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## **Success for Whom? An Historical-Materialist Critique of Neoliberalism in Chile**

### **I. Introduction<sup>1</sup>**

After the problematic decade of the 1990s, that saw major financial crises ravage the economies of East Asia, Mexico and Russia, Chile has become a rare commodity for the institutions committed to upholding neoliberalism on a global scale. Whilst former favourites have become tarnished by crisis, Chile is still celebrated as a model of successful neoliberal development to be admired and emulated by other countries in Latin America and beyond. This assessment is based on Chile's economic performance in the 1990s that, as underlined by Eduardo Aninat, formerly Chilean Minister of Finance (1994–9) and now deputy managing director of the IMF, was a period of vigorous and unprecedented expansion with an average annual GDP growth of 6.5%.<sup>2</sup> Furthermore, the same author claims that, despite the

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<sup>2</sup> Aninat 2000, p. 2.

recession caused by the fallout from the Asian crisis in the late 1990s, Chile is once again set to lead the way for Latin American nations by resuming healthy growth in the new millennium.

Chile has received all the more accolades from the mouthpieces of the Washington Consensus because its success, as stated in a recent IMF working paper, has been due almost entirely to 'good policies' and an 'improved political situation'.<sup>3</sup> Firstly, the improved political situation consists in the ending of the Pinochet dictatorship and a return to electoral democracy in 1990, marked by the election of a coalition of centre and centre-left parties known as the 'Concertación'. This transition is suggested to have 'reduced the uncertainty about the rules of the political and economic game' and thereby permitted market forces to act in a manner undistorted by worries over future political complications.<sup>4</sup> Secondly, the 'good policies' celebrated by the IMF are a tenacious adherence to neoliberal principles reflected in the maintenance and deepening of the neoliberal economic development model put in place under the Pinochet dictatorship (1973–90). Those standing behind Chile's development strategy have applauded the 'mature behaviour' of the Concertación régime, which has exhibited fiscal prudence rather than pursuing 'irresponsible expansionist policy and being prisoners of economic populism'.<sup>5</sup> In sum, the IMF attributes the Chilean success precisely to the ability of the new elected government to give full reign to the freedom of the market and to shield it from possible 'distortions' that would compromise its role as the optimum resource allocator.

This article utilises an historical-materialist analysis to probe beneath the surface of the Chilean 'success' story. An historical focus on the changing relations between state, capital and labour allows a deeper explanation of Chile's economic expansion in the 1990s, whilst concurrently enabling the article to broach the critical issue of the social implications of this form of accumulation. It is argued that Chilean neoliberal restructuring, implemented within an environment of systematic repression under the Pinochet régime, was a desperate and brutal attempt to re-establish the conditions for capital accumulation within the context of deep crisis. Furthermore, in the 1990s,

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<sup>3</sup> Jadresic and Zahler 2000.

<sup>4</sup> Jadresic and Zahler 2000, p. 29.

<sup>5</sup> Weyland 1999, p. 65.

with precipitous conditions in the global political economy and the emergence of an elected régime committed to assuring a political and social environment conducive to capital accumulation by maintaining the profound subordination of labour to capital, Chile indeed experienced a primary-product export boom. This export boom underscored the celebrated rates of GDP growth and constitutes the essence of the much-heralded Chilean 'success'. Nevertheless, the basis for this 'success' is precisely a form of social relations characterised by the perpetuation of a low-paid and strongly disciplined labour force. This, in turn, has given rise to a profoundly inequitable society marked by a dramatic polarisation of wealth. In this respect, the article demonstrates profound asymmetries inherent in Chilean neoliberal development that form no part of the official discourse of success. This is because such contradictions are profoundly at odds with the IMF's fable of a Chilean success story achieved through the medium of universally beneficial free markets abetted by sound governmental policy.

## **II. The crisis of ISI capital accumulation and the emergence of dictatorial domination**

The origins of Chilean neoliberalism lay in the crisis of the prior form of capitalist accumulation, known as import substitution industrialisation (ISI). This accumulation strategy was based upon the promotion of endogenous industrial development via Keynesian-style state intervention. In order to nurture domestic industrial production, the state engaged in subsidies to the industrial sector, manipulation of exchange rates to cheapen machinery and technological imports, and high tariffs on foreign consumer goods. Alongside industrial production for domestic markets, export of raw materials remained a critical feature of the development strategy. These were necessary to generate foreign currency for the import of technology and capital goods. ISI initially resulted in relatively high growth levels throughout Latin America. This initial success, however, was predicated upon expanding markets for raw materials exports owing to expansion in the capitalist core and the existence of capital reserves accumulated during the export boom engendered by World War Two.

The ISI mode of accumulation also served to transform social structures within Latin America. By fostering domestic industry, the state aided the

growth of a domestic industrial bourgeoisie and urban middle class, whilst the traditional land-owning oligarchies suffered a terminal decline. In Chile, industry's share of GDP between 1940 and 1960 increased by one third to 22.2% whilst agriculture fell from 14.9% to 10.1%.<sup>6</sup> Moreover, a necessary corollary to the expansion of the industrial sector was the growth and consolidation of an urban working class. As peasants left the rural sphere for employment in the rapidly expanding urban centres, the emergence of a proletariat removed from the traditional forms of dominance exerted in the countryside constituted a potential threat to the dominance of the bourgeoisie. Organised labour and radical political parties – particularly the Communist and Socialist parties – were growing in size and, despite a general inability to overcome factionalism at the national level, constituted an important political force.<sup>7</sup>

Emerging from these contradictions, a new form of the state developed alongside the ISI accumulation model. Contrary to corporatist methods of institutionalising the labour movement seen in other parts of Latin America (particularly Argentina and Mexico), the Chilean state sought to regulate the relations between capital and labour via interventionist methods in the realm of distribution, such as indexed wages, subsidised basic goods and the development of a modest welfare system. Through intervention to grant labour a growing share of the social product, the state attempted to harness the working classes to capitalist development, check the growth of subversive ideologies, and provide the industrial and social calm necessary for sustained accumulation and the expanded reproduction of capitalism. Furthermore, the growing purchasing power of the Chilean working class provided an outlet for the domestically produced consumer goods. As such, the Chilean case could be compared to Lipietz's description of 'peripheral Fordism'.<sup>8</sup> However, unlike the suggestions of Lipietz's analysis, this form of the state did not arise in response to conditions in the capitalist core in the late 1960s but had clearly been in development since the collapse of the oligarchic state in the 1930s. Moreover, the development of the interventionist state form was a process driven by struggle. The organised labour movement in Chile retained sizeable autonomy and ideological vigour and made frequent

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<sup>6</sup> Fortín 1985, p. 205.

<sup>7</sup> See Roddick 1989.

<sup>8</sup> Lipietz 1982.

demands upon the state that often necessitated material or political compromises in order to check the radicalisation of such movements.

