

INSTITUTE OF CURRENT WORLD AFFAIRS

FMF-11
The Frei Administration at Mid-Term

Av. Eliodoro Yañez 1984
Santiago, Chile
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Richard H. Nolte, Executive Director
Institute of Current World Affairs
366 Madison Avenue
New York, New York 10017

Dear Mr. Nolte:

"It would seem that Mr. Frei has succeeded better than any other political leader in communicating a sense of excitement and participation in the presentation of his program of democratic reforms.

" 'We are going to build a new Chile for all the people, a revolution in liberty', he has declared."

18 September 1964, The New York Times.

"This year in Chile there began a political experiment which, if it is successful, could prove as important for Latin America as anything that has happened since the days of Bolivar—including recent events in Cuba. For the first time in the continent's independent history, democratic Catholic politicians, supported by their clergy and bishops, have come into power. And they have proclaimed themselves determined to transform by non-violent means the 'free enterprise' society that has borne so hardly on the majority of Latin Americans."

September 1965, Encounter.

"Can Democracy serve modern revolution? No question presses or eludes the Free World more, and no better answer may be forthcoming than from Chile, where Christian Democratic President Eduardo Frei attacks four centuries of semifeudal despair, yet hallows personal freedoms. Frei's failure could throw Chile to the Marxists in 1970. His success could charge a continent—and alert the revolutionary world."

1967, The Last Best Hope, Leonard Gross.

Emerging from an embittered campaign against a Socialist-Communist coalition in 1964, Frei triumphed decisively with 56% of the votes, an absolute majority never before enjoyed by a Chilean president. There was, however, speculation that Frei had won because he was the lesser of two evils and, therefore, when the polity could choose from a broader spectrum, the political scene would revert to its usual dispersed pattern. But this theory was disproved six months later when the Christian Democrats marched to another salient election victory, gaining 82 seats in the 147-member Chamber of Deputies and nine seats in the Senate, for a total of 13 out of 45. The people had given their mandate for effecting strong reforms by means of democratic processes—a "Revolution in Liberty".

The theoretical fount for the Christian Democratic program is Catholic thought as expressed by Jacques Maritain and the papal encyclicals Rerum Novarum (1891) and Quadragesimo Anno (1931). But the party is not of the Church nor dedicated to protect its interests. Its ranks are open to believers of all faiths, or of none. In essence, it proposes a middle route between what it sees as the social indifference of laissez-faire capitalism and the impersonal statism of communism. Participation of all citizens in the political, economic and social wealth of the society is the aim, and it proposes to bring this about by agrarian, educational and administrative reforms.

Books, treatises and disquisitions defined the middle way. Now came the trial by fire. For the first time in its 30 years of existence, the Christian Democratic Party had control of the government.

Three years later, just past mid-point in the six-year presidential term, responsible supporters of the administration are ruminating publicly under headings of "Self-Critical Analysis of the Government and of the Political Situation", "The Second Half of the Road", etc. The opposition is less genteel in its labels.

The intellectual Jesuit clique has championed the Christian Democratic cause, providing mentors for its program and public support for its administration. Therefore, when the current issue (marzo-abril 1968) of the order's magazine, Mensaje, printed a painful review at the third-year watershed, the significance could not be discounted. In typical histrionic fashion the Communist daily, El Siglo, chortled "...this despairing analysis of Mensaje has fallen on La Moneda (executive headquarters) like a bomb tossed without warning...by one who once believed in this 'revolution to change everything'."

The commentary analyzes the present conjuncture in terms of a crisis integral---encompassing economic, socio-political and cultural aspects---in the light of Frei's objective to overcome stagnation, instability and inequality.

