John T. North, The Nitrate King, and Chile's Lost Future

by
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This, like many other narratives on the history of Chile, is a consideration of what might have been. In any analysis of an underdeveloped nation, we must face the past as it occurred and compare it with other, possible pasts. Until the short-lived presidency of Salvador Allende Gossens, 1970–1973, no government had pursued a socialist form of development, and therefore all questions about Chile's dependent development and underdevelopment until then turn on what kind of capitalism took place within the country and what kind might have been possible. The issues and events presented here are embedded in Chileans' own sense of the past. José Manuel Balmaceda is the "presidential martyr" of national development, the tragic figure of a once possible but now lost future. Had he not been overthrown by a congressional rebellion, he might have set Chile on a very different course of national capitalism in which a fortune derived from nitrate revenues would have seeded education, economic diversification, and a national transport system. In short, Balmaceda's administration is seen as a lost opportunity to have modernized the country.

After World War II, it was the left that most often discussed Balmaceda and Chile's lost future, but it did not monopolize the discussion of his importance and the civil war of 1891. Liberal political thinkers had staked out much of the historical terrain about the president and the conflict well before 1945 and as early as the 1890s had raised the key issues of the conflict. Had Balmaceda exceeded his presidential authority (was the rebellion justified)? Were his economic plans decisively different from those of the victors? Was the civil war primarily a domestic conflict, or had it been provoked and abetted by foreign interests? It was the last of these questions that preoccupied the classic leftist analyses of Hernán Ramírez Necochea (1960; 1969), Julio César Jobet Burquez (1955), Marcello Segall (1953), and Andre Gunder Frank (1967). Ramírez Necochea stated their central concern: British economic imperialism had removed the nitrate wealth from the country, and

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when Balmaceda moved to stop this looting of the nation's riches British interests led by John Thomas North, "the Nitrate King," financed the overthrow of his government.

Recent studies of Chile and works on British imperialism have raised once again the century-old question what became of Chile's nitrate fortune at the turn of the nineteenth to the twentieth century. A body of new work on the civil war appeared around its centennial. At the same time, new insights into economic imperialism have allowed us to refine the possibilities within Chile's past. Chile's nitrate era (1880–1930) grows out of the last period in which economic liberalism or, as contemporary Latin American critics prefer to call it, "savage capitalism" went unchallenged. Living in another such era, one that grew out of the debt crisis of 1982 and the end of the cold war, we can look to the past for some indication of what may happen when international capitalist trade encounters few obstacles. In this last respect, Chile's nitrate experience is sobering. Foreign trade expansion led to opportunities for the few and poverty for most. Urban development left an impoverished countryside, and many of Chile's "modern" conflicts, from labor confrontations to burgeoning slums, began. As a historian, I concentrate on the past and leave it to the reader to draw parallels to the savagery and insecurities of the present. But Chile's most recent foreign trade boom, begun during the dictatorship of Augusto Pinochet and continued by elected governments of the Concertación, has now run into the patterns of stagnation common to trade-dependent regimes. There are fascinating parallels in the present to the earlier era when capitalist doctrines went largely unquestioned by the leaders of advanced and Latin American nations, capital became highly concentrated in the hands of the few, and nations like Chile seemed to have few choices between remaining undeveloped and developing on terms dictated by foreign capital.

Chile's nitrate era coincided with an explosive episode of world capitalism as Britain and other advanced nations increased investments in peripheral areas in order to develop new markets and extract raw materials. This was the era of Latin America's "export-led" growth, when such exports did not include manufactures. Whether under Balmaceda or someone else, Chile would have remained a nitrate-exporting nation. The question whether its nitrate wealth could have led to a more diversified, dynamic economy cannot be completely answered. My impression is no, and I shall elaborate on the reasons for this below. But Chile's claim to Latin American exceptionalism is political not economic. It had a long record in the nineteenth century of civilian rule, based on limited suffrage under the Constitution of 1833, and so did not suffer the travails of caudillismo so common in the rest of the area. However, aside from Argentina, the era of export-led growth did not produce a

single nation that moved toward a dynamic capitalist economy—one sustained by its own savings and investment. Even Argentina came up hard against the limits of export development in 1930 and, in some respects, never quite regained its economic footing. Why would Chile be an exception to this pattern?

The crux of the analysis is the kind of capitalism that was in place in the nitrate era. This was also the era of robber barons and mining tycoons. Those who tell the economic history of Latin America without reference to the forms of capitalist consolidation miss a key institutional and financial aspect of underdevelopment. This makes it easy for them to speak in terms of a "commodity lottery" and blame the region's leaders for economic outcomes. Bulmer-Thomas (1994) manages, for example, to discuss the entire export era without ever mentioning John Thomas North or emphasizing the role of British or American capital in the evolution of any Latin American country. The lives of these tycoons shaped the zones in which they speculated. North is a minor figure in the history of South American mining, but he remains a major source of conjecture, anger, and debate within Chile.

John T. North emerged in a crucial era of a new mining plutocracy and Latin American economic expansion. Mining was central to the region's export-oriented development. Between 1850 and 1913, the region's exports rose 1,000 percent (Topik and Wells, 1998: 7). This dramatic expansion raised the prospect within Latin America of government-designed diversification (Bulmer-Thomas, 1994: 109). North made his fortune as a result of the War of the Pacific of 1879–1883, when the Chilean government seized the nitrate fields of Peru and Bolivia. The government in Santiago immediately encouraged the revival of exports as a means of establishing its control of the nitrate regions of both countries and paying the costs of the conflict. With a new nitrate tax, the government was able to abolish the tobacco monopoly, a sales tax on land rents (1880), and some shipping fees, and copper and silver duties (1884) and undertake a sweeping revision of the general sales levy (1888) (Martner, 1929: 424). Liberal governments also used a nitrate export duty and rising tariff revenues to finance ambitious plans for education and infrastructure. *Salitre* (sodium nitrate) was to pay for Chile's transformation.

