

ON THE U.S. AND THE OVERTHROW OF ALLENDE:

A Reply to Professor Sigmund's Criticism

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Fundamental issues are raised in Sigmund's attack on our book, concerns that pertain to what has probably become one of the most controversial policy debates in recent times: the role of the U.S. in the overthrow of the Allende government. Measured by the amount of time and space devoted to the issue by Congress, the media, and academia, this question certainly requires careful consideration. Unfortunately, Sigmund presently and in the past has not dealt adequately with either the pertinent questions or the relevant data. The numerous errors and distortions require a thorough response.

Beginning with the publication of an article in *Foreign Affairs* (January 1974), Sigmund has consistently sought to minimize the U.S. role and to assign primary responsibility for the demise of the democratic-socialist government to inept economic policies that promoted class polarization. When confronted with analysts who have documented the central role of U.S. policy, his response has been to accuse us of promoting "an international conspiracy involving the State Department, the White House, the Treasury Department, the private banks, the international financial institutions, and the multinationals which brought it on and encourages military rule and repression in Chile."¹

Despite the expanding available documentation of the direct and strategic U.S. overt and covert involvement in the events leading up to the overthrow of the Allende government, Sigmund remains basically unable, or unwilling, to separate essential facts from shopworn fictions. Under the pressure of events he has revised his earlier position but has stopped short of a rejection of many of his past erroneous assumptions, reflecting an incapacity to assimilate adequately the new data. In the face of accumulated materials that show a consistent pattern of direct and indirect U.S. involvement in the internal social and political struggles in Chile, *prior to, during, and after* the Allende period, Sigmund still seeks to salvage his now thoroughly discredited earlier position via the "depreciation" tactic: "Those [U.S. congressional] reports, and other available materials in the continuing controversy over U.S. policy toward Allende, suggest that the Petras-Morley version of recent Chilean history, while correct in many details, is *oversimplified and exaggerated* in its attribution to the United States of direct responsibility for the September 1973 coup" (p. 122). In fact it is Sigmund who simplifies and by commission and omission distorts history.

Data, Methods, and Theory

Sigmund begins his review with a careless and slipshod summary of our data base, in an effort to deprecate the scope and quality of the research that formed the basis for the study. According to Sigmund, our research consisted of "a combination of quotations from personal interviews with unidentified Washington officials, extracts from the ITT papers, newspaper reports, and postcoup congressional hearings on Chile" (p. 121). To any partially attentive reader, however, the gap between this assertion and the actual reality would be readily apparent. The data collected for our study consisted basically of two kinds: (a) all available documents, reports, hearings, and other materials that were obtainable from the following sources—U.S. government executive branch, including Departments of State, Treasury, and Defense, Council of International Economic Policy, etc.; U.S. Congress; the World Bank; Inter-American Development Bank; Inter-American Committee on the Alliance for Progress; and the Organization of American States. In addition, we made use of numerous newspapers, journals, magazines, and books reflecting a variety of different perspectives: *New York Times*, *Washington Post*, *Wall Street Journal*, *Journal of Commerce*, *Business Week*, *Quarterly Economic Review of Chile* (U.K.), *Business Latin America*, *Latin America* (U.K.), *Latin America Economic Report* (U.K.), and so on; (b) interviews conducted with as many of the relevant U.S. policymakers as possible, including officials of the National Security Council, Departments of State, Treasury, and Defense, Council on International Economic Policy; U.S. congressional personnel; and officials of the World Bank, Inter-American Development Bank, and Inter-American Committee on the Alliance for Progress. Interviews were also conducted in Chile in the summer of 1973 with officials of the State Bank, Ministry of Foreign Relations, and the major political parties. In all, close to seventy-five policymakers and other pertinent "influentials" in the U.S. and Chile were interviewed for this study. Sigmund not only omits the range and number of our interviews, but also implicitly calls us to task for not identifying the respondents by name. As anyone who has undertaken research of this nature in the area of U.S. foreign policy can attest (and especially where the relationship is as delicate and controversial as that which existed between the U.S. and Chile during the Allende period), an agreement as to the confidentiality of the interview is in almost all cases a *sine qua non* for gaining access to the respondents. Nonetheless, we clearly identify all other relevant information: the place and time of the interview, and the bureau, organization, or institution with which each particular respondent is affiliated.

The time frame of our research—from the early 1960s to the postcoup period—is dictated by a fundamentally different approach to the problem of locating the coup contextually. Whereas Sigmund views the military coup as essentially an *event* that occurred in September 1973, in which political power was transferred from one set of democratically elected leaders to a nonelected junta of right-wing authoritarian military generals, we argue that the coup cannot be reduced to a particular time-bound event but must be seen as a *process*, i.e., as a particular constellation of social and political forces moving together

and apart over historical time. The September 1973 military coup that overthrew the Allende government was a moment within a larger process that encompassed a multitude of events and personages that facilitated, motivated, and realized the coup. In staking out his position, Sigmund *completely* ignores the theoretical/structural framework within which our discussion of the U.S. and Chile is inserted. Instead, he jumps immediately to a discussion of the particular mechanisms through which U.S. policy operated, without pausing to present his own organizing principle around which to anchor his own thesis.

