Ryszard Stemplowski

POLITICAL ANTINOMIES OF FREEDOM IN CHILE DURING THE GREAT DEPRESSION

This will be an essay on freedom in its various interpretations and political manifestations.¹ These are at times contradictory in that although freedom is one of the most cherished and universally acclaimed assets, its scope as a concept is contingent upon the type of political relations we link it with, while its manifestations stem from the nature of the body politic under review, politics being the job of gaining and/or exercising power.

The various meanings of freedom I am interested in I will discuss using as an example Chile of the early 1930s, a country hit hardest by the Great Depression of all Latin America, a state run by successive clearly different administrations which also happened to be the birthplace of one of the most interesting experiments known as the Socialist Republic (1932).

It would be hard to understand the reasons for Chile's political instability during the Great Depression without first reconstructing its balance of payments at that time.² It would probably be easier

¹ This essay is a summary of one of the topics of my book State Socialism in Underdeveloped Capitalism? Chile 1932 (in manuscript) which includes a full list of published and unpublished sources as well as a bibliography of publications. Here I have confined myself to basic bibliographical information. A part of the source material has been described in my publications dealing with this subject (footnote 5). The results of the research presented here have been achieved mainly thanks to the support extended to me by the Alexander von Humboldt-Stiftung and the Iberische und Lateinamerikanische Abteilung des Historischen Seminars der Universität zu Köln.

to believe that the awareness of the dramatic state of that balance might have prompted the Chileans into political action. However, such an assertion cannot but arouse scepticism. People have in the past been spurred into action by firebrand rhetoric, but has anyone heard of an orator using a balance of payments deficit as a rallying cry? A balance sheet serving as a revolutionary manifesto? Was the storming of the Chilean Bastille the work of book keepers? This sounds like a joke, but was not the Frenchmen's 18th century project the fruit as much of the people's desperation as of the economic and political calculations of the bourgeoisie? And did not later on "the Knights of Labour, the Knights of the Spirit" from the revolutionary song of a part of Europe nearer to me, man the barricades singing in one breath about the freedom which was "in the executioner's hands" and about the glory of the author of *Das Kapital*? Although social upheavals have been triggered by different causes, and deep structural changes have invariably been brought about by a tangle of multifarious processes, it would be difficult to find a revolutionary movement devoid of an economic groundwork, let alone an economic aspect.

This was the situation in Chile, although an observer of the events leading up to the fall of President Carlos Ibañez's authoritarian government in July 1931 might have concluded that the opposition was guided first and foremost by desire of freedom. The demonstrators cried "freedom", the "tyrant" was to go and "democracy" was to return. Even today one comes across a thesis that Ibañez was toppled by none other than champions of freedom with middle class backgrounds.

It is indeed true that the opposition felt straightjacketed, to

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put it mildly. It is also true that even though the opposition groups differed from one another, there was what can be called a common denominator of freedom in their aspirations, which was shared even by the extreme wings. All the opposition groups, from those left of the centre Radical Party, i.e. the anarchists, socialists of various shades, Comintern communists, Trotskyite communists, trade unionists independent of the government, democrats, all the way to the right-wing groups, that is, conservatives, liberals, etc., stood to gain much by the introduction of a system that would be closer to the ideas of parliamentary democracy than the Ibañez system was. Indeed, the opposition did want freedom, but the question arises what was the political sense of their aspirations.

The Left hoped for more freedom in expanding its organizations, to say nothing about restoring freedom in the literal sense to imprisoned or exiled trade union, communist, anarchist and other activists, while the Right kept alive its hopes it would be able to rebuild its political influence. On their part the Radicals were getting ready to take over, or rather regain, power, while exiled politicians visualized themselves back in Chile and in government. Thus, the left-wing concept of freedom amounted to a cessation of police harassment and a possibility of expanding at the grass-roots level, while in the opinion of the Centre and the Right freedom meant, above all, parliamentary and presidential elections controlled not by the government but by the main political parties. Such were the kinds of freedom aspired to back in those days.

