

Chile: The Political Economy of Military-Fascism

*Past publications of NACLA [especially **New Chile** and "Chile: The Story Behind the Coup," NACLA's **Latin America and Empire Report**, Vol. VII, No. 8 (October 1973)] have documented the U.S. financial blockade of Chile during the years of the **Unidad Popular** government. But what effect did this blockade have on the class struggle within Chile? Did the UP's economic policy correctly predict the consequences of such a policy? The article which follows attempts to answer some of these questions. The author, Ruy Mauro Marini, examines the political economy of the current military Junta and its roots in the past. The main features of the class struggle in Chile over the past three decades, according to the author, are the struggle between the bourgeoisie as a unified force against the working class and the internal struggle which developed within the bourgeoisie itself. This latter conflict pitted the large bourgeoisie (those with monopoly interests, inexorably tied to foreign imperialism) against sectors of the medium and small bourgeoisie. The course of Chilean economic development has been determined, to a large degree, by the force which emerges strongest in this intrabourgeois struggle (never forgetting the absolutely critical role played by U.S. imperialism, as it allies with either or both of these sectors).*

Due to the primacy of the inter-class struggle under the UP government, a new economic mechanism, speculation, was able to unite the interests of the big bourgeoisie to those of the smaller sector of capitalists. And, because of errors in government policy, the bourgeoisie was also able to win over to its side large sectors of the petit bourgeoisie and even demoralized some of the popular sectors. While it was the big bourgeoisie which emerged at the head of the capitalist class after the coup, reaching a dominance which it never before had attained, the conflicts within the bourgeoisie, as well as between classes, has not been resolved. In fact, these are now sharper than ever.

*These are just a few of the points presented in Ruy Mauro's article. Although it is more technical than we normally publish in our **Report**, we feel its analysis can help clarify the internal consequences of the invisible blockade as well as pointing to the present contradictions which are seriously undermining the governing Junta.*

During the decade of the Sixties, a silent battle raged within the Chilean ruling class. A period of industrial growth, occurring after the Forties, and the increased penetration of foreign capital, in the following decade, helped to crystalize a sector of the bourgeoisie with an increasingly narrow field of interests. Because this sector was tied to the increased production of luxury goods and because of the specific nature of Chilean industrial development (in durable consumer goods, chemical and electronics industries, principally), this sector began to seek a reorientation of credit lines in its favor, to foster the entrance of foreign capital and technology, to re-mold foreign commerce (in terms of imports as well as, and most importantly, exports, with the creation of the Andean Pact of particular importance in this field) and re-structure the internal market. In this last aspect, the objective of this bourgeois sector was a regressive re-distribution of income which would increase the purchasing power of the high income groups, the slightly more than 5 percent of the consumers capable of purchasing their products. To accomplish this, they proposed a wage policy which harmed the immense majority of the workers.

The greater part of the measures proposed by this national and foreign big bourgeoisie was detrimental to the mass consumer market and negatively affected the industry

producing these goods. This industry was almost totally in the hands of medium and small entrepreneurs. It was inevitable, then, that intra-bourgeois contradictions would sharpen. Furthermore, these contradictions would become more important in the measure that the big bourgeoisie was increasingly able to influence the determination of the nation's political economy.

By 1967—during the second half of the government of Christian Democrat Eduardo Frei—the policies of the big bourgeoisie had produced a recession in the mass consumer goods industry, and the worsening of the workers' and semi-proletarian masses' living standards as well as those of the lower sectors of the petit bourgeoisie. Salaries fell at the same time that prices and unemployment rose.

All this helped generate a powerful advance in the level of the mass movement in the city and the countryside which, besides provoking immediate economic demands, gave rise to their growing political radicalization. At the same time, the contradictions between the big bourgeoisie, on the one hand, and the medium and petit bourgeoisie, on the other, increased, creating deep fissures in the system of class rule on which they all rested. The ruling class' incapacity to unite its forces and present a single candidate for the 1970 presidential elections was largely a product of this situation. And, in the same framework, one can better understand the



Former President Eduardo Frei

victory obtained by the coalition of worker and petit bourgeois parties, the Popular Unity (**Unidad Popular**, UP), which elected Salvador Allende to the presidency of Chile.

