of cheap imports. In 1982, business owners took to the streets to protest the regime’s economic policies and the destruction of domestic industry. Between 1977 and 1980, there were 1,338 bankruptcies, which de Castro believed was the market purging its weak industries — a healthy and intentional effect.

9. The Externally-Generated Failures of Allende

In April 1971, “the government's electoral support increased from 36.3 percent to 49.7 percent in the municipal elections...GDP increased by 8.5 percent and manufacturing increased in excess of 12 percent; unemployment fell from 7.2 percent to 3.9 percent, and the rate of inflation went down from nearly 35 percent to 22 percent.” However, threats to this prosperity soon emerged. 1973 saw “inflation soar, the black market prosper, industrial production [fall] by more than 7 percent, car production [drop] 20 percent compared to the previous year, and...agricultural production [plummet] by 25 percent.”

This economic turbulence, which contributed to the ousting of Allende, was manufactured by U.S. policy. Allende attempted to increase imports to satisfy excess consumer demand, but the rising price of imports only exhausted Chile’s foreign reserves by the end of 1971. With the United States’ invisible credit blockade, Chile was unable to finance its economic growth and faced “balance of payments difficulties that forced currency devaluations that further

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608 Oppenheim, 145
609 Faundez, 63
610 Peter Winn, “The Pinochet Era”, 25
exacerbated the inflationary spiral.” The United States also intentionally flooded the copper market with their copper holdings in order to artificially devalue the mineral, which in turn would damage Chile’s gross domestic product since it was built upon copper exports. The twenty-five percent drop in copper prices on the global market interfered with Chile’s ability to defend consumer living standards.

While labor made up a much larger share in the national income than was anticipated, production was about twenty percent less than the government’s intended target. The demand for food increased at a higher rate than expected while inflation soared to 163.4 percent because “the government failed to redirect its economic policy.” According to one New York Times opinion piece, a “sharp drop in farm production, caused by illegal seizures of private lands by ultra leftist groups” catalyzed shortages in meat, poultry, and sugar. More likely, the United States’ economic warfare prevented Chile from feeding its civilians. The country could not import necessary goods because of insufficient trade financing, which had resulted from the United States refusing to provide Chile with loans or aid to bolster its foreign reserves. Its export revenues had also decreased because the United States artificially engineered the fall in price of copper, Chile’s largest export. Chile’s shortages could not be blamed on leftism, as the New York Times claimed, but rather unfettered American capitalism.

One criticism waged against the UP was the leaders, who “lack[ed]..knowledge about economics ....[chose] political criteria for decision-making rather than purely economic ones.” The UP hoped to change sectors within the real economy — “the structures of production, investment, and consumption”, which left them uninterested and unknowledgeable about the

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611 Winn, Weavers of Revolution, 48
612 Faundez, 33
613 Brender, 85
614 Klubeck, “Labor, Land, and Environmental Change,” 341
impacts that monetary policy — “rates of inflation, the money supply…” — had.\textsuperscript{615} The UP’s management of the economy favored short-term gains, like increases in wages, over the long-term potential consequences like scarcity, inflation, and black-market trade. While UP leaders believed this guarantee of short-term benefits would benefit them electorally, many merchants and entrepreneurs were “some of the most vocal opponents of the Allende government….even though many of them did well economically under the UP.”\textsuperscript{616} Another historian, Victor Espinosa, argues that price and wage controls alongside growing demand for goods “distorted” the price system, causing “poor investment decisions that led to massive bankruptcies of private enterprises.”\textsuperscript{617} Regulations causing shortages of supplies led to the black market thriving, with goods priced “up to 10 times higher than products’ official prices.”\textsuperscript{618} This in turn alienated capital and foreign exchange was limited because investors found the investment risk too high.