The government's projection of growth, made in 1965, prophesied a cumulative advance of 31% between 1965 and 1970, to be realized in progressive gains of 5% in 1966 and 1967, and 6% in 1968-69-70. Indeed, the following year, 1966, exceeded the promise, the GNP expanding by 6.6% on top of a 5% advance in 1965. But, appearing simultaneously with the current issue of Mensaje, the annual report of the Economic Commission of Latin America revealed a serious drop to 3% in 1967 and observed that "the evaluation of the Chilean economy in 1967 shows, in relation to the two preceding years, unfavorable signs of a diminishing growth and an increase in the inflationary rate."

Allowing that this regression has several explanations, Mensaje isolates the significant improvement in real wages during the period 1965-1966, suggesting that this stimulated consumption and, therefore, industrial production but did not contribute to "profound changes" and

a lasting support of the economic structure. One parameter of the country's 65-66 boom which Mensaje ignored was the spiraling price of copper, increasing the annual earnings by \$200-million. Both the Viet Nam War and the prolonged strike in the U.S. have assured a continuing high quotation for the mineral. It is, therefore, even moreso disheartening that, as ECLA points out, exports in 1967 hardly increased in spite of sizeable copper shipments, a situation which is blamed on a drop in other exports such as fishmeal and processed copper. Conversely, imports continued to increase.

Also lamenting its performance in 1967, the industrial sector chalked up its columns and found that "from 1958 to 1966 inclusive the growth index for production has averaged 7.6% per annum...but, unfortunately, in 1967 the average was only 2%." The entrepreneurs suggested that excessive participation by the public sector and a burdensome system of governmental controls were to blame. The first fed the inflationary fires while the second restricted credit and prices in an attempt to balance the ill effects of the first. Also in March the Comptroller General, a government body, submitted the balance sheet for 1967 to the President; it registered a deficit of 412 million escudos for the year, swelling the total debt to almost two billion escudos.

Returning to Mensaje, its synopsis of the economic crisis concluded that the stagnation has not been broken and that the persistent inflation stymies the stability which is needed to assure an increase in the real wages of the working class. Although some progress has been made toward a more equitable distribution of wealth, "we are still very far from overcoming the problem."

Turning to the socio-political and cultural crises, Mensaje quoted Frei's compendium of objectives:

"The creation of a new juridical order, of a new State and new institutions, capable of substituting the exploitation of capitalism by a social organism that will overcome our present state of underdevelopment, creating those structures necessary for the people's participation in the construction of a more just and humane society."

The commentary laments that the pace of events has outstripped the government's program---the demands of the people increasing geometrically while structural limitations, particularly legislative obstacles, have circumvented the government's resolve to meet those demands. The modernization of the politico-administrative apparatus thus continues a frustrated prerequisite for assuaging the crisis of participation.

One tangible within the cultural field was lauded by Mensaje--- the educational gains: 500,000 students (1964-1967), 6500 primary teachers (1965-1966), 2016 school buildings (1965-1966), 13500 university enrollees (1964-1967). The ECLA report notes an increase of 66% in expenditures for education during Frei's first three years.

P · E · C

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LOS JESUITAS CRITICAN A FREI

(PAGINA 6)



The Jesuits criticize Frei
Now, do they want to delude the country with Tomic? (See reference
to him, p. 11)

But imponderable advances toward new concepts and understandings contributing to the achievement of the Christian Democratic nirvana are few, according to Mensaje. In fact, it chides the Government and its appendages for an almost total lack of intellectual zeal and imaginative programs.

"All this can only mean that the Revolution in liberty, that is to say the Government and the Christian Democratic Party, confronts a difficult situation. Many aspiring plans have been forgotten or await a 'better opportunity' to put them into action; the post-electoral climate, symbolized by the phrase 'everything must change', has disappeared and in its place the spirits are dampened by a certain apathy, a certain disenchantment, a certain fatalistic sense of our weaknesses and of the impossibility to overcome them by means of new approaches, with imagination, audacity and an unmistakable 'revolutionary zeal'."

