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Telegram From the Embassy in Chile to the Department of State

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54. Subj: When Klatch Means Country. (Part II of Two Parts). Ref: Santiago 10.

7. With the announcement that the arthritic Alessandri will leave next week for his one and only campaign trip to the south (he has such a phobia about feeling cold that it is now or never), the campaign for the Presidency has begun in earnest. Of course, the Leftist unity bedlam has not been stilled but by the end of the week there should be a sufficient residue of cohesion to fashion a candidate. The Communists will accept anyone agreeable to the Socialists since their first preoccupation is not to be outflanked from the Left. As for Tomic, he has restored a larynx that could only produce a croak on Christmas Day (when he telephoned before going on a brief recuperative leave) after 180 speaking engagements in 60 days.

8. Thus, we can now look forward, the military willing, to nine months of interminable babble, time enough for the full venting of passions and of programs, of cudgels and of cure-all, and of pasts and presents enfolded in the tenses of the future. To seek to distinguish the apparent from the real in this ambiente is to prove Orwell’s dictum that all political writing is indefensible. With that injunction in mind, here is one observer’s assessment.

9. There is no longer in Chile any national issue of over-riding import except for the perennial one of inflation. The country has a degree of independence today that it has not enjoyed for many decades. This comparative freedom has been largely the result of the two most important accomplishments of the Frei regime and partly good luck. What Frei has achieved is a transfer of income and of effort which has provided an outlet for the discontents and frustrations that are alienating so many in Latin America. The dollar and cents transfer of income to the wage sector combined with the social transfer of very extensive educational, agrarian and other popular reforms stole the growing thunder from the Left. The second major achievement was the two-step process of copper Chileanization by which large amounts of capital for expansion were first attracted and then ownership was gradually taken over. The good luck that permitted this change to be relatively painless was the very high price of copper that has prevailed for three years; the bonanza enabled the U.S. companies to have returns on investment far in excess of their original calculations and permitted Chile to buy them out with less effort than anticipated.

10. Frei may well have matched these two attainments with a third advance in the first week of the year. Passage by Congress of the Constitutional Reform Bill after five years of debate will give the next President of Chile an opportunity to deal with inflation and other economic matters with muscle and presumably with effect. It is to Frei’s and his PDC’s credit that although Alessandri is the current betting favorite to be the next President that they kept their 1964 campaign pledge

and pushed through the kind of reform that Alessandri had also promised as President but never managed to effect.

11. My visceral instincts and my cognitive assessments persuade me for one that these three accomplishments of the Frei government are sufficient to keep Chile more or less on center and compatible in form and direction with our own system. Almost all else that could be said about Chile is, to my mind, cud for the bureaucratic Talmudists who, as I, must chew for survival.

12. The military falls into that category. Doubtless an unexpected conjuncture of events (such as Frei's abysmal handling of the Army's problems in 1969) could impel the Armed Forces into some outrageous if easy grab for power. But with the GOC committed to buying arms and raising pay and with more opportunities for promotions, there is no overriding impulse for the Army to move. There is no party like the Peruvian APRA that concerns the military except the Communists and there is no chance of a Communist President in Chile. There is no issue like the IPC. There is no desire to deal with inflation and all the other complex problems of modern government. And although Viaux and his ambitious wife may harbor political ambitions, I doubt that the Leftist parties would have indulged in their unseemly jostling the past fortnight if they took the chances of a military coup or a Viaux very seriously at this time. Viaux in his TV appearance looked and sounded like an Easter Island Moai. (So in the beginning did Barrientos whom he resembles but Chile is not rpt not Bolivia and the Santiago citizenry is sophisticated and knowledgeable about politics.)

13. Discussion about whether agrarian reform is efficient, whether private enterprise will survive and whether Chile's growth rate is sufficiently dynamic is of interest, but I submit that the process of development is far more complex than the measurement of growth and that the historical particularisms of each country are still so foreign to us that such debate is usually more an indulgence in personal prejudice than an exercise in useful analysis. The Frei govt has spent an uneconomic amount of money for land redistribution in a political effort to prove there is no loss of production and to gain mass sympathy. Similarly I would guess that if agricultural production is therefore over-stated, then industrial production is usually well under-stated. What is important is whether enough is happening in a country to give it a sense of forward movement yet not be so frenetic as to be bewildering. My judgement is that Chile has managed a kind of equilibrium. That is why the Chilean public opinion polls reveal that Chileans regard inflation as the uniquely significant preoccupation, why they have little political interest in all other problems and why they overwhelmingly favor a future President who represents Chilean middle of the road stability.

14. Another Talmudic issue is whether Frei can take decisive action. My answer would be more than his predecessor and less than a Peron, a General Velasco or a General Ovando. Frei has kept within the spirit of Chile and has taken those decisions (transfer of income, copper, and constitutional reform) which are transcendental in importance to Chile. I feel that politically his nose has served him well but that as the leader of a party he has permitted an extraordinary amount of dissent and of divisiveness and that in dealing with strong personalities such as the military, the Communists, or his own Gabriel Valdes, he is inclined to temporize and to let events take their course. But who ever ran a well disciplined coffee klatch?