The interventionist form of the state was expanded with the 'Revolution in Liberty' programme developed by the Christian Democrat government of Eduardo Frei (1964–70). Frei's stated intention was to pursue socially progressive reform within a 'neocapitalist' model of development that would combine state intervention in key industries (particularly mining) with substantial foreign investment. The programme was buoyed by considerable US financing through the Alliance for Progress – a foreign policy initiative intended to stave off revolution in Latin America by promoting moderate social change. Nevertheless, the ISI mode of development and congruent political systems entered into crisis throughout Latin America during the later 1960s and 1970s.

The Chilean crisis was one moment of the world-wide slowing of growth in the late 1960s that turned into stagnation in the 1970s. As countries employing ISI strategies had remained dependent on exporting key agricultural and raw materials in order to generate foreign earnings necessary to import industrial inputs and capital goods, they were vulnerable to the vicissitudes of world market prices. Chile, with its continual dependence on copper exports, which in the early 1970s constituted 80% of export earnings, felt the downturn in the world economy particularly sharply. This led to growing public indebtedness, greater dependency on foreign capital and, concurrently, greater pressures to reduce social spending and increase investment. Moreover, owing to the redistributive element of the Chilean ISI model, labour was taking an increasing portion of the social product. Inflation was rising and business interests clamoured for a cap on wage increases. In these circumstances, the state drew heavily on foreign credit to finance increased involvement in the economy in an attempt intended to facilitate the expansion of capital on an augmented scale.

Under these pressures, the Chilean state started to break apart in the late 1960s. As a moment of capitalist social relations, the state is 'stamped throughout, in all its institutions, procedures and ideology, with the contradictions of capital'.<sup>9</sup> Within the circumstances of the Chilean crisis, these contradictions became more evident, as manifested through increased class

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<sup>9</sup> Holloway 1991, p. 109.

struggle and a growing fiscal crisis of the state. On the one hand, mobilised labour and social groups maintained their demands on the state at a time when revenues were falling. On the other, capital was demanding a greater share of the social product in order to stave off the deepening crisis. Therefore, whilst redistributive elements and guaranteed wage rises were becoming progressively harder to sustain, cuts in social spending after 1968 increased social unrest and propelled the confrontational mobilisation of well-organised union movements. The latter, somewhat ironically, had benefited from the government's attempt to foment popular support for the Revolution in Liberty programme by encouraging unionisation.

The growing polarisation of forces behind those committed to re-establishing the conditions for sustained capital accumulation and those seeking a greater level of redistribution created a hotly contested 1970 election. The Socialist Salvador Allende, heading a coalition of left parties under the Popular Unity banner, was elected president with 36.6% of the vote, as compared with 35.2% polled by the right-wing candidate. Allende's response to the crisis was a deepening of the distributive mechanisms, coupled to a programme that nationalised key sectors of the economy. The attempted mix of elements of state-socialism within a capitalist framework proved unable to resolve the crisis and, moreover, engendered insurmountable political barriers. The political forces of the Right vehemently opposed the programme, whilst capital flight and investment strikes plunged the economy into further woes. Conversely, the Allende régime felt compelled to deepen its commitment to redistribution and full employment, thus undermining still further the conditions for capital accumulation. By 1973, deep economic crisis and high inflation was coupled to considerable class struggle and a government that continued to directly threaten the interests of the domestic bourgeoisie and foreign firms. Within these circumstances, the bourgeoisie and allies perceived, in Guillermo O'Donnell's words, 'a great threat to the survival of the basic capitalist parameters of society'.<sup>10</sup> The response was counterrevolution through military coup, the formation of an authoritarian state, and a restructuring process that would implement a fundamental shift in the relationship between state, capital and labour.

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<sup>10</sup> O'Donnell 1979, p. 295.

### III. The military régime and authoritarian neoliberalism

The political crisis that had escalated during the Frei and Allende régimes culminated in the seizure of power in 1973 by a military junta headed by General Augusto Pinochet. The military leadership that violently assumed control of the state forged a narrow alliance with a coalition of bourgeois interests which provided its principal social base. Together, the military régime and its civilian allies sought a solution to the crisis that would re-establish the conditions for strong capital accumulation as well as eliminate the political forces that had threatened the future of capitalism in Chile. Although there was disagreement between different capitals and within the state concerning how to proceed, the very profundity of the crisis of ISI development and the growing influence of internationally orientated conglomerates with a heavy concentration in liquid assets enabled a project for radical restructuring to gain ascendancy in the years immediately after the coup.<sup>11</sup>

Under the technocratic guidance of the 'Chicago Boys' – Chilean neoclassical economists trained at the University of Chicago – the Pinochet régime envisaged a restructuring programme based around three cardinal pillars. Combined together, these would redefine Chile's mode of accumulation by radically changing the manner of its integration with the world economy. Firstly, the programme sought to re-establish Chile as a profitable site for global capital by removing the existing barriers to the movement of the latter. These measures included the abolition of taxes on wealth and capital gains, and the withdrawal of restrictions on profit remittances by foreign capital. Secondly, it comprised a major reorientation of national production towards the world market, i.e. a specialisation in export-orientated production that would generate a new productive structure based around agro-export and raw material export. Thirdly, it proposed a significant withdrawal of the state's activities in the economy through large-scale privatisation and strict fiscal discipline that incorporated a substantial reduction in state spending on social expenditures.

To solve the political crisis and to clear the way for the forthcoming restructuring of Chilean society, the state engaged in a policy of fierce repression that served to annihilate the political forces that had challenged the basis of Chilean capitalism. The primary achievement of the repression was the decapitation of organised labour, the destruction of autonomous and

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<sup>11</sup> See Silva 1996, Chapters 2–3.

politically active union movements, and the generalised suppression of political expressions of opposition. In total, tens of thousands of activists were murdered, jailed or exiled. The repression was at its most intense in the immediate post-coup years, although it remained strong throughout the régime, with the period 1984–8 alone being marked by 163 political murders, 446 cases of torture and 1,927 political arrests, all committed with legal impunity.<sup>12</sup> Moreover, political violence was supplemented by an oppressive labour policy that involved the prohibition of strikes, the dissolution of unions (until 1979, when they were allowed to reconstitute in a controlled manner), suppression of wages and a reform of labour legislation that relaxed regulations and allowed a dramatic decrease in firm's social security and tax benefits to workers.

