

Changes in the sociopolitical matrix and development in Chile

Manuel A. Garretón M.

Chile around the 1950s

In the early twentieth century, Chile began to gestate what we call Latin America's classic sociopolitical matrix: a state, national, popular, democratic, and, in Chile's case, parties-based matrix. Up to that time, the economic and social model was based on a free market system known as the model of outward development grounded on the more orthodox free trade paradigm. The orthodox economic model was associated with an oligarchic system of democracy limited by considerable political and social exclusion. The State played a minimal role during this period of the cities' capitalist expansion spurred by the mining and industrial development that attracted major migratory flows from the rural areas and the center of the country. This resulted in grave social problems that brought to the fore the oligarchic model's crisis,

* University of Chile.
mgarreton@mi.cl

which definitively collapsed with the 1929 world crisis, entailing a decisive change in the development strategy and heralding a new era in which the State assumed a role for the first time.

The so-called “social question” of the twenties, which had to do with the unsustainable exclusion of the new proletariat, created a propitious environment for major social changes. Between 1880 and the 1920s important progressive political groups of the middle class were formed, coupled with the emergence of a labor movement that reached a significant level of organization by 1922, with the founding of the Communist Party. Although they did not have much political significance before the twenties, the progressive groups did help the inclusion of new issues on the social agenda and made considerable progress under the liberal candidacy of Arturo Alessandri Palma, who was elected president in 1920.

Under the Alessandri Administration, a new Constitution was drafted in 1925, strongly influenced by the constitutional social doctrines that prevailed in the twentieth century, and based on the outstanding fundamental charts that were the Mexican and the Soviet Constitutions (1917 and 1918, respectively). Chile’s new Constitution was thus aimed at ensuring a minimum degree of well-being for the citizens, including explicit protection of labor, industry, and social welfare. In 1931, the Labor Code, a sanitary code, was drafted on the basis of the institutional groundwork laid down by the 1925 Constitution. This Constitution established a presidential system of government, leaving behind the traumatic parliamentary system that had led to serious institutional crises in the late nineteenth century; a new electoral system that incorporated proportionality as the governing principle of representation in Congress; and the separation of Church and State. The Central Bank was created, new banking and budgetary legislation was enacted, and the Office of the Controller General of the Republic was established.

The 1925 Constitution laid the institutional foundation for the subsequent development of the social processes (to be addressed further on), which helped shape the classical sociopolitical matrix supported by elements such as a relatively modern economic institutionality, political democratization, social protection, an strong role played by the State, and laicism. All of this, though, in a relatively precarious balance subject to some backsliding owing, until the sixties, to the exclusion of the peasants and the urban poor, as well as to the existence of oligarchic and economic enclaves such as foreign ownership of the

mining industry, in addition to the lack of stable center-left political coalitions and of political expression by the middle and popular sectors.

The Great 1929 Depression ruthlessly affected Chile, more so than any other countries in Latin America or elsewhere, as nitrate and copper exports plunged, slashing fiscal revenues and reserves, and leading to default on the external debt by 1931. The strategy to overcome the crisis was import-substitution industrialization (ISI), which together with the adoption of domestic demand expansion and exchange rate control policies, reduced imports. The gold standard was abandoned and a series of measures was adopted to strengthen production and internal demand, in view of the closing of international markets owing to the application of quotas and tariffs, coupled with anti-cyclical monetary and fiscal policies.

The application of the ISI model resulted in the development of a national industry promoted and protected by the State through institutions such as the Production Promotion Corporation (Corfo), established in 1939, which gave origin to a symbiotic relationship between an entrepreneurial State and a heavily subsidized private sector. The basis of the capitalist system remained unquestioned until the fifties, thanks to a circumstantial adaptation to the 1929 crisis in the first place and then to the consolidation of a concept or model of a “Compromise State,” a Latin American version of the welfare state that was never consolidated in Chile.

At first, the application of these measures was a natural, rational response to the crisis, as there was no other way out owing to the international financial disaster and then to World War II. Toward the end of the war, though, these measures were buttressed by the emergence of a Latin American ideology grounded on the Eclac development or structuralism theory in the mid-forties.

A state-national-popular-democratic-parties-based matrix

The Chilean social model or prevailing sociopolitical matrix in the twentieth century can be defined as a state, democratic, popular, national, and political-party one, characterized by the interaction between politics and civil society, including the economy, and the preponderant, coordinating role played by the ensemble of political actors, or party system, in relation to the State.

It was a question of a national community's affirmation of its identity through the work and struggles of the actors that represented it in the political field. This implied an effort toward comprehensive social incorporation and the solution of conflicts within an institutional framework rather than by force or coercion and exclusion.

At the center of the political scene, which had always been the main expression of the national-state-democratic-popular-party idea, were the 1925 Constitution and institutions concerned with ensuring respect for the law and freedoms, as well as State and civil service accountability. From this time, date the social legislation, universal suffrage, and, since 1920, the incorporation of masses into politics. This provided the basis for the projects of the Radical Party and the parties on the left of the Popular Front, with the integration of the middle class and of popular segments, the *Patria Joven* [Youth's Homeland] and the *Revolución en Libertad* [Revolution with Freedom] of the Christian Democrat project of the sixties and of the *Via Chilena al Socialismo* [the Chilean Way toward Socialism], headed by the Popular Unity and president Allende between 1970 and 1973. In the socioeconomic sphere, this project took the form of industrialization under the State's leading role, free public education, universities throughout the country, agrarian reform, and further on nationalizations and the National Health Service, among many other significant accomplishments. Up to a certain point, military service played also a role in national integration.

