Monitor, Produce, Distribute: Chile’s Battle Against Inflation and Scarcity, 1932-1973

Joshua Frens-String
University of Texas at Austin, United States

https://doi.org/10.7440/histcrit87.2023.03
Recepción: 11 de marzo de 2022 / Aceptación: 8 de agosto de 2022 / Modificación: 7 de septiembre de 2022


Abstract. Objective/Context: This article reconstructs the struggle that consumers and the state waged to contain inflation and consumer scarcity in mid-twentieth-century Chile. Methodology: Drawing on records from Chile’s Ministry of Economy and print media, it first assesses how in the 1930s, mobilized consumers and Chile’s national price control office worked together to create an expectation that a strong interventionist state could prevent inflation and shortages by monitoring and regulating the speculative behavior of private merchants. Then, by examining the writings of leading economic thinkers of the postwar era, it details how the state’s understanding of rising prices and scarcity increasingly turned to structural matters of economic production and distribution, particularly in Chile’s rural economy. Originality: While most scholarship on inflation and scarcity in twentieth-century Latin America tends to either focus on the intellectual debate surrounding shortages and price volatility or on the grassroots political experience with these problems, I show how interactions between consumers and the state created a paradox. On the one hand, consumers came to expect that the state had an immediate duty and capacity to minimize short-term economic hardship. But on the other hand, by continuing to identify inflation and scarcity as problems driven by individual acts, many consumers, including some of the political left, lost faith in the state’s long-term planning capacity. Conclusions: The article concludes by showing how in the early 1970s, during a period of heightened class conflict, the state’s embrace of a longer-term, structural approach to inflation and scarcity drove a wedge between Salvador Allende’s Unidad Popular (UP) government and its political base.

Keywords: Agrarian Reform, Chile, Economic Structuralism, Inflation, Price Control, Scarcity.

Vigilar, producir, distribuir: La batalla de Chile contra la inflación y la escasez, 1932-1973

Resumen. Objetivo/Contexto: Este artículo reconstruye la lucha que libraron los consumidores y el Estado para contener la inflación y la escasez de productos en el Chile de mediados del siglo xx. Metodología: Basándose en archivos del Ministerio de Economía de Chile y la prensa impresa, se evalúa primero cómo, en la década de 1930, consumidores movilizados y la oficina nacional de control de precios chilena trabajaron juntos para crear la expectativa de que un Estado fuertemente intervencionista podría contener la inflación y la escasez al vigilar y regular el comportamiento especulativo de los comerciantes privados. Luego, mediante

This article is a contribution to the historiography on inflation and consumer insecurity in twentieth-century Latin America. Its publication is the result of the research on the social and intellectual history of consumer struggles in modern Chile and has not relied on outside funding.
un estudio de los escritos pensadores económicos prominentes de la posguerra, detalla cómo la comprensión estatal del alza en los precios y la escasez se volvió cada vez más hacia cuestiones estructurales de producción y distribución económica, particularmente en la economía rural chilena. **Originalidad:** Mientras que la mayor parte de los estudios sobre inflación y escasez en la América Latina del siglo XX tienden a centrarse en el debate intelectual que rodeó los recortes y la volatilidad de los precios, o en las bases de la experiencia política con estos problemas, se muestra cómo las interacciones entre los consumidores y el Estado crearon una paradoja: de un lado, los consumidores llegaron a esperar que el Estado tuviera el deber inmediato y la capacidad de minimizar las dificultades económicas a corto plazo y, de otro, al continuar identificando la inflación y la escasez como problemas impulsados por actos individuales, muchos consumidores, incluidos algunos de la izquierda política, perdieron la fe en la capacidad de planificación del Estado a largo plazo. **Conclusiones:** El artículo concluye mostrando cómo a principios de la década de 1970, durante un período de intenso conflicto de clases, la adopción por parte del Estado de un enfoque estructural a la inflación y la escasez a largo plazo abrió una brecha entre el gobierno de la Unidad Popular (UP) de Salvador Allende y su base política.

**Palabras clave:** Control de Precios, Chile, Escasez, Estructuralismo Económico, Inflación, Reforma Agraria.

**Introduction**

In early 1972, an economic expert from the United Nations’ Food and Agriculture Organization (FAO) touched down in Santiago de Chile to begin advising President Salvador Allende’s Unidad Popular (UP) government (1970-73). His arrival corresponded with growing concern that the country’s old economic nemesis, inflation, was returning. But as the new adviser searched for a place to reside, he was unprepared for how dire the situation had already become. In nearly every private residence he toured, stockpiles of canned goods and other consumer products filled basement spaces and storage closets. Startled, he turned to his former FAO colleague, Jacobo Schatan, who directed a state-run distribution company at the time. Schatan recalled how his friend encouraged the UP government...
to act quickly before more “serious problems” emerged, all the while completing a back-of-the-envelope calculation to estimate how much merchandise was being held off-market by the roughly 30 homeowners he had encountered.¹

Although the exact details of this story are hard to verify, Schatan’s decision to recount it in a 2008 article about the UP revolution is telling. For one, it belies the conventional narrative that government mismanagement alone produced the economic crisis that Chile confronted during the second half of Allende’s 1000-day presidency; instead, the former UP official recasts that crisis, which observers often associate with hyperinflation and shortages, as part of a far more contentious process of class conflict.² But in doing this, Schatan’s vignette obscures relevant information at the same time that it recovers this historical snapshot. For example, focusing on individual instances of hoarding removes from view the various structural considerations that, by the early 1970s, were central to most Latin American economists’ understanding of inflation and scarcity. What’s more, by presenting speculation as novel to the UP era, Schatan’s story also evades the ordinariness that such practices almost certainly constituted in a country that had for four decades worked tirelessly to stabilize prices and minimize consumer insecurity.³

This article expands our understanding of the struggle with inflation and shortages by framing the early 1970s not as a singular moment but rather as a final act in a much longer story. That story, I argue, began in the 1930s, when Chile established one of Latin America’s first permanent price control offices. The principal task of the early price control state was to set and monitor price ceilings for basic goods and then use punitive fines and temporary closures to punish private economic actors who failed to adhere to such regulations. State price inspectors became the frontline of a vast regulatory regime, and in turn, consumers came to see speculative hoarding and price gouging as the driving force behind everyday economic instability. Moreover, regular interactions between consumers and the state created an expectation that only with the state’s active regulatory presence in the marketplace would consumer security be guaranteed without sacrificing basic economic development goals, like high employment and wages.

