

# **Democracy and Poverty in Chile**

The Limits to Electoral Politics

**James Petras and  
Fernando Ignacio Leiva**



*Democracy and Poverty  
in Chile*



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## *Acronyms*

ACI	Agencia de Cooperación Internacional
AFP	Administradoras de Fondos de Pensiones
AHC	Academia de Humanismo Cristiano
ASEXMA	Association of Exporters of Manufactures
BID	Banco Interamericano de Desarrollo
CASEN	Caracterización Socio-Económica Nacional
CED	Centro de Estudios del Desarrollo
CEP	Centro de Estudios Públicos
CEPAL	Comisión Económica para América Latina
CIEPLAN	Corporación de Investigaciones Económicas para América Latina
CLACSO	Consejo Latinoamericano de Ciencias Sociales
CLAEH	Centro Latinoamericano de Economía Humana
CNC	Comisión Nacional de Campesina
CNI	Central Nacional de Informaciones
CODELCO	Corporación del Cobre
CODEPU	Comite Nacional de Defensa de los Derechos del Pueblo
Concertación	Concertación de Partidos por la Democracia
CPC	Confederación de la Producción y el Comercio
CPI	Consumer Price Index
CUT	Central Unitaria de Trabajadores
DINA	Dirección de Inteligencia Nacional
DNS	Doctrine of National Security
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ENADE	Annual National Assembly of Private Enterprise
ERP	Economic Recovery Program
FDI	foreign direct investment
FLACSO	Facultad Latinoamericana de Ciencias Sociales
FOSIS	Fondo de Solidaridad e Inversión Social
GDP	gross domestic product
GEA	Grupo de Estudios Agro-Regionales
GIA	Grupo de Investigaciones Agrarias

GISTRADE	Grupo de Investigación Sobre los Trabajadores Desplazados
GNP	gross national product
ICAL	Instituto de Ciencias Alejandro Lipschutz
ICHEH	Instituto Chileno de Estudios Humanistas
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILET	Instituto Latinoamericano de Estudios Transnacionales
IMF	International Monetary Fund
INDAP	Institute for the Development of Agriculture
INE	Instituto Nacional de Estadística
INJ	Instituto Nacional de la Juventud
ISI	import-substitution industrialization
LASA	Latin American Studies Association
M1A	private money
MAPU	Movimiento de Acción Popular Unitario
MAS	Movimiento por la Autonomía Sindical
MDP	Movimiento Democrático Popular
MIDA	Movimiento de Izquierda Democrático Allendista
MIDEPLAN	Ministry of Planning and Cooperation
MIR	Movimiento de Izquierda Revolucionaria
NATO	North Atlantic Treaty Organization
NED	National Endowment for Democracy
NGO	nongovernmental organization
ODEPA	Bureau of Agricultural Policy and Analysis
PEM	Programa de Empleo Mínimo
PET	Programa de Economía del Trabajo
PIRET	Promoción e Intercambio de Recursos Educativos y Tecnológicos
POJH	Programa Ocupacional para Jefes de Hogar
PPD	Party for Democracy
PREALC	Programa Regional de Empleo para América Latina y el Caribe
PRIES-CONO SUR	Programa Regional de Investigaciones Económicas y Sociales del Cono Sur
SAP	structural adjustment programs
SENAEM	Servicio Nacional de Empleo
SERNAM	Servicio Nacional de la Mujer
SOCHEP	Sociedad Chilena de Economía Política
SOFOFA	Society to Promote Manufacturing
SUR	SUR Profesionales

UDI	Unión Demócrata Independiente
UF	Unidad de Fomento
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNIFEM	United Nations Development Fund for Women
UNRISD	United Nations Research Institute for Social Development
USSR	Union of Soviet Socialist Republics, or Soviet Union



