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Political Structure and Economic Policy in Chile
Under the Concertación

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Introduction

Chile has a history of deep-rooted political institutions that have spanned the ideological spectrum from right to left. Because no individual political movement has consistently mustered much over a third of the popular vote, the country's governability throughout most of the twentieth century has depended on coalitions. But as political forces became increasingly polarized throughout the sixties contenders began to shy away from compromise. The political middle was abandoned, first to construct the *vía chilena* to Socialism under Allende, then to attain the *depolitization of society* under Pinochet. This period, which spanned most of the seventies and eighties, entirely dismantled the oldest, most stable democracy in Latin America since Independence.

But the emergence from dictatorship would require the rediscovery of political centrism and moderation. The opposition gradually abandoned confrontational strategies and came together under an alliance to defeat Pinochet under his own rules, those set out in his Constitution of 1980. These rules established a plebiscite in 1988 largely seen as an expedient to legitimize Pinochet's tenure until the end of the nineties. Seventeen political parties, from Socialists to Christian Democrats (PDC), formed the *Concertación de Partidos Para el No*, and through a brilliant campaign won the right to hold elections. Transformed into a political party, the *Concertación* proceeded to win those elections culminating a peaceful transition to democracy.

This transition was a *pacted transition*, negotiated under the rules and institutions of the dictatorship. As any pact, it involved costs, expressed mainly in the limited quality of democracy and the inability to fully punish human rights violations during the dictatorship. As any transition, it involved an element of continuity, manifested principally in the maintenance of the economic model and the constitutional framework of the dictatorship. Both of these characteristics have in turn served to justify the success of the *Concertación* and to criticize the limits of its

achievements throughout more than a decade in power.

This paper will examine the main aspects of the *Concertación's* tenure throughout the nineties. It will begin by examining the conditions that enabled its rise to power and will then look at the principal political and economic aspects that emerged from the transition. It will be concerned with two principal issues. In the first place, what are the main aspects of Chile's so-called "tutelary democracy," how did they arise and what are their implications? Secondly, how successful has the *Concertación* been at maintaining economic growth and stability and, to what extent is its model of capitalism "with a human face" a vehicle for greater social inclusion or just another euphemism for neoliberalism? By exploring these questions the paper will attempt to draw a balance of the coalition's decade in power. Finally, it will briefly survey the prospects for the *Concertación* under its third elected president, the Socialist Ricardo Lagos.

Defeat of Dictatorship

By 1982 the Pinochet government was facing considerable popular opposition as the economy plunged into recession. A series of financial scandals and bankruptcies in the banking sector, soaring unemployment, and rising debt, suddenly weakened the immutability of the technocracy. As the regime prepared to celebrate the tenth anniversary of the coup in 1983, the Confederation of Copper Workers launched what would be the first of several public protests staged by civil society groups in expression of their discontent. Political organizations, although proscribed, began pursuing a strategy of popular mobilization to pressure the dictatorship into accepting an opening to democracy.

The dissolution of the communist-socialist alliance (Allende's UP) and the repudiation of Marxism-Leninism by the moderate socialists (*socialistas renovados*), enabled an approximation between Christian Democrats and Socialists. This led to the establishment of a "Democratic Al-

liance” in August 1983, between Christian Democrats, Radicals, Renewed Socialists, Radical Socialists, and right-wing dissidents.¹ Its founding document demanded Pinochet’s departure, the establishment of a provisional government and a constitutional assembly. Concurrently, however, a sector of the Left became increasingly militant and vied to undertake “all forms of struggle” and “armed popular rebellion.”² The communists (PC), a faction of hard-core Socialists (PS-Almeyda), and the *Movimiento Institucional Revolucionario* (MIR) formed the Popular Democratic Movement (MDP), that, together with the *Frente Patriótico Manuel Rodríguez* (FPMR, the PC’s virtual armed front³) incited a resurgence of government repression by perpetrating notable acts of violence.

The thesis that “hard” opposition to Pinochet would only contribute to strengthen him started to emerge in 1984 and is credited to the Christian Democrat, and future president, Patricio Aylwin.⁴ In a symposium called to discuss the future of Chilean constitutionalism Aylwin argued in favor of a transition through continuity, one that followed the rules of the regime without questioning their legitimacy. He called for a realistic and pragmatic approach based on consensus among all democratic parties and aimed at a “negotiated solution.” It was an approach that refuted the logic of winners and losers, civil war, and heroism in favor of tangible, concrete results in terms of democracy.

The Catholic Church, under the leadership of Archbishop Juan Francisco Fresno, would take the initiative to establish the National Accord for Transition to Democracy (*Acuerdo Nacional para la Transición a la Democracia*) in August of 1985. This accord was the “first step in the transit from confrontation to consensus in the Chilean political process, a precursor of the

¹ Edgardo Boeninger, *Democracia en Chile: Lecciones para la Gobernabilidad* (Santiago, Chile: Editorial Andrés Bello, 1997), 301.