In the 1950s, when the efficacy of these anti-speculatory policies was questioned, economic thinkers reevaluated the factors driving inflation and scarcity but remained committed to the idea that state intervention could resolve these two problems. Shifting their focus away from regulating speculative behavior, a new generation of economists argued that the structure of global trade and domestic production generated distortions in the consumer marketplace. From the 1960s through the UP revolution of the early 1970s, anti-inflation crusaders linked arms with small farmers to

² For a description of how economic chaos was used to justify the coup, see Pamela Constable and Arturo Valenzuela, A Nation of Enemies: Chile under Pinochet (New York: WW Norton, 1993), 15-39. Many autocríticas from one-time Allende supporters also argue that inflation and shortages weakened the UP significantly. See, for example, the memoirs of former Chilean Communist Party leader Luis Corvalán. El Gobierno de Salvador Allende (Santiago: LOM Ediciones, 2003), 160-161.
build a state capable of transforming old structures, starting in the food-producing countryside. But as agrarian reform advanced, old debates about deviant economic behavior’s role in producing consumer insecurity persisted. After truckers and private distribution firms attacked the UP revolution by shutting down the national supply chain in late 1972, a particularly contentious debate emerged within the Chilean left. How could domestic agricultural production alone guarantee price stability, some asked, if profit-driven distributors did not intend to distribute newly acquired goods equitably? While the state’s efforts to control speculation and hoarding had contributed to the growth and popularity of an active and interventionist state in the 1930s and 1940s, this article contends that many UP supporters began to see the state as insufficiently responsive to the sorts of speculative economic acts that Schatan recalled. Put another way, the immediacy of scarcity and inflation generated popular disillusionment with the modern regulatory state — a disenchantment that was not isolated to Allende’s conservative opponents but also extended into the ranks of Chile’s revolutionary left.

In reevaluating the world that emerged out of Chile’s decades-long struggle with inflation and scarcity, this article adds new perspectives to a topic that was once monopolized by economists and economic historians of modern Latin America. 4 Starting in the 1960s, two intellectual camps dominated the region’s literature on inflation and scarcity. For scholars working in the “monetarist” tradition, inflation was interpreted as a purely financial phenomenon fed by large public budget deficits and expansionary monetary policy. The monetarist prescription thus focused on cutting public expenditure, freezing wages, and adjusting interest rates with little regard for the socio-economic consequences, like unemployment and stagnation, that followed. 5 In contrast, those working in the tradition of “economic structuralism” saw both shortages and inflation as rooted in Latin America’s declining terms of trade with the industrialized world and stagnate productivity in a rural countryside that seemed unresponsive to market pressures. Structuralists advocated for new trade policies and tax reform, but agrarian reform was their signature demand in mid-century Chile and Latin America. In sharp contrast to monetarists, structuralists also contended that inflation could — and should — be resolved without sacrificing jobs and a robust social safety net. 6

Only recently have political and cultural historians of modern Latin America begun to approach the high cost of living in twentieth-century Latin America by considering the subject as a problem that extended beyond a narrow intellectual circle of economists. From the Southern Cone to Central America, new historical work has underscored how the cost of living was an everyday concern for ordinary working people, especially during moments of socioeconomic change. What’s more, this new literature on consumer politics reveals how state initiatives to

---


contain rising prices and guarantee access to basic goods produced class- and gender-based identities, as well as alternative modes of political organization beyond what formal political parties and trade unions offered. From Chile to Nicaragua, popular mobilization around food scarcity and inflation even made a social right to food security a key goal of revolutionary movements.7

This article seeks to build a bridge between economic historians’ focus on the causes of and solutions to inflation and scarcity, on the one hand, and cultural and political historians’ insightful examination of the bottom-up consumer experience, on the other. It emphasizes how mid-twentieth-century ideas about these interrelated problems were interpreted and then deployed by mass political movements to build an active regulatory state. As the case of mid-century Chile demonstrates, the establishment of state institutions to stabilize inflation and prevent scarcity was informed by consumer demands, but the effectiveness of those institutions could also be constrained by the short-term needs of those same consumers. Putting everyday economic problems at the center of the history of the twentieth-century Latin American state formation thus reveals not only the importance of cost-of-living struggles to the expansion of the state’s economic role; it also demonstrates how the persistence—and in some cases intensification—of inflation and scarcity led some to retreat from the state after it was built.8

1. The Rise of Chile’s Price Control State

In the mid-1940s, a young Chilean economic official named Guillermo Torres Orrego set out to explore the many policies that his country had adopted over decades to rein in inflated consumer prices and reduce scarcity. As a recently trained state price inspector, Torres Orrego was familiar with the growing regulatory authority of the mid-century Chilean state. However, upon analyzing the history of consumer protection from the colonial period to the present, what he quickly discovered was that his work was but the most recent chapter in a much longer history.9

Consumer regulation in the Spanish empire began in the early seventeenth century when the Crown tasked colonial inspectors, known as fieles ejecutores (loyal executors), with monitoring the price and quality of goods sold across the empire. Most often, this meant confirming that...
establishments selling basic products did so at fixed prices and using accurate weights and measures. During moments of scarcity, inspectors were also given the power to restrict the export of staple goods. Merchants found to be in violation of price or export orders faced stiff sanctions. In colonial Chile, one Cabildo of Santiago decree maintained that merchants who were guilty of speculation or hoarding would have their merchandise seized and their establishments permanently shuttered. In July 1700, inspectors ordered the closure of all industrial establishments in Chile that “lacked proper certification or credentials for their business.”