Allende’s purported socialist failures are difficult to identify because his policies did not fail organically; external intervention by the United States catalyzed socialism’s end. The impact of internal economic decisions could never be assessed independently because of Washington’s “virtual economic blockade.”\textsuperscript{619} The fall in foreign investment “had put the country ‘in difficult straits,’” with most of the 400 million dollars in reserves directed towards buying foodstuffs for Chileans. Copper earnings had fallen, partially because United States companies had been producing far less after Allende nationalized them. While mine supervisors attributed this decreased production to “political meddling and lax labor discipline,” the corporations intended

\textsuperscript{615} Ibid
\textsuperscript{616} Espinosa, 35
\textsuperscript{617} Espinosa, 40
\textsuperscript{618} Ibid
to become privatized again by any means necessary.\textsuperscript{620} The Export-Import Bank and other American lending agencies also refused to provide Chile with loans until the three companies were properly compensated for “the $700-million they claim in assets.”\textsuperscript{621}

Pinochet, on the other hand, was supported by several external lending agencies. The World Bank (WB) was largely a U.S. institution, with an American president and largely American staff — the U.S. was also the only “member-state with de facto veto power.”\textsuperscript{622} The Bank was largely funded by American financial capital. As a result of “Communist countries refus[ing] to be part of an institution located in Washington DC and built around Western funds and capitalist principles…the WB was drawn even more fully into the US’s sphere of influence.”\textsuperscript{623} Thus, the Bank — while calling itself politically neutral — was entirely influenced by American Cold War Objectives. Their “proclaimed ‘neutrality” compelled the bank to “refuse to lend to Allende’s Socialist Chile” while “provid[ing] numerous loans to the Pinochet dictatorship.”\textsuperscript{624}

Though certain U.S. Congressmen tried to prevent the bank from loaning to countries with human rights violations — like Chile under Pinochet — the bank “maintained that assistance to the poor (an alleged ‘neutral’ consideration) was the impetus for its cooperation with Chile’s dictatorship.”\textsuperscript{625} Thus, the bank approved all 23 loans to Chile in the 1970s. Chile’s economic crisis, under the coup, increased its foreign debt to 4.4 billion dollars by 1976. McNamara "continued to push for loans to the Junta” despite having “justified previous cut-offs of WB loans to Allende’s regime by pointing to ‘economic criteria’ (inflation, growing external

\textsuperscript{620} Ibid
\textsuperscript{621} Ibid
\textsuperscript{622} Ibid
\textsuperscript{623} Ibid
\textsuperscript{624} Ibid
foreign debt, payment deficits).”  

The Junta also received nearly two billion dollars in foreign assistance from other sources. These International loans “provided the Junta at least part of the international legitimacy that Pinochet was looking for.”

While this economic turmoil may have been a short-term issue, Chileans’ discontentment with Allende critically led to his demise. Chile’s financial situation and food shortages provoked residents’ discontentment, but Chileans blamed their issues on UP policies rather than on the United States government. Most were unfamiliar with the extent of U.S. involvement in Chile’s economic crisis, and the United States weaponized their position to sow internal discontentment among Chileans.

Chilean capitalists were quite unhappy with the UP but they initially sought to strike a deal with Allende’s government; Amador Yarur, the owner of a textile mill, hoped to “negotiate the transformation of his factory into a mixed ownership enterprise.” By the end of 1971, the elite business associations had collectively agreed to defend the right to private property, attracting other small businesses owners by “playing on [their] anxieties over the wave of tomas (land seizures) that followed the seizure and socialization of…enterprises.” As a result, few capitalists wanted to sell their enterprises to the state, and some were even rewarded by the CIA for their opposition towards Allende.

In October 1972, owners of enterprises held a strike against the government “speaking for workers’ interests.” Allende’s advisors were convinced that “the reluctance of Chilean capitalists to invest on the road of socialism… their non-cooperation, was considered and coordinated, amounting to a deliberate campaign to ‘sabotage’ the success of Allende’s

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626 Kedar, “Economic neutrality”, 161
627 Kedar, 165
628 Winn, Weavers of Revolution, 122
629 Ibid
630 Klubek, “Labor, Land, and Environmental Change,” 350
economic policy as a way of stopping the nationalization of their property and undermining the political stability of the government.”631 Just as Chileans blamed Allende for problems generated by the United States, the government also blamed the business leaders, rather than American policy, for their misfortune.

Workers, too, began to turn away from the UP. Bus drivers — working for private companies owned by small entrepreneurs — went on strike because “the fares they were allowed to charge were too low.”632 Copper miners, who were a large part of the Christian Democrats’ voting bloc, also went on strike over low salaries. This strike “tarnished the UP’s image of a worker-supported government; it was a sign of multiclass opposition to the UP.”633 Other opponents of the Allende administration helped provide food to the strikers in solidarity with the movement. The truckers also went on strike in 1973; both the copper miners and truckers’ strike were funded by the CIA.