This is not yet all that can be said about the anti-Ibañez concept of freedom. To the contrary, we shall make another reference to the principal reason for the political instability, for it can be proved on the basis of irrefutable source materials that it was the consequence of the economic crisis first and foremost. The opposition circles which posed the biggest threat to Ibañez viewed as highly unfavourable the country’s economic situation. Indignation reached its climax after the publication of figures illustrating the state of Chile’s public finances. However, the opposition was divided over the remedy. Some called for a radical reorientation, for profound, indeed, revolutionary reforms, while others held the view that a modest change in economic policy
would be enough. Irrespective of these differences, the majority blamed the government for the perilous state of the economy. True, the majority does not mean all the people, but it was the majority still and it set the tone of public opinion. Not only are we ruled by a tyrant, was the general view, but the government is incompetent and corrupt to boot. It was all too easy to believe at that time that the main reason for the economic woes was the lack of freedom combined with the ineptitude and dishonesty of the ministers. When therefore this view could finally be aired at the polls, victory went to that segment of the opposition which was most vocal about freedom and honesty, that is to say, to the Conservative-Liberal coalition. The period of Esteban Montero’s government had begun.

Political liberties, in my view, were still in very short supply, but the complaints were less and less frequent and when they were made, they came only from the Left and the Centre, for both the Conservatives and the Liberals were now enjoying their freedom. The Right had its freedom for it held sway. It had freedom of action for it had regained the freedom of the rulers. But although it had power, it did not enjoy full social approval, and the criticism took the form of a correct, even though banal assertion that the new government represented the wealthiest. In any case, there were fewer complaints about the curbs on freedom now. There may have been two reasons for this: one, that compared with Ibañez’s rule, the situation had changed markedly, and the other that public opinion had by then committed itself in earnest to economic matters.

And that brings us to an overdue point, namely, that in Chile in the early 1930s, public opinion worth its name amounted to 8—10 per cent of the population. This is what the sources say. But using deduction one might venture an opinion that economic

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4 The history of Montero’s administration has not yet been fully worked out. The opinions expressed here are based mainly on diplomatic and consular reports from Santiago from the years 1931 and 1932 which will be used in my book (footnote 1) and which I examined in the following archives: the Public Record Office (London), National Archives (Washington D.C.), Archive Diplomatique du Ministère des Affaires Étrangères (Paris), Politisches Archiv des Auswärtigen Amtes (Bonn), Archivo General del Ministerio de Asuntos Exteriores (Madrid).
problems engrossed the entire adult population, especially its most civic-minded part. What did people talk about during Montevideo’s presidency? This unsophisticated, not to say nonscientific question can be answered thus: about money. They did not talk about some more or less abstract form of freedom but about live cash—plainly and simply. I have no intention of suggesting that those who desired political liberties had given up their efforts to raise their income or that every Chilean who was worried about the state of the economy was ready to embrace satraps. Nothing of the sort. I am only showing the hierarchy of the issues taken up in public and in print. That would be all for now.

So people talked about money, in other words about state finances, company balance sheets and household budgets, blaming the powers that be for the effects of the crisis which, incidentally, was not yet known by its proper name. The opinion prevailed that it was above all the government which was to blame for the unfavourable situation—such at least was the gist of what was being written at that time—and that the Conservative-Liberal government only looked after the interests of its socio-political power-base, that is, the oligarchy.

However, the conservative-liberal formula did not prevent the Montero team from making a very serious attempt at coming to grips with economic problems by embarking upon a state intervention in the economy—unprecedented in its range and scope. This took place at the turn of 1931 when nobody could yet have read Michał Kalecki’s pioneering essay or John Maynard Keynes’s great treatises or, for that matter, could have foreseen the New Deal. It is certainly not enough to say that the Montero administration represented the oligarchy. It pursued an economic policy of etatism, trying to save what could be saved, including the living standards of quite sizeable groups and not only of the upper classes. In so doing it shelved many a liberal dogma about relations between the state and the economy and showed that conservatism, even in its oligarchic-clerical version, did not have to denote resistance to change, as popular wisdom had it, just as liberalism did not necessarily have to be conducive to a spreading of economic freedom. It is true that Montero did not succeed
in improving the situation; devoid of charisma, he carried no conviction and he naively expected that his personal honesty as a lawyer and university professor would make up for his personal inefficiency as a politician; it is also true that the crisis deepened under his rule. But would any other government have been able to stem the Great Depression?