After independence, Chile’s republican government retained elements of the colonial consumer apparatus, particularly to protect access to vital foodstuffs. In 1824, legislators approved a two-year price cap for all bread and beef sold in public markets. Chile’s 1833 constitution then gave municipal governments the duty to ensure their residents’ health, a matter that included maintaining an unadulterated food supply. A new penal code in 1874 codified these regulatory functions. As Torres Orrego discovered, the code was among the first legal statutes to introduce the concept of “artículos de primera necesidad” (primary necessity goods). Chile’s 1891 Municipalities Law went further, establishing local inspection boards that could sanction individuals who engaged in price speculation or other economic acts that harmed public wellbeing.

While a legal and moral architecture for consumer protection had been created, enforcement during the early national period was arbitrary and autocratic at times. But the mobilization of working-class consumers in 1918 and 1919 marked a turning point. For nearly a year, consumers regularly marched in Santiago and other cities to demand the state promote domestic food production, streamline urban distribution, and enforce price ceilings. Within a decade, municipal officials reiterated these same requests when they called for a national commission on staple goods to clearly define what constituted “basic necessity.” As president from 1927 to 1931, General Carlos Ibáñez del Campo heeded these requests. His proposal for a Dirección General de Subsistencias (General Office of Staple Goods) recommended state oversight for all essential goods sales in Chile and required exporters to demonstrate a sufficient domestic supply of basic products before said goods could be exported. The state even planned to reinvest fines obtained from known speculators or hoarders into a special subsistence fund to build new food stores and finance agrarian development.

A global depression upended Ibáñez’s plans, but by the early 1930s, consumer regulation had become an accepted feature of the modern Chilean state. An early 1932 law established the creation of a national price commission with the jurisdiction to address rising food prices throughout the country. Then, in August of that same year, Chile’s brief Socialist Republic transferred control over price control matters to the Labor Ministry through an expansive decree, Decree-Law 520 (DL-520). Although later moved to the Ministry of Economy, the new agency that this order

12 The most complete account of the 1918 and 1919 hunger marches of the Asamblea Obrera de Alimentación Nacional is Diego de Maestri, Luis Peña Rojas and Claudio Peralta Castillo, La Asamblea Obrera de Alimentación Nacional: un hito en la historia de Chile (Santiago: Academia de Humanismo Cristiano, 2002). Also, Frens-String, Hungry, 41-46.
created, the Comisariato, became arguably the first permanent national consumer protection office in the Americas.\textsuperscript{15}

The job of the agency’s head, the General Commissar, was to recommend to the president what items should be included on national price control lists. To do this, he consulted with food, clothing, transportation, and basic infrastructure experts. Decades later, one conservative economist maligned the practicality of the state’s price control enterprise by recalling how this process had produced 38 different official prices for one less-than-essential product, the hot dog.\textsuperscript{16} But in the late 1930s and early 1940s, a far more limited understanding of a dignified life guided state price registries. The first two items to come under the agency’s watch were nationally produced coffee and vegetables. A second merchandise list, comprised of “primary necessity” goods or products of “habitual use or consumption,” included a broader assemblage of essentials: nitrate miners’ boots, matches, soap, firewood, canvas fabric, paraffin heating fuel, animal feed, and candles, to mention just a few.\textsuperscript{17}

DL-520 guaranteed the Comisariato an initial operating budget, but punitive fines from businesses that did not abide by consumer controls, together with the expropriation and resale of underproducing farmland and commercial merchandise, funded much of the agency’s work.\textsuperscript{18} Although opponents of the office attacked potential conflicts of interest that might emerge if funding was too closely tied to the issuance of fines, the primary architect behind DL-520, an independent socialist named Juan Bautista Rossetti, maintained that the regulatory agency exemplified economic justice in its most modern form. “The drama of society and of current politics rests upon the fact that there are some who do not understand the new era we live in,” Bautista Rossetti declared. He added that critics of price monitoring lived “with their head turned toward the past, like the woman from the Biblical story who was turned into a pillar of salt.”\textsuperscript{19}

In one early history of the Comisariato’s creation, legal scholar Sergio Merino Jarpa used similar language to describe the environment that produced DL-520. Chile was “rolling toward the abyss” in the early 1930s, Merino Jarpa wrote; with “each passing day, households were confronted with a situation that was ever more critical,” particularly when it came to finding household staples like beef, bread, and sugar. By confronting these conditions, the Comisariato would “humanize” the economy. Absent the office, Merino Jarpa matter-of-factly concluded, Chile would have endured “a real and permanent revolution.”\textsuperscript{20} Bautista Rossetti underscored how the Comisariato’s power

\begin{thebibliography}{9}
\bibitem{16} Patricia Arancibia Clavel and Francisco Balart Páez, \textit{Sergio de Castro: el arquitecto del modelo económico chileno} (Santiago de Chile: Editorial Biblioteca Americana, 2007), 171.
\bibitem{17} \textit{Boletín oficial del Comisariato de Subsistencias y Precios} 1, n.° 1 (March 1945): 30-35; Henríquez Vásquez, \textit{En ‘estado sólido’}, 219-220.
\bibitem{18} Henríquez Vásquez, \textit{En ‘estado sólido’}, 217-218.
\bibitem{19} Juan B. Rossetti, \textit{La conspiración de los peores intereses en la que ataca al Comisariato} (Santiago: Imprenta Gutenberg, 1941), 46.
\end{thebibliography}
to establish maximum prices buttressed the state’s goal of improving worker wages by offering “security” to laborers who feared that rising prices would erode purchasing power gains. These social functions were antithetical to economic liberalism, as Chileans had experienced that system to date, prompting Bautista Rossetti to declare that with the Comisariato’s creation, Chile had “buried the old liberal state” and begun building a new “socialist era.”

