

63. The imported component of such investment, however, would be lower than in the past in order to reduce external dependence.

64. June 1972 unemployment had dropped further, to a level of 3.7 per cent.

65. Before the Chileanization and nationalization policies of the previous phase, large-scale copper mining had been entirely foreign-owned. Under Frei, however, a substantial share of ownership had been returned to Chile. For details, see subsection 4.2.1, below.

66. De Castro [1972:45] suggests that actual investment may in fact have declined more than 7.7 per cent because much of the construction investment was done by the government and measured at factor cost. It was, therefore, overvalued in real terms because of the very high rate of increase of wages.

67. On the other hand, investment in human capital may have increased. Minister of Economics Vúskovic also suggested that the changing of the structure of ownership, which was accelerated in this period, was a prerequisite to sustained long-run Chilean development.

68. The ranges refer to the alternative estimates given in Banco Central [1973b].

69. In the first three quarters of 1972, shipments were down 21 per cent in current dollars and export returns increased only 1.5 per cent in current dollars.

70. To provide some perspective, however, the 1971 and 1972 copper prices still were higher than those received for any year before 1965 and, according to Cauas [1972:52], were higher than the price which had been used in 1970 in the Central Bank in its projections for 1971.

71. In the first eight months of 1972 current-dollar registrations were 17.9 per cent above the level of the comparable period for 1971.

72. The Allende government inherited \$3 billion of foreign debts with amortization and interest payments of \$433 million due in 1971, \$409 million due in 1972, \$410 million due in 1973, and \$388 million due in 1974. In April 1972 the Paris Club (the United States and ten other major creditors) recommended the adoption of a new payments program over an eight-year period, including a two-year grace period on 70 per cent of the Chilean debts which were due between November 1, 1971, and December 31, 1972. The creditors promised to study "with good will" the refinancing of those debt payments due in 1973, but no agreement on further rescheduling had been reached by the end of the Allende government.

73. Perhaps one should say that exchange control was reintroduced, since substantial control had existed a century earlier.

74. That changes in measures based on price ratios of final to intermediate products do not induce resource allocation changes except under very special assumptions has been well-established for some time on a theoretical level. The present results illustrate how such measures also may be quite inadequate in empirical applications.

75. The recent reduction of foreign ownership which is described in subsections 4.2.1 and 4.3.2 may have reduced the impact of this effect.

76. Nontraditional exports, the expansion of which has long been desired in order to reduce risks by diversifying, have been particularly discouraged (section 7.2).

77. Revenues from imports have fallen more than total imports because of the tendency to favor "essential" imports with relatively low tariff rates when restrictions have been intensified.

78. In the past, of course, pressures resulting from internal inflation have forced the government to devalue despite the costs, but then generally an attempt was made again to maintain an overvalued NER.