The Popular Front movements from 1938 to 1952 ensured a strong phase of social reforms and industrial growth owing to policies aimed at laying down the infrastructure for production and a social protection system for the working and middle classes. Between 1940 and 1953, industry grew an average of 7.5 percent a year. Its GDP share rose from 7.9 percent in 1929 to 23.0 percent in 1955.

Developments in this period indicate that, independently from the political or ideological orientation of the governments that succeeded each other for over forty years, there was basic political and social consensus regarding the industrialization effort and the State's role as the fundamental development axis through institutions such as Corfo, which accounted for 30 percent of total investments in capital goods, 25 percent of public investments, and 18 percent of total gross investment. Nevertheless, agreement about the role of

the State did not preclude the existence of economic and political divergences in the right's camp or of different social views in the democratic-popular or center-left camps. The industrialization and foreign trade disincentive policy involved also an implicit political discussion related to the workers' movements represented in the State's and parties' structures. These workers movements established alliances with the new industrial entrepreneurial sector, to the detriment of the agricultural sector more oriented to exports; this would become a conflict factor when the import-substitution model fell into crisis.

In the late fifties, the model began to collapse. Inflation and unemployment were symptoms of serious problems stemming from the adoption of protection measures in the economy, despite improved indicators of quality of life and the population's access to services, and augured a grim future scenario. The conservative government of Carlos Ibáñez del Campo, elected in 1952, attempted in vain to reform the Eclac model based on the recommendations of the Klein-Saks U.S. mission (1955) to cut down the money supply and public spending, which could not be implemented in view of their recessive results.

The import-substitution model did not yield the expected results. Critics claimed that this model gave rise to an excessive, inefficient bureaucratic apparatus that proved incapable of maintaining the social benefits infrastructure, and to inefficient productive sectors. This did not lead to the desired independence from the external sector, owing to increased dependence on capital goods and raw material imports to feed domestic production; it did entail price distortions caused by subsidies and the lack of competitiveness, all of which led to higher prices and unemployment rates. These developments intensified the questioning of the model, sharpening the ideological confrontation between the advocates of the Eclac model and its detractors, who were for neoliberal modernization.

In 1958, as Conservative Jorge Alessandri Rodríguez took office, a modernizing capitalist reform was attempted, based on the effort to make the private sector into the development engine, while maintaining an active fiscal policy à la Keynes. A nominal exchange rate was set as a kind of anchor – a Keynesian fiscal indebtedness policy to stimulate domestic demand through fiscal spending. Although appropriate, the reforms did not produce the expected results, nor were results sufficient to support the growth of production or price controls, as the modernizing strategy lacked medium-term consistence

with the contemplated adjustment measures and price controls, owing to the containment of Alessandri measures, which had but a momentary effect in controlling inflation. In addition, these measures were not supported by the entrepreneurial sector or by a consistent political majority.

Eduardo Frei Montalva's democratic government (1964) set in motion a reform process according to a plan known as *Revolution with Freedom*, based on gradual, nonrecessive exchange stabilization, agrarian reform, intensive promotion of peasant labor unions, industrial modernization impelled by the State's active role in promoting the telecommunications and the petrochemical industries, as well as the beginning of the nationalization of copper (the so-called "Chilenization") to be completed later by the Popular Unit government.

Between 1965 and 1973, reformist tendencies gained force. Their main platform was closer economic, political, and social integration of the poorest popular segments of the agrarian and urban worlds. Under Eduardo Frei's government, reforms became more gradual, while under Allende the strategy adopted was that of radical changes, particularly in respect of economic and social organization. Except for the expansion of citizenship rights, no reforms of the political and institutional system were undertaken under any of the reformist governments.

The main economic reforms (agrarian reform, nationalization of the copper sector) were related to the system of ownership of the sectors considered strategic for development. The reforms aimed at democratic expansion were centered on social organization and the extension of suffrage to peasants, young people, and the illiterate. Under these governments, the rural workers' unionization law was passed, which contributed to the rural sector's incorporation into political life, a segment for centuries deprived of social and political rights; the right to vote was extended to illiterate persons; and the voting age was reduced from 21 to 18 years. The two Administrations ensured strict respect for the Constitution, the regular functioning of democratic institutions, and the unrestricted prevalence of public freedoms and the Rule of Law.

The political spectrum underwent a twofold change: on the one hand, expansion owing to the emergence of leftist parties split off from Christian Democracy; on the other hand, polarization and rigidity owing to the right's unification into a more nationalistic, authoritarian party (National Party) and the autonomy achieved by the more ideological center, which had its own

alternative project (Christian Democracy) and the left's rallying round a Marxist-Leninist matrix and a radically more anti-capitalist project.