² Rafael Otano, *Crónica de la Transición* (Santiago, Chile: Editorial Planeta, 1995), 17.

³ Boeninger, 334.

⁴ *Ibid.*, 20.

Chilean transition to democracy.”⁵ Subscribed by most opposition parties and some prominent leaders from the Right, the Accord proposed a refurbished constitutional design and a transition chronogram far quicker than the official one. It espoused a conciliatory language that spoke of civil pacts, minimum consensus, governability, and construction of a stable democracy. But because its propositions deeply challenged the structure and accomplishments of the military regime it was flatly disregarded by Pinochet.

A final attempt at popular mobilization occurred in 1986 when a congregation of civil society associations presented the government a document demanding the establishment of a democratic, representative government, and fulfillment of a series of social and economic requests. This so-called *Demand of Chile* intended to push the people into the streets to brandish the needs of every particular social sector and use national strikes to intimidate the government.⁶ The government responded with brutal repression which was later exacerbated by a failed attempt on Pinochet’s life.

A growing consensus emerged within the parties of the opposition that official institutions would not easily fracture. Late in 1986 Christian Democrats decried the inability of popular mobilization to produce, of its own, the change of regime to which they aspired, and its dangerous infiltration and manipulation by the elements of the radical Left.⁷ By 1987 moderate Socialists also recognized that mass struggles were ineffective against Pinochet.⁸ Both branches of the Socialist Party separated themselves from the extremism of the PC and MIR and became amenable to the overtures of the PDC. In January 1988 the PDC proposed the creation of a joint command to promote voter registration and insure the triumph of the *No* vote in the plebiscite

⁵ Boeninger, 309.

⁶ *Ibid.*, 314.

⁷ *Ibid.*, 329.

⁸ Camilo Escalona, *Una transición de dos caras: Crónica crítica y autocrítica* (Santiago, Chile: LOM Ediciones, 1999), 26.

that would decide the extension of the Pinochet government. It was formally constituted on February 2 with the adhesion of 17 political parties, groups, and movements, and Aylwin was elected as its main spokesperson.

The *Concertación* renounced confrontation and accepted involvement in direct dialogue and negotiation with the regime. Through a series of public surveys and focus group interviews, a number of professionals dubbed the *Technical Committee of the Command for the NO* found *fear* to be the most salient characteristic among the population. Interpreting these findings as a repudiation of polarizing attitudes, the leadership of the *Concertación* adopted a reassuring tone and a positive message. The campaign for the *No* vote centered around the slogan “*Chile, la alegría ya viene*” (“Chile, happiness is coming”), and the image of a rainbow, symbolizing the calm after the tempest and the pluralism of the *Concertación*.⁹ In contrast, Pinochet’s campaign played on the painful memories of the past: election of the opposition would be a rerun of the *Unidad Popular*—the vote was a choice between communism and anti-communism.

This context was formative of the moderate, middle-of-the-road, conciliatory approach that would later characterize the *Concertación*. At the close of the campaign in October of 1988, Aylwin enunciated the core of this ideology: “The victory of the NO will be the triumph of all Chileans, beyond each other’s position in the past or at the plebiscite. Because it will be the dawning of a new era of national reconciliation instead of confrontation, we want neither victors nor vanquished.”¹⁰ The plebiscite was won resoundingly by the *Concertación* much to the chagrin of Pinochet who admonished: “Remember that in the history of the world there is a plebiscite in which Christ and Barabbas were judged, and the people chose Baraboo.”¹¹

The *Concertación* immediately transformed itself into a political coalition (*Concertación*

⁹ Otano, 57.

¹⁰ Quoted in Otano, 63. Translation of the present and all subsequent quotes are by the author..

¹¹ *Ibid.*, 75.

de Partidos por la Democracia) to participate in the elections that would take place the following year and began to develop a political agenda. The moral transformation operated by the spectacular triumph brought calls from various sectors for Pinochet's immediate resignation. The country was transformed overnight from a state of feebleness and fear to one of euphoria. Critics argue that the *Concertación* failed to take advantage of what were propitious conditions to secure a complete transformation of the Chilean constitutional framework.¹² However, the Constitution of 1980 was considered almost sacred by Pinochet and his followers and whatever negotiations were possible took place in a state of heightened sensibility.¹³ It is difficult to assess how far demands could have gone without prompting a reaction by the Armed Forces. At the same time, the *Concertación* leaders had more limited aims: they were focused on winning the elections. They agreed to pursue a limited number of constitutional reforms that would endow an eventual government with a minimum degree of legitimacy.¹⁴

The final package of reforms that were finally negotiated raised international human rights treaties to constitutional rank, eliminated the proscription of political doctrines that "incited violence," removed the prohibition of union leaders to participate in politics and militate in political parties, increased the number of deputies from 26 to 38, and flexibilized the procedures for constitutional reform.¹⁵ But they did not challenge the basis of Pinochet's protected democracy (discussed below). The *Concertación* sought to secure the transfer of government, even if it did not coincide with a simultaneous and equivalent transfer of power.¹⁶ Attaining the presidency, it was believed, would of itself imply a change in the structure of power that would suc-

¹² Escalona, 33.