The contention that there is a limit to a government's responsibility for the state of the economy does not run counter the correct point that the responsibility for the state of a country lies first and foremost with those who run it. It does make imperative, however, probing into the broader conditions in which a government operates, in other words, into both the social structure which has brought it into being and the socio-economic system related therewith. Outlining this area for our pursuits in no way removes us from the question of congruence between freedom and politics. To the contrary it brings us closer to a more thorough analysis thereof in connection with the Socialist Republic.

The men responsible for the Socialist Republic's programme came from the middle classes which were hit hard by the crisis. While the very wealthy had to stop throwing out money on the Côte d'Azur or in Viña del Mar, having lost the possibility of either converting their money or raising credit, or sometimes both, and were worried about their sinking deeper and deeper into debt; while thousands of dismissed nitrate and copper miners were migrating to the south, living on what they could get hold of and sleeping no matter where, the middle-class Chileans looked on with loudly expressed despair as inflation was eating up their savings, as the government was cutting the salaries of the military and civil servants, as weaker businesses were going bankrupt and the educational budget was going into decline. Many of them had to dismiss their domestic servants and quite a few were obliged to cut back on the consumption of imported Spanish olive oil, a vital ingredient in Chilean cuisine. Then if the range of political liberties expanded by the Montero administration was to be of any use to them, they had to fall back on them in an effort to change these depressing conditions. This was not the first time that a policy of democratic liberties had turned against its makers. The Montero administration was toppled and the 4th of June
movement proclaimed a Socialist Republic.\(^5\) What only a month before might have passed for a manifesto proclaimed by a frustrated ex-ambassador\(^6\) or a leaflet circulated by a provincial country's complex-ridden intelligentsia,\(^7\) discussing their heads off and nursing petty jealousies in their fringe club, had suddenly risen to the rank of a programme for the new state. The Chileans had learned overnight that only socialism could save them. Not "Russian Sovietism", which was dismissed out of hand together with "big foreign capital" all these being regarded as "imperialism", but "state socialism" (socialismo de Estado).\(^8\)

The ideal of socialism had from the beginning been linked with the ideal of freedom until the first attempt at its implementation by a state in Europe rendered null and void this connection. And in as much as state communism officially and solemnly played up the expression “the leading country of socialism”, which attractive-sounding guarantees of freedom enshrined in the 1936 Stalinist Constitution were meant to consecrate, one would be hard put to coin something more vividly expressive of the perfectly official pessimism projected by the ideologues of the post-Stalinist
era than "real socialism". But perhaps this term does not ring so depressing, after all, to socialists who are native to the language which had earlier invented "Realpolitik" and which is now responsible for "die Länder des realen Sozialismus". Isn’t that a coincidence that the term "state socialism" was also first used in the German language? Staatssozialismus inspired the Chilean "socialismo de Estado".

Also the men behind the first concept of Staatssozialismus had from the beginning advocated the question of freedom, though in somewhat convoluted fashion, while their critic, Kautsky, was of the opinion that nationalization of the economy would strengthen the capitalist state and hamper the Social Democratic movement, thus delaying the struggle for social liberation.

The question of freedom is more complex in the Chilean version of state socialism because the concept itself was more elaborate while the government implementation of the actual programme makes one wonder today.

The reform of the political system was to consist, among other things, in the introduction of a functional, socio-occupational parliamentary representation in a classless society, a kind of political corporationism. The classical principle of representation was to be rejected and with it the constitutional electoral principles, the existing party system, freedom of association, freedom of speech, etc. or, to be more exact, they were to be defined anew so that they might serve the new forces. A peculiar redistribution of freedom was to take place, even though the changes could not have amounted to a revolution in view of the mainly verbal observance of the constitutional guarantees of 1925. After all, the negligible range of public opinion must have meant something.

