

# **THE INTEGRATED WINE ENTERPRISES AND THE CHILEAN ROAD TO SOCIALISM**

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## **Introduction**

The understanding of the current neoliberal model of Chile and its new orientation in Latin America since the turn of the century requires fundamental analysis. However, to understand its development and evolution it is necessary to move retrospective into Chile's history. The dividing line between the old and new projects was the so-called The Chilean Road to Socialism project promoted by the Popular Unity between 1970 and 1973, which brought new hopes and much optimism for some sectors of the country. This study analyzes the period between the election of the socialist Salvador Allende in 1970 to the presidency of Chile and the coup d'état of September 11, 1973, that put an abrupt end to this Popular Unity political experiment.

To provide a better understanding of this important socio-political and economic moment a general interpretation of the formation of the capitalist system in Chile is included. Next, the period before the election of the socialist Salvador Allende is examined to understand the elements that allowed the victory of the Popular Unity coalition during the presidential election of 1970. The study includes an overview of the evolution of the Chilean State, its economy, and the behavior of its social classes to understand the drastic changes experienced by that country during the period that preceded the election of President Salvador Allende.

I argue that the Popular Unity electoral victory was more the product of internal contradictions within the ruling classes rather than the maturity of the political and institutional Chilean system and the levels of professionalism reached by its armed forces. The economic program of the Popular Unity, concentrated in the division of three property areas of the productive apparatus of the country. I center my analysis on the Integrated Wine Enterprises to discuss some important political and economic contradictions encountered by the Popular Unity during the negotiations. The proposal of incorporating the wine enterprises in the Mixed Area of the economy, where the State, the workers and the owners would become partners, is discussed from an economic, legal, and political point of view. I suggest that this decision was not the most appropriate to achieve a socialist society as proposed by the Popular Unity Program. This situation, among many others, contributed to exacerbate the political tensions among the different social sectors of the country represented by the Government and the opposition forces. Consequently the coup d'état was the product of exhaustion of the political system of Chile, seriously threatened by the growing levels of organization and mobilization reached by the Chilean working class and popular movement.

## BACKGROUND TO THE CHILEAN DEPENDENT CAPITALISM

To understand the elements that generated the crisis of the Chilean State that ended in 1973 with the installation of a military government, it is necessary to examine some important historical moments of this country. From the end of the 19th century Chile has consolidated as a dependent capitalist society, characterized like a mining enclave economy.<sup>1</sup> During its first stage the main source of revenue centered on the extraction of nitrate. Later, after the first quarter of the 20th century it was replaced by copper production. This characteristic led, to the formation of an important independent and combative proletariat that very soon organized itself around its own labor and political organizations. The most important were the founding of the Communist Party during the 1920s and the foundation of the Socialist Party a few years later.<sup>2</sup>

The organization of the economy as an enclave centered around the nitrate industry that contributed to the development of the State and to a rapid urban growth of some cities. This originated an important middle class sector of State functionaries, technicians and professionals—petite bourgeoisie—that grouped politically around the social democrat oriented Radical Party.<sup>3</sup>

By the end of the 1930s until 1945, both the Communist and Socialist Parties joined with the Radical Party to form the Popular Front. Under the hegemony of the petite bourgeoisie led by President Pedro Aguirre Cerda —1938-1941— a popular-developmental national program was launched.<sup>4</sup> The central mission was to develop a process of industrialization, better known as "import substitution."<sup>5</sup> This project worked well for a while. However, around the mid-1950s this industrial model reached the point of exhaustion, characterized by a high external debt, high levels of inflation, unemployment and social tensions, resulting in a serious political crisis.

Within this dramatic context, a national presidential election was held in 1958. The right-wing candidate, Jorge Alessandri-Rodriguez was elected President of Chile for the period 1958-1964, after defeating the Popular Front representative, the socialist Salvador Allende, by a narrow margin. This time, led by a member of their own class, the dominant sectors assumed the task of resolving the crisis that had originated with the stagnation of the import-substitution process of industrialization. As a practical measure, the government of President Alessandri launched a stabilization program to stop the crisis, which did not work. As the political crisis deepened, social unrest spread rapidly around the country. As a result, wide sectors of the population began demanding rapid and drastic structural transformations at all levels. This situation strengthened the expectations of the parties of the left to win the presidency, a situation that scared the right-wing sectors of the country and foreign investors. Within this political framework an alternative reformist model originated under the lead of the Christian Democratic Party. This project claimed to be an alternative to both the right-and the left-wing political projects through the so-called "revolution in freedom."

The government's program of the Christian Democrat Eduardo Frei-Montalva, who won that presidential election—1964-1970—, included a set of measures. Among the most important the following should be pointed out:

1. Expansion of the internal market through a better income redistribution and the implementation of an agrarian reform.
2. Increasing productivity by modernizing the productive apparatus of the country and by adopting new technologies, both under the led of foreign capital.
3. To increase the profits of industrial entrepreneurs through the reactivation of the internal market. The latter would be achieved by lowering the cost of basic consumption products, mainly foods, by increasing productivity of the agrarian sector and the implementation of an agrarian reform.
4. Finally, acquisition of 51% of the shares in the hands of the *Gran Minería del Cobre*, a project better known as "Chilenization of Copper."

The initial success of the Christian-Democrat administration during the first couple of years led

to a relative calm among the different social segments of the country. Nevertheless, around 1966 the economy began to show again clear symptoms of stagnation, followed by high levels of inflation, unemployment and a rising cost of living. As a solution the government decided to put in place a stabilization plan that ended the populist measure set up during the first two years. Consequently, the government moved from a populist policy of mass manipulation to another that restrained the increasing mobilization of the people, even at the expense of using repression and violence through the armed forces and the police.

This policy generated a rapid reactivation and radicalization of the working class movement and stopped only after the coup d'état of September 11, 1973, when they experienced a severe military defeat at the hands of the Chilean Armed Forces. However, during this period the contradictions between the popular and working sectors and government increased notoriously. In addition, conflicts and crises within the dominant sectors also appeared and regularly became more difficult to resolve. The latter was the central ingredient that allowed the electoral victory of the Popular Unity candidate, Salvador Allende, in the presidential election of 1970. Let us examine this situation in greater.

### **THE CRISIS OF THE DOMINANT CLASSES: 1964 -1970**

Very few moments in the history of Chile have exhibited drastic and extreme transformations such as those that occurred in the short period between September 4, 1970, and September 11, 1973. In effect, the 1970s, which began with the election of the socialist Salvador Allende to the Presidency of Chile, ended three years later with the ultra-right-wing military coup d'état that placed in power General Augusto Pinochet for 17 years.

To understand the elements that contributed to the triumph of the Popular Unity it is necessary, however, to analyze retrospectively the changes which occurred within Chilean society during the previous decade. To assert, as many have done, that the triumph of Salvador Allende was the product of the maturity of the Chilean democratic process and mainly to the professionalism of its armed forces seems not to be the case. On the contrary, facts suggest that at the end of the 1960s both the economic and socio-political structure of the country were severely affected by a deep political crisis. The latter was expressed through military interference and actions against the Christian Democrat government of Eduardo Frei.<sup>6</sup>

Although it is correct to point out that Chilean society exhibited an apparent political calm compared with the rest of the countries from the region, this situation followed some very *sui generis* factors. In effect, through the implementation of the political Constitution of 1925, the traditional ruling classes of the country succeeded in setting up viable political options to the civil population during the 1950s and 1960s.<sup>7</sup> In that sense the popular movement, its political parties and organizations opted for the electoral arena to resolve their conflicts and to challenge both the traditional dominant classes and big foreign capital. Lacking revolutionary threats and armed insurrections in Chile, the entrepreneurial oligarchic sectors and their foreign allies were able to carry out a series of political maneuvers to protect their economic privileges without having to take drastic actions such as the coup d'état of 1973. Nevertheless, by the end of the 1960s the favorable political environment that allowed the ruling sectors and their allies to operate without experiencing the same problems found in the same sectors in other countries from the region rapidly deteriorated.

The political and economic crisis that occurred in Chile during the government of Eduardo Frei strongly affected the dominant classes. Strong and deep conflicts between the different factions of the ruling classes arose, which could not be resolved before the presidential election of 1970. Consequently, the dominant classes failed to develop an electoral bloc to confront united the leftist coalition, as it occurred in 1964. In effect, during the 1964 presidential election the entrepreneurial and oligarchic sectors of the country closed ranks behind the Christian Democrat candidate Eduardo Frei, against the Socialist Salvador Allende and the Popular Action Front (FRAP). As a result, Salvador Allende was elected President of Chile with almost the same number of votes he had obtained during the earlier presidential election of 1964—36 percent of

the votes—when he was defeated by Eduardo Frei.

Let us briefly analyze the main contradictions produced within the dominant classes to understand the elements that made possible the triumph of the Popular Unity candidate with almost a third of the national vote.

### **Contradictions within the Industrial Sectors**

When Frei's Administration came into office in October of 1964 the economic structure of the country was oriented towards a new type of industrialization, this the production of capital and luxury goods to replace the old import-substitution model or the *traditional industrial sector*—textiles, foods and clothing. This time the industrial process focused on a more *dynamic* productive system, linked to the manufacturing of electro-domestic and luxury products, automobiles, petrochemicals. However, contrary to the former import-substitution model, which was a national project, the new *dynamic* industrial process was totally subordinated to big foreign capital.<sup>8</sup> (Marini: 1976:59). The objective of this new industrial model aimed to reach those sectors of the country with higher levels of consumption together with the international market. The latter explains the emphasis paid by the Frei Administration to reach regional trade agreements such as the Andean Pact and the Latin American Association for Free Trade (ALALC). This was an important initiative taken by some South American nations to promote the expansion of limited internal markets.

The new industrial diversification of Chile was accompanied by a significant increase in the investment rate on this sector of the economy, requiring a large increase in the labor force. Within a period of six years—1960-1966—the manufacturing sector became the most important source of employment in the country. According to CEDEM-ILPES (1968: Table IV), 64,500 new workers were hired in the industrial field, reaching 620,700 workers. This figure represented 22.4% of the total working population of the country. According to the government evaluation, the country would resolve the employment problem, increase the level of consumption of the people, which would generate an economic surplus and the rate of profit, a situation that would attract and increase the number of foreign investors, as a result of the industrial bonanza. Nevertheless, this project did not prosper. The wage policy implemented by the authorities and industrialists was far from reaching many workers' basic needs and expectations.

The effect of the new wage policy was very severe, particularly for a large number of workers linked to the traditional industrial sector. The lack of access to modern technology and credits, combined with a limited productivity did not allow the traditional industry to produce competitive products for the international market. Faced with the impossibility of paying regular wages like the dynamic industrial sector, traditional producers utilized the same old formula applied historically in underdeveloped nations like Chile, that is, to increase the levels of exploitation and superexploitation of workers to obtain profits (Marini: 1974; Osorio: 1978; Frank: 1978). This situation became complicated because of the lack of attention paid to traditional industry by the State, whose main attention focused only on the dynamic industrial groups, through credits, loans, facilities to import new equipment and machinery, etc. As a result, the industrial program implemented by the Frei's administration cornered an important productive sector, forcing it to close its factories or to end, totally subordinated to foreign capital.

The end of President Frei's Administration evidenced an industrial sector deeply divided among those who benefited from the industrial reforms, credits and preferential treatment, and those who followed that process who practically disappeared from the productive arena. Contradictions between the dynamic and traditional industrial groups became unbearable, which impeded any possibility of reaching an electoral agreement to face together the presidential election against Popular Unity and its socialist candidate, Salvador Allende.