Our major theoretical argument may be briefly summarized as follows: The growth, expansion, and survival of the multinational corporations is, in large part, dependent on the action of the imperial state. At every crucial phase in the development of multinational activity—its origin, expansion, and survival—the state has played a pivotal role. Our study of Chile illustrates and describes the multiplicity of operations that the imperial state engages in to sustain and nurture the multinationals. However, our analysis of its strategies and policies suggests that no single political agency or economic interest is decisive, but rather that imperial strategy is largely the product of an integrated body of aggregate interests of the corporate world as a whole. While U.S. corporate interests have primacy in the shaping of U.S. policy, it is the imperial state that fashions, coordinates, and executes that policy according to its own conceptions and time schedules. This relative “autonomy” of the imperial state accounts for the disparities between the policies proposed by ITT and the state regarding the most effective means for overthrowing Allende. Sigmund clearly does not comprehend this vital distinction. The U.S. government’s strategy of a gradual accumulation of internal forces stood in opposition to the initial more narrowly conceived responses of certain U.S. corporations (ITT, etc.) with major economic investments in Chile. As one National Security Council official observed: “A major consideration, both in general expropriation policy and in the case of Chile, was that it is all very well to go in and support one company, but the costs involved in going into Chile would be very high . . . no country should sacrifice its overall relations or interests or other groups in the country for the sake of one interest group.”²

U.S. Policy, Peru, and the “Regional Strategy”

Sigmund summarizes our “regional strategy” argument as follows: “Contrasting the Chile policy with that pursued towards Brazil and Peru, the authors argue that the U.S. policy towards Chile was part of a larger regional policy of ‘general opposition to all efforts at autonomous development’ and of support for multinational corporate investment and political repression” (p. 122). What we actually propose is that the constraints and options that U.S. policymakers faced in devising a policy on Chile under Allende were not only dictated by developments in Chile but by the course of events in the region and especially in Brazil and Peru, which offered alternative capitalist development poles to the Chilean and, in different ways, influenced the policy choices of U.S. decision makers. According to one high-ranking State Department official, the U.S. government

“saw clearly from the beginning a distinction between Peru and Chile.”³ A National Security Council official elaborated on this statement: “Chile helped make it possible to keep open the relationship with Peru and to avoid the problems with Brazil. The concern over Chile governed by a Marxist government led people within the U.S. government to feel that it was more important than they realized to maintain constructive relations with the Latin American countries.”⁴

In our analysis of the alternative Brazilian and Peruvian models we discuss the limits as well as the possibilities of the U.S. capacity to act in particular conjunctures. Taking the short view, the U.S. pursued a policy of promoting its major ally (Brazil) and neutralizing a possible adversary (Peru) as the best way to contain Chile. In other words, the political conjuncture in Latin America at the time of the election of Allende offered opportunities to pursue a relentless policy of encirclement but only when this perspective was tempered by a realistic assessment of the limits imposed by different *nonsocialist* development efforts emerging in the region.

Unlike the case of Chile, expropriations in Peru were not intended to result in a socialist transformation but to modify Peru’s terms of dependence and to provide a basis for industrialization with the inclusion of foreign capital. Dominant U.S. policymakers distinguished between changes *within* capitalist property relations in Peru and changes *away* from capitalism in Chile. This important *political* distinction, which Sigmund ignores, was the basis for making the issue of nationalization of U.S. property in one instance negotiable and in the other a point of confrontation. Sigmund caricatures our discussion of U.S. policy as one that is based on “general opposition to all efforts at autonomous development,” dismissing the larger political context within which development occurs (the critical issue for U.S. policymakers), i.e., controlled capitalist development from above based on restricted mass mobilization from below (Peru) vs anticapitalist development strategy linked to large-scale working class political mobilization (Chile). In sum, Sigmund fails to deal with the major issues that we raise in this chapter.

In the case of Peru, Sigmund further argues that “the process of accommodation was a mutual and gradual one and was only completed after Allende’s overthrow” (p. 127). But as our research and interviews make clear, as early as 1971 the U.S. government had come to realize that the nationalist measures in Chile could strengthen political forces in Peru that were pressuring for a more rapid and thorough transformation and that, therefore, it was preferable to accept limited nationalizations that contributed to stabilizing a regime supportive of a mixed economy than to risk radicalizing the situation in Peru through confrontation tactics. By late 1971, a visible change in U.S. policy began to take shape due to the convergence of a number of factors: the durability and stability of the military government and its domestic anticommunism; its capitalist development strategy; the compensation payments to W.R. Grace and Gulf Oil; limited restrictions on profit remittances abroad; continuing negotiations on the IPC issue; and a policy that promoted both controls and limits on the role of foreign investment and new concessions to foreign capital (e.g., new explora-

tion contracts signed with U.S. and foreign oil companies). By June 1973, some three months before the military coup in Chile, Secretary of State William Rogers was declaring the U.S. government's support for the Peruvian junta's "constructive nationalism," notwithstanding the issue of outstanding compensation for expropriated U.S. properties.⁵

In other words, our documentation of the evolving U.S. relationship with the Peruvian military government, deliberately simplified and distorted by Sigmund (see pp. 126–27), shows that while the process of accommodation may have been formally consummated in February 1974 (with the overall compensation agreement), it had in fact and in practice come to pass well before Allende's overthrow. Finally, our discussion of the evolving relationship (culminating in Peruvian capitulations, compensations, and the re-emergence of a private capitalist class as the dominant group) allows for an understanding of the recent chain of events in Peru that have pushed it in the direction of Chile. Of course, this confirmation of our prognosis is not discussed by Sigmund either.