The assault on organised labour provided the necessary political climate in which to dramatically curtail workers' standards of living. Crisis was attributed to wage rises and the expansion of consumptive state expenditure under the ISI mode of development and the populist state apparatus that undermined the profitability of capitalist enterprise whilst reinforcing market distortions. In response, the first element of Pinochet's liberalisation programme entailed the freeing of prices, deregulation of trade, withdrawal of restrictions on the free mobility of capital, and removal of basic consumer goods subsidies. Together, these measures precipitated a profound contraction of demand as recession set in and wages plunged to under two-thirds of their former value in two years.<sup>13</sup> The share of wages in total income fell dramatically from 62.8% in 1972 – one of the highest in Latin America – to 41.1% in 1976 – one of the lowest.<sup>14</sup> Unemployment climbed above 15% and all these factors were exacerbated by a sharp reduction in government social expenditure.<sup>15</sup> Concurrently, in the agrarian sphere, 45% of peasants who had gained land in the Frei and Allende agrarian reforms lost their property rights. Much of this land was not returned to the large *latifundia* but was purchased by new agro-export enterprises that formed a core part of the emerging large economic groups.<sup>16</sup> In response, the exodus from the countryside to the cities gathered pace,

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<sup>12</sup> Petras and Leiva 1994, p. 21.

<sup>13</sup> Fortín 1985, p. 163.

<sup>14</sup> Petras and Leiva 1994, p. 26.

<sup>15</sup> Torche 2000, p. 557.

<sup>16</sup> Gwynne and Kay 1997.



increasing the pressure on wages in the urban centres.<sup>17</sup> Overall, by creating a large reserve army and dropping the value of labour-power to unprecedented levels so as to greatly increase the amount of surplus labour extracted in production, the Pinochet régime sought to re-establish the profitability of capitalism in Chile.

A second principal aspect of the structural adjustment process was the re-privatisation of industries, banks and lands that had been nationalised or redistributed in the previous epoch. This process was intended to reverse Frei and Allende's socialisation of property in order to reassert the primacy of the market. However, the privatisation of state enterprises occurred at well below their market value. Fortín notes that: 'For a sample of 41 companies and banks representing 60% of the value of all companies sold, it is estimated that the price of sale was of the order of 70% of the net value of the assets of the companies'.<sup>18</sup> This therefore represented a significant state subsidy to the emerging economic groups and facilitated the concentration of productive apparatus in the hands of a small conglomeration of economic groups.<sup>19</sup>

The primary base of these economic groups was in the financial sector where, owing to régime policy, they obtained preferential access to international credit. Firstly, this allowed these companies to loan domestically at extremely inflated levels owing to the régime's policy of unregulated interest rates. Secondly, the large economic groups took full advantage of this access to foreign capital to facilitate the purchase of banks and industries sold through Pinochet's privatisation programme and, thereby, obtaining majority holds on the most dynamic aspects of the new economy (refer to table below). As such, stimulated by state policy, including the erection of a private pensions scheme controlled by the major economic groups, the accelerated concentration and centralisation of capital in Chile was astounding. Within the decade, a handful of major economic groups grew to control some 68% of the assets of all corporations operating on the Chilean stock market.

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<sup>17</sup> Riesco 1999.

<sup>18</sup> Fortín 1985, p. 173.

<sup>19</sup> Notably, although it provided substantial subsidies for foreign (primarily US) purchase of the copper industry, the military régime retained control of CODELCO, the hugely profitable nationalised copper company. CODELCO accounted for 39% of Chilean copper exports and the revenues were largely used to finance the régime's military apparatus (Riesco 1999).

They also accounted for 45% of all foreign capital borrowed as of 1977 and, by 1980, 42% of all banking capital in Chile and 60% of all available and extended credit.<sup>20</sup>

**Concentration in the Export Sector 1988.**

Industry	Number of Large Firms	Industry Share
Mining	7	97.1
Agriculture	8	80.6
Forest Products	5	78.4
Fish Products	6	51.1
Food	6	67.3
Wine and Beverage	2	70.2
Wood	7	78.6
Paper, Cellulose	2	90.0
Chemical Products	2	71.4

From Petras and Leiva 1994, p. 36.

Despite clamorous international acclaim by the advocates of monetarism, the trajectory of the restructured Chilean economy was unimpressive. After the immediate recession, there was a return to growth in the late 1970s and early 1980s known as the first 'economic miracle'. Nevertheless, in 1981, the GNP was still below that achieved in 1970. Indeed, between 1974 and 1981, the GDP growth rate averaged 2.1%, one of the lowest in Latin America. Almost all growth was concentrated in non-traditional exports with fresh fruit, lumber and forestry growing from 7.6% of exports in 1971 to 20.5% in 1981.<sup>21</sup> Concurrently, the rapid opening of the economy destroyed much existing industrial activity, especially in metal and machinery production, the mechanical and electrical sectors and the capital goods subsector.

Further talk of 'miracles' was silenced by a severe recession in 1982–3. The deregulation of economic activity and the liberalisation of trade and capital flows had prompted an enormous expansion of credit from private international banks. Between 1975 and 1979, US\$6,593.6 million of credit entered

<sup>20</sup> Petras and Leiva 1994, pp. 23–4.

<sup>21</sup> Petras and Leiva 1994, p. 25.

Chile, equal to five years of copper exports. A sizeable portion of this credit was used by the state to service the huge and rapidly growing public debt. Nevertheless, most was channelled through the medium of Chile's economic groups into highly profitable but speculative short-term investments. However, when the climate of the international financial markets shifted in 1982, the short-term foreign investments in Chile were liquidated at an enormously rapid pace.<sup>22</sup> The Chilean bubble burst as capital flows dried up and headed to safer and more profitable havens, particularly the USA, which had undertaken mammoth increases in real interest rates (from 0.8% in 1971–80 to 11.0% in 1982).<sup>23</sup> Chile was once again plunged into a deep crisis. Production fell by 16.7%, official unemployment topped 26%, and the economy was propped up only by massive state intervention. During 1983–8, average government spending as a proportion of GDP was 25.1%, which was 1.5% higher than in the populist period 1967–72.<sup>24</sup> Furthermore, under extreme pressure from a consortium of creditor banks and the IMF, the régime assumed responsibility for private external debt (US\$7.7 billion), thereby socialising the debts run up by the country's capitalists and engaging in large debt-for-equity swaps.<sup>25</sup>

A second 'economic miracle' from 1985–9 was credited to Pinochet's adoption of a so-called 'pragmatic neoliberalism'.<sup>26</sup> This equated a firm recommitment to renewed privatisation, lower tariffs, further privileges to the raw materials export sector, a moderate re-regulation of capital flows and a greater voice for the bourgeoisie in the policy formation process. The growth of GDP was based once again on a combination of making up the idle capacity created by the severe drop in production during the recession period, the further development of the 'new growth poles' in the Chilean export economy, a boom in the unproductive sector of the economy (services and finance), and high international prices for copper.<sup>27</sup> Moreover, predicated upon the politically reinforced subordination of labour to capital, it was extremely inequitable form of growth. The top-earning quintile of the Chilean population in 1989 took 57.6% of the national income and the bottom quintile obtained a mere

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<sup>22</sup> Fortín 1985, p. 186.

