
José Manuel Balmaceda

The pro-industry faction in Chile

José Manuel Balmaceda (1840-91) was the leader of a pro-industry, protectionist faction in Chile which based itself on the policies advocated by German economist Friedrich List. As President from 1886-91, Balmaceda battled British financial interests which controlled the nitrate mines and raw materials extraction industries, and took specific measures to promote industry and infrastructure development.

Balmaceda called for control of the national banking system, built railroads, channeled credit to industry, and insisted that this process would not be inflationary. He urged that nitrate income be used to finance national development projects and that the cost of government administration and services be paid by internal taxes. He promoted the development of Chile's railroads, and launched an aggressive colonization program in the southern part of the country. Almost 50% of the total number of immigrants who settled in Chile between 1849 and 1910 arrived during the four years of Balmaceda's presidency.

Threatened by these development policies, British-allied domestic factions launched the "1891 Revolution" and overthrow of Balmaceda, forcing him to take refuge in the Spanish embassy, where he allegedly committed suicide.

On Jan. 17, 1886, in accepting the Liberal Party's nomination for the presidency, Balmaceda stated:

If, following the example of Washington and the great Republic of the North, we prefer to consume our domestic production, though it may not be as perfect and polished as the foreign one; if the farmer, miner, and manufacturer use goods or machinery that can be produced in Chile; if we broaden and vary the production of raw materials, and work and transform them into useful goods for our life or personal comfort; if we ennoble industrial work by raising wages in proportion to the increased intelligent devotion of the working class; if the state, maintaining the level of its revenues and its expenditures, devotes part of its wealth to the protection of national industry and sustains and provides for it in its first trials; if we have the state with its capital and its economic laws cooperate; if all of us individually and collectively cooperate in producing more and better, and consuming what we produce; then, richer blood would circulate through the industrial body of the republic and more wealth and welfare would give us the possession of the

supreme good of a diligent and honest people: to live and clothe ourselves, by ourselves.

The idea of national industry is associated with the idea of industrial immigration and with building, through special and better paid work, a home for a large class of our people—not the man of the city, nor the tenant farmer, but the working class which roams the countryside and lends a hand in the big construction sites, but which in times of possible social agitation can intensely disturb the peace of mind.

Call for creating a state bank

On July 9, 1891, Balmaceda's government issued the following call for the creation of a state bank:

The creation of a bank, with the state's assistance and supervision . . . is one of the most efficient ways to promote wealth and labor; to prevent economic upheaval and protect the economic life of all industries and honest trade from the speculation and influence of a few—by the effective action and assistance of the community.

The system of private banks entitled to issue [money] has ended in Chile. . . . It is therefore indispensable to create the bank that can do this. . . . In this institution, there will be no banking classes, oligarchies, or credit directors for their exclusive benefit or to develop pernicious political influences. This bank will be one which does not create wealthy individuals. . . .

To this bank corresponds the exclusive right of [credit] issuance, and as it will have substantial capital, the issuance will occur in the proportion necessary to carry out daily operations.

On March 9, 1889, Balmaceda addressed the need for expanding the country's railroads:

I want Chile to become the owner of all the railroads built on its territory. Private railroads necessarily respond to private interests, in the same way that the state's railroads above all obey the interests of the community, rates which are low and encouraging to industry, promoting the value of the property itself.

British railroads targeted

In Antofagasta on March 17, 1889, Balmaceda discussed the need to expropriate British-owned railroad lines:

The day is not far off when the republic's private railroads will be expropriated. Their rates are three and four times higher than those set by the state's railroads in the central and southern part of the republic; this has resulted in the stagnation of mining and agriculture [which are] subject to speculators who, on a vast scale, use the efforts of large and small industrialists with visible and grave harm [caused] to general industry and production.