Three years after its election, the UP government was swept out of office by a military-fascist movement which destroyed the institutions of bourgeois democratic parliamentarianism, unleashed an incredibly savage repression against workers and peasants, outlawed union organizations, leftist parties and—under the euphemism of placing them “in recess”—the very parties of the bourgeoisie, suppressed the most elemental liberties, took over the universities and imposed a regime of torture and terror throughout the country. This tragic unfolding of what used to be called the “Chilean road to socialism” represents but another stage in the Chilean class struggle beginning in the Sixties, and it cannot be understood if we do not use this period as our point of reference. The military Junta which took over the government in September 1973 revealed its class character by handing over the formulation of its political economy to Fernando Leniz, ex-president of **El Mercurio** who is closely tied to infamous North American and Chilean financial groups. In other words, the “economic reconstruction” of Chile, much hailed by the military-fascists, has therefore been openly given over to the big national and foreign capitalists.

But it is not only this which demonstrates the class character of the military-fascist regime. Their class character is also demonstrated when they apply, with an iron fist, the economic measures demanded (in the pages of **El Mercurio**) by the big bourgeoisie. Eager for revenge and emboldened by the bare sword placed at their disposal, the representatives of monopoly interests no longer place any limits on their exploitation of the workers. The working day in factories and offices has been lengthened without a corresponding wage increase. In the basic industries controlled by the State, such as the coal mines of Concepcion and Arauco, they have imposed a system of forced labor which goes so far as to prohibit workers from leaving the zone without permission from the military authorities. In factories and farms, which have been returned to their former owners, they prohibit the creation of any type of organization which can uphold the workers’ rights. Wages and salaries have been re-adjusted by approximately 300 percent but the Junta itself foresaw, for 1973, an inflation of close to 600 percent.

It is evident that the principal objective of the big bourgeoisie’s political economy is the rapid accumulation of a high rate of surplus value at the cost of inexorably

squeezing the workers. This spells super-exploitation for the workers. And, in this sense, Chilean military-fascism does not present any innovation on those fascist regimes which have preceded it in history. Nevertheless, it does do more than simply reproduce a general aspect of fascism. It expresses the concrete necessity which the Chilean bourgeoisie, as a class, feels to re-orient its investments toward productive activities; in other words, to re-activate the process of capital accumulation. In order to understand the causes of this situation and, consequently, the political economy of Chilean military-fascism, it is necessary to begin our analysis in the period before the coup d’etat.

The Economic Crisis

During the government of the Popular Unity and especially in its last months in office, the characteristic aspect of the non-public Chilean economy consisted in the systematic conversion of productive capital into speculative capital. Obviously, political reasons alone could explain this since the Chilean bourgeoisie (and this is still more evident for foreign groups) consistently refused, from the start, to collaborate with the Allende government.¹ Nevertheless, there were also purely economic reasons to explain why the bourgeoisie abstained from any type of productive investment, and these reasons have much to do with the political economy of the Popular Unity government.²

In its first year of government, the UP’s results in the economic field filled it with optimism. In effect, by making use of idle capacity in the plants and stocks accumulated in the pre-1970 period (characterized, as we pointed out, by a recession in the consumer goods industry), industrial production was able to expand markedly. The motor force behind this change was the UP-promoted redistribution of income in favor of wage workers. This produced a notable increase in the internal demand for goods and services. Nevertheless, given the conditions under which this occurred—the absence of investments which would assure a real growth in installed capacity—industrial expansion would quickly reach its limits. This was caused, on the one hand, by the exhaustion of idle capacity and accumulated stocks, aggravated by a decline in production which resulted from the employment of less efficient machinery as well as by the sabotage of the entrepreneurs; and, on the other, by the relative inelasticity in the supply of intermediary goods and equipment. This second point is the more important in order to understand the economic crisis which took place at the end of 1972.

It is important to keep in mind the fact that the Chilean industrial economy does not have at its disposal a real capital goods sector. Rather, it has a reduced productive base of intermediary goods (steel, etc.) and durable goods which are directed almost totally towards luxury consumption. To accompany the growth of demand, production of mass consumer goods would therefore have to count on the importation of raw materials, intermediary goods and capital and, above all, investments which would increase the productive capacity and, in a certain measure, permit the conversion of a part of the luxury goods industry into a capital goods industry. Nothing like this took place.