<sup>23</sup> See Soederberg 2000.

<sup>24</sup> Martínez and Díaz 1996, p. 66.

<sup>25</sup> Fazio and Riesco 1997.

<sup>26</sup> See Silva 1996, Chapter 4.

<sup>27</sup> Petras and Leiva 1994, pp. 32–3.

4.3%.<sup>28</sup> In 1989, poverty stood at 42.2%, with 14.9% of the population living in conditions of indigence.<sup>29</sup>

Deteriorating social conditions fuelled existing political discontent. Emerging protest against the dictatorship transcended class lines to include the unemployed, working poor and middle classes as well as sections of the bourgeoisie who had found themselves locked out of decision-making processes since the mid-1970s.<sup>30</sup> Whilst an eclectic mixture of social movements and clandestine political organisations led the initial protests, in the years following 1984, a movement began to coalesce around a group of politicians connected to the old political parties. This led to the emergence of a formidable centrist opposition group in 1984 called the Alianza Democrática (Democratic Alliance). The Alianza Democrática was able to prosper over other groups, particularly the more radical Movimiento Democrático Popular, owing to its willingness to insert itself into the authoritarian political structures and to court business support. The strength of the Alianza Democrática lay in its ability to pose itself as the respectable opposition which would press for institutionalised democratic openings whilst avoiding the radicalism of other groups.

Despite the ostensible recovery of the economy, the legacy of severe crisis and the unremitting political movement against the dictatorship pushed Pinochet into manoeuvres designed to reaffirm its legitimacy. Hence the dictator initiated a sustained campaign to win public support for a national plebiscite to be held in September 1988. The plebiscite had been scheduled by the dictatorship in 1980 as part of its new constitution. It was designed to allow the Chilean people to choose between a further eight years of military rule or a return to civilian government. Sincerely expecting a comprehensive victory, the régime arrogantly believed that the plebiscite would reinforce its legitimacy by displaying popular backing for the dictatorship project. Nonetheless, and despite the substantial propaganda machine mobilised by the dictatorship and a continued environment of repression, Pinochet had profoundly misjudged the breadth of the anti-dictatorship movement and was forced to recognise the victory of the 'no' vote, 56% to 44%.

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<sup>28</sup> Coloma and Rojas 2000, p. 537.

<sup>29</sup> Schneider 1993, p. 30.

<sup>30</sup> See Silva 1996.

#### IV. Concertación 1990–2000

The rejection of continued military rule in the plebiscite of 1988 paved the way for a return to civilian government, commencing with national elections in late 1989. From the political forces that had come to the fore in the Alianza Democrática there emerged a party coalition called the Concertación, comprised principally of the Christian Democrat and Socialist parties. The term ‘concertación’ signifies ‘coming together’ and the convincing election victory of this centrist coalition was widely accepted as symbolising a new beginning for Chile and the re-incorporation of the social sectors marginalised during the Pinochet régime.

Nevertheless, whilst the Concertación’s political success had been propelled by working- and middle-class support, the period immediately preceding the establishment of the first post-dictatorship government was marked by a considerable convergence of the new political élite with business interests. A formal dialogue occurred between the organised bodies of capitalist interests and the future government in which the Concertación pledged to recognise the sanctity of private property, institutionalise the dictatorship’s economic model, and make no dramatic changes to the country’s social structure.<sup>31</sup> As such, it promised to exercise fiscal prudence and refrain from ‘populist’ measures in order to maintain the pro-business climate of the Pinochet years. In return, Chilean capitalists would co-operate with the new government, maintain investment and respond to future policy initiatives.<sup>32</sup> This rapprochement between the Concertación leadership and major economic groups set the tone for the ensuing decade.

Within this context, the Concertación – under the presidencies of Aylwin (1990–4), Frei (1994–9) and, currently, Lagos (2000–5) – has, in prime technocratic style, doggedly pursued the consolidation and intensification of the neoliberal project. As David Hojman states: ‘Since 1990 Pinochet style policies have been applied almost without modifications, although there were some marginal tax increases, the revenue from which was to be devoted to the fight against poverty’.<sup>33</sup> Moreover, the electoral victory of Socialist Ricardo Lagos in December 1999 has not marked a break with policies of his predecessors.

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<sup>31</sup> See Portales 2000. Muñoz Gomá and Caledón 1996.

<sup>32</sup> Silva 1998, pp. 237–40.

<sup>33</sup> Hojman 1995, p. 129.

The US State Department recently confirmed that: 'Lagos has put in place a top-notch economic team: his principal economic advisors are U.S.-trained and internationally acclaimed for their technical expertise, and they share Lagos' strong commitment to Chile's successful free-market economic model'.<sup>34</sup>

The Concertación's constant preoccupation with satisfying the needs of capital to the detriment of social considerations can be related to several factors. First and foremost, it must be re-emphasised that the state in capitalist society is intrinsically a *capitalist* state, predicated upon capitalist social relations of production, and constrained to work within the confines imposed by such relations.<sup>35</sup> As such, the possibilities and limits to state action are not determined merely at the level of political relations between the state and particular capitals,<sup>36</sup> but also operate at a more fundamental level through the ubiquitous pressures to guarantee the expanded reproduction of social capital (or *capital-in-general*) upon which the material reproduction of society in its capitalist form – the state included – depends.<sup>37</sup> Such pressures culminate in tendencies towards generalised economic, political and social crisis whenever expanded accumulation is hindered (manifested in, for example, lack of investment, capital flight, balance of payments deterioration, sluggish growth, intense fiscal constraints and increased social unrest – all of which were pertinent features of the 1968–73 period in Chile).

Moreover, the various pressures on state action are neither engendered, contained, nor reconcilable within solely a domestic framework. States exist as moments of global capitalist relations and have no independent existence outside of the fluid contours of global accumulation.<sup>38</sup> Although the relation between state, capital and labour within a national social formation constitutes the social basis of capitalist production, the latter is but one necessary nodal point in the continual circuits of capital. The labour-process indeed facilitates capital valorisation, but the surplus-labour contained within a commodity is only realised in the sphere of circulation via purchase on the market. Furthermore, the realisation of surplus-value and resumption of the money-form does not terminate the circuit but merely marks one further point

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<sup>34</sup> US State Department 2001, p. 10.

<sup>35</sup> See Holloway & Picciotto 1991; Clarke 1991.

<sup>36</sup> As in fractionalist accounts of the Chilean state such as Fortín 1985.

<sup>37</sup> Clarke 1978, 1991.

<sup>38</sup> Holloway 1995; Burnham 2001.

in a perpetual process. On returning to the money-form, capital must once again seek out productive investment. Therefore, whilst capital must assume a specific spatial location within a national social-formation for the instance of production, the circulation of money capital and commodity capital transcends national boundaries. As such, the essence of capital is global, although the globality of capital is nonetheless mediated through the existence of national-state formations which can alter the nature of the relationship between nationally located capital and global capital through political regulation.

