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The Socio-Political Matrix and Economic Development in Chile[A]

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Contents

1. Approach to the question

This paper examines the evolution of Chile as a nation and society from the middle of the twentieth century. Any thorough grasp of this period requires an understanding of the relationships among the players, the gestation and development of their relationships, and the conditions under which their interactions occurred, as well as the rules of the game governing the entire scenario. Two useful tools can be profitably combined for the purpose: the concept of a socio-political matrix, and neo-institutional analysis.

The concept of the socio-political matrix is based on the assumption that a society can be defined in terms of the pattern of relationships that link (i) the State, (ii) the political regime and political parties and (iii) civil society or grassroots. Thus, the socio-political matrix is the relational matrix of elements that make up a society, including the State (a society's moment of unity and direction), a system of political parties or other mechanisms of political representation (the moment of aggregation of the people's and players' political and other claims) and a socioeconomic and cultural base (the moment of participation and diversity of civil society). The institutions that mediate among these elements constitute what we call the political regime. Thus, the matrix approach focuses on the players, how they are constituted as players, and their interactions.

A socio-political matrix is a way of seeing a society as it functions under given norms or 'rules of the game,' which are determined to a great extent by the political regime. Thus, matrices evolve hand in hand with changes in the rules of the game. As these realities change, different results are evidenced.

The theory of institutional change looks at economic, social and political change from a different point of view, focusing on the relationships among different organizations and institutions, and the transactions costs involved in those relations. The main 'organisation' here is the State, and what we call 'institutions' include all the rules of the game, both formal and informal. From this point of view, though organizations are created by the evolution of institutions, the influence flows in the other direction as well, for organizations affect institutions through actions and relationships that necessarily include a mixture of limited rationality and non-rational elements.

Our basic hypothesis is that what we designate as the statist-national, popular-democratic, party-oriented matrix has disintegrated in Chile in the last decades. Thus, with the democratic rule of law partially re-established today, a new fundamental question arises: What remains of the Chile that has been, and how can a vision of the nation-state be reformulated in today's globalized world? We must consider that the future state will probably be multi-national, with indigenous peoples playing a role, and that its highly diverse and polyvalent protagonist is a people that organizes itself and determines its destiny democratically. Without a driving idea or an effective vision of itself as a nation-state, a country ceases to be a country, and disintegrates into scattered fragments that are subordinate to the global sum of transnational and national de facto powers—an immense, unintegrated mass of people who are relegated to the role of mere extras on the world stage.

2. The foundations of Chile's socioeconomic system at mid-century

In the early twentieth century, Chile began to develop what we call the classic Latin American socio-political matrix. In Chile's case, the form this took was statist, national, popular, democratic, and political-party-oriented. The economic and social model up to that time was an outward-oriented free-market system based on the most traditional free-trade paradigm. This orthodox economic model was combined with an oligarchic system of limited democracy, in which major segments of the population were politically and socially excluded. The State's minimal role during this period facilitated the country's capitalistic urban expansion, which was driven by industrial activity and mining. As industry drew great flows of migrants from rural areas, acute social problems arose, pointing clearly toward a crisis of the oligarchic model, which collapsed definitively in the wake of the global crisis of 1929. With the collapse of the oligarchic model, Chile was forced to seek a new development strategy, and a period began in which the State for the first time took an active role in development.

The so-called 'social question' of the 1920s was the issue of the marginalized new proletariat. The situation was not sustainable, and a climate favourable to major social change developed. Politically progressive middle-class groups had begun to emerge as early as 1880, along with an increasingly organized workers' movement that had paved the way for the creation of the Communist Party by the early 1920s. Though progressive groups before the 1920s hardly had enthusiastic electoral support, they did put new issues on the social agenda. Important advances were made in this sense during the presidential campaign of the liberal candidate Arturo Alessandri Palma, who took office as president in 1920.

The Alessandri government oversaw the writing of a new Constitution (1925) that heavily reflected the predominant social and constitutional doctrines of the twentieth century, which had previously found expression in the landmark Mexican Constitution of 1917 and that of the Soviet Union in 1918. Chile's 1925 Constitution enshrined the principle of minimum wellbeing for all citizens, and included explicit protections for labour and industry, as well as social welfare provisions (Heise 1977). The institutional structure created by the Constitution led to the creation of the Labour Code in 1931, as well as a Health

Code. The Constitution established a democratic presidentialist system as a reaction to the institutional crises of the late nineteenth century. It also created a new electoral framework, in which proportionality was the guiding principle for representation in Congress. Absolute separation between Church and State was mandated, the Central Bank was created, and new banking and budget laws were put in place. The Contraloría General de la República (an autonomous government agency that monitors the legality of the behaviour of governmental entities and personnel) was also established.

The 1925 Constitution provided the institutional framework for later social processes that, as we shall see, helped to create the classic socio-political matrix, which was based on relatively modern institutions, political democratization, social protections, a pro-active role for the State, and secularism. All of this progress, however was rather precarious in nature, and steps backward not unknown, for until the 1970s the peasantry and poor urban sectors were excluded, there were oligarchical and other economic enclaves (e.g., foreign ownership of large-scale mining, and land-owning sectors that effectively resisted change), and stable political coalitions were lacking between the centre (broadly speaking, representing the middle class) and the left (largely representing the working class).

The Great Depression that began in 1929 affected Chile more drastically (see Table 1) than it did many other Latin American countries, or countries in other parts of the world, because of Chile's dependence on nitrate and copper exports, which fell precipitously, reducing both fiscal revenue and international reserves, and leading to the country's defaulting on its foreign debt in the early 1930s. The strategy adopted to deal with the crisis was import substitution industrialization (ISI). This involved reducing imports while stimulating domestic demand and controlling the exchange rate. The gold standard was abandoned and anti-cyclical monetary and fiscal policies were put in place. Quotas and tariffs were implemented to discourage importation of consumer goods, while measures were taken to strengthen domestic production and demand (Corbo 1988).

Table 1: Impact of the Great Depression on the Chilean Economy (percentage)

	1932		1938	
	Change from 1929[a]	1927–29[b]	Change from 1929[a]	1927–29[b]
GDP	-45.8	-38.3	-7.3	+5.5
Exports	-81.4	-78.3	-38.4	-28.2
International nitrate prices	-59.0	-61.1	-45.2	-48.0
Nitrate export volume	-78.5	-74.0	-56.8	-47.7
International copper prices	-69.3	-63.4	-44.8	-34.3
Copper export volume	-71.4	-68.6	-10.1	-1.2
Imports	-86.8	-83.5	-68.7	-60.7
Per capita GDP	-48.2	-42.0	-16.1	-6.0

Source: Sáez (1989), quoted in Meller (1996:49).
Note: The figures represent change as a percentage with respect to a baseline. For example, the '-45.8%' figure for GDP means that 1932 GDP dropped 45.8% from the 1929 baseline.
a: (1929=100).
b: (average 1927–29=100).

The result of ISI was naturally the development of domestic industry stimulated and protected by the State through institutions such as the Corporación de Fomento de la Producción (CORFO). Created in 1939, CORFO generated a symbiotic relationship between the enterprise State and its highly subsidized private sector. The foundations of the capitalistic system remained untouched until the 1950s (only circumstantial adjustments being made to deal with the 1929 crisis) when Latin America created its version of the 'welfare state' – which never, however, became a consolidated reality in Chile.

Table 2: Industry's share of GDP, selected countries, 1929, 1945 and 1955

Country	1929	1945	1955
Argentina	22.8	25.0	25.0
Brazil	11.7	17.0	23.0
Chile	7.9	23.0	23.0
Colombia	6.0	11.0	15.0
Guatemala	n.d.	13.0	11.0
Honduras	n.d.	7.0	12.0
Mexico	14.2	19.0	19.0
Peru	n.d.	13.0	15.0
Uruguay	n.d.	18.0	23.0

Source: Furtado, Celso. La Economía Latinoamericana desde la Conquista Ibérica hasta la Revolución Cubana. Santiago, Editorial Universitaria, 1969, p. 107. Quoted in Del Pozo, José, Historia de América Latina y El Caribe 1825-2001. Santiago, Editorial LOM, 2002, p. 118.

These measures were at first no more than a natural, rational response to the crisis. No viable alternative was in sight, given the international financial situation (and, not much later, the Second World War). Toward the end of World War II, however, the pursuit of these measures was intensified as a Latin American ideology emerged based on the theory of development and structural approach put forth by ECLAC in the mid-1940s.