Small merchants, worried that the consumer committees intended to replace the small grocer, publicly voiced their opposition against Allende. In an effort to prevent the political alienation of small business owners, Allende tried to persuade workers to return seized property; this only angered laborers, who were once loyal UP supporters. They “could not understand why the government would support some takeovers and not others.”634 Allende’s desires “for a legal transition to socialism, accomplished with middle-class support, were being undercut by the militancy of the Right and Left as well as by the increasing uneasiness of the middle class in the face of what it perceived as potentially drastic social change.”635

631 Ibid
632 Klubeck, 334
633 Klubeck, 335
634 Klubeck, 335
635 Klubeck, 339
Civilians began protesting in the streets against the Allende government’s policies. Students marched “in defense of their private schools. The Catholic church…was drawn in because it feared….state control over private, Catholic education.” Others were frustrated by the inflation crisis, the scarcity of goods, the long lines for bread and meat, the prospering black market where goods were more available but subject to shocking price hikes. Women began organizing against Allende; the March of the Empty Pots and Pans involved thousands of protestors “converg[ing] on Santiago’s Plaza Italia…in the early evening hours of December 1, 1971…provocatively flanked by uniformed members of the far-right militia group, Patria y Libertad (Fatherland and Liberty, PL).” The empty pot “became a symbol of anti-Allende sentiment,” with opposition newspapers featuring the image on their mastheads and women accessorizing with it on a lapel-pin. In early 1972, the Poder Feminino was founded to “defend Chilean women from state policies that limited their ability to provide for their families.”

Alongside organizing the pot-banging marches, they planned “anti-Allende leaflet drops, boycotts of pro-UP retailers, and a crusade against a government proposal to create a social service program that would have required women to serve as volunteers in state-run day care and medical facilities.”

Intra-coalition conflict also contributed to Allende’s short term. In theory, each party was represented by one member within the UP coalition. However, the one-vote practice was not mandated because some parties were bigger than others. The UP coalition began splitting into moderate and radical factions, the moderate attempting “to stay within the Constitutional limits while attempting to create a majority for socialism…” and the radical group believing it “important to move ahead quickly and implement the UP program…to go beyond it if

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636 Ibid
637 Ibid
638 Frens-String, 181
639 Frens-String, 181
Radicals sought to galvanize the masses to bring about change and were frustrated with their middle-class allies’ insistence on “waiting for an electoral majority.”

Leftists could not agree on a path forward — they lacked “an obvious end goal and an agreed route by which to achieve it.” General Prats, Allende’s Commander in Chief, even wrote to the various UP parties to resolve their differences. By March of 1971, “Allende pleaded for ‘vertical discipline’ to unite his government.” While some advocated for Allende to remain friendly with Washington to safeguard Chile’s “national security”, others criticized the president for “continuing negotiations with the United States.” The uncompromising Radicals within the coalition believed “that the government should single mindedly pursue its programme of nationalizations.” Meanwhile, the right-wing coalition became increasingly militant, with “the National Party becom[ing] more openly oppositional but also the right-wing paramilitary group, Patria e libertad, operat[ing] openly…[the Party] took inspiration from fascists and Nazis, their logo looking like a cross between a spider and a swastika.”

The UP’s alliances with other parties began crumbling as well. Even moderate parties like the Christian Democrats were on the CIA payroll, and American funding strengthened anti-Allende coalitions such as the 1972 alliance between the Christian Democratic Party (PDC) and the conservative National Party. By 1973, it was evident that the Christian Democrats settled for “a violent outcome… to Chile’s political crisis.” Radomiro Tomic, one of the more leftist leaders of the PDC, begrudgingly wrote in a letter in July to another progressive PDC leader, Patricio Aylwin that the unity of the National and Christian Democratic parties “close[d] off any
possibility of dialog with the government and seals the violent and bloody confrontation as the only outcome.”

