

Analysis of the overthrow of Allende and the US intervention

The socialist experiment of the Salvador Allende government from 1970-1973 was the first attempt to transform a capitalist country into socialism peacefully and democratically, which came to a halt by a bloody military coup that not only ended the experiment before it fully unfolded but also put a period to Chile's forty-year long democracy. The experiment, though short-lived, drew much attention, especially from European countries¹ that sought social transformation within their current democratic system. To learn anything from the Chilean experiment towards socialism would require an understanding of the reasons for its failure. There have been many analyses about the internal factors contributing to the overthrow of Allende, but the role of American covert operations has been a topic of debate immediately following the coup. With more materials being declassified, it is evident that the US covert operations not only aimed at ousting Allende from the beginning but also served its purpose effectively in the end. This paper will explore the external and internal reasons for the collapse of the Allende government. It will look at how the economic measures taken by the US government against Allende had the most detrimental effect on Chile and how, combined with political and military maneuvering, a synergy effect was created that led to the coup that killed Allende. It will then look at the reasons specific to Chile for the success of the US intervention and provide analysis on the misjudgment and errors in the Allende reform that created a chance for the US triumph.

There had been a constant and intensive CIA involvement in Chile as early as in 1953. Thus, the CIA activities were not uncommon to most Chileans. In the 1964 election, the CIA spent more than \$2.6 million, financing more than half of the campaigns for presidential

¹ Sergio Bitar, "The Allende Government's Attempt to Achieve Major Transformations in Chile: Lessons From Hope and Failure," in *Reflections on Socialism in the Twenty-First Century: Facing Market Liberalism, Rising Inequalities and the Environmental Imperative*, ed. Claes Brundenius, 1st ed. (Springer Cham, 2020), 131, <https://doi.org/10.1007/978-3-030-33920-3>.

candidate Eduardo Frei from the moderate Christian Democratic party (PDC), besides other spendings on manipulating Chilean media and supporting private rightist organizations.² The election was a tremendous triumph for Frei as he secured more than half of the votes. While facing accusation of influencing the 1964 election result, in the 1970 presidential election, the CIA still expended almost \$2 million during the Frei regime³ and between \$80,000 to \$100,000 for anti-Allende activities.⁴ Infuriating to the US, Allende won by a thin 1.5 percent margin.⁵

The efforts the CIA put into Chile were clearly not futile, but the extend of the effect was unclear as can be seen that years of propaganda still did not prevent Chileans from electing a Marxist president. From a domestic point of view, Frei's win in the 1964 presidential election was more of an alliance between the Conservatives, namely, the National Party (PN) and the Christian Democrats to prevent a Marxist victory than a drastic expansion of its base of support for the PDC.⁶ During Frei's six years presidency, he initiated a series of progressive, but still moderate reform on housing, agrarian and taxes, which harmed the interests of conservatives who were composed mostly of economic elites. This resulted in the dissolution of the alliance between the PDC and the PN. Frei's incomplete and slow reform naturally did not win the favor of the Left; worse, it raised people's hope while failing to deliver any substantial change that met the public expectation.⁷ Basically, Frei administration hardened the opposition of both ends of the spectrum against it, at the same time convincing the Chilean public that it could not provide

² Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973: Staff Report of the Select Committee to Study Governmental Operations with Respect to Intelligence Activities*, Washington, DC: GPO, 1975, 8-10.

³ Ibid, 17.

⁴ Ibid, 20.

⁵ Tim Weiner, "USG Wants a Military Solution," in *Legacy of Ashes: The History of the CIA*, 1st ed. (New York, United States of America: Anchor Books, 2008), 356.

⁶ Gary W. Wynia, "Chile: Democracy Destroyed," in *The Politics of Latin American Development*, 3rd ed. (Cambridge University Press, 1990), 173.

⁷ Ibid, 175-178.

solutions to Chile's most troubling problems—inflation and inequality.⁸ Thus, the victory of Allende in the next presidential election came as little surprise.

Combining the views of external and internal factors, one may raise the question of the effectiveness of the CIA operation. Though often mutually interfering, the economic situation and political dynamics in the local society often dictate the success or failure of covert operations, which could compose a limitation that is hard to surmount. However, as mentioned before, the CIA covert activities in Chile were not done in vain. A substantial amount of the CIA expenditure in Chile was used for anti-communism propaganda, usually including the demonization of communism and Allende's programme, the psychological effect of which, especially among the middle class and the economic elites, would nullify any efforts by Allende in consoling them with his promise on a peaceful and democratic transition.⁹ This would later result in a financial panic among the public when Allende was elected president, where people rushed to banks to take cash out of their accounts¹⁰ or transferred liquid capital away from the country,¹¹ giving the new socialist government a blow to the face.

The impact of the CIA covert operation was subtle to discern, but the concerted leverage of US state power was capable of greater things, and they were far beyond what the CIA could achieve alone. As was the case in Chile, the will and power of a small and underdeveloped country like Chile might withstand some CIA operations but was hamstrung in the face of a world superpower.

⁸ Ibid.

⁹ Select Committee to Study Governmental Operations with Respect to Intelligence Activities, *Covert Action in Chile, 1963-1973*, 19.

¹⁰ Norman Gall, "The Chileans Have Elected a Revolution," *The New York Times*, November 1, 1970, accessed April 15, 2024, <https://www.nytimes.com/1970/11/01/archives/the-chileans-have-elected-a-revolution-the-chileans-have-elected-a.html>.