2. Against Speculation

The socialist horizon that Bautista Rossetti imagined was rooted in the language of economic rationality. The passage of liberalism, to paraphrase Bautista Rossetti, would only occur when price setting was handled by a “technical organism, invested with complete power.” In making this pronouncement, Bautista Rossetti rejected the establishment of a “political tribunal” (cuerpo colegiado) in which partisan politicians and entrenched economic interests assumed the power to regulate the production and exchange of staple goods. According to Torres Orrego, DL-520 assured that the Chilean state had “effective and scientific control over prices.” A cadre of price inspectors, of which Torres Orrego was a part, would act as a vanguard to overcome the sectoral proclivities of actually existing Chilean liberalism.

However, despite such pronouncements, the work of the Comisariato was firmly embedded in politics. During the second presidency of Arturo Alessandri (1932-1938), newspaper reports lamented that the agency was fast becoming just another public office where the president offered patronage to his progressive backers while he focused on balancing budgets and reviving Chile’s export sector. When a new coalition of socialists, communists, and middle-class reformers promised Chileans “bread, shelter, and a warm overcoat,” consumers mobilized on city streets and in neighborhood plazas to reimagine the Comisariato as a tool for democratic empowerment. In the lead-up to the 1938 election of Chile’s Frente Popular (FP) coalition, citizen-consumer brigades took it upon themselves to monitor retail establishments and provide the Comisariato with names of specific private merchants and distributors who engaged in price gouging and speculative hoarding. These same activists organized hunger marches in Santiago and other major cities to highlight the disproportionate burden that women and children faced.

---

because of such immoral actions. Emergent was a concrete image of who benefited from—and who was victimized by—inflation and scarcity.

With the election of FP presidential candidate Pedro Aguirre Cerda in 1938, the Comisariato abandoned the “passive” act of setting and enforcing maximum prices, instead embracing what Torres Orrego described as an active role in the “production, distribution, and consumption of goods that were indispensable for everyday life.” Distribution in urban areas became one part of the FP’s struggle against the high cost of living. Falling under the purview of the Comisariato (though later gaining its own independent structure), a network of restaurantes populares (popular restaurants) distributed no-frills lunches to workers who were unable to commute home during their midday break in the late 1930s. According to one state official’s description of these public cafeterias, display signs included a “list of all the ingredients and their amounts” in each meal served to ensure they were in accordance with the “scientifically and technically studied” guidelines of Chile’s national nutrition council. The Comisariato’s creation of state-run retail stores (almacenes reguladores) similarly addressed working-class families’ needs by selling consumer essentials at reliably low prices. Underpinning both public dining halls and retail outlets was the notion that a competitive public option would deter private economic actors from the temptation of withholding products from the market until higher prices prevailed.

The Comisariato’s chief role under the FP continued to be that of a regulatory watchdog. A multi-point list of instructions for price inspectors, published by the Comisariato in the late 1940s, outlined the agency’s key functions. These duties included ensuring that merchants’ balances were “honest,” that price tags and places of origin for basic foods be “visible to the public,” and that every customer be provided a proof of sale receipt after his or her purchase was completed. When a business did not abide by these basic requirements, inspectors acted, often with the national police at their side. Agency inspectors then ensured that guilty enterprises did not continue business “clandestinely.”

While the archives of Comisariato are at times incomplete, the mid-1940s clearly marked a period of intense regulatory action. Between late March and early May 1943, the agency’s Legal...
Department reviewed and adjudicated more than 300 alleged price control violations in Santiago and smaller regional cities. Sanctions against six shopkeepers in the southern city of Temuco, each of whom had repeatedly failed to indicate the price and place of origin for primary necessity goods in their respective stores, were typical. After reviewing the nature and value of the goods that each merchant had improperly tagged, state inspectors delivered closure notices, which ranged from 16 to 31 days, to each shopkeeper.31 Just days later, in Santiago, the Comisariato allowed a merchant found guilty of price gouging to keep his business open under the condition that he pay a fine roughly equal to the profits he had accrued while selling goods in his store above official prices.32 In another case pertaining to housing, a Santiago landlord named doña María Valverde successfully petitioned the Comisariato to reconsider its decision to seize her run-down rental property on Calle General Salvo, noting that her failure to renovate the property was due to her tenant’s refusal to grant entry to the building, not her own negligence.33 However, just four days later another Santiago property owner named doña Rebeca Valle saw her request that the state raise the rent ceiling on her property denied; according to the Comisariato, the real value of the unit had not changed enough to warrant an adjustment.34