We do not have to recall the basic fact that the bourgeoisie withheld new investments. We will point out only that the government did not apply the necessary measures to capture and then reinvest the earnings which economic expansion placed in the hands of private enterprise. The government proceeded in this manner for the same reasons that it did not actively promote the transformation of the luxury goods industry.

The UP's economic orientation called for nationalization of basic industries (copper, coal, steel, etc.) and the large firms producing consumer goods (textiles, food). It left untouched the firms producing luxury goods (automobiles, durable consumer appliances). The fact that when pressured by the workers in these latter firms, Allende's government expropriated many of them, does not change the picture since, when they became State property, they maintained their traditional lines of production.

The Popular Unity government had its reasons for acting in this manner. Of course, its search for an agreement with certain sectors of the national bourgeoisie influenced its decision. Thus, for example, in respect to the auto industry: the government only proposed the rationalization of production, opening up the field to the bids of foreign capital and, in passing, simplifying the models produced. It did not pretend to substitute the models for vehicles with a greater social utility. One should also consider the UP's preoccupation with not alienating the middle sectors who consumed these products. This had to be a fundamental point in a strategy which, by proposing the modification of socio-economic structures inside the framework of parliamentary institutionality, had to count on middle sector votes. Finally, the UP was profoundly convinced that, by increasing the State's participation in the field of production, the government would be able to direct the activity of private entrepreneurial groups by employing the normal instruments of political economy.

Nevertheless, what is important to remember is that the government did not try to expand or convert existing industrial capacity in order to guarantee an increase in the supply of intermediary goods and capital. Satisfaction of this sector's needs, therefore, came to depend essentially on the external sector, in other words, on the availability of foreign exchange in order to import these products. And yet it was here that the UP encountered its greatest difficulties since it faced a serious balance of payments crisis. Various factors led to this situation: the withdrawal of private foreign capital and the financial boycott established by the U.S. government and the international agencies under its influence.³ Other factors also intensified the shortage of foreign exchange such as the rise in the international prices of food-stuffs (an item of considerable weight in the Chilean import structure) and the fall of the world market price of copper, only alleviated in the last year of the government.

All this slowed down the production of mass consumer goods and was, in itself, sufficient to generate a serious disequilibrium in the economy given an increased demand for these items, product of the income redistribution policy. This problem was aggravated by an early type of speculation: the illegal shipment of merchandise abroad where, thanks to the accelerating devaluation of the *escudo*, these items could be sold at a greater profit. In short, this resulted in the increasing lack of mass consumer goods on the internal market.

Speculation and Fascism

After an initial period, the bourgeoisie took political advantage of this shortage in its campaign against the government. The infamous December 1971 "march of pots and pans" which joined a sector of the petit bourgeoisie with the fascist-prone lumpenproletariat for the first time in the streets of Santiago, demonstrated this point. Soon the bourgeoisie no longer limited itself to taking advantage of the shortage: it helped create the shortage. Having large sums of ready capital at its disposal, due to its decision not

to invest in production, it turned to hoarding and black market operations in goods from cars to cigarettes. In this way, it neutralized the government's policy of income distribution and also realized enormous profits.

What the Chilean example demonstrates—and an analysis of the behaviour of the bourgeoisie in other countries under similar conditions will reveal the same—is that, in a moment of crisis, capital can halt its process of accumulation and provoke the degeneration of the whole economy through its transformation into speculative capital. And, it can do this while at the same time increasing its economic power and tilting the class struggle in its favor. In this respect speculation arises as the political economy of fascism during the phase of the struggle for State power. And, in the absence of a revolutionary response by the working class, it is through this mechanism that capital can unite the basic conditions for the victory of fascism: the cohesion of the bourgeoisie, the opposition of large sectors of the petit bourgeoisie to the working class and the winning over or neutralization of popular sectors who, in other circumstances, would be certain allies of the proletariat.