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10 K. Kautsky, Vollmar und der Staatssozialismus, "Neue Zeit", XI/1; idem, Der Parteitag und der Staatssozialismus, "Neue Zeit", XI/2.

11 C. Dávila, El Presidente Dávila y la Revolución de Junio, Santiago 1932; the brochure includes Dávila’s plan which had been previously published in “La Crónica” on May 3, 1932.
The reforms concerning the direct running of the economy were planned in the greatest detail. The plan provided for the creation of a very strong state sector, the development of cooperatives and the inclusion of the private and cooperative sectors in a system of state planning by directive. The attitude to big landed property and foreign capital was not strictly defined but the tendency was clear: these types of ownership were also to be curbed. The implementation of such a reform implied a considerable limitation of freedom. This limitation would have extended in many directions but the most important would have been the limitation of ownership rights.

It should be stressed that the aforesaid was to be effected not by new legislative acts alone. The reform went much deeper, to the very heart of the rights of the body politic. The aim was to introduce into the system the principle that ownership was not a subjective, that is, a fundamental right, but a social function. The social function of ownership was to be shaped according to the interests of the state. Thus state interests, defined by the state authorities, were to be a criterion of freedom in the exercising of control over private property. In a system based on private ownership this meant a radical change in the situation of the individual and an important change in the function of the state, not only its economic function.

The reform redefined the role of the state with regard to the international market. This was a result of both the creation of state monopolies in many branches of foreign trade and of a new, though inconsistent, attitude to foreign capital. In the opinion of the most radical ideologists of state socialism, Eugenio Matte Hurtado, Alfredo Lagarrigue Rengifo and Eugenio Gonzales Rojas, Chile had been gradually transformed into "an economic colony exploited by companies, a colony with political liberties which were apparent rather than real". They furthermore spoke of the exploitation of Chile by "international capitalism", "foreign capitalism" and "capitalism imperialism". They realized that

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native Chilean capitalism was linked with capitalism as a world system, but in their opinion the external factor predominated. They emphasized the necessity of “freeing Chile from foreign capitalism”. By this they meant both foreign capital in Chile and capitalism as an international system of exploiting the Chilean natural resources. However, it would be wrong to think that only radical etatistic socialists were aware of the adverse influence of stronger foreign economies. It was none other than Montero who said that the catastrophic fall in the world demand for Chilean saltpetre was a result of “the narrow nationalism” (nacionalismo cerrado) of rich importers. But then it was state socialism which became an anti-capitalist platform. The watchword “free Chile of foreign capital” signalled the persistence of the question of dependence. In its new function the state was to sort of re-negotiate the conditions of dependence and independence. Economic dependence or independence, one might add. Indeed, but is a lasting structural dependence of a peripheral society possible in the international system without an economic base? Does not independence also mean economic sovereignty?

Sovereignty is a special kind of freedom. It means, among other things, a state’s independence in shaping its relations with other states and, more generally, with other subjects of both public and private international law. The situation of Chile was influenced above all by its relations with the United States and Great Britain and also with big international companies, which operated in Chile as monopolies or quasi-monopolies extracting Chilean—natural resources, that is saltpetre and copper, as well as with the monopolies which supplied Chile with liquid fuels. During the Socialist Republic it had became clear just how much the Chilean government had to take into account foreign governments and companies, while the obstacles it encountered in trying to shape its policy independently concerned not only the fundamental branches of the economy but

also the functioning of state institutions. It was not only the question of a country with a balance of payments deficit being hamstrung in its foreign policy. The governments and companies from the centre of the capitalist system influenced the government of the Socialist Republic's actions (and its decisions not to act) to such an extent that they cannot be referred to as solely external factors. The dependence was of a structural one and it functioned thanks to a tangle of dominance and dependence which, in turn, worked by making justified the identification of strivings for greater independence with defensive measures taken against foreign capitalists and governments, as well as against local, that is Chilean, advocates of the perpetuation of this tangle.