The Right could easily manipulate the power of rhetoric in their favor to galvanize the Chilean middle-class against Allende. Right-wing propaganda sold the idea that Allende’s “power to the people” campaign entailed “workers marching into [people’s] homes, robbing and raping them.” The Conservative Party in Chile “was able to frighten the middle class by conjuring up the image of a repressive, Communist state emerging in Chile.”

Allende and the moderates hoped to work with the Christian Democrats for three reasons — firstly, the alliance was advantageous to “fulfill its short-term objectives (mainly, nationalizations)”; secondly, this alliance could catalyze a “more durable political agreement”; and lastly, this partnership did not overtly threaten the government’s agenda. Despite all of the parties in Congress voting for the nationalization of the copper industry, they once again diverged on the issue of general nationalization after Allende’s government unilaterally decided to expropriate the banking industry.

Fearing this unchecked power, the Christian Democrats submitted a proposal for a Constitutional Amendment in 1972, ensuring “that the transfer of enterprises to the state sector could only be authorized by special legislation which would decide each case on its merits.” In contrast, the government’s bill would have allowed the President to take over enterprises which were valued at a certain amount — this would automatically cover 250 enterprises. The Christian Democrats’ bill passed in Congress, leaving the Allende administration with veto power alone.

The Christian Democrats initially cooperated with Allende for the same reasons that Allende

648 Ibid
649 Klubeck, 333
650 Klubeck, 336
651 Faundez, 20
652 Faundez, 45
sought to work with them — both hoped “to save the political system as a whole and... to safeguard the role which they played in it.” CIA bribes to the Christian Democrats successfully ended any sustained cooperation between the two parties.

Lois Oppenheim writes that one of the largest contributors to Allende’s downfall was the UP leaders’ almost naive “faith in the political system, by the belief that if they played by the rules of the game, so would everyone else.” Allende and his peers were staunchly committed to the Democratic Road to Socialism; he refused to work outside of the system and believed that change through the Congressional Process was viable. Allende’s commitment to democracy could not foil the anti-democratic interventionist efforts of the United States. Pinochet, on the other hand, succeeded because and in spite of his refusing to adhere to procedure. His authoritarian brutality was critical to making neoliberal free market dogma hegemonic in Chile; by implementing a liberalist and Western economic model, however, Pinochet’s authoritarianism was sanctioned or forgiven on the global stage.

10. The Inevitable Backlash

Of course, Pinochet’s violence and failing economic model catalyzed a strong counter-cultural and counter-economic model. Economists who disagreed with Pinochet created the think tank, Corporación de Investigaciones Económicas para Latinoamérica (CIEPLAN), in 1975. CIEPLAN could only exist because they argued their differences from an economic standpoint, since “the military government tolerated no other form of opposition.” The CTC critiqued the regime’s neoliberal model by arguing that “the existence of the model depended on ‘maintaining workers disorganized, restricted, and crushed by regressive labor legislation.’”

653 Ibid
654 Oppenheim, 109
They were displeased with “the regime’s plans to confront the economic crisis by slashing workers’ wages, eliminating cost-of-living raises, and inviting foreign investment in a privatized copper industry, against the will ‘all Chileans who once said yes to the nationalization of copper.”

Despite the state permitting a very sanitized labor movement after the 1982 crisis — with “the laws of the market replacing collective bargaining and individual interest superseding group welfare… barring pre-coup activists from office, and… prohibiting union involvement in politics — a strong offensive movement began to emerge against Pinochet. The copper miners, who were less disenfranchised than other workers because they maintained a union, became frustrated by the loss of “many material benefits and securities copper workers had won over the years.” Alongside facing threats of unemployment and competition from private contractors, the miners lost their “production bonus, bonuses for [work-related] sicknesses… the cost-of-living raise and hospital benefits.”

Beginning in 1977, workers began to demonstrate in the streets and write to the government with their complaints. The copper mine strikes during 1977 and 1978 “represented the first labor actions in Pinochet’s Chile and… signified the revival of decades-old traditions of labor militancy and the inauguration of a period of slow rebuilding of an autonomous labor movement.” Christian Democrats, Communists, and Socialists worked together to organize “underground meetings at soccer matches, on buses, in taxis…” and the “distribution of pamphlets and organized stoppages, slowdowns…”

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656 Klubock, 220
657 Ibid
658 Ibid
659 Klubock, 236
660 Ibid
By April of 1983, leaders of the CTC decided that “the problem was not ‘one law more or less . . . but a complete economic, social, cultural, and political system that has us smothered and bound.”