### **Contradictions within the Landlord Sector**

The conflict within the dominant classes was not limited exclusively to the industrial sector. It

also expanded into those groups linked to agriculture that, from a long while, had been experiencing production and accumulation problems. Frei's agrarian platform, which would include an agrarian reform aiming to develop a kind of middle classes in the countryside, which would be incorporated into the national consumption to reactivate the economy. The agrarian reform was part of a major plan developed during President John Kennedy's better-known as the Alliance for Progress.<sup>9</sup> This project, enthusiastically promoted by the United States during the 1960s, aimed to prevent the repetition of experiences similar to the Cuban Revolution, by working together with the governments of the region. Although Chile was one of the first countries to implement this program, during the administration of Jorge Alessandri, it was never applied enthusiastically since the landlord sector was part of his political coalition.

The *dynamic* industrial sector saw in the Christian Democrat agrarian reform a vehicle to reorganize the agrarian regions of the country under its hegemony. The objective behind this plan was to eliminate the frequent productive crises that affected agriculture because of the utilization of old productive techniques and systems. As a result, the profitability of this sector was also affected because of the closure of foreign markets to their products since national producers were not in a condition to compete successfully with other producers from the region. One of the measures sought by the governmental authorities was to reduce State expenditures by increasing production in some key agrarian and livestock sectors to reduce the expenditure of hard currency, which could be transferred into the *dynamic* industrial sector.

The reorganization of the agrarian structure of Chile considered mechanizing the productive system with modern agrarian technology. Accordingly, large contingents of peasant labor would be freed to join the industrial reserve army, bringing down the value of wages. From the industrial producers' point of view, a system to regulate and control wages was ever more necessary because of the strong resistance of workers against lower wages, as well as their demands for increased social benefits. In fact, through their continuous struggles and mobilizations workers had achieved important concessions from their employers, who continuously tried to restrain or eliminate them, since they affected directly their rate of profit and accumulation. Evidently, the landholders would be directly affected by the agrarian reform, since they were not only going to lose their lands, but, in addition, their cheap labor force. For these reasons agrarian producers strongly opposed this initiative proposed by the Christian Democrat Government and strongly supported by the *dynamic* industrial sector.

From this perspective, the agrarian reform became a new ingredient that contributed to increase the already existing crisis within the Chilean ruling classes by involving now the landlord oligarchy. Although most of the landholders were "absentee landlords," that is, they did not live in the countryside nor did they work the land themselves, yet they obtained enormous profits from the rent of land. Evidently, these oligarchic groups had no intentions of sacrificing their sources of accumulation and profits threatened by the agrarian reform of Eduardo Frei. To accept this project would have signified a commitment to economic and political suicide as a social class.

Another important objective behind the agrarian reform program was to use it as a vehicle to attract a rural political clientele for the Christian Democrat Party, aiming to consolidate a populist base of support and, consequently, its political agendas. The government launched a powerful program to organize rural workers into unions and *campesino* federations and confederations—*sindicalización campesina*. Nevertheless, the popularity of the Christian Democrat project gradually deteriorated because of the slow turnout of the agrarian reform, owing to the lack of determination by the government to speed it up. A key element in understanding *campesinos'* discontent was the narrow framework approved by the agrarian authorities to negotiate wages and other social benefits between rural workers and landlords. These factors operated against the aspirations of the Christian Democrats and their government. The rapid growth and levels of organization reached by agrarian workers through their unions, federations and confederations led them to join forces with urban workers. Thus, a *campesino*-worker alliance rapidly solidified. Simultaneously, a series of legal and semi-legal actions began to take place by sectors of the population living in shantytowns, the so-called *sin casa*—homeless people united and supported by large contingents of university students.

In summary, the electoral triumph of the Popular Unity was a product of the crisis of domination within the traditional Chilean ruling classes owing to the factors pointed out. In fact, the popular victory of Salvador Allende contributed to increasing such a crisis of domination prompting new spheres of confrontation within the ruling classes themselves and with the working and popular sectors of the country. Undoubtedly, the confrontational levels between the entrepreneurial and oligarchic sectors and workers increased notoriously during this period because of the incredible levels of social organization and political consciousness achieved by the Chilean popular movement. Both elements made workers, peasants, miners and students to apply pressure on the government for a drastic and radical social transformation of Chile's social structures, including the creation of a socialist society.

Within this context, the socialist Salvador Allende was elected to the presidency of Chile through a clean and constitutional electoral process. This element is important to mention since the victory of the Popular Unity coalition and its forty measures Basic Program, occurred within a legal constitutional framework established by the traditional ruling classes themselves in 1925. Most important, this program proposed a series of important and radical reforms of Chilean society, utilizing a variety of mechanisms, all of them contemplated in the Constitution but never applied in the past by former governments. The intention of the Popular Unity government to enforce all the constitutional mechanisms available to move the country in a different direction seriously threatened the economic, social and political base of support of big national and international capital. Without any doubt, the electoral defeat and the loss of the political apparatus experienced by the traditional ruling sectors and their international allies crystallized in a moment of impotence and chaos. This situation forced these sectors to reorganize rapidly and rearticulate their forces—in spite of their contradictions—to protect their interests and to oppose the Government's plans, even at the expense of infringing on the constitution of the country.

### **THE POPULAR UNITY: 1970 - 1973**

From a strategic and tactical point of view the Popular Unity Coalition that assumed power in 1970 was not a monolithic body. In fact, it was a broad political alliance that included social-democrat factions, petite bourgeois (middle class) sectors, Christians, working reformism and revolutionaries, all of them represented by different political parties.<sup>10</sup>

The Popular Unity attained power with a program better known as the "forty measures program," which aimed to promote the conditions to create a socialist society in Chile. This political strategy included important elements that, according to the Popular Unity ideologists would facilitate an increasing popular support for the socialist project. As a result, the basis of support of the dominant classes and foreign control of the economy could easily be eroded through this strategy. This program also considered implicit mechanisms to develop a strategic alliance between the so-called "progressive bourgeoisie," bearer of anti-imperialist, anti-oligarchic, and anti-monopoly values, and the Popular Unity government.<sup>11</sup>

This interpretation by a sector of the traditional left, mainly the Communist Party, suggested that more than destroying abruptly Chile's traditional system of domination, the idea was to modify the country gradually, a strategy known as "revolution by stage." The reason for this strategy was that, according to the Popular Unity analysts the political conditions of the country were not yet ready to impose a socialist society. Accordingly, the only way to do so was by attracting other social and political sectors, including some progressive and nationalistic sectors from the ruling classes. As a practical measure, the Popular Unity considered that, during this period, it should concentrate the government's efforts on achieving a major democratization of the State. For this reason, deep socioeconomic reforms were implemented, which at the same time promoted a massive incorporation of the population into the process. At this stage, the Popular Unity counted on a significant social base, made up mainly of workers, *campesinos*, middle sectors, and poor from both city and the countryside. The Popular Unity ideologists suggested that the government's support would strengthen with the formation of broader fronts, mainly with the incorporation of the so-called "progressive and nationalistic bourgeoisie."

The Popular Unity analysis of Latin American backwardness identified imperialism, monopoly capital and the oligarchic sectors as the main causes of the problems that impeded the drive to overcome underdevelopment in the region. Consequently, the Popular Unity ideologists insisted that these elements that affected mainly independent producers for national consumption would be willing to join the Government's formulas since they felt strongly that this sector was a nationalistic one: anti-imperialist, anti-monopoly capital and anti-oligarchic. Consequently, this productive sector would become part of the national front led by the Popular Unity to gain control of Chile's political and economic structures. Based on this evaluation of Chile's reality the Popular Unity put in place an economic program that included three productive sectors: social, mixed and private.<sup>12</sup> These sectors were part of a major project, whose main components aimed at reaching the following objectives:

1. In the short term, to better the income distribution of the population by increasing wages and creating new jobs based on a substantial expansion of fiscal expenditures. Thus, the Popular Unity not only tried to reactivate the national economy, but, in addition, at the political level, to gather enough social forces to carry out the structural reforms proposed in its Basic Program.
2. Implementation of a set of radical reforms, such as the nationalization of the copper mines, the banks, expropriation of monopoly enterprises and their incorporation into the Social Property Sector, acceleration of the agrarian reform initiated by the Frei administration, and other reforms which would allow Popular Unity to completely reorganize the economy of the country.

The above policy proved to be very successful during the first year of Allende's government. The outcome of the municipal elections held in April 1971 suggested clearly that most Chileans supported President Allende and his program. In contrast, this economic and popular success deepened the crisis of Chilean capitalism, since now it seriously threatened and challenged openly the interests of big national and international capital. The response came soon. The U.S. launched an overt offensive against Allende's government, which among its maneuvers included economic boycotts, embargoes of Chilean products entering U. S. ports, mainly copper, and cancellation of credits and financial aid by international creditor organizations. A powerful negative campaign by the international corporate media served as a general framework to justify these actions against the Popular Unity.

The national dominant sector put into practice a dual strategy.<sup>13</sup> On the one hand, the sectors contrary to the government launched a forceful congressional boycott—the Popular Unity did not have enough votes in the National Congress to approve new laws and reforms. This was followed by a campaign to group the middle sectors and national producers—including the non-monopolistic sectors—under the hegemony of the ruling classes and international capital.<sup>14</sup> On the other hand, the opposition initiated a direct confrontation against the government, including terrorism and sabotage, funded and supported by the CIA through the U.S. Embassy in Santiago.

The non-monopolistic sectors, on their part, after benefiting economically by the reactivation of the national market owing to the Popular Unity measures, began to react politically against the government and joined the opposition. Fear of the socialist project promoted by the Popular Unity and the rapid growth and radicalization of the working and popular movements were the main concerns of these sectors. As a result, these non-monopolistic sectors stopped investing in productive activities and became involved in speculative matters such as the black market, capital flight, etc.

The popular movement, workers, campesinos and especially the poor from the cities and countryside achieved ever higher levels of radicalization and political consciousness, expressed through growing takeovers of paralyzed factories (including both small and mid-sized ones), lands, and other similar actions. As the national crisis deepened and the political chaos broadened, the Popular Unity government responded by making concessions to the non-monopolistic sectors and the middle classes, even, as they identified more and more with the opposition. Vacillating

and conciliatory policies by the government contributed to produce confusion and conflicts within its already radicalized social base of support. As a result, the working and popular sectors became trapped between two alternatives: a reformist and a revolutionary one.<sup>15</sup> This internal struggle seriously eroded the capacity of the popular forces and the government to respond to the many provocations coming from the ultra-right-wing operating in Chile. Consequently, the Popular Unity became ever more defensive, giving up the political initiative to the opposition.

Many sectors in the country began to recognize that the supposedly "progressive" and "nationalistic" sector within the traditional ruling classes was no more than a fantasy. In fact, they were not wrong since these sectors, without an exception, responded as a whole against the Popular Unity once they recognized the high level of organization and growth reached by the Chilean proletariat and its allies. The degree of tensions that had developed in the Chilean society by now showed two clear groups. On the one hand, the traditional dominant classes, international big capital, and a significant segment of the middle classes; on the other, the working and popular sectors. It was clear that *the country had reached a preeminently pre-Revolutionary stage.*

At this point, it would be a mistake to conclude—as many have done—that the Popular Unity and especially the Communist Party were instruments of the Chilean ruling classes. Without any doubt the Popular Unity aspired to organize a socialist society. The problem centered on the strategy to reach socialism. In other words, the Popular Unity insisted on accomplishing this task gradually, through stages, to complete the democratic-bourgeois revolution. Once this cycle was completed, it would be possible to construct socialism in Chile, according to this interpretation.