¹¹ Gary Thiher, "A Crack in the Imperial Armor," *Space City!*, April 13, 1971, 12.

The US policy towards the Allende government was never passive or reactive, instead, it was a product of active scheming. There was a narrative explaining the motivation behind the US intervention in Chile as a response to the nationalization of American copper companies in Chile without compensation. However, this view of passive US response could be easily refuted with declassified materials. While the amendment of the Chilean constitution for the nationalization did not take place until late 1971, only three days after Allende's inauguration in November 1970, Nixon held an NSC meeting.¹² The meeting was attended by people from across the US government, including the Secretary of State and Defense, Attorney General, Director of Central Intelligence, and Chairman of Joint Chiefs of Staff,¹³ and yielded the National Security Decision Memorandum 93 (NSDM 93) file three days later that outlined a comprehensive list of economic actions the US could take against Chile.¹⁴ NSDM 93 called for a halt of guarantee and assistance to US private investment in Chile, termination or reduction of ongoing financial aid or loans to Chile, and a limit on credit or financial loans to Chile from international financial institutions.¹⁵ As was planned out, it was exactly what the US did, and it had already exceeded the scope of merely CIA operations; it is the US state power, even though only a fraction limited to the economic sphere, that was wrestling with Chile.

One thing in the NSDM 93 that the US ended up not doing was the stockpile disposal of copper.¹⁶ The US, by selling large amount of copper, was hoping to bring down further the price of copper in world markets which had already been dropping from a recent high of \$0.77 to \$0.48.¹⁷ The abortion of the plan was purely out of pragmatic reason. It was analyzed that the

¹² The White House, secret Memorandum of Conversation, "NSC Meeting—Chile (NSSM 97)," November 6, 1970.

¹³ Ibid.

¹⁴ National Security Council, "Policy Towards Chile." National Security Decision Memorandum 93. Washington, DC: National Security Council, November 9, 1970.

¹⁵ Ibid, 2.

¹⁶ Ibid.

¹⁷ "Copper Prices - 45 Year Historical Chart," MacroTrends, n.d., <https://www.macrotrends.net/1476/copper-prices-historical-chart-data>.

short-term disposal of US copper stockpile would not have a significant effect on Chilean export earnings, and besides, it would have the side effect of hurting other countries such as Congo, Canada, South Africa, and the Philippines.¹⁸ However, it can be seen that, from the start, the US was determined to bring down the Allende government by laying waste to its economy. It is also obvious that the US had a very clear understanding of the weaknesses of Chilean economy that it took up measures directly targeting at those weaknesses which will be discussed later in this paper.

The US prompt response to Chile's new president could be explained through an ideological lens. Chile had always been seen as an exemplar that symbolized the promises of the Alliance for Progress,¹⁹ which was of ideological importance to the US and other Latin American countries. It signified that social reform and progress could be achieved without resorting to communism. Thus, a success story of a peaceful and democratic Chilean socialist experiment would undermine the very logic of the Alliance for Progress. Another facet of this was that it could send a signal to South America, especially Brazil and Argentina, that they could do things based on their national sovereignty without consulting American interests.²⁰ Thus, intervening in Chile was also to send a signal to other Latin American countries that the US would not allow another communist regime in its backyard. Further, the expropriation of American business interests, specifically Anaconda and Kennecott copper companies, would serve as escalation that hardened the determination of the US to bring down Allende government. It also conveniently served as a pretext for the refusal by the US of loans to Chile.²¹

¹⁸ Henry A. Kissinger, "Chilean Copper." Memorandum for the president. Washington, DC: the White House, 1970. <https://www.cia.gov/readingroom/docs/LOC-HAK-460-5-10-4.pdf>.

¹⁹ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 4.

²⁰ The White House, secret Memorandum of Conversation, "NSC Meeting—Chile (NSSM 97)," 4.

²¹ Benjamin Welles, "U. S. Export Bank Refuses Chile Loan to Buy 3 Airliners," *The New York Times*, August 12, 1971, accessed April 24, 2024, <https://www.nytimes.com/1971/08/12/archives/us-export-bank-refuses-chile-loan-to-buy-3-airliners-chile-is.html>.

Analyzing the US motivation could help with the understanding of the “cool but correct” gesture that it adopted and the non-overt but obviously hostile measures that it took against Chile.

After the failed attempt at instigating a military coup to prevent Allende from assuming office, the US Government continued to demise Allende’s regime by adopting a long-term plan to destabilize Chile.²² There were three pillars of US strategy against Chile—economic blockade, political mobilization, and military infiltration, among which economic blockade had the most consistent and profound effect in destabilization Chile. Measures in politics and military assisted synergistically the effect of economic sanction in shattering Allende’s Chile.

The economic action against Chile was executed according to the outline listed in NSDM 93. The first category of measures was the termination of bilateral foreign aid or loans to Chile. The main US banks providing loans to Chile were the US Agency for International Development (AID) and the US Export-Import Bank (Exim), both of which took a complete turn in attitude towards Chile once Allende assumed office. The AID, during 1965-1969, gave massive loans to Chile averaging around \$60.3 million per year, but gave Chile virtually no loans from 1971-1973.²³ The Exim bank, which in 1967 granted Chile \$234.6 million loans and \$28.7 million loans in 1969, gave no loans to Chile in 1971, only \$1.6 million in 1972 and \$2.1 million in 1973.²⁴ Not only did the Exim Bank not grant new loans to Chile, but it also curtailed the disbursement of ongoing loans negotiated by the Frei government.²⁵ In NSDM 93, there was an exception of humanitarian aid that could be granted to Chile on a case-by-case bases.²⁶ However,

²² Peter Kornbluh, “Showdown in Santiago: What Really Happened in Chile?,” *Foreign Affairs* 93, no. 5 (September 2014): 169, <https://www.jstor.org/stable/24483316>.