Apparently by coincidence, a leader of the Christian Democrats likewise aired his evaluation of the party and the administration in March. Devoting three pages to this "Self-Critical Analysis of the Government and the Political Situation" by Senator Renán Fuentealba, the government's own newspaper, La Nación, candidly printed the complete document. In summary:

We were chosen by the Chilean people because we represented a total rupture with capitalism and with the rightist regime, capable of creating a new order essentially Christian in its concept of the human being and of the State, of a communitarian concept in its social philosophy and democratic in its fundamental institutions.

After three years we have accomplished much, but Christian Democrats and Chileans in general have at times the sensation that "things don't go well"...we still have inflation, unemployment, rising prices...that the party is just one more political conglomeration like all the others.

We must admit that we have committed many errors as a government and as a party...but so have all the governments of the world and all the parties in Chile or abroad.

Much can be blamed on our inexperience. During the campaign there was an escalation of promises which created in the people an illusion that whoever won would perform miracles within a short time...this idea persists and Chileans, including Christian Democrats, demand an immediate fulfillment of the government's program, giving little credit for what is accomplished but clamoring over what has not been done. The Government is a permanent debtor. Our fundamental error was not to map out a six-year plan so that the public understood the goals and the limitations...and the public should be aided in comprehending the government program by means of intelligent propaganda.

When it came to power, Christian Democracy took on two compromises: to bring about a Revolution, and to preserve liberty. We had been forewarned that History has proved these two incompatible. There has not yet been a revolution that has not been accompanied by a notable reduction in liberty. And what have these three years shown us?

They have shown us that even though it is possible to advance and make transformations within a regime of liberty, it is evident that liberty hinders the implementation of certain reforms or at least slows the process. In our case, liberty has meant respecting political parties and the National Congress---that is, to allow them to oppose, criticize and strive to block the administration so that they may have their own way. Since Christian Democracy has rejected violence and coercion, we see the paradox that its main obstacle to success is the preservation of Liberty and the other paradox is that it is exactly the mortal enemies of Liberty who have profited most by it in order to destroy it.

The Right plots freely within and without the country, trying to create difficult conditions leading to the collapse of the Government. The totalitarian Left, inconceivably with the help of the Radical Party which calls itself revolutionary and democratic, is trying to prove to the country that no advance is possible within democracy, preparing and disposing the Chilean conscience to accept a Marxist dictatorship...destroying faith in democracy. They have achieved some success as there already are a great number of Chileans to whom it would not matter if tomorrow liberty were suppressed in order to obtain the smallest improvement in their material well-being.

The Government has now begun its second phase. At this juncture it is frequent that the President of the Republic finds himself alone and that the forces which have accompanied him begin to disassociate themselves in order to dedicate themselves to their own interests.

In pleas for party unity and support for the Government, Senator Fuentealba touches one of the most critical challenges faced by President Frei: the threat of a schism in his own party.

Although youthful founder and prolific ideologue of the party, Eduardo Frei now represents the older generation of the Christian Democrats. In key posts in the present government are many of the leaders of the original coterie, and they now find that they must forge their program within the realities of popular elections and political opposition. Age and power have infused their actions with a certain conservatism and pragmatism.

But those Christian Democrats closer to youth, peasants and syndicates are not pleased with what to them is a lagging pace.

They would accelerate the agrarian reform which is unlikely to reach the promised goal of 100,000 new landholders by 1970. They would be more generous with wage increases for workers in order to speed the process of equalization. They would exact more from the private industrial sector and particularly from U.S. business concerns. They would take a "non-capitalistic route toward development" via "communitarianism", a rather vague concept which would place the means of production in the hands of the local communities---thus taking it from individual owners yet not concentrating it in a central state organism.

Among the protagonists of the left wing is Jacques Chonchol. A 1967 report to the President, prepared by Chonchol, urges a far greater role for the government in the country's economy and recommends a series of expropriations. Frei first attempted to suppress and then ignored the report. In March of this year the two factions again clashed publicly as Chonchol and a C.D. Deputy, Julio Silva Solar, attacked a book written by the former Minister of Labor, William Thayer (now Minister of Justice). The central issue of the squabble, developed in an exchange of letters in the weekly magazine Ercilla, is the degree to which Marxist-inspired theories should guide the action of the State and the role of private enterprise under a Christian Democratic government.