The Popular Unity strategy did not work in the way thought by its ideologists and leaders. In fact, the Chilean road to socialism made evidently the political misinterpretation regarding the historical behavior of Chile's ruling classes. The coup d'état of 1973 was a hard surprise for the government of President Allende, who foresaw a political and constitutional way out of the crisis of government affecting Chilean society. For the working and popular movement in general, the seizing of power by the military meant the loss of its labor and economic conquests and the destruction of its labor organizations, unions, federations, confederations and political parties. In other words, the working and popular sectors suffered a military defeat, which has not recovered yet.

### **THE POPULAR UNITY PROGRAM**

The Basic Program proposed by the Popular Unity was the result of the analysis of Chile's underdevelopment by the traditional left, especially the Communist Party. This program included forty measures considered the departure point for overcoming the economic and political crisis of domination affecting the country. As mentioned before, the Basic Program aimed to weaken the political system gradually by introducing a variety of changes to create favorable conditions for the people's participation to move Chile into a socialist society. Most important, these goals would be achieved by utilizing the existing constitutional system put in place by the ruling classes. Consequently, far from destroying the current social, political and economic system, the Popular Unity was proposing to transform the structure of Chilean society, stage by stage, within the framework of Chile's constitution. Allende and the Popular Unity were under the strong conviction that socialism could be reached by following this strategy. Ruy Mauro Marini (1976:25) argued that the Popular Unity Program promoted a "major democratization of the State apparatus, supported by socioeconomic reforms to guarantee more significant participation by the people with regard to power." In this context, the program proposed the organization of three-property sectors (*areas de propiedad*) to organize the productive system of the country: the social, mixed and private areas.

#### **The Social Property Sector**

According to the Popular Unity economic project, its central objective was "to replace the present

economic structure and to end the power of monopoly capitalism, together with that of landowners, in order to begin the construction of socialism" (Basic Program: 1970). Accordingly, the Popular Unity promoted the creation of a Social Area made up of industries already owned by the Chilean State, together with some privately owned enterprises considered vital for the economy of the country, which would be expropriated. Specifically, this area considered the confiscation of national resources in the hands of foreign entrepreneurs, national monopolies, the mining sector, the financial system (banks in particular), control over foreign trade, main distribution centers, strategic industrial complexes, and all those centers and activities considered crucial for the economy of the country.

The social property sector would tackle all the sectors that, according to the evaluation of the Popular Unity strategists, were responsible for Chile's underdevelopment and dependent economy. The main idea was to erode their base of support and to integrate them into a national productive project to benefit the people and not a few privileged national and foreign groups. Consequently, the elimination of monopoly control of Chile's main productive sectors in the hands of big national and international capital would end the traditional condition of exploitation of the working sectors. This strategy would also allow organizing a more equitable income and wealth distribution among the population. As a result, the productive apparatus of the country could be expanded to benefit the majority of the country and not a small privileged sector, as had occurred historically in Chile.

The Social Property Sector also considered other aspects of the productive sectors. According to Minister of Economics, Pedro Vuscovic (1972), the aim of this sector was to replace, the "predominant capitalist structure of the country's economy with socialist relations of production and to establish socialist principles of organization. In this way, the Social Property Sector would acquire a dominant character and consequently, the Private and Mixed Sectors would come to operate under its conditions." Consequently, the combination of these productive mechanisms would allow the Popular Unity Government to consolidate the stages that would finally end with the installation of a socialist society in Chile.

The implementation of this economic program, however, presented several difficulties. In the case of the industrial sector, for example, the Basic Program considered the incorporation of 91 monopoly enterprises into the Social Property Sector, which employed slightly more than 10 percent of the working population of the country. Undoubtedly, these workers would enjoy many economic, social and political benefits since they would become involved in the general management of the factories and production committees. The remaining 90 per cent of the workers who were to remain in the private or mixed sectors would not enjoy the same benefits and would only obtain wage increases and some social benefits. Nevertheless, they would still continue subordinate to their old bosses without full participation like the workers from the social sectors. Undoubtedly, this economic strategy created spawned many conflicts between workers and their bosses, as well as workers and the government. Nevertheless, workers showed incredible political levels of organization and struggle to handle productive, speculative and political, artificial shortages, boycotts, black-market, and terrorist attacks. The coup d'état of September 11, 1973, was the final and only solution left for big national and international capital to contain the powerful socio-political movement developing in Chile.

### **Mixed Property Sector**

The Popular Unity Basic Program defined very briefly this area. The program only indicated that it would be formed by enterprises that combined private and State capital. This area was created to play an intermediate role, especially when it became difficult to classify an enterprise as part of the Social or Private Area. Another objective of this area aimed to facilitate credits and loans with the support of the State to attract and to provide more guarantees for the so-called "progressive and nationalistic" sectors. The program mentioned that in association with the State and with the worker's participation, the "progressive" bourgeois groups would produce more commodities and goods to satisfy the growing demands of the population resulting from a better and fairer income distribution. Favorable labor conditions, access to credit and the market in a

relatively peaceful society would contribute to accomplishing this goal. As a result, dependency on the oligarchic sectors and foreign capital would be eliminated and tactical allies would be attracted to the process and jointly, with the Chilean working class, would develop the basis to achieve socialism.

Reality shows that this strategy did not work in Chile. The traditional ruling classes and foreign allies went far beyond the constitutional legality that the Popular Unity tried to follow and respect by plotting, conspiring and boycotting against the government of President Salvador Allende. The Nixon-Kissinger Administration, from the United States, provided covertly and overtly, strategic political and financial support to make this political experiment unattainable. The coup d'état of September 11, 1973, was the final step of the counterrevolutionary actions initiated even before Allende took office in October 1970.

### **Private Property Sector**

The 1967 manufacturing census indicated that 30,500 industries (including artisan industries) existed in Chile. Of these factories, 150 could be considered either monopoly or vital industries to the development of the country, under control of big national and international capital. According to this information, the Popular Unity considered that there existed a large non-monopolistic industrial sector, whose ability to function normally should be ensured and guaranteed by the State. Similarly, this situation could also be extended to other productive areas such as mining, trade, agriculture and services, where private ownership of these enterprises was acceptable.

It is needless to say that for the Popular Unity Government, the private area was a political necessity, considering the political and economic crisis affecting Chile's elitist system of domination, and where big national and international capital imposed their own conditions upon the rest of the producers. Consequently, the Popular Unity considered that this dependent and oppressive productive situation would contribute to promote a tactical alliance between the workers, the petite bourgeoisie, and national producers affected by big national capital and imperialism. Also, this strategy would contribute to the country's advance towards a socialist society. (Klauser: 1973:14). Dependent and oppressed productive sectors would be attracted to the ranks of the Popular Unity project through credits, loans and technical assistance granted by the State. In addition, simplification of the system of licensing and operating permits, tax benefits and fair commercialization of their product were also included in this economic plan. In addition to the political effects, this approach would contribute to an increase in the manufacture of goods and commodities for the market that would balance higher demands of products owing to a better income distribution among the population. According to the Popular Unity evaluation, this plan should be a joint effort between the private sector with the industries and producers from other sectors of the economy.

The Popular Unity stipulated for its private partners guarantees for workers and employees from this area, on matters such as wages, working conditions and social benefits. The State and workers themselves would carefully control the latter through the so-called "popular control." These aspects would be carefully supervised and severely penalized by the State and its corresponding authorities. The Private Property Model also included workers' participation in their corresponding production centers. This participatory system was not exempt from confusion, tensions and conflicts, especially among the most radicalized sectors of the working class, who demanded total workers' control of those factories and industries or their incorporation into the social area.

To set the limits among the three areas of the economy, the Popular Unity economists, led by Minister Pedro Vuskovic, established that industries whose capital and reserves up to December 31, 1969, did not exceed 14 million *escudos*, would not be expropriated from their owners. A clause in the Popular Unity economic program stated very firmly that those enterprises that met the criteria already cited could not reach any agreements with the State to avoid being trans-

ferred into the social area. By the same token, the State guaranteed the property of industries to those owners associated with the State or in the private area while this agreement was in effect. Nevertheless, the program considered payments of indemnity, determined by the State, to those entrepreneurs whose lands, total or partial, were expropriated. In this way, " precise criteria, which did not allow arbitrary interpretation and that, at the same time, were flexible enough to recognize a variety of situations, were defined" (Klauser: 1973: 15).

## **INTEGRATED WINE ENTERPRISES**

The analysis of the Integrated Wine Enterprises (I.W.E.) in Chile requires analyses from two different perspectives: technical and legal. In the following pages I provide a summary of the most relevant aspects to understand these enterprises within the global context of the Popular Unity Basic Program and some of the main contradiction encountered between the parties in the negotiations.

### **Technical Aspects**

From a technical point of view, the Integrated Wine Enterprises were agro-industrial complexes that comprised vineyards and infrastructure for the elaboration and production of wines. In most cases, these agro-industrial centers marketed their own wines in both the domestic and international markets. The role and supervision of the State, through the Ministry of Agriculture, was to preserve the individuality of each of them in order to maintain quality and prestige, especially those wines commercialized abroad. In total, there existed 15 such integrated wine enterprises, some of them very well known internationally.

**TABLE 1**  
**MAIN INTEGRATED WINE ENTERPRISE: 1971**

<b>ENTERPRISE</b>	<b>TRADEMARK</b>
Viña Concha y Toro S.A.	Concha y Toro, Tocornal
Viña Santa Teresa S.A.	Santa Teresa
Viña Santa Rita S.A.	Santa Rita
Viña Santa Carolina S.A.	Santa Carolina
Viña Undurraga S.A.	Undurraga
Agrícola y Comercial Viña Santa Catalina S.A	Santa Catalina
Wagner Stein y Cia.	San Pedro
Viñedos y Huertos José Cánepa y Cia.	Cánepa
Viña Cousiño Macul S.A.	Cousiño Macul
Viña Las Acacias Ltda.	Las Acacias y Urmeneta
Suc. Emma Ramila vda del Merry "Viña Carmen"	Carmen
Viñedos Ortíz S.A.	Vizcaya
Viña Santa Rosa del Peral S.A.	Planella
Sociedad Viña Tarapacá Ex-Zavala	Tarapacá Ex-Zavala
Viña Manquehue y Cia Ltda	Manquehue

**Source:** *Asociación de exportadores y embotelladores de vino de Chile (A.E.E.V.)*

**Production:** The area of land occupied by these 15 wine enterprises amounted to 9,470 hectares, 3,380 hectares of which were allotted to vineyards. These vineyards had a "noble grape" (*cepaje noble*), and they were located in irrigated terrain from the Central Zone of Chile. Between 1969 and 1971, the production of wine was 90 million liters, approximately 20 percent of the national production. However, of this amount, only 35 percent, that is, 33 million liters were produced from their own grapes.

**TABLE 2**  
**INTEGRATED WINE ENTERPRISES: PRODUCTION**  
**1969**

TRADEMARK	TOTAL PRODUCTION (million liters)	OWN PRODUCTION (million liters)	OWN PRODUCTION (%)	WINE PURCHASED OUTSIDE (%)	GRAPES PURCHASED OUTSIDE (%)
Concha y Toro	18,500.000	7,400.000	40	60	0
Santa Teresa	9,655.536	1,500.000	15	78	7
Santa Rita	4,540.281	860,000	19	62	19
Santa Carolina	4,860.000	2,700.000	55	30	15
Santa Catalina	17,060.000	4,270,000	25	75	00
San Pedro	11,198.400	3,360,000	30	30	40
Undurraga	2,942.444	480,000	17	83	00
Cánepa	6,713.130	5,160,000	71	29	6
Cousiño Macul	2,198.000	2,200,000	100	00	—
Las Acacias	6,589.000	1,400,000	25	75	—
Carmen	607,020	290,000	48	27	25
Vizcaya	1,705.000	1,360,000	80	20	—
Planella	2,448.000	2,200,000	90	10	—
Tarapacá	512,950	410,000	80	20	—
Manquehue	2,283.870	530,000	23	77	—
<b>TOTAL</b>	<b>91,813.000</b>	<b>34,120.000</b>			

**Source:** *Asociación de exportadores y embotelladores de vino de Chile*

**Infrastructure:** Machinery and equipment utilized in the winemaking process was old and incapable of meeting modern productive requirements. According to the Gerencia General de CORFO (1971), the equipment used for bottling wine functioned at only 70 percent of capacity in a normal period of work.