From the 1929 crisis thru 1973, the State played a central role not only in development's orientation and in the "ordering" of the economic and social actors under a common development model, but also as the prime social and political coordinator. The governments in place – of the right, center, and the left – maintained the economic measures aimed at protecting the national industry, subsidizing the economic agents (low credit interest rates), and systematically and gradually redistributing income, assuming salary and price regulation functions as well as increasing budgetary appropriations for social services, including education, health, and housing. Their social investment is today recognized as one of developmentism's enduring effects and seen as the foundation without which the Chilean economy's current growth would not have been possible. The economic achievements of the period under consideration could be seen in the moderate but sustained trends of economic growth, low unemployment, and reasonable investment rates, although accompanied by high inflation, which reflected the rather political character of the 1973 overturn of democracy.

The classic matrix's main characteristic is the centrality of politics. This is so not only in respect of economic processes, but also of the social actors' makeup and of cultural orientations, notwithstanding the latter's autonomy. Cultural orientations did indeed value education, equality, and solidarity; the nation's collective projects; the dominance of the middle class; but meritocratic, class-oriented, and oligarchic elements were not lacking either, owing to the influence of the culture of the rural sector or of the haciendas. But politics was the central axis around which Chilean identity and the collective identities within it were forged. Politics, then, meant far more than the processes that determine the government and its decisions. Politics was the particular way whereby society formed itself, a form of social life. It provided the main locus where to look for answers for questions about meaning, and the institutions were the main channel for these answers, which were enshrouded in perpetual ambiguity or hypocrisy, oscillating between acceptance of the norm and doubt about its intrinsic value.

The peculiarity of Chilean politics was that it had a stronger party connotation than a personalistic or populist character as was the case in other

Latin American countries. The existence of a full ideological party spectrum before the masses began their active participation in social and political life imparted to this centrality of politics a highly ideological character that became radicalized in the sixties, combining abstract ideology and concrete demands.

Despite its achievements, the national-popular, democratic-state, party-political model described in rapid strokes in the preceding displayed major contradictions and limitations, including the marginalization or subordination and tardy incorporation of peasants, urban dwellers, women, and regional segments. To this was added the exclusion and vassalage of various cultural expressions and identities unrelated to politics, especially as regards the original peoples. A consistent sectarianism in the appropriation and application of the popular national idea by a given social, political or cultural sector excluded all other segments, segregating instead of integrating them. There prevailed a culture that instead of encouraging individual creativity and diversity, favored an apparent homogeneity that concealed mediocrity, discrimination, classism, and hypocrisy. Lastly, there was excessive dependence of the economy on politics instead of on elements of a more markedly technical nature.

It was precisely these contradictions and the difficulty in overcoming them that created the propitious conditions for a crisis that was taken advantage of by the dominant economic sectors and the Armed Forces to implement their own socioeconomic and political project, totally alien to the principles on which the preceding model was based.

In 1970, a crisis broke out about the legitimacy of the capitalist development model and its consequences, but not about the democratic regime. In the 1970-1973 period, though, a crisis concerning democratic legitimacy broke out, leading to the collapse of the political system.

Popular Unity and the political and economic crisis

The ensemble of Chile's leftist parties grouped into the Popular Unity under Salvador Allende's leadership shared with Chilean political forces at any point of the ideological spectrum the revolutionary aspiration to a radical, thorough change in society. The left understood this change in the socialist sense, as a substitution of the capitalist society, but differently from most Latin American countries, within a democratic regime framework. On the other

hand, as regards content, the transformation of the capitalist model and the beginning of the transition to socialism paid the price of the predominant views at the time, such as the economic determinism of social and political life, the ideological constructs based on relatively monolithic thinking and, above all, the lack of referential models for leftist thinking other than the historical or real socialisms or the Marxist-Leninist revolutionary matrix.

This notwithstanding, it was possible to formulate a distinctive view, the “Chilean way to socialism,” which found its best doctrinaire expression in Salvador Allende’s first presidential Message to Congress, in 1971, as he stressed the relation between political democracy and economic and social democracy. The Popular Unity program also referred to certain goals and strategic formulations as well as to specific measures aimed basically at redistribution and at satisfying the needs of the large majorities. The connection between them was the expropriation of monopolies, which would provide the State with the requisite surpluses to redirect the productive apparatus toward meeting those needs.

In a highly anticapitalist spirit, the Popular Front’s economic program was centered on a redistributive policy aimed at economic democracy based on structural changes regarding property, through a nationalization program directed at the copper, nitrate, iron, and coal mining sector, the banking system, foreign trade, and strategic monopolies. Private distribution enterprises considered strategic suffered intervention, while others were arbitrarily taken over by workers’ organizations, as were the agricultural estates that had not been affected by the agrarian reform in the preceding period. Public tariffs were reduced and salaries were increased, based on Central Bank emissions that fueled inflation, which reached 293 percent in 1973.

In addition to the theoretical and programmatic shortcomings of the Popular Unity’s project and of a discourse that put exaggerated emphasis on the popular social actors, endowing them with an exclusive, confrontational profile, what was sought was the squaring of the circle – making a revolution with nonrevolutionary, democratic means, without counting on the institutional majority that, in Chile, is achieved only through the political parties. The need for a strategy to ensure a majority, for whose lack Social Democracy had also been liable, is a major lesson of the period. Indeed, the *Concertación de Partidos por la Democracia* that followed the military regime in 1990 cannot be explained

only by the need to fight against the military dictatorship, but also by the learning of this lesson. Be as it may, to analyze the reality of the 1970-1973 period and its culmination in the 1972 coup d'état in terms of a failure owing to the weakness and unfeasibility of a project and its strategy would betray a lack of knowledge. Those three years were marked by a political struggle, whose defeat a segment of the opposition to the Popular Front and to the Allende government pursued from the very beginning, an objective equally pursued by the U.S. Government at the time.