The "Cut Off" of Economic Aid

Sigmund's efforts to minimize the impact of the sustained and unremitting U.S. economic warfare policy against the Allende government rests largely on the extrapolation of particular, discrete events that he proceeds to discuss in isolation from the overall politico-economic context in which they occur. Nonetheless, let us consider some of these specific criticisms:

a. He makes great play over our supposed inability to distinguish between a "credit squeeze" and a "cut off" or "embargo," but does not discuss the far more important question of the scope of this U.S.-promoted policy and its impact on the immediate and long-term Chilean development project.

b. Contrary to Sigmund's assertion, we do not argue that all aid was eliminated but that new credits from the U.S. government and its agencies and from the "international" financial institutions were, with minor exceptions, not forthcoming.

c. A major part of this section of Sigmund's critique deals with his continuing effort to marginalize the impact of U.S. economic policy against the Allende government. Chile, he asserts, "continued to receive pipeline and humanitarian aid in considerable amounts from AID and the international banks, plus two new loans to private universities from the Inter-American Development Bank, some (sharply reduced by 1972) credits from U.S. banks, two large export shortfall loans from the International Monetary Fund, and substantial assistance from other countries in Europe and Latin America that more than offset the decline in U.S. aid" (p. 122). This statement not only selectively distorts the actual impact of the U.S.-directed economic embargo of Allende's Chile and leaves out the critically important prior U.S.-Chile economic relationship, but also reflects his persistent use of imprecise and unsystematic measures as the basis for his conclusions.

Between 1961 and 1970, Chile was the largest recipient of any country in Latin America, on a per capita basis, of U.S. Alliance for Progress funds, ap-

proximately \$1.3 billion to \$1.4 billion. Between 1964 and 1970, over \$1 billion in economic assistance flowed into Chile from U.S. AID, U.S. Export-Import Bank, World Bank, and the Inter-American Development Bank. For this same six-year period anywhere from \$200 million to \$300 million in short-term lines of commercial credit was continually available to Chile from U.S. private banks. In fact, almost 80 percent of Chile's total short-term credits came from U.S. suppliers and U.S. banks.⁶

Immediately following the Allende electoral victory, President Nixon convened a secret meeting of his top advisors and instructed CIA Director Richard Helms to play a direct role in organizing a coup d'état. Helms's notes taken during the meeting are instructive and pointed:

Not one in ten chance perhaps, but save Chile!
worth spending
not concerned risks involved
no involvement of Embassy
\$10,000,000 available, more if necessary
full-time job, best men we have
game plan
make economy scream
48 hours for plan of action⁷

At the same time, Kissinger had organized a series of weekly interagency meetings attended by high-level officials from State, Treasury, and Defense for the specific purpose of designing a policy of economic sanctions or "retaliation" against Chile. "The whole purpose of the meetings in the first couple of months after the election," according to one U.S. official, "was to insure that the various aid agencies and lending agencies were rejiggered to make sure that [the Allende government] wasn't to get a penny."⁸ For a country as dependent on international financial resources to sustain short-term commercial operations and long-term development projects, the elaboration and implementation of a policy of multiple economic pressures was bound to create economic dislocation.

Throughout the Allende government's tenure, aid disbursements to Chile from U.S. AID, U.S. Export-Import Bank were *nonexistent or negligible*, while short-term lines of credit from U.S. private banks declined to around \$30 million. It should be pointed out here that the two Inter-American Development Bank educational loans, totalling \$11.6 million, were awarded to the Austral and Catholic universities, both opposition educational strongholds.⁹ The virtual elimination of long-term development loans, in concert with the increased demands for immediate repayment of debt obligations incurred by the Alessandri and Frei governments, constricted the opportunities for long-term planning, development, and investment. The sudden and abrupt decline in short-term private banking credits (an issue on which Sigmund is strangely silent) seriously affected Chile's capacity to import adequate quantities of essential goods for the day-to-day operations of the economic system.

Another striking example of Sigmund's failure to discuss adequately the issues involved is the lack of any reference to the spare parts embargo. Although the level of Chile's imports from the United States declined from approximately

40 percent of total imports during the Frei period to approximately 13 percent in 1972, this quantitative decline in trade with the United States is deceptive because Chile continued to depend on the importation of essential replacement parts from North American firms. In addition, the precipitous decline in short-term U.S. commercial credits (from 78.4 percent of the total in 1970 to approximately 6.6 percent in 1972) seriously affected the Allende government's ability to purchase replacement parts and machinery for the most critical sectors of the economy: copper, steel, electricity, petroleum, and transportation. Over 90 percent of spare parts in the copper industry, for example, were normally imported from the United States. In overall terms, the value of U.S. machinery and transport equipment exported to Chile by U.S. firms declined from \$152.6 million in 1970 to \$110.0 million in 1972.¹⁰

