



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

7  
Boston University

---

Center for  
Latin American  
Development  
Studies

---



DISCUSSION ON CHILE: DIAGNOSIS AND PROGNOSIS

P.N. Rosenstein-Rodan

ECONOMICS RESEARCH LIBRARY  
315 SCIENCE CLASSROOM BUILDING  
UNIVERSITY OF MINNESOTA  
MINNEAPOLIS, MINNESOTA 55465

Discussion Paper Series

Number 7

November 1973

BOSTON UNIVERSITY

---

CENTER FOR  
LATIN AMERICAN  
DEVELOPMENT  
STUDIES

---

DISCUSSION ON CHILE: DIAGNOSIS AND PROGNOSIS

P. N. Rosenstein-Rodan

ECONOMICS RESEARCH LIBRARY  
315 SCIENCE CLASSROOM BUILDING  
UNIVERSITY OF MINNESOTA  
MINNEAPOLIS, MINNESOTA 55455

Discussion Paper Series

Number 7 November 1973

DISCUSSION ON CHILE: DIAGNOSIS AND PROGNOSIS\*

P. N. Rosenstein-Rodan

Allende's death is a threefold tragedy:

1. A personal tragedy of a man whose whole life's hope and dream had broken down, driving him to suicide or death.
2. It will be taken as a breakdown of Socialism. Socialism is a great, perhaps the greatest, ideal of this century, in spite of some nonsense spoken by its adherents. Any man who is truly valuable has to pass in his youth through one of three ideological manias: Nationalism, Religious fervour, or Socialism. I personally prefer the last one by far.
3. His death may also be misinterpreted as a proof that Socialism and Democracy are incompatible and that only dictatorship can impose Socialism. Perhaps it is so: perhaps the middle class will oppose any effective redistribution of income but the Chilean experience offers no proof of it.

Allende fell not because he was a Socialist, but because he was incompetent: he died as an incompetent martyr. In last year's lecture (Chile Under Allende, November 29) I was unfortunately

---

\* Talk given at Boston University on October 9th, 1973.

correct in stating that Allende's policy was bound to lead to a breakdown. It is impossible nowadays to govern without understanding a minimum of economics. Any undergraduate economics student would have known that this policy could not work out. Russia is also a Socialist society but it does not increase its money supply by 10% every month, has no inflation of 300% and did not establish an income redistribution which could not possibly be sustained. Fidel Castro correctly pointed out that "Marxism is a revolution of production", Allende's was "a revolution of consumption". The largest part of his measures were Populist rather than Socialist. The socialist part of Socialism was undertaken without any guidelines and without any rules of how to administer the socialized enterprises. The fall of productivity made impossible not only continuing growth, but even the maintenance of the consumption levels, already reached in 1971-72. Other Socialist countries have a high rate of investment. Chile under Allende spent most of her income as well as most of her inherited foreign exchange reserves and substantial inventories on consumption, not on investment.

If after the first, or even after two years, Allende had said: "We have established the basis of a new social justice; we are building a new Socialist society; the coming year must be a year of consolidation", he could have saved the situation. Lenin was not a bourgeois, yet he proclaimed an N.E.P. (new economic policy)

in Russia. Something similar was needed in Chile. The Communists were certainly ready for it. Had Allende listened to them he would not have been overthrown. It was the left wing of his own party and the MIR who were against it. Allende was not ready to oppose the hotheads on the left. As a sentimental man he said "I am not going to move against my own party. I am not going to be a Ramsey McDonald". This is nice and romantic, but if one feels that way one should sublimate it and write a poem, not be President of a Republic. This disastrous economic policy, in the end, even reversed the redistribution of wealth already achieved. Production, investment and real wages fell in 1973 and the worst elements of the society benefited from the black market speculation. The feeling that tensions aroused in this climate could not continue prepared the way for the coup.

Allende was a democratically elected president<sup>1/</sup>, but he did not govern democratically. He violated the spirit and sometimes even the letter of the law.

In the democratically conducted election Allende had 36.3% of the votes, a plurality of only 38,000 out of 3,000,000 votes. 63.7% voted against him<sup>2/</sup>. A mere counting of votes however is misleading; what should count is the intensity of preference. In the typical

---

1/ Even very democratically since he only had 36.3% of the votes.