¹³ Otano, 83.

¹⁴ Boeninger, 362.

¹⁵ See Otano, 83-84, and Boeninger, 362-366.

¹⁶ Boeninger, 364.

cessively alter the correlation of political forces in favor of the governing coalition.¹⁷

Pinochet's attitude towards power was patent in a speech he gave to commemorate his sixteenth anniversary as commander in chief of the Army in August of 1989. He said he made the transfer of government contingent upon: the respect "in spirit and letter" of the constitutional functions of the Armed Forces; the respect of the immovability of the commanders in chief of the Armed and security Forces; the protection of the prestige of the Armed Forces and the obstruction of any attempts for political reprisals against them; the hindrance of class struggle; the avoidance of terrorism; the respect for the requests and opinions of the Security Council; the observance of the amnesty law decreed in 1978 to protect the government; the abstinence from interventions with defense policy; and respect for military tribunals. In a nutshell: co-governance, restricted democracy, and autonomy of the armed forces.¹⁸

In the election campaign that followed, Aylwin was postulated as the *Concertación* candidate, and the alliance amplified to incorporate all the opposition parties with the sole exception of the communists. The party's platform ratified its compromise with a liberal economic model, but reserved a more central role for the state in the definition of social policies and the attainment of greater equity. It also proposed to continue the process of constitutional reform that had been left pending and vowed to establish the truth and determine responsibilities in all cases of human rights violations, while leaving their resolution strictly within the competence of the judicial system. The coalition partners enfranchised Aylwin with what they called "supra-partidism," a pledge to respect his prerogative to formulate policies above partisan interests, designed to counter claims of implausibility from the Right about the plurality of the opposition alliance.

The *Concertación* won the election with a 55% majority. The unthinkable had happened:

¹⁷ Ibid., 365.

¹⁸ Quoted in Otano, 85.

Pinochet's regime was gone and democracy had been reinstated peacefully. This achievement had been accomplished by careful and cunning calculation. It had been a policy of expediency that focused on ends and was justified by necessity and success. What were the implications of this functionalist transition? That is the question addressed in the following section.

Protected Democracy and the Constraints of the Concertación

Pinochet's state was founded on the principle of "subsidiarity," which holds man as the end of all forms of association. Larger associations emerge when simpler ones cannot tackle the complexity of a task, but it is illegitimate for larger associations to invade the sphere of competence of the smaller: the jurisdiction of the larger group starts where the capacity of the smaller one ends. Tasks should always be pushed to the lowest level of organization feasibly possible.¹⁹ This is the ideological backbone of the military-neoliberal regime: the state must assume only those functions that cannot be adequately fulfilled by intermediary organizations or individuals.

Politicians, being corruptible,²⁰ lose sight of the true ends of social organization. In their constant demagoguery they fail to fulfill their roles as "interlocutors" between the people and the government. The institutions of the state cannot, as a result, be entrusted to them. To insure this, the 1980 Constitution promoted a form of "tutelary democracy" that allowed the imposition of a (rightist) minority and established the protection of the Armed Forces.²¹ It was inspired by the notion that democracy was not an end in itself but only a political regime among many possible, and that the Armed Forces should be granted all the necessary attributions to safeguard national security and guarantee the nation's institutional order.²² It achieved this through the imposition

¹⁹ See Augusto Pinochet, *Declaración de Principios del gobierno de Pinochet* (Santiago, 1974). Jaime Guzman was the regime's foremost ideologue. The principles underlying the constitution are mostly attributable to him.

²⁰ In Pinochet's words: "*seres sin principios*" ("unprincipled beings"). See Otano, 75.

²¹ Escalona, 33.

²² Andrés Allamand, "Las paradojas de un legado," in *El modelo chileno: Democracia y desarrollo en los noventa*, ed. Paul Drake and Iván Jaksic (Santiago, Chile: LOM Ediciones, 1999), 172.

of a binomial system for the election of Deputies and Senators, the establishment of designated Senators, the appointment of Municipal officials, the integration of the National Security Council, and the immutability of the commanders of the armed forces.