North and the Liberal president Balmaceda (1886–1891) intersect at Chile's crucial juncture, with the "Nitrate King" intent on speculative gains and the politician focused on building a modern nation. North created "combinations" of nitrate producers in order to increase returns (and stock values) by reducing the volume of exports. Balmaceda tried to sustain export-derived revenues by opposing North's influence and calling for greater Chilean ownership of the nitrate sector (Brown, 1958; 1963; Rippy, 1948).

Balmaceda confronted a Congress determined to reduce presidential prerogatives over the budget and elections (Salas Edwards, 1916: 184). The Constitution of 1833 established presidential domination of the government, including the capacity to influence legislative elections. In January 1891, in the face of multiparty legislative opposition, Balmaceda promulgated a budget by decree. The majority in Congress rebelled on January 6, and so began the civil war. In August, the rebels easily won two key battles. The president withdrew into the Argentine embassy and, on the day his term ended, committed suicide, leaving a message that accused his opponents of serving foreign interests and selling out Chile's future. The charge had been circulated by the Balmacedists even during the war (Bourne and Watt, 1991: 266), and although it is the centerpiece of most of the literature about North and the civil war we can set it aside. Virtually no one who looks at the range of Balmaceda's enemies believes in such simple causality. Harold Blakemore (1974), the late English historian of Chile, refuted many of the accusations linking North to the start of the war.

The issues raised here arise from the political sociologist Maurice Zeitlin and the British historians of imperialism, P. J. Cain and A. G. Hopkins. Did the clash between Balmaceda and his opponents involve the socioeconomic evolution of Chile? Zeitlin (1984: 134, 160–161) argues that the Balmacedists represented an aging "class segment" that intended to build a "revolution from above." Balmaceda's key supporters were based in a copper "mining bourgeoisie," and the president was not alone in his plans to use nitrate funds to build a different Chile. Cain and Hopkins (1993b: 311) have argued that British interests, led by North, shaped Chile's economy to fit an international financial order centered in London. In their scenario, Chile, like other Latin American nations, had to fulfill "a set of policy requirements, which met the needs of the senior partner and external creditor."

An exploration of such issues turns on the Nitrate King and his speculative maneuvers and also on the relationship between the structure of the nitrate export economy and Chile's internal economy and government. It is in this larger sense that North shaped Chile's future; his decisions helped destabilize Balmaceda's administration. The British community in Chile and John T. North formally opposed the civil war and tried to curtail it once it was under way. War, after all, is the ultimate economic disruption. Given the choice of sides, however, the British did not hesitate in their alignment. British policies during the war—something that North did not control but to which he contributed—were instrumental in assisting the rebellion. Historians have focused on the start of the conflict as though the outcome were certain, but this was far from the case, and British support had a decisive impact. By looking at the process of British consolidation in the nitrate industry, we see that

more was involved than a "lottery." By looking as well at who North really was—not a miner but a speculator operating in the British financial world—we acquire a different picture of why he acted as he did and a different and more complete accounting of the relation of the British nitrate interests to Chile's future.

TAKING OVER THE NITRATE INDUSTRY

John T. North was born in a village in Yorkshire, near Leeds, in 1842 and came to Chile as a young man. He was a mechanic, of middle-class origins, who worked for John Fowler and Company. He married in his early twenties, and soon after, around 1867, was sent to maintain locomotives in the copper-mining zone near Caldera (Hernández C., 1930: 72). Once in Chile, North left his British employer and joined the rush to the Peruvian nitrate fields in 1871, where he worked for a Peruvian company, the Santa Rita. He began building a series of small enterprises in Iquique, the principal port for the province of Tarapacá. Within four years, he had accumulated a nest egg by investing in nitrate claims, importing British machinery, and hauling fresh water by ship into the port (Hardy, 1948: 172). By then, he was a partner with the first British vice-consul of Iquique, Maurice Jewell, in importing nitrate machinery parts and tools and one of three partners supplying Iquique with water (Blakemore, 1974: 22–26).

Salitre became the major commercial fertilizer for Europe, and the Atacama Desert held the world's only substantial deposits. For all practical purposes, these deposits were a global monopoly. Extraction was performed by hand; small armies of pick-and-shovel men blasted the crust, exposing raw ore (caliche) a few meters below the surface, and large wooden wagons and teams of mules were used to haul the calich to the factories (Monteón, 1982: 86–87). During the 1870s, the Shank's process—a steam-driven system of refining developed in Britain—became the dominant technology. British railroads connected the factories to the industry's two major ports, Iquique in Peru and Antofagasta in Bolivia. Thus, the nitrate areas of the two countries had enclave economies linked to British technology, British shipping, and British merchants. Of the two zones, the Peruvian one of Tarapacá was far more developed and remained the dominant zone of the industry into the 1890s (Semper and Michels, 1908; Bermúdez Miral, 1963).