Chilean attempts to cope with the economic problems resulting from U.S. pressures took the form of a nonconfrontation strategy based on alternative sources of financing and new trading partners. Sigmund exaggerates the results of this strategy precisely because he isolates it from the multiple, interrelated, and ongoing external economic problems faced by the Allende government during its tenure. Although Chile was able to renegotiate \$800 million in debts to foreign governments and private creditors and obtain \$600 million in credits and loans from socialist bloc countries and Western sources in 1972, many of these loans and credits were "tied to specific development projects and [could] be used only gradually." The situation was also affected by the precipitous decline in Chile's foreign exchange reserves, resulting from the fact that approximately one-third of the country's total export earnings in 1970, 1971, and 1972 went to service the foreign debt—at a time of rising import prices, increasing domestic demand, declining world copper prices, a partially successful U.S. copper embargo during 1972, no U.S. credits, and the refusal of the U.S. government (Chile's major creditor) to renegotiate Chile's public debt to the U.S. Finally, U.S. suppliers were now demanding "cash in advance for essential raw materials and parts sales to Chile." Chile's efforts were ultimately not adequate to the situation: the country could not at one and the same time meet past external obligations and current economic pressures and develop the country.¹¹

The critical point of this extended discussion of the nature and impact of U.S. economic warfare policy against the Allende government is the following: *The combined and mutually reinforcing efforts of U.S. corporations and U.S. government agencies and international banks sharply diminished the marketing, trade, investment, and credit opportunities of Chile throughout the world. No single aspect of the problem can be adequately considered in measuring the impact of the economic blockade. Only by examining the continuous process of escalating pressures in all their manifestations can we adequately appreciate the full efforts to overthrow the Allende government.*

d. Chile's efforts to reorient its trade and financial ties and the two IMF export shortfall loans are discussed in the text of the book; however, it is quite correct, as Sigmund observes, that this information is not included in the appendix tables. What these tables show, however, and what they are intended to show, is the extent of economic aid provided to the Allende government by the U.S. government and those "international" financial institutions within which

the U.S. was able to mobilize support for its position on Chile. And as Sigmund himself has written elsewhere, since the IMF is not a banking institution “but a mechanism to assist member-countries with foreign exchange difficulties [and] since the Fund had clear authority to make compensatory loans for this type of foreign exchange shortfall, the United States did not object.”¹²

e. According to Sigmund, “the ITT papers reveal the general reluctance of American businesses to engage in economic warfare with Chile” (p. 122). But if Sigmund had assimilated our theoretical framework he would have realized that it was precisely a *recognition* (not “reluctance”) on the part of U.S. business interests that the U.S. government was assuming the overall responsibility for “economic warfare with Chile.” Our theoretical argument, which Sigmund has chosen to ignore or cannot understand, is that it is the imperial state, and not the multinationals themselves, that assumes the responsibility for carrying out political-economic-military policies conducive to the creation, expansion, and consolidation of multinational activity in the periphery of the world capitalist economy.

f. Time and again, Sigmund falls into the simple methodological fallacy of taking at face value U.S. government public pronouncements and assuming that they reflect actual policy. We refer here to his uncritical acceptance of the official position regarding the termination of the U.S. Export-Import Bank loan guarantee and insurance program with Chile. From a careful reading of our study, especially those sections dealing with the policies of the U.S. government in the economic and covert activities fields, it is obvious that numerous actions that were not formally declared or loan applications that were not formally rejected were, in practice, carried out by U.S. policymakers. Regarding Exim-bank policy, we note in the book that (1) in October 1970, when it was clear that Allende would be confirmed as president by the Chilean congress, the Export-Import Bank immediately reclassified Chile’s credit standing from a C to a D—the poor risk category; and (2) in August 1971, the Bank informed the Chilean ambassador in Washington that any further loans or guarantees from that institution would be dependent on a satisfactory resolution of the copper conflict.¹³ More generally, a detailed study of the U.S. role in the multilateral development banks, prepared for the House Foreign Affairs Committee in 1974, provides the following pertinent statement:

While the informal and indirect nature of this process makes it difficult to assess the extent of United States influence in loan formulation during the preparation stage, Treasury officials emphasized that the banks generally reshape aspects of a loan which are questioned by the United States. . . . In most instances, strongly voiced U.S. concern about an aspect of a loan appears to be sufficient to bring about a re-examination of the policy in question. *Using the analogy of “losing the battle to win the war,” the United States may approve a loan about which it has voiced criticisms if the loan is generally acceptable in other respects, anticipating that U.S. influence is great enough to bring pressure on the bank not to continue that policy without sufficient justification.*¹⁴

U.S. policymakers continued to cloak their policies in the rhetoric of moderation and compromise and to express public interest in negotiations with the Allende government aimed at resolving outstanding differences. This professed desire for negotiations, however, was but a tactical element in the overall policy. The various congressional and other revelations about covert U.S. activities in Chile—which, according to CIA Director William Colby, were undertaken with the express authorization of the White House at all times—contrasts sharply with the public statements of the highest-ranking U.S. policymakers, according to whom U.S. policy was essentially one of *nonintervention* and *noninvolvement* in the internal politics of Chile up to and including the military coup.¹⁵