With respect to the bourgeoisie (as well as the property-owning sectors of the petit bourgeoisie), the speculation unleashed by the big bourgeoisie achieved its results in two ways. On the one hand, it lessened the intra-bourgeois contradictions over the appropriation of profits. In effect, thanks to their economic and technological base, the large enterprises operate with smaller production costs while (if competition does not cause them to function in another manner) they take advantage of market prices equal or superior to the rest. Now, by turning to speculation, the weakest capitalist sectors began to charge super-prices (at the consumers' expense) which not only compensated them to a large degree but even began to threaten the big

"March of the Pots and Pans," December 1971.



bourgeoisie's appropriation of some of their earnings since speculation was most pronounced in the area of mass consumer goods (where, as we saw, the participation of the medium and small enterprise is greatest). On the other hand, in the measure to which its practical opposition to the government's political economy increased its earnings, these bourgeois sectors, initially neutralized by the **Unidad Popular**, became increasingly more hostile to it. And, for a bourgeoisie, there is no political opposition better than that which can be done not only with impunity but also for the benefit of its own pocketbook.

Under these circumstances, the most efficient method of defending the poor's level of consumption rested not in rationing, as a certain sector of the government believed,⁵ but in the creation of a system of distribution which would curtail established commerce's possibility of acting as a center of hoarding and speculation. Popular organizations capable of exercising mass control over distribution would be given control of this new system. It was for this reason alone that the bourgeoisie fought with such rancor the centers of supply and prices (**Juntas de Abastecimiento y Precios, JAP**), the popular stores, the communal commands of food supply and other organizations of this nature. For its part the government, faithful to its plan for winning over the middle sectors, continually gave the merchants guarantees and refused to expropriate the large private distribution houses (a condition *sine qua non* for the control over distribution), limiting itself to the operation of a State center which accounted for only 33 percent of wholesale distribution.⁶

The struggle for the appropriation of income thus was moved into the stores and markets, which became the scene of a daily confrontation between the petit bourgeoisie and the popular masses who fought over bread, shoes or matches. For the petit bourgeoisie, the worker and the slum dweller (**poblador**) were physically identifiable competitors, beings of flesh and blood who had to be combatted and defeated. With the development of the black market, the highest income groups could avoid this struggle in the stores and markets, and thus they won their first victory over the workers. But the long lines which formed at dawn, and at times during the night, were daily gathering points for the popular sectors, where they began to feel hostility towards their neighbors, indignation against those who provoked the situation (the bourgeoisie, the bureaucrats, or the government, according to their political tendencies), and an increasingly painful sensation of impotence.

Thus, by unifying the capitalists, polarizing the petit bourgeoisie, and sowing depression in the midst of the people, speculation was converted into the weapon **par excellence** of fascism. It is clear—although space will not permit a lengthy analysis here—that in the end this mechanism could not triumph of its own accord. The big bourgeoisie had to reach out to the Armed Forces. But it is no less certain that the victory reached by the bourgeoisie on September 11 would not have been possible without this systematic offensive in the economic field.

The Politics of the Big Bourgeoisie

As succulent as were the profits from speculation for the bourgeoisie and as much as speculation corresponds to a normal activity of the capitalist economy, it cannot indefinitely displace capital accumulation in the field of production. Thus the overthrow of the UP government has created a central task for the bourgeoisie: the re-orientation of capital toward productive activities.



Left: Sergio Onofre Jarpa, President of the National Party
Right: Orlando Saenz, ex-president of SOFOFA

We have already seen how this presupposes an increased exploitation of labor or, what amounts to the same thing, the generation of a higher level of surplus value for the capitalist. But the situation generated by speculation in terms of the circulation of merchandise also obliges the capitalists to worry about the reorganization of the structures of distribution and consumption which were used to undermine the previous government. In this case, pricing policy—which aids in the super-exploitation of labor—represents a fundamental element once the purchasing power of the masses is restricted (by devaluing salaries via prices) and they are no longer able to compete in the consumer goods market.

It is in this second aspect that one discovers the clearest stamp of the big bourgeoisie on the political economy of the military regime. In effect, the increase in the working day and the decrease in salaries are measures which interest all the bourgeoisie. Through such measures, the large, medium and small capitalists are benefited since they all receive a greater rate of surplus value. On the other side of the coin, these measures harm all salaried groups equally, whether proletariat or petit bourgeoisie.

