Introduction

Chile Since 1990

The Contradictions of Neoliberal Democratization

by
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This issue of *Latin American Perspectives* examines Chilean neoliberalism since the restoration of elected civilian government in 1990 and considers the tensions between neoliberalism and democratization.

The inauguration of the Christian Democrat Patricio Aylwin as president in March 1990 was a watershed in Chilean political life. The return to elected civilian government after almost 17 years of dictatorship was the outcome of a prolonged and costly social struggle that had erupted into the streets in 1983 and been victorious at the ballot box in the plebiscite of 1988 and the presidential election of 1989. The program of the Concertación de Partidos por la Democracia, the alliance of anti-Pinochet parties that Aylwin represented, was a contradictory mixture of continuity and change. Broadly speaking, the Concertación promised political change (redemocratization) and economic continuity (maintenance of the neoliberal model) without openly acknowledging the incompatibilities between them.

CHILEAN NEOLIBERALISM

Chilean neoliberalism was born in blood. Before Chile could become the first laboratory for radical free-market experiments advocated by theorists at the University of Chicago, the vision of social justice and economic democracy that had animated the Unidad Popular had to be driven from public life by the military coup of September 1973 and the unprecedented repression that followed. Evaluation of the neoliberal socioeconomic order cannot be separated from the brutal methods that brought it about. Free trade, privatization, and drastic reduction in the social role of the state could only be imposed

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by state terror. The human consequences included massive unemployment, hunger, homelessness, and a drastic reduction in the standard of living (for a comprehensive description and critique of neoliberalism in the Pinochet era, see Collins and Lear, 1995). Impoverished residents of the *poblaciones* (shantytowns) were in the forefront of the mass actions to end the dictatorship and bore a disproportionate share of the repression. Their aspirations for democracy were as great as the risks they took to restore it. They sought not merely the absence of torture and disappearance and the holding of periodic electoral rituals but a political and social system that offered them meaningful opportunities to participate in shaping the direction of social transformation based on the values of solidarity and social justice that had underpinned Allende's Unidad Popular project. Thus, at the grassroots, democracy was conceived as opening up the space for social action within which goals such as income redistribution and accountability for human rights abuses could be pursued. This expansive and participatory vision was at odds with the more limited change contemplated by the leadership of the political parties that would actually administer the process of transition (for analysis of the contradictions between consolidating and deepening democracy, see Roberts, 1998).

ORIGINS OF THE CONCERTACIÓN

Throughout the transition, Chile has been governed by the Concertación de Partidos por la Democracia (Coalition of Parties for Democracy), an unprecedented but tension-ridden political alliance of former adversaries drawn together by political necessity as much as by ideological affinity. Initially uniting Christian Democrats, Socialists, Radicals, the Party for Democracy, and a dozen smaller parties, today it consists of the four major parties of the center-left. Another Christian Democrat, Eduardo Frei (son of President Eduardo Frei 1964-1970), followed Aylwin as president before Socialist Ricardo Lagos was elected in 2000. However, in that contest, for the first time the Concertación was forced into a runoff election and Lagos narrowly defeated his populist rightwing opponent Joaquín Lavín.

The Concertación is the direct successor of the Coalition for the No, created to unify the opposition to Pinochet for the 1988 plebiscite in which Chileans voted to deny him another eight-year term as president. The 1980 Constitution provided for the plebiscite to confer a veneer of legitimacy on the dictatorship. Allowing only a yes or no vote on Pinochet as the single candidate, it appeared to guarantee a continuation of the military regime. However, the mass protests that erupted in 1983 changed the political equation.

Triggered by a severe economic crisis that had pushed unemployment to record levels, the protests continued until 1986, when they were curtailed by the imposition of a state of siege. By 1988, most of the opposition agreed that the plebiscite offered a political opportunity to end the dictatorship. Despite the ongoing repression and disparity of resources, they decided to accept the challenge at the ballot box rather than boycott the vote as illegitimate. Christian Democrats and Socialists provided the political leadership of the campaign. However, since the Socialists and other Marxist parties remained illegal, the Party for Democracy was created as a vehicle for their members and supporters to register to vote. The victory of the No, with 55 percent of the vote, set in motion the process culminating in the 1989 multicandidate election for president.