g. Sigmund contends that U.S. policy “was neither as complete, effective, nor successful as Petras and Morley would have it, and had less to do with Allende’s overthrow than they claim” (p. 123). But what we argue, as distinct from what Sigmund says we argue, is that U.S. policies contributed “*substantially and directly*” to the overthrow of the democratic-socialist government. Obviously, U.S. policy was mediated through the internal Chilean class structure and the Chilean military and bourgeoisie acting along with, and supported by, U.S. policymakers. We emphasize that the deteriorating economic situation and the internal social/political struggles in Chile cannot be viewed in isolation from the political and economic pressures exerted by the U.S. imperial state. It is true that “there is no analysis of what went on within Chile” in our study, but a close reading of the title our book, let alone the explicit statement in the introduction (see below) would have revealed the intent of the authors and the rationale for limiting the scope of the study to the U.S. role: “It is not our purpose here to consider the totally inadequate discussion in the above-mentioned accounts of the economic and political behavior of the internal opposition (political formations, social classes, and military officials), and their impact on the economy. What we are interested in documenting is . . . that U.S. policy contributed substantially and directly to the overthrow of the Allende government.”¹⁶ Our purpose is to analyze U.S. policymakers and the complexity of policymaking and its impact on Chile in terms of the different levels at which policymakers operated and the variety of instruments they utilized, etc., in order to systematize the cumulative impact of a number of interests acting in concert towards a common goal. These are the central issues in our book, but these are issues that Sigmund barely, if at all, discusses in his review.

The Question of the Chilean Debt

As we previously observed, the impact of the U.S. economic warfare policy cannot be derived from extrapolating and discussing particular issues, such as the debt, in isolation from a number of interrelated economic weapons utilized by U.S. policymakers in their effort to disintegrate the Allende government.

According to the highly regarded *Quarterly Economic Review of Chile*, published in England by the Economist Intelligence Unit, Chile’s external public debt in December 1970 stood at \$3.17 billion and its external private debt at \$659

thousand.¹⁷ Sigmund, however, asserts, without reference to any source, that the total debt as of December 1970 was only \$2.6 billion. Furthermore, his observation that Chile's debt increased under Allende neglects the simple fact that many of the new debts were incurred, in part, because of the existence of the enormous old debt that Allende had inherited from the Alessandri/Frei regimes.

Sigmund is correct in his assertion that debt negotiations continued into 1973; but once again, what is at issue is the distinction between the professed U.S. public position and the actual policy being followed—in all its manifestations. And as Sigmund himself concedes, "the U.S kept tying the debt repayment question to that of compensation for the copper companies," (p. 123) an issue on which even the opposition Chilean political parties sided with the government (in support of noncompensation). Finally, Korry's statement must be assessed within a context of U.S. hostility to the proposed copper legislation, prior to, during, and after its implementation and against a background of persistent U.S. efforts to pressure the Allende government (through use of the debt, etc.) to capitulate to the copper companies' demands. The best indication of the U.S. negotiating position is not found in the obscure telegram that Sigmund claims Ambassador Korry sent but in the same ambassador's recent account of an intimate meeting with the President:

The President approached me and stopped me just in front of the doorway, as the door closed . . . , started to bang his hand and said, "That SOB, that SOB," and I must have looked astonished, and he said to me right away, "Not you Mr. Ambassador, you always tell it like it is. It's that bastard Allende." And then he led us over to his desk . . . and then the President launched into a monologue of about seven minutes, saying how he was going to smash Allende.¹⁸

When all else fails, Sigmund appeals to the "[lack of] access to the position papers of the U.S. negotiators" (p. 123) in an effort to discredit our analysis.

CIA Covert Assistance

The bulk of Sigmund's efforts in this section are directed towards minimizing the consistent and pervasive role of the CIA in Chile prior to and for the duration of the Allende government's tenure in office. In the process, he completely omits any discussion of the overriding and critically important role of CIA covert operations within the overall U.S. government policy.

While the appearance of new and more precise information regarding CIA covert assistance points up the need to revise some of our original figures, as Sigmund admits "most of the book's assertions . . . concerning CIA aid to opposition groups, have now been confirmed in the Select Committee reports" (p. 123). What Sigmund leaves out in his elucidation of these figures, however, is that based on the black market exchange rate, total U.S. government authorizations for CIA "destabilization" activities against the Allende government amounted to at least \$40 million. More importantly, his approach serves to

minimize the impact of this CIA financing by dispersing the sums received by each Chilean organization or institution or political party and looking at each group receiving CIA financial aid as a separate entity. By dispersing the receipts, instead of focusing on the combined impact of CIA activities, he understates the cumulative effect, scope, and depth of this activity.

The anti-Allende "spoiling operation" in the presidential elections of 1970 may not have succeeded, yet it must be viewed within a context of ongoing U.S. involvement in the Chilean electoral/political process in support of antisocialist political forces. Discussing the electoral facet, the Senate report on *Covert Action in Chile, 1963–1973* states: "Covert American activity was a factor in almost every major election in Chile in the decade between 1963 and 1973." The report goes on to detail the extensive and profound links between the CIA and the Christian Democrats during the 1964 presidential election on every level of organization: "The [CIA] Station furnished support to an array of pro-Christian Democratic student, women's, professional, and peasant groups. . . . The Station assisted the Christian Democrats in running an American style campaign which included polling, voter registration and get-out-the-vote drives in addition to covert propaganda." Hundreds of thousands more were spent in the 1964 and subsequent elections up to 1970 and \$4 million was given to the opposition political parties in the 1970s, dollars which when exchanged on the black market tripled and quadrupled in buying power. The CIA rightly claims that during 1963 and 1964, "CIA assistance enabled the Christian Democratic Party to establish extensive organization at the neighborhood and village level."¹⁹ What is clear from this U.S. congressional study is that the Christian Democrats and Frei were heavily dependent on the CIA for their growth and influence in the decade prior to the 1970 presidential election, and that its influence in strategic areas of social life was available for mobilization and subversion of Chilean society under a democratic-socialist government. This prior activity is the context within which to measure the impact of the spoiling operations designed to further undermine the Allende forces and strengthen the non-Marxist political parties and the presidential candidacies of Jorge Alessandri and Radomiro Tomic.