The authoritarian neoliberal project

Between 1973 and 1989, the de facto military government under Augusto Pinochet's leadership interrupted the democratic regime. The coup d'état put an end to the institutional normality the country had experienced with but brief interruptions in over 150 years of republican life, with the dissolution of Congress; the assumption of the legislative power by a Government Junta; the prohibition of political parties; the suspension of electoral mechanisms; the virtual elimination of public freedoms; the massive, systematic repression of those suspected of being supporters of the previous government and opponents of the new regime; and the subordination of the Judiciary to the de facto government. The authoritarian regime's institutional model was consolidated by a fraudulent plebiscite, while the 1980 Constitution supported a process of authoritarian institutionalization that would lead eight years later to the 1988 plebiscite.

What occurred was a counter-revolutionary project. The history of the Chilean military regime from 1973 through 1981/1982 is the history of a twofold process. On the one hand, repression and deactivation of the previously established actors, which given the way those actors had come onto the stage, started with the suppression of the parties' political activity, initially under the Church's aegis. On the other hand, the embodiment of political and military power in general Pinochet, combining personal dictatorship and institutional regime features. A hegemonic nucleus came then into being, combining this personalized political power and the socioeconomic conduction of the State by a technocratic team soon associated with financial capitalism and known as the Chicago Boys.

The main thrust of the civilian-military project was reversing relations between the economy and the State. The State was restricted to the extent possible to its integrating and redistributing tasks and to its role related to collective action, while being used for coercive tasks and for implementation of the model. Another objective was to trigger a series of social and institutional changes, known as “modernization,” whose main result was the atomization of social relations, which were reduced to market mechanisms and dissociated from political action.

The authoritarian-neoliberal formula was a radical change from the preceding formulas – the traditional capitalist formula, the mixed formula of the sixties, and the Popular Unity’s socialist orientation. By suppressing politics, the military regime could make the changes deemed necessary by the technocratic team, which were imposed by the state without social inputs. The social costs of the adjustment have been exhaustively analyzed and its effects on society now and in the future will be felt for a long time. The neoliberal formula meant not only economic restructuring but also intervention in politics, which established the regime’s institutional model fashioned after the 1980 Constitution; a social reordering that brought to the fore the entrepreneurial actor and caused the dissolution of the popular, social actors; and produced changes in the cultural orientation of the social and political actors.

The military Government’s stabilizing, re-foundational economic plan was based on the disarticulation of the Compromise State of the classic sociopolitical matrix and on the construction of a new project that, from our analytical point of view, would convert itself into a neoliberal matrix. First, policies were adopted to address macroeconomic disequilibria as the top priority for controlling hyperinflation, and then to embrace unilateral, indiscriminate trade opening, and the liberalization of prices and the financial market. In addition, the state apparatus began to be dismantled, just as the state enterprises system had been through privatizations, including some areas that had traditionally belonged to the State, such as the pension system and health care. Foreign borrowing was a fundamental pillar to support the new economy’s reforms – a two-edged weapon that led the Chilean banking system to defaulting at the time of the worldwide debt crisis.

In addition to introducing radical changes in the economy (liberalization, outward opening, and privatization), the military government also changed

social policies. These changes occurred in six major areas: drastic reduction of resources, which affected with particular intensity the housing, health, and educational sectors (and within these sectors, even sharper reduction of investment and remuneration of personnel); transfer of executive functions, reassignment of services to the private sector, and geographical decentralization of ministries and services; introduction of market mechanisms to allocate public funds (subsidized demand); implementation of specific measures aimed at literally reducing universal programs and redirection of public funds to poorer segments of the population; development of compensatory social programs aimed at extreme poverty situations; and weakening of the power of workers and unions, accompanied by rigid control of collective manifestation of social demands.

Despite the absence of a consistent “package of administrative reforms,” from the very beginning of the first policy adjustment in 1975, the military government adopted a series of measures that drastically changed the State apparatus. These measures included the wholesale privatization of public enterprises – although some privatizations were left “pending” and the copper mining sector was exempted – as well as the privatization of public services, especially social security; transfer of public services functions; transfer of the municipalities’ fiscal deficit in the areas of education and health; sharp reduction in the number of government employees and elimination of agencies; restructuring and weakening of “social” ministries and modernization of “economic” ones; new regionalization of the country with a military cast; administrative legislation that led to increasing instability; and issuing of a Constitutional Organic Law that made changes to this legal instrument extremely difficult.

In practice, despite some initial measures of financial and administrative rationalization, the result was a pronounced deterioration of public administration, as the military regime’s economic authorities considered the State inefficient by definition. The constant arbitrariness, authoritarianism, and devaluing of public functions played havoc with the bureaucrats’ morale. Their salaries were disproportionately reduced by the fiscal adjustments. Obsessed with privatizations, the Pinochet government delivered public functionaries to their fate.