Chileans began peacefully protesting through working at a slower pace, refusing to send their children to school, and not shopping. As the copper miners hosted strikes, “students protested in the main universities; and at night, a loud cacerolazo (banging of empty pots) was heard in middle-class neighborhoods and shantytowns throughout the country.”

Chileans’ empty pot demonstrations protested the very regime that they had helped bring to power, with the same tactic. The CTC allied with other unions in hopes of creating a viable national labor movement that could protest against the military Junta. Ironically, many expropriated mills failed after being privatized by Pinochet. The Yarur textile mill, which collapsed prior to the 1982 economic crisis, was expropriated by the state because of worker pressure.

Poor urban residents also began mobilizing against Pinochet “by drawing on the social networks and organizing skills they had attained through their neighborhood associations.” They responded to the government’s illegal seizure of land through hosting their own land grabs, planting the Chilean Flag on top of occupied land. The pobladores also engaged en masse in practices of self building homes and neighborhoods…. [a] modality of city making…known as autoconstrucción.”

Exercising poder popular (popular power) in squatter settlements, these residents formed “self-defense militias, self-managed grade schools, and popular courts, among other community-based institutions.”

The Catholic Church also helped reanimate the labor movement among forestry workers, organizing classes on how to organize unions and offering training and educational programs to

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661 Vergara, 170
662 Ibid
663 Vergara, 189
664 Vergara, 189
665 Ibid
union leaders. A church in Santiago, Vicaría Pastoral Obrera, allowed workers to host meetings in its offices as they worked to rebuild labor networks. The Vicaría also published a secret newsletter, *El Pino Insigne*, that interviewed workers to “document work conditions and labor conflicts in the forestry sector” and generally provided updates on organizing campaigns and strikes. The newsletter also aimed to preserve the rich history of labor organizing in Chile by including “accounts of the history of the forestry sector and rural labor and land relations in the region.”

The Vicaría also organized programs to help residents earn income and learn to make do with accessible resources; the church organized soup kitchens when workers held strikes. It offered legal aid to workers who had been victims of wage theft and labor rights violations, bringing lawsuits on behalf of 180 workers against corrupt contracting companies who failed to pay their salaries. Pinochet was correct to fear the power of the people, for it would be a civilian’s plebiscite that ended his term in 1991.

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666 Ibid
667 Though Pinochet resigned from the presidential office, he remained Commander-In-Chief until 1998.
Conclusion

Chile experienced rapid, vast, and unprecedented economic growth during the 1990s. In 1992, “an export boom [led] to record GDP growth of 10.3 percent…and an average annual growth rate of eight percent.” While some believe that this resulted from Pinochet’s neoliberal framework, many others attribute this growth to Pinochet’s successor, Patricio Aylwin, who “maintain[ed] a free-market framework but promote[d] equality through social and labor policies.” Chile was termed an economic miracle, and a success for all to emulate. While the scope of my research cannot accurately assess who and what was responsible for this economic trend, these debates highlight the fallacy of using gross domestic product as the sole metric for a nation’s economic growth — and in turn, its global standing. After all, who benefits from this economic growth but a small minority?

Scholars have argued that militarism and authoritarianism are necessary to neoliberalism. Violence might be necessary to enforce the free market. Gwyn Kirk and Margo Okazawa-Rey assert that, “In critiquing and challenging neoliberal economic integration…it is essential to take account of militarism as an intrinsic element. Conversely, in analyzing militarism, war, and armed conflict, it is also necessary to consider global economic forces and institutions.” Pinochet’s autocratic, vertical leadership may have enabled the “the reorientation of the Chilean economy.”