3. The Statist-National, Popular-Democratic, Party-Orientated Matrix

3.1 The classic matrix

Chile's dominant social model, or socio-political matrix, in the twentieth century may be designated as statist-national, popular-democratic and party-oriented. It was characterised by the intertwining of politics and civil society (including the economy), a system in which political actors or political parties played a dominant and articulating role vis-à-vis the State.

Thus, the model supported a national identity that was in the process of being constructed through the work and struggles of the nation's representatives in the political arena. This represented an effort at broad-based social inclusion, and an attempt to resolve conflicts in an institutional framework, rather than by force or exclusion.

The political sphere always provided the main expression of the statist-national, popular-democratic, party-oriented idea as it was enshrined in the 1925 Constitution, and concomitantly in institutions that sought to assure respect for the law and liberty while enforcing the State's accountability to, and responsibility for serving, the public. The period's social legislation (enacted from 1920 on) provided for universal suffrage and for mass political participation. This was the basis for the programmes of the Radical Party and the parties on the left that made up the Frente Popular (which aimed to bring together the middle and working classes), for the Patria Joven and Revolución en Libertad, which were a part of the Christian Democratic thrust of the 1960s, and for the Chilean Road to Socialism led by the Unidad Popular and President Allende between 1970 and 1973. Socioeconomically, the situation featured industrialization with the State in a directing role, free public education and universities with national coverage, land reform, and eventually nationalization of healthcare (the National Health Service), among many other important landmarks. At one time, even military service played a role in national integration.

The Frente Popular governments of 1938 to 1952 marked the beginning of a period of solid social reforms and industrial growth, with policies designed to create an infrastructure base for production, and a system of social protections for the working and middle classes. Between 1940 and 1953, industry grew an average of 7.5% yearly, rising from 7.9% of GDP in 1929 to 23.0% by 1955 (see Table 2).

Table 3: Summary of principal reforms of 1938-1952 under the import substitution model

Infrastructure investment	• New hydroelectric plants: Ovalle, La Serena, Copiapó, El Salado, Tocopilla
	• Construction of the Sauzal plant on the Cachapoal River
	• Abanico plant
	• Pilmaiquén plant
Creation of new enterpriz	• Corporación de Formento a la Producción, or CORFO (National Corporation for Productive Development) 1939
	• Empresa Nacional de Electricidad S.A., or ENDESA (National Electricity Company) 1944
	• Discovery of Manantiales reserves in Magallanes, and creation of ENAP (National Petroleum Company) 1950
	• Compañia de Acero del Pacifico S.A. or CAP (Steel Company of the Pacific, a mixed public-private enterprise) 1946
	• Huachipate steel plant
	• Industria Azucarera Nacional S.A. or IANSA (National Sugar Company) 1952
Social coverage	• Increase in social spending from 10% in 1935 to 26.9% in 1945 and 28.5% in 1955
	• Creation of the Servicio Nacional de Salud or SNS (National Health Service)
	• Increase in number of primary school students from 500,000 in 1925 ti 797,600 by 1950
	• Increase in number of secondary school students from 63,500 in 1925 to 148,000 by 1950
	• Increase in number of university students from 6,200 in 1925 to 11,000 by mid-century
	• Creation of the Junta Nacional de Auxillo Escolar (National Student Aid Board)

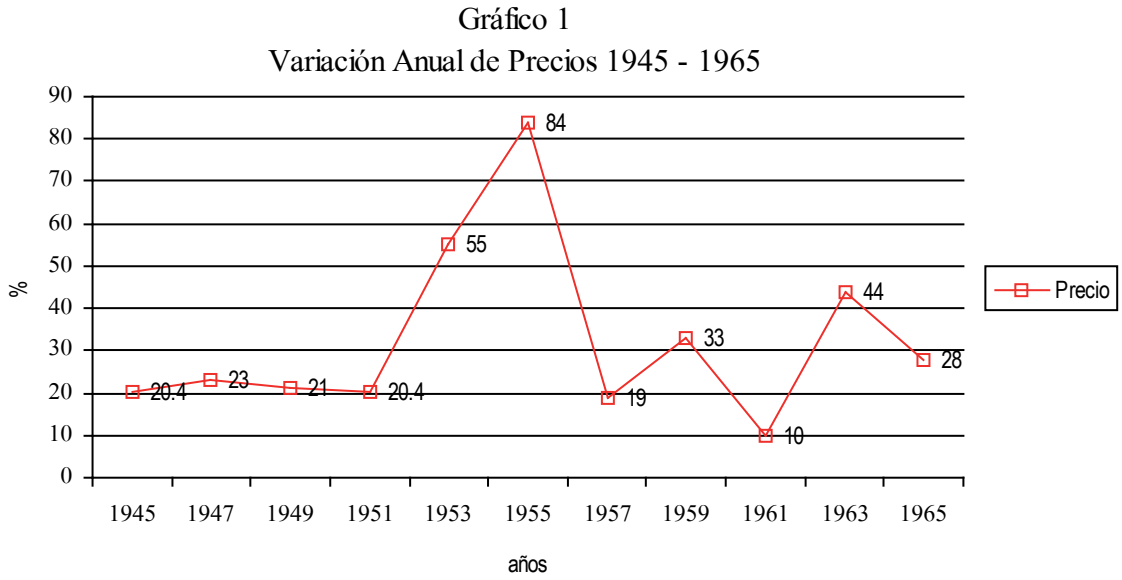
Source: Based on Sofía Correa et al., Historia del siglo XX chileno. Editorial Sudamericana 2001.

The hard data reflect the fact that over more than 40 years, independent of the political or ideological orientation of particular governments, there was a basic political and social consensus regarding industrialisation and the essential role of the State in the development process (through such institutions as CORFO, for example, which controlled 30% of all capital goods investment, 25% of public investment and 18% of gross investment.[1] However, despite general consensus about the role of the State, there was dissent from the right regarding economic and political issues, as well as dissent from the centre-left or middle- and working-class sector regarding approach to social issues. Industrialisation policy and foreign trade disincentives, meanwhile, were implicitly in conflict with the workers' movement that was imbedded in the political structure of the State and the parties. Workers' groups established alliances with the new industrial business sector, to the detriment of the more export-oriented land-owning agricultural sector (Corbo, 1988). This was to become a point of conflict when the ISI model faced its crisis.

It was in the late 1950s that the model began to collapse. Though standards of living and access to services continued to improve, protectionism created severe problems, including high inflation and unemployment, which augured badly for the future. The conservative government of Carlos Ibáñez del Campo, elected in 1952, had attempted unsuccessfully to reform the CEPAL model, following the recommendations of the American Klein-Saks economic mission (1955) by restricting the money supply and public spending. Recessionary effects made it impossible to pursue this course, however (Ffrench-Davis 2004).

1. Vuskovic, quoted in Moss (1973), quoted in Meller, Patricio (1996) *Un Siglo de economía política chilena (1890–1990)*. Editorial Andrés Bello, pp. 59. Santiago.

Chart 1: Annual price fluctuation 1945–1965 (percentages)



Source: Braun, Juan et al (2002) 'Economía chilena 1810–1995: Estadísticas Históricas'. Documento de Trabajo no. 187, Instituto de Economía, Universidad Católica de Chile, pp. 102.

The import substitution model did not meet expectations, and was criticised for the oversized and inefficient bureaucracy that was created to sustain an infrastructure of social benefits, and for its support of inefficient social productive sectors. Meanwhile, the independence of the foreign sector remained no more than a desire, for dependence on imported capital goods and raw materials for domestic production rose, prices were distorted by subsidies, and competition was lacking, with rising prices and unemployment as consequences. Thus, the model was called seriously into question, aggravating the ideological confrontation between defenders of the CEPAL model and the champions of neoliberal modernization.

In 1958, conservative Jorge Alessandri Rodríguez became president, and a modernistic capitalistic reform ensued. There was an attempt to make the private sector the engine of growth, but in a framework of active Keynesian fiscal policy. The reforms were well conceived, but the establishment of a nominal exchange rate as a way of stabilizing prices and the support provided by foreign borrowing (Ffrench-Davis 2004) were not sufficient either to sustain productive growth or to control prices, since there was an inconsistency in the medium term between the modernizing strategy and the adjustment measures. Also, as Chart 1 shows, the Alessandri price control measures had but a fleeting effect. To make matters worse, the measures enjoyed neither a substantial political majority nor the support of the business sector.

The Christian Democratic government of Eduardo Frei Montalva (1964) began a process of reform under a plan called Revolución en Libertad. The strategy included gradual, non-recessionary stabilization of the exchange rate; land reform and strong support for rural workers' unions; industrial modernization, with the State playing a major role in growing the telecommunications and petrochemicals industries; and the beginning of the process of nationalizing the country's copper industry – which the Unidad Popular government would later complete.