²³ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 34.

²⁴ *Ibid.*

²⁵ Joseph Colins, “Chile Suffers from U.S. Economic ‘Invisible Blockade,’” *National Catholic Reporter*, October 12, 1973, 6.

²⁶ National Security Council, “Policy Towards Chile.”

this became a convenient way for the US to grant money for opposition activities. One such example was made by the AID that directly gave money instead of loans to a so-called “technical assistance” program. This program was, in fact, conducting infiltration into Chilean labor union, and reports indicated that the money, during the Allende years, was likely going to the Chilean maritime, professional and airline unions—organizations that were involved in active economic and political sabotage activities.²⁷

The second category of economic sanction was the use of US dominance in international financial institutions to cut off or reduce multilateral loans to Chile. The US had substantial control over two of the largest international banks—the Inter-American Development Bank (IDB) and the World Bank.²⁸ These two banks both took on a hardline loan policy towards Chile since Allende became president. The IDB which granted \$62.2 million in loans to Chile in 1965 and \$31.9 million in 1969, granted only \$2.1 million in 1972 and \$5.2 million in 1973, after which, in 1974 the loans it issued to Chile sharply increased to \$97.3 million.²⁹ The bank’s mission was to promote and fund development plan, but because the US could veto most of the loans from the bank, Chile seldom received any loans even with legit and promising development plan.³⁰ One example of this was a plan for construction of a petrochemical plant—endorsed by both the Chilean government and the bank’s representatives, but it was never granted loans.³¹ Just like the AID, the IDB granted unusual loans to Chile outside the embargo as well, both towards anti-UP universities, totaling an amount of \$11.6 million.³² For the World Bank, the US influence was more obvious--the president of the World Bank Group Robert

²⁷ Colins, “Chile Suffers From U.S. Economic ‘Invisible Blockade,’” 6.

²⁸ Bárbara Stallings and Andy Zimbalist, “The Political Economy of the Unidad Popular,” *Latin American Perspectives* 2, no. 1 (April 1, 1975): 75, <https://doi.org/10.1177/0094582x7500200107>.

²⁹ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 34.

³⁰ Colins, “Chile Suffers From U.S. Economic ‘Invisible Blockade,’” 15.

³¹ Ibid.

³² Ibid.

McNamara who, right before his appointment as the president of the World Bank Group, served seven years as the Secretary of Defense. McNamara rejected all loan requests from Chile with not a simple exception after the election of Allende.³³ During the process, the US remained low-profile, as one NSC status report stated that “The [US] Executive Director will routinely and discreetly...insure adequate attention to them (referring to the questions attempting to convince the Bank that Allende’s distributive economic programme favoring the poor does not meet the World Bank credit criteria) by the team visiting Chile and by other staff elements within the Bank, but without the hand of the US Government showing in the process.”³⁴ While after Allende was overthrown, an opening of loans of \$22.5 million was granted to Chile in 1974.³⁵ These were in stark contrast with the International Monetary Fund (IMF), where European influence was stronger,³⁶ which extended approximately \$90 million in 1971 and 1972 to help with Chilean foreign exchange difficulties.³⁷ It was obvious that the cutoff of loans from both the IDB and the World Bank was motivated politically rather than based on economic assessment like what they claimed to be.

While little new loans were being issued, Chile still needed to pay off its old debt from the Frei administration. During Frei’s administration, Chile built up a considerable foreign debt of \$4 billion, the second highest foreign debt per capita around the world only after Israel,³⁸ which was at war at the time. To further provide a frame of reference, the GDP of Chile in 1969

³³ Ibid.

³⁴ Peter Kornbluh, “Destabilizing Democracy: The United States and the Allende Government,” in *The Pinochet File: A Declassified Dossier on Atrocity and Accountability* (The New Press, 2013), 84.

³⁵ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 34.

³⁶ Stallings and Zimbalist, “The Political Economy of the Unidad Popular,” 75.

³⁷ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 33.

³⁸ Peter A. Goldberg, “The Politics of the Allende Overthrow in Chile,” *Political Science Quarterly* 90, no. 1 (January 1, 1975): 101, <https://doi.org/10.2307/2148700>.

was only \$8.36 billion.³⁹ It was already an indicator of a serious economic crisis which was another problem Allende inherited from his predecessor. However, the previous government could get by through debt renegotiation. Frei ordered a debt renegotiation in 1965 that would put the due date of his debt into the Allende government.⁴⁰ While Frei's debt moratorium was obtained with ease, when Allende, due to the near depletion of foreign exchange reserve, asked for a debt renegotiation in 1971 on \$414 million with US and European creditors, the US applied various tactics to stall the negotiation.⁴¹ Even though with European support Chile was able to renegotiate 70 percent of its debt, the following bilateral debt renegotiation with the US was once again met with resistance in the form of delayed meeting and refusal to signing of agreement.⁴²

For a country that was reliant on new foreign loans to repay old loans and balance government budgets--a pattern started years before the Allende administration⁴³, the tightening of foreign loans in such a huge amount was a massive disruption of budget cycle to the Allende administration. The massive foreign debt inherited by Allende from the Frei administration, coupled with the international copper price drop, severely dried up the Chilean foreign exchange reserve, which posed difficulty for importation and attributed to Allende government's resort to money printing.