The situation is different with regard to the measures adopted in the area of consumption, particularly concerning pricing policy. Here, those who suffer most from ill-effects are the low income groups, particularly unskilled workers and low-level white collar workers (**empleados**) as well as the poor sectors who do not have a regular income. Quite simply, the lower the wage level, the harder it is to get by. We should add that the restriction of the market which results from such a policy particularly affects the mass consumer goods industry, especially the production of low quality goods, generally controlled by small and medium-sized firms.

It would be an error to think that this political economy has only a temporary character, as some would have us believe. In this economy we see a return of the tendency which dominated the Chilean economy before 1970 and which we pointed out at the start of this essay: the restriction of the market for mass consumer goods, which depends on the purchasing power of the low income sectors, in benefit of an expansion in the area of luxury goods production which is buttressed by the high income groups.

A dependent economy has its laws and the big bourgeoisie understands them perfectly. Since they stand at the head of the capitalist forces and orient the development of the system as a whole, their politics tend to coincide with the objective tendencies pushing dependent capitalism ahead, converting it into an increasingly exploitative system as well as one which excludes ever greater numbers of people. Super-exploitation of labor and its most immediate result, the break between production and the consumption needs of the broad masses—this is the pivot of dependent development, the same which today orients the actions of the big bourgeoisie in Chile.

From the viewpoint of the class struggle, it would seem that Chilean society is preparing to return to a point previously reached in 1970. In effect, while the contradictions between the ruling class and the workers grow sharper, the policies of the big bourgeoisie tends to split the bloc of classes which supported the military coup, causing the divergent interests of the various bourgeois sectors to smash against each other as well as against the interests of the petit bourgeoisie.

Nonetheless, this does not represent a return to the past. For many reasons the class struggle is developing in Chile today in a radically different framework from that of 1970. First, the big bourgeoisie has reinforced its position, resolving in its favor the conflict which provoked a crisis in the earlier period. And it is ready to make its interests prevail over the remainder of society at any costs. In this sense not only are the workers the objects of its violence but also sectors within the bourgeoisie. Thus, it is likely that, through a policy of accelerated concentration of capital, new signs of intra-bourgeois violence will emerge.

A second reason is that the petit bourgeoisie has been forced to occupy a subordinate political position in the country. This conglomerate of social sectors whose leading group retained for three decades, even during the UP government, a privileged position within the State apparatus has experienced a bitter defeat. The Chilean process demonstrates clearly the incapacity of the petit bourgeoisie to solve the problems of capitalist development once a sector of large capitalists with perfectly defined interests emerges. This incapacity became evident when, as the class struggle increased bringing society to the brink of a total breakdown, the petit bourgeois sectors had only two alternatives. They could have placed themselves behind the working class—the only class, after October 1972, to present a revolutionary solution to the contemporary crisis—or behind the big bourgeoisie and its military arm, thereby becoming a manipulated mass lending itself as a social base for military-fascism. Its attempts at autonomy, either through Allende-style reformism or as the institutional opposition headed by the Christian Democrats, resulted in a resounding failure, causing it to lose even those positions which, regardless of its ups and downs, it was able to conquer and maintain during the last decades.

The third and most important reason is due to the huge development in consciousness and organization which occurred within the mass movement during the period of Popular Unity government. The incorporation of less-advanced sectors from the city and the countryside into political life; the emergence of a constellation of middle-level worker cadres, uncompromised by reformism; and the organic expression of these phenomena in the creation of Industrial Belt (**Cordones Industriales**) and Communal Command (**Comando Comunales**) organizations: these are irreversible facts. And it is upon the base of this renovated

and strengthened mass movement, in spite of the set-back suffered in 1973, that a revolutionary vanguard without precedent in the history of Latin America is coming into being.

All this means that the class struggle is developing in Chile today without camouflage and, in a certain sense, in a simplified form. This is not only caused by the destruction of the democratic veil with which capital had disguised its domination. It is also due to the fact—and this is how one can understand why parliamentary tradition could be broken—that within the bourgeoisie a hegemonic faction, represented by the big bourgeoisie, has arisen, thus closing a stage of intra-bourgeois struggles which began, as we have seen, during the 1960s. But it is also due to the growth of the mass movement which has revitalized the working class. This class, on experiencing in its own flesh and blood the limits of the reformist program put forth by the **Unidad Popular**, is now in a privileged condition to throw off the yoke of reformism placed on its neck by the petit bourgeoisie nearly fifty years ago.