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## *Introduction*

### *Pain and Prosperity in Chilean Development*

Chile has once again captured the hearts and minds of the U.S. establishment: From Wall Street to Washington, in the *New York Times*, and in the mainstream academic journals, Chile's economic model is being hailed as a successful case of free market economics with democracy. In the 1960s, facing a strong Socialist challenge, the same crowd described the Christian Democratic reformers as Chile's "last best hope." In the 1990s, after a decade of negative growth rates, cholera epidemics, and social regression throughout most of Latin America, the U.S. establishment is desperate to find a success story. And it has struck on the "Chilean miracle." The official story is that Chile has achieved, as one *New York Times* journalist has described it, "prosperity through pain." Although most Chileans—including the 45 percent below the poverty line—might disagree and rephrase it as "pain through prosperity," the success story has so often been repeated and unquestionably accepted that it is time for a critical reassessment—for an evaluation that takes into account the trajectory of the whole period (1973–1992), examining not only the booms but also the busts; that looks at the continuities of authoritarian institutions (the army, the police) as well as at the spaces of free expression; that looks at the social impact of macrosocial policies and not only at the external balance sheets.

The purpose of this book is to provide an in-depth analysis of the economic and political restructuring experienced by Chilean society since the 1970s. Many studies of Chile's recent history are one-sided. Unilateral explanations for complex events abound: It is not uncommon to read that neoliberal economic policies succeeded in giving Chilean society the dynamism and prosperity it lacked; or that the "triumph of democracy" was the expression of the capacity for dialogue, compromise, and negotiation by Chile's reemergent political class. Though rich in self-serving rhetoric, these interpretations provide scant analytical bite. To address these many limitations, we have chosen an approach that emphasizes the intricate interaction of ideological and political, as well as structural and strategic, factors that shaped the changes experienced by Chilean society between

1973 and 1992. We have opted for examination, not papering over, of the profound contradictions that constitute Chilean society and that give life to the oppositional movements that are emerging in the 1990s. We believe that a comprehensive understanding of Chile's recent history requires a critical reassessment of the relationship between the export-oriented economic model and electoral politics. Seeking to understand the relationship between democracy and poverty today in Chile has been the driving motivation behind this book. In the process we have challenged many of the facile interpretations of the Augusto Pinochet dictatorship, the transition, and the current Patricio Aylwin government.

### *Irony and Paradox in Chilean Politics*

Throughout the past decades, Chilean politics and economic development have frequently attracted attention far beyond national borders. In contrast to its neighbors, Chile had, prior to 1973, the longest tradition of electoral regimes of any country in all of Latin America. Yet it was the last country to make the transition from a military to an electoral regime. Historically, Chile was noted for its civic culture, yet its class structure was among the most rigidly defined and most staunchly defended on the continent.

The ironies and paradoxes continue in more recent years. From the late 1960s to 1973, Chile's electoral system became a vehicle for major changes: in land tenure, including extensive land redistribution; in large-scale social organization of the urban poor and landless peasants; and in successful experiments in worker-managed industrial enterprises. Electoral politics seemed to provide opportunities for long-term, large-scale changes in the social system as well. But with the coup of 1973, Chile marked the beginning of the bloodiest and most repressive military regime in its history—a regime that would become one of the most authoritarian systems in the hemisphere.

The contrast between democratic change from below and elite authoritarian policies from above defines the two souls of Chilean politics—a political distinction that does not rigidly separate civilians from the military. The striking aspect of Chile's rightist turn in 1973 was the degree of support the coup and the subsequent bloody repression secured from Chile's respected propertied and professional classes and from sectors of the Christian Democratic leadership. Large majorities in the upper- and upper-middle-class suburbs (the *barrio alto*) supported the coup and continued to support Pinochet right up to his eventual defeat in the plebiscite at the end of the 1980s.