Therein, the Chilean state's commitment to facilitating the expanded reproduction of capital through the maintenance of a strict neoliberal trajectory mirrors the continued crisis of accumulation on a global scale and the changing character of the global political economy that the latter has induced. The political project of neoliberalism has proven ubiquitous in countries across the globe as it purportedly offers a solution to crisis by re-establishing the viability of capitalist accumulation within the national-state form through the subordination of both state and society to the discipline of capital as a global social relation. Thus, in the Chilean case, neoliberal policies remain fundamental for the Concertación government in its quest to continuously reassert the validity of accumulation within the Chilean national-state vis-à-vis the parameters imposed by the trajectory of global accumulation. For example, one of the principal forms in which the discipline of capital is exercised upon the actions of the contemporary Chilean state is through the constant necessity to signal creditworthiness to international investors and financial markets. As detailed above, the structure of the Chilean economy is predicated in no small measure upon the constant input of foreign capital, both FDI and short-term portfolio capital. A constant influx of capital is necessary to service high-levels of private-sector debt and to implement the technological advances necessary for sustained productivity increases to keep Chilean products competitive on global markets. Concurrently, a significant decline in capital inflows or accelerated capital outflows threatens to plunge the Chilean economy into serious crisis.<sup>39</sup> In this respect, the intrinsic mobility of capital in its money form means that, to attract and retain capital within the

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<sup>39</sup> For example, during the Asian Crisis, which closed many markets for Chilean exports, Chile experienced US\$2.1 billion of capital flight in 1998 alone; IMF 2000, p. 101.

Chilean social formation, requires the provision of the most stable and profitable investment environment possible. This, in turn, is predicated upon the state's adherence to the 'good policies' taxonomised by the IMF, World Bank and others, and necessarily entails reproducing the profound subordination of labour to capital engendered during the military régime's restructuring programme.

Nonetheless, although the capitalist state faces considerable pressure to subordinate its actions within the confines imposed by the social form of capitalist reproduction in its national and global moments, these pressures do not exist as some form of external or coercive 'capital logic'. Rather, they assert themselves and are mediated through complex processes of political and social struggle experienced in all of the various fractured moments of capitalist social relations. Hence, they are present at many levels, from struggles over the nature of labour relations, conflicts within the institutionalised political process, and in diverse social movements that challenge the quotidian forms of state intervention into social reproduction. In the face of multifarious instances of struggle, there is no certainty that the state can discipline labour or particular capitals to restrain demands within the confines of the development model. Indeed, the often contradictory reactions of the state to varied instances of conflict can sometimes serve to push the relations between state, capital and labour beyond the limits of the capitalist social form. Moreover, the state is not a static thing, but undergoes transformation as particular struggles find expression within the changing form of the state. As Bob Fine elaborates, in relation to the concrete trajectory of political and social struggles, 'from one period to the next [the state] may become more or less alienated from the people, more or less subject to democratic control, more or less bureaucratic, more or less bound by the rules of law, more or less permissive of working-class organisations, etc.'<sup>40</sup> In this respect, it is important to emphasise how the readiness of the Concertación political élite to reconcile themselves to the limits of the neoliberal form of accumulation is accentuated by both the weakness of popular movements after the crippling experience of almost two decades of repressive dictatorship, and by the

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<sup>40</sup> Fine 1984, p. 14.



tangible consequences for the form of the state imparted by this particular historical trajectory.

Firstly, despite the defeat suffered by the dictatorship in the 1988 plebiscite, this setback occurred within the confines of the political framework that it had established. As such, the military régime was not overwhelmed by popular mobilisation and, crucially, it still retained an extremely powerful position from which to influence the character of the 'post-authoritarian' state. In the period between the plebiscite defeat and the elections of 1989, the military régime and civilian representatives negotiated the constitutional framework for the transition of power. Within this process, the régime ensured that there existed multiple institutional safeguards (known as 'authoritarian enclaves') to impose moderation upon the incoming elected government. These included the appointment of designated senators that would ensure that the forces of the political Right enjoyed a majority in the Senate, and an electoral system that created an over-representation of the parties of the Right.<sup>41</sup> Such particularities of the post-transition state-form has greatly abetted the reconciliation of the Concertación with a neoliberal trajectory by imposing political limits on the possibilities of government policy and also by serving as an extremely convenient means by which the Concertación has justified its moderation to the popular constituency.<sup>42</sup>

Secondly, the relative strengths of organised labour and organised capital in the post-transition landscape are profoundly uneven. On the one hand, organised labour suffered almost two decades of systematic repression from which it has not recovered. Whilst various social movements had certainly played an important role in the early struggle against the dictatorship, political oppression and the effects of extreme economic marginalisation perpetuated weaknesses and factionalism within these small groups. Concurrently, most

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<sup>41</sup> For further details on these authoritarian enclaves refer to Portales 2000, Siavelis 2000, Taylor 1998.

<sup>42</sup> Nevertheless, the argument that the perseverance of authoritarian political structures alone can substantially account for policy continuities in the Concertación era (made most forcibly by Petras and Leiva 1994) cannot be sustained. By 2001, many of these same institutional idiosyncrasies actually favour the Concertación, with little perceptible change in policy terms. Indeed, President Lagos has stated that the willingness of the political Right to reform the political process is because the constitution is now 'on our side' (*Financial Times* 2001).

threw their limited weight behind the Concertación's electoral movement in the mid-1980s and became less visible after the victory of the latter.<sup>43</sup> Given the political weakness of organised labour and other social movements, the Concertación was able to adopt a heavily élitist ('cupular') style of politics that has served to insulate its political cadre from more radical voices within the grassroots of the coalition parties.<sup>44</sup> On the other hand, organised business – represented by the Confederación de Producción y Comercio (Confederation of Production and Commerce, CPC) – emerged strengthened from the epoch of 'pragmatic neoliberalism' and has proved well organised, highly mobilised, presciently aware of the political strength stemming from its concentrated ownership of the means of production, and currently enjoys an active relationship with the government. Unsurprisingly, the IMF has applauded this political arrangement as a key aspect of the Chilean 'success'.

## **V. State, labour and capital under Concertación**

The Concertación's commitment to neoliberalism has been amply demonstrated through an accelerated privatisation programme, the setting of high interest rates to draw in foreign capital, suppression of the exchange rate to promote exports, the signing of free trade agreements with the Mercosur trading block (Argentina, Brazil, Uruguay, Paraguay), a prospective treaty with the NAFTA block, and a fundamental and overriding priority to maintain macro-economic equilibrium through low-inflation and balanced budgets. Indeed, despite the strains of the 1998–9 recession, the total debt of the non-financial public sector, both external and domestic, has remained about 10% of GDP.<sup>45</sup> This confirmation of the fundamentals of the so-called 'Washington Consensus' constitutes the basis of the sound policies that the IMF has vigorously applauded and that have elevated Chile to model status.