The reforms took shape progressively between 1965 and 1973, and were based on increasing the economic, political and social integration of the poorest working-class sectors in both agricultural and urban areas. The process was gradual under Eduardo Frei, but took a radical strategic turn – basically in terms of economic and social organization – with the Allende government. Except for extending effective citizenship to a larger segment of the population, no reforms in the political/institutional system were undertaken by the reformist governments.

The main economic reforms (land reform and nationalization of the copper industry) addressed ownership patterns in sectors considered to be of strategic importance for development. Reforms designed to extend democracy focused on social organization and electoral mechanisms to involve young people and the illiterate. These governments oversaw legislation for the unionization of rural workers, which contributed to bringing the rural sector – whose social and political rights had been long deferred– into the country's political life. Suffrage was extended to the illiterate, and the voting age was lowered from 21 to 18. Both governments showed absolute respect for the Constitution, took care to protect the regular functioning of democratic institutions, supported the full reign of individual liberties, and upheld the rule of law.

The political spectrum underwent a double process. On one hand, it broadened, as new parties were formed by groups breaking off from the Christian Democrats. On the other, there was a phenomenon of polarization and increasing rigidity. The right unified in a nationalistic political party of authoritarian bent (the Partido Nacional); the autonomy of the more ideologically centrist Christian Democratic Party was

promoted by a platform that reflected its specific views; and the left grouped around the Marxist-Leninist matrix in a more radically anti-capitalistic orientation.

From the crisis of 1929 to 1973, the State played a central role not only in guiding development and in organizing economic and social agents under a common pro-development model, but also as the social and political articulator par excellence. Successive governments (whether of the right, centre or left) maintained protectionist measures for industry, subsidized economic agents (e.g., via low interest rates), and redistributed income systematically and progressively. These governments took an active role in regulating wages and prices, while increasing social services in education, health and housing through budgetary allocations. Indeed, the consequences of this social investment are recognized even today as one of the lasting effects of the pro-development policy, for without them the growth of the Chilean economy that we see today would have been impossible. The economic data for the period show moderate but sustained growth, low unemployment and reasonable investment rates (though with high inflation), a situation that points up the political nature of the fall of democracy in 1973.

Table 4: Annual sectoral growth rates by period

	Producto Agricola	Producto Minero	Producto Manufacturero	Servicios Gubernativos	Resto
1920–1930	3.26%	1.89%	1.89%	-2.47%	1.48%
1930–1940	0.86%	0.60%	4.76%	9.07%	3.76%
1940–1950	2.16%	0.33%	8.12%	7.84%	2.22%
1950–1960	1.64%	-0.73%	4.45%	4.32%	4.96%
1960–1970	1.93%	2.57%	5.32%	2.54%	4.58%
1970–1980	2.24%	3.44%	1.14%	1.87%	3.10%
1980–1990	6.02%	3.74%	2.59%	-0.23%	2.85%

Source: Braun, Juan et al (2002) 'Economía chilena 1810–1995: Estadísticas Históricas'. Documento de Trabajo no. 187, Instituto de Economía, Universidad Católica de Chile.

Table 5: Main economic indicators under the Alessandri and Frei Montalva governments[A]

	Economic Growth (%GDP)	Annual Inflation (%)	Unemployment (%)[B]	Real Annual Wage Increase (%)	Exports (% GDP)	International Reserves (months of imports)[C]
Alessandri (1958–64)	3.7	25.8	7.5	1.8	14.5	2.2
Frei (1964–70)	3.9	26.2	5.5	8.0	15.4	4.9

Source: Central Bank, INE, in Meller 1996.
A. Annual average for presidential term.
B. 1960–64 period for Alessandri government.
C. Value for last year of the period.

The principal feature of the classic matrix is the central role of politics not only in economic processes, but in constituting the society's cast of players and in shaping cultural orientations (notwithstanding the fact that cultural sphere has its own degree of autonomy). There were cultural orientations that valued education, equality, solidarity, a collective national vision, and that emphasized the importance of the middle class. However, meritocratic criteria were lacking, and classist and oligarchical factors played an important role, given the culture of rural life and of the hacienda. Meanwhile, the national identity and the process of constructing collective identities within it were organized around politics – in a sense much broader than simply government and governmental decision-making. It was the particular way in which the society and its way of life constituted themselves that was so important. Politics was the principle area in which the quest for meaning took shape, and institutions were the main instrument through which answers were generated, creating a perpetual ambiguity or hypocrisy in which norms were accepted while their intrinsic value was doubted.

The particularity of Chilean politics was that it was more party-based than populist or personality-based, unlike other Latin American countries. There was a wide spectrum of political parties and ideologies, even before the masses were brought into the political process. Politics was centre-stage and highly ideological, paving the way for the radicalization of the 1970s, which translated abstract ideology into concrete claims.

Table 6: Results of parliamentary elections, 1925–1969

Election	Right	Centre	Left
1925	52.2	21.4	0.0
1932	32.7	18.2	5.7
1937	42.0	28.1	15.3
1941	31.2	32.1	28.5
1945	43.7	27.9	23.0
1949	42.0	46.7	9.4
1953	25.3	43.0	14.2
1957	33.0	44.3	10.7
1961	30.4	43.7	22.1
1965	12.5	49.0	29.4
1969	20.0	36.3	34.6

Source: Borón (1971) and Valenzuela (1978). Quoted in Meller (1996:102).
Note: The 'right' includes the Liberal and Conservative parties; the 'centre' the Radical, Agrario Laborista (Agrarian Workers) and Christian Democratic parties; and the 'left' the Socialist and Communist parties. Starting in 1965, half of the Radical votes are counted as belonging to the left and the other half to the centre. The sum of the percentages is not 100%, since some minor parties and independent candidates are not included.

Despite its achievements, the statist-national, popular-democratic, political-party-oriented model whose general features we have sketched here suffered from major contradictions and constraints. The rural population, the urban poor, women and regional interests were marginalized, subordinated and only tardily incorporated. Cultural forms and identities outside the mainstream as defined by the de facto powers (in particular, the cultures of indigenous peoples) were kept in a subordinate position and excluded from political expression. Parochial thinking reigned, and the national-popular idea was appropriated and identified with particular social, political or cultural sectors, excluding the rest of the society, a dynamic that segregated the country rather than promoting integration. The culture did not encourage individual creativity or the expression of diversity, but promoted an apparent homogeneousness behind which lay mediocrity, discrimination, classism and hypocrisy. Finally, the technical aspects of economic policy were excessively dependent on politics.

It was precisely these contradictions, and the difficulty of overcoming them, that created the crisis conditions that were taken advantage of by the economy's dominant sectors and the armed forces as a way of implementing their own socioeconomic and political project, which was completely foreign to the principles of the model that had reigned up to that time. In 1970, the capitalistic development model, with its social consequences, suffered a legitimacy crisis, but not so the democratic regime. During the 1970-1973 period, on the other hand, there was a crisis of democratic legitimacy that triggered the downfall of the entire political system.

The Unidad Popular and the economic and political crisis

The parties of the left, grouped together in the Unidad Popular under the leadership of Salvador Allende, shared with Chile's political forces across the political spectrum the revolutionary aspiration of radical, comprehensive social change. On the left, this aspiration took socialistic forms, looking to supplant capitalistic society (though, unlike most Latin American countries, a democratic context was assumed). In terms of content – the transformation of the capitalistic model and the beginning of a transition to socialism – the project paid the price of the predominant views of the time: the economic determinism of social and political life, ideological expressions that reflected rather monolithic systems of thinking, and, most important, the absence of models for the left apart from the revolutionary Marxist-Leninist matrix and the historical cases that it had generated.

Despite these obstacles, the Chilean left did succeed in tentatively formulating its own vision, the 'Chilean road to socialism.' The doctrine is best expressed in President Salvador Allende's first address to Congress in 1971, in which he stressed the relationship between political democracy and economic and social democracy. The platform of the Unidad Popular was based on certain goals and strategic formulations, with specific measures based essentially on redistribution as a way of meeting the basic needs of the majority of the population. The linchpin was the expropriation of the monopolies, which would give the State the surplus needed to reorient the productive apparatus to the people's needs.