**Marketing:** The quality of the wine and the prestige acquired in the past allowed some of these companies to organize their own marketing system, especially for the internal market. In addition, these enterprises controlled about 90 percent of wine exports. During the year 1969 exports totaled \$12.6 millions, according to the SAG (1970), an amount that could have been increased without any difficulty.

**Labor Force:** The Integrated Wine Enterprises employed about 5,000 people, including industrial workers, clerks, technicians and seasonal workers, both in the wine-making and marketing. Some of them were skilled and experienced workers, a factor that explains the concentration of highly qualified workers in the wine industry. According to the wine exporter association—Asociación de Exportadores y Embotelladores de Vino—, a private organization, 2,400 permanent workers and 1,300 seasonal workers were employed in these 15 enterprises, mainly during the grape harvest and pruning seasons (A.E.E.V:1970).

**TABLE 3**  
**INTEGRATED WINE ENTERPRISES: LABOUR FORCE**  
**1969-1970**

TRADEMARK	PERMANENT AGRARIAN WORKERS	SEASONAL WORKERS	INDUSTRIAL WORKERS	CLERKS	TOTAL
Concha y Toro	305*	—	250	185	740
Santa Teresa	69	60	96	57	282
Santa Rita	250*	—	16	62	368
Santa Carolina	135	250	32**	—	467
Santa Catalina	135	37	51	7	234
San Pedro	277	350	208	164	999
Undurraga	59	34	82	17	192
Cánepa	445	501	47	37	1,070
Cousiño Macul	162	50	—	20***	242
Las Acacias	97	35	37	46	215
Carmen	58	10	—	7	75
Vizcaya	91	20	14	15	140
Planella	150	—	—	14***	164
Tarapacá	94	—	—	18***	112
Manquehue	22	15	21	5	63
<b>TOTAL</b>	<b>2,391</b>	<b>1,372</b>	<b>904</b>	<b>704</b>	<b>5,371</b>

**Source:** *Asociación de exportadores y embotelladores de vino de Chile*

\* Includes seasonal workers

\*\* Includes clerks

\*\*\* Includes Industrial Workers

**Financial Aspects:** The Integrated Wine Enterprises constituted sources of economic power. Some of them had capital that far exceeded the maximum level established by the Government in its definition of the areas of the economy. According to the same wine exporter association, in 1969, seven of these wine enterprises operated with capital of over 146 million *escudos* (Chilean currency), concentrated in the hands of no more than 10 shareholders per company (A.E.E.V., 1970). (See annex)

### Legal Aspects

From a legal viewpoint, clause 16,640, Chapter III, articles 20-23, of the Agrarian Reform Law, established important regulations for granting the status of Integrated Wine Enterprises. According to the law, these enterprises should meet two requisites. The first one was to be constituted as Incorporated Societies (*Sociedades Anónimas*). The second requisite was that the lands

planted with vineyards could not be expropriated if the following requirements were met:

- ❑ The wine enterprise should own the land planted with vineyards (plus 20 percent for land rotation), from before November 22, 1965.
- ❑ The enterprise should follow all the requirements stipulated by the Ministry of Agriculture, which would be in control and supervise all these aspects.
- ❑ Workers should receive a share of the profits generated by the wine enterprise as required by the Law.
- ❑ Wages and other employee benefits should be fixed according to the requirements and limits stipulated by the Government.
- ❑ The wine enterprises should follow the Government's regulations regarding housing, education, health and other things. In addition, union privileges (*fuero sindical*) and the right to form worker's organizations, access to loans, job contracts, the right to collective bargaining, compensation and welfare benefits, were also respected. The Government would regulate and control all these requirements established by the Law.
- ❑ The wine enterprises should possess capital equivalent to four times the fiscal value of the vineyard.
- ❑ At least, 50 percent of the vineyards had to be planted with vines approved by the Ministry of Agriculture.
- ❑ At least 50 percent of the wine produced had to be sold as "fine" wine (*vino fino*).
- ❑ Workers and other employees working in each wine enterprise, except those specified by law (seasonal workers), should possess at least 10 percent of the shares. They were also entitled to have a representative on the board of directors of the enterprise.

In addition to the above requirements, the law was very clear in mentioning that only those wine enterprises constituted as **incorporated societies** that produced and sold their wines under their own trademarks would be considered integrated wine enterprises. In this case only, the Government would not expropriate their land. However, law 16,640, article 22, included another key element, that is, **protection against expropriation should be legalized by a decree signed by the President of the Republic**. This decree specified the size of the vineyards and the requirements already mentioned, and they were valid for a period of 20 years.

Finally, the same law 16,640, article 25, specified that "*immunity from expropriation established by the Supreme Presidential Decree would automatically end if, by any chance, at any time, one of these regulations were violated.*"

### **INTEGRATED WINE ENTERPRISES: SOCIAL OR MIXED AREA?**

Discussions about whether or not the Integrated Wine Enterprises (I.W.E.) should be placed in the social or mixed area were carried on through the *Comité Agroindustrial* from CORFO, one of the most important State agencies. This institution was in charge of studying all the precedents in order to draw conclusions that would assist the Popular Unity authorities to make decisions on these matters. The *Comité Agroindustrial's* approach was to come out with proposals based on the Popular Unity strategy defined in its Basic Program. Consequently, this agency proposed that the 15 wine enterprises being considered as such were located in the Mixed Property Area. This decision was strongly supported by the Minister of Agriculture of that period, Jacques Chonchol, and three political parties: the Christian Left, MAPU, and the Communist Party. The only opposition within the Popular Unity coalition came from the Socialist party, which pushed very hard to incorporate all these wine enterprises into the Social Property Area of the economy.

In the following pages, I argue that the Government's decision to incorporate the Integrated Wine Enterprises into the Mixed Area did not follow the spirit of the Basic Program since these enterprises did not fulfill the requirements established by the Agrarian Reform Law 16,640. This decision was more a political concession made to the wine producers in order to attract them into the Popular Unity plans. Let us observe these contradictions by analyzing the document elaborated by the *Comité Agroindustrial* from CORFO to justify its final recommendation.

### **WHAT DOES THE TRANSFER OF THE INTEGRATED**

## **WINE ENTERPRISES INTO THE MIXED AREA MEAN?**

### **Introduction**

On May of the current year [1971], a committee composed of representatives from the workers, the Government and the owners of the wine enterprises got together to reach an agreement to incorporate those enterprises into the Mixed Area. During the discussions, general agreements were reached which are detailed in this document. However, each wine enterprise will negotiate separately among the parties, and consequently, it is important that the workers' caucus elect its representatives for the negotiations. Discussions will begin immediately, beginning with the following enterprises: Viña Concha y Toro, Viñedos y Huertos José Canepa y Cia, Viña Santa Rosal del Peral, and Viña Cousiño Macul.

### **1. WHAT IS AN INTEGRATED WINE ENTERPRISE?**

An I.W.E. is an enterprise that has vineyards, wine cellars for making and processing wine, industrial and administrative offices, and an infrastructure to market the wine.

### **2. IS IT GOOD TO DIVIDE A WINE ENTERPRISE?**

In all instances, an I.W.E allows workers to control the whole productive process, from grape cultivation to the selling of the wine, both on the international markets.

### **3. WHY DOES THE I.E.W. BELONG IN THE MIXED AREA AND NOT IN THE SOCIAL AREA**

- The enterprise does not stay in the private area because this would mean maintaining an unfair situation where the owner appropriates the profit generated by the enterprise, which is a product of the workers' labor only. In addition, the management would remain unchanged, which is unfair since the workers are the ones who know best how to organize the work, and therefore, they must participate in the decision-making process.
- Chilean laws allow the expropriation of agrarian lands only. The laws do not apply to industrial installations, which are located in non-agrarian regions (industrial plants, for instance). Consequently, if we want the enterprise to be placed in the social area, we would only transfer the land. However, the industrial, administrative and commercial plants would continue in private hands. This would be prejudicial to the workers because they could not control the wine production, which is the most lucrative part. In addition, those fellow workers who continue working in the industrial part of the enterprise, which cannot be expropriated, would continue to be subject to the injustice of private enterprises. Moreover, the incorporation of these enterprises into the Social Area would not allow them to keep their trademarks, which have an international reputation that brings into the country money that helps to increase the standard of living of the population. For this reason, then, it has been decided to incorporate these enterprises into the Mixed Area where the wine enterprise and the trademark are kept intact.
- The above arrangement allows the State to become the owner of 51 percent of the shares and the entrepreneur of 49 percent. During each negotiation, the parties will determine the exact amount of percentage. The management of the enterprise will be conducted jointly by workers, the State and entrepreneurs. In this way, the exact number of representatives from each constituency will be determined during the negotiations, but there will be an attempt to ensure a major representation by workers and the State together.

### **4. WHAT BENEFITS DOES THE MIXED AREA OFFER TO THE WORKERS**

- ❑ **Participation:** Workers will be represented in the Administrative Council of the enterprise. Consequently, workers will have participation in any decision made by the company: to nominate candidates to occupy positions of responsibility, to assign power to the administration, to create new executive positions, to increase the number of workers, to set wage policies, to buy and sell vineyards, industrial plants, machinery, to obtain loans and credits, participation in the system to redistribute profits, marketing, etc. In order to reach an agreement in any decision the approval of the majority, and at least one vote from the workers' representative, would be mandatory to pass the resolution. Workers are allowed to change their representative any time they consider it necessary by having two-thirds of the votes of their constituency.
- ❑ **Wages and social benefits** obtained up to that time will be maintained. In addition, the right of workers to bargain every year will be maintained. The only difference now will be that collective bargaining will be grounded on real bases because workers have participation in the Administrative Council through their representatives. Also, an evaluation of every position and the wage that corresponds to each of them will be conducted with the participation of workers. The tendency will be to equalize wages among the people who do the same work in the wine companies from the Mixed Area. This means a progressive equalization according to the production of each enterprise.
- ❑ **Working conditions:** Union rights will continue as before. Workers cannot be fired nor forced to change their jobs, unless it is beneficial for the enterprise and the workers agree, in accordance with the "**Ley de Inamovilidad**<sup>16</sup>. A personnel department will be created, and each worker will have a specific function and wage. In the case of a vacancy, workers who occupy lower positions will be offered higher positions available, and new workers will be hired for the lower jobs. In this manner, older and more qualified personnel will not be passed over by new workers. Seasonal workers will have a permanent job only when considered beneficial from a technical and administrative viewpoint.
- ❑ **Discipline:** Workers will develop a code of discipline that will reward workers and punish those who do not respect the approved agreements. The Administrative Council in which, as we said before, workers will participate, will approve this code.
- ❑ **Training:** Elementary, high school and technical education will be offered to workers in the enterprise through educational agreements signed with the Ministry of Education and technical institutions.

The implications of this project proposed by the *Comite Agroindustrial* from CORFO require a more detailed examination, mainly at the judicial, economic and political levels, to understand its limitations and contradictions. Let us keep in mind **that this analysis was carried out within a concrete historical moment taking place in Chile and Latin America—1960's and beginning of the 1970's**. The goals were to achieve socialism as an alternative to dependent capitalism and its oppressive social, political and economic structures. My view is that the plan proposed by the *Comite Agro Industrial* weakened and complicated such a transition to socialism. Also, it created an excellent opportunity to the oligarchic sector behind the Integrated Wine Enterprises to escape the political storm the country was going through as well as to reorganize against the Popular Unity Government.