All of this gave rise to an extremely negative concept of the role of the State and to the identification of modernization and efficient administration with

the private sector. The dominant political thinking associated the public sector with obsolete, bureaucratic, and anachronistic ideas and images. Accordingly, all civil servants were unfairly considered inefficient. This biased view, which disdained the functions and effectiveness of public policies, persisted in the subsequent democratic governments among political groups of the right and entrepreneurs. Underlying these arguments was an interest in preventing the adoption of regulation strategies as well as in privatizing all available public capital and services. But a major ideological, political element was also at play – the penalization of a sector seen as being responsible for the 1973 crisis and the elimination of State intervention, seen as the main cause of society's politicization. Neoliberals and neoconservatives, stressing the inefficiency of State action and its alleged damaging effects on economic growth, did indeed reined in the endogenous modernization of public administration, opposing various reform initiatives attempted by the democratic governments.

In 1981-1982, the debt crisis led to a crisis of the economic model, which in turn led to the outbreak of public protests by the population and the opposition. Only in 1986 was the regime able to partially restore its economic model and pave the way for the 1988 plebiscite, in which the opposition accepted to participate, so as to change it from a projection mechanism for the regime into a mechanism for triggering a process that would bring the dictatorship to an end and initiate the transition to a democratic regime.

The military regime did manage to impose a new development model, but only after the resounding failure of 1981-1982. The new model meant regressive growth for a while and a degree of recovery as of 1986. Thus, there is no sense in speaking of a Chilean economic miracle. The recovery, however, did not encompass any social indicator, if compared with the seventies.

In brief, the military dictatorship and its neoliberal model changed the Chilean sociopolitical matrix; but instead of creating a new one, it basically just dismantled the old one.

Democracy and a hybrid matrix

The political transition in Chile was spurred by the 1988 plebiscite, when the possibility of an authoritarian relapse was definitively eliminated, despite the clearly undemocratic intentions of Pinochet's civilian and military

regime. The transition ended with the inauguration of the first democratic government in March 1990. Since then, there have been four governments of the *Concertación de Partidos por la Democracia*, a center-left coalition formed by the Christian Democrats, the Socialist Party, the Party for Democracy (PPD), and the lesser Radical Social Democratic Party. There have been two Christian Democrat presidents (Patricio Aylwin, 1990-1994; Eduardo Frei, 1994-2000) and two Socialist (PPD) presidents (Ricardo Lagos, 2000-2006; Michelle Bachelet, 2006-2010). Thus was partially solved one of the Chilean society's major problems in the twentieth century: the intertwining of social actors and the party system that occurred in each progressive democratic party, which with the exception of the Popular Front of the late thirties, had never led to a progressive democratic coalition uniting the center and the left. The problem was only partially solved because the social actors' makeup had changed so much that they could no longer be totally represented by the party system.

The first democratic government – Patricio Aylwin's – defined the national task in terms of “transition to democracy” and pointed to the idea of “growth with equity,” while maintaining the macroeconomic equilibriums and seeking to redress the social effects of the economic model. It also adopted a method of negotiations and punctual agreements it called “consensuses democracy.” The truth is that a transition was no longer under way nor were there any real consensuses. Be as it may, whatever criticism is leveled at these definitions as being partial or insufficient, it must be recognized that there were goals and directions and that on their basis the government made progress. It must be recalled that during the second Concertación government, despite very good economic performance until 1997 and major progress in terms of public works and of reforms in the areas of the Judiciary and education, projects and orientation, and objectives susceptible of mobilizing social and cultural energies, the country became adrift, without a shared compass, and thus without political conduction. Under Ricardo Lagos, presidential leadership was recovered: the envisaged goal was to make Chile into a development country by its second centennial as an independent nation. Despite the great progress made in the areas of infrastructure, social reforms, and international integration, this goal is far from being achieved and the social actors and politicians do not seem to be clearly moving in the same direction either. Under the Bachelet government – Latin America's first government whose Executive is equally shared by men and women and headed by a woman – whose term in office is only four years

as established by the 2005 constitutional reform, the main concern during its first ten months, as was the case during the campaign, has been the idea of a new, so-called “citizenship” style. This is defined by an agenda of specific measures but seems to lack a political project or horizon to give meaning to government action, except for the generic proposal of a protection system to be achieved through social security reform, as announced at the end of 2006. But the government has been overwhelmed by unforeseen problems, the most significant of which was the secondary students’ movement.

The end of transition did not mean that under genuinely democratic governments the political regime and society actually had real democracy. The incomplete transition led to a limited, low-quality democracy interspersed with authoritarian enclaves. The task called for was neither going on with transition, as it was finished, nor consolidating the new, post-authoritarian regime, as it had already been consolidated in so far as no relapse into authoritarianism was possible. The task called for was a thorough reform of this new regime and the creation of an authentic political democracy under which limits to popular will and sovereignty are not set by the powers that be or by political minorities. In other words, it was necessary to solve the transition problems that were left unsolved.

The relative successes of Chile’s political democratization paid a high price, as can be seen in the great unsolved problems, i.e., in the failures stemming not from the nature of the process itself, but to political conduction.