Prior to the coup, the Chilean electorate had been divided into three forces of approximately equal strength—the far right, the centrist Christian Democrats, and the left, led by the Communist and Socialist parties. It was the three-way split that allowed Salvador Allende to edge out his two competitors in 1970. The Christian Democrats had united with the right to form an electoral majority in 1964, thereby denying Allende the presidency, and joined with the right again during Allende's presidency to attempt to impeach him and finally to support the coup. Expecting a relatively brief period of military rule during which the left would be crippled, the Christian Democrats went into opposition when Pinochet's intention to remain in office indefinitely became clear.

The coming together of the former adversaries was facilitated by the Socialists' "renewal." They now believed that the party had been too intransigent during the UP years and shared responsibility for the coup, which they interpreted as a reaction to extreme political polarization. Party leaders envisioned their return to the political arena as a pragmatic party willing to govern via negotiation and compromise. This renunciation of radical social change made the Socialists an acceptable partner for the Christian Democrats, unlike the Communist party, which had become radicalized during the dictatorship to the point of supporting armed resistance and which advocated mass action rather than political pacts to end military rule.

THE PACTED TRANSITION

The transition was the outcome not only of a public political process (the plebiscite and the subsequent presidential election) but of private, elite negotiations between the military and leaders of the opposition. The core of this pacted transition was the Concertación's commitment to continue the

neoliberal economic program and to respect the military's self-granted amnesty for human rights abuses. The embrace of neoliberalism also garnered the support of the main external actors—the United States, international financial institutions, and transnational capital—whose opposition could have jeopardized the transition. It was also a concession to induce the domestic right to refrain from economic destabilization. Thus, from the beginning, the Concertación suffered from political schizophrenia—unable to resolve the contradiction between responding to the demands of its electoral base for economic and social justice and satisfying its domestic and international nonelectoral constituencies. Prioritizing the latter required a deliberate strategy of demobilizing the organized popular sectors and maintaining a politics of accords negotiated at the top among sectors of the political class (for an ethnographic study of demobilization in one población, see Paley, 2001). In this context, toleration of extreme economic polarization was acceptable as a means to avoid political polarization that might provoke an antidemocratic reaction from the right or the military.

ASSESSING THE NEOLIBERAL TRANSITION

In their examination of Chilean neoliberalism and its impact on the "transition to democracy," still incomplete more than a decade after its initiation, the contributors to this issue provide a sobering assessment of the Concertación's economic and political record. Despite what Jorge Nef terms the "semantic construction" of Chile as a model of neoliberal success in fusing democratization and prosperity, the articles in this issue reveal a contradictory process more aptly described in Rosalind Bresnahan's phrase as "democratic promise unfulfilled." The gap between image and reality is a recurring theme as the contributors conclude that Chile is neither the unqualified economic success so widely touted by the proponents of the neoliberal model nor the vibrant democracy hoped for by the mass movement that at such great cost struggled for its restoration. These articles have been collected over a period of years since the late 1990s and recently updated for this publication.

Jorge Nef's opening article provides a broad overview of the political, social, and economic restructuring imposed by the dictatorship and identifies the multiple impediments facing the incoming Concertación in translating its electoral majority into substantive reforms. He argues that change has been so slow and limited that the transition could be considered the "consolidation of the 1973 counterrevolution." Politically, the Concertación has been hobbled by the Constitution of 1980, which guarantees legislative overrepresentation

to the right that, in turn, prevents modification of the constitution to eliminate its undemocratic provisions. Moreover, the courts remain packed with Pinochet appointees, and in important areas the military has removed itself from civilian authority. Thus, Nef finds that Chile during the transition "presents the paradox of a legitimate government presiding over an illegitimate state."