### JUDICIAL ANALYSIS

The Agrarian Reform Law 16.640 indicated that only those vineyards incorporated as *Sociedades Anónimas*, that is, corporations based on shareholders that met the articles 21-25 of the same law and had their corresponding decrees signed by the President of the Republic, would not be expropriated. From a judicial viewpoint the resolution reached by the *Comite Agroindustrial* from CORFO was incorrect because it made ineligible for expropriation 15 enterprises that could have been placed into the Social Area rather than the Mixed Area of the economy. Let us examine the following table to provide some evidences on this allegation.

TABLE 4

## INTEGRATED WINE ENTERPRISE ORGANIZED AS INCORPORATED COMPANY

TRADEMARK	RESERVE CAPITAL PROFITS Thousands of <i>escudos</i> Currency in 1969	NUMBER OF SHAREHOLDERS	PERCENT CONTROLLED BY 10 LARGEST SHAREHOLDERS
Viña Concha y Toro	35,271	1,648	39,5
Viña Santa Carolina	30,800	41	73,9
Viña Santa Rita	2,129	67	66,8
Viña Santa Teresa	29,501	35	97,9
Santa Catalina	16,182	3	100,0
Viña Santa Rosa del Peral	10,305	12	92,8
Viña Undurraga	8,368	56	81,6
<b>TOTAL</b>	<b>145,956</b>		

**Source:** *Superintendencia de Sociedades Anónimas de Chile*

As table # 4 indicates, out of fifteen wine enterprises in Chile only seven were incorporated companies (*Sociedades Anónimas*), according to the Agrarian Reform Law 16.640 already mentioned. By applying the criteria of the *Comité Agroindustrial* de CORFO, eight enterprises that did not fulfill the requirements of the Law 16,640 were not expropriated and transferred into the social area.

With regard to the Supreme Decree signed by the President of the Republic that guaranteed that those lands could not be expropriated, *none of the seven enterprises met the conditions, nor could they be granted because they did not meet other requirements specified by the Law*. Effectively, Article 23 of Law 16, 640 clearly stated that workers and clerks from these wine enterprises, with the exception of those cases specified by the same Law, should own at least ten percent of the shares. Table 4 again shows that in some of these enterprises the 10 largest shareholders owned 100 percent of the shares, as occurred with Viña Santa Carolina. Other cases like Viña Santa Teresa, the 10 largest shareholders controlled 97.9 percent of the shares, and in Viña Santa Rosa del Peral, 92.8 percent of them. In other enterprises with lower percentages of shares did not signify that their workers owned the 10 percent of the shares stipulated by Law 16,640. On the contrary, most of the time, shares were distributed among a larger number of shareholders.

Law 16,640 was very clear in stating that if only **one** condition was not met the Presidential Decree guaranteeing the non-expropriation of the land was not applicable. As a result, all the lands belonging to the integrated wine enterprises could be legally expropriated, according to the same Law. This aspect was particularly important in a country like Chile where legal matters were extremely consequential, especially if we consider that this Law was approved in the former Administration of President Eduardo Frei (1964-1970) and blessed by the U.S. Alliance for Progress of President John Kennedy.

In light of the above legal situation, the criteria utilized by the *Comite Agroindustrial* from CORFO to incorporate the wine enterprises into the Mixed Area worked against the general interest of the country and only benefited a few wine enterprises. Let us insist again that the logic behind this political, rather than economic and legal decision, was based on the mistaken interpretation that these groups were crucial "tactical allies" that should be motivated to advance in the process initiated by the Popular Unity. Events showed that this sector never believed in this project and became one of the strongest supporters of the military coup d'état of 1973.

When the *Comité Agroindustrial* from CORFO stated that Chilean Laws only allowed the expro-

priation of lands but not the industrial installations located on them, it was not exactly accurate. In effect, the same Agrarian Reform Law 16,640 allowed both the expropriation of the land and the intervention of the industry. Moreover, on this particular issue there existed a similar precedent that was resolved with a different criterion before the organization of the *Comité Agroindustrial*. This was the case of Viña Concha y Toro, which was incorporated into the Social Area utilizing the same measures I am arguing here. In effect, owing to worker's pressure, a labor dispute between the workers and the entrepreneurs ended with this enterprise into the Social Area. Consequently, the case of Viña Concha y Toro and the other elements stipulated in the Agrarian Reform Law confirmed that the wine enterprises could have been legally expropriated and incorporated in the Social Area. Therefore, the only explanation left is that **this was more a political rather than a legal or economic decision**. Now, the question is how appropriate this political decision was into the whole process? In the opinion of many political analysts and some political parties, this was a mistake since it facilitated the operation of counterrevolutionary forces from inside the Government itself.

### ECONOMIC ANALYSIS

The document elaborated by the *Comité Agroindustrial* from CORFO claimed that the incorporation of the Integrated Wine Enterprises into the Social Area would not allow the workers to keep the trademarks of the wine because the owners had legally registered them. Consequently, the prestige of the wine would be lost, especially in the foreign market.

This claim seemed correct, but there was a solution. Within the Agrarian Commission established by the Popular Unity political parties, the expropriation of the land and the purchase of the trademark was proposed by the representatives of the Socialist party. This proposition was well studied and documented. Vineyards were one of the most profitable businesses in the countryside. One hectare of irrigated land produced over 10,000 liters of wine, which represented about 23 million *escudos*. Consequently, the experts estimated that in three years the investment in the infrastructure of the fifteen wine enterprises could easily have been paid to their owners.

From another angle, according to a report elaborated by the Attorney General of the Agrarian Reform Corporation (1972), rural worker made 4,500 *escudos* per year, a wage that was determined by a worker's rate of production. Thus, if one hectare produced 23 million *escudos*, the financial ability to repay the former owner was very simple.

Another important aspect to be considered from the economic viewpoint was the enormous power and control achieved by the wine enterprises over other producers. Effectively, in 1970 the national production of wine amounted to 400 millions liters. Of this amount, 100 million came from the integrated wine enterprises. However, *only 33 percent of this wine was produced from their own grapes*. The rest, that is, 67 percent, came from grapes obtained from middle and small producers and other producers grouped in *campesinos* committees and production centers better known as CERAS (lands expropriated by the Government and controlled by their workers).

### TABLE 6

#### ORIGIN OF THE WINE PRODUCTION OF THE INTEGRATED WINE ENTERPRISE: 1970

TRADEMARK	TOTAL PRODUCTION	OWN PRODUCTION	PERCENT OF OWN PRODUCTION
Viña Concha y Toro	18,000.000	7,400.000	40
Viña Santa Teresa	9,655.536	1,500.000	15
Viña Santa Rita	4,540.281	860.000	19
Viña Santa Carolina	4,860.000	2,700.000	55
Viña San Pedro	11,198.400	3,360.000	30
Viña Undurraga	2,942.444	480.000	17
Viña Cánepa	6,713.130	5,160.000	71
Viña Cousiño Macul	2,198.000	2,200.000	100
Viña Las Acacias	6,589.000	1,400.000	25
Viña Carmen	607.000	290.000	47
Viña Vizcaya	1,705.000	1,360.000	85
Viña Planella	2,448.000	2,200.000	92
Viña Tarapacá	512.950	410.000	80
Viña Manquehue	2,283.870	530.000	23
<b>TOTAL</b>	<b>91,813.631</b>	<b>34.120.000</b>	

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1970*

This situation was particularly unfair due to the degree of dependency generated between the Integrated Wine Enterprises and other wine producers. This dependency derived from the fact that only the Integrated Wine Companies had the infrastructure needed to produce wine. But, most important, these big wine enterprises were the only ones that possessed the legal authorization to produce, process and sell the wine.

Viña San Pedro, for example, purchased all the grapes produced in the regions of Lontué and Molina, located in the central zone of Chile, near the Province of Talca. This area was and still is well known because of the high quality of its wines (*caldos*) and grapes produced by small and middle producers. Viña San Pedro produced only 30 percent of the grapes necessary for its wine production in its own lands, as shown in Table 5. In other words, Viña San Pedro produced 11 million liters of wine in 1970, whereas with its own grapes it could only produce 3 million liters a year. However, by using the grapes harvested by other producers Viña San Pedro had "popularized" its trademark.

Large wine enterprises enjoyed privileged position, and with it exercised monopoly control over the price of wines and grapes to their advantage. This situation ensured the I.W.E. elevated and convenient rates of profits. Through the combination of these mechanisms, small, middle and independent producers became extremely dependent on prices fixed by the large wine enterprises. This was and continues to be the way the wine producer landlords of Chile developed their monopoly control on Chile's production of wine. Paradoxically, this was the social sector the Popular Unity wished to associate in the Mixed Area.

It was very well known and widely publicized that the Popular Unity Government intended to eliminate the *latifundia* system in Chile and to develop collective Centers of Production, instead. The agrarian strategy aimed to make all possible changes in the countryside to end the historical productive crises and peasant exploitation. Accordingly, rural production would definitively be incorporated into a national productive process, and this would create a more equitable labor environment for the people working in this sector. However, this strategy was not in line with the decision made by the *Comité Agroindustrial* from CORFO. In effect, being well aware of the existing dependent and monopoly relations between the I.W.E. and the small, middle, and independent producers, contradictory result was that the *Comité Agroindustrial* was proposing to associate with the same sector that historically had created this oppressive situation. Some political sectors within the Socialist Party and the Revolutionary Left Movement (MIR) argued that it would have made more sense to attract the small, middle and independent producers,

who constituted a larger political target. Evidently, these productive sectors were the natural allies that the Popular Unity Government was looking for in order to create a solid coalition to achieve its socialist objectives. The wine entrepreneurs offered no security, in spite of the fact they had agreed to transfer 51 percent of their shares to the State.

The decision to sell 51 percent of the shares to the State was not only a good business for wine producers, but, in addition, an opportune insurance policy at a time when the Chilean popular forces were advancing very quickly in their economic, political and social demands. Most important, since the Popular Unity Government had nationalized the banking system and, consequently, credits and loans, the responsibility for producing, funding and obtaining credits and loans was now the responsibility of the State partner. Also, technical and professional assistance would be provided by a State agrarian institution, such as INDAP (funding and planning assistance), CORA (Institute for Agrarian Reform) or SAG (technical and legal control), in addition to the banks. Consequently, *the entrepreneurs would obtain all the benefits already mentioned only by contributing the wine's trademarks plus their industrial plants, which were equipped with very old machinery that the State "partner" would now help to replace.*

During that time, much work was invested in the creation of the National Wine Enterprise (*Empresa Nacional de la Vid*) by a group of experts and politicians. This institution was organized around a plan that by the end of 1971 would expropriate the majority of vineyards. Accordingly, almost the total production of wine would be under State control. As a result, revenues generated by the wine industry would not end up in the pockets of the large wine producers, but the State, which now would have access to an attractive economic surplus to invest in the development of other areas of the country. This interpretation represented the vision of the Socialist Party, which struggled to convince other political sectors represented in the *Comite Agroindustrial* from CORFO of the political and economic advantages of this strategy.

Political contradictions and discrepancies in this and other matters became frequent within the Popular Unity between hard-liners, who wanted to advance faster and without conciliating those who wanted to move slower. Curiously, most of the discussion and implementation of these policies by the Popular Unity were held at top-level party committees, within ministries and even in the Presidential Palace, with no orientation towards a revolutionary arena supported by the majority of workers, who requested the Social Area.