These and similar cases suggest that in its fight against the high cost of living, the state went to great lengths to strike a balance between the rights of merchants and property owners, on the one hand, and the basic needs of struggling consumers and tenants, on the other. But when we observe these everyday interactions between the state and private retailers alongside the declarations of Chile’s powerful postwar Communist Party and other consumer organizations, it becomes clear that the Comisariato’s existence informed a popular belief that inflation and scarcity were often the result of individual choices and transitory circumstances.35 In its postwar “program for victory,” published in early 1945, Communist Party members suggested that if the state actively acquired and then fixed prices for essential food imports, cost of living problems could be quickly resolved.36 When José Santos Salas, a leading voice on matters of public health and a presidential candidate the Communist Party had supported in the late 1920s, was selected to lead the Comisariato just a short while later, he proclaimed that there was great “pride in being a functionary of an agency in a constant struggle against agitators and speculators.” The Comisariato, he insisted, had a “social and human function” to defend the interests of Chile’s

35 Frens-String, Hungry, 57-58.
“disenfranchised classes,” and to that end, he promoted (albeit unsuccessfully) new legislation that defined hoarding and speculation as “economic crimes.”

In 1946, when the Comisariato pronounced that a “Right to Subsistence” had emerged out of World War II, organized consumers were quick to fill in the details of what constituted this new economic right to consumption—and point out who was at fault when it went unfulfilled. In early 1946, Chile’s Communist daily decried the actions of retailers and distributors for the scarcity of bread, tea, sugar, and cooking oil—just a handful of the more than 200 different products and services that filled state price control lists when the postwar era began. In one particularly personal attack, Communist Party members alleged that speculation carried out by the shopkeeper father of Comisariato architect Juan Bautista Rossetti himself was responsible for sugar shortages in one downtown Santiago neighborhood. In turn, boisterous consumer demonstrations demanded the state purge compromised price inspectors, prosecute suspected speculators to the fullest extent of the law, and establish a state-run distribution company that would channel essential goods to consumers through neighborhood “subsistence committees.” As annual inflation rose to approximately 30 percent, newly-elected president Gabriel González Videla (1946-1952) responded to these concerns by appointing Communist Party members to crucial consumer posts. Although the political alliance between González Videla and the party was short-lived—in late 1947, the president ordered the detainment of many Communist leaders before proscribing the party from national political life entirely in 1948—his and subsequent administrations continued to wage a pared down war on alleged speculators that relied on educating consumers, sanctioning speculators when inspectors discovered economic wrongdoing, and instituting automatic wage adjustments, especially for public employees.


40 “Rossetti padre acapara azúcar: el pueblo le obligó a venderla ayer,” El Siglo, Santiago, October 27, 1946.


3. Structures of Insecurity

In his influential 1968 essay on the topic, Hirschman explained that by institutionalizing inflation through a complex system of price controls and regularized wage adjustments, the South American country had found a way to live with inflation, thus preventing, or at least delaying, the likelihood of both social revolution and civil war. But as others have argued, serious concerns built up just beneath this veneer of relative social peace. Brian Loveman notes that despite price controls and wage adjustments, “most urban workers along with the rural labor force actually lost ground in real income from 1938 to 1952.” What’s more, as consumer expectations rose, the state was forced to regularly use its scarce foreign exchange to buy expensive imports from abroad to sate those needs and expectations. This often came at the expense of importing value-added products and capital goods. In a haphazard search for a cure to price volatility, the state vacillated between currency devaluations and costly domestic production programs. When the second presidency of General Carlos Ibáñez del Campo (1952-1958) feared inflation could hit triple digits, the Chilean government implemented painful wage and public spending freezes at the behest of international financial consultants.

The long-term economic ineffectiveness of anti-speculatory measures, combined with the social and political costs of austerity, opened the door to new economic discussions about inflation and scarcity in Chile and Latin America. Underpinning these debates were two foundational principles of the original price control state: 1) that the state had the ability to reduce inflation and 2) that it could do so without jeopardizing basic economic development priorities. The new goal, however, was to dig deeper to understand the structural mechanisms of instability. One leading voice in these new debates was economist Aníbal Pinto. Born in 1918, Pinto came of age during the FP era. He studied economic development at the London School of Economics in the 1940s, where his critiques of neoclassical economics blended Keynesianism with Marxism. His analyses soon became a regular feature on the pages of Chilean Communist Party publications and popular economics journals like Panorama Económico, which he edited. Pinto’s more

---

44 Hirschman, “Inflation,” 220-223. A political consensus around this strategy of using price controls and wage adjustments to dampen social unrest helps explain why Chile’s price control office was not shuttered in the postwar period but was instead reorganized on at least two occasions—first in 1953 as the Superintendencia de Abastecimiento y Precios (Superintendent of Supply and Prices, SAP) and then in 1960 as the Dirección de Industria y Comercio (Office of Industry and Commerce, DIRINCO). See Henríquez Vásquez, En ‘estado sólido,’ 232-233. Also, Jorge Giusti, “Participación popular en Chile: antecedentes para su estudio. Las JAP,” Revista Mexicana de Sociología 37, n.º 3 (1975): 768.

