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~~TOP SECRET~~ [REDACTED]

CHILE: KEEPING THE LID ON

The junta appears to be gaining confidence in its ability to forestall organized violence from the left; at the same time, it seems to have become more aware that its economic recovery program could cause it troubles with Chilean workers.

Curfew restrictions were tightened in Santiago last weekend, apparently on the assumption that the left might turn to violence to mark the third anniversary of the late president Allende's inauguration. Possibly as a result, the occasion passed quietly.

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[REDACTED] Extremist leaders are [REDACTED] under arrest or in flight and the left is described as "disorganized" and "decimated." [REDACTED] however, that the left has not been completely disarmed and that arrests, interrogations, and the "psychological campaign to break the extremists' will to resist" should continue.

Concern that the harsh measures against the left may be counterproductive in the long run [REDACTED] is surfacing within the corps of carabineros (national police). Carabinero officers are said to be especially unhappy about continued summary executions despite the government's declared policy to the contrary. Orders from headquarters in Santiago, however, may not always shape actions in the field. There have even been reports that the carabineros, rather than the armed forces, have displayed the most brutality in dealing with the junta's opponents.

At any rate, the regime may be moving toward the conclusion that a leftist counterattack is not an immediate threat, and that resentment of its economic policies poses a potentially more serious problem.

Only a week ago, Interior Minister Bonilla and Economy Minister Leniz were advising workers' wives to stop buying for a while if they thought prices were too high. On 5 November, however, Admiral Merino, a member of the junta, reminded 600 businessmen that their recently regained power to set prices could produce either "well-being or unrest." Merino's emphasis on the effects of prices appears to have been meant as a warning to the businessmen not to allow the lure of profit to sabotage the government's efforts to win over the workers. Speaking to the same audience, the economy minister noted that, "Nothing is gained by charging high prices if no one purchases."

Christian Democratic economists [REDACTED] fear that the attempt to spur production through higher prices will backfire if incomes policies overly constrain demand. The junta may have similar doubts about the economic plan it is implementing at the behest of an influential group of young technocrats, and Leniz has announced that a new pay policy will be promulgated in January. In the meantime, the government is likely to move quickly to correct economic abuses such as failure to pay the wage bonuses it has ordered. [REDACTED]

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