With the Concertación fortifying the open nature of the economy, the major trends of neoliberal accumulation witnessed under Pinochet have been reproduced. Firstly, the presence of foreign capital and transnational firms in

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<sup>43</sup> Roberts 1998 has a detailed account of the trajectory of Chilean social movement activity during the Pinochet era and immediately after the plebiscite victory, as does de la Maza 1999.

<sup>44</sup> Lucy Taylor 1998 has provided the most detailed account of the marginalisation of the grassroots within the Concertación parties.

<sup>45</sup> IMF 2000, p. 99.

the Chilean economy has continued to increase. Foreign capital has dramatically expanded its role in many new sectors such as electricity, banking, insurance brokering, health and construction. This has been achieved through both new government privatisations and through the take-over of Chilean companies. For instance, the role of foreign capital in the construction sector has grown from minimal levels at the end of the 1980s to a situation in which 50% of investment in this sector is foreign whilst companies backed by foreign capitals take some 72% of public works contracts.<sup>46</sup>

At the same time, the process of capital consolidation within the Chilean economy has also augmented. The large Chilean conglomerates, such as Luksic and Angelini, have grown substantially through mergers and acquisitions, as have many foreign transnationals and particularly Spanish owned groups. Another element of this centralisation has been a concentration of capital through competition which led, for example, to the shrinking of the number of private pension fund companies from the peak of twenty-two in 1993 to thirteen in 1996.<sup>47</sup> This has culminated in a situation in which practically all sectors of the Chilean economy are controlled by large firms that, in turn, are subsidiary parts of the handful of huge economic groups based in the financial sector.<sup>48</sup> As indicated above, these economic groups have derived their status from preferential access to international credit and domestic pension-fund capital; both aspects emerging from the specific form of financial deregulation undertaken during the Pinochet régime.

At the other end of the spectrum, the Chilean working class is continually reproduced as a low-wage labour force, afflicted with the burden of precarious employment and a distinct lack of even basic labour rights. Whilst the state has acted, on the one hand, to buttress the dominance of capital, personified in the large economic groups, it has simultaneously acted to maintain the subservient position of labour through the preservation of the principal tenets of the Pinochet régime's repressive labour code. The cheapness and flexibility of labour within the social formation is a primary requisite of pumping out increased levels of surplus-value, which is, in turn, fundamental to attracting increased investment and accentuating the

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<sup>46</sup> Fazio 2000.

<sup>47</sup> Fazio & Riesco 1997, p. 95.

<sup>48</sup> Martínez and Díaz 1996, p. 86.

competitive advantage of the particular industry in the world market. In this respect, the Pinochet régime maximised the conditions for a profound subordination of labour to capital by destroying the bodies of organised labour, promulgating a regressive labour code, and withdrawing the state's former commitment to ensuring welfare and employment that formed the foundation of the pre-coup social pact.

Nevertheless, the political legitimacy of the Concertación governments has rested in no small part upon their pledge to social equity. In their election campaign of 1989, Concertación promised to 'introduce profound changes in the juridical position of organised labour in order that this provides workers with fundamental rights and allows the strengthening of labour organisations; so that the latter can transform themselves into an efficient tool for wage earner interests and become a substantial influence in the social life of the country'.<sup>49</sup> The Concertación's proclaimed rationale was that, if the state was going to refrain from intervention in the economic sphere, then a greater degree of labour organisation had to be permitted in order that it could protect its own interests. With labour strengthened, it could increase its bargaining prowess and thereby ensure a more equitable distribution of the increased social product that economic growth would bring.

The Concertación's actual record of overturning the repressive labour legislation enacted during the Pinochet régime, however, has been poor. The first attempt at labour legislation was undertaken by the Aylwin government in 1990, with the intention of establishing a 'labour institutionality' that would ensure long-term stability owing to the self-adherence of the major social actors, i.e. co-operation between capital and labour within the structure of the adjusted labour code. In this way, the government attempted to form an industrial pact by providing a framework whereby organised labour acknowledged private ownership and investment as legitimate bases of the Chilean economy and recognised the need for stability and the suppression of ideology in negotiations. Conversely, the private sector acceded to the need for some degree of augmentation for the minimum wage, pensions and social welfare.<sup>50</sup>

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<sup>49</sup> Cited in Henríquez Riquelme 1999, p. 99.

<sup>50</sup> Muñoz & Caledón 1996, p. 198.

Beyond this promulgation of a rhetorical ‘pact for industrial peace’, the actual reforms undertaken resulted in minimal changes. The principal demands of the labour movement, namely the right to strike and the right to collective negotiation, remained frustrated under the new code. Firstly, the right to strike was indeed re-established, but with the extraordinarily disempowering proviso that the firm is permitted to hire replacement labour. Secondly, whilst unions are now allowed increased rights to form regional or national federations, no collective bargaining can proceed above the level of the individual union vis-à-vis the firm in question. This reduces the power of the national bodies of organised labour: labour federations are solely allowed to act as a pressure group within the political system and cannot endeavour to establish national agreements regarding pay or labour rights.

Moreover, whilst the freedom to fire workers at will was curtailed in the new code, arbitrary and anti-union firing practises nonetheless continue in practise owing to a legal loophole that allows employers to cite the all-encompassing phrase ‘need of the company’ as the reason for dismissal. If a sacked employee believes the reason to be unfair, then she may attempt to pursue the issue within labour tribunals and could, if successful, receive compensation. However, the inefficiency of the labour tribunals makes the process run extremely slowly and, moreover, firms have preferred to pay the fines in order to retain the ability to fire those workers attempting to establish unions. Unsurprisingly, the International Labour Organisation has formally decried such activities; profoundly deploring the anti-union conduct of firms in Chile and highlighting many cases of union persecution through arbitrary firing.<sup>51</sup>

Moreover, encouraged by the Concertación emphasis on consensual agreements between capital and labour at the level of the firm, a widely used technique called ‘convenio’ has given added strength to employers. *Convenio* signifies a situation where employer and employees give mutual consent within a non-regulated dialogue to a binding agreement on labour regulations and practice that falls outside of the institutionalised code. It creates an individual relationship between employer and employee and forbids collective action and striking. It has been widely noted that *convenios* are nearly always formed on the suggestion of the employer and their signing often involves

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<sup>51</sup> *El Mostrador* 2001.

coercion or can form a prior condition for workers to gain employment.<sup>52</sup> The principal results of *convenios* are to satisfy the employers' desire to diminish the possibility of industrial conflict and insulate workforce regulation from outside interference.