Chonchol and Silva point out: "Minister Thayer does not want to destroy the economic power now in force. According to him, this power is a guarantee of production, of economic development, of our not falling prey to dissatisfaction and hunger...The revolutionary thinks just the opposite. He thinks that such power is incapable of producing and is exactly the factor responsible for dissatisfaction and hunger."

But to Thayer the methods proposed by the other two "give legitimate cause for my preoccupation that the interpretations they give to non-capitalistic development is fundamentally Marxist... that it represents a current of thought which I consider wrong."

In a speech on March 12, President Frei's stand was unequivocal: "I have never been an enemy of private enterprise. To the contrary, I have tried to stimulate it during this administration as never before...I am a supporter of foreign investment...of private enterprise and of a free and competitive market."

After six months of left-wing rule under Rafael Agustín Gumucio, the Christian Democratic party returned to a more conservative leadership in a hard-fought election in January of this year. President Frei gained approval of his program except his proposal to forbid all labor strikes for the year, part of his constant struggle to control Chile's inflation.

As a result of the divergence in views regarding what composes a "revolution", the Government has disenchanted sectors of students, professors and labor, which now freely call protest strikes, as they

have done during this month of March. In the eyes of these groups, Frei has sold out to the U.S. and the status quo.

Opposition---to be expected---comes from the rival political parties: principally, the Nationals, Radicals, Socialists and Communists. During the past three years, they have perfected their methods of obscurantism---coincidence or opportunism often combining the Right and the Left in effectively blocking C.D. legislation. Since the Senate is only partially renewed every four years, the Christian Democrats were denied the chance to control that house in their 1965 congressional sweep. The very real possibility of veto for all his proposals has kept Frei in a constant swivel of political deals and necessitated many significant compromises in order to obtain the necessary votes of the right-wing or left-wing bloc.

Such has been the case of the bill to allow readjustments of wages in 1968 so that they may be on a par with the inflationary rise in the cost of living, 21.9% in 1967. Its frustrations illustrate the labyrinth of the legislative process. Blocked in the Senate last year, the readjustment proposal was withdrawn by the government in late January; its key innovation was the incorporation of a forced savings plan which called for payment of one-fourth of the increase in the form of housing bonds, a measure intended to help brake the inflation. Sergio Molina, Finance Minister, resigned as a result of this setback.

The next Finance Minister, Raúl Sáez, energetically defended the necessity of using the housing bonds in two situations: 1) as partial payment of the advance due a sector of the public employees and 2) as full payment for any raises beyond the legal maximum readjustment which might be obtained through strikes or petitions. The Government, as employer, would raise the money to pay its public servants by means of increased taxes in the higher income bracket and a one percent increase in the sales tax: it would, therefore, not have to resort to the printing press.

Sáez efforts were futile. The revised readjustment project which he presented to the Chamber of Deputies on March 7 stalled as had its predecessor. But from the Left came the offer of a deal: withdraw Article 66 and gain the votes of the Communists. Thus the proposal could garner 2/3 of the vote in the Chamber (82 Christian Democrats; 18 Communists) and could override the Senate veto. Frei first resisted; to delete Article 66 would mean a potential breakdown of the economic controls which his government considered paramount in its stabilization program. Without Article 66, wage increases won during 1968 would pump inflationary currency into the system and, as chain reaction, raise prices, instead of contributing to social development via the housing bonds. However, the compromise seemed the only way to resolve the imbroglio.

Opposed to both the weakening of the anti-inflation program and to the partnership with the Communists, Sáez resigned on March 15,

commenting: "If the country believes it can continue living at the present level without gathering any kind of reserves for the future, it is committing a suicidal act."