In addition to these political constraints, he identifies other sources of the structural weakness of the Concertación. Privatization of state industries and social services has not only limited the sphere of government action but also eroded the social weight of the professional and middle-class voters who constitute much of the Concertación's base. More significant, the working class has not been able to reconstitute itself as a political and social force. Restrictive labor legislation and a high degree of contingent and informal unemployment have kept unionization levels low and prevented the reemergence of a powerful national labor confederation like the precoup Central Única de Trabajadores (Unitary Federation of Workers—CUT), which mobilized workers politically and channeled their collective demands into the political process. In contrast, corporate interests, grouped into influential associations and buttressed by ties to the military, right-wing parties, and transnational capital, have become "a hegemonic business class stronger than the state itself."

He also highlights the continued importance of the military's monopoly of force, which it has wielded repeatedly to influence government action. Among additional roadblocks to democracy identified by Nef are rightist control of the mass media and the Concertación's elitist political practices, topics that are considered in more depth by other contributors to this issue.

Nef concludes that the prospects of Chilean neoliberalism are more secure than those of expanded democracy. On one hand, the electoral strength of the right is growing, as was demonstrated by Lagos's narrow victory over Lavín in the 2000 runoff election. On the other, should the confluence of unmet social needs and economic downturn precipitate a leftist upsurge from the base, the extreme right could once again sacrifice democracy to the preservation of its privileges.

In the next group of articles, three Chilean economists scrutinize the performance of the neoliberal model during the transition and find it less successful than the "miracle" touted by its domestic and international proponents. Among other shared criticisms, they highlight the Concertación's inability to reduce significantly the extreme income inequalities produced during the dictatorship. After a decade of transition, Chile remains one of the most unequal societies in the world, and the share of national income received by the poorest sectors has actually declined.

In language similar to Nef's, Rafael Agacino labels the transition years as the period of "civil administration of the mature counterrevolution" following its implantation and institutionalization during the dictatorship. Looking beyond the aggregates, he examines income distribution and finds that the regressive patterns established during the dictatorship have continued. Labor's share of the gross national product (GNP) relative to capital has improved somewhat from the Pinochet era but has not reached the significantly higher level it enjoyed before the coup. For personal income, the lowest income groups have experienced the least gains during the transition, and in 2000 the income ratio of the highest and lowest 10 percent was 27.8 to 1. The consolidation of "two countries" separated by "abysmal inequalities between rich and poor" underlies Agacino's rejection of what he labels "five 'virtuous circles' " or myths of the neoliberal model. These credit economic openness with the following positive outcomes: equity, reduction of poverty, a more advanced, value-added stage of export development, symmetrical and homogeneous growth, and the deepening of democracy.

In addition to finding that the Concertación has failed to achieve an acceptable reduction in income inequality, Agacino questions the model's fundamental contention that market-based growth rather than state intervention is the most effective mechanism for reducing poverty. He argues that despite improvement from the appalling Pinochet-era poverty levels, the number of people benefited has tended to decline as the transition progressed, job creation has not kept pace with economic growth, and the model's reliance on precarious and low-paying jobs guarantees that large numbers of the employed will remain extremely poor. He concludes, as does Escobar in the next article, that the neoliberal labor market cannot serve as a mechanism for the reduction of poverty.

Agacino further contends that Chile remains dependent on primary-product (natural resource and agricultural) exports. The expectation that integration into the world market would promote higher value-added industrial exports to supplement copper, fruit, fish, and forest products has not been fulfilled. While export of manufactured goods has increased, these are primarily processed agricultural and other primary products rather than the hoped-for industrial exports. Furthermore, growth varies widely by geographic region and social sector. The discursive construct of "Chile" as a single homogeneous entity profiting from international trade obscures the reality of competing domestic interests and the unequal distribution of benefits. He argues that there can be no "national development" project given the withdrawal of the state and the primacy of transnational decision makers. Rather, "integration into the world economy is accompanied by internal disintegration."

He points out that a similar discursive strategy blurs the conflicts between labor and capital, whose harmonious cooperation the model projects as essential to international competitiveness and as contributing to political democratization. He emphasizes that during the transition, organized labor has not recovered the leading role it played before the coup as a political and social force. Rather, levels of unionization remain low, and labor continues to be subject to labor laws that prevent effective organization and bargaining. He concludes that neoliberalism's claim to promote a participatory and democratizing labor-management consensus is a "great fraud" when in fact organized labor is in danger of disappearing as an effective social subject.