Notably, throughout this first renovation of the labour code, the government remained adamant that, despite the concerns raised by the private sector, the reforms would not fetter the flexibility of the labour market.<sup>53</sup> In the contemporaneous words of the *Programa de Economía del Trabajo*: 'It is possible to confirm that there are many changes but with little substance'.<sup>54</sup>

A second governmental proposal to strengthen the rights of labour had to wait until the end of the decade. In the run up to the 2000 presidential elections, the Concertación attempted to garner the popular support that they were rapidly losing to right-wing populist Joaquín Lavín's campaign by resurrecting labour legislation that had been languishing in Congress. The initiative included strengthening the power of organised labour by reinstating bargaining above the level of the individual firm. Additionally, the proposal would make illegitimate the practise of importing replacement, non-unionised, labour in the event of a strike.<sup>55</sup> The attempt, however, backfired with business groups quickly mobilising to make a strenuous attack on the proposed changes that would have given organised labour renewed powers. Ultimately, the government was unable to win the necessary votes in the senate and the measure was not passed.<sup>56</sup>

The net result of Concertación's labour policy has been to give full reign to the intensified exploitation of labour that provided the basis for the rapid expansion of the Chilean economy in the 1990s. With labour legislation serving only to give a minimum level of protection to workers and with the informal and precarious nature of Chilean employment, particularly within the service sector and the agro-export sector, much of the labour force is partially or totally excluded from the protection normally offered through

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<sup>52</sup> Henríquez Riquelme 1999, p. 104.

<sup>53</sup> Muñoz & Caledón 1996, p. 199.

<sup>54</sup> Henríquez Riquelme 1999, p. 99.

<sup>55</sup> Angell and Pollack 2000, p. 369.

<sup>56</sup> Since the advent of the Lagos administration there has been a further reform to the labour code, made in September 2001. Whilst giving workers more means to seek recompense for abuses, it does not accede to the basic demands of the labour movement by removing the above stated impediments to the right to collective negotiation and the right to strike. See Taylor 2001.

institutionalised labour relations.<sup>57</sup> The lack of a strong reaffirmation of the legal rights of the working population has also severely frustrated the formation of a strong labour movement. Organised labour, even within the formal sector, has not been strengthened and numerically remains at the same level as during the dictatorship. After a brief spurt of union growth in the first two years of Concertación, owing to the momentum gained by the labour movement during the pre-transition period, union membership has since fallen considerably, as has the incidence of collective negotiation.<sup>58</sup>

The results of this specific form of social relations are clear. With labour-power reproduced as a low-remunerated and flexible commodity with scant institutional protection or organisational rights, wages have developed in a particularly skewed fashion during the Concertación period. In terms of the minimum wage, and thereby the income of the poorest sectors of Chilean society, the Concertación governments have bowed to pressure to maintain increments at a low level in order to maintain the high levels of surplus-value extraction. In 1997, immediately prior to the latest recession, the minimum wage had just regained its 1982 level and stood some 30% below its 1970 level.<sup>59</sup>

Similarly, cumulative real wage increases have failed to keep on par with those of productivity; with productivity rising by 4.8% over the 1990–8 period and wages lagging behind at 3.6%.<sup>60</sup> Moreover, it is essential to recognise that these real wage increases are not shared equally between the different levels of wage-earners but are stratified according to the manner of income distribution. The Concertación's rather ironic political slogan of 'Growth With Equity' is fundamentally undermined by the government's own statistics. Provided by MIDEPLAN, the government social planning bureau, the following table shows that the bottom 60% of Chilean society receive less than one-quarter of the national income. When viewed in an international perspective, the 1996 World Bank report labelled Chile as having the seventh most unequal income distribution in the developing world, and the worst in Latin America save for Brazil.<sup>61</sup> Since then, economic recession in 1998–9 has only increased the

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<sup>57</sup> Henríquez Riquelme, p. 95.

<sup>58</sup> De la Maza 1999, p. 383.

<sup>59</sup> Coloma & Rojas 2000, p. 511.

<sup>60</sup> Fazio 2000, p. 54.

<sup>61</sup> Meller 1999, p. 51.

extreme polarity of Chilean society. IMF sources show that in 1998 the richest 10% of Chilean society appropriated ten times the amount of the poorest 20% (41% against 4.1% of total income).<sup>62</sup>

**Distribution of income 1987–1998**

Quintile	1987	1990	1992	1994	1996	1998
First	4.3	4.4	4.6	4.3	4.1	4.1
Second	7.9	8.2	8.5	8.2	8.2	8.2
Third	11.7	12.3	12.2	12.0	11.9	11.8
Fourth	19.0	18.1	18.4	18.5	19.1	19.1
Fifth	57.2	56.9	56.3	56.9	56.7	56.8

From MIDEPLAN 1999.

When viewed in correlation with the vast inequalities between income strata, it becomes clear precisely who has benefited from the Chilean ‘success’. Those in the top-earning quintiles of Chilean society have maintained their claim on a gargantuan proportion of the social product, whilst the Chilean working class has been reproduced as a cheap and disciplined labouring population whose wage increases have straggled behind those of productivity. The defenders of the Chilean model do not dwell on such aspects. They prefer to note that, with the growth of the economy that has reincorporated the huge unemployed reserve army of the 1980s into the workforce (and, to a much lesser degree, a government sponsored anti-poverty programme called FOSIS) official poverty levels have declined from the 1990 level of 38.6% to 21.7% in 1998, with extreme poverty declining from 12.9% to 5.6% over the same period.<sup>63</sup> They often fail to mention, however, that this represents a return to the poverty levels of 1970.

A detailed examination of the extent and capacity of popular resistance to the Concertación’s neoliberal trajectory during the 1990s is beyond the scope of this article. Nevertheless, it is important to note that an oft-cited depoliticisation and apathy of the Chilean population in face of the Concertación’s neoliberal commitments has worn thin by the end of the decade. Spurred

<sup>62</sup> IMF 2000, p. 1.

<sup>63</sup> Aninat 2000, p. 4.



on by a deteriorating economic situation, protest has been expressed in several forms. Notably, the previously comfortable electoral predominance of the Concertación has been rendered distinctly vulnerable. Whereas, in the mid-1990s, disaffected voters were staying at home or spoiling their ballots, the 2001 presidential election was characterised by the strong momentum gathered by Joaquín Lavín's right-wing but populist campaign. The election was the closest in Chilean history and ended in an extremely narrow victory for the Concertación in the second round of voting. Moreover, a more radical opposition movement is centred around partially resurgent social and labour movements, with some 30,000 such protestors demonstrating in Santiago on 1 May 2001. It would seem that the Concertación's attempts to reconcile disciplinary neoliberalism with a political rhetoric of equitable development are beginning to crumble in face of their multiple contradictions and the increasing vulnerabilities of the neoliberal model.