The conservative Santiago newspaper, El Mercurio, interpreted this maneuver by the Communist Party as a two-fold coup. On the one hand, the elimination of Article 66 would allow workers in the private sector to break the equilibrium so carefully poised by the readjustment law. Once thrown out of balance by the perquisite above the 21.9% cost of living increase, the private gains would prompt the public employees to demand equivalent compensations, and the inflation would climb in a series of seesaw concessions. Thus, the long-term sinister plot of the Communists---to plunge the country into economic chaos---would be implemented. On the other hand, by Mercurio analysis, the more apparent point scored by the strategy was to enhance the party's appearance of legitimacy by aligning it with the ruling power and furthering its acceptability in a coalition with one of Chile's democratic political parties in the 1970 presidential election. Though some criticized the government severely for this breach, others observed that the Christian Democrats were denied other options by the intransigence of the non-Communist blocs.

At the time of writing this newsletter (late March), the Chamber of Deputies had accepted the bill, and it is now before the Senate where the critical vote at this stage will decide not passage or rejection but merely whether even to debate the matter. The Socialist Parties have expressed adamant opposition to the proposed readjustments which they consider niggard, and they criticize the Communist Party for "abandoning the workers' cause". The Radical Party, in the center, and the National Party, on the right, give no overt sign of altering their negative stance. Therefore, at this juncture it seems that the Senate will refuse even to allow the introduction of the bill for debate. In this case it will return to the Chamber where, it has been presumed, it would receive the necessary 2/3 of the votes in order to rescind the Senate veto. However, the Communists now say that they are not further bound to support the bill, that deletion of Article 66 committed them only to a positive bloc vote in the first balloting in the two houses; additional cooperation would have to be negotiated.

In the meantime, the Central Unica de Trabajadores, the Communist-dominated labor federation, has staged a partially successful walkout of public employees to protest the housing bond scheme. This has particularly affected the sanitation department, postal and telegraph systems and schools, now limping or paralyzed for over a week.

The Government's proposal for wage readjustments thus continues lost in the political morass of the legislative branch, now five months in its wanderings. At latest count 225 articles had been added to the 103 of the original text, plus changes and additions totaling another 18 pages.

Semana Política



EL PRESIDENTE: —Ahora, caballeros, vean si es posible armar las piezas de este rompecabezas del reajuste.

President Frei: "Now, Gentlemen (members of his Cabinet), see if it is possible to assemble the pieces of this readjustment puzzle."

April 10

Due to the postal strike which now enters its third week, it has not been possible to mail this newsletter to New York. Therefore, the tale of the travails of the readjustment bill continues.

It did, indeed, gain Senate go-ahead (debate set for later this month) as a result of six abstentions by the National Party. There were 21 favorable votes, largely Christian Democrat and Communist, prevailing over 17 opposing votes, mostly Radical and Socialist. This concession by the Nationals split that party's directorate, several resigning their posts which necessitated the calling of an extraordinary assembly of its leaders from throughout the country.

As can be presumed, more compromises were needed to obtain the necessary abstentions. Transfiguration has been so great, especially in amputations of inflation control measures, that the bill hardly resembles its original self. By now, the next phase has been completed: the acceptance of recommended modifications which would entail the addition of new articles. Proposals for minor changes may still be presented. Of the former type, 1800 have been received; another 700 of the second type are expected. It is small consolation that this sets an all-time record in Chilean legislative history for proposed modifications of a bill.

The opening paragraph of Senator Fuentealba's "Self-Critical Analysis" observes, "...in all the history of Chile there has not been a case of a Government so much opposed, blocked and disfigured, against which there have been such violent attempts to destroy it from the very first moment in which it assumed power..."

On March 31, Mercurio editorialized, "A President elected by an absolute majority of the citizens, and with a numerous party which in a few months became the most important, now finds himself in the fourth year of his mandate with almost unimaginable difficulties."