The return to a civilian electoral regime in Chile has been deeply marked by the authoritarian regime that preceded it: Most of the basic in-

stitutions established by the dictatorship remain, acting as formidable barriers to any resurgence of transformative social movements. The long-term effects of the authoritarian period are found not only in the state institutions but also in the social structure, social relations, and economic institutions established during the reign of terror: Chile's agricultural sector today, with its wealthy agro-export elite and atomized seasonal farm workers, resembles the economy and social structure of Central America. The economic policies favoring large-scale foreign investment in the extractive industries resemble late nineteenth century Latin American practices in Mexico and Bolivia. Equally significant, living through dictatorship has had the effect of *domesticating* the parties, the political class, and the intellectuals who were at the forefront of transformative politics in the 1960s and 1970s. Repressive policies have become part of the political consciousness and condition the behavior of the former center-left parties: Critics of Pinochet—both Socialist and Christian Democratic—have embraced the elitist socioeconomic strategies of their former adversaries. They have absolved the military and the torturers of the human rights crimes they committed (the politics of “reconciliation”) and are working closely with the intelligence agencies to create new institutions of political surveillance, recruiting former antidictatorial militants to inform on their still-active comrades.

The paradox is clear: Chile, the most advanced social democracy of the early 1970s, has become one of the most conservative electoral regimes on the continent in the early 1990s.

### *Assessing the “Chilean Miracle”*

We begin exploring the “Chilean miracle” with a chapter on the Chilean transition. Stressing the need to differentiate between “state” and “regime” in order to grasp the contradictory nature of Chile's passage from military to civilian rule, Chapter 2 provides the analytical framework for the rest of the book. In Chapter 3, on the Pinochet regime, Henry Veltmeyer examines Chile's other transition: from democratic socialism to a free market military dictatorship. He focuses on the conflict between free market opportunities for domestic and foreign investors and the social needs of the majority of the working population; he examines as well the boom and bust character of the model and the lopsided emphasis on prime material exports at the expense of the domestic market and industry. Veltmeyer's contribution stresses the role played by state terror and repression in the different stages of restructuring Chilean capitalism after the 1973 military coup.

In Chapter 4, we analyze the spectacular ideological shift among Christian Democratic and Socialist economists and intellectuals—a shift from

national industrial welfare strategies to free market export approaches—that transpired in the 1980s while Pinochet was still in power. One of the greatest achievements of the Pinochet dictatorship was precisely its capacity to redefine the parameters of theoretical endeavor and political discourse engaged in by Chile’s intellectuals and political class. We examine the itinerary that produced a new conception of both economics and politics; we show how the willingness of key civilian politicians and intellectuals to endorse the existing socioeconomic configuration of power and the export-oriented model of capital accumulation constituted one of the key prerequisites for the military’s agreement to hand over the government to a civilian political class.

In Chapter 5, we highlight the impact of the electoral transition on social classes and movements, on political institutions, and on the mechanisms of political representation. The essentially conservative nature of the transition—characterized by the continuity of state institutions and economic elites—is seen as a trade-off for the opening of the political system. We discuss several decisive issues crucial to understanding the Chilean transition. The first is the conflict created by an emerging technocracy that has accumulated decisionmaking powers at the expense of the social movements that brought the Aylwin regime to power. The second issue concerns the conflict between the Aylwin regime’s export strategy, based on temporary low-paid labor, and the demands of farm workers for a return to social legislation abolished by the dictatorship. The third conflict is between the regime’s policy of *de facto* impunity granted to the military for its massive violation of human rights and the demand for the democratic principle of equality before the law.

Chapter 6 focuses on the Aylwin government’s economic strategy of “growth with equity.” Although macroeconomic variables have achieved equilibrium and show evidence of “economic success,” this has been at the cost of continuing large-scale poverty. Massive inflows of capital in short-term notes, nonrenewable resources, and foreign takeovers of critical growth sectors point to the medium-term constraints of the development model. Our assessment of the Aylwin regime’s economic performance during its first two years reveals a distinct continuance of the neoliberal-inspired open economy development strategy. Behind the much-touted discourse on “capitalism with a human face” lies the abysmal failure to generate a diversified, equitable, and productive economy.

Chapter 7 offers an in-depth examination of the relationship between electoral politics and social movements. On the basis of extensive interviews and meetings that we held with union and community leaders in 1990 and 1991, we analyze the expectations, disenchantment, and reactivation of mobilization movements by urban shantytown dwellers, temporary farm workers in the agro-export sector, and copper mine workers.