Eminently anti-capitalistic in spirit, the ideal of the Unidad Popular's economic programme was economic democracy. Redistribution was to be achieved through changes in ownership structures, nationalising the country's large-scale copper, nitrate, iodine, iron and coal mining operations, and dismantling the country's banking, foreign-trade and strategic monopolies. Action was also taken on private distribution enterprises that were considered to be of strategic importance, while other firms were arbitrarily seized by workers' organizations – as were many farms not affected by previous land reform (see Table 8). Fees

for public services were reduced, and wages were raised by issuing money. This triggered heavy inflation – 293% in 1973 (see Table 9).

Table 7: Land reform under presidents Frei and Allende

Expropriations			Seizures by workers (number of farms)
	Number of farms	Area (thousands of hectares)	
E. Frei Montalva government (1964–1970)	1,400	3,557	241*
Salvador Allende (1971–1973)	4,409	6,409	
1971	1,379	2,027	1,278
1972	2,189	3,013	1,228
1973	836	833	n.d.

Source: Martner (1988) and Kay (1992) in Meller (1996:143).
For seizures, the breakdown by year is: 1965: 13; 1967: 9; 1968: 26; 1969: 148; 1970: 456.
*Includes figures for 1965–1969.

Table 8: Comparison of key macroeconomic variables, 1959–1973[A]

Variable	Alessandri 1959–64	Frei 1965–70	Allende 1971–73
GDP growth (%)[B]	3.7	4.0	1.2
Export growth (%)[C]	6.2	2.3	-4.1
Inflation[D]	26.6	26.3	293.8
Umemployment	5.2	5.9	4.7
Real wages (1970 = 100)	62.2	84.2	89.7
Gross fixed investment (% of GDP) in 1977 pesos	20.7	19.3	15.9
National government surplus (% of GDP)	-4.7	-2.5	-11.5

Source: Central Bank of Chile and DIPRES, Jadresic (1986, 1990); Marcel and Meller (1986); Larraín (1991). Quoted in Ffrench-Davis (2004) (extract of complete table, covering through 2003).
A Annual cumulative GDP and export growth; average annual inflation and unemployment.
B In 1977 pesos.
C In 1977 pesos.
D December to December.

Beyond the fact of the Unidad Popular's theoretical and policy inadequacies, and a discourse that over-emphasized the worker as the agent of social change, which led to exclusionary and confrontational attitudes and action, what it aspired to was, in effect, to square the circle: to conduct a revolution by non-revolutionary, democratic methods – and without the institutional majority that, in Chile, could only be built through political parties. The great lesson of this period is that a majority-building strategy is of the essence in Chile. Indeed, the absence of such a strategy is a part of its past that the Christian Democratic Party has yet to come to terms with. No doubt, the coalition (Concertación de Partidos por la Democracia) that succeeded the military government in 1990 emerged not only because of the need to fight the military dictatorship, but because that lesson had been absorbed to a significant degree. In any case, to see the 1970–1973 period and its culmination in the military coup of 1973 solely as a due to the weakness or unviability of the Unidad Popular's aims and strategy would be misguided. Those three years were marked by a political struggle in which a sector opposed to the Unidad Popular and the Allende government attempted, from the beginning, to bring it down –an objective shared by the United States government.

4. The Neoliberal Authoritarian Thrust

Between 1973 and 1989, the democratic regime was interrupted by a de facto military government led by Augusto Pinochet.[2] A coup d'état ended the institutional stability that the country had enjoyed, with few interruptions, over more than 150 years of republican life. Congress was dissolved, the legislative function was taken over by the executive, political parties were prohibited, electoral mechanisms were suspended, and individual liberties were practically abolished. There was massive, systematic repression of those considered supporters of the previous government or opponents of the new. The judicial branch was subordinated to the de facto executive. The authoritarian regime's institutional model was consolidated in the 1980 Constitution, which was approved in a fraudulent plebiscite. The Constitution enshrined the authoritarian institutional structure, which was to lead straight to the 1988 plebiscite.

Here, then, we see a counter-revolutionary project. The Chilean military regime from 1973 to 1981 or 1982 engaged in a double process. One aspect was the repression and disempowerment of existing players on the national scene. Given the nature and origin of these players' roles, that meant suppressing party activity, which first reappeared under the umbrella of the Church. The other aspect of the process was personalization, for General Pinochet represented a mixture of institutional regime and personal dictatorship, political power and military power. A hegemonic nucleus was formed that combined this personalized political power with the socioeconomic management of the State by a technocratic team known as the 'Chicago Boys,' which very quickly aligned itself with financial capitalism.

The content of the Pinochet regime's civil and military programme was twofold. First, it aimed to reverse the relationship between the economy and the State, reducing the State's integrative and redistributive role to a bare minimum, along with its role as a referent for collective action, while continuing to make use of its coercive functions and employing it as an instrument for implementing the model itself. Second, it aimed to generate a set of social and institutional changes subsumed under the rubric of 'modernization,' which principally meant atomizing social relations, reducing social relationships to market mechanisms, and cutting off links between social relationships and political action.

The authoritarian/neoliberal proposition was presented as a radical step beyond preceding formulas (traditional capitalism, the mixed formula of the 1960s and the socialist orientation of the Unidad Popular). By suppressing political activity, the military regime was able to carry out the changes that its technocratic nucleus deemed necessary. The State was able to impose these changes without having to face countervailing social forces. The social costs of this have been analyzed at length, and their effects on today's and tomorrow's society are undoubtedly long-term. The neoliberal formula produced not only a restructuring of the economy but a restructuring of the political sphere (since the regime enshrined its institutional model lastingly in the 1980 Constitution), and a social reordering in which the entrepreneur assumed the leading role, in which the working class was dissolved as a social agent, and in which the cultural orientations of the social and political players were transformed.

The military government's plan for stabilising the economy and placing it on a new foundation was based on dismantling Chile's version of the welfare state and the classic socio-political matrix, and on creating the groundwork for the neoliberal matrix to which we have referred. First of all, policies were put in place to control macroeconomic imbalances. Priority was placed on controlling hyperinflation, and this was followed by unilateral and indiscriminate trade deregulation, price deregulation and deregulation of the financial market. Thus began the dismantling of the governmental apparatus, which included the dissolution of the entire state enterprise system through privatization, even in some areas by long tradition within the purview of government, such as the pension and healthcare systems. Foreign borrowing was a fundamental element in implementing the new economic reforms, but it proved to be a two-edged sword that bounced back with the world debt crisis of 1982 to throw the Chilean banking system into default.

2. Of note in this connection, among the abundant literature on the Pinochet military regime is C. Hunneus (2000) *El régimen de Pinochet.* Santiago: Editorial Sudamericana. On economic issues see R. Ffrench Davis (2004) *Entre el neo-liberalismo y el crecimiento con equidad.*

Table 9: Comparison of the economic situation before the political crisis and after the coup

	1972–73	Post-1973
Privatization	State business controls over 400 businesses and banks	In 1980, the public sector includes 45 firms (including one bank)
Prices	General price controls	Unregulated prices (excluding wages and exchange rate)
Trade Regime	Multiple exchange rate; prohibitions and quotas; high tariffs (average 94%, maximum 220%)	Single exchange rate; across-the-board 10% tariff (excluding automobiles); no other trade barriers
Fiscal Regime	Cascading tax on purchase/sale transactions; high rate of public employment; high public deficit	Value-added tax (20%); reduction of public payroll; government surpluses (1979–81)
Domestic capital market	Interest rate controls; nationalized banking; controls on credit	Unregulated interest rates; reprivatization of banking; deregulation of capital market
Capital account	Total control of capital flows; government is main foreign borrower	Gradual deregulation of capital flows; private sector is main foreign borrower
Labour regime	Powerful unions with great negotiating power; legislation preventing dismissal of workers; mandatory wage readjustments; high non-wage labour costs (40% of wages)	Atomization of unions, which lose all bargaining power; employees easily fired; drastic drop in real wages; low non-wage labour costs (3% of wages)

Source: Meller (1996)

Along with introducing radical changes in the economy (deregulation, privatisation, and dismantling barriers to international trade), the military government changed social policy in six main ways:

1. by drastically reducing resources, affecting housing, health and education with particular intensity (the major cuts being in investment and salaries in those sectors);
2. by transferring executive functions and services to the private sector, and implementing geographical deconcentration of ministries and services;
3. by introducing market mechanisms into the allocation of public funds (demand subsidies);
4. by specific measures designed to virtually eliminate programmes with universal coverage, targeting public spending on the poorest segments of the population;
5. by creating compensatory social programmes to be applied in situations of extreme poverty;
6. by weakening the power of workers and unions through tight control over collective expression of social demands.