As a result of this confrontation, the wine entrepreneurs wisely observed from within the problems generated between the Government, the head of the political parties that made up the Popular Unity and the workers. This situation allowed the wine landlords to begin conspiring, covertly at first and openly later, together with other sectors, the military and the CIA, against the Government of Salvador Allende.

## **POLITICAL ANALYSIS**

### **Worker-Peasant Alliance**

The labor conditions of workers from the Integrated Wine Enterprises displayed characteristics, which were unusual but not unique among the Chilean working class. Wages and benefits of those working in the I.W.E. greatly exceeded the expectations of other fellow workers from the countryside. However, the same wage disparities also existed within each wine enterprise. Industrial workers, that is, those who labored in the industrial plants received higher salaries than the *campesinos* (peasants) working in the vineyards. If the Popular Unity objectives were to establish a strategic political alliance between workers and peasants, the I.W.E. should not have been incorporated into the Mixed Area because the productive organization of these enterprises encouraged competition rather than collaboration among the workers. As a result, this decision reproduced and accentuated the same economic and social differences that the Popular Unity had wanted to eliminate.

Workers from the wine industries were well aware of the existence of wage differences for similar

work in the same workplace. Therefore, when the Popular Unity spoke about equality of workers' participation in the management of the enterprises, it was confusing and sometimes produced conflicts since the main issue, that is, wage differences, had not yet been resolved by the Government. Within this political context the anxious worker-peasant alliance goal would had been extremely difficult to achieve.

**Labor fragmentation**

Workers from each wine enterprise were organized around a variety of unions according to the different labor function they performed. There existed unions for clerical workers, industrial workers, peasants, professionals and technicians. In addition, the different components of these wine enterprises, such as vineyards, industrial plants, storage and offices were not physically located in the same areas. Consequently, unions were organized and existed totally disconnected from each other and, therefore, collective bargaining and agreements were negotiated separately. For this reason, it was paradoxical to observe that workers performing the same tasks and activities in the same company enjoyed different social and economic benefits. Consequently, there was neither "working" relationships nor unity among the workers. On the contrary, what really existed were groups of disunited workers, separated from each other, which resulted in a weak bargaining situation for all of them.

When the Viña Concha y Toro was transferred into the Social Area in 1971, after the conflict between the owners and workers could not be resolved, the 155 clerks and 460 workers were grouped into five unions, as indicated in Table 6.

**TABLE 6  
VINA CONCHA Y TORO: UNIONS  
1971**

<b>UNION</b>	<b>LOCATION</b>
Professionals and Technicians	Santiago
Industrial Workers	San Miguel
Agrarian Workers	Pirque
Agrarian Workers	San José
Agrarian Workers	Cachapoal

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971*

This system of dividing the workers was an old, but not an original practice utilized by the ruling classes of Chile to better handle workers' demands. Its origins can be traced to the second half of the 18<sup>th</sup> century, when the emerging Chilean working class began to acquire class-consciousness and to develop their first organizations to protect their rights and express their demands. In 1970, the Mixed Social Area did not guarantee that the conditions of inequality and class division was the most efficient tool to eliminate the historical their oppressive, but it was the best opportunity they had. To better understand the situation let us briefly take an historical look at the evolution of Chile's labor movement during this agitated political period.

**Historical Development of Labor**

By the end of the 18 century Chile had a large working class concentrated mainly in the nitrate mines in the north of the country and the coal mines in the south, along with other workers in the construction sector, railroad, roads, shipyards, etc. These workers and miners experienced enormous level of exploitation, such as a working day of 10 to 12 hours and wages paid in tokens rather than money, which could only be exchanged for food and clothes at the *pulperias*, that is, store companies. These tokens could not be used anywhere else, although prices were cheaper.

Workers, mainly the miners in the north, began to organize solidarity organization such as *mutuales* and *mancomunales* to gain protection from their oppressive working conditions. Also,

strikes, demonstrations in the cities, occupation of their working places and boycotts began to multiply. The ruling elites and their foreign associates were not prepared to make concessions or to accept labor pressures of any kind. The authorities of the period responded with repression and violence utilizing the Army, and that institution became a kind security guard of big capital in Chile, against the miners. As a result, thousands of workers, women and their families were massacred in the name of the "internal security of the country."<sup>17</sup>

By the end of the first quarter of the 20<sup>th</sup> century, the situation of workers' rebellions and government repression repeated itself many times. The political situation became almost impossible to control, and a new Labor Code was approved. Nevertheless, this Labor Code reproduced a series of limitations, which favored the traditional ruling classes. In effect, the new Labor Code severely restricted the possibility of workers to organize since a certain numbers of workers was now required to create a union. Also, the law did not allow the creation of national workers' federations. Thus, the *Federación Obrera de Chile* (FOCH) and the *Confederación de Trabajadores de Chile*, and later the *Central Unica de Trabajadores* de Chile were illegal, according to the new Labor Code.<sup>18</sup> Nevertheless, workers managed to overcome some of these obstacles, and public employees, for example, were able to form unions and organize themselves.

Another aspect of the new Labor Code was to encourage "union parallelism" within the workers' organizations. In effect, any center of production or industry could create more than one union, association or similar type of organizations. This was the origin of the Chilean union system, which allowed the operation of a broad spectrum of unions within the same working place: professionals, technicians, clerks, industrial and agrarian workers, among others.

By dividing workers within and outside their working places, the ruling classes were able to soften labor conflicts and minimize workers' demands. Hence, if a factory or any productive center struck, most of the time it was a partial strike. This system allowed managers to bargain with a fraction of the workers separately, without interrupting production. When the conflict became confrontational or evolved into a strike, it was always a partial problem, since the rest of the labor force continued working. This was the labor environment that existed in Chile when the government of President Salvador Allende took power. The situation within the wine enterprises reproduced all the characteristics already described above, and their workers bargained most of the time under unfavorable conditions, and most important, with a divided workforce. Evidently, the results of these negotiations were for the most part, advantageous to the enterprise.

### **Competition among workers**

The project elaborated by the *Comite Agroindustrial* from CORFO did not exactly match with the goals of the Popular Unity Government to move Chile into a type of socialist society. The proposal stated that the State, the owners of the wine enterprises and their workers would associate to manage together their industries, to compete against each other in the national and international market to make profits. Undoubtedly, this system of converting workers into managers was not the most viable road to achieve socialism. On the contrary, this situation would become another mechanism to keep workers, now promoted to the category of entrepreneurs, divided and competing among themselves, rather than solidifying a strong and unified working movement to achieve socialism. This characteristic of competitiveness would even reproduce itself with each enterprise, since not all workers would achieve the same levels of participation, power and economic status.

Since the Integrated Wine Enterprises, now incorporated into the Mixed Area, would maintain the same profit-oriented and operating structure of buying-selling and competing for the same markets to generate profits, it would make the task of worker unification more complicated. In fact, the real innovation of this proposal was that a certain group of workers now would assume management responsibility for production and marketing. Inevitably, this situation was condemned to promote competitive rather than solidarity relationship among the workers from other similar productive enterprises. Moreover, it could occur that in the near future, not only

would the owners of the Wine Integrated Enterprises reject the Social Area, but also their workers. This situation of workers transformed into managers could also lead to the rejection of more drastic economic, political or social changes, including socialism. In fact, this characteristic seemed to be more of a profound reform of the capitalist system rather than a road to socialism, as proposed by the Popular Unity Basic Program. The political risk, then, was very high.

### **Expropriation versus Conciliation**

Peasants made continual demands on the authorities to expropriate all *latifundia* (large extensions of lands owned by a small group of landowners), as proposed in the Basic Program of the Popular Unity. Moreover, peasants did not agree with the legal definition of *latifundia*, which included only properties over 80 irrigated hectares in size. This criterion was considered arbitrary, unfair and beneficial only to a reduced number of landlords who were protected by this law. The authorities responded to the peasant complaints by accusing them of being disruptive and obstructive to the process. However, peasant and other social sectors responded that it was not a well-kept secret that in Chile the landlord oligarchy was entrenched in properties less than 80 irrigated hectares.

According to Benjamin Matte, the chairman of the National Agrarian Society (*Sociedad Nacional de Agricultura*), an old landlord organization, properties (*fundos*) between 40 and 80 irrigated hectares were the most productive, and altogether they produced more than 40 percent of the national agricultural production. These properties were located in the richest region of Chile, near the Pan-American Highway, connected by good roads to other main highways, and located close to the largest cities and ports. This privileged situation allowed the landlord easy access to vast and wide markets. Contradictory, within these highly profitable enterprises incredible levels of exploitation and superexploitation of peasants, migrant and seasonal workers, small and middle producers, and natives existed. In spite of the emphatic declarations of the Popular Unity leaders that the government would expropriate all the Chilean *latifundios*, peasants not only found that the *Comite Agroindustrial* from CORFO was not going to expropriate the land, but that the State would become another shareholder. Even if the land were expropriated, it would become part of the same business controlled by the wine landlords.

As an inevitable result of this situation, a sharp confrontation between peasants and the Popular Unity Government developed. This was the nature of the conflict that occurred in the Viña Concha y Toro, where a conflict began early in 1971 between workers and the owners. Peasants and workers demanded that the Government expropriate the wine enterprise since the two parties failed to reach an agreement. Workers knew that legally this measure could and should be taken up by the authorities. However, without conferring with the workers and peasants and even consulting with the National Agrarian Commission, the institution in charge of these matters, it was decided by some agrarian authorities that Viña Concha y Toro would become a mixed enterprise. The workers responded with a strike. The Government intervened by appointing an *interventor*, that is, a functionary designated by the authorities to take over total control of the wine enterprise. This was a legal measure contemplated in the Chilean Constitution, which had almost never been applied by other governments. The Government of President Salvador Allende utilized extensively this legal instrument to expropriate industries and banks considered crucial for the economy of the country in accordance with the Popular Unity Basic Program.

Nevertheless, the situation occurring at Viña Concha y Toro became an element of confusion for Chile's popular movement and a reason for confrontation on the part of the most radicalized sectors of the working class against the Popular Unity Government. In the eyes of these sectors, the Government was vacillating and conciliating with the landlords at a moment when more drastic (revolutionary) measures should have been taken. According to these groups, this type of political behavior on the part of the Popular Unity leaders did not clearly contradict worker expectations and Government promises. But, most important, it created severe confrontations and conflicts within the popular forces themselves.

### **The Popular Unity Strategy**

The Popular Unity policy toward the wine enterprise was to negotiate individually with each of them. However, when the negotiations started, many items and points were not considered, and this evidently produced confusion and ambiguity for all the parties. Some of the neglected issues were, for example, would negotiations be held collectively or separately with all Integrated Wine Enterprises? What would happen if the requests and demands on the part of the wine owners were excessive and impossible to meet so no agreement could be reached? What would occur if some of the owners of these wine enterprises simply refused to sell or associate with the Government in the Mixed Area? And most important, what made the *Comite Agroindustrial* from CORFO think that the owners of the Integrated Wine Enterprises were willing to carry on the negotiations in the "idyllic" way expected by this committee, especially when it was well-known that they were absolute enemies of the Popular Unity Government, program and any type of social change?

Without a doubt, it was evident that the Popular Unity was trying to built up a kind of alliance with a "progressive sector" of the bourgeoisie, according to their own political evaluation and strategy. Nevertheless, this contradicted their own evaluation since the Popular Unity identified the landlords like one of the sectors that historically had impeded the development of the country. In fact what the agrarian authorities were doing with this policy was to create a kind of "Trojan horse", which facilitated the opposition groups to boycott the popular movement and to obstruct the government's plans from inside. At the political level the government gave away a powerful tool to build up a powerful mass movement in the process of consolidating its strategy to achieve a socialist society. The opposition responded by questioning the legality of this project, and most important, by claiming that the Government was unable to maintain control of the economy. At the same time, these charges provided the opposition with favorable grounds to call for a new and more efficient government, to promote civil disobedience and to call upon the armed forces to promote a coup d'état.