The binomial system, which replaced proportional representation, guarantees a seat to parties or coalitions that obtain a minimum 33.4% of the vote in a district, a percentage roughly coincident with the Chilean Right's share in popular elections. The system rewards second place finishers: to win both seats in a district a party would need a 66% majority. As a result, second seats may be won by candidates with fewer votes if the opposition has already won a first seat in the district.²³ In addition to this, the Constitution establishes nine designated senators that are not popularly elected. Pinochet filled these seats before leaving power with officials closely connected to the regime. These mechanism have created an artificially constructed right-wing majority that has thwarted the *Concertación's* attempts to alter the Constitution.²⁴

Under the dictatorship municipal officers were directly appointed as a means to control the political power bases. A 1992 reform established the popular election of municipal council members but left the selection of mayors in the hands of the council. A mayor will be elected by popular vote only if favored with at least 35% of the votes, something unlikely in the Chilean system.²⁵ As a result, the system favors the election of municipal officials via political pacts that are not necessarily representative of the grassroots.

The National Security Council, which included the commanders of the armed and security forces, was charged with naming the designated Senators, the members of the Constitutional

²³ Paul W. Posner, *Popular Representation and the Legacy of Chile's Pacted Democratic Transition*, Working Paper Series 2 (North Carolina: Duke-UNC Program in Latin American Studies, December 1997): 18. Posner shows this model favored the Right with 4 Senate and 12 Chamber in 1989, and 2 Senate and 8 Chamber seats in 1993. He also recalls how Ricardo Lagos lost a Senate bid against Jaime Guzman in 89 in spite of a 175,000 vote advantage.

²⁴ *Ibid.*, 20.

²⁵ See Posner, Note 42, 31.

Tribunal, and together with the President, declaring states of exception.²⁶ It was given the faculty of opposing any action of the President it judged unfavorable to national security, virtually a veto. At the same time, the commanders of the armed and security forces could not be removed by anyone except the Security Council in which, as mentioned, they were full members. Subsequent reforms increased the number of civilians in the Council to four, thus neutralizing the previous military majority.²⁷ However, most of its other attributes remain intact.

Since coming to power in 1990 the *Concertación* has attempted numerous reforms of the Constitution that would correct these *authoritarian enclaves*. However, the stringent majority required for constitutional reform has defeated all of them, given the composition of Congress created by the binomial system and the designated senators. This situation has evidently represented the exercise of a minority veto. The *Concertación* has averaged approximately 53% of the popular vote in the congressional elections of 1989, 1993, and 1997.²⁸ This has given it a majority in the Chamber but not in the Senate, where the Right enjoys 58% of the seats despite having mustered only 36.6% of the votes.²⁹ The *Concertación* has been unable to pass constitutional reforms *even with the support of part of the Right*. An attempt by Frei in 1996 backed by Renovación Nacional, the more moderate party of the Right, was defeated by three votes, with all nine designated senators voting against it.³⁰ This has led critics to argue that the *Concertación* has not carried out its electoral mandate and that it has failed to mobilize popular support in demanding the deepening of democracy.³¹

²⁶ Allamand, 173.

²⁷ Decisions in the Council are taken by absolute majority.

²⁸ Electoral data summarized in Claudio Fuentes, "Partidos y Coaliciones en el Chile de los '90: Entre pactos y proyectos," *El modelo chileno: Democracia y desarrollo en los noventa*, ed. Paul Drake and Iván Jaksic (Santiago, Chile: LOM Ediciones, 1999), 219.

²⁹ *Ibid.*, 229-230.

³⁰ Allamand, 180.

³¹ See Paul W. Drake and Iván Jaksic, introduction to *El modelo chileno: Democracia y desarrollo en los noventa*, ed. Paul Drake and Iván Jaksic (Santiago, Chile: LOM Ediciones, 1999); Escalona, *Transición de dos caras*;

Attempts to enforce human rights and discipline the Armed Forces have been met by explicit intimidation by the military that have led to the generalized perception that they exercise power *de facto*.³² Examples of such instances were the *Ejercicios de Enlace* (Engagement Exercises), the *Boinazo*, and the complicated unraveling of the Letelier indictments.³³ In the first case, the uncovering of evidence linking Pinochet's family to multimillion illegal payments from the army—the *Pinocheques* scandal—prompted maneuvers by the army that successfully persuaded the government to stop all investigative inquiries. The *Boinazo* took place in May 1993 when Black Berets mobilized around the capital during president Aylwin's absence in what was interpreted as an attempt to cajole the government into protecting the military from judicial processing of human rights violations. The objective sought (unsuccessfully) was a *Punto Final* law, similar Argentina's. Finally, General Contreras and Brigadier Espinoza—the leader of the infamous DINA and his deputy—managed to avoid incarceration for a long period and openly defied the authorities after being condemned for the murder of Orlando Letelier. Although finally jailed, their blatant disobedience and vocal denouncement of their cases as political trials posed serious questions about the submissiveness of the military to civil authorities.