Despite the lack of a coherent 'package' of administrative reforms as such, the military government, from its very first policy adjustment in 1975, implemented a series of measures that profoundly changed the apparatus of the State. Among these was the massive privatization of public enterprises, including those providing public services – social security pre-eminently – though the privatization of certain firms was left pending, and large-scale copper mining was exempted. The functions of public services were shifted, as were municipal fiscal deficits in education and health; the number of public employees was drastically reduced, and entire government entities were eliminated; the 'social' ministries were restructured and weakened, and ministries in the economic area were modernized; the country was divided into regions in military fashion; administrative legislation created increasing instability; and a new Constitution was put in place that was designed so as to be extremely difficult to change.

Thus, despite some initial measures in the area of financial and administrative streamlining, in practice there was a marked deterioration of public administration, since the military regime's economic authorities considered the State inefficient by definition. Unremitting arbitrariness, authoritarianism and deprecation of public functions devastated the morale of the bureaucracy. Salaries were reduced disproportionately in fiscal adjustments. Obsessed with privatization, the Pinochet government abandoned public employees to their fate (Marcel, 1994).

Thus, an extremely negative notion of the State's role was promoted, and modernization and administrative efficiency were identified with the private sector. The dominant political thinking associated the public sector with bureaucratic and antiquated, not to say anachronistic, ideas and images. As a result, all public servants were deemed inefficient. This prejudicial view, which rejected the functions and

dismissed the effectiveness of public policy, continued among groups on the right and business sectors during the succeeding democratic governments. Behind these arguments was, on one hand, an interest in preventing the creation of regulatory strategies, and on the other an interest in privatizing all available public capital and services (Díaz, 1988). But this approach had a major political motivation as well, which was to punish a sector considered to bear responsibility for the 1973 crisis, and to eliminate State intervention, which was construed as the principal cause of the politicization of society. Stressing the ineffectiveness of governmental action, and its supposedly harmful effects on economic growth, neoliberals and neoconservatives put a powerful brake on the endogenous modernization of public administration, opposing various reform initiatives put forward by the democratic governments (Oyarce, 1997).

In 1981 and 1982, the debt crisis produced a crisis of the economic model, which led to the eruption of protests and public expressions by the opposition. Starting in 1986, the regime partially repaired its economic model to set the stage for the plebiscite in 1988, in which the opposition agreed to participate with a view to turning it from a mechanism for the propagation of the regime into a mechanism for dénouement, an end to dictatorship, and a transition to democracy.

Table 10: Results of the military regime's 'economic miracle'

	1973	1980	1981
Annual inflation			
CPI (revised)	606.1	31.2	9.5
WPI	1,147.10	28.1	-3.9
Economic Growth (GDP)	-4.3	7.8	5.5
Exports (millions of USD)			
Total exports	1,309	4,705	3,836
Non-traditional exports	14	1,821	1,411
International reserves			
(millions of USD)	167	4,074	3,775
Budget deficit			
(percentage of GDP	21	-5.5	-2.9
Annual increase in real wages (%)	-25.3	8.6	9

Source: Central Bank, Ministry of Finance, in Meller (1996).

It is true that the military regime succeeded in imposing a new development model, but this was after a resounding fiasco in 1981–1982, which entailed regressive growth for a period of time (though a partial recovery began in 1986 – not including social indicators, none of which recovered to near their 1970s levels).[3] It is nonsense, then, to speak of a Chilean economic miracle.

In short, the military dictatorship and its neoliberal model produced a change in Chile's socio-political matrix, but since it created no new matrix, what it did in essence was in essence simply to dismantle the old one.

5. Democracy and a Hybrid Matrix

The political transition in Chile began with the 1988 plebiscite. Despite the clearly non-democratic civil and military intentions of Pinochet and his collaborators, a return to authoritarianism became impossible at that point. The transitional period ended when the first democratic government took office in March of 1990. Since then, the country has been governed by four successive centre/left governments of the Concertación de Partidos por la Democracia, a coalition comprising the Christian Democratic Party, the Socialist Party, the Partido por la Democracia (Party for Democracy, or PPD) and, of less weight, the

3. To mention only one, a long-range view of the economic history summarized in the present paper shows that, for the Chilean population, the regressive redistribution of income that occurred under the military regime meant not a 'lost decade', as averred in assessments of Latin America in the 1980s, but *four* lost decades. In the 1950s, the percentage of families living in poverty was approximately 40% the same proportion as at the beginning of the 1990s. For a complete review of the economic policies of the dictatorship and the pertinant indicators, see R. Ffrench Davis, op. cit.

Partido Radical Social Demócrata (Social Democratic Radical Party). Two of the presidents have been Christian Democrats (Patricio Aylwin, 1990–1994, and Eduardo Frei, 1994–2000) and two Socialist-PPD (Ricardo Lagos, 2000–2006, and Michelle Bachelet, 2006–2010). Thus was resolved one of the major problems that Chilean society confronted in the twentieth century. For though the imbrications of social actors in the party system had been evident in the country's progressive democratic parties individually, it had not taken the form of a progressive democratic coalition uniting centre and left except during the time of the Frente Popular in the late 1930s – and then only partially, because the configuration of social actors had changed in such a way that they could no longer be fully represented by the party system.

The first democratic government, led by Patricio Aylwin, defined the national task in terms of a 'transition to democracy,' putting forth the emblematic idea of 'growth with equity' while maintaining macroeconomic balances and seeking to correct the social effects of the economic model. It also defined a method of negotiation and specific agreements designated 'democracy by consensus.' In fact, no transition was still in progress, nor were there, as we have said, true consensuses. But whatever criticisms one may lay at the door of this government for partial or insufficient definitions, one must acknowledge that there were goals and direction, and that in the terms it had set itself the government advanced.

During the second Concertación government, however, despite excellent economic performance up to 1997, and major progress in terms of public works and reform of the judicial and educational systems, the country was basically adrift without a vision, a collectively-defined direction or a political leader. In place of goals capable of mobilising social and cultural energies, there was a vacuum. Presidential leadership 'was recovered in the Lagos government, when national objectives were given definition again in terms of the goal of becoming a developed country before the conclusion of Chile's second century of existence as an independent nation. Despite enormous progress in infrastructure, social reform and international insertion, the goal remains distant – nor does it seem at this point that the country's social and political actors are focused on a clearly defined joint objective.

The Bachelet campaign and the first 10 months of the Bachelet government (the first gender-balanced government run by a woman in Latin America – in office for only a four-year term, pursuant to the Constitutional reforms of 2005) has emphasized the idea of a new style, the 'citizen' style. Though there are agendas consisting of specific measures, a political vision or ultimate goal that might give meaning to governmental action as a whole is lacking, except for the generic proposition of social protections in the form of pension reform (announced in late 2006). In the absence of a guiding direction, the government has been beset by problems that were not on its agenda, the most significant of which has been that the secondary-student protest movement.

Conclusion of the 'transition' to democracy does not mean that with fully democratic governments the political regime and society had reached democracy properly speaking. For this was an incomplete transition that gave rise to limited democracy of low quality, and one riddled with enclaves of authoritarianism. The unfulfilled task at the end of the transition was neither to extend the transition nor to consolidate the new post-authoritarian regime – which was already consolidated in the sense that no return to authoritarianism was possible. The challenge was to profoundly reform the regime and create a new authentic political democracy where de facto powers or political minorities would not set limits on the will and sovereignty of the people. In other words, the transition left problems that have not been resolved.

The relative success of Chile's political democratization occurred at a cost that may be seen in the major problems left unsolved, failures due not to the nature of the process, but to the political way in which it was handled.

Much has been made of the consensual character of the Chilean transition. The truth is that the transition was characterised primarily by an absence of debate on the great issues that define a society and provide the foundations of democracy. The illusion of consensus has been no more than a compensation for this failure. The only consensus that really existed was consensus on ending dictatorship. What occurred in this context was circumstantial and specific agreements between the government and the opposition. But no one anywhere else in the world would have presumed to call this 'consensus-based democracy.' The absence of true consensus on the basic issues of reconstructing a post-dictatorial society is due, on one hand, to the veto power of the minority and de facto powers (business organizations and the economic groups that control the media, the armed forces, the judiciary to some extent, and the electoral minority of the right that has a virtual veto under the present electoral system). The crucial issues have either received no debate, or the debate has been drowned in demands for economic or political stability. And finally, there is a remaining trauma around conflict and confrontation, processes that are demonized and seen as pathological, though debate and conflict are essential if true societal consensus is to be reached.