In determining the neoliberal model’s success, its economic rewards are far less significant than its pervasive and ubiquitous nature, which policing produced. Not only did neoliberalism famously remake market logic, the economic theory has remade citizens and


669 Ibid


671 Schmitz, 100
institutions. Wendy Brown argues that neoliberalism has reshaped both us and the state by reducing us to our status as market actors. She notes, “It has disseminate[d] the model of the market to all domains and activities – even where money is not at issue – and configures human beings exhaustively as… homo economicus.”672 Despite claims of Chile’s revitalized economy, “the relevance of Pinochet’s autocracy to more substantial economic growth is overrated. Carden and Lawson find [that]….human rights abuses reduce rather than accelerate the pace of economic liberalization. Additional empirical studies have found democratic institutions and policies to be more supportive of economic progress than authoritarian political regimes are.”673

Despite the 38,254 victims of Pinochet who were tortured and held as political prisoners, many saw Pinochet as a hero for how he oversaw the fall in poverty, the growth in Chile’s economy, the increased investment within the country, and the flourishing local industry. Pinochet received praise from several world leaders for Chile’s thriving economy, but received encouragement even prior to its success. David F. Schmitz writes,

Ford and Kissinger “expressed support and sympathy for [Chile’s] efforts to rebuild the nation” and worked to obtain foreign economic aid for Pinochet’s regime and the approval of a rescheduling of Chile’s debt by America’s European allies…. The military government in Santiago was “more self-confident than at any time since it came to power,” largely because of American support, an improving economy, and the “coming to power of a number of conservative military governments in neighboring areas.” The Ford administration valued the “friendship and traditionally close ties with Chile” and hoped “that they might be strengthened in the future.”674

Kissinger wrote in his autobiography, Years of Renewal, that while the “congressional and media critics…were determined to bring Pinochet down[,] we sought to moderate and democratize his conduct.”675 He mused that Pinochet could not compare to the greater threat that leftist upheaval posed in other parts of the continent, writing:

672 Schmitz, 18
673 Ibid
674 David Schmitz. Thank God They’re On Our Side: The United States and Right-Wing Dictatorships, 1921-1965 (Chapel Hill: University of North Carolina Press, 1999), 289
675 Henry Kissinger. Years of Renewal: The Concluding Volume of His Memoirs (New York: Touchstone, 1999), 1411
We were also highly conscious of the double standard that was being applied to post-coup Chile….The European left’s venomous hatred of Pinochet was not matched by any comparable condemnation of Castro, or of the truly brutal regime in Vietnam. Sweden’s socialist government cut off aid to Chile within forty-eight hours of the coup, before any human rights violations were apparent, but it had shown no such fastidiousness vis-à-vis the repressive leaders in Hanoi, whom, in fact, Sweden had been supporting politically and economically for nearly a decade. Why were we being urged to moderate left-wing autocrats by showering them with economic aid while the remedy for Chile’s right-wing abuses was to be total ostracism?676

Pinochet’s assimilation into the capitalist global order validated his regime on the global stage, preventing him from ever being internationally condemned during his leadership tenure. After the dictator was arrested in London on charges of human rights violations in 1998, Thatcher issued a statement declaring, “Senator Pinochet is, of course, being victimized because the organized international Left are bent on revenge.”677

The story of Chile is also a commentary on the way history is told, and the politics of retelling the past. Authoritarianism demands a complicit and silent nationalism, but patriotism must show more care for a nation in how it demands accountability and truthfulness. The injustice of this story is nearly as tragic as its relatively unknown existence. Documentaries about Chile’s military junta often discuss the regime’s insidious tactics to literally erase history. After the military would kill a subversive, they would return to the dissident's home and burn it to the ground. The destruction of a person’s possessions — photographs, writings, familial objects — destroyed any physical record of their existence. Family members had no way to properly mourn and remember their loved ones. These systematic and thorough disappearances made retellings of the past incomplete and inaccurate. Pinochet’s burning of these homes symbolically represent exactly what the United States government has done to the standardized American History curriculum. These tragedies are divorced from context and any framework of accountability.

676 Kissinger. Years of Renewal, 1200
Allende’s last words famously declared that, “…they have the might and they can enslave us, but they cannot halt the world’s social progress, not with crimes, nor with guns. History is ours, and the people of the world will determine it.”

His words resonate forty years later, as we stand witnessing the 1970s order crumble before our very eyes. People have the means to own history, to determine the next form of development. His statement encapsulates the kind of liberation a community should have — agency and ownership over their neighborhoods.

678 Lois Oppenheim. Politics in Chile: Democracy, Authoritarianism, And The Search For Development (Boulder: Routledge Press, 2007), 3
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