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Branding the Chilean nation : socio-cultural change, national identity and international image

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Citation

Prieto Larraín, M. C. (2011, November 24). *Branding the Chilean nation : socio-cultural change, national identity and international image*. Retrieved from <https://hdl.handle.net/1887/18141>

Version: Not Applicable (or Unknown)

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CHAPTER 3

Exporting Chile: Neo-liberalism and the Commoditization of the Country's Image

Introduction

11 September 1973 is a key date for the understanding of Chile's history of the last three decades. In the midst of the Cold War, the installation of an authoritarian regime and the advent of a neo-liberal market economy represented the right wing response to Salvador Allende's socialist project. Both the Allende experience and the military regime inserted Chile as never before into world politics.¹ In my view, this arena made the comings and goings of this small Latin American nation be considered as a world laboratory where diverse social models were tested by trial and error. Arguably, as Pinochet himself avowed, few political events since Chile's emancipation from Spain, have been as transcendent to the country's evolution as the military coup d'état.²

Not that the country was forced by blind fate to accept either President Eduardo Frei's Revolution in Liberty gamble or President Salvador Allende's bet on the Chilean Road to Socialism. The same must be said of the arrival of the military and the Chicago economists: neither external imposition alone nor absolute and staunch self-determination, but a mix of international influence and national will—or rather of the will of part of the nation—explains the events from the 1973 coup d'état onwards.³ In fact, the collapse of Chile's democratic order was not inevitable; things

¹ J. Fernandois (2005) *Mundo y Fin de Mundo. Chile en la Política Mundial 1900-2004*. Santiago: Editorial Universidad Católica de Chile, p. 393.

² 'Las Frases más Controvertidas de un Dictador', *20 Minutos*, 11 December 2006.

³ J. Fernandois, *op. cit.*, p. 393.

could have been different.⁴ In Carlos Huneeus' words, 'confrontational ideological politics divided the country into enemies and friends and the irresponsible handling of the economy, weakened the bases of the pluralistic order and led it to its collapse in 1973'.⁵

The Pinochet era tarnished Chile's international image. Even today —more than 20 years have gone by since the end of the dictatorship and Pinochet has passed away— the shadow of his tenure is engraved in many foreign and local minds as if he were still ruling the nation. Although the Junta's period left an undeniable negative mark on Chile's global reflection —mainly because of human rights violations— it is also true that it planted the seed of what would come to be the contradictory and clashing foreign image of the nation: Chile, home to severe infringement of civil liberties, as well as an icon of socioeconomic development and progress within Latin America and a pioneer in the application of neo-liberal economic policies in the world.⁶

Through the liberalization of prices, the fight against inflation, a gradual devolution of companies expropriated during the Unidad Popular government, the repayment of the foreign debt and reparations to the owners of the great mining companies taken from North American hands, the military government was undoing part of what had been done since 1970 and adding new features to the national economy.⁷ Something close to an economic revolution —together with a complete set of social transformations— was underway. Moreover, the economic reforms launched by the military government disclosed an important enterprising potential in the country and the existence of a very able group of entrepreneurs concealed in Chilean society.⁸

⁴ C. Huneeus (2003) *Chile un País Dividido. La Actualidad del Pasado*. Santiago: Catalonia, p. 38. Arturo Valenzuela is of the same opinión. See A. Valenzuela (1978) *El Quiebre de la Democracia en Chile*. Santiago: FLACSO.

⁵ C. Huneeus (2003), *op. cit.*, p. 39.

⁶ P. Craig Roberts and K. LaFollette Araujo (1997) *The Capitalist Revolution in Latin America*. New York: Oxford University Press, p. 9.

⁷ It is important to point out that the military government did not revert all what had been done during Allende's administration. Thus, it only gave back part of the land that had been expropriated to the ex-owners and it did not privatize important copper mines nationalized during the Unidad Popular period.

⁸ J. Fernandois, *op. cit.*, p. 462. Also see C. Montero (1997) *La Revolución Empresarial Chilena*. Santiago: Dolmen Ediciones.

The 1980s were inaugurated with spirits on a high: Chileans considered themselves to be spearheading economic expansion in Latin America, full economic development within close reach.⁹ Although the country's isolation in the international arena was considerable, it looked as if its unacceptable political credentials would be excused by its fully accepted and admired commercial achievements. However, prosperity did not last long and the petrodollars crisis smashed the hopes of Chileans, several of whom had hoped for a rise in their living standards.¹⁰

Devastating earthquakes have always been present in the national psyche: when earthquakes destroy entire areas, the country takes a deep breath, makes an effort and gets back on its feet again. This can be applied as an analogy to what happened in the post crisis era. Although many people were never able to get back on their feet after the economic disaster hit them, from 1985 onwards the Chilean economy started growing again at a rapid pace. In 1987 the locals were impressed by *Chile: Revolución Silenciosa*, the bestselling book by Joaquín Lavín in which he optimistically praised the economic and social transformation of the country. Needless to say, the book was polemical and several intellectuals challenged its findings.¹¹ At the time awareness of the urgency to develop a solid and consistent national brand also grew: the need for presenting a united and cohesive country image to the international markets became evident to private entities and government alike. ProChile's role in the promotion of a national brand proved to be quite crucial.