The failure to attain these predicted outcomes constitutes an internal contradiction of the model that may offer opportunities for future antineoliberal political action. Agacino detects an exhaustion of the sources of the model's dynamism in the period since 1998 due to declining external demand, the winding down of the investment cycle, and insufficient internal demand in various sectors of the economy. He is more optimistic than Nef that a long-term economic slowdown will strip away neoliberalism's veneer of inevitability and bring to the forefront the struggle for a human-centered project that can address Chile's "problems of development, authentic democracy, and social justice."

Citing data similar to Agacino's, Patricio Escobar reiterates the contention that the inability to reduce income inequality in a meaningful way is an inevitable but unacceptable outcome of Chilean neoliberalism. However, his article is more narrowly focused on the operation of the labor market as "an instrument for the reproduction of poverty." This argument, briefly touched on by Agacino (who has collaborated on other research with Escobar), holds that prior to the labor flexibilization demanded by the neoliberal model, unemployment was the primary source of poverty, whereas currently even those who are employed are likely to be poor. He contends that some of the Concertación's success in reducing poverty is illusory, a statistical artifact of the method used to determine the poverty line. He argues that the number of people living in poverty is underestimated by using national averages, which involve smaller family size and more workers per family than comparable figures for the lowest income groups. Using a formula that takes this into account, Escobar computes the minimum income per worker needed for the poorest families to escape from poverty. This amount is considerably higher than the official poverty threshold, as he illustrates using several different income statistics for 1998. Noting that approximately half of Chilean workers earned less than this, he concludes that market forces have proven unable to create employment opportunities that will significantly reduce poverty. In fact, high levels of poverty are a structural characteristic of the model.

In the final economic article, José Cademartori, who served as minister of economics under Salvador Allende, argues that the neoliberal model began to enter into crisis in the late 1990s. He points out that sustained export growth had not succeeded in increasing Chile's monetary share of global trade because of the relatively low price of Chile's primary exports. Furthermore, external markets had become saturated or experienced downturns such as the Asian crisis that restricted their ability to import Chilean products. As the dynamism of the export sector waned, domestic industrial production declined as free-trade policies encouraged imports. In the absence of antimonopoly policies, market forces favored the emergence of oligopolies and the formation of conglomerates, 15 of which dominate key sectors of the domestic economy to the detriment of smaller enterprises. Moreover, in what Cademartori describes as one of the most permissive foreign investment environments in the world, transnational capital has penetrated the most dynamic sectors of the Chilean economy, including investments in mining, agribusiness and forestry, communications, electrical power, banking, and finance, realizing profits more than double the world level and three times the Latin American average.

Rather than halting the transfer of wealth from the poor to the rich, the Concertación has sustained it with additional privatizations, regressive consumption taxes, and tax breaks for business and the wealthiest individuals. Furthermore, despite neoliberal ideology, the Concertación has granted a wide variety of subsidies to the most influential corporations, many of them powerful transnationals, while cutting services to average Chileans.

Cademartori concludes that neoliberalism is incompatible with true democracy because citizens lack real power, which has been consolidated in the hands of domestic and transnational economic elites to the detriment of the majority. He calls for going beyond Chile's formal democracy to one in which civil society is empowered and the state is responsive to majority interests, although he does not assess the likelihood that this will happen or propose specific means to bring it about.

The next two articles, beginning Part 2 (to appear in November), focus on specific limitations of neoliberal democracy. Margot Olavarría analyzes the party system while Rosalind Bresnahan considers the media as a public sphere.

Olavarría argues that the parties of the Concertación have become exclusionary institutions whose weakened links to their grassroots base have created a crisis of legitimacy that is reflected in low electoral participation and a rejection of party militancy among grassroots sectors that had actively struggled to end the dictatorship, particularly in the poblaciones. Her analysis disputes two widely accepted contentions: that party institutionalization in

and of itself promotes democratization and that declining electoral participation in Chile since the late 1990s is a manifestation of political apathy. Her analysis draws on extensive interviews with party members and social activists in ten Santiago poblaciones of varying political history and levels of organization.