45 Brian Loveman, Chile: The Legacy of Hispanic Capitalism (New York: Oxford University Press, 2001), 221-222.


rigorous academic work, conducted as an economist at the United Nations Economic Commission for Latin America (CEPAL), charted a new heterodox approach to inflation—one that recognized how Latin America’s modern economic institutions remained tied to older colonial practices but also emphasized the need for an alternative economic future in which development and stabilization marched forward hand-in-hand.48

Earlier than most of his peers, Pinto accepted the conservative position that monetary policy could be used to reduce inflation, but he was quick to note that the costs of wage freezes and public spending cuts made such policies ethically dubious and politically untenable. Instead, he argued that economists needed to understand the relationship of economic theory to history. Pinto’s early engagement with these issues drew upon the ideas of US New Deal economists like Seymour Harris and P.T. Ellsworth, who suggested that World War II had created an inflationary environment that was distinct from earlier periods.49 As the US stockpiled Chilean copper and nitrates in the 1940s, foreign exchange flowed into Chile like never before. However, because of wartime bottlenecks, Chile could not spend its new reserves. When supply chain issues were finally resolved, import prices surged, and Chile had no other option but to buy imports at inflated rates. In a 1946 article that appeared in the Chilean Communist Party’s monthly magazine, Principios, Pinto described these conditions as “the coronation of an irritating injustice.” Chile had become the victim of a “true robbery,” he argued: the US had bought Chile’s raw materials at a fixed, below-market price during the war, but when the moment arrived for Chile to spend its new savings, the exchange value of Chile’s foreign reserves had “dissolved like foam.”50

One conclusion that Pinto drew from this experience was that to successfully conquer inflation and scarcity, the state needed to reorient domestic production toward goods that the country actually consumed. In another article on the topic, he was careful not to see abstract growth as the “only remedy” for inflation. “The truth is that increasing production is not, nor has it ever been, nor will it ever be...an antidote to inflation,” he wrote in 1951. Proposing that growth could be “the cure for the sickness of inflation,” was, as he posited, “the equivalent of sending a tortoise to race

48 For an excellent biography of Pinto, see José Valenzuela. “Aníbal Pinto: Un clásico latinoamericano,” in América Latina: una visión estructuralista, edited by Valenzuela Feijóo (México, D.F.: Facultad De Economía Universidad Nacional Autónoma de México, 1991), 9-40. The third issue of the Panorama Económico, published in May 1947 and edited by Pinto, was dedicated to the problem of inflation, as were numerous other articles Pinto wrote in the late 1940s and early 1950s. For example, Aníbal Pinto Santa Cruz, “Qué es la inflación monetaria?” Panorama Económico 1, n.º 3 (May 1947): 26-28. See also his collected writings on inflation: Aníbal Pinto, Inflación: Raíces estructurales (México, D.F.: Fondo de Cultura Económica, 1973). For his later work that considered the historical roots of underdevelopment and inflation, see Chile: Un caso de desarrollo frustrado (Santiago: Editorial Universitaria, 1958).


50 Pinto, “El imperialismo,” 11-12. Margarita Fajardo has explored Pinto’s path-breaking approach to inflation as well. She notes how he emphasized that inflation in Chile was propelled by structural factors even as other CEPAL economists, including the commission’s longtime director, Raúl Prebisch, argued that workers’ wage demands fueled inflation. See Fajardo, The World that Latin America Created (Cambridge, MA: Harvard University Press, 2022), 74-82.
a hare” that had “escaped the corral.” But targeting the specific content of that production meant Chile could begin to stabilize prices by ending dependence on price-volatile consumer products.51

Other economists took this line of thinking further. In his contribution to Pinto’s 1951 volume on inflation, Sergio Molina Silva criticized the economic distortions that Chile’s price control system had generated. He noted that price controls for essential goods too frequently incentivized producers to manufacture superfluous non-essentials instead. “We believe that state action must be set up to control the system and the level of prices,” Molina Silva argued. But the economist also noted that there needed to be “clear and precise objectives, and in such a manner that in a given moment we are not surprised by a rise or fall in the production of particular goods.” To do this, he urged the state to establish a parallel planning capacity to identify major “consumer zones” and then build an integrated system of production, warehousing, transportation, and distribution to ensure producers were not driven into more profitable pursuits.52

Other cepalino thinkers, like Osvaldo Sunkel and Jorge Ahumada, added to these propositions by arguing that targeted price controls could play a temporary role in holding down prices. But ultimately, the geographic site of targeted state economic action needed to be rural production.53 Sunkel emphasized that inflationary pressures originated out of agricultural inelasticity and, more specifically, the incapacity of Chilean landowners to produce sufficient foodstuffs for its urbanizing population when imports grew scarce or expensive. Meanwhile, Ahumada observed that monetary stability could be advanced by expanding the consumer market in the countryside. For both economists, this meant finding ways to break up the power of Chile’s landowning aristocracy, whose production patterns seemed unresponsive to market changes.54

Starting under Jorge Alessandri’s center-right administration (1958-1964) and then expanding under the center-left government of Christian Democrat Eduardo Frei (1964-1970), the Chilean state became a laboratory for translating the structuralist theory of inflation into practice through agrarian reform.55 To be sure, political pressure from organized peasant groups propelled these efforts as well, but structuralist research provided robust economic data to justify the viability of such plans to a national urban audience. For example, Chile’s dependence on food imports had grown so much in the 1940s and 1950s that by the early 1960s, the country was importing approximately US$120 million more in agricultural production than it exported.56 Other surveys estimated that food purchases comprised somewhere between 60 and 80

---

56 Cited in Frens-String, Hungry, 115.
percent of total household expenditures by the mid-twentieth century. By producing more food domestically, Chile could slowly extricate itself from volatile global agricultural markets and secure a stable domestic nutritional reserve. Given that food constituted the largest share of household expenditures, it was expected that this newfound stability would, in turn, drive down general price levels across the economy.

4. Structure vs. Agency

The economic principles of structuralism continued to reign supreme when Allende’s UDI government took office in 1970. After chiding his two predecessors for promising to “put an end to inflation” but then overseeing an alleged 1,000 percent increase in the cost of living during the previous decade, Allende declared that his administration would finally win the “fight against inflation” by adopting an integral approach to structural reform. To Allende, this meant focusing on production but also rationalizing distribution and undoing a “demand structure” in which high-income-earners drove prices for essential goods out of popular consumers’ reach. In fact, while both supporters and critics of the UDI later attacked Allende for not taking the issue of inflation seriously enough during his presidency, economic historian Laurence Whitehead argues that it was Allende, rather than his two more conservative opponents, who articulated the most detailed approach to inflation during the 1970 presidential campaign.