In the late 1870s, Bolivia, Chile, and Peru were all in search of a new export to sustain not only foreign trade but also trade-based regimes. All three governments counted on trade-derived revenues (primarily import duties) as their major sources of income. There existed in La Paz, Santiago,

and Lima a rentier mentality common to Latin American regimes then and later. Nitrates offered them a means to sustain or increase government income without having to raise taxes on landed elites (and, in Bolivia, to avoid alienating the domestic silver-mining elite as well). In Bolivia, a major part of the capital and the majority of the workforce in Antofagasta Province was Chilean. Chileans had been migrating to the area since the 1850s and 1860s, working first in the guano deposits and then in the nitrate mines. The high cost of railroad and nitrate factory development brought in British capital. By the late 1870s, the Nitrates and Railroad Company of Antofagasta, a British-Chilean firm with British management, dominated the Bolivian area of the industry (O'Brien, 1980).

The Peruvian nitrate sector was different. Here, a much larger number of factories were owned by Peruvians, who employed British immigrants as factory managers, merchant suppliers, and shippers. In 1876, the Peruvian government, faced with falling returns from its guano trade, seized the nitrate fields and created a state monopoly, compensating former owners with state certificates. The British remained the managers of the nitrate factories and continued their crucial role as merchants in Iquique.

The War of the Pacific (1879–1883) and North's opportunity began when Bolivia imposed a tax on the Antofagasta Company. The Bolivian government knew that this would infuriate the company, upset the substantial Chilean population that made up the workforce in the province, and offend the Chilean government. In 1874, Bolivia and Chile had resolved a boundary dispute over the desert, and Bolivia had given assurances that no new taxes would be imposed in the area. As it moved to violate the treaty, the government of Hilarión Daza signed a secret mutual defense pact with the Peruvian government against Chile. When Chile attacked and occupied the port of Antofagasta, Peru was thus drawn into the conflict (Klein, 1982: 144–147; Sater, 1986: 10–12). By 1881 the Chileans dominated both the Peruvian and Bolivian territories. Anxious to demonstrate its control of the conquered regions, in June 1881 the government in Santiago decreed that it would recognize the Peruvian certificates issued in 1876; anyone who held half the certificates could claim ownership of the nitrate factory. In March 1882 it reinforced this decree and set up a public auction of any factories not claimed within 90 days. As a result, it quickly brought at least 46 factories (including those using technology antedating the Shank's process) back into production (Billinghurst, 1889; 1903: 463; Yrarrazaval Larraín, 1963: 12; Blakemore, 1974). An indication of the beneficiaries appeared in *El Mercurio* (Valparaiso) in late 1881. The *salitreros* had met and formed a club in Iquique that included "Gildemeister y Cía [who had called the meeting], Gibbs y Cía, Fölsch y Martin, Goich y Zayas, Eduard Délano, Ugarte, Cevallos y Cía,

H. B. James y Cía, Clark, Eck y Cía, Carlos Faraut, José Decocovi, *North y Jewell*, Rudolfo Baivin, *Juan Dawson*, David Carrasso Albano" (*El Mercurio*, December 9, 1881, italics added).

This was North's golden moment. He gained a monopoly of Iquique's water supply when his partners in the business fled the onset of war. In 1881, he and his associate, Robert Harvey, went to Lima and purchased nitrate certificates. These had been selling for 60 percent of their face value when the war began; the value of many dropped to 15 to 20 percent as the war continued (Blakemore, 1974: 21). Harvey, an engineer, worked as Peru's inspector general of nitrates and continued at his post after the Chileans took over. He may have known the contents of the Chilean decree before it was announced, but this cannot be proved. He certainly knew which factories were the most valuable. North obtained a major part of his financing to operate the factories, some 673,000 pesos, through the Iquique branch of the Bank of Valparaiso, managed by his very good friend John Dawson. Harold Blakemore claims that Dawson even lent North and Harvey the funds to buy the certificates in the first place, but Thomas O'Brien could find no proof of this in Iquique's notary records. Instead, O'Brien argues that the Bank of Valparaiso served as financier after North had the stock certificates, which he used as collateral (Blakemore, 1974: 28; O'Brien, 1982: 67). North, Harvey, and Dawson became a nitrate triumvirate, with Harvey managing the properties and Dawson, relocated in Iquique, working as the banker (Hardy, 1948: 171). Ironically, the new Chilean export tax quickly made Antofagasta a secondary zone of the industry; the Antofagasta Company, for example, could not sell nitrate at a profit (*El Mercurio*, July 30, 1881; November 2, 1883).

In 1882 North returned to Britain. With the nitrate certificates, he obtained additional financing from the Liverpool merchant house of William and Jno. Lockett, forming the Liverpool Nitrate Company Limited, capitalized at £150,000, in 1883. The new company turned North into the "Nitrate King" and paid dividends of 26 percent in 1885 and 20 percent the following year (Blakemore, 1974: 33). He began "making the market," raising demand for the stock and then selling out as the public bought at an inflated price (O'Brien, 1982: 118). As an example of the kind of money being made, Harvey had paid £5,000 for the Santa Ramirez factory, which the Liverpool Nitrate Company bought for £50,000 two years later (Blakemore, 1962: 469). North's career now depended on his role as nitrate stock promoter. He built a mansion at Avery Hill, Eltham, Kent, and became a colonel in the Royal Engineers of Tower Hamlet, a volunteer regiment. It was as Colonel North that he preferred to be addressed for the rest of his life. To attract the right kind of press, he threw great parties and gave lavishly to charities, spending thousands of pounds at a time to gain notoriety as a patron of the

arts, education, medical care, and public culture. As nitrate exports rose, North put more water into his stock companies and created new firms, of which the most notable were the Tarapacá Waterworks Company, Limited (an incorporation of his monopoly), the Bank of Tarapacá and London, Limited (established with the help of Lockett and employing Dawson as its manager), and the Nitrate Provisions Supply Company. These companies were founded or reincorporated on the London Exchange in 1888–1889, just as he was taking over the Nitrate Railways Company, the monopoly line in Tarapacá (Blakemore, 1974: 38–64).