2/ In congressional elections in March 1972 U.P. obtained 44%. Although some cheating may have taken place there is no doubt that Allende's support had increased. Inscriptions on demonstrator's placards may explain largely this result: they ran: "El Gobierno es la mierda, pero es nuestro" (The Government is lousy but it's our own).



democratic situation (reflecting the weakness of democracy all over the world) 63.7% of the Chileans voted without enthusiasm for the minor evil: they voted--as it were--for "flu in order to avoid dysentery". More than half of those who voted for Allende, on the other hand, (i.e. at least 20% of the population) did so in a revolutionary euphoria. No euphoria was visible on the side of the opposition during the first year of Allende's government; the middle classes acted as if anesthetized or paralyzed by shock. The opposition was in fact both weak and ineffective. Gradually the abuses of government intervention by the illegal seizure, not only of large but also of middle and small industrial enterprises and farms, reactivated the opposition and when the economic breakdown and inflation accelerated, the middle and small entrepreneurs, shopkeepers, truckers --not the great Chilean corporations-- organized strike resistance. The truckers' strike was not a simple collective bargaining matter. It became a political weapon. Gradually during the third year of Allende's term a counter-revolutionary euphoria emerged. To be a revolutionary is like being in love. The characteristic of people in love is that they do not believe anybody else in their lifetime was also in love. So they do not learn from other people's mistakes and repeat all the same errors. It was eminently true of Allende and it may now be true of the junta generals. The middle class is like middle age. When they fall in love it is more dangerous and less attractive. The ruin of the economy made the

coup practically unavoidable, -it was not a "typical Latin American coup"- but there is danger (by no means a certainty however) that the generals may have created a Frankenstein; "...It becomes increasingly clear that the military coup in Chile has unleashed forces that the military junta is unable to control." "The Chilean military is a law unto itself and because of its very unfamiliarity with the techniques of open political intervention, it behaves more brusquely than other Latin American armies might do in comparable circumstances." "The junta's ambition is to impose order and to finish with chaos and anarchy, but in the process their solidarity inevitably sows fresh seeds of disorder." <sup>1/</sup> There might be agreement if the junta's aim were to restore normalcy, to return to normal political order even if the period of transition were in this case to last at least one year or two; but to program an ideological crusade, "to extirpate Marxism", and to introduce methods of inquisition, is a different matter. During an emergency, which in a short while showed characteristics of a civil war --and signalled the danger of a longer enduring civil war-- extraordinary emergency measures were necessary: when shooting starts, sadistic instincts emerge, but to continue with book burning, forced hair cutting and sheer brutality is a different matter. There is reason for legitimate concern about the state of human rights in Chile.

---

<sup>1/</sup> Manchester Guardian, October 6, 1973



The need for a change of the constitution was proclaimed already by Eduardo Frei. A synchronization of various elections (for the President, Congress, half the Senate, etc.) and a strengthening of the Executive -- something half way between that of the fourth and fifth French Republic -- was certainly needed. It should however be voted by a specially convoked Constituent Assembly, not proclaimed by a lawyer's committee appointed by the Junta. The Junta's philosophy may not be that of Mussolini or of Franco. It is more akin to de Gaulle's R.P.F. (Rassemblement du Peuple Francais) in the 1950's. That also had corporatist elements, but one of the most important gremiums: the trade unions was not banned. However anti-communist, de Gaulle never banned the Communist Party. The banning of Communist, Socialist, and other U.P. parties (representing more than 1/3 of the population) is not going to succeed and will prove counterproductive. Chile is not Brazil -- its political consciousness is more deeply rooted. True, the growing exacerbation (going on since 1967) means that the Chileans were over-politicized. In order to reduce this division into two nations, a change in the system is necessary but it requires subtle methods. In the intermediate transitory period political activity may be suppressed, but this should only be in an abnormal transition period. In the long run in a good society every man has the right to hold a wrong opinion. In every society it is always a minority (the elite) which governs; but in a good society they govern by persuasion and in a bad one by coercion.

ECONOMICS RESEARCH LIBRARY  
315 SCIENCE CLASSROOM BUILDING  
UNIVERSITY OF MINNESOTA  
MINNEAPOLIS, MINNESOTA 55455