President Frei and the Christian Democrats assumed the government in a rosy glow of national and international optimism. The first three years have brought significant advances toward the five key aims of his program: agrarian reform, Chileanization of the copper industry, educational reforms, tax reforms and housing construction. But inflation control and economic development have faltered. And progress toward the Christian Democratic concept of society has been minimal. Expectations for the "Revolution in Liberty" were perhaps too high, and the realities of the political battle too harsh. It has also been suggested that enthusiasm exceeded the possible, fostering ambitious programs whose scope surpassed the human and material resources available in Chile.

A "Revolution" has not taken place and will not in the next three years. Undoubtedly Frei's administration has been much more moderate than perhaps even he himself imagined it would be, and it is expected that the last half will bring no startling innovations but rather will be a period of consolidation of the gains and continuing compromises with an increasingly combative opposition. Judging by his current speeches, President Frei's next battle will be constitutional reforms aimed at alleviating the legislative barriers.

There is no doubt but that the Chilean polity is moving to the left. This is largely true because of the growing participation of diverse sectors of the society—one of the aims most dear to the Christian Democrat ideology. As the landowners' hold on the peasants slips and the agrarian reform increases the latter's stake in the community—as urbanization brings migrants into the area of intensive communications—as industrialization enhances the strength of politically-conscious unions—as education reaches the common man—as the middle class sees its position threatened—as these and many other processes of secularization take place, the demands for reforms will proliferate. In the 1970 presidential election, when Frei is not allowed to succeed himself, the Christian Democrat Party still has the possibility of promising a "Revolution in Liberty", offering a candidate to the left of Frei, such as Radimiro Tomic. Perhaps by that time the consolidation and stabilization of these years will allow the luxury of costly reform programs.

However, it is hard to imagine that the Christian Democrats will

ever come closer to controlling the government than they have during this first term. Chileans have proved that they prefer to scatter their votes over a broad field. So, allies must be sought, and there is little indication that any of the opposition parties will prove more tractable in the future. If an effective coalition cannot be forged, can a "Revolution in Liberty" succeed? Or, to use Leonard Gross' words, "Can Democracy serve modern revolution?"

Many Chileans, running the gamut of political beliefs, predict a 1970 electoral move to the left of the Christian Democrats---to a grouping of Radicals--Socialists--Communists. As Fuentealba points out, the Radicals believe in the democratic system; the Socialists are split into factions which call each other nasty names, many leaning toward Peking; the Communists tend to be Moscow-watchers, and they and the Socialists seldom take the same tack on an issue. The three could likely combine to win but, comes the time to divide the spoils, the tenuous fraternity might split asunder.

The ferment on the surface of Chilean society can be misleading, especially to one accustomed to the styles of articulation in other Latin American polities. Where the gutsy push and pull of political forces operates in a confined and occult arena, the pent-up frustrations of the populace can suddenly explode as physical violence in street and assembly hall. In Chile day by day polemic is overt and verbal. Chileans of all walks seem to relish political debate---they say of themselves that the main reason they elect a new government is in order to criticize it. Newspapers do not pretend impartiality---they unstintingly trumpet their particular political dogma---their banner headlines, lead stories and front-page photos heeding the Chilean political fray more often than crime, crash or international calamity. Therefore, the country appears to be in a continuous state of crisis when, in fact, underneath the surface the citizenry remains calm and hopeful.

Chile's political history has been one of temperance and maturity. A democratic system is rooted in a relatively high literacy rate, a regard for the electoral process, a strong executive, a free-wheeling legislature, an independent judiciary, respect for civilian rule, abstention from violence, and civic responsibility. Even Chileans of modest position take pride in these characteristics. On the other hand, social and economic inequalities abound; in this mid-century, expectations are being aroused, long-suffering sectors are stirred, and well-intentioned leaders are appealing to this unrest. With its hefty supply of both problems and capabilities, the nation is a legitimate testing ground of democracy's ability to effect meaningful reforms.

Sincerely yours,



Frances M. Foland