Along with Nef, she highlights what she terms the "perverse institutionalization" established by the 1980 Constitution as an important source of voter dissatisfaction with parties and electoral outcomes. However, she gives more weight than Nef to the political will of party elites. She argues that Concertación parties, in particular the Socialists, have abandoned their precoup identities as mass parties whose strength and legitimacy was derived from organic links to a highly committed and mobilized base. Committed to the pursuit of neoliberal policies at odds with the interests of the popular sectors, they have preferred to operate as cupular institutions offering minimal opportunities for responding to demands from the grassroots. Rather than making programmatic appeals based on class and other sectoral interests, they have evolved into "catch-all" parties, reliant on U.S.-style media campaigns emphasizing personality over party identification. Among the political choices that have distanced party leaders from the grassroots, she cites the Concertación's failure to endorse a plebiscite to amend the 1980 Constitution and its support of Pinochet's release after his arrest in London.

Olavarría's interviews with *pobladores* (shantytown residents) reveal that distrust of parties is particularly noticeable among youth, many of whom refuse to register to vote. Many pobladores involved in grassroots activities that in the past could have been party-related clearly identified themselves as social activists who considered autonomy from parties essential. Even party members were quite critical of party practices. Olavarría finds that this discrediting of parties at the grassroots, while a rational response to party failures, further reduces the likelihood that the parties of the Concertación can serve as representative institutions channeling constituent demands into the political arena, in effect creating a downward spiral of alienation and demobilization. At the present time, the only alternative appears to be for grassroots activists to create new channels bypassing the dysfunctional party system.

Rosalind Bresnahan's article on Chilean media expands consideration of the political beyond the formal institutions of parties and government to analyze the implications of the neoliberal media for the democratic public sphere. She argues that the media constitute a crucial democratic site whose openness to all sectors of civil society requires active public policy support including the allocation of state advertising, especially in Chile, where conservative commercial advertisers are notorious for using their economic power for political ends. Instead, the Concertación's free-market media

policies have contributed to the disappearance of the wide range of alternative media that had emerged during the dictatorship and have facilitated national and transnational corporate control of the principal means of public expression. Both cross-media and foreign ownership have been allowed for commercial television, which was introduced during the transition and is in the hands of owners such as the extreme-right-wing industrialist Ricardo Claro and the Venezuelan Cisneros group, which has been a leading participant in the efforts to depose Venezuelan President Hugo Chávez.

Bresnahan also contends that the Concertatión made a series of policy choices that impeded or prevented the emergence of new alternative and participatory media initiatives, especially those linked to grassroots activism. Among the examples she cites are the introduction of cable television without public access requirements and restrictive legislation that squelched an upsurge of activist community radio early in the transition.

She contends that by viewing the alternative media more as potential critics than as essential agents of democratization, the Concertación squandered a major democratic resource whose loss has impoverished public discourse and limited debate over the direction and pace of the transition. Her argument is consistent with Olavarría's in that both recognize the Concertación's interest in social demobilization and the muffling of collective demands for economic and social justice. Nonetheless, she notes that in the period since Pinochet's arrest in 1998, a number of new independent media have been launched with an invigorating effect on the public sphere. However, their continued economic viability in the inhospitable neoliberal media marketplace is uncertain.

In the final article, Michael Monteón offers a historical perspective on contemporary neoliberalism by reconsidering the roles of the "Nitrate King" John T. North and British capital in the 1891 civil war that defeated President Balmaceda. He notes that the nitrate era was one of unrestricted free trade and foreign investment. The British investor North came to dominate the nitrate industry, which was also dependent on British capital. The nitrate boom, while immensely profitable for North and British financial interests, produced little long-term economic development for Chile. Although Monteón disagrees with those who claim that North engineered the war to protect his interests and/or that had Balmaceda been victorious nitrate income could have financed a more dynamic and diversified economy, he does suggest that North's pursuit of profits destabilized the Balmaceda regime in a manner similar to the way global speculators today "place immediate paper gains over political outcomes for the Third World."