There has been much insistence on the consensual character of Chilean transition, but what was foremost was the lack of debate about the great issues that define society and the foundations of democracy, disguised only by the illusion of consensus. In reality, there was consensus only about getting rid of the dictatorship. What followed were circumstantial or punctual agreements between government and opposition. But no one anywhere would have dared to call these agreements “consensual democracy.” The inexistence of real consensus about the basic elements of reconstruction of the post-dictatorship society is explained in part by the veto of the minority and the actual powers (entrepreneurial organizations, economic groups that controlled the means of communication, and even the Armed Forces); and in part by the Judiciary, the voting minority of the right with veto capacity owing to the electoral system; and because there had been no debate about crucial issues or because debate

had been stifled by the requirements of economic and political stability. Lastly, because a trauma of dissent, conflict, and confrontation, which are demonized or seen as pathological. Basic societal consensus can be achieved only through debate and conflict.

The main problems about some of which there was limited debate that failed to lead to any consensus were the question of justice regarding the violation of human rights under the dictatorship; regional reform; the Mapuche problem; the issue of equality and redistribution; issues related to living together and reproduction, vetoed by the Church; the constitutional model; the reformulation of the development model vis-à-vis globalization, etc. It should be noted, though, that there was a degree of consensus about the primacy of education, which led to the educational reform under the Frei government but which showed its limitations in the 2006 student mobilization that in turn led to a new debate and new consensus mechanisms, equally partial and precarious; the fight against hunger, which required the setting-up of the National Commission against Poverty, although redistribution was omitted from the debate; the modernization of the Judiciary and reform of the Penal Code, accompanied by the establishment of the Public Attorney's Office and oral proceedings. All of these achievements meant undeniable progress.

There is no denying either that Chile's democratization policy was successful to the extent that it put an end to dictatorship, prevented society's disintegration by controlling macroeconomic variables, and made possible a government based on a democratic majority coalition. But one cannot speak of an "exemplary" or "successful" transition if one considers the result of this process and the quality of the democratic regime. The latter is characterized by precarious institutions, the existence of factual powers, and the weakness of representation owing to the tensions between political actors and society, as well as by the fragility of its cultural base stemming from the absence of basic consensus and from the lack of societal cohesion, unity, and direction that resulted from the State's weakness.

The inexistence of a world economic crisis in the beginning, which in many other transition cases altered the correlation of pro-democracy forces and led to destabilization or de-legitimization caused by factual powers or by the alienation of the middle class and of popular segments, did not force the first democratic governments to adopt unpopular or regressive policies to

solve an inherited circumstantial crisis. They had not inherited a crisis but a model, which is a much more serious structural problem, something that had to be replaced, not corrected.

Regrettably, the opportunity to concentrate on political aspects to complete the transition, overcoming the authoritarian enclaves, was not exploited, and the absolute priority ascribed to economic stability discouraged the forming and the activity of social movements and actors, to the detriment of their relation with politics and the parties.

True, Chile has stood out in the last decade among its Latin American peers as a remarkable emerging economy and because its indicators related to income, growth, and poverty reduction, reflected in the human development indicators, are the region's best. However, problems persist in relation to the socioeconomic model to be mentioned further on, susceptible of not only undermining growth's dynamism but also of jeopardizing the progress achieved and the country's very existence as a community on the social plane. This has been at the root of discussions about correcting or changing the economic model, carried out during the 2005 presidential campaign, particularly by the left outside the Concertación.

The first of these problems had to do with economic development's pace, kind, and targets. One target was making Chile into a developed country by 2010, something impossible in terms of both per capita income and a "developed" distribution of the fruits of growth. Here lies the core problem. The world's growth model based on the major role played by the transnational market forces and by what is called the new economy has ceased to be a development model. Growth and development are no longer inseparable and the employment structure problem is the best illustration of this, requiring direct interventions by the State and society in the economy. Despite the celebration of extremely important international economic agreements and socioeconomic reforms such as the *Auge en Salud Plan* [Maximum Health Plan] or *Chile Solidario* [Chile in Solidarity] pertaining to combating poverty, these are clearly insufficient. The debate about the very nature of the growth model based on exports without high aggregated value and accompanied by a seemingly structural unemployment rate has been only attempted and soon abandoned, as apparently the only voices that influence and even set the agenda of public agencies are the voices of the major entrepreneurial

groups and organizations, their class associations and and the media at their disposal.

This is also the second problem that has not been solved by the Chilean socioeconomic model – the problem of who are the development's actors. On the one hand, the country has lived in a cyclic climate of relations between the government and the entrepreneurial sectors, which move from verbal guerrilla and recrimination on the part of the government and threats from the entrepreneurial sector to declarations of absolute mutual confidence and support, especially when the economic policy yields positive results. The truth is that despite significant exceptions the degree of ideologizing and the generalized, unbounded greed for profit at all costs prevent Chile from relying on one of the requisite engines of economic development under the current economic model prevailing in the world, namely, a responsible entrepreneurial class committed not to profits at all costs or to its extra-economic whims but to the country. To this end, this class must think in terms of the country and of its own role as a development agent in constant cooperation and association with the State.

On the other hand, a critical or timid attitude persists in relation to a more active role of State in its leading and mobilizing capacity. True, in a highly globalized economy as Chile's, in comparison, for example, with the major Mercosur partners, the formulation of active economic policies is very difficult. But it is also true that, excepting for public works, the State is still lagging and constrained by the self-limitations imposed by the neoliberal ideology, as regards its role in redistributing resources and wealth and ensuring equality, as well as in promoting essential areas, such as research or the environment. Although it has made significant progress in data processing and in attention to users, the State's modernization has not escaped from measuring itself by the indicators of the private sector or the market. Restoring the State's role as leader, regulator, and protector remains a priority task, without which the problem of inequality cannot be solved. It should be recalled that the State's share in the national output is very small and that there is a long way to go from a liberal to a social democratic model without affecting growth.