Although the issue of a return of the military to power is largely discarded the Chilean political framework still poses significant challenges. It is not a matter of questioning the democratic character of the Chilean regime: political parties are deeply institutionalized, elections are clean and periodic with high levels of civic participation, and three governments have been democratically elected and peacefully transferred over the past ten years. But the overall quality

Alfredo Joignant and Amparo Menéndez-Carrión, "De la 'Democracia de los Acuerdos' a los dilemas de la Polis: ¿Transición incompleta o Ciudadanía Pendiente?" in *La caja de Pandora: El retorno de la transición chilena*, (Santiago, Chile: Planeta/Ariel, 1999).

³² "Poderes fácticos." See Alexander Wilde, "Irruptions of Memory: Expressive Politics in Chile's Transition to Democracy," *Journal of Latin American Studies* 31 (May 1999): 481.

³³ See Boeninger, 408-423.

of the democratic system may be called into question. The military still retains significant power that it may exercise symbolically or concretely, to maintain its prerogatives. At the same time, there is resistance to reform of the institutional aspects of an anachronistic model of protected democracy. “The lack of civic duty on the part of the military represents one of the great obstacles to Chilean democratization.”³⁴

Garretón posits that the *Concertación* succeeded in certain aspects but has left others unresolved.³⁵ Most obviously, the *Concertación* definitively ended the period of military rule in Chile. But it also constituted a majority government that effectively represents all progressive forces in Chilean society, and managed to preserve a crisis-free economic environment that, without solving serious issues of sustainability and inequality, at least protected society against polarization. Among its pending tasks the most salient is the elimination of the authoritarian enclaves. But in addition there is a problem of representation inherent in the elitist qualities of the Chilean political process. This is closely related to the *Concertación* and the nature of the transition to democracy it conducted. As we have seen, it was a movement that deliberately moved away from popular mobilization and relied on a small leadership. As much as it has been called a “consensual democracy” its only real element of consensus has been that concerning the elimination of dictatorship. The existence of a minority veto clearly inhibits the operation of a consensus in the current system. According to this vision Chile is still in a state of transition.

These factors have contributed to a certain disenchantment or feeling of malaise in Chilean civil society.³⁶ There is a tendency to avoid public debate and politicians are defensive about the “partial character of the transition to democracy...and thin-skinned about criticism of gov-

³⁴ Drake and Jaksic, 29.

³⁵ Manuel A. Garretón, “Balance y perspectivas de la democratización política chilena,” in *La Caja de Pandora: El retorno de la transición chilena*, (Santiago, Chile: Planeta/Ariel, 1999), 60-66.

³⁶ See Wilde, 477 and Joignant and Menéndez, 30.

ernment policies and performance... They practice a cautious politics of elite consensus-building—almost a kind of political engineering—with few channels to organized civil society or citizen’s discontents.”³⁷ Attempts to enforce human rights largely receded after some early initiatives—such as the Rettig Commission—and have become largely reactive. The defense of General Pinochet by the Concertación after his arrest in London brought into question the government’s independence and its commitment to punishing the crimes perpetrated by the dictatorship against humanity. It was greatly ironic that the social movement that had promised the condemnation of all human rights violations in Chile should oppose the judgment of Pinochet by appealing to the same arguments of sovereignty he had employed to hide them.³⁸

In sum, the gradualist nature of Chile’s transition to democracy may have generated a degree of complacency with the very significant goals that it achieved, allowing other crucial aspects of the democratization process to remain unanswered. Although the reinstatement of democracy is beyond question, this contentment with partial achievements may yield to a growing sense of disenchantment with the political process that could in time erode the country’s civic culture. The regime’s ability to generate material prosperity will also have a bearing on this process, and it is the topic the following section turns to.

Economic Growth, Poverty, and Inequality

A hallmark of the Pinochet regime was its devotion to a free-market project, entrusted to a group of highly devoted Chicago-trained economists. These professionals "presented the technocratisation of decision-making as a guarantee that the government would pursue a rational economic model. From that moment on, government decisions were to be inspired by 'technical

³⁷ Wilde, 476.

³⁸ Felipe Portales, *Chile: Una democracia tutelada* (Santiago, Chile: Editorial Sudamericana Chilena, 2000), Ch.1.

and scientific' principles and not by political and ideological postulates."³⁹ To them, the political system in Chile had been a pseudo-democracy where the vested interests of political parties and labor unions had dominated legislative decisions, to the detriment of majorities. The dictatorship had an opportunity to replace this system with the impersonal and non-arbitrary rules of the market, protected by the Armed Forces, the ideological Right, and the Constitutional framework.⁴⁰

Neoliberal policies during the regime had succeeded in controlling inflation, boosting exports, reducing unemployment, and rekindling economic growth. The severe crisis of 1982-1983, which drove unemployment above 20% and crashed economic growth,⁴¹ forced a brief interlude in the regime's minimalist economic policies. Although the technocrats lost their revered status and were largely forced out of the government, their export-oriented model continued to predominate save for a slightly more activist social policy. Growth recuperated after 1984 and averaged 7% annually until 1988, reaching 11% during 1989, the year of transition.