However, an argument that the promoters of the Socialist Republic intended—as Salvador Allende later did—to take Chile out of the capitalist system cannot be backed up by documentary evidence. More accurately, an increase in Chile's independence within that system was to have brought about an improvement of the national economy. This was to have been achieved thanks to a peculiar conception of socialism.

The road towards economic emancipation was bound with state socialism but the choice of the new strategy was also tantamount to a discarding of what was regarded as a worn-out formula. Liberalism is mentioned in the two main programmatic proposals of state socialism, namely, in the Davila Plan and the Lagarrigue Plan, as the doctrinal source of Chilean setbacks.\(^1^5\)

One must recall emphatically at this juncture that the state of the country's finances and foreign trade had been known in Chile from mid-1931. Sometimes views on these matters were excessively pessimistic especially when they were prompted by the equally inflated expectations of saltpetre export revenues. There was however no doubt about the catastrophic results of the collapse of the international commodity and credit markets.\(^1^6\) So what suddenly dawned upon the Chileans—who had been individually suffering the increasingly painful results of the

\(^{15}\) C. Dávila, *op. cit.*; Lagarrigue, *op. cit.*

\(^{16}\) P. T. Ellsworth, *op. cit.*, passim.
crisis—was truly terrifying. The balance of trade and, more, the balance of payments between them spoke more volubly than Arturo Alessandri, the arch-master of political rhetoric of those days. All of a sudden this balance began to symbolize the effects of liberalism.

The first declaration of the socialist junta spoke of the fiasco brought about by liberal economics and fraudulent legalism. Davila was more precise in pin-pointing the causes of the evil. In his view these were free competition and an unquenched thirst for profits. He also wrote about the almost monocultural nature of the Chilean economy.

It was obvious that liberalism with its free play of forces on the international market amounted to a manifestation of freedom, but it was also incontrovertible that liberalism had brought together unequal partners. Liberalism favoured the expansion of the most advanced partners and the subordination of the weakest. In the order to stand up to the strong, the weak had then decided to resort to the state as an integrator and representative of the weaker side. The state was to give up the function of the proverbial night watchman and take up the duty of organizing the economic effort of the populistically defined nation. The road to greater national independence was to be an affirmation of state socialism and a negation of liberalism, economic liberalism, first and foremost.

If we were to round off this paper by playing up independence as an attribute of the state and liberalism as an economic doctrine, now would be the time to do it. However, this would not exhaust the theme of freedom and politics under state socialism.

Carlos Davila must have been aware of the dangers lurking in the new system or at least of his compatriots fears. He tried to calm down those who had read his plan by saying: "We do not want a state which would overpower the individual... we are searching for a commonwealth-style state". Thirty-six years before the Prague Spring and Alexander Dubček he promised "socialism with a human face" (socialismo de tinte humano), and

17 "La Mañana", June 5, 1932.
18 C. Dávila, op. cit.
45 years before Polish “Solidarity” and Wojciech Jaruzelski he wrote that the policy of assailing the crisis required a full-scale mobilization comparable to martial law (estado de guerra).19 What then could the individual except from the commonwealth-state under a martial law administration? At best, he could expect the growth of the country’s economic independence, accompanied by curbs on individual freedom imposed with the benefit of the state in mind. At worst, the perpetuation of the country’s dependence amidst curbs on freedom. The emancipation of the country was a great unknown, but a certain degree of restriction of individual freedom was guaranteed by either alternative.

Chilean state socialism hit at the democratic dogma, the liberal dogma and the communist dogma. It hit at the democratic dogma because it wanted to replace the procedure of unhampered emergence of majority rule by a corporative fusion of antagonistic social groups; it was an attack on the liberal dogma because it tried to subordinate the freedom of the businessman to the will of the state authorities and to introduce the state into the international market as a super-businessman; it was also directed against the communist dogma because it had retained economic, political and ideological pluralism.

One might say that the Chilean state socialists solved the contradictions between these three dogmas by abolishing all of them, but this would be an exaggeration. I repeat, an exaggeration, for I have found very few traces of an awareness of some of these contradictions. And these contradictions are essential for the dialectics of freedom and political power.