The polarization in the class struggle does not imply, however, that the contradictions which affect other classes or sectors of classes are going to diminish. On the contrary, they will tend to become more profound precisely because the hegemony conquered by the big bourgeoisie will permit the latter to impose its interests upon the other bourgeois sectors as well as the petit bourgeoisie in a much more brutal manner. If it is certain that the big bourgeoisie embodies the interests of the bourgeoisie as a class, it is no less certain that it can grow only at the expense of the great majority of the capitalists. Its hegemony carries along with it, therefore, the sharpening of intra-bourgeois contradictions as well as conflicts with the petit bourgeoisie. For this reason, the polarization of the class struggle will mean its intensification on all levels. For the working class, this represents a greater possibility of establishing alliances with new social groups, thereby broadening the bloc of classes which it leads, and of isolating more and more its principal enemy: the large national and foreign capitalists.

What the working class needs to carry out this task is to translate its class interests into revolutionary politics and to implement these politics on the basis of objective conditions created by the new level of the class struggle. It is obvious that, if the working class does not fulfill these conditions, it will risk again being held back by political gradualism. Incurable left-wing reformism already is attempting to assign to the working class, as its **exclusive** task, the re-establishment of democratic liberties, as if with this things could return to what they were before the military coup, in other words, the easy game of bourgeois parliamentarianism. Only then, say our reformists, can we talk of the problem of the conquest of power.

Unfortunately, for them, things are not like that. The military coup does not constitute a small hitch in the road to non-violent revolution. It expresses the decision of the large national and foreign capitalists not to permit that revolution in Chile. There is no way to re-live, under these circumstances, the experience of the deposed **Unidad Popular** government. It has been buried under the debris of the Moneda [Presidential Palace], drowned in the blood of thousands of workers and revolutionaries who military-fascism murdered and still murders in Chile.

Only in the measure in which the working class, by placing itself at the head of all the people, prepares itself to destroy by force the regime of force imposed by the bourgeoisie and imperialism, only in this way can it now

move beyond the reestablishment of bourgeois parliamentary democracy to construct a true democracy, proletarian and socialist. It is this challenge which today confronts the Chilean vanguard.

There is no reason to doubt that it will be able to give this response. The organic capacity and the strategic and tactical ability of the revolutionary left, both before and after the coup of September, demonstrates this. And those who have erected a pretorian guard in the capital know it well.

Under the blanket of terror which military-fascism has thrown over Chile, the old mole, of which Marx spoke, untiringly continues its labor.

FOOTNOTES

1. It should be noted that at least one major Chilean financial group attempted to work with the **Unidad Popular** government for at least a short period. This group, the "Grupo Banco Hipotecario" (commonly nicknamed the "piranas"), controlled approximately eleven financial corporations and four insurance companies as well as important industries. Interestingly, when this group changed its initial policy of selling its stocks to the government, it shifted rapidly to the Right, even passing the highly conservative "Edwards Group" in the process. Its members are now some of the Junta's top economic advisors. [Editor's note]
2. In general, this was analyzed by Cristian Sepulveda and myself in "La política económica de la 'via chilena.'" **Marxismo y Revolución** (Santiago), No. 1 (July-September 1973), 106-123.
3. See, in particular, "Facing the Blockade," **New Chile** (Berkeley: NACLA, 1973), 178-208. [Editor's note]
4. Only in its last period did the UP government try to establish a differential readjustment of wages and salaries which would benefit those with a lower income. Nevertheless, the corresponding legislation presented to the parliament was furiously diverted by the bourgeois opposition.
5. The Communist Party, MAPU and the left-wing of the Socialist Party. The government, through Fernando Flores, Minister of the Economy and member of MAPU, went so far as to announce the adoption of rationing at the start of 1973, a measure which was never concretized.
6. See **Chile Hoy** (Santiago), No. 31 (January 12-18, 1973) and No. 32 (January 19-25, 1973). [Editor's note]