By September–October 1971, the U.S. government decided to authorize an expanded propaganda assault on the Allende regime. The timing of this decision was crucial, for it coincided with two important developments. First, the U.S. economic embargo was beginning to have a serious negative impact on the Chilean economy and, in the process, affecting specific social classes (e.g., the petty bourgeoisie)—which the CIA subsequently mobilized in the cause of subversion and counterrevolution. Second, following the abortive CIA-supported and financed coups of October 1970, the CIA network of contacts within the Chilean armed forces was in a shambles and the agency was forced to develop an entirely new network of military "assets" for the task ahead. The Senate report observes that "by September 1971 a new network of agents were in place and the [CIA Santiago] Station was receiving almost daily reports of new coup plotting."²⁰ *Between October 1971 and September 1973, the CIA helped finance a series of political strikes against the Allende government that resulted in hundreds of millions of dollar losses in production in the agro-industrial sector and*

*subsidized a major strike of copper workers in mid-1973 that resulted in a loss of foreign exchange earnings of \$80 million.*²¹ It is extremely doubtful if the strikes would have taken place so frequently and been of such duration without U.S. backing. And without the strikes and disorder, would the coup have taken place or been successful? The Senate report points out that between October 1972 and September 1973 the CIA funded various private sector organizations (businessmen's organizations/associations) that acted as conduits for channeling monies to anti-government strikers. There were extensive links between these private sector organizations and the groups that coordinated and implemented the strikes. Finally, while the emphasis was shifting toward a military solution, the U.S. continued to subsidize the political parties. The Senate report notes: "Early in 1971 CIA funds enabled the PDC [Christian Democratic Party] and PN [National Party] to purchase their own radio stations and newspapers. . . . Money provided to political parties not only supported opposition candidates in the various elections but enabled the parties to maintain an anti-government campaign throughout the Allende years, urging citizens to demonstrate their opposition in a variety of ways."²² The CIA had also, according to CIA Director Colby, penetrated the main coalition parties (Socialist and Communist) in the Allende government,²³ most likely sowing dissension and provoking conflict.

From this evidence of and revelations concerning the pervasiveness of CIA covert activities in Chile between 1970 and 1973, there are two important conclusions: (1) the civilian opposition was increasingly dependent on the U.S. to sustain its efforts, and (2) greater financial dependence allowed the U.S. to define increasingly the political goals that the opposition would serve. As the U.S. was drawn to the notion of a military coup that would produce a totally subservient military client regime, it directed its attention toward shaping the policies and direction of the regime. The Senate report mentions that the CIA funded "over 75 percent in 1973 of an opposition research organization"—an organization that provided "a steady flow of economic and technical material to opposition parties and private sector groups. Many of the bills prepared by the opposition parliamentarians were actually drafted by personnel of the research organization." This CIA research funded center, the Institute for General Studies, drafted (among other items) the Arms Control Law presented to Congress by Christian Democrat Juan de Dios Carmona and supported by Frei, which was used by the military to occupy factories, intimidate workers, and to strengthen military control over society in preparation for the coup. In addition: "Project files record that CIA collaborators [in the institute] were involved in preparing an initial overall economic plan which has served as the basis for the Junta's most important economic decisions."²⁴

The ability of the CIA to influence the design of the economic policies of the junta resulted from their influence and control over the military that staged the coup. As the Senate report states: "By January 1972, the [CIA] Station had successfully penetrated it [the military group that might mount a successful coup] and was in contact through an intermediary with its leader." The report further states that in the preparation for the coup it was the CIA (which by its own admission had "assets" drawn from the three branches of the Chilean

military) that provided leadership and direction for the military plotters: "During 1970–1973, the [CIA] Station collected operational intelligence necessary in the event [sic] of a coup—arrest lists, key civilian installations and personnel that needed protection, key government installations which needed to be taken over and government contingency plans which would be used in case of a military uprising."²⁵

From the evidence available it is clear that the U.S. government and the CIA covert involvement was pervasive, unbroken, and inserted itself into the most vital areas of the Chilean political process, the state, and society. CIA activists were instrumental in organizing, planning, and legitimating the military coup. We have gone into some detail on this issue precisely because we consider it to be of central importance to any serious effort to measure the impact of U.S. policy in Chile during the period under discussion—and also because in Sigmund's truncated and unsystematic version of CIA involvement, most of the above is forgotten.