## **VI. The Chilean boom and the global circuits of capital**

Of course, the rapid expansion of the Chilean economy during the 1990s does not rest solely upon the creation of a well-disciplined and low-paid labour force, nor is it reducible to the subordination of the state to reproducing the conditions for augmented capital accumulation. As noted above, the social relations of capital are global in nature and transcend the national state form. Chile's integration into the circuits of global capital, moreover, has been accentuated owing to the specific policies of global insertion fashioned by the Pinochet dictatorship and amplified under the Concertación. As such, the Chilean boom of the early 1990s can only be understood within the context of global capital accumulation. Firstly, the dynamic growth of Chilean production in the 1990s mirrored changing conditions in the global political economy that had altered the pattern of capital investment on a global scale. Owing to deep recession in the capitalist core at the beginning of the decade, capital tied-up in productive activities and investment in North America, Japan and Europe increasingly assumed its liquid money form and sought more profitable outlets abroad. Within this context, Chile appeared as a particularly good option owing to political stability, a government that offered benefits to foreign capital operating within its borders, and a wide range of investment opportunities afforded by Chile's uniquely rich natural resources.

As such, Chile experienced huge inflows of foreign capital in the early 1990s that were employed to develop the dynamic and profitable sectors of the Chilean export economy. Such was the mass of capital flowing into Chile that, faced with a rapidly appreciating exchange rate which threatened the viability of Chilean exports, the Concertación government even implemented a form of capital control to moderate the entry of foreign capital.<sup>64</sup>

Chile's export boom was also necessarily predicated upon favourable prices for Chilean raw materials, particularly copper, on the world markets. The high price of copper in the early 1990s meant that CODELCO, the state-owned copper company, was temporarily elevated into the world's six most profitable companies. However, the government and observers have viewed the intense over-reliance on natural resource exports warily, owing to issues of sustainability and vulnerability to world market price shifts. At present, brute raw materials constitute 44% of exports, moderately processed raw materials constitute 26%, and manufactured goods constitute a mere 10%.<sup>65</sup> Indeed, under Concertación, the rate of growth of manufactured exports dropped from 32% in 1991 to 8.2% in 1997.<sup>66</sup> Despite these concerns, however, an often proclaimed plan to move into a 'second stage' of EPI by increasing exports of finished products – i.e. moving to a more labour-intensive form of export industry – has not materialised. With the Chilean state remaining committed to the neoliberal principal of non-intervention, global capital has continued to enter the sectors that offer the highest profits by-and-large without regard for future implications in terms of sustainability. The FDI and foreign short-term investment that enabled the dramatic expansion of production continues to be directed primarily at the profitable sectors of copper, lumber and fruits, thereby prompting a continued intensification of raw materials export and a reliance on markets that are becoming highly competitive as other nations increasingly orientate themselves towards export production.

The vulnerability of Chile to external shocks was revealed in 1998 when, facing a collapse of the Asian markets that previously absorbed one third of Chilean goods and rocked by intense capital flight, the Chilean economy slipped into recession.

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<sup>64</sup> See Soederberg 2000.

<sup>65</sup> Castillo 1997, p. 44.

<sup>66</sup> Weyland 1999, p. 81.

**Chilean GDP growth 1991–9**

<b>% Growth</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
<b>GDP</b>	8.0	12.3	7.0	5.7	10.6	7.4	7.4	3.4	-1.1
<b>GDP per capita</b>	6.2	10.4	5.2	4.0	8.9	5.9	5.9	2.0	-2.4

CEPAL. *Economic Indicators*. Santiago, Chile: ECLAC/CEPAL. 2000.

Despite the projected recovery of growth in 2000–1, certain contradictions within the development model have escalated and storm clouds hang over the future. Firstly, there is increasing market competition for Chilean raw materials as growing numbers of peripheral nations are expanding export production. In 1999, for example, copper prices hit their lowest level since 1959 and remain stagnant at less than three-quarters the average price from 1975–99.<sup>67</sup> Secondly, in response to the recession, the large economic groups borrowed huge amounts of foreign capital in order to acquire assets in other parts of South America. Even the IMF has expressed concern over the soaring levels of private debt in Chile, which doubled between 1997 and 1999 and now amounts to a massive 50% of annual GDP.<sup>68</sup> Both state and business in Chile have recently vigorously dismissed the possibility of the over-extension of credit leading to a spiralling financial crisis akin to that of 1982–3. However, in the context of the global economic slowdown, the threat of a continent-wide recession has many investors adopting a rather more nervous attitude.

## **VII. Concluding remarks**

It is now possible to return to the IMF's assertion that Chile's rapid productive growth in the 1990s was due to 'good policies' and an 'improved political situation' and separate the real and fictitious aspects of this prognosis. As far as good policies are concerned, the IMF is acclaiming the immutable activities of the Chilean state in fomenting an extremely hospitable climate for capital accumulation. As detailed above, this has been achieved by maintaining the essence of the relationship between state, capital and labour forged during the dictatorship. In turn, this activity belies the neoliberal rhetoric of

<sup>67</sup> IMF 2000, p. 105.

<sup>68</sup> IMF 2000, p. 98. Fazio 2000, pp. 33–5.

a depoliticised, non-interventionist state and demonstrates that the state remains an integral moment in reproducing the capital relation, although its forms of intervention are constantly changing.

Likewise, the 'improved political situation' constitutes the success of the Concertación governments in containing social struggles through a reinvention of neoliberalism within the context of electoral democracy. In this respect, that the rapid growth of the Chilean economy occurred immediately following the transition from dictatorship to electoral democracy was particularly well received by the IMF, World Bank and US State Department, who, during the 1990s, have been anxious to promote globally a combination of neoliberalism and highly-élite institutional relations similar to that of post-1990 Chile.<sup>69</sup> Concurrently, the neoliberal art of reducing governance to what is proclaimed to be a purely technical and depoliticised exercise seeks to further hide the essential capitalist nature of the state behind a facade of technocratic neutrality.

Nevertheless, after deconstructing the IMF talk of good policies and improved political situation by furnishing these empty forms with a social content, the Chilean economic boom of the 1990s must still be located within a historically specific global political-economic context. The IMF plays down this aspect because, by analysing the Chilean example in terms of a formal institutional structure and as a series of policy decisions, it is able to present a global prescription for growth based on a model in abstraction from real social, political and economic relations. In the Chilean case, this means turning a blind eye to specific temporal circumstances (global economic fluctuations in the early 1990s) and geographical particularities (Chile's rich raw material reserves) in order to create the illusion of a universally applicable model for success based on neoliberal fundamentals. Furthermore, it is profoundly revealing that the IMF is promoting as a success model a country with one of the most polarised wealth distributions in the world. Just as it is clear for whom the Chilean experience has been a success, it is also clear in whose interests is the globalisation of the neoliberal model.

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<sup>69</sup> Robinson 1995.

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