### **The Opposition Strategy**

The strategy of the Popular Unity Government of incorporating the Integrated Wine Enterprises into the Mixed Area was, then, a questionable decision not only because it strength the landlords strategy against the Government but, in addition, it undermined its own basis of popular support. Faced with the impossibility of conciliating workers' and wine entrepreneurs' interests, both sectors became confrontational, trapping the government in the middle of this struggle. For the sectors opposed to the Popular Unity Government, this crisis came at the right moment to initiate economic chaos, since they still controlled most of the economy of the country. The media, also controlled by anti-Government groups, began a nasty campaign accusing the Popular Unity authorities for being responsible of the economic and political crises owing to their own incapacity. The Government then assumed a defensive posture, which the opposition utilized to increase its political and ideological offensive, oriented to attract popular support to its side.

Regardless of the vacillating behavior of the Popular Unity authorities the leaders of the workers' movement response was to support and defend the Government. Large contingents of workers, then, proceeded to take over industries and productive centers in the hand of the opposition threatening and boycotting their normal functioning and the supply of goods for the population. The opponents of Salvador Allende's Government intensified their media campaign, claiming that actions taken by the workers were promoted and supported by the Popular Unity authorities. In this way, the worker's response to the artificial economic chaos created by the ruling classes were utilized as political, ideological and legal tools to intensify the attacks against the Popular Unity. Curiously, the illegalities of the socio-economic conflicts created by the opposition were used against the Government and were aimed at gaining political dividends to their cause. In addition, this situation was used to build up a base of support for their cause composed of dissatisfied middle-class and popular sectors, now discontented with the artificial shortage of foods and basic goods, although this was created by the ruling classes themselves.

The political moment experienced by Chile during this period was one of the most dynamic in its history. Most of the solutions to the many crises that affected the Popular Unity Government

came from the workers themselves, who went beyond the leadership of their own political parties to create and organize their own sources of popular power. Thus, in response to the so-called "bosses strike," when factory owners and the private transportation system attempted to paralyze the country in October 1972, Industrial Belts (*Cordones Industriales*) were organized by workers. These Industrial Belts consisted of autonomous organizations organized in the industrial areas of Santiago, all connected and coordinated among themselves. This organizational system allowed the workers to keep production as usual, but, this time, under worker's control. Later, Industrial Belts evolved into a superior organization called Communal Commands (*Comandos Comunales*), made up of representatives of all Industrial Belts. Without any doubt, this was one of the most important expressions of popular power observed in Chilean history. As a response, the right wing sectors developed a strategy of chaos and terror, generously funded by the CIA, aiming to destabilize the democratically elected government of Salvador Allende. At this moment, it became clear for the right-wing sector and the United States that the only option left to stop the advances of the popular and working class movement was a coup d'état.

With regard to the situation in the Integrated Wine Enterprises, they also sided with the rest of the opposition during the political crisis described above. The Christian Democrat magazine *Revista Ercilla*, in its edition # 1961 of January 14-20, 1973, published an article entitled "Bottles are Empty" and the text of which read as follows:

*The sight is depressing. Corks, empty bottles, faded labels and half-filled shelves look like a ghostly witness from other times. Already, liquor stores and supermarkets have not varieties of old and antique aged wines . . . Is good Chilean wine a piece of a museum?*

Following this introduction and after posing the idea that the old days were the best, the article described a chaotic situation affecting this industrial area, emphasizing that the culprit was the Government of Salvador Allende.

*. . . SAG (Agrarian and Livestock Service), an organization belonging to the Ministry of Agriculture, through its official bulletin (Division Alcoholes y Viñas) points out in its latest issue that in 1972, the amount of 670 million liters of wine were produced, 525 million in 1971 and 400 million in 1970. During those years no shortage of wine was evident anywhere at any time. The figures, which are official, must be true; but where is the wine?*

*It is difficult to hoard the product. Wine producers have capacity and bottlers and distributors have a problem with the availability of storage, deposits and bottling. For almost two years, the Government has maintained a price of 105 escudos per arroba (40 liters) for the producer. This price stimulated a black market where 300 to 500 escudos per arroba are being paid. This has provoked a lack of interest in producing high quality wine. **All this must be considered in light of the State policy** (emphasis added).*

It is correct that a black market in wine had arisen, but not for the reasons evoked by the Christian Democrat spokesman officiating as a journalist (he was a functionary from S.A.G). The Government was trapped by the legal code inherited from the past, plus the fact that the authorities in charge of this sector did not have a clear policy that applied to this matter. Nevertheless, the article did not mention that the producers opposed to the Popular Unity Government had created the black market.

From another angle, the lack of interest producing high-quality wine, mentioned in the article, was not an accurate comment, either. Government records showed that most improvements in the quality of wine came from improvements in chemical techniques rather than in productive ones. As table # 6 indicates, only 35 percent of the wine produced by the Integrated Wine Enterprises came from their own grapes. The rest, 65 percent, came from small and middle producers, as well as some centers operating under the agrarian reform law. These sectors combined and operating on their own, began to fix the price of the wine in the black market. In

other words, the black market created by the ruling classes began to operate against themselves. In the past the wine producers used to control and fix the price of wine; now the same dependent small and middle producers began to apply the same formula as their former oppressors. Thus, by using this favorable situation and the fact that the Government had set a fixed price for the wine, small and middle producers began to establish the price of wine in the black market for the whole country. To compensate for this inconvenience, wine producers continually pressured the authorities to increase the price of their wine, a decision the Government was reluctant to take because of the high rate of inflation developed in Chile during that time. On the other hand, the authorities did not have clear policies to resolve this complicated situation and applied different kinds of measures, from modifying prices to searching every single wine cellar in wine-producing areas.

Within this complicated political context, the association with the State in the Mixed Area was a great and timely solution for the wine entrepreneur. The authorities not only had to combat the black market, but also, in addition, had to put under control the small and middle wine producers and those sectors organized under the agrarian reform law. Consequently, most of these groups reacted against the Government and ended up manipulated by and supporting the right-wing coalition against Salvador Allende.

Another benefit of this association was that the Partner-State was now in charge of obtaining and providing the necessary raw materials and ingredients to produce high quality wine at prices fixed by the same authorities. Without making any major effort, the wine producers ensured their profits, while the Government paid high political costs in this association. In effect, the Popular Unity had a lot to lose in this complicated political situation, since the reformed sectors, together with the small and middle wine producers, were a political clientele closer to the Government ranks rather than the opposition. But, this conciliatory policy on the part of the Popular Unity towards the wine landlords also served to alienate some important sectors of peasants and workers from the Government, who did not trust the wine producers at all. Even more important, the sector of peasants benefited by the Agrarian Reform and other small producers began to operate as truly entrepreneurs, opposing prices control, demanding a free market for their products, and most important, rejecting the idea of creating a National Wine Industry.

The criterion for organizing the National Wine Industry implied the rapid elimination of the big wine enterprises. Although drastic, according to its proponents, this measure forced the wine oligarchy to oppose and to attack the Popular Unity from outside and not from inside the Government. In addition, the National Wine Industry would have allowed the State to take control of a large part of the wine national production and consequently, to eliminate the black market in wine from the very beginning. Prices, and therefore, inflation, would also have been easier to control and keep within reasonable levels. Similarly, this formula would have assisted in offering better prospects to the small and middle producer sectors, in creating new productive sources, and most important, in creating a powerful and unified front of worker and peasant against the traditional oligarchy.

### **Peasants' Isolation**

The conflict between small and middle wine producers had some additional implications not contemplated by the Popular Unity. Effectively, a large number of poor peasants who did not have access to better jobs worked in these small and middle vineyards. The working conditions were very hard, peasants were badly paid and subjected to high levels of exploitation. The small and middle producers were not in a position to improve this situation mainly because they were also worked under similar conditions by the larger producers, without access to credit and technical assistance. The only way to obtain a certain amount of profit then was to increase the levels of exploitation of other, more impoverished peasants, without worrying about labor conditions, technology or the necessary infrastructure.

The dynamic taking place in the countryside also reached poor peasants, as well as migrant and seasonal workers, who, in order to gain the attention of the authorities, began seizing the lands they worked and demanding drastic changes. The Popular Unity authorities responded, most of the time, by claiming that these were spontaneous or reckless actions led by the ultra left, which only contributed to damaging the Government's efforts to achieve its socialist goals.

The conflicts and confrontation described above created many problems for the Government, which were taken advantage of by the opposition and the United States. However, the Popular Unity leaders failed to envision that the peasants' demands were right. Moreover, the Popular Unity itself had been tirelessly repeating that this was workers' government, and **consequently, if peasants could not solve their problems in their government, where could they do it?**

The political reactions of some of the more radical sectors of the left following these actions suggested that they were not acting spontaneously or applying ultra-leftist methods, since they were only evaluating revolutionary situations that had occurred in other countries that experienced similar processes. Thus, the poorest and most neglected sectors in the countryside also had the right to enjoy the same economic benefits, to express a solid political leadership, and to participate actively in the transformation of their reality. In this case, peasants should also enjoy the same privileges and achievements as workers participating in the Social Area of the economy. Accordingly, the total of all social sectors, including peasants, should have been organized, including those from within and outside the Popular Unity, to confront their class enemies. The agrarian policy of the Government, according to this interpretation, only helped to frustrate the expectations of the poorest sectors of the countryside, to isolate peasants from the political process and to slander revolutionary parties with accusations that they were boycotting the "socialist process." In their view, the Popular Unity was subordinating peasants' struggles to the parliamentary game and the legality of the ruling classes, which never considered workers' interests. Moreover, the ruling classes were only taken advantage of the Popular Unity misinterpretation to attain socialism in order to legitimize their views and to gain time to launch a coup d'état.

## **Conclusion**

The formula proposed by the agrarian authorities to neutralize the owners of the Integrated Wine Enterprises seemed to be inadequate to the challenge in that political moment of Chile's reality. The association of the wine producers with the State in the Mixed Area only guaranteed that an important sector of the traditional agrarian oligarchy would remain powerful, and consequently, able to counterattack from inside the Government itself. The Popular Unity interpretation of the existence of a "progressive nationalistic bourgeoisie" was not correct. The coup d'état of September 11, 1973, was the best evidence and the painful price paid by the Chilean popular sectors.

The economic groups behind the wine enterprises belonged to the most conservative sectors of the Chilean oligarchy, associated with big national and international capital. Historically, the ruling classes had experienced many clashes with workers, miners, peasants and the popular sectors of the country. This time, the dominant sector of Chile and its international allies inflicted a severe military defeat on the labor movement, its political parties, unions and organization. Nevertheless, this situation allowed reconstructing the economy and legality of the country on new bases, led by financial and industrial sectors from Chile and abroad.

Without any doubt, Chile has successfully integrated within the New World order, and its economic model is considered a model to the rest of the Latin American countries. However, the country's export model continues to be heavily influenced by fluctuations in the international market. Perhaps one of the most important characteristics of the new model that has emerged since the Popular Unity defeat is the breach created between workers and large entrepreneurs. The system continues to be supported through exploitation and the poverty of a large segment of the population. Should this situation continue in the future, social and political experiments such as the Popular Unity will occur again.