North's operations were the centerpiece of a broad British takeover of the entire nitrate sector in the province, and as long as Tarapacá was its center, that meant the industry as a whole. When Peru owned the province, British capital controlled only 13 percent of nitrate production. By 1884, as North consolidated the first stage of his speculations, that figure stood at 34 percent, and by 1890 it was 70 percent (Semper and Michels, 1908; Ramírez Necochea, 1969: 118; Blakemore, 1974: 22).

NORTH AND BALMACEDA

The debate about John T. North and Chile's political development has centered on North's possible collusion with political opponents of President José Manuel Balmaceda. The rebellion and civil war of 1891 ended with a rebel victory and seriously weakened presidential authority into the 1920s; the postwar era is called the Parliamentary Regime. Historians have suggested (1) that North and other British interests caused the war by financing Balmaceda's opposition to prevent the president from undercutting their control of the nitrate sector, (2) that the war grew out of domestic political issues, specifically the contest between Congress and the president over the curtailing of an autocratic presidency, and (3) that there was a coincidence of interests between North and Balmaceda's opposition that was not so much a matter of cause and effect as an alignment against a president whom each found threatening. Each of these explanations is problematic.

Hard as the proponents of North's collusion in the civil war have tried, they have never found a smoking gun (Céspedes and Garreaud, 1988: 495–496). The conflict between North's interests and Balmaceda's is documented in a number of studies. Put simply, an export duty on each quintal of nitrate quickly became the government's greatest source of income. Rising exports also pushed up import duty revenues, its second major income source. Balmaceda's ambitious public works plans turned on these revenues. The government did everything it could to expand nitrate production; it rapidly

sold off nitrate deposits during the 1880s. Consumer demand—the French and German sugar beet farmers were the major market—rose less rapidly than production, forcing prices downward on several occasions. To combat price swings and protect their stock values, nitrate producers formed "combinations," the first in 1884. Producers, led by North, began announcing efforts to create a second combination in November 1889, at a crucial moment for the president. As the falling prices hit Chile, Balmaceda, speaking in Iquique, called for greater national control of the nitrate fields, although specifically disavowing any attempt at a state monopoly (*Chilian Times*, March 16, 1889).

A second area of conflict was the Nitrate Railways Company, a monopoly that looped from Iquique through the major factories of Tarapacá and back again to the more northern port of Pisagua. Peru had awarded the monopoly in the 1870s to the Montero Brothers. To protect their interests once the province changed hands, the Monteros incorporated the company in London in 1883. In 1886, the Chilean government moved to end the concession and the case went to court, driving an already unprofitable company toward insolvency. In the following year, North bought controlling interest in the Nitrate Railways at 14 percent of the stock's face value. This was a major gamble. Balmaceda wanted to end the concession. If the Chilean courts ruled against the railways, North would face major losses. To protect his interests, he invested heavily in Chilean lawyers to fight in courts and to lobby Congress. His primary attorney was Julio Zegers, who had served the Balmaceda administration until he broke with the president over the railroad issue. There is no evidence that Zegers or any other lobbyist set off the war, but Zegers is a close link between North and the Chilean political elite, a link worth returning to later. While the courts ruminated over procedures and rights, North acted aggressively, raising rates and, in 1889, paying a company dividend of 25 percent (Brown, 1958: 474).

In one of the most interesting analyses of the war's origins, Zeitlin had argued that the conflict cannot be reduced to the influence of North (or the British interests as a whole), correctly emphasizing domestic elements such as the Chilean class structure and intraclass rivalries among economic elites (Zeitlin, 1984: 220, 234). The key moment was in 1889–1890, when Balmaceda's plans to end North's rail concession, to raise the nitrate export duty, and to sell off more nitrate lands threatened both British and Chilean capitalists with a reversal of fortune. "Any successful [nitrate] combination required the participation and close cooperation of both Chilean and foreign capitalists, especially the largest of them such as Gibbs, North, Besa, Puelma, and Edwards"; these interests moved together into "a decisive confrontation with Balmaceda." Zeitlin emphasizes that the combination was formed at the

end of 1890 and participants signed the agreement in mid-January of 1891, "scarcely a week after the insurrection began." The combination functioned throughout the civil war, bringing British and Chilean interests together against the president. In this explanation, it was not North alone who caused the war but the British and Chilean capitalists, "momentarily united" (Zeitlin, 1984: 114–116). The close relationship between the foreign and domestic business communities, coupled with Balmaceda's confrontation with them over the nitrate combination, provoked their shared wrath against the government (Zeitlin, 1984: 117).

Zeitlin goes on to elaborate links between Chilean capitalists and British nitrate interests, focusing especially on Agustín Edwards Ross and Augusto Matte Pérez, major bankers who were instrumental in the insurrection (Zeitlin, 1984: 117–118). Unfortunately for this fascinating thesis, there is no direct evidence of British interests' having collaborated with the banking elite to cause the insurrection. Zeitlin's key sources are Harold Blakemore and Thomas O'Brien, who disagree with each other in their interpretations of the war without blaming it on the nitrate combination. Aside from the matter of evidence, can the onset of war be attributed to economic interests alone? If its roots are so narrow, why did any other Chileans take part in this conflict?