Agrarian reform remained the core of Allende’s economic strategy. Agronomist Jacques Chonchol, who had initially led agrarian reform efforts under the Frei government, was among those who insisted that agricultural production was the axis around which broader national economic transformation should turn. If the benefits of agrarian reform were going to reach beyond the countryside, Chonchol maintained in a speech given shortly before the UDI’s election, the concept of structural change had to be extended to the “industrial structures” and “commercial structures” that “connected the country and city.” After reappointing Chonchol to guide the UDI’s agrarian reform project, Allende’s government went to work devising new channels through which domestically produced food would reach popular consumers. It expanded a national agricultural marketing company and invested in refrigerated commercial transport and storage to extend the

57 Juan Carlos Yáñez Andrade, “El problema de la alimentación: un enfoque desde las encuestas de nutrición. Chile, 1928-1938,” América Latina en la Historia Económica 24, n.º 1 (2017): 73-78. Yáñez Andrade suggests that food expenditures likely totaled around 70 percent of household purchases starting in the 1930s, though the survey data on this issue varies.


61 Jacques Chonchol, “Poder y Reforma Agraria en la experiencia chilena (1),” Conferencia dictada en el Departamento de Investigaciones del Centro de Estudios Socio-Económicos, Universidad de Chile, Santiago, July 18, 1969.
shelf life of price-volatile perishables like milk and fish. It promoted new regional food processing endeavors to reduce transportation costs between sites of production and consumption. It built new processing facilities for non-beef products, like pork and chicken, and it oversaw the eventual completion of a long-awaited, state-of-the-art slaughterhouse in Santiago. Finally, by nationalizing many of the same private distribution firms that consumers had blamed for inflation and shortages in the 1940s, the up laid the foundation for a national distribution network that would be driven by consumer needs, not profits.

Taken together, these initiatives reflected the up’s deep commitment to an expansive vision of structuralist economics. But to accompany this integrated approach, Chile’s Minister of Economy, the longtime cepal economist Pedro Vuskovic, emphasized the importance of mobilizing Chilean consumers as well. Not unlike what US President Franklin D. Roosevelt had done with his Office of Price Administration during World War II, Vuskovic empowered ordinary consumers—and women, in particular—to keep tabs on potential speculators and economic saboteurs, who might take advantage of the bottlenecks that could occur as production tried to meet rising demand. Starting in mid-1971, Vuskovic transformed Chile’s old national price control office, which had since been renamed, into an incubator for citizen-led consumer committees. Within 18 months, more than 2,000 juntas de abastecimiento y precios (price and supply committees, japs) existed across Chile, and several thousand up militants enlisted in inspection brigades to monitor local merchants and educate their neighbors about the importance of temporary economic sacrifice.

By mobilizing consumers against individual acts of speculation, on the one hand, and targeting agricultural production and distributional logistics, on the other, the up’s approach is best understood as an attempt to amalgamate the consumer-led anti-speculation politics of the Frente Popular era with the tenets of postwar structuralism. The idea was to keep price levels stable long enough for the structures of consumer production and distribution to be reformed. The up hailed high growth...
figures, a rapid decline in inflation, and unprecedentedly low unemployment as evidence of its success during Allende’s first year in power. 67

But one major government misstep and at least two unexpected international events put this grand bargain at immediate risk. The first misstep was the UP’s decision to implement a roughly 30 percent wage increase in 1971. Although the measure consolidated electoral support for the UP and reactivated sluggish production, the sudden expansion of the money supply pushed consumer demand far beyond what even the significant early gains in productivity could absorb. At almost this same moment, Chile’s national economic outlook was rocked by a 25 percent drop in the global price of copper, on which 80 percent of its foreign exchange depended. These disruptions, coupled with a freeze on short-term credit and international loans from the US and a host of international lenders, produced a rapid decline in foreign exchange. In just one year, Chile’s foreign reserves fell from $344 million USD to just $30 million. As budget deficits grew, inflation surged to over 200 percent in 1972. 68

In this challenging economic context, the supply chain became less a site of economic experimentation and more an arena of political struggle; for both the UP’s grassroots base and the revolution’s opponents, asserting control over the process of distribution became a means to maintain or take back power. This became especially clear in October 1972 when private distributors engaged in an unprecedented national capital strike. For nearly a month, truck drivers and the leadership of one of Chile’s last privately controlled distribution firms shut down the supply chain. 69 In response, UP sympathizers used the JAPS as designated nodes for consumer distribution. When the strike concluded, the revolutionary left then demanded this system of citizen-led distribution be made permanent in working-class neighborhoods across the country. 70 A worker at a food processing factory near Santiago reflected on how consumer-led distribution would soon be akin to worker management and “popular power” on the factory floor. “Now that we increased production and figured out how to do that,” Jaime Ramos told a reporter in early 1973, the moment had arrived to also “take on the right of distribution.” 71 In the months surrounding the October Strike, theory became practice as working-class consumers, acting with little or no government assistance, established nearly 80 citizen-run almacenes populares (“people’s stores”) in poor communities around Santiago, where neither private merchants nor the state had much presence. 72 By early 1973, the supply chain was arguably the most important space in which Chile’s two


68 Barbara Stallings and Andy Zimbalist, “The Political Economy of the Unidad Popular,” Latin American Perspectives 2, n.º 1 (1975): 71-76; Meller, Un siglo, 121-125. On the UP’s failure to appreciate the impact that such significant wage increases would have on the Chilean economy, see Bitar, Transición. Also, José Serra and Arturo León, “La redistribución del ingreso en Chile durante el Gobierno de la Unidad Popular: Éxito y frustración,” Documento de Trabajo n.º s 70/78 (Santiago: FLACSO, 1978).