Thus, debate has been limited, or nil, and totally unproductive of consensus on central issues such as the problem of justice for violation of human rights under the dictatorship, regional reform, the Mapuche problem, equality and redistribution, reproductive and cohabitation issues that are generally vetoed by the Church, the constitutional model, and reformulation of the development model in the face of globalization. It is worth pointing out, on the other hand, that there has been a certain consensus regarding placing priority on education. This led to educational reform under the Frei government, but the limits of the reforms were apparent in the student movement of 2006, which created new debate and led once again to partial and precarious consensus. A fight on poverty was launched by the National Commission Against

Poverty, but the central question of redistribution was omitted. Finally, one must acknowledge that the modernization of the judicial system and the reform of the penal code, with the creation of the Ministerio Publico (the ranking entity ultimately responsible for criminal investigations) and the institution of oral judicial proceedings, are undoubtedly important advances.

Chile's political democratization was certainly successful in the sense that it displaced the dictatorship, kept the society from falling apart by controlling macroeconomic variables, and ensured a government formed by a democratic coalition that represented a majority. However, one can hardly speak of an 'exemplary' or 'successful' transition, considering the products and quality of the democratic process under this new regime, which is characterised by precarious institutions, de facto powers, and weak representation due to tensions in the society and among its political players. Another factor is the fragility of the transition's cultural underpinnings, in that basic consensus and societal unity and direction are lacking as a result of the fracturing of governmental power.[4]

Chile's transition to democracy was happily free of something that occurred in many similar cases, where economic crisis tore the relationship of pro-democracy forces asunder, and created opportunities for destabilization or delegitimation by de facto powers, or distanced middle- and working-class sectors from the new government's policies. Chile's initial democratic governments had not inherited a crisis that would force them to take measures detrimental to working-class sectors or regressive in nature. What had been inherited was not a crisis, but a model – a much more serious structural problem that called for rectification, if not, indeed, replacement.

However, the resulting opportunity to concentrate on the truly political issues involved in completing the transition and eliminating the remaining enclaves of authoritarianism was unfortunately not taken advantage of, and the absolute priority placed on economic stability discouraged the creation of social movements and actors, and was harmful to existing players' relationship to politics and parties.

It is true that Chile has stood out in the last decade among its Latin American counterparts as a notable emerging economy, and that its income, growth and poverty statistics, as reflected in human development indices, are the best in the region. Nevertheless, as we shall see, problems permeate the socioeconomic model, and they may end up not only acting as a brake on further growth at some point, but actually jeopardizing progress already made, and threatening the very existence of the country as a social community. This concern has triggered debate about correcting or changing the economic model. The dissent was expressed principally from left of the Concertación in the 2005 presidential campaign.

The first problem has to do with the pace, type and goals of economic development. The proposed goal is to become a developed country by 2010. This will not be possible, either in terms of per capita income or in terms of a 'developed' distribution of the fruits of growth. Here, then, is the basic dilemma. The world's growth model, based on a leading role for transnational market forces and what has been called the 'new economy,' has ceased to be a development model. Growth and development no longer go hand in hand. The structural problem of employment is the best illustration of this, for it requires direct economic intervention by State and society. Though international economic agreements of enormous significance have been signed, and there have been socioeconomic reforms such as Plan Auge in healthcare and Chile Solidario in poverty reduction, these are clearly insufficient. Discussion of the essential nature of a development model based on exports without high valued added – and with a level of unemployment that is apparently structural – is barely sparked before it gets smothered, for it seems that the only voices that have influence (and indeed set the agenda for public bodies) are those of large business organizations and associations, and the communications media that they control.

This is precisely the second major problem left unsolved by the Chilean development model—the problem of the actors in the development process. On one hand, the country has experienced a cyclical climate of government-business relations, which move from verbal guerrilla warfare with recriminations by the government and threats from business, to declarations of full trust and mutual support – the latter primarily when economic policy produces good results. In fact, despite some significant exceptions, the extent to which ideology and a general unrestrained interest in profit at all costs have come to dominate the economic arena means that Chile lacks one of the essential engines of economic development in today's world economic model: a business class with a sense of responsibility, one that is not intent on profit at any cost, or addicted to extra-economic caprices, but feels a commitment to the national wellbeing. This requires thinking in terms of the nation, and reflecting on the one's role as an agent of development in permanent cooperation and relation with the State.

Meanwhile, a critical or timid attitude subsists regarding a more active role for the State in its directing and mobilizing capacity. It is true that in a highly globalized economy like Chile's, it is much more difficult to design aggressive economic policy than it is, for example, for the main Mercosur countries. But it is also true that in its role as a regulator and provider of incentives, social protector, redistributor of resources and wealth and generator of equality, as well as promoter of activities in areas such as research and the environment, the Chilean State is still backward, and captive to the limitations that neoliberal ideology

4. On the process of democratization in Chile, see, among other sources, E. Boeninger (1993) *Democracia en Chile. Lecciones para la gobernabilidad*, in P. Drake & P. Jaksic, eds., *El difícil camino hacia la democracia en Chile 1982–1990* (Santiago: FLACSO), which includes coverage of the second half of the military regime; M.A. Garretón (1995) *Hacia una nueva era politica. Estudio sobre las deomcratizaciones* (Santiago: Fondo de Cultura Económica); and, for a more recent review, A. Menéndez and A. Joignant, eds. (1999) *La Caja de Pandora. El retorno de la transición chilena* (Santiago: Planeta/Ariel).

has imposed in the guise of common sense. Modernization of the State has produced beneficial advances in government in terms of computerization, user-friendliness and service. However, the process has fallen into the trap of measuring its progress with indicators proper to the private sector and the market. Reassuming the directing, regulating and protecting role continues to be a priority without which the problems of inequality we have mentioned will not be resolved. It should be recalled that portion of the national output represented by the State is very low, and that there is ample margin for moving from a liberal model to a social-democratic one without jeopardizing growth.

The third problem has to do with the consequences of the economic situation in the social sphere – namely, relative stagnation, especially in terms of jobs, socioeconomic equality and the capacity for action on the part of the social groups and sectors most affected.

As regards jobs, though there has been undeniable progress in areas such as unemployment insurance and the creation of new jobs by the State, and though unemployment has dropped in the last year with a significant rate of job creation, the basic question remains. For today, growth is no longer equivalent to development, social integration and, as the ILO puts it, a decent job for everyone. Hence, the growth model must be changed, or additional measures taken – and these changes or additions may be in contradiction to the model's premises, since the whole thrust of the changes would be to again link development and growth.

The fact is that socioeconomic inequality is the Achilles' heel of Chilean society, though poverty, at least statistically, has been reduced significantly, as mentioned above, largely as a result of growth and effective social policy. In the 2005-2006 presidential campaign, the issue of inequality as the main problem in Chilean society re-emerged and penetrated the discourse of all the candidates, including those on the right. However, the major generator of greater equality – redistribution, one of whose indispensable elements is tax reform – has been absent from the programs of the opposition on the right as well as in the rhetoric and policies of the Concertación. The only important measure taken has been to increase the VAT, a pre-eminently regressive step.

Thus, just as the previous model of development, which was based on industrialization and the State, had certain intrinsic defects that needed to be corrected from outside it, the current model has perverse aspects that are a part of its nature. Today's economic model, unlike the model of earlier decades, based on industrialisation and a pro-active State, does not promote the creation of a material and institutional soil in which social actors can arise. It provides no stable foundation on which they can organise put forth new demands, express themselves, or negotiate with representatives of the political sphere, i.e., representatives of political parties. When the bases for collective action are dismantled, the corporate dimension associated with economic power is left in a uniquely privileged position, and social action is reduced to sporadic defensive manoeuvres. Furthermore, institutions that can provide and enforce standards and regulations are lacking, and the State is ill-equipped to process conflicts and demands. This deficiency is reflected in the scandals triggered by complaints of bribery and fraud in the government in 2002 and 2003, which led to an agenda of important but partial reforms, which hardly changed the structure of the State itself, or its relation to the society.[5]

The lack of balancing forces between the most powerful economic actors (the de facto powers) and the nation's social organizations, especially those in the most vulnerable sectors, appears not only not to have diminished, but to have actually been aggravated. The thus weakened social actors are consequently forced to focus on their own problems, and to emphasize their particular collective demands, neglecting the great national issues. This phenomenon is reinforced by the absence of a party system in which social sectors feel themselves heard and included by the political class, as they have been at other historical periods. The only sectors that are so heard and incorporated are those of the right, which directly and exclusively represent the business and military interests, and the Communist Party, which, with the little political weight it has, expresses the remaining sectors' dissatisfaction with the governments of the Concertación.