An alternative interpretation is to insist that the British had almost nothing to do with the conflict. Evidence abounds that the president's opposition ran the political gamut from right to left. On the right, Conservatives and the Catholic Church detested the liberal, anticlerical bent of the government. President Santa María had reduced the Church's influence in schooling, marriage, and even burials while Balmaceda was his minister of the interior; matters became so polarized that someone tried to kill Santa María in 1885. Before his term ended, Santa María had to control Santiago's streets with troops (Great Britain Foreign Office FO16/223 1883 Aug. 7 No. 43, Pakenham to Granville; United States, Despatches from United States Ministers to Chile, 1823–1906, R.G. 59, Egan to Blaine, National Archives: Microfilm M 10; Salas Edwards, 1916: 52). Balmaceda in his younger days had defended the Church, but as minister in 1884 he declared, "The Catholic Church, gentlemen, marches in an opposite direction to the century's liberal current" (Balmaceda, 1884: 5). To the religious issue must be added that of controlling the workforce. A major segment of Chile's hacendados objected to Balmaceda's public works projects for raising wages in the central valley and threatening to upend social relations on their estates (Zeitlin, 1984: 122–133). The president's liberal opponents were scattered among several parties; for example, congressmen belonging to the Radical party strongly objected to presidential use of the purse to build an executive patronage base. They were especially determined to stop the president from using public spending

to impose his friend Luis Sanfuentes as successor (Salas Edwards, 1916: 150). Liberal opponents also believed that the best use of the nitrate money would be to establish a stronger currency reserve and so prevent the continued erosion of the peso's value. On the left, organized labor was deeply upset in 1890 when its strikes in Iquique, other nitrate ports, and Valparaiso ended in state repression. There are, then, no small number of domestic issues that explain a deepening polarization between the president and a majority in Congress.

Most of all, the political system was opening up with the flow of new income and electoral reforms expanding the suffrage. Although the political class was still narrow, dominated by landowners, merchants, and a few domestic mining fortunes, politics had come to include a middle class and artisans in the country's principal cities, especially Santiago, Valparaiso, Concepción, and the nitrate ports. Zeitlin says little about the emerging party system, which now contained the Radical and Democratic parties, each trying to recruit within the middle class and the latter also appealing to artisans and other skilled laborers. Both parties opposed Balmaceda in the civil war. By 1890, the Radicals already had members in Congress and strongly favored a decentralization of political power (Monteón, 1982: 36–57). Many politicians must have seen this moment as a "once and for all" situation in which the losers would have to live with a new political order. In the Chamber of Deputies, Enrique MacIver, a member of the Radical party, argued (Salas Edwards, 1916: 265–266) in June 1890 that the conflict between the branches of government involved:

> the beginning of a [death] agony of old, vicious, and degrading practices . . . the defense of a capital right in our organic institutions, which constitute a national question of importance to all parties without distinction as to coloring or to flag. The electoral power of the President of the Republic, presidential personalism, weighs like a mountain upon the men of this nation.

PLUTOCRAT AND GENTLEMAN

To reevaluate North's impact on Chile, it is necessary to raise the central issue of imperialism and how it functions in underdeveloped nations. Zeitlin is certainly right about Chilean class interests, and he is also correct about the importance of finance to the nitrate economy. However, to make his case, he has to argue that Chileans were capable of financing their own development (Zeitlin, 1984: 116–121). It is true, as he argues, that Chileans often joined British capital in mining and merchant ventures; it is not the case that Chilean

finance could have sustained the nitrate sector. The core of the sector's financial structure, its stocks and bonds, had been transferred to London, and the outcome of the civil war would not have changed this without a confrontation with British capital and even the British government. How would Balmaceda or any other political leader have marketed Chile's key export in the face of British hostility? And what kind of tax revenue for development would then have existed?

Cain and Hopkins (1993a; 1993b) present a new interpretation of imperialism and British politics and dispute the view that the decline of landed power led to the rise of an industrial bourgeoisie in government. Instead, they note the political ascendance of "a new gentlemanly class arising from the service sector," with political and social power passed to "commerce and finance" (1993a: 116–131). Aside from his unimpressive social origins, John T. North fits their description of "the gentlemanly capitalist" almost to the letter. His fortune owed less to his skills in production than to his ability to raise capital for nitrate companies and his promotion of the companies in the British stock market. Both Blakemore and O'Brien stress the financial and speculative elements in North's fortune and, indeed, in the development of the nitrate industry in general. Blakemore also notes that *The Economist* and other financial publications regularly portrayed North's promotional tactics as unscrupulous (Blakemore, 1974: 161–165). He did have the unrelenting support of the *South American Journal* (Rippy, 1948). Cain and Hopkins devote a few pages to the civil war and North in surveying the impact of the British in South America before 1914. As they note, Chile had to meet certain conditions in order to participate in British financial markets; "the maintenance of affluence and authority in Chile still depended ultimately on fulfilling a set of policy requirements which met the needs of the senior partner and external creditor" (Cain and Hopkins, 1993a: 311).

There is ample evidence of Chilean reliance on British capital for both money and expertise. British trade built Valparaiso, Chile's major port, by the 1850s (Monteón, 1982: 10, 13). By the 1880s, Chilean and British money were often intertwined, but the Chileans deferred to British predominance. It is a mistake to play down this cultural element in Chilean development. By the time of the nitrate boom, descendents of nineteenth-century British merchants and speculators with names like Edwards, Ross, and MacIver were part of the Chilean elite, and both the Peruvians and Chileans relied on British management within the nitrate sector (Monteón, 1975). North's success owed much to this dependence. In reexamining his success and his role in the war, two points need to be stressed. First, North embodied the power of British finance within Chile's key export; he was instrumental in creating the nitrate combinations. Second, Balmaceda's program was extremely

vulnerable to any cyclical downturn in nitrates. North and other British producers could ride out a momentary trade crisis; Balmaceda could not.