In Chapter 3 the triad of concepts analyzed in the thesis, i.e. national identity, country image and social change, are developed as follows: identity and social change act together as the economic transformation triggered by neo-liberalism affects the traditional identity traits of the nation and ignites a social evolution. At the same time there are aspects which remain unchanged, such as strength in the face of adversity (the difficult aftermath of the Unidad Popular experience, the 1975 and 1982 crisis, the violation of human rights, just to name a few). Also the traditional leaning towards

⁹ In fact, optimism among Pinochet's ministers ran high, showing that they did not envision the crisis lying ahead. Thus the Finance Minister stated that by 1990 the per capita income would double. See A. Fontaine Aldunate (1988) *Los Economistas y el Presidente Pinochet*. Santiago: Zig-Zag, p. 140.

¹⁰ G. Vial (2002) *Pinochet. La Biografía*. Santiago: El Mercurio-Aguilar, pp. 473-474. By the end of 1982, Chile's growth rates had fallen to -14 percent; unemployment —real and covered by the government's minimum employment programmes— rose to 26 percent. Salaries rose only 0.3 percent, 800 companies went bankrupt and Chile's international funds slumped to -US\$ 1,200 million.

¹¹ See E. Tironi (1988) *Los Silencios de la Revolución. Chile: la Otra Cara de la Modernización*. Santiago: Editorial La Puerta Abierta.

order is present in the shape of well-organized economic and political systems and rejection of the political, economic and social chaos which characterized the last months of the Allende government. Finally, exceptionality appears with considerable strength: Chile starts developing whilst the rest of Latin America does not; it is able to overcome deep political and economic crises whilst the other countries cannot. Even Pinochet's authoritarian rule is quite distinct from other authoritarian cases in the region. In spite of the murders, torture, disappearance of political opponents and other attempts against human life and dignity perpetrated during the regime, the dictatorship successfully planted the seeds that would transform Chile from a backward nation into a swiftly developing state.¹² Also, the government envisaged the end of dictatorship and planned and acted accordingly, even when it meant giving way to its political opponents. The economic transformation initiated by the military regime contributed to create a contradictory self-image and also an ambiguous external projection of that image. On the one hand, some Chileans, who had always been relatively diffident and low key, feel that they belong to a nation of winners: they do not identify with Latin America and they mentally 'migrate' from their continent.¹³ By contrast, the opposite is felt by a considerable number of citizens who think that only a few Chileans are living in a land that is developing whilst many others remain in poverty.¹⁴ The international images are also contradictory. On the one hand Chile is known for its dictatorial rule, and thus criticised and rejected. On the other, its growing socioeconomic development is admired.

Chapter 3 starts by exploring the factors which facilitated the adoption of neo-liberal policies in the country. This economic doctrine was to provide the political Right and the military government with an *idée force* which greatly contributed to boost both of them. Through economic disaster and hardship Chile started to transform and consider itself as a tiger nation, consumerism being installed as a new feature in its identity. The chapter ends with an explanation of what ProChile did at the beginning of its existence to help make the country known and promote its positive image overseas at a time when the name of Chile was a synonym of human rights violations.

¹² P. Arancibia and F. Balart (2007) *Sergio de Castro. El Arquitecto del Modelo Económico Chileno*. Santiago: Libertad y Desarrollo - Fundación Costabal - Editorial Biblioteca Americana, p. 403.

¹³ J. Lavín (1987) *Chile, Revolución Silenciosa*. Santiago: Editorial Zig-Zag, pp. 40-42.

¹⁴ L.H. Oppenheim (2007) *Politics in Chile. Socialism, Authoritarianism, and Market Democracy*. Boulder: Westview, pp. 129-132 and 140-142. Also see 'Chile, Pinochet y la Economía', *BBC Mundo*, 18 December 2006.