The third category in the NSDM 93 file was the discouragement of American private banking in lending loans to Chile. As early as in the fall of 1970, the Exim Bank dropped Chilean credit rating from "B" to "D", which meant from the second category to the last

³⁹ "GDP (Current US\$) - Chile," Data set, *World Bank National Accounts Data, and OECD National Accounts Data Files* (World Bank Open Data, n.d.), <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CL>.

⁴⁰ Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 73, 75.

⁴¹ Colins, "Chile Suffers From U.S. Economic 'Invisible Blockade,'" 15.

⁴² Ibid.

⁴³ Ibid, 1.

category.⁴⁴ The degrade in credit rating was not justifiable, as Chile had a perfect repayment record, and the economic situation was practically what Frei had left when the rating was adjusted. This rating was then picked up by private banks evaluations,⁴⁵ which complicated Chile's hardships of attracting and retaining foreign investment.⁴⁶ Besides, the Exim suspended the guarantee and insurance program for private banks' and businesses' investments in Chile—a signal picked up by many investors as a hostile attitude of the US towards Chile.⁴⁷ It successfully discouraged foreign investment from the US to Chile. Before the Allende government, Chile had received an average of \$220 million in the form of short-term credits; by 1972, Chile only received an average of \$35 million credits.⁴⁸ These short-term credits granted by private banks were essential in international trade, because they were often used directly as the payment method. Therefore, a drastic decrease in short-term credits induced an immediate crisis with importation, especially in foodstuff and spare parts of machineries, which plagued mostly the middle class in Chile who were accustomed to imported goods, and inflicted tremendous strain on Chilean industrial production.⁴⁹

All the efforts, in effect, were to dry up Chile's foreign reserves to hamper its ability to import, and to impede the growth of production to aggravate shortages of supply. The ultimate goal was to drive up inflation and exacerbate shortages to the point of a near or total collapse of the economy. It was achieved with a concerted effort including the State Department, the CIA, the Department of Commerce and the Department of Treasury.⁵⁰ To Chile, a small country with

⁴⁴ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 35.

⁴⁵ Ibid.

⁴⁶ Kornbluh, "Destabilizing Democracy: The United States and the Allende Government," 84.

⁴⁷ Colins, "Chile Suffers From U.S. Economic 'Invisible Blockade,'" 6.

⁴⁸ Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 76.

⁴⁹ Colins, "Chile Suffers From U.S. Economic 'Invisible Blockade,'" 15.

⁵⁰ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 35.

an underdeveloped economy, this scale of sanction was already large enough and the damage was felt immediately. Above all, one of the brilliances of the US sanction was that it was done non-overtly. The US did not declare to the world its blockade against Chile, and even when exerting its influence within the international financial institution, the US did it inconspicuously. By doing so, it preserved its international image from accusation of demising a democratic country. While it was “invisible” to international communities, it was also “invisible” to domestic population. Without an open claim of hostility from the US, few Chileans would understand the circumstances of international finance⁵¹ or even link the economic hardship with those seemingly calm and legit economic operations. It, therefore, left no rallying point for solidarity with the UP government against external threats. The non-violent and non-overt nature of the US intervention was in stark contrast to the assassination of General Rene Schneider, which mustered national support for Allende. As Allende decried in a UN speech in December 1972 “it is a sneaky and double-crossing attack” and that Chile was “opposed by forces in the shadows, without a flag, with powerful weapons that are placed in a wide range of influential positions.”⁵² Unfortunately, Allende might not even be aware of the stern determination of the US to bring him down from the beginning and the scale of this economic warfare declared quietly and unilaterally towards him. He only got to get a sense of these from the bitter consequences.

The impact of the US economic sanction was utterly devastating, and it had the catalytic effect of influencing the entire Chilean economy through inflation and shortages. It also, along with other factors, set astray the path of the Allende reform from the beginning. The change in net foreign exchange reserve went from positive \$113 million in 1970 to negative \$300 million

⁵¹ Colins, “Chile Suffers From U.S. Economic ‘Invisible Blockade,’” 6.

⁵² “Salvador Allende: Speech to the United Nations (Excerpts),” December 4, 1972, accessed April 22, 2024, <https://www.marxists.org/archive/allende/1972/december/04.htm>.

in 1971 and remained negative throughout Allende's regime (-\$229 million in 1972 and -\$112 million in 1973).⁵³ To comprehend the scale of this number, the peak value of importation of all consumer goods combined throughout the Allende regime was \$275.8 million in 1972,⁵⁴ which means the reduction of the loans was tantamount to a soft blockade of importation. Unlike when against Cuba, the US did not issue an open and complete economic blockade, and the efforts of the US were hidden in legitimized daily legal and financial operations⁵⁵—it was indeed, an “invisible blockade,” just as Allende condemned. The shortages of foreign exchange reserves, in turn, devalued Chilean escudo, which increased the foreign exchange rate, and thus, made it even more expensive to import. To keep up with the reform under these circumstances, the Allende government had to resort to money printing, which further worsened inflation. By the end of the Allende regime, the annualized six-month official inflation was already reaching almost 1600 percent,⁵⁶ marking the total collapse of the economy.