These mobilizations are placed in the more general framework of the growth, replacement, crisis, and reactivation of mass mobilization movements in Chile over the last decade. Here the two souls of Chilean politics are clearly delineated: On the one hand, we find a political class interested in an elite democracy that gives it permanent control over popular and social movements; on the other hand, we see working class and popular movements that, with varying degrees of autonomy and effectiveness, keep alive the historical possibility of democratic social transformation from below, as well as the extension of participatory democracy. The chapter concludes with an analysis of the tensions between the political class embedded in the regime and social movements growing out of the unresolved contradictions in civil society.

The limits of Aylwin's "growth with equity" development strategy are explored in Chapter 8. Here we focus on the following unresolved economic conflicts: (1) export competitiveness, versus improved real wages, (2) macroeconomic balances, versus instability induced by the inflow of speculative short-term capital encouraged by Chile's open-economy strategy, (3) allocation of public resources to cover lingering financial costs from the state's bail-out of private banks, versus increased funding for social programs, and (4) entrenchment in low-wage, resource-intensive exports, versus moving on to a higher value-added second phase of the export model. We then outline the components of an alternative economic and political model that would be more effective in attacking poverty and promoting democracy.

### *Chile's Two Transitions*

Over the past two decades, Chilean society has undergone tremendous social, economic, and political changes. Chile experienced two transitions: The first moved the nation from a democratic socialist economy into neoliberal terror; and the second transformed it from a dictatorial military regime to an elected-civilian regime. The two transitions establish a benchmark that allows us to examine how these deeply structural changes have affected the quality of political and social life in Chile, beginning with the terrorist and free market policies of Pinochet and ending with the contemporary technocratic electoral regime of Aylwin. In the concluding chapter, we analyze the ways in which the political opening has allowed the educated middle class, with its political leverage, to prosper, while leaving behind the majority of Chileans—a process that can be described as political renovation of the political class and disarticulated representation of the lower classes. This situation creates a tremendous challenge for the social and political forces interested in bringing about a full and comprehensive democratization of Chilean society.

Although Chile's dominant political culture today speaks to elitist neoliberal policies, Chile's social movements have once again taken to the streets in an effort to recover the legal rights, dignity, and material living standard lost during the dictatorship. If official Chilean politics has largely been a series of compromises between a domesticated Left and entrenched privileged classes, where democracy is subordinated to property, then unofficial Chilean politics, the politics of the social movements, has been a search by a cumulative set of democratic grass-roots organizations hoping to create a political system in which property privileges are subordinated to democracy, in the broadest social, economic, and cultural sense.

## *The Chilean Transition*

### *State, Regime, and Democratization*

Our analysis of the Chilean transition focuses both on elaborating an analytical framework to examine the different stages of this change and on clarifying basic conceptual issues regarding the use and abuse of the notions of “regime” and “state” in analyzing the transitional process. We consider this clarification crucial for a comprehensive understanding of the transition: it is imperative to slice through the dense rhetoric about the “return to democracy” in order to analytically reveal the concrete relations of power among social classes and political forces in this process.

In the first section of this chapter we will discuss conceptual distinctions among the key components of the political system—state, regime, and government—and in the second part we will address elements of continuity and change in the different stages of the processes of transition. We will apply this framework to an analysis of the transition from the military to the electoral regime in Latin America with special emphasis on the Chilean case.

Though it has become fashionable to write about the state, most of this writing is based on a great deal of confusion about essential concepts. The “state” refers to the *permanent* institutions of government and the concomitant ensemble of class relations that have been embedded in these same institutions. Such permanent institutions include those that exercise a monopoly over the means of coercion (army, police, judiciary), as well as those that control the economic levers of the accumulation process.

The “government” refers to those political officials that occupy the executive and legislative branches of government and are subject to renewal or replacement. There are various types of government classified along several dimensions. For example, there are civilian or military regimes; and elected or self-appointed regimes. These different kinds of regimes pursue a variety of socioeconomic strategies, ranging from welfare capitalist to neoliberal types.

In analyzing the process of political change, it is important to recognize the different levels at which political transformations take place in order