FINAL REFLECTIONS

The transnational proponents of neoliberalism have proclaimed that "there is no alternative." From the global South, embodied in the World Social Forum, has come the affirmation that "another world is possible." Since the election of Lula in Brazil, observers have begun to discuss the possible emergence of a progressive block of Latin American leaders who might collectively challenge the neoliberal order. However, the nominally socialist president of Chile has been conspicuously absent from such discussions of a developing progressive pole. Instead, the Concertación has opted for a strategy of seeking a privileged position within the neoliberal order, exemplified by the drive for a free-trade agreement with the United States.

Now at its midpoint, the Lagos administration is beset by the economic downturn and discredited by a series of corruption scandals that have implicated high-ranking Concertación officials. Many believe that the right will capture the presidency in 2005. By that time, the Concertación will have governed Chile almost as long as did the military. One way to evaluate its performance during that extended period is to ask to what extent it attempted to alter the correlation of forces in its favor and to expand its room to maneuver. Perhaps in no area did the Concertación fail so thoroughly to take advantage of opportunities as in human rights. Prosecution of military human rights violators would have been difficult at the start of the transition, given the amnesty law and the military's threats to intervene if necessary to enforce it. However, the investigation of abuses conducted by the Aylwin administration's Truth and Reconciliation (Rettig) Commission suffered from self-limitation, specifically the decision to include only cases of execution or disappearance, leaving torture and other abuses unexamined. In contrast to the human rights groups, which saw the report as the first step of a long journey toward justice, the government viewed the commission's work as a conclusion, consigning the abuses to a painful past that should be put aside in the interest of national healing.

The arrest of Pinochet in London in 1998 transformed the human rights landscape. Chile unexpectedly had the opportunity to rid itself of the lingering threat embodied in the former dictator's presence first as commander in chief and then as senator for life. Instead of welcoming the willingness of Spain and the other countries seeking Pinochet's extradition to accomplish what it had not dared do in Chile, the Concertación, with some internal dissent, declared the proceedings against Pinochet to be a violation of Chilean sovereignty and urged his return. In so doing, it refused to endorse a landmark advance in international human rights law—the principle that there can be no impunity for the kinds of human rights abuses committed by the dictatorship

and that courts in any country may try these as crimes against humanity. Once Pinochet had returned to Chile, the process by which he was stripped of his parliamentary immunity and escaped trial only by being declared demented was due to the unflagging efforts of human rights activists rather than the leadership of the Concertación.

The human rights movement in Chile has used the favorable circumstances surrounding the Pinochet case to file hundreds of lawsuits on behalf of the disappeared, many of which have led to prosecutions, even of high-ranking military officials. Its persistence has led to Chilean courts' recognizing cases of disappearance as ongoing kidnappings, thereby exempting them from amnesty. As demands for prosecution escalated, the Concertación proposed an alternative that would restore immunity. It created a round table that brought together the military, the church, and some human rights activists to clarify the fate of the disappeared. Military personnel were encouraged to reveal what they knew in exchange for immunity for the killings. Most human rights groups rejected the round table as a ploy to undercut the growing momentum for justice. Although the government has declared the round table a success, in fact, most disappearances remain unresolved. Moreover, many of the admissions by the military involved individuals whose bodies it claimed were disposed of at sea, making verification impossible. Subsequently, some of those listed were found buried, casting doubt on the entire process. Thus, at a time when the Concertación could have taken the lead in challenging the impunity it had felt required to accept ten years earlier, it preferred to ally itself with the military to protect human rights violators. In addition, it began repressing human rights demonstrations that had been tolerated prior to Pinochet's being stripped of his immunity. In this case, the Concertación did not reluctantly accept a "necessary evil" that it was powerless to prevent but deliberately embraced it.

The human rights example illustrates a more general phenomenon. After more than ten years of transition, the Concertación's lack of political will is at least as great an obstacle to progressive change in Chile as objective conditions and an unfavorable correlation of forces. For the time being, those who seek to build "another world" in Chile must attempt to do so, once again, from the grass roots.

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