3.1 Neo-liberalism and the Export of the Chilean Economic Model

In section 3.1 I describe how neo-liberalism was ‘imported’ by Chile from the American University of Chicago through a group of Chilean economists, the so-called ‘Chicago Boys’, who got their postgraduate degrees there.¹⁵ Neo-liberalism allowed the country to ‘export’ itself in many ways, mainly by fostering Chile’s participation in international trade and enhancing an export-led economy. It also contributed to export Chile’s image as a successful, dynamic and developing nation, the initial steps towards establishing Chile as a ‘model’ to be imitated, an idea that arose mostly in the 1990s. Liberalism proved to be an ideology with a strong theoretical foundation, adaptability and capable of generating idealism —almost devotion— among its followers.¹⁶

Back in the 1970s the military Junta kept having clashes with the world and did not really understand that their government — an authoritarian government, which had ousted the only Marxist regime that had gained power through the polls in the Western hemisphere— was not accepted.¹⁷ Neither Pinochet’s 1975 trip to Spain for General Francisco Franco’s funeral and the way in which prominent international figures snubbed him;¹⁸ nor the 1979 boycott by the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO); nor the 1980 *filipinazo*¹⁹ sufficed to make it clear enough to the military that they were not welcome around the world. Nevertheless, it is not that the Junta was totally blind to the international

¹⁵ Throughout this study I will refer to the Chicago Boys as a bloc, making only minimum distinctions among those who belonged to the group. Nevertheless, I want to point out that although most of them earned their post-graduate degrees at the University of Chicago, others did not, such as José Piñera (Harvard University), Jorge Cauas (Columbia University) and Hernán Büchi (Columbia University). In addition, the Chicago Boys had different political views. In spite of these variations, as all of them had a common liberal vision as regards the economy and the market, it is perfectly feasible to look at them as constituting a cohesive group.

¹⁶ E. Fontaine (2009) *Mi Visión*. Santiago: Democracia y Mercado-Universidad del Desarrollo, pp. 17 and 43.

¹⁷ J. Fernandois, *op. cit.*, pp. 415-417.

¹⁸ G. Vial (2002), *op. cit.*, pp. 300-303.

¹⁹ Against the Foreign Affairs Ministry’s opinion, Pinochet decided to visit Japan. The Japanese made him know that he would be welcomed if he previously visited another Asian country. So the Chilean presidential apparatus obtained an invitation from the Philippines, then under Ferdinand Marco’s rule who, after accepting Pinochet’s trip, banned his visit when the General was already on his way to the Asian archipelago, apparently forced to do so by American President James E. Carter. For more information see A. de Ramón, *op. cit.*, p. 253; P. Arancibia and F. Balart, *op. cit.*, pp. 328-330; R. Thomson (2001) *The Pacific Basin since 1945*. Singapore: Longman, p. 190.

hostility towards the administration.²⁰ The constant votes of censure against Chile in the UN—in open contrast with the treatment received by Fidel Castro's Cuba or the Argentine or even Brazilian military dictatorships—gave them an idea of Chile's international standing.²¹ Such negative country image presented evident obstacles for Chile's increased opening to foreign trade: a new boycott by some foreign power was always at hand as well as the possibility of a ban on Chilean exports anywhere around the globe.

Chile was progressively developing a laissez-faire economy based on exports and international trade. The country was slowly but steadily—albeit through a painful process—moving away from a state centrally planned economy onto a free system increasingly supported by exports and oriented to foreign trade. That the neo-liberals were reaching power with the tanks is quite true.²² And it was done before the neo-laissez-faire and neo-conservative ideas were fully embraced by the Western powers of the time. In fact, the neo-liberal policies introduced in the United Kingdom and the United States by Margaret Thatcher and Ronald Reagan were applied several years later. Even further, in David Harvey's opinion, even American President Gerald Ford (1974-1977) and his advisors kept watching the progress of events in Chile so as to apply reforms to the administration of the City of New York.²³ In years to come, neo-liberal reforms applied in the United States and the United Kingdom sprang out of the clues that Reagan and Thatcher got from Pinochet's Chile.²⁴ Not for the first time was Chile a sort of laboratory where an ideology was being tested, this time with success: although economic liberalism was not a new conception, its monetarist strand had not been fully applied before.²⁵

Also in Latin America the first country to implement full-scale neo-liberal changes was Chile. Although nineteenth century Latin American economies had applied liberal

²⁰ G. Vial (2002), *op. cit.*, pp. 293-294.

²¹ See *Resoluciones Aprobadas por la Asamblea General Durante el 29° Período de Sesiones. Protección de los Derechos Humanos en Chile*, 6 November 1974. Also see J. Fermandois, *op. cit.*, pp. 417-418 and G. Vial (2002), *op. cit.*, pp. 288-290.

²² A. Fontaine A. (1988), *op. cit.*

²³ D. Harvey (2005), *op. cit.*, p.47.

²⁴ D. Harvey (2005), *op. cit.*, p. 63. Even further, P. Craig Roberts and K. LaFollette Araujo, *op. cit