Besides economic sanctions, the US intervention in Chile also included political mobilization and infiltration of the military, both carried out by the CIA. The CIA political activities included mainly propaganda and support for opposition parties and organizations. One of the most prominent example of CIA's involvement in Chilean domestic media was the funding and connection with *El Mercurio*, the country's largest newspaper and the major platform for anti-Allende propaganda.⁵⁷ The CIA provided a total of \$1.5 million to *El Mercurio*

⁵³ “Chile - An Economy in Transition (English),” *A World Bank Country Study* (Washington D.C.: World Bank Group, January 31, 1980), 88, <http://documents.worldbank.org/curated/en/645231468769210794/Chile-An-economy-in-transition>.

⁵⁴ Ibid, 86.

⁵⁵ Colins, “Chile Suffers From U.S. Economic ‘Invisible Blockade,’” 6.

⁵⁶ Sebastián Edwards, “The Debauchery of Currency and Inflation: Chile, 1970-1973,” *National Bureau of Economic Research Working Paper* No. w31890 (November 20, 2023): 33, accessed April 10, 2024, <https://ssrn.com/abstract=4638225>.

⁵⁷ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 29.

throughout the Allende years,⁵⁸ with President Nixon personally authorized the funding for *El Mercurio* to continue the agitation and misinformation.⁵⁹ The connection between the CIA and the *El Mercurio* media chain enabled the CIA to plant articles and engineer public opinions, which reached daily circulation of 300,000.⁶⁰ Besides the independent news agency *El Mercurio*, CIA funding also helped opposition parties to set up its newspapers, radios, and several regular television shows on three channels.⁶¹

The direct funding to opposition groups by the CIA was also generous. Before each major election—three by-elections in 1972 and the congressional election in 1973, the CIA provided funds to the PN, the PDC and some other splinter parties, where more than half of the approved funds from the 40 committee went.⁶² Besides, the CIA also funded several private sector organizations, including the businessmen's organization, association of large and small businessmen and an umbrella organization of opposition groups,⁶³ which will be seen later in the paper involved in intentional disruptive activities against the government. Even though to keep within the frame of the “cool but correct” policy, the forty committee refused to approve fundings directly to militant organizations or strikes, especially the later large scale mine workers strike and a nationwide truckers strike,⁶⁴ the money provided by the CIA to opposition organizations funneled, through the interconnections between opposition groups, to support the

⁵⁸ Ibid.

⁵⁹ “Agustin Edwards: A Declassified Obituary,” National Security Archive, April 25, 2017, <https://nsarchive.gwu.edu/briefing-book/chile/2017-04-25/agustin-edwards-declassified-obituary>.

⁶⁰ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 22, 29.

⁶¹ Ibid, 29.

⁶² Ibid, 28.

⁶³ Ibid, 30.

⁶⁴ Ibid.

strikes.⁶⁵ The US was fully aware of the connection between the organizations⁶⁶ and the good possibility that their fundings would go to support strikes or plots for coups. One high official stated that it was inevitable that some funds from the agency “could have filtered” to the truckers union that organized the truckers strike⁶⁷ which, it was evident, would not be sustained by union funds alone.⁶⁸ It was also worth mentioning here that the months-long truckers strike, later joined with small shopkeepers, was the last straw in pushing the economy to collapse. The 40 committee, in total, approved \$1.5 million for funding opposition groups.⁶⁹ Considering the amount of money, specifically \$25,000, requested by the CIA on one occasion to support the strikers,⁷⁰ one could get a glimpse at the scale of the \$1.5 million fundings. It was also worth noting that while receiving money from the CIA, *El Mercurio*, which was not only a newspaper, but also a political force, was actively involved in coup plotting. Its owner, a prominent Chilean businessman Agustin Edwards, before the inauguration of Allende, had already discussed with the CIA Director Helms extensively about the details of military coup and the potential coup leaders.⁷¹ Moreover, a May 1973 cable from the CIA Santiago Station reported that *El Mercurio* was collaborating with the most militant parts of the opposition parties to facilitate a coup by initiating conflicts and chaos.⁷² From this one could see the complicated connection between

⁶⁵ Seymour M. Hersh, “C.I.A. Is Linked to Strikes in Chile That Beset Allende,” *The New York Times*, September 20, 1974, accessed April 25, 2024, <https://www.nytimes.com/1974/09/20/archives/cia-is-linked-to-strikes-in-chile-that-beset-allende-intelligence.html>.

⁶⁶ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 31.

⁶⁷ Hersh, “C.I.A. Is Linked to Strikes in Chile That Beset Allende.”

⁶⁸ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 31.

⁶⁹ Ibid, 30.

⁷⁰ Ibid.

⁷¹ “Agustin Edwards: A Declassified Obituary.”

⁷² Central Intelligence Agency, “Report on El Mercurio and other ‘Militant’ groups fomenting a coup.” Cable from cite Santiago. United States: National Security Archive, May 2, 1973, 2-3, <https://nsarchive.gwu.edu/document/22832-09-cia-cable-report-el-mercurio-and-other>.

opposition groups and how hard it was to trap where the money went through that network. However, it was clear that the CIA fundings were put into strikes and sabotage activities.

The CIA activities regarding the military were less obvious. The CIA was not directly involved in the September 11th coup, as was made clear by congressional investigation. However, it was constantly monitoring the coup plotting activities and looking for potential coup leaders. The CIA maintained contact with and recruited new contacts within the Chilean military in the hope that, besides collecting intelligence, it could put them in contact with potential or real coup leaders.⁷³ The military aid, being another “exception” of the US economic blockade, increased during Allende years⁷⁴ in order to maintain maximum contact with the military.⁷⁵ Even though the CIA was not directly involved in the coup, its presence and its attitude of condonement, which was an important factor oppositions took into account, might well encourage the active coup plotting.