**APPENDIX 1****AGRICOLA Y COMERCIAL VIÑA SANTA CATALINA  
Y ALGARROBAL S.A.:1971**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Pedro Reus Grimal	140,000	33.33%
Carmen ReusGrimalt	138,500	33.33%
Catalina ReusGrimalt	139,500	33.20%
Alberto CasasGalindo	200	0.05%
Carlos García Quezada	500	0.11%
José López Dasena	200	0.05%
Julio López Osorio	200	0.05%
Arturo Urquiaga Luzar	500	0.11%
José Urquiaga Luzar	200	0.05%
Inés Urquiaga Reus	200	0.05%
<b>TOTAL</b>	<b>420,000</b>	<b>100.00%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971*

**APPENDIX 2****ViÑA SANTA UNDURRAGA S.A.:1971**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Pedro Undurraga Fernández	101,100	39.65%
Carlos Besa Lyon	20,000	7.84%
Samuel Undurraga Izquierdo	15,436	6.05%
Raúl Undurraga Izquierdo	13,344	5.23%
Mario Undurraga Izquierdo	11,564	4.53%
Teresa Undurraga Izquierdo	10,689	4.19%
Jaime Undurraga Izquierdo	10,242	4.02%
Fernando Undurraga Mackenna	8,100	3.18%
Juan Undurraga Mackenna	7,000	2.75%
Samuel Undurraga Izquierdo	6,300	2,47%
<b>TOTAL</b>	<b>203,775</b>	<b>79,91%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971*

**APPENDIX 3****ViÑA SANTA TERESA S.A.:1970**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Pedro Mir Taules	179,302	29.88%
Olga Mir Margenats	173,447	28.92%
Fernando Mir Mir	44,245	6.98%
Jose Mir Mir	41,882	5.23%
María Teresa Mir Mir	39,755	6.63%
Juan Mir Mir	36,860	6.14%
Yolanda Brahn Menge	10,500	1.75%
Juana Balmaceda Riera	11,500	1,92%
Eliana Espic Donoso	11,500	1.92%
<b>TOTAL</b>	<b>203,775</b>	<b>79,91%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1970*

**APPENDIX 4**

**VIÑA CONCHA Y TORO S.A.:1971**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Agustin Huneeus Cox	1,412.794	7,41%
Banco Sudamericano	987.561	5,18%
Bolsa de Comercio	969.706	5,09%
Mario Fontecilla Concha	927.533	4,87%
Julio Subercaseux Aldunate	684.542	3,59%
Irarrázaval y Rodríguez	673.078	3,53%
Sofía Concha de Aldunate	538.933	2,83%
Guillermo Marín Larraín	501.306	2,63%
María Van Doorn de Cassel	393.802	2,06%
Alfonso Larraín Rozas	361.437	1,90%
<b>TOTAL</b>	<b>7,450.692</b>	<b>39,09%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971* TABLE 11

**APPENDIX 5**

**VIÑA SANTA RITA S.A.:1971**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Vicente García-Huidobro Portales	254,605	8,48%
Domingo García-Huidobro Fernández	246,000	8,20%
Raquel Gonzáles Balmaceda	237,905	7,93%
Suc. Diego Dublé Urrutia	228,350	7,61%
Mercedes García-Huidobro Fernández	228,265	7,61%
Rafael Irarrázaval García-Huidobro	145,318	4,84%
Andrés García Huidobro Fernández	91,682	3,06%
Jorge Irarrázaval García-Huidobro	76,951	2,56%
Eduardo Marín Larraín	75,000	2,50%
Adolfo Mujica García-Huidobro	70,666	2,35%
<b>TOTAL</b>	<b>1,654,742</b>	<b>55,14%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971*

**APPENDIX 6**

**VIÑA SANTA ROSA DEL PERAL S.A.:1971**

<b>Ten Largest Shareholders</b>	<b>Number of Shares</b>	<b>Percent of Shares</b>
Liberto Planella Roca	65,888	8,50%
Francisco Planella Roca	47,410	2,30%
Catalina Ortíz Iriondo	20,000	8,60%
José María Planella Ortíz	12,291	5,34%
Jorge Planella Ortíz	12,291	5,34%
Alberto Planella Ortíz	12,290	5,34%
María Teresa Planella Ortíz	8,290	3,60%
Carlos Planella Ortíz	8,290	3,60%
Catalina Planella Ortíz	8,290	3,60%
María Planella Ortíz	8,290	3,60%
<b>TOTAL</b>	<b>213,420</b>	<b>92,75%</b>

**Source:** *Asociación de Exportadores y Embotelladores de Vino de Chile, 1971*

## APPENDIX 7

## VIÑA SANTA CAROLINA S.A.:1971

Ten Largest Shareholders	Number of Shares	Percent of Shares
Julio Pereira Larraín	508,403	15,3%
Elena Pereira Iñiguez	466,045	14,0%
Carolina Pereira de Garcés	189,870	5,7%
Ismael Pereira Lyon	170,786	5,1%
Manuel Pereira Irarrázaval	130,450	3,9%
Blanca Errázuriz de Blanco	123,475	3,7%
Carolina Errázuriz de Fernández	122,462	3,7%
Fundación Educacional A. Ovalle	120,012	3,6%
Luis Valdés Pereira Lyon	104,516	3,1%
María Valdés de Silva	104,516	3,1%
<b>TOTAL</b>	<b>2,040,555</b>	<b>61,4%</b>

Source: Asociación de Exportadores y Embotelladores de Vino de Chile, 1971

## FOOTNOTES

<sup>1</sup>The exploitation of the Chilean nitrate enclave for eight decades, until 1963, allowed foreign corporations, especially the Guggenheim group, to obtain \$3,937 millions in profits and which were not reinvested in the country. During the military government of Carlos Ibañez del Campo, after the creation of Nitrate Company of Chile (COSACH), the State and the rest of the private nitrate enterprises entered into a kind of forced association with the Anglo Lautaro Company which also belonged to the Guggenheim group. In this way, the Guggenheim acquired the control of the nitrate sales with its corresponding benefit (Labarca: 1969: 19).

The first initiative in big scale regarding the copper enclave occurred in 1904 with the acquisition of El Teniente by the Braden Cooper Company. William Braden created this enterprise in association with the Guggenheim brothers both from the United States. However, due to economic difficulties to go on operating William Braden sold his part to the Guggenheim brother. With the financial support of U. S. banker J. P. Morgan the Guggenheim brothers initiated the operation of El Teniente in 1911; next year this consortium acquired the rich mining center of Chuquicamata. In 1916, the Guggenheim group incorporated El Teniente and Chuquicamata under a same corporation, the Kennecott Cooper Company. Due to financial constraints to consolidate other investments in the nitrate industry, however, the Guggenheim group sold Chuquicamata to its competitor the Anaconda Cooper Mining Company.

The Anaconda, also from the U.S., established in Chile in 1916. Mining operations by this company concentrated in the region of Potrerillos, located in the north of the country. This company together with El Teniente and Chuquicamata formed the so-called *Gran Minería del Cobre*. Thus, in a period of twenty-five years extractive and productive operations of the Gran Minería del Cobre, the "wage of Chile" as Salvador Allende called it during his electoral campaign of 1970, passed to the direct control of two U.S. corporations. This situation remained until 1970 when the P.U. Government nationalised them without compensation.

<sup>2</sup>Regarding this topic see the work of Jaime Osorio, *Raíces de la democracia en Chile*. (México: Ediciones Era y Universidad Autónoma de México, 1990).

<sup>3</sup>It is important to point out that the most radicalised sectors of the Radical party joined the Socialist Party or embraced alliances and political commitments with the working class political parties such as the Socialist and Communist parties.

<sup>4</sup>About this topic see the work of Tomás Vasconi y Marco Aurelio García, "El desarrollo de las ideologías dominantes en América Latina" in *Sociedad y Desarrollo* # 1, Santiago de Chile, 1971, pp. 97- 114.

<sup>5</sup>For a wider discussion of this model of import-substitution see the work of Sergio Aranda y Alberto Martínez, *La industria y la agricultura en el desarrollo económico chileno*. (See bibliography).

<sup>6</sup>Tacnazo

<sup>7</sup>In 1946, Gabriel González-Videla, a member of the social democrat Radical Party, won the presidential

election with the support of the Socialists and Communist Party. In 1948 he abruptly broke ties with the Popular Front coalition and passed a law banning the Communist Party from political participation—the Course Law. Also, the government through the Armed Forces and the police launched a strong repressive campaign against the members of the Communist Party. Under the pressure of the foreign capital, mainly from the U.S., González-Videla launched a conservative economic policy totally subordinated to foreign interests, to end labor and economic gains of the workers acquired during the Popular Front governments since 1938, and to eliminate protectionist barriers, mainly industrial ones, for foreign products.

<sup>8</sup>Petras y Morley señalan que a finales de 1970 las corporaciones extranjeras operando en Chile controlaban el 50% de las maquinarias y equipos; 50% de la producción y distribución de petróleo; 60% del hierro, acero y productos metálicos; 60% productos industriales y químicos; 100% de la industria automotriz, televisión y tabacos; y casi el 100% de la industria farmacéutica. Más importante, las corporaciones norteamericanas controlaban el 80% de la producción de cobre, el rubro más importante de exportación de la economía chilena (1975: 9).

<sup>9</sup>The Kennedy's Administration on March 13, 1961 implemented this program. It was understood like a society between the U.S. and the rest of the Americas to develop social and economic mechanisms to eliminate the historical poverty and misery that characterized the continent. In spite of the humanitarian reasons argued by the Kennedy's administration to support this project—economic development of the region—it also mentioned the fear of social explosion similar to the Cuban Revolution. In this sense, more than a project to achieve economic improvements the Alliance for Progress was a mechanism to prevent possible revolutionary, nationalist or populist initiatives not controlled by Washington.

<sup>10</sup>The Popular Unity was formed by Communist, Socialist and radical Party, MAPU (Movimiento de Acción Popular Unitaria), API (Independent Popular Action), and the Democratic Left (ID). Later, the Christian Left, a group that splinted from the Christian Democrat Party joined the Popular Unity. The Revolutionary Left Movement (MIR), a Cuban inspired revolutionary organization decided to lend "critical support to the P.U. without becoming part of this coalition.

<sup>11</sup>In the *Programa básico de gobierno de la Unidad Popular* (Basic Program of the P.U.) one can read the following "[. . .] the fundamental task of the People's Government is to end imperialist domination, monopolies and the landlord oligarchy, to initiate the transition toward socialism in Chile" (Santiago: 1971); [Trans.]. On this subject see the compilation of Salvador Allende's speeches, *La revolución chilena*. Buenos Aires: Editorial EUDEBA. 1973.

<sup>12</sup> For more information about these three areas of the economy see *Programa Básico de la Unidad Popular*. México: Editorial Siglo Veintiuno. 1973. (There exist several editions).

<sup>13</sup>A more detailed account of the economic boycott against the P.U. government can be found in the work of E. Farnsworth et al., *Chile, el bloqueo invisible*. (Buenos Aires: 1973). Also, see the work of the U.S. journalist Jack Anderson, *Documentos secretos de la ITT*, published by Editorial Quimantú en 1971.

<sup>14</sup>A good example of this strategy was the split of the Radical Party where an important faction left that organization formed the Radical Party of the Left (PIR) and joined the sectors against the P.U.

<sup>15</sup>A detailed analysis of the divergences that occurred within the Popular Unity see the work of Ruy Mauro Marini "Two Strategies in the Chilean Process", in *Two Thirds: A Journal of Underdevelopment Studies*, Vol 1 #3, 1979.

<sup>16</sup>The *Ley de Inamovilidad* was a very important labor achievement obtained by Chilean workers. They could only be fired under very limited circumstances, clearly specified by laws approved by the National Congress (Editor note).

<sup>18</sup>Luis Emilio Recabarren, a representative and important leader of the Chilean working class, formed FOCH in 1916. This organization was first created as a mutual society in 1909. In 1924, FOCH had 140,000 members, and in 1931, General Carlos Ibañez outlawed this worker's association.

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