The financial structure of the nitrate trade gave North his leverage, economic and political. His decision to push ahead with the new nitrate combination without regard to the consequences in Chile had an important destabilizing effect on the nation's politics. His conduct is reminiscent of that of global speculators today who place immediate paper gains over political outcomes for the Third World. Of course, no International Monetary Fund existed to certify a nation's creditworthiness. That, too, was in the hands of British private interests who were playing stock market games and of the Rothschilds and the Baring Brothers, the major lenders to South American governments. North did not have to finance Balmaceda's opponents or even work in collusion with them. Far from it, the British (including North) claimed that they wanted to avoid any conflict. Their location in ports and mining areas made them very vulnerable to military action (Bourne and Watt, 1991: 234), and after January 1891 fear of retaliation by Balmaceda's forces kept them formally neutral. In practice, they openly supported the rebels, who promised that the rules of the nitrate game would remain relatively unchanged.

The nitrate economy can be divided into several market segments in which North had a predominant position from the mid-1880s until shortly after the civil war. Evidence has long existed that North controlled the largest block of nitrate companies in Tarapacá. The *Stock Exchange Year-Book* lists a total of 23 companies, with a nominal capital of £10 million, linked to nitrate production on the London stock market in 1890; North appears as a key stockholder or founder of 15 of them, with a nominal value of £7.1 million (Rippy, 1948: 460).

Despite denunciations from some portions of the financial press, North also controlled the image of the industry in Britain. He must have known that, whatever Balmaceda's ambitions, the president could not replace British capital in the nitrate fields, especially if he was intent on expanding production. One of North's factories built with Shank's technology in the mid-1880s cost a quarter of a million pounds. It is little wonder that Balmaceda tried recruiting some of North's British rivals in the industry, especially the firm of Antony Gibbs.

Contrary to Zeitlin's argument, there is little evidence that Chilean banks could have played any major role in financing factories in the early 1890s. Never mind that some of these banks had branches in other countries; they were small, family-run affairs (Espinosa, 1913: 380–381). What is more, although he provides a good account of the copper-mining interests that backed Balmaceda, no such links exist for the banking sector. In order to have carried through "a capitalist revolution from above," Balmaceda would have

had to seize the banks and operate them, and Zeitlin notes that the president floated a plan to do just that. Chileans with major investments in the nitrate sector also opposed him (Zeitlin, 1984, 175–180). Having alienated such strong segments of the export boom, how exactly was he going to finance the economy?

An issue that Zeitlin never addresses is the fundamental dependence of the entire nitrate sector on British supplies. What British interests—producers of capital goods, shippers, and others—would have cooperated with Balmaceda had he won the civil war? North had conflicts with Antony Gibbs, but Gibbs never sided with Balmaceda against North.

Finally, there is the critical importance of the nitrate society in Tarapacá. The development of this enclave is reminiscent of other Third World situations, and the pattern of bargaining between the government and foreign owners follows a common pattern as well. Chilean politicians in 1879–1880 saw the nitrate fields as a free good, a means to enrich themselves, their supporters, and perhaps even their nation with little trouble on their part. They allowed North to make his takeover bid and build production (Billinghurst, 1889; Bermúdez Miral, 1984: 53–55). It can be argued that they had little choice but to allow the British to run the financial end of the trade, but they also gave the British predominance over the fields themselves. Nitrate factories were socially segregated, with separate housing and facilities for the British managerial class. Chilean workers lived in earthen dormitories with zinc roofs. Chilean recruiters brought laborers from the central valley near Santiago with promises of quick wealth. Working conditions were dangerous; accidents from explosions and in the refinery killed and maimed on a regular basis. Workers were paid in tokens or chits that could be cashed only at company stores (Monteón, 1979; Semper and Michels, 1908). North knew what was going on, and so did Balmaceda. The nitrate zone became a state within a state in which the local police acted as henchmen for the companies. The president could hardly have expected the British nitrate managers to side with him. When North visited Tarapacá in 1890, the British community treated him as royalty. When Balmaceda turned on the working class in the crucial labor confrontation of 1890, he lost the only possible allies he would have had in the north.

In brief, North acted with confidence because, aside from the Nitrate Railways issue, he held the dominant position. As Balmaceda was speaking about national control of the nitrate fields in Iquique, North was on his way from Europe. He made a leisurely journey around the Straits of Magellan, bringing a well-paid entourage with him. The prominent journalist William Howard Russell wrote up the trip as a travel book. When the ship landed in the southern port of Coronel, North, according to Russell (1890: 42–43), became aware of what was going on:

> [The president] had made declarations in reference to the policy of the government in domestic matters, and to its intentions with respect to the great industries of Chile, which indicated the possibility of important changes, affecting materially the great interests of the strangers within her gates, being at hand, and the mining and nitrate houses, and the railway companies based on concessions, which were chiefly owned by foreigners, were very much exercised by these pronunciamientos, which were regarded by native politicians as mere diplomatic expressions. These discourses, and the anxiety aroused by them, of course, were made known to Colonel North on his arrival by his agents, and by the gentlemen in charge of the enterprises with which he was connected on the coast. It was desirable to understand what was really meant by speeches which were not, perhaps, quite accurately reported, as soon as possible.