The success of the US in economic measures against Chile brought out the effect of the CIA’s covert operations in political mobilization and infiltration of the military. Economic instability provoked social unrest, which gave the CIA ample opportunities to poke into and meddle with Chilean society. The destabilization of economy, specifically, high inflation and severe shortages of supplies, radicalized the middle class on a massive scale, who took the side with the economic elites in opposing the Allende government. As the Chilean middle and upper class had had the incentives within themselves to bring down the government, any CIA help, especially in funding, would be put into good use and be quite effective in serving its purpose. This kind of efficiency was hardly achieved in a stable society had the US government not

⁷³ Kornbluh, “Destabilizing Democracy: The United States and the Allende Government,” 94.

⁷⁴ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 34.

⁷⁵ Kornbluh, “Destabilizing Democracy: The United States and the Allende Government,” 84.

intervened with economic sanction. The US government leverage of its economic power and global influence removed many of the barriers the CIA needed to overcome to make its operations effective in the local society. Conversely, the CIA covert operations on the ground directly assisted the political and social destabilization that facilitated the breakdown of the economy. Thus, there was a synergy effect between the use of US state power and the covert operations of the CIA.

The synergistic effect was the most obvious as the instability of the Chilean society was reaching its peak towards the latter half of 1973. The middle class had been radicalized, who, to further disrupt the functioning of the country, was willing to join the PDC and the PN which had been constant in obstructing and sabotaging normal political and economic activities throughout the Allende years. While the Left, already radicalized even before the Allende administration, was joined by more people, mostly from the lower class who benefitted from the government policy and who would not like to see their government be brought down by the other group. Thus, extreme polarization occurred in the Chilean society that a New York Times news report described, “Chile appears to contain two separate societies whose politicized members live in different communities, keep their own company, tune in to different radio and television stations, read completely conflicting newspaper versions of events, and depend on different health services.”⁷⁶ On September 4th, 1973, about 100,000 supporters of Allende marched along the streets in Santiago in celebration of Allende’s third year anniversary of presidency, while on the same day, the rightist professional confederation with purportedly 90,000 members declared a work stoppage and a confederation of retailers with 440,000 members announced a 48-hour

⁷⁶ Jonathan Kandell, “Giant Rally Marks Allende Anniversary,” *The New York Times*, September 5, 1973, accessed April 25, 2024, <https://www.nytimes.com/1973/09/05/archives/giant-rally-marks-allende-anniversary-professional-workers-strike.html>.

strike against the government.⁷⁷ A near civil-war atmosphere emerged towards the end of the Allende government, giving the rightists in the military the opportunities and the reasons to step in and take over, which they did in the form of a bloody coup that ended Allende's life.

It was unquestionably a great triumph from the US perspective. Even in the history of CIA covert operations, Chile was the rare case of an inexpensive success. Besides the US joint efforts, the internal factors of Chile attributed to the success as well. One of such factors that made the economic sanction successful was the economic structure of Chile and its dependency on the US.

Domestically, from the beginning of Chilean modernization, foreign capital in the form of transnational corporations and domestic oligarchies were cooperating and pushing forward Chilean industrialization. This resulted in a system of "capitalism dependent on imperialism."⁷⁸ Many of the major industries were controlled either by foreign companies or domestic monopolistic oligarchies. For example, the US corporations controlled 80 percent of Chile's copper production,⁷⁹ and nearly 60% of the copper earnings were invested outside of Chile.⁸⁰

In terms of foreign trade, on the one hand, Chilean foreign exchange heavily depended on the export of copper. It was not an exaggeration to say that copper was the blood of Chile's economy. Copper accounted for 80 percent of Chile's total foreign exchange earnings⁸¹. This made the Chilean economy prone to international copper price fluctuation. The 30 percent drop in copper price in 1971 reduced the foreign exchange from copper export even when production

⁷⁷ U.S. House of Representatives, Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs, United States and Chile During the Allende Years, 1970-1973, Washington, DC: Government Printing Office, 1975, 394.

⁷⁸ Robinson Rojas Sandford, "The Chilean Way to Socialism. Popular Unity," The Robinson Rojas Archive, 1996, accessed April 20, 2024, <https://www.rrojasdatabank.info/chile1.htm>.

⁷⁹ Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 32.

⁸⁰ Sandford, "The Chilean Way to Socialism. Popular Unity."

⁸¹ Kissinger, "Chilean Copper," 1.

went up 5 percent.⁸² Besides copper, the other major stuffs Chile exports were all basic commodities such as processed fishmeal, paper, and basic meals.⁸³ On the other hand, Chile was highly dependent on imports for economic functioning and everyday life. Even though Chile was blessed with bountiful natural resources—plenty of fertile land that could feed three times the population,⁸⁴ 3000 miles of coastlines and prosperous offshore fisheries⁸⁵—consumer foodstuff (not including intermediate foodstuff, though it would also top the list⁸⁶) still accounted for the most percentage in importation⁸⁷, which averaged around \$160 million per year before 1970.⁸⁸ This was largely a result of the land tenure system that was inefficient and an underdevelopment of transportation network specifically for agricultural products.⁸⁹ Chile was also dependent on the US for machinery parts due to technology reasons, which was difficult to replace with another provider since many of the industry were built modeling the US.⁹⁰ The dependency on import and the lack of diversification on exports made Chile highly dependent on foreign exchange reserves. Besides, long before Allende took office, Chile had fallen into a chronic vicious cycle of taking foreign loans to either pay old loans or cover government expenditure.⁹¹ The previous administrations could get by due to generous foreign aid and loans. However, during Allende years, when the US cut off loans to Chile, the negative but hidden effect accumulated from the previous years' became visible and disruptive.