If the Chilean model has been successful somewhere, it is in positioning the country in the globalization process. Clearly, the Chilean economy has been impacted by globalization more strongly than others on the continent, in part because of its historical dependence on foreign phenomena of all kinds, but also because of the nature of its economy, which is more open than the others, partly because the process of deregulation and adjustment was carried out before globalization became the central phenomenon of the late twentieth century. Economically, over 50% of Chile's GDP is linked with the foreign sector.

The following tables show how socioeconomic indicators have fared since the first democratic government took office.

5. Reforms in 2003 addressed issues of probity and public administration. They placed caps on confidential funds in some ministries and provided for public financing of electoral campaigns, in the wake of scandals involving bribery, extra pay for employees of some government entities, and irregular use of public funds – problems that led to an accord between President Lagos and the parties of the Concertación, on one hand, and the opposition led by UDI President Pablo Longueira, on the other.

Table 11: Comparison of the performance of the democratic governments as reflected in key macroeconomic variables: 1974–2005

Variable	Pinochet 1974–89	Concertación 1990–2005	Government Aylwin 1990–93	Frei R.-T. 1994–99	Lagos 2000–05
GDP growth (%)[A]	2.9	5.6	7.7	5.4	4.3
Export growth (%)[A]	10.7	8.5	9.6	9.7	6.5
Inflation[B]	79.9	7.8	17.7	6.1	2.9
Unemployment[C]	18.1	8.3[D]	7.3	7.4	10.0[D]
Real Wages (1970=100)	81.9	122.3[D]	99.8	123.4	138.9[D]
Gross fixed investment (% of GDP)[E]	15.3	23.8	21.0	25.4	24.5
National government surplus (% of GDP)	0.3	0.8[D]	1.6	1.1	0.0[D]
Structural surplus (% of GDP)		0.7[D]	0.4	0.8	0.8[D]

Sources: Taken from Ffrench-Davis (2003, table I.1) and updatings of Ffrench-Davis. Based on Banco Central de Chile and DIPRES. The 2005 figures are very provisional. Quoted by Huneeus, C. Party coalitions. '¿Un nuevo escenario para el sistema partidista chileno?' Revista Política. Santiago, vol. 45, spring 2005.

A Annual cumulative GDP and export growth rates; average annual inflation and unemployment rates.

B December to December.

C Included as unemployed are workers in special job programs, without whom the figures are 13.3% in 1974–89, 7.3% in 1994–99 and 9.0% in 2000–04.

D Figures as of 2004.

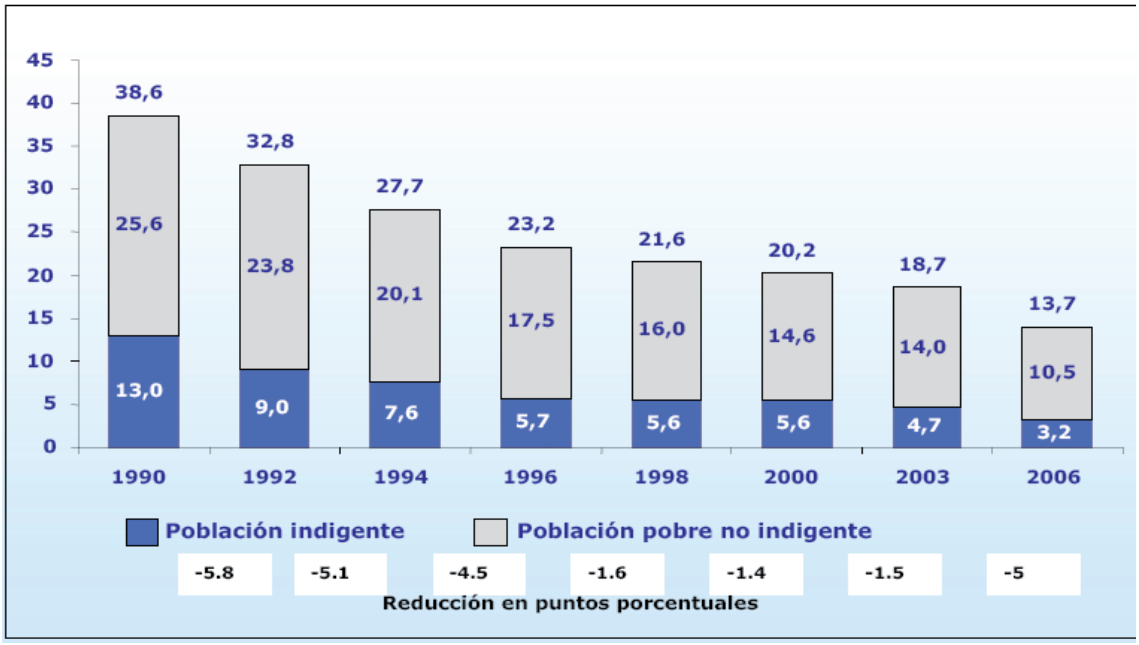
E In 1996 pesos.

Table 12: Poor and indigent population, 1990–2006

	1990	2006	Variación porcentual
Indigencia	1,674,736	516,738	-69.1
Pobreza no indigente	3,293,566	1,692,199	-48.6
Total pobreza	4,968,302	2,208,937	-55.5

Source: 2006 CASEN Survey

Chart 2: Poverty and Indigence over time, 1990–2006 (%)



Source: 2006 CASEN survey

Table13: Economic growth and poverty

Años	Variaciones			Elasticidades	
	PIB %	Pobreza %	Indigencia %	Pobreza	Indigencia
				Puntos porcentuales	
1992/90	21.1	-11.2	-27.5	-0.53	-1.30
1994/92	13.1	-13.5	-13.9	-1.03	-1.06
1996/94	18.8	-13.0	-21.3	-0.69	-1.13
1998/96	10.0	-4.6	1.5	-0.45	-0.15
2000/98	3.7	-4.6	1.5	-1.23	-0.41
2003/00	9.8	-4.4	-13.3	-0.45	-1.36
2006/03	16.51	-24.9	-28.9	-1.45	-1.75

Table 14: Income distribution in Chile

	1990	1992	1994	1996	1998	2000
Indice 20/20	14.0	13.2	14.3	14.6	15.5	15.3
Indice 10/40	3.5	3.3	3.5	3.5	3.5	3.6
Coeficiente de Gini	0.58	0.57	0.58	0.57	0.58	0.58

* Se excluye al servicio doméstico puertas adentro y su núcleo familiar.
Fuente: MIDEPLAN, Encuestas CASEN 1990–2000.

Table 15: Autonomous income, distributive gap and Gini coefficient, 1990–2006

	Años							
	1990	1992	1994	1996	1998	2000	2003	2006
Indice 20/20	13.98	13.17	14.01	14.83	15.57	14.41	14.51	13.10
Coeficiente de Gini	0.57	0.56	0.57	0.57	0.58	0.58	0.57	0.54
*Personas								

Source: 2006 CASEN survey.

As far as poverty is concerned, the governments of the Concertación have, among other measures, implemented a sustained increase in social spending, created special agencies such as FOSIS under the Ministry of Planning and Cooperation (MIDEPLAN) to deal with projects initiated by the actors themselves, a national commission to address poverty, and the Chile Solidario and Puente programmes, which provide very significant direct assistance for which all indigent families are eligible. In addition, recent social policy goes beyond these specific targets to promote and ensure respect for welfare-state entitlements. Examples are the Plan Auge healthcare programme, the expansion of preschool education and the projected pension reform.

It is worthy of note that the latest CASEN survey data, released in June 2007 and reflected in the above tables, show an improvement in terms of poverty and indigence as a result of the government's principles and programmes. However, two reservations must be noted. First, there is debate on the way in which poverty is calculated, since poverty would be roughly double what CASEN shows if the value of the market basket of basic goods were recalculated in today's terms.[6] This is not to deny the positive trend. However, it is important to see the statistics in light of this constraint. Second, it is clear that however it is calculated, the 'poverty line' remains no more than a statistical reality, not a sociological one, for people may be above the line and yet lack the structural conditions for sustainability and be quite vulnerable to falling below the line. In other words, a person or family may be above the poverty line at a given time, but continue to be poor sociologically speaking.

As far as income distribution is concerned, only recently has a certain degree of improvement occurred. However, even this is more apparent than real, if distribution is considered in terms of deciles or percentiles.[7] Also, the distribution of autonomous income improves considerably in favor of the poorest when the State intervenes through aid and subsidies.