69 See Frens-String, Hungry, 157-160; 182-185.


72 Silva, Los cordones, 293.
dueling revolutions—what historian Peter Winn first referred to as a top-down “revolution from above” led by Allende and a “revolution from below” led by factory workers, landless peasants, and pobladores (urban poor)—competed for primacy.73

Journalist Héctor Suárez Bastidas articulated this tension between the up state and its mobilized grassroots base in a long April 1973 article that ran in Chile’s revolutionary left magazine Punto Final. In the piece, Suárez Bastidas criticized Allende’s decision to use the Chilean armed forces to regulate consumer distribution after the October Strike, arguing that the move was evidence that the up state did not understand the political nature of the economic war waged against it by its opposition. After the strike, supply-related issues were no longer a technical issue that could “be resolved through [changes to] the superstructure or through a governmental decision,” Suárez Bastidas wrote, quoting an unnamed economist with whom he had spoken. Rather, new channels for direct distribution, linking workers producing in consumer goods factories and the reformed sector of the countryside to consumers, would have to become, at least in the short-term, the “engine of the revolution,” to use the words of one worker-consumer alliance that had organized itself after the strike.74

In another article that ran in the leftist magazine Chile Hoy, socialist economist Álvaro Briones went to great lengths to articulate the demands of consumer activists as a step beyond the tenets of structuralist economic thought. The up, he maintained, had become too fixated on production, and as a result, the Allende government was ignoring the immediate limitations imposed by the distributional supply chain. The October Strike had created a new reality. Inflation and shortages could no longer be interpreted as consequences of “insufficient supply,” Briones contended. Instead, in a context of intensifying class struggle, politically motivated hoarding and individual speculation by identifiable distributors and high-income groups fueled these problems. The state could guarantee a “minimum level of consumption” for working-class consumers, he argued, but it was consumers themselves, not the state, who needed to “attack the problem [of scarcity and inflation] at its point of origin” by decentralizing and democratizing distribution at the neighborhood level.75

Allende rejected these critiques and alternatives for both political and economic reasons. He had only recently brokered an end to the October Strike by promising to regulate, but not directly interfere with, the work of private distributors. To allow consumers to commandeer the supply chain would have constituted political suicide. Even more than this, though, Allende insisted that who controlled distribution mattered little if there were no goods to distribute. If every individual member of the JAP had the “same power” as the state, the result would be “brutal anarchy,” Allende told a group of consumer activists during a contentious meeting in February 1973.76

74 Suárez Bastidas, “La distribución.”
Conclusion

For much of the mid-twentieth century, the capacity of a strong state to halt inflation and prevent scarcity generated high consumer expectations. Beginning in the 1930s, Chile’s price control office had been established as a response to consumers’ claim that the state had a moral duty to protect consumers from economic insecurity. In due course, the price control system came to reflect the belief that preventing inflation and shortages did not mean sacrificing growth and employment. Although its methods shifted, a belief in the economic power of the state grew stronger in the postwar period when economists documented how inflation, both in Chile and around much of Latin America, was being continually reproduced by unresponsive economic structures of agrarian production and distribution. This “discovery” became the intellectual basis for one of the modern Chilean state’s most ambitious endeavors: national agrarian reform.

But the October 1972 capital strike, together with surging consumer demand, collapsing commodity prices, and an international credit blockade, helped sow doubt about the state’s capacity to protect consumers. On the political right, conservative women famously banged empty pots and pans to protest the UP’s interventionist approach to the consumer economy. But on Allende’s political left too, many working-class consumers turned inward to their own local communities when the state’s regulatory apparatus failed to protect their everyday economic security. Amid triple-digit inflation, the revolutionary left, in particular, argued that citizens themselves—rather than the state or private firms—were best suited to resolve distribution problems. In essence, the institutional state needed to step aside and allow working-class consumers to lead.

When a military coup toppled Allende’s government in September 1973, advisers to General Augusto Pinochet pointed to the roughly 3,000 products for which the state had frantically tried to maintain official prices as exemplary of the state’s unfeasible economic approach. According to one Pinochet adviser, such lists were the last evidence needed to show why the market and “individual initiative” should immediately replace the “weight of the state.” As the dictatorship disassembled the price control state during its first weeks in power, it also dismantled a principle that had connected price controls to economic structuralism and the Frente Popular to the Unidad Popular: the principle that, absent state intervention, price stabilization would inevitably come at the expense of employment, decent wages, and the welfare state itself.

Bibliography

Primary Sources

Archives

1. Archivo Nacional de la Administración (ARNAD), Santiago de Chile, Chile. Fondo Archivo Empresas de la Corporación de Fomento de la Producción (CORFO). Fondo SOCOAGRO. Fondo Ministerio de Economía (MECO), Servicio Nacional del Consumidor (SERNAC).

77 See Frens-String, *Hungry*, 177-182.

2. Archivo Nacional Histórico (ANH), Santiago de Chile, Chile. Fondo Gabriel González Videla (GGV).

Printed Primary Documentation

Periodical Publications


Secondary Sources


Joshua Frens-String

Ph.D. in History from New York University. Assistant Professor of History at the University of Texas at Austin and an associate of the Teresa Lozano Long Institute of Latin American Studies (LLILAS). He is the author of *Hungry for Revolution: The Politics of Food and the Making of Modern Chile* (University of California Press, 2021). jfstring@utexas.edu