The shortage of these traces is the direct result of the fact that the problem of power was not fully worked out in the Chilean concept of state socialism. An analysis of programmatic texts shows that a populistic alliance cutting across the class lines was to have been its social power base and that only some vague corporations were to have stood between this alliance and the state. It is not known how the ruling alliance was to have governed the state. The democratic dogma with its multiparty system and the communist dogma with its one-party monopoly or hegemony

19 C. Dávila, op. cit.
were rejected. The army was not expected to play the leading role, although it was both a quasi-class and a quasi-party in the Chilean political system which had enabled the advocates of state socialism to take over power. Thus in the essential question of how to win power these people were not naive to the point of trying to realize such pipe dreams as a parliamentary road to socialism. I am mentioning this because there is a temptation to explain their lack of strategic political imagination by naivete, inexperience, ignorance of history and unpreparedness for the undertaken task. All this may be partly true, but should one not also look for an explanation in social psychology?

Personalism is what comes first and foremost to the mind of a Latinoamericanist. It is characteristic that neither Ibañez nor Pinochet, the architects of two efficient systems of government had set up a party or a mass movement: in both cases we are dealing with an authoritarian government. The Socialist Republic was also authoritarian in both principle and practice, but it lacked a dominating personality. Colonel Marmaduque Grove may have had the makings of one: he had charisma and enjoyed the support of part of the armed forces. However, he identified himself with the radical wing, which was too weak to hang on to power, and that proved his undoing. Besides, Grove was something of a tribune who knew nothing about the business of politics. True, he knew how to arouse people, but did not know how to use them for political ends. Davila, who ruled for most of the time of Socialist Republic, though not a bad manipulator, had not social support and overreached himself by trying to present this deficiency as a virtue. No one shores me up and I won’t stand up for any vested interests, he would say on the radio, which his opponents translated into: when you come to get me nobody will defend me.

It is indeed a well-known fact that the masses did not defend the Socialist Republic. And not because they did not know its

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programme or because they were indifferent. They did not defend it because they were not organized. The etatism-inspired socialists rejected the democratic-liberal multiparty system and did not want the communist one-party system either, but that unnamed third road of theirs lacked the bedrock of systematically mobilized mass support.

No credible sources disclosing the deeper motivation of the architects of the new order have so far been made available to researchers and it is not even known if such sources exist at all.\textsuperscript{22} One can only resort to social psychology and speculate whether or not this desistance from the construction of a political mechanism under state socialism can be traced to the Great Depression-fuelled complex \textit{vis-à-vis} the dominating groups in Chilean capitalism and the fascination with the economic factor—with the balance of payments in question. Socialism was to have been a lightning and painless cure-all. It was contrasted with liberalism and identified with the state. Perhaps this socialistically-minded professionals refrained from proclaiming freedom as an important aim because they believed neither in their personal success nor in the success of their country in a world ruled by the liberal principle of free competition. What could they seek on the market? And what could Chile expect from it? They were afraid of this kind of freedom. They ran away from it into the arms of the state, spelled with a capital "S", the state of all Chileans living by their work as they said, a \textit{sui generis} socialist state. In that kind of "commonwealth-state" the individual could drop out of sight, find it easier to suffer the discomforts of the depression, no longer left to his own resources, no longer beset by dangers and lonely. The ordeal of choice-making would come to an end and the constant challenge of freedom would disappear. This escape from freedom was all the easier as, paradoxically, it was accompanied by the striving for freedom, for collective emancipation. However, can one choose freedom against freedom? What is the value of the emancipation of a state amidst the curbs on the freedom of its citizens? Is freedom a single, integral and

\textsuperscript{22} Cf. C. Char\'in O., \textit{Del Avión Rojo a la República Socialista}, Santiago 1972.
indivisible quality or is it possible to sacrifice one kind of freedom in order to get another? Must an escape from freedom really end with the affirmation of fascism, as Erich Fromm says? And is every socialism “the road to serfdom”, as Friedrich August Hayek has put it? Is Raymond. Aron not the closest to a historian when he says that “there is no single formula for freedom in the full sense of the word”? 