In the course of his discussion of CIA covert assistance, Sigmund takes us to task over the issue of interagency policy conflicts within the U.S. government over Chile: "Disagreements among the various components of the U.S. government on this and other policies are evident in the two Committee reports but they are ignored by Petras and Morley. They must be ignored because they might cast some doubt on the basic thesis of unremitting hostility to Allende and implacable determination to provoke a coup" (p. 124). In other contexts, this statement might be deemed "suppression of evidence." Contrary to what Sigmund wishes to believe, we present considerable evidence, throughout the book, showing that there were interagency disagreements—but that these disagreements were over the implementation, not the elaboration, of policy. The sustenance of a capitalist Chile was the larger given within which the push and pull of U.S. policy application took place. Let us consider some examples from our interviews and research:

a. We argued that the NSC maintained overall responsibility for policy toward Chile, but delegated the application of specific measures to the appropriate government agencies. This delegation of authority allowed NSC officials to mediate between different agencies and departments over specific measures adopted to implement policy. One NSC official described the tactical infighting and their own role in the following terms:

NSC output has generally been on the side of counselling a more moderate approach to dealing with these countries (such as Chile). This puts us in the middle of a number of fires. . . . Treasury was very hardline and had a strong input but their views were not dissimilar from those of the president because Connally and the president talked a lot. The State Department line was more moderate, although it would have condoned nothing. NSC was pretty much in the middle. Our general feeling was "let's keep the doors open." The position followed came out quite similar to the NSC position.²⁶

The NSC sought to maximize pressure on Chile but without forcing a premature rupture of relations (i.e., before a coup could be consummated). These interde-

partmental differences of opinion were primarily different appreciations and estimates of the most effective mix between external coercion and internal pressure as a means of realizing the desired changes in Chile and Latin America.

b. In Congressional testimony, Kissinger confirmed that efforts to prevent Allende's inauguration as president of Chile (between September and November 1970) were not exclusively delegated to the CIA: "There was work by all the agencies to try to prevent Allende from being seated, and there was work by all the agencies . . . to encourage the military to move against Allende."²⁷

c. In our discussion of the evolving U.S. policy toward Peru, we trace the interagency conflicts and suggest that even in the 1969–71 period there was a certain degree of ambivalence within the U.S. government regarding Peru's economic nationalism. This ambivalence is most accurately reflected in the statement of an NSC official, recalling the divergent interdepartmental positions regarding Peru up to 1971:

On the whole, the relationship was better than it might have been if certain interest groups and elements had been predominant within the structure of the U.S. government, that is, people who pushed sanctions and the hard-line. The hard-liners were primarily State Department lawyers, the Defense Department. . . . The NSC staff tended to be softer-lined on Peru. We argued for, and continued to push for, avoiding allowing the economic issues to override the larger political relationship. Some in the State Department also favored that. The Secretary of State tended to be harder-lined than some of his staff people.²⁸

d. We discuss the disagreements among agencies over the formulation of a new foreign economic policy to deal with the question of noncompensation for expropriated U.S. properties in Chile and Latin America, culminating in the January 1972 policy statement by President Nixon. The key principals in the dispute, State and Treasury (supported by the Council of International Economic Policy), were basically in agreement over the need for a "get-tough" policy, confining their dispute to the wording of the final statement and the amount of flexibility it would provide in dealing with economic nationalists. The State Department viewed the January 1972 statement as a "compromise" although conceding that in reality "Treasury got the better part of the deal." Treasury officials tended to concur with this assessment:

Secretary Connally did play a key role. He had input directly with Kissinger and the president. He had the policy role with respect to the multilateral financing institutions (U.S. representatives are Treasury officials directly responsible to the Secretary). But he was not having, by any means, the final word. On the other hand, when the battle was going on between Treasury and State, we won on the expropriation statement and got it out and published. On the other hand, the surveillance group to keep an eye on the expropriations and carry through the policy was put under the control of the State Department.²⁹

Within the foreign policy machinery, the formulation and direction of foreign economic policy was largely in the hands of the Treasury, the agency most

closely associated with the private corporate world. While there was a consensus among all agencies in their negative evaluation of the social nature of the Allende government, there were substantial differences at different times over the adoption of specific policy measures. The NSC served as a sounding board and mediating body for these conflicting views, modifying and adapting them to the overall perspective.

e. There was a common outlook among the various agencies of the executive branch when faced by a challenge to U.S. imperial domination. The differences among the bureaucratic hierarchies were at best tactical; the strategic goals were the same. One U.S. official noted:

In the period before the coup . . . there was a pretty firm view on the 40 Committee—which is Kissinger and nobody else—that the Allende government was bound to come to destruction [sic] and had to be thoroughly discredited. The State Department supported this but in a different way. . . . It wanted to stretch out any clandestine activities to permit the regime to come to a political end. The argument was between those who wanted to use force and end it quickly rather than to play it out. Henry [Kissinger] was on the scale of the former—he was for considerable obstruction.³⁰

Sigmund's evidence and data for asserting that we dismiss the subject of interagency disagreements is unsubstantiated. His failure to locate U.S. policies structurally ("mobilization of bias") prevents him from understanding the historical consistencies in U.S. policy. To focus exclusively on bureaucratic rivalries is to miss the unifying forces that shape the political universe within which bureaucratic day-to-day disputes take place. For what was *never* an issue for U.S. policymakers, amidst the bureaucratic conflicts, was that the nature of the large-scale historical changes set in motion by Allende *necessitated* the demise of his government.

Concluding Comments

The September 1973 military coup was one moment in a process begun in the early 1960s and characterized by a consistent pattern of U.S. direct and indirect involvement in all areas of Chilean society prior to, during, and after the Allende period. Sigmund's focus on discrete events, on the other hand, serves to minimize the cumulative impact of this sustained U.S. involvement. He prefers to dwell on the fact that it was Pinochet and his minions, rather than the U.S. ambassador, who laid siege to the Moneda palace—a situation not likely to have been displeasing to the U.S. government in any event.

