

The history of chile history essay



At the beginning of the 19th century, Chile was a well established Spanish colony. The finality of the struggle for independence came with the usurpation of the Spanish crown in 1808 by the intervention of Napoleon, an act that threw Chile and the other colonies on their own resources and led them to take the first steps toward greater autonomy and self-government. Despite the colony's isolation, its inhabitants at the start of the 19th century were affected by developments elsewhere. Of these developments, the most significant were the winning of independence by the thirteen North American colonies, the Haitian Revolution, and the French Revolution. Trade restrictions in Chile were relaxed, steps were taken toward abolition of slavery, and education was supported. However, the signs of civil discord were beginning to show. The Creoles were divided over how far the colony should go toward self-government, while Spain was taking steps to reclaim its control over the colony. In 1817, Chile's independence was gained when patriot forces defeated royalists to Spain.

Chile was now free but its weaknesses were evident. The elite groups were dedicated to the preservation of those foundations on which such things as law, property, family, and religion were founded. Those outside of the elite groups were excluded from government. Throughout the next three decades, Chile established its own authoritative group, made possible by a compromise among the members of the oligarchy. A new constitution was established in 1833 and remained the basis of Chilean political life until 1925 when it was rewritten. It created a strong central government, responsive to the influence of the landowning class, which controlled the parliament.

The new government and the succeeding governments dedicated themselves to developing the economy. Their first and most pressing need was to rebuild state funding. Measures were taken to expand the principal source of state income, foreign trade. Foreign trade was highly encouraged, especially with British merchants. The efforts put forth to reestablish state finances would not have worked if Chilean products had not found new markets abroad. The discovery of gold in California and in Australia during the early 1800s assured Chilean grain a vast market as the populations of those two areas expanded. In response to European demand, the production of silver and copper increased, resulting in increased wealth of the state and the landowning class. The economic development helped overcome political disagreements and aided the consolidation of internal peace.

Political stability and economic prosperity opened the way to modernization. The 1800s saw the construction of the first railroads, improvements in infrastructure, and the harbors were improved for mercantile trade. The government tried also to develop education, though largely for upper-class children. The University of Chile was founded, and overseas scholars were recruited to cultivate geologic, botanical, and economic studies. The new developments in business attracted several foreign entrepreneurs, mainly British, French, and North American, who came to control the import-export trade.

The expansion of mining production and agriculture generated new fortunes, whose owners soon made their entry into the political world. Constituents of the economic and political upper class began to travel and study in Europe.

They brought back political, literary, and scientific ideas, resulting in a heavy European influence within Chilean society.

This new political and cultural influence of Europe resulted in closer economic relations, with Chile's main trading partner, Great Britain. The British began to invest considerable capital in the construction of railroads and the modernization of ports and public services in Chile. This heavy British influence within Chilean economy worsened an already unstable balance of payments, the result being a gradual devaluation of the Chilean currency in relation to the British pound.

Chile turned to saltpeter mines to improve its balance of payments. Around the saltpetre mines, in the large public utility enterprises in railways, gas, electricity, and in the many factories that began to appear in urban areas, an active working class developed. But, loans obtained from Britain and the United States served more to pay the interest on previous debts and to cover state expenses than to allow productive investments. The country consumed more than it produced, and this was translated into an annual inflation rate of more than 10 percent and to the constant devaluation of the currency. Agricultural production was unable keep pace with home consumption, and large landowners were unable to introduce techniques to increase it. Industrial development fell behind because of insufficient capital.

Prices for saltpetre and copper fell during the depression of the early 20th century. Consequentially, Chile had to reduce national imports, which resulted in reduced national production. Expenditures grew, while incomes decreased. A system of nationalizing Chile's copper mines ensued to stifle

the economic downturn. The intent was to increase incomes, with which they planned to permit industries to develop; they also planned a vast agrarian by which to reduce the imports of agricultural products. An agrarian reform law was approved that enabled the government to expropriate uncultivated land and to limit the land that could be conserved by each owner. Peasant cooperatives were to be established on these lands, and the state was empowered to teach the peasants better farming techniques. Agrarian reform, however, proceeded slowly because of its costly emphasis on better housing and agricultural equipment and on an irrigation system.