North disembarked, journeyed to Concepción, went from there to Santiago by train, and met Balmaceda at Valparaiso. In the talks between the two, the president disavowed the interpretations placed on his Iquique address. Russell concluded, "but no one supposed the President would injure vested interests" (1890: 316). In fact, by that time the British and Chilean press had reacted with hostility to his plans and Balmaceda had retreated from them. Nonetheless, he continued cool, even hostile, to North, refusing to accept his gifts. He was determined to break North's water and rail monopolies in Tarapacá (Bermúdez Miral, 1984: 273). North still embodied the threat of another combination. The scale of the president's program had left Balmaceda no financial room in which to maneuver (Great Britain, 1974: c5896). At almost the same moment, a state council reviewing the court case had ruled in favor of supporting a line to compete with the Nitrate Railways.

Before he went back to Britain, North hired Zegers as his chief lobbyist. As early as 1893, evidence appeared that the Nitrate Railways had spent £17,000 (some 200,000 pesos) on legal affairs in Chile (Valdés Carrera, 1893: 24). After North's death, company stockholders sued Robert Harvey and others to recover £100,000 spent on lobbying over the Chilean concession (Ramírez Necochea, 1969: 70–73; Yrarrazaval Larraín, 1963: 54–55). The link of Zegers to the congressional rebels in 1890 as the combination was forming is as close to a smoking gun as anyone has found. A reporter in Chile for the London *Times* reported on May 22, 1891, that English and Anglo-Chilean interests had instigated the rebellion. The British minister in Santiago, J. G. Kennedy, was quick to deny the accusation and insisted that the British colony had remained formally neutral (Bourne and Watt, 1991: 266–267).

Bermúdez Miral, the foremost Chilean historian of the nitrate pampa, concludes that Chile's politicians were after political power and North was after economic power (Bermúdez Miral, 1984: 287–290). He agrees with Blakemore that North could not have been the major financier of the war effort. What are we to make of Zegers and the combination? In my view,

North did not need a war; he needed time. Balmaceda's term of office was going to end within two years. An intensive lobbying effort, tying up the case and preventing the construction of an alternative rail line, would have kept his companies profitable and his stock prices high through that period. His lobby undoubtedly gave heart to opposition congressmen, who cited the Nitrate Railways case as one of many examples of executive abuse of power. It gave them courage to know that the British had come to distrust and detest the president (Yrarrazaval Larraín, 1963: 55–56; Great Britain Foreign Office FO16/259 1890 Aug. 12, No. 63, Kennedy to Marquis of Salisbury). North's tactics contributed directly to the opposition's view that the president was isolated from all important voices, foreign and domestic.

No one debates how the British reacted once the war was under way. At every possible turn, British interests in Chile and the British minister in Santiago acted against Balmaceda. The congressional rebels had the support of the Chilean navy, which modeled itself on the British navy and had British advisers. They took some of the new ships that Balmaceda had purchased from England and seized the nitrate fields. In Tarapacá they had the open cooperation of the British nitrate managers, who released Chilean miners to serve in the rebel army. The nitrate companies paid the export duty to the rebels, forcing Balmaceda to cover his expenses with forced loans and new scrip—both of which undermined what little popularity he had left (Jobet Burquez, 1955: 103; Great Britain Foreign Office FO16/269 1891 June 13, W. H. Williams to Lewis Joel, Consul Valparaiso; United States, Despatches from United States Ministers to Chile, 1823–1906, R.G. 59, 1891 April 21, No. 153, Egan to Blaine, National Archives: Microfilm M 10). Balmaceda, infuriated, ordered Chilean troops to destroy the nitrate fields if they reached them in a march through the desert (Great Britain Foreign Office FO16/264 1891 March 26, No. 27, Kennedy to Marquis of Salisbury). The British minister unleashed a full-scale effort to stop the policy; he had the complete backing of the Foreign Office and of British ships in the vicinity (Bourne and Watt, 1991: 230–233). The factories went on producing nitrate and paying taxes to the rebels. Blakemore, who provides a sympathetic portrait of North, concludes, "The sympathies of the British community in Chile, including the British squadron, and those of British business houses were almost entirely on the side of the revolution" (Blakemore, 1974: 201). He quotes the British minister as admitting, "Our Naval Officers and the British community of Valparaiso and all along the Coast rendered material assistance to the opposition and committed many breaches of neutrality" (Blakemore, 1974: 202).

North appears in the transcripts of the British Foreign Office only once during the war, when in May 1891 he writes to Her Majesty's government protesting the supply of guns to Balmaceda, arguing that such arms would

interfere with official neutrality (Great Britain Foreign Office FO16/271 1891 May 15, North to Marquis of Salisbury):

> I need scarcely point out to your Lordship [Marquis of Salisbury] that a shipment of this armament under such circumstances would tend very materially to prolong the unhappy conflict which is now going on in Chile between the representatives of the Chilean Parliament and the President Balmaceda and I need scarcely remind your Lordship that there are very large English interests existing in that country.

So much for neutrality. The British minister had originally labeled the rebellion illegal. As the war progressed, he began speaking of a rebel "de facto government" against the "virtual dictator" (Bourne and Watt, 1991: 225, 255, 267).