The third problem has to do with the consequences of the economic situation in the social area. They include a relative stagnation, especially as regards employment, socioeconomic inequalities, and the most affected social groups' capacity to act.

In respect of employment, although there has been undeniable progress, including the introduction of unemployment insurance and the creation of new work posts by the State, and though unemployment has declined in the past year, the fundamental issue remains: growth has ceased to mean development, social integration, and, in ILO's expression, "decent work for all." This calls for modifications in the growth model or for complementary initiatives that may contradict some premises or presuppositions, so as to restore the link between growth and development.

As to socioeconomic inequalities, it should be recalled that this is Chilean society's Achilles' heel. Poverty, at least in statistical terms, has significantly declined owing in large measure to growth and to the State's effective social policies. In the 2005-2006 presidential campaign, though, the inequality issue surfaced again as Chilean society's major problem, which was addressed by all candidates, including those on the right. Yet, the main element to ensure greater equality, namely, redistribution, for which a tax reform is absolutely necessary, has been absent from the programs of both the opposition right and the Concertación, as well from government initiatives. The only measure adopted in this regard was a highly regressive VAT increase.

Thus, just as the previous development model based on industrialization and the State had some intrinsic flaws that required outside correction, the current model also has perversities that are part of its nature. Indeed, the prevailing economic model does not favor, as industrialization and the State did in other decades, the laying of material and institutional foundations on which social actors could properly organize the new demands and express themselves or negotiate with the political sector, i.e., with the parties. As collective action is dismantled, the action of the corporative sector, which is linked to economic power, is favored, giving rise to sporadic defensive actions. To this should be added the absence of adequate institutionality as regards both norms and regulations and the State's organization for addressing conflicts and demands, as demonstrated by the scandals involving perquisites and fraud in the public sector in 2002 and 2003, which led to significant partial reforms that nevertheless left untouched the State's structure and its relations with society.

The imbalance between social organizations, particularly those of the more vulnerable segments, and the more powerful actors that act on

the economy, seems to have aggravated instead of declining. This forces the weakened social actors to set as their sole objective the solution of their particular problems, to the detriment of their concern over major national issues and heightens their purely corporative demands. This is reinforced by the fact that they cannot count, as in another time, on a party system under which the social sectors felt that they were heard and taken in by the political class, with the exception of the right, which represents solely the interests of the entrepreneurs and the military, or of the Communist Party, without much political influence to embody dissatisfaction with the Concertación governments.

An area in which the Chilean economic model seems to have been successful is its integration into the globalization process. It is evident that globalization had a stronger impact on Chile's economy than on other economies of the continent. One of the reasons was its traditional dependence on external factors in every respect, coupled with the fact that it is more open by nature, partly because its opening and adjustments took place before globalization established itself as the central phenomenon of the twentieth century. Over fifty percent of Chile's GDP is linked to the external sector.

As regards poverty, the Concertación governments' policy has included among other measures a steady increase of social spending, the establishment of special agencies, such as Social Investment and Solidarity Fund-Fosis, the actors' own projects, and the National Commission for the Eradication of Poverty, the Chile Solidario and the Puente Programs, all of which call for significant direct assistance to all indigent families. There have been also recent social policies that go beyond the aspects mentioned to include respect for and guarantee of legally protected rights under the aegis of a protector state, as exemplified by the Maximum Health Plan, the expansion of pre-school programs, and the contemplated social security reform.

It is worth pointing out that the last National Socioeconomic Survey-Casen data, released in June 2007, indicate improvement of the poverty and indigence situation as a result of the aforementioned programs.

Two observations are in order in this respect, though. First, there is a debate about the method of calculating poverty: if the value of the basic basket is recalculated on the basis of current prices, poverty figures will be twice those obtained by the Casen Survey; this does not negate the positive trend but makes statistics relative. On the other hand, it is obvious that whatever

the calculation method, what varies is a statistical line, not a sociological line, i.e., it is possible for people to fall below the line at a given moment or not to have the structural conditions to sustain a situation of no poverty – this means that people can continue to be sociologically poor, even though they may be above the poverty line at a given moment.

As to income distribution, some improvement has been achieved only recently, although this is more apparent than real, if one calculates the difference in terms of deciles or percentiles. It should be noted also that autonomous income distribution improves considerably in favor of the poorest when the State intervenes with aide and subsidies.

Summary and conclusions

Chile's classic sociopolitical matrix favored the coordination and integration of social forces and political parties. It was the parties, of both the center and the left, acting together in the thirties and separately in the sixties, which played a "redistributive coalition" role, as was manifest in politics' central role in the definition and in the application of the development model.

The military regime and the socioeconomic changes impelled by it, which basically meant moving toward a new development model, had a more profound meaning than just the dismantling of the society that predominated until the seventies. The attempt was made to replace that society with another. In essence, it was a question of a neoliberal project that, rather than making the economy autonomous in relation to politics, implied the utopian subordination of the latter to the former. The market mechanisms were supposed to be the "new backbone" consisting of social actors, which had replaced both the system of party representation and the State's key referential role.