The *Concertación* leaders recognized the merits of the liberal economic model but questioned its high social costs and exclusionary nature. They "accepted the neoliberal challenge (the theme of economic policy can only be treated by specialists') and began to elaborate very sophisticated technical studies, in which they expressed criticism of the economic policy of the military government."⁴² They gradually built an alternative economic model that would become their road map in the transition to democracy.⁴³

This model accepted the need for integration into the world economy and abandoned all

³⁹ Patricio Silva, "Technocrats and Politics in Chile: from the Chicago Boys to the CIEPLAN Monks", *Journal of Latin American Studies* 23, no. 2 (1991): 393.

⁴⁰ The technocrats or *Chicago Boys* were close followers of Frederick von Hayek who believed an extensive role for the government led to a total restriction of individual freedom. The 1980 Constitution was called "Constitution of Liberty", in allusion to Hayek's eponymous book. Silva, 396.

⁴¹ GDP fell by 10% in 1982 and by 4% in 1983. Source for all figures cited in paragraph is World Development Indicators 2000 CR-Rom.

⁴² Silva, 403.

⁴³ See Jeffrey M. Puryear, *Thinking Politics: Intellectuals and Democracy in Chile, 1973-1988* (Baltimore: Johns Hopkins University Press, 1994).

dogmatism relative to the role of the state, focusing it strictly from the perspective of efficiency and effectiveness. But it assigned the state additional functions: the promotion of absent markets, the strengthening of incomplete markets, assistance in overcoming structural distortions, and elimination or correction of market failures.⁴⁴ Termed "productive transformation with equity," this new paradigm sought international insertion, the augmentation of productive employment, and the improvement of the distribution of income. While far from extreme liberalism the notion repudiates the regulating, planning and protectionist model professed by entrenched interests.⁴⁵ It was what Boeninger called the "balanced synthesis of the Latin American state".⁴⁶ It entailed a recognition of the desirability for a predominance of the market and an economic policy that is generically liberal in character. Yet at the same time it involved a transcendental role for the state as conductor and executioner of economic policy.

Despite gloomy predictions from Pinochet and the right-wing parties, the *Concertación* governments were not only capable of continuing the positive trends they encountered but in many respects surpassed the economic management of their predecessors. Economic growth between 1990 and 1995 averaged 11% and it surpassed 7% in 1996 and 1997. Annual inflation rates have remained at single digit levels since 1993 and unemployment has oscillated around 6%. Real wages increased 4% annually on average during the 1990s, gross savings increased consistently, and the government has maintained a surplus for over a decade.⁴⁷ Chile also attained high marks in most of its social indicators. In 1999 it was classified as a high Human De-

⁴⁴ CEPAL, *Transformación productiva con equidad*. (Chile: Naciones Unidas, 1990)

⁴⁵ Edgardo Boeninger, "El papel del estado en América Latina," in *Estado y economía en América Latina*, eds. Rolf Lüders and Luis Rubio (Mexico: CIDAC, 1999), 85.

⁴⁶ *Ibid.*, 69-70.

⁴⁷ Patricio Meller, "Pobreza y distribución del ingreso en Chile (Década de los noventa)," in *El modelo chileno: Democracia y desarrollo en los noventa*, ed. Paul Drake and Iván Jaksic (Santiago, Chile: LOM Ediciones, 1999), 43.

velopment country, ranked 39th in the world, by the UNDP.⁴⁸ In 1995 its life expectancy at birth was 74 years, its illiteracy rate 5%, its average schooling 9 years, 98% of its population had access to potable water and 81% to sewerage. Most importantly, the *Concertación* reduced the number of poor by almost two million people during the 1990s.⁴⁹ Whereas 45% of the population was under the poverty line in 1987, that percentage was less than half (21%) in 2000.⁵⁰

Meller reports that about 60% of this reduction in poverty can be attributed to economic growth and the remainder to social policies.⁵¹ Furthermore, he shows that economic growth and social policies have complemented each other to produce a high elasticity of poverty relative to growth. This elasticity is twice as high as that registered during the Pinochet years,⁵² which may be due to the significant increase in social spending registered during the *Concertación* governments. Per capita social spending increased by more than 7% annually between 1987 and 1996, particularly in education (9.8%), health (9.8%), and housing (8.1%).⁵³ These categories are especially relevant in the reduction of poverty because they impact families in the lower quintiles of the income distribution most directly. But what have the repercussions been on equity?