⁸² Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 75.

⁸³ "Chile - An Economy in Transition (English)," 241.

⁸⁴ Bitar, "The Allende Government's Attempt to Achieve Major Transformations in Chile: Lessons From Hope and Failure," 142.

⁸⁵ Gall, "The Chileans Have Elected a Revolution."

⁸⁶ "Chile - An Economy in Transition (English)," 85.

⁸⁷ Ibid.

⁸⁸ Gall, "The Chileans Have Elected a Revolution."

⁸⁹ Ibid.

⁹⁰ Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 76.

⁹¹ Ibid, 75.

Another internal factor was Allende's socialist reform which had some major flaws in its planning and mismanagement in its execution, the weakness of which was exploited and magnified by the domestic oppositions and the US. It was hard to separate the outcome induced from these errors from the impact of US intervention, which was one of the reasons the topic was debated. The failure of the Chilean road to socialism did not necessarily reflect the viability of the program, though the viability was undermined by flaws in both the planning and execution.

One of the motivations behind the reform, besides the problems within Chile's economic situation mentioned before, was widespread poverty and extreme inequality. Even though Chile had GNP \$760 in 1970,⁹² a large number of the population were underfed. 50 percent of children under 15, as shown in official statistics, were malnourished.⁹³ In 1970, the proletariat and the poor, accounting for roughly 50 percent of population got 16.1 percent of the national income, the middle class, roughly 45 percent of the population got 53 percent, and the top 5 percent got the remaining 30 percent income.⁹⁴ It is worth pointing out that the data, besides indicating the serious issue of inequality, also illustrated a salient difference between lower class and middle class in Chile, partly explaining the reasons for the tendency of the middle class to identify with the wealthy and alluding to the radicalization of the middle class towards the Right when the reform restraint their consumption needs.

Allende's reform was to transform the society into socialism within Chile's democratic system and through peaceful means. It was an interesting case to look into itself, as the combination of revolution, democracy, and socialism was enough to raise many questions.

⁹² Select Committee to Study Governmental Operations with Respect to Intelligence Activities. *Covert Action in Chile, 1963-1973*, 3.

⁹³ Bitar, "The Allende Government's Attempt to Achieve Major Transformations in Chile: Lessons From Hope and Failure," 142.

⁹⁴ Renato Sandri, "Chile: Analysis of an Experiment and a Defeat," *Science & Society* 40, no. 2 (season-02 1976): 198, <https://www.jstor.org/stable/40401943>.

The very basic logic of Allende's reform was the view of a structuralist, which rejected orthodox stabilization theories. In the case of Chile, it believed Chile's lasting trouble of inflation was a manifestation of the ill of the economic structure, specifically an inefficient agricultural system dominated by latifundios, an imbalance of composition of export and import, a monopolistic industry, and a severe economic inequality,⁹⁵ all of which were mentioned before as characteristics of Chilean economic situation. Stemming from this logic, the goal of the reform was "to preserve and make more effective and profound the democratic rights and the conquests of the workers and to transform the present institutions so as to install a new state where workers and the people will have the real exercise of power."⁹⁶

Therefore, in essence, Allende's programme was trying to achieve a socialist revolution in the form of a structured, top-to-bottom reform. It attempted to dismantle the capitalist-imperialist structure within the current political and legislative system that could be argued as a bourgeois system. Thus, the question arises naturally as to the compatibility of the means and the ends, and as to whether the experiment could be successful in itself even without US intervention. Thus, analyzing the errors of Allende's socialist experiment was insightful for understanding the regime's fall and could provide lessons to learn for future attempts at social transformation.

Firstly, there were major flaws in the design of the socialist experiment. The nature of Allende's programme was a revolution which usually involved the power of the masses through mobilization, but the intended structure of it was to be a moderate reform, which made the issue of the pacing critical—how to carry out the reform in a planned and organized way while

⁹⁵ Edwards, "The Debauchery of Currency and Inflation: Chile, 1970-1973," 4.

⁹⁶ "Popular Unity Government: Basic Program," NACLA, n.d., <https://nacla.org/article/popular-unity-government-basic-program>.

mobilizing the masses, and to which extend the mobilized masses should be restrained. From this perspective (and with hindsight), the issue of clashing between the revolutionary passion of the crowds and the restraint attitude of the government would inevitably occur, and it did—it was one of the central issues facing the Allende administration and a major debate topic between the Socialist and Communist factions within the UP government. The Socialist advocated for a rapid and complete takeover of economy by the government, while the Communist, being more pragmatic and moderate, suggested a moderate, constraint control of government over the economy. This issue was not settled in the beginning, specifically in the nationalization of Area of Social Properties and Mixed Area, meaning that the government would take over the businesses, usually large and monopolistic or controlled by foreign corporations, in the former area and only maintain some control or intervene for businesses in the latter area.⁹⁷ Allende's expectation of the process was to be restraint as he only intended to deprive the wealth of economic elites while keeping the middle class intact.⁹⁸ For the Mixed Area, for instance, Allende proposed a list of 90 firms,⁹⁹ with the implication that the firms outside of the list would remain in private hands. However, in the execution process, the government was forced to intervene or requisite many firms not on the list due to the workers occupying the factories in the demand for a government takeover.¹⁰⁰ The same pattern went for agrarian reform as well.¹⁰¹ As can be seen, the mobilized lower class took offense beyond government planning, and it served as a considerable element in radicalizing small to medium business owners and hardening their determination to oppose the government. A second error was made in 1972 in a discussion on the future implementation of the Basic Program. At this time the middle class had been threatened

⁹⁷ Ibid.