At the present time, the exact role of the U.S. in the mechanics of the military aspects on 11 September 1973 can only be inferred from scanty evidence, but the relative lack of detailed factual information must be seen in the context of a political system where covert politics plays a vital role. Circumstantial evidence suggests that this is indeed an area of further research; yet in large part what seems to us more important than the military details of 11 September 1973 are the events and actions that brought it about and the consequences that have

emerged since. We are less concerned with any particular point in history than the direction and flow of resources that shape the contours of society.

In this regard the events and policies of the U.S. government conform to the expectations derived from our analysis. Since the September 1973 coup, the U.S. government and the "international" financial institutions that denied Allende credit and loans because he was not "creditworthy" have provided record sums to a regime that runs massive rates of inflation, depresses the economy, and starves its population. By February 1976, the military dictatorship had received \$2 billion in loans and credits, of which \$1.6 billion came from the U.S. and the international banks that it controls.³¹ The recent \$60 million World Bank loans to Chile (December 1976), supported by both the Treasury and State Departments, attest to the continuing flow of funds from these sources in support of the gangster regime now ruling Chile.³²

Like many opponents of the democratic-socialist experiment, Sigmund expresses the *opinion* that because "Allende did not have majority support at any time during his tenure in office" this calls into question "the 'democratic' quality of certain aspects of Allende's socialism" (p. 125). This argument has several weaknesses in the context of Chilean political history. The pro-Allende Popular Unity Coalition increased the support of the Left from 36 percent to 44 percent between September 1970 and 1973, the first time in Chilean history that a presidential coalition increased its popularity during its term in office. In addition, a substantial proportion of the leadership and rank-and-file of the Christian Democratic Party were attempting to work out a compromise with Allende during 1973. One cannot infer that those who opposed Allende necessarily supported a military coup, especially the bloody one that followed his overthrow. Compared to his predecessor, Frei, the case for Allende's mandate is strong. After two-and-one-half years of the Frei government, the CDP received only about one-third of the popular vote in the 1967 congressional elections, down from 56 percent in 1964. Since Chile had a multiparty system, it was a common occurrence for the president to be ruling with such a weak mandate. By these historical standards, Allende's was impressively strong and growing. The coup occurs not because of a loss of electoral support, but precisely because support was growing. Having lost in the electoral arena, the U.S. executive branch and its allies among the Chilean propertied groups turned toward illegal, extraparliamentary activity, culminating in the coup of September 1973.

NOTES

1. Paul Sigmund, "Chile: What Was the U.S. Role? (2) Less than Charged," *Foreign Policy*, no. 16 (Fall 1974):142-56. Also see "The 'Invisible Blockade' and the Overthrow of Allende," *Foreign Affairs* 52, no. 2 (January 1974):322-40.
2. James Petras and Morris Morley, *The United States and Chile: Imperialism and the Allende Government* (New York: Monthly Review Press, 1975), p. 81.
3. *Ibid.*, p. 73.
4. *Ibid.*, p. 76.
5. *Ibid.*, p. 73.
6. *Ibid.*, pp. 22, 92.

7. U.S. Congress, Senate, Select Intelligence Committee, *Alleged Assassination Plots Involving Foreign Leaders*, 94th Congress, First Session, Report No. 94-465, 20 November 1975 (Washington, D.C.: U.S. Government Printing Office, 1975), p. 227.
8. Petras and Morley, *The United States and Chile*, p. xv.
9. *Ibid.*, pp. 92-94.
10. *Ibid.*, p. 10.
11. *Ibid.*, pp. 97-98.
12. Sigmund, "The Invisible Blockade," p. 329.
13. Petras and Morley, *The United States and Chile*, p. 195.
14. *Ibid.*, p. 104.
15. *Ibid.*, pp. 3-5.
16. *Ibid.*, p. 5.
17. *Ibid.*, p. 204.
18. Conversation between U.S. ambassador to Chile, Edward Korry and President Richard Nixon in late 1970 or early 1971 (quoted in *Washington Post*, 10 January 1977, p. A8).
19. U.S. Congress, Senate, Select Intelligence Committee, *Covert Action in Chile, 1963-1973*, 94th Congress, First Session, 18 December 1975 (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 9, 17.
20. *Ibid.*, p. 37.
21. Petras and Morley, *The United States and Chile*, p. xvi.
22. U.S. Congress, *Covert Action*, pp. 28-29.
23. Petras and Morley, *The United States and Chile*, pp. 134-35.
24. U.S. Congress, *Covert Action*, pp. 30, 40.
25. *Ibid.*, pp. 36, 38, 39.
26. Petras and Morley, *The United States and Chile*, p. 82.
27. U.S. Congress, *Alleged Assassination*, p. 231.
28. Petras and Morley, *The United States and Chile*, p. 70.
29. *Ibid.*, pp. 99-100.
30. *Ibid.*, p. 135.
31. See "Loans from Abroad Flow to Chile's Rightist Junta," *New York Times*, 20 February 1976, pp. 1, 47.
32. See John Marks, "On U.S. Support for the World Bank Loan to Chile," *New York Times*, 4 January 1977, p. 27.