The rebel army landed in Valparaiso, equipped with new German Mannlicher rifles, and in two set battles made short work of the Chilean army. Balmaceda's forces lost at least 8,000, the rebels about 1,200. The British joined the victors in celebration. Balmaceda retreated into the Argentine embassy. His closest supporters fled the oncoming army, which looted their homes. The rebels had promised to use the nitrate money to restore the value of the currency, and they failed completely. Cycles of monetary emission, devaluation, and inflation occurred throughout the rest of the nitrate era (Fetter, 1931: 79–81). The victors changed the electoral laws, dispersing control of the registers among the municipalities. Effective control of the government was dispersed as well. It became almost impossible to carry through any project for very long. Shifts of allegiance in a multiparty congress undermined any continuity of policy. By the 1920s, the Chilean public was so disgusted with the corruption and malfeasance characteristic of the Parliamentary Regime that José Manuel Balmaceda had been transformed from "dictator" to "presidential martyr."

When the victors came to write their official account of the war, they provided budgetary information on their mobilization. North's companies were among the nitrate firms that paid monies to the rebels. In all, the rebellion spent 17 million pesos, more than 10 million of which came from the nitrate export duty. (Balmaceda spent about four times as much.) The decisive factor was not North but the solid front the British presented during the war. Their cooperation with the rebels, providing repeated acts of assistance and material and financial aid, gave hope and a progressive image to the rebellion. At the height of the conflict, British Minister Kennedy met with Balmaceda and lobbied against any effort to seize the Nitrate Railways by law and mortgage them as backing for a loan from the United States. More was conveyed in this

action than Blakemore believes. Balmaceda and his supporters knew that the British were against him. Morale is often a decisive factor in war.

North's defenders and those who dispute the British role in the civil war note that the victors ended the Nitrate Railways monopoly. By 1894, competition was cutting into the rail company's profits. Moreover, Blakemore argues that the new "government's financial needs were no less than those of its predecessor" (Blakemore, 1962: 221–222). All this is true but irrelevant. Conflicts over income shares in the nitrate sector were bound to continue after the war as before. This does not disprove the British role (and North's involvement) in destabilizing Balmaceda's policies and intensifying the already precarious political situation in which he governed, nor does it modify the importance of British support for the rebellion.

In contrast to Zeitlin, I do not believe that an incipient bourgeoisie and the economic order it might have created were destroyed. The upper class in Chile was not reshaped by the war. Balmaceda lacked support within substantial elements of the elite, and they did control many of the new sectors of the economy. Any plan for industry would have had to include enhanced state spending. Some industry existed in Chile, but a class of industrialists did not appear as a crucial interest group until after World War I (Carmagnani, 1998). During the war, the Balmacedist state became insolvent. Had it won, it would have been more not less dependent on a hostile British-controlled nitrate sector. Balmaceda had antagonized organized elements of the middle class and the working class. Zeitlin refers to a "Prussian model"—capitalism imposed from above—for any future Balmacedist regime. But specialists on Prussia and the German Reich in the 1890s point to a state, albeit with some repressive characteristics, that had solid support within the nobility, the bourgeoisie, and elements of the middle class. It was, unlike the Chilean state, a government with a very capable army and a well-developed and educated bureaucracy (Blackbourn and Eley, 1984: 242–251). Balmaceda had none of these advantages; if he had had them, he probably would have won the war or avoided the conflict altogether. It is hard to imagine how he would have constructed them, even with the aid of some parts of the elite.

Balmaceda needed a stronger hand in Congress, which was increasingly caught up with how to incorporate new social elements into the party system. The very nitrate boom that had strengthened the executive unleashed pent-up political demands. The new money gave Chilean legislators the sense that they were on the verge of a new and different era. Parties and factions were refinanced by prosperity, and a generation of political entrepreneurs who wanted a stronger legislature made their move. That they could court British hostility to Balmaceda's plans was a major advantage to their cause not only

because of British economic power but because the British represented progress in a general, cultural sense.

The crucial difference to Chile's future cannot be confined to the economic character of various factions in the civil war. The war had a decisive impact on social alignments while it lasted and on the structure of power once it was over. After the war, no other president proposed changes on the scale and with the purpose of Balmaceda. Balmaceda's plans were a classic case of overreaching, but they contained a national vision of development. His defeat ended that vision. All subsequent presidents until the 1920s traced their legitimacy to the rebellion. The nitrate boom was frittered away in jobbery and the beautification of Santiago.

North never returned to Chile. The second combination collapsed in 1894 as the new government sold off more nitrate lands and a larger portion of production was developed in the former Bolivian zone of Antofagasta. North covered his market position by one last nitrate promotion, the Lagunas Syndicate, whose value soon rose from £100 to £450 a share. North, however, knew that the stock bubble would not last much longer and moved into such investments as South Wales collieries, factories in France, Australian gold mines, Egyptian tramways, and so on. His most disgusting venture was as front man for a company for King Leopold's rubber empire in the Belgian Congo. North was unloading his own nitrate shares in the early 1890s as the stock price of the Primitiva Company, one of the keys to his throne, dropped from £38 to £4 between 1889 and 1892. Blakemore speaks of North's nitrate holdings after 1892 as a "crumbling empire" (1962: 232, 236).

North continued living large. He ran for the House of Commons from his hometown of Leeds in 1895, spent a fortune entertaining to promote his candidacy, and came close to winning as a Conservative. Soon after giving a banquet for 400 guests, in May 1896, he died of a heart attack. His holdings were worth some £267,000, his homes and properties another half-million. The Prince of Wales sent condolences and flowers, and mourners included members of the aristocracy. He received eulogies in the financial press. Did he ever wonder at the harm his policies had done in Chile? There is no record that he did.

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