The distribution of income in Chile continues to be appalling: the highest quintile holds 57% of the wealth while the lowest quintile holds only 4.5% of the wealth, a difference of over 13 times.⁵⁴ Although this distribution is among the world's seven worst it has remained largely unchanged since 1987,⁵⁵ so inequity cannot be said to have worsened during the *Concertación's* tenure. Yet, as pertains its goals, the coalition government seems to have reached growth, but

⁴⁸ United Nations Development Programme, *Informe sobre desarrollo humano 2001: Poner el Adelanto tecnológico al servicio del desarrollo humano* (New York: United Nations, 2001), 141.

⁴⁹ Meller., 44.

⁵⁰ World Bank, *Country at a Glance: Chile*, Available from <http://www.worldbank.org/data>, Internet.

⁵¹ Meller, 49.

⁵² *Ibid.*, 48.

⁵³ *Ibid.*, 50.

⁵⁴ Kurt Weyland, "La política económica en la nueva democracia chilena," in *El modelo chileno: Democracia y desarrollo en los noventa*, ed. Paul Drake and Iván Jaksic (Santiago, Chile: LOM Ediciones, 1999), 82.

⁵⁵ Meller, 54.

not—at least so far—with equity. The high level of expenditure in education is a reassuring trend that could tend to reduce inequality (if it is sustained) in the medium term. Other policies that could contribute towards this goal would be an increase of female participation in the work force—which is low in Chile—together with a reduction in their salary discrimination—which is high. A reduction in the size of poor households would greatly impact the distribution of income since they suffer the largest levels of unemployment and have the highest ratio of dependents.

The *Concertación* has followed a prudent economic policy that has pursued the goals of low inflation, budgetary equilibrium, a competitive exchange rate, and balanced trade. It has stimulated the diversification of exports both in terms of products and markets. Whereas Copper represented 75% of exports in 1970, by 1990 it represented only 46%, the difference being made up by non-traditional exports. At the same time, Europe received 61% of Chilean exports in 1970 but only 25% in 1997, the difference going to Asia, North America, and Latin America.⁵⁶

Besides its “enormous and sustained increment of social spending,”⁵⁷ the *Concertación* has distanced itself from an orthodox neoliberal model in other aspects. It experimented with capital controls to avoid (quite successfully) the negative consequences of volatile portfolio capital flows, and was involved in a deliberate effort to improve the competitiveness of its exporters. To pursue the latter the government designed over sixty-five instruments for support and stimulus of exporters including direct subsidies (\$134 million), financial support for the import of capital goods, purchase of equipment, management training, and market exploration (\$413 million), fiscal incentives to stimulate training programs within companies, and others.⁵⁸

It would thus seem that the *Concertación* has exhibited significant proficiency in its economic management of the country, and has managed to develop and implement an alternative

⁵⁶ Weyland, 73.

⁵⁷ 179% in health, 116% in education, both between 1989 and 1997. See Weyland, 80.

⁵⁸ *Ibid.*, 77.

model that, while exhibiting commonalities with the neoliberal model of the dictatorship remains significantly different from it. By effectively doubling per capita income in the last ten years⁵⁹ the model has pulled millions out of poverty and increased the overall standard of living. By aggressive public spending it has boosted the country's stock of human capital. And by active microeconomic involvement it has stimulated the growth and diversification of its exporting sector. However, it has not managed to attenuate the wide disparities that have existed historically within the country and it has been remiss at increasing the sustainability of the country's development by lessening its dependence on non-renewable and environmentally sensitive resources.

The Future of the Concertación

The tensions surrounding the definition of an autochthonous social, political, and economic model are very much at the heart of as pluralist a coalition as the *Concertación*. An ideologically diverse membership may be driven to convergence on common goals but will always feel the tensions of its divergent origins. Although international currents (the fall of communism, globalization) as well as national traumas (the polarization of Allende and Pinochet) have led to the abandonment of extreme positions, a rift continues to split the *Concertación* between those who are content with the rising tide of economic progress—the *complacents*—and those who denounce consumerism and the withering of the state—the *self-flagellants*.⁶⁰ How these tensions are resolved will determine the future viability of the coalition.

So far, the Aylwin and Frei governments have traversed a middle ground between both currents through policies that stress social equity while favoring prudent economic management and free market capitalism. As we have seen, these efforts have sparked growth and settled part of the “social bill” left by Pinochet through the reduction of poverty and greater social spending.

⁵⁹ Arturo Fontaine Talavera, “Chile’s Elections: The New Face of the Right,” *Journal of Democracy* 11, no. 2 (April 2000), 71.

⁶⁰ *Ibid.*, 76.