6. Felipe Larraín, *El Mercurio* (1 July 2007). Hugo Fazio, *Carta Económica* (17 June 2007) Santiago.
7. H. Fazio, op. cit.

6. Summary and Conclusions

The classic Chilean socio-political matrix favoured the articulation and intertwining of social forces and political parties. It was they – centre and left in concert in the 1930s, and separately in the 1960s – that constituted the 'redistribution coalition,'[8] expressing the central role of government policy in defining and managing development.

The military regime and the socio-economic changes that it implemented marked the advent of a new development model, and had a significance beyond the mere disarticulation of the society as it existed until the 1970s, which the military regime attempted to replace by something that, in its pure form, was a neoliberal utopian vision that went beyond simply releasing the economy from all political control, to actually subordinating politics to the economy. Market mechanisms were posited as the new 'backbone' of essential social actors that would replace representation by political parties as the State's central point of reference.

The military regime was successful at dismantling the previous matrix. However, it did not achieve the goal of replacing it with a neoliberal one. Though the old socioeconomic model was thrown out, the neoliberal model was not consistently applied where growth strategy was not concerned, at least from the time a democratic regime (of low quality though it may be) came in. Though the previous model was dismantled, elements of it remain alongside features of the neoliberal model, and other features that belong to neither of the two models.

Thus, post-transition Chile presents the opposite of Aníbal Pinto's classic description of the classic matrix,[9] which points to the basic contradiction between an atrophied economy and a developed political, institutional and cultural system. From this weakness of the economic system emerged the idea of making the economy autonomous of its political ties. Today, the problem is precisely the reverse. The economy is taking off (or at least has been, with the exception of the period between the mid-1990s and 2005), but what it has primarily 'taken off' from is the country and its society. Meanwhile, back on the ground, we face an atrophied political, institutional and cultural system, as the extant enclaves of authoritarianism[10] make clear—namely the country's Constitution and institutional structure, a climate of impunity vis-à-vis human right violations under the dictatorship, merely partial solution of the problems of the judicial system, the presence of non-democratic Pinochet-oriented actors in the political system, the weaknesses of the decentralization and regionalization process, the crisis of the educational system and collapse of higher education, the enormous weakness of social actors, especially where they must negotiate with economic power, the barely overcome backwardness of institutions dealing with the family,[11] and the difficulty of defining a new directing and protecting role for the State. Though the democratic regime has certainly progressed in a number of these areas, the advances are inevitably partial, because they remain circumscribed by the inherited institutional framework. Meanwhile, the nature of the socioeconomic model has blocked access to the institutional resources needed to confront economic crises such as those of 1998 and 1999.

We would seem, then, to be facing a socio-political matrix or society that is a hybridized version of the twentieth-century matrix. There are some features of continuity, and others that are in sharp contradiction to the past model, while yet other, emerging, features must be defined on their own terms.[12]

The discontinuity consists in the fact that the economy has achieved its autonomy from politics, and has apparently been surrendered to its own development dynamic, which the State may place constraints on, but not define the direction of. Now, this does not mean that the economy is organized in such a way as to optimize national development. For while it the economy is now autonomous of politics and the State, it is subordinate to, or dependent on, transnational market forces. The central fact is perhaps, as we mentioned above, that the socioeconomic growth model is no longer a development model. To put it another way, the economy by itself cannot ensure social integration, as the employment dilemma, for example, clearly illustrates.

The social conflicts would seem to reflect the contradictions of a country that deals fairly well with its short-term economic problems, but that has left pending, or dealt poorly with, its institutional, political and cultural problems, not to mention the issue of a long-term socially-sustainable development model – i.e., one in which the central problem of social inequality is addressed. The response of the democratic governments to the development formulas followed before and during the military dictatorship has been a strategy defined as 'development with equity.' However, despite success in economic growth (up to the

8. S. Wiggins, A. Schejtman and G. Gray (2006) 'Bolivia case study; an interpretative summary'. IPPG Working Paper.
9. See A. Pinto (2001).
10. M.A. Garretón (1995) *Hacia una nueva era politica. Estudio sobre las democratizaciones.* Fondo de Cultura Económica.
11. Recall that until the beginning of the present decade, Chile was the only western country without legal divorce. On the other hand, there has been important progress in such areas as paternity and children's parental origin and dependency, domestic violence, child custody and gender discrimination.
12. On the changes in Chilean society in the last decades, see Various authors (2003) *Cuánto y cómo cambiamos los chilenos. Balance de una década.* Santiago: Cuadernos del Bicenterario.

1997-98 crisis), poverty reduction and social spending, socioeconomic inequality persists (see Tables 14 and 15), and has even become worse in some cases.[13]

It is clear that Chile's central problem can no longer be defined as 'the transition to democracy and a market economy,' as was maintained a decade ago, in the early 1990s. If we have achieved democracy, but it the democracy is weak, we are no longer in transition, but in need of deep political reform. Meanwhile, the neoliberal market economy, or 'privatization,' model has exhausted itself as a basis for integral, self-sustaining national development – not only in Chile, but around the world. Caught between globalisation and the need to turn the helm back over to the Nation State and its alliances, the world shifts uneasily today.

Since the clock cannot be turned back to 'put the economy in its place' as subordinate to the political sphere, we must conceive new alternatives that give the State and supra-national blocs a new guiding role in development. We must establish frameworks to regulate market forces, and to ensure citizens' control over both the frameworks and the forces. In other words, recognizing politics and economis as distinct and autonomous, we must introduce the ethnical principles of democracy in the functioning of markets.

Put another way: What is at stake in the coming years is the existence of the country as a community with a collective meaning that reflects its plurality and diversity. The national vision, the nation's living together peacefully, the identities that make the nation up, and their autonomous insertion in the globalized world – these are the essence of politics today.

Thus, the fundamental problems of post-transition Chile have to do with the organization of the polis, the ability to create direction, the challenge of making the political process respond to the country's cultural and social problems, and the need to link the economy with the general development of the society. This means that there is no present crisis of political legitimacy as such, even among young people.[14] The crisis that we face has to do with the political capacity and activity needed to create awareness of the political sphere, and to prevent it from simply turning about itself. Thus, though we have no crisis of legitimacy at present, such a crisis is a long-term risk.

Today, the freezing of the political/institutional dimension to an economic base that is dependent on the transnational economy is a result of two factors. The first is the presence of institutional enclaves of authoritarianism defended by the right which is the heir of the military regime. The second is the absence of alternative models and proposals of a political/cultural nature. One of the reasons for this is the very success of the Concertación governments. In the absence of such models or proposals, the 'natural forces' of the transnational economy dominate the scene.

It would seem to be very early to answer the question of whether we are looking at an emerging matrix of relations between the State and society, or whether we are witnessing a transition to some other model as yet unknown. The questions posed by the world economic situation and the future of globalization and economic integration accentuate the uncertainty.

In any case, the future of Chilean society lies in its ability to construct a social-political system that restores the idea of a national community that is something more than a market or a set of instruments and techniques. What the country needs is no longer an 'economic miracle,' but a great leap forward in the political, institutional and cultural dimensions.

13. MIDEPLAN (2006) Distribución del Ingreso e Impacto Distributivo del Gasto Social, 2006 Serie análisis de resultados de la Encuesta de Caracterización socioeconómica nacional Nº 2

14. This does not mean that young people are not structurally distanced from politics, or that the distance has not affected the legitimacy of politics. M.A. Garretón and V. Villanueva (1999) *Política u jóvenes en Chile. Una reformulación.* Santiago: Participa and Fundación F. Ebert.

Table 16: Summary

Period	Socio-political matrix and social actors	Political-institutional context	Economic reforms	Results/social effects (poverty)
1930–1973	Statist-national, popular, political-party-orientated State, parties, workers	Economic crisis and replanning for active State role in the economy	Social and productive infrastructure created through State action; import substitution model implemented	Living conditions improve momentarily, thanks to State support, but the system subsequently collapses
1973–1990	Dismantling of socio-political matrix State (armed forces), business	Coup d'état, elimination of Congress, prohibition of political parties, violent dictatorship	State apparatus dismantled, economic activity privatised, neo-liberalism established	Macro-economic indicators stabilized, jobs and social programmes sacrificed.
1990–2007	Hybrid matrix: corrected neoliberal model plus social democratic elements Business, State, parties	Return to democracy, with adjustments to the dictatorship's neoliberal model; gradual democratization, with subsisting legacies from the dictatorship	Modernization of the State, deregulation of markets, increased social spending, privatization	In 16 years, poverty is reduced nearly 50%, but inequality remains at one of the highest levels in the world.

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