The early 1970s brought extra strain to Chile's economy. A program of complex reorganization of properties as a result of the nationalization of U. S. owned copper mines, the main resource of economic production, and of a number of other heavy industries, led to extensive and unforeseen difficulties. Hardships in sustaining production levels were enhanced by boycotts on the side of American capital and the decline of agricultural production was a consequence of agrarian reform. The economic atmosphere of inflation and stagnation of production gave ammunition to the forces that opposed the socialist experiment. In 1973, a private enterprise economy was established.

In 1970, Chile had a public health and education system, a substantial professional middle class, a stable working class, and a considerable supply in natural resources. New free market reforms were used to funnel wealth and power into the hands of a few class elites, destroy labor's bargaining power by undermining its base in traditional industry and the state, and strip away existing social guarantees. The course of action that brought about the

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concentration of wealth in Chile was the result of a revolution in economic policy implemented by a group of Chilean economists who had studied with free market proselytizers at the University of Chicago in the United States.

The “ Chicago Boys,” as they came to be known, believed that a complete opening of the economy to international competition and a reduction of the role of the state and politics in society would improve the economy. These economists began by opening the Chilean economy to international trade. Long-established industry fell into ruin under the pressure of international competition. By 1975 Chile’s GDP dropped 14%. Chile’s traditional elites were devastated by the opening up of the economy. The Chicago Boys used the economic crisis of 1975 as an opportunity to restructure the economy to their liking. Banks and industries that had once been nationalized were now privatized to a small number of groups, owned and run by the Chicago Boys and the supporting elites. These groups became the driving force in the new Chilean economy. The future of the Chilean economy was now dependent on the unregulated relationships between the few class elites and their financial institutions.

The new Chilean economy enjoyed success for a few short lived years but when Mexico declared an international debt-service standstill, and the international bankers stopped providing new money to roll over bad loans, Chile’s economic bubble burst. And the Chilean state once again became the owner of most of the Chilean economy. The Chicago Boys took advantage of the depression by creating a new stage of privatization began. State enterprises, including the electricity and telecommunications companies, were up for sale. International capital got the upper hand and foreign

investors, including many U. S. banks and mutual funds, such as Citicorp, Morgan Guarantee Trust Co. of New York, the Bank of New York, became the proud owners of public service companies. National wealth was again concentrated in the top elites' private hands.

Throughout the 21st century, Chile's economy has remained one of the most successful in South America. Today, Anacleto Angelini is the richest man in Chile, with an estimated net worth of \$2. 3 billion. Mr. Angelini controls Grupo Angelini, the second largest of the conglomerates that now dominate the Chilean economy. The economic restructuring of the past 20 years has transferred national wealth and power to a small number of these Chilean elites and their international partners. The top six groups now own more than 20% of Chile's capital stock. From 1990 to 1995, the total assets of the top six conglomerates grew from an equivalent of 54. 2% of GDP to 55. 8%. The Angelini empire alone accounts for 5% of Chile's exports.

The second stage of redistribution of national wealth to a few elites like Mr. Angelini, corresponded with the decline in the percentage of national income going to wages and an overall rise in poverty. Poverty in Chile used to indicate rural landlessness or urban joblessness. Today, the poor are no longer marginal to the national economy. They are key components in the workings of the nation's free-market economic model. Even attaining a job in the formal sector is no guarantee of escape from poverty. The poor aren't the only sector exacerbated by the free-market model. In the past, Chile's middle class developed along with the growth of the state but when state employment was drastically reduced during the privatization process the traditional middle class became impoverished.

Chile was the scene of violent street confrontations between students and teachers and state security forces over an educational reform in 2008. Additionally, there have been continuous strikes in sectors ranging from the copper mines to health care.