But they have done nothing to ameliorate the high levels of Chilean inequality. In fact, despite its rhetoric, the *Concertación* seems to have been dominated by pro-business and pro-market attitudes that are skeptical of government regulation and hostile to redistributive taxation. This has opened the way to moral questioning from members of the Left who would like to see a strengthening of labor, greater state influence in the assignment of resources and regulation, and the use of more explicit mechanisms for the redistribution of wealth.⁶¹ The sequels of the Asian crisis—a 12% rise in unemployment, among others—have also raised doubts about the viability of a “trickle-down” policy under a horizon that is adverse to economic growth.⁶²

These issues gain new relevance as the *Concertación* heads into its third presidential term under the leadership of the Socialist Ricardo Lagos. Lagos defeated the Right’s Joaquín Lavín in a run-off and by a close margin (51.3% to 48.7%), thanks to the endorsement of the Communist candidate, Gladys Marín.⁶³ This has led to questions about the debt he may have contracted with the Communist minority. Although Lagos (who renounced Marxist socialism) is not expected to diverge substantially from the economic policies of the previous *Concertación* governments, he is likely to favor labor reforms designed to strengthen trade unions. While attuned to the needs of the business community, Lagos is also likely to favor calls from sectors that seek to reclaim greater social control and regulation of the economy.

Such claims return to the ideological basis of the economic model: should the economy be governed “scientifically” by specialized technocrats, or should it be subject to political control? Should the market be allowed to set its own course of development, or should growth be

⁶¹ Angel Flisfisch, *Sobre el presente y futuro de la Concertación* (Santiago: Corporación Tiempo 2000, Agosto 2001), 11; available at <http://www.tiempo2000.cl>, Internet.

⁶² Meller.

⁶³ Fontaine Talavera, 70.

oriented to “serve the people’s needs, while at the same time protecting the environment?”⁶⁴

These issues are contemporary dilemmas, faced by social democracies around the world. They are manifestations of the tensions that are inherent to the social democratic model.⁶⁵ The key to their successful resolution lies in coherent and prudent policies that avoid polarization and are well adapted to a capitalist framework, policies that recognize the imperative for economic growth and stability but ground it firmly in the context of social needs.

How far the *Concertación* will go in resolving these tensions is uncertain. The more progressive currents consider Lagos should restore a leading role in development to the state by establishing a normative regulatory framework for market forces and ensuring citizen control over such frameworks and forces.⁶⁶ While recognizing that politics and economics are different and autonomous spheres, such views vie for the necessity of introducing “the ethical principles of democracy into the functioning of the market.”⁶⁷ The more conservative currents in the coalition are challenged to propose alternatives that can adequately resolve the issues of inequality and social inclusion. Otherwise, they face the danger of approximating convergence with the views of their opponents on the Right.

The *Concertación* has come a long way from its triumph in the 1988 plebiscite. By the time Lagos finishes his term the coalition will have governed for as many years as Pinochet did.⁶⁸ However, many issues remain unsolved. To insure its continuity the *Concertación* must, above all, promote justice (especially with respect to human rights) along with political order, promote constitutional reform that ensures the regime is truly democratic, and combat poverty,

⁶⁴ Manuel A. Garretón, “Chile’s Elections: Change and Continuity,” *Journal of Democracy* 11, no. 2 (April 2000): 83.

⁶⁵ Flisfisch, 7.

⁶⁶ Garretón, “Chile’s Elections,” 84.

⁶⁷ *Ibid.*

⁶⁸ Fontaine Talavera, 77.

inequality, and other social problems while maintaining sustainable economic growth. Success will require that the *Concertación* reexamine itself “ideologically and programmatically, keeping all that is valuable from its past accomplishments but transcending all its limitations.”⁶⁹

Conclusion

The *Concertación* represents a remarkable return to centrist politics after a tumultuous period of polarization and violence. Its express renunciation of confrontational tactics in favor of accommodative stances and negotiated outcomes opened a window of opportunity that would have been closed to more assertive approaches. This strategy overtook the dictatorship and swept the coalition into power for three consecutive terms. However, it came at the cost of an imperfect democracy, still haunted by authoritarian enclaves, and a failure to impose justice for human rights violations that is obstructing the process of national reconciliation.

In economic matters, the *Concertación* developed a model that built a greater degree of social justice into the export-oriented market economy of its predecessors. Its efforts were largely successful in reducing poverty through economic growth and social spending but were unable to improve the country’s unequal distribution of wealth. They also left the issues of sustainability and the environment largely unanswered.

The future of the coalition will depend on its ability to conciliate the interests of a plural membership. This in turn will depend on its capacity to attenuate the doctrinaire tendencies of its extremes. Paradoxically, this partly entails adopting the apolitical stance of the opposition: to base the agenda not on ideological grounds but on specific solutions to peoples’ problems. But it also involves reinforcing the *Concertación*’s consistent promise of combining economic continuity with socio-cultural change.⁷⁰

⁶⁹ Garretón, “Chile’s Elections,” 84.

⁷⁰ Based on the treatment of the 1999 presidential campaign discussed in Garretón, “Chile’s Elections.”

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