⁹⁸ Wynia, "Chile: Democracy Destroyed," 182.

⁹⁹ Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 74.

¹⁰⁰ Bitar, "The Allende Government's Attempt to Achieve Major Transformations in Chile: Lessons From Hope and Failure," 142.

¹⁰¹ Ibid.

by the reform and mobilized by various professional and trade organizations or opposition parties, but the government was still wishful of the idea of building trust and confidence among the middle class by giving guarantees to small and medium businesses that no more firms other than the original 90 would be influenced by the reform—a promise that it failed to keep before.¹⁰² This series of important errors and inconsistencies was not only detrimental to the reform but also the authority of Allende's administration.

Another flaw in the design was an underestimation of the enemies including both the opposition and the US. One thing the government economic recovery program was based on was the assumption of ample international reserves.¹⁰³ It is now obvious, after the discussion of the US economic sanction, that the UP government gravely underestimated the determination of the US to topple it, or it can be said that it overestimated the effect of its emphasis on democratic means on the US government which had stamped the Allende government as a communist threat. From the emergence of widespread opposition activities within a short time, one could see the lack of preparation against opposition sabotage. Throughout Allende's regime, there were widespread sabotage activities organized by some militant right-wing group to impede production. For example, a textile plant near Concepción was burned by right-wing terrorist squads, aside from which they also exploded the water and oil lines near the large copper mine.¹⁰⁴ The sabotage activities made the government somewhat reliant on the radical left-wing groups that radicalized the nationalization process but assisted with checking any sabotage activities. Besides grassroot activism, the various opposition organizations, such as the National Agricultural Society and the Industrial Society, severely crippled the production end by activities like funding lawsuits for their members against government intervention, during which the

¹⁰² Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 78–79.

¹⁰³ Edwards, "The Debauchery of Currency and Inflation: Chile, 1970-1973," 6.

¹⁰⁴ Stallings and Zimbalist, "The Political Economy of the Unidad Popular," 77.

factories were not producing.¹⁰⁵ Moreover, the Congress, seated by a majority PDC or PN senators with unanimous goal of ousting Allende, obstructed the reform process by rejecting critical bills that could promote the reform or alleviate inflation. For instance, the Congress objected to the proposals to increase wealth and income tax¹⁰⁶ which could be of tremendous help in funding government social programs and reducing deficit. The objection of the proposals exacerbated the fiscal situation of the UP government, worsening inflation. Amidst the shortages caused by the shrinkage of foreign reserve and the production decline, the economic elites, through the wholesale distribution professional organizations, opened up and expanded a black market with the primary goal of subverting the government furthermore and along the way making profits out of speculation.¹⁰⁷ Since the government had no control over the wholesale industry, this strategy was quite successful in driving up inflation and aggravating shortages. However, when the UP government tried to outlaw the black market and incriminate economic sabotage, the PDC and PN alliance again rejected the bill.¹⁰⁸ The scale and determination of opposition activities were unprecedented in Chilean democratic history, as one source from the New York Times said that a lot of people in the far right were “dedicating their lives to the overthrow of Allende—it was like a holy war.”¹⁰⁹ The Allende’s government was clearly not preparing for or even considering that at the beginning.

In conclusion, the overthrow of the Allende government was caused by a mixture of external and internal factors. It was very hard to predict where the road of the Chilean socialist experiment would lead to without US intervention, as it was clear that there were flaws in both the design and the execution. The US intervention, not allowing any time for the Allende

¹⁰⁵ Ibid.

¹⁰⁶ Ibid, 81.

¹⁰⁷ Ibid, 74.

¹⁰⁸ Ibid, 81.

¹⁰⁹ Hersh, “C.I.A. Is Linked to Strikes in Chile That Beset Allende.”

administration to readjust, sealed the fate of this experiment, even prematurely before the end of Allende's six-year presidency, which resulted in an end to the constitutional tradition and the start of a seventeen-year brutal dictatorship that demolished any hope for a future attempt at socialism. The US economic blockade, among other measures used against Allende, was the most effective. Comparing the different outcomes of the CIA covert operations in the Frei government and in the two elections with the CIA covert operations during the Allende years, one can observe the drastically different outcome when covert operations were performed in a stable versus an unstable society, which implies the limitation of covert operations. The observation, from the case of Chile, on the synergy effect of the cooperation of US state power and covert operations, could be used to study and assess the execution of other covert operations during the Cold War.

Besides, it left the impression of the fragility of a democratic system. It also led to the question of the morality or consequences of interventions. The US had in mind a clear picture of the repercussion of the economic sanction in Chile, as was foreseen in a secret special report "tremendous administrative and governmental problems brought on by a continued economic decline" and thus, "Allende's administration may be short-lived."¹¹⁰ As the military coup put a period on the chapter of Allende's reform, it confirmed the prediction in the secret report and announced triumph for US intervention. The US declared a victory and earned the assurance of the elimination of communism in another foreign country, while for the millions of Chileans, a seventeen-year struggle awaited, through which they would learn their lessons, reflect, and rebuild their democracy.

¹¹⁰ Kornbluh, "Destabilizing Democracy: The United States and the Allende Government," 86.

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