From the standpoint of the dismantling of the previous matrix, the military regime was successful. From the standpoint of its replacement with the neoliberal matrix, it failed. Neither did the old socioeconomic model remain nor was the neoliberal one consistently applied in respect of growth strategy, at least not since a democratic regime was established, poor as its quality may have been. Despite the disintegration of the previous model, some of its elements persist in a new coordination scheme that has some features of the neoliberal project as well as some new features borrowed from neither model.

Thus, post-transition Chile inverts Anibal Pinto's thesis applicable to the classical matrix, which expressed a basic contradiction between an atrophied economy and a developed cultural, institutional, and political system. This weakness of the economic system favored the severing of the economy's ties to politics. Today, the problem is just the opposite: an economy that has taken off, at least until the mid-nineties, and recovered its pace by 2005, dissociated from the country and from society. In contrast to this, an atrophied political, institutional, and cultural system. Suffice it to recall the authoritarian enclaves (Constitution and unconstitutionality, a climate of impunity for the violation of human rights under the dictatorship, and partial solution to matters of justice, the existence of nondemocratic actors whose expression is 'political Pinochet-ism'); the debility of decentralization and regionalization; the crisis of the educational system and the collapse of higher education; the social actors' acute weakness, especially for negotiating with the economic power; the only recently overcome lag of institutionality in regard to family organization; and the difficulties in redefining a new role for the State as leader and protector. Without downplaying the progress achieved by the democratic regime in several of these areas, progress has always been incomplete because it remains circumscribed by the inherited institutional framework. In addition, at moments of crisis, such as in 1998 and 1999, the socioeconomic model has prevented reliance on institutional resources capable of addressing it.

Thus, it seems that we are faced with a sociopolitical matrix or a society of a hybrid type in relation to the prevailing model in most of the twentieth century. This matrix displays both continuation and rupture features, in addition to independent, emerging elements.

The rupture consists in the fact that the economy has become independent from politics and apparently follows its own development dynamics, while the State sets boundaries but not direction. This does not mean that the economy obeys the dynamics of national development, but only that this autonomy vis-à-vis politics or the State coincides with a new subordination or dependence, now to the markets' transnational forces. The key point is perhaps the fact that the socioeconomic growth model has ceased to be a development model, or in other words, that the economy alone cannot ensure social integration, as can be seen in the case of employment.

The social conflicts seem to reflect the contradiction between a country that solves relatively well its short-term economic problems but has left pending

or unresolved its institutional, political, and cultural problems, as well as those related to a development model that is socially sustainable in the long term. Thus, the central problem is social inequality. Faced with the development formulas followed by the military dictatorship and with the neoliberal model, the democratic governments defined their strategy as development with equity. Both in the economic field until the 1997-1998 crisis and in respect of poverty elimination and the State's social spending, there has been significant progress. Nevertheless, socioeconomic inequalities persist and even increase in some cases.

Obviously, the Chilean problem is no longer "transition to democracy and to a market economy," as pointed out in the early nineties. As the democracy achieved is incomplete and of precarious quality but is democracy nevertheless, we are no longer in a transition situation but faced with the need for a profound political reform. On the other hand, the neoliberal market economy model, or "privatizing model," has exhausted itself as the basis for integrated, sustainable national development, here and the world over. The world moves with difficulty today between globalizing trends and the need to restore the guiding role of the national States' and their alliances.

Without going back to the former subordination of the economy to politics, which would be practically impossible anyway, we should seek alternatives to current formulas, so as to restore the State's guiding role in respect of development, both internally and in supranational blocs, and to establish normative, regulatory frameworks for the market forces and ensure the citizens' control over these frameworks and forces. In other words, recognizing that politics and the economy are two different things independent from each other, we must also introduce democracy's ethic principles into the functioning of the markets.

What will be at stake in the next few years is the country's existence as a real community, in which plurality and diversity have a place. The country's project, its forms of community life, its identities, and its autonomous integration into the globalized world are the substance of politics today.

Thus, the country's post-transition problems have to do with the organization of the *polis*, the conduction capacity, the ability to ensure that cultural and social issues are expressed in politics and that the economy is linked to society's overall development. This means that there is no politics

and legitimacy crisis as such, not even among the young people. But there is a crisis as to the political capacity and activity to address political issues instead of becoming an end in itself. In the long run, there is a risk that this might lead to a real crisis.

Under the present circumstances, the freezing-up of the political and institutional dimension vis-à-vis an economic base that is dependent on the transnational economy might be explained by two factors: the existence of authoritarian institutional enclaves defended by the rightist opposition, heir to the military regime; and the lack of alternative political and cultural models and projects, owing among other things to the Concentración governments' very success. In this void, the transnational economy's "natural forces" predominate.

It might be too soon for settling the question as to whether we are faced with an emerging matrix of relations between the State and society or whether we are living a transition to another as yet unknown model. The open questions about the world economy and the future of globalization and economic integration further reinforce this incognita.

Be as it may, the future of Chilean society depends on its capacity to build a sociopolitical system that recovers the idea of a national community that is not reduced to a market or to a series of instruments and techniques. What the country needs is no longer an "economic miracle" but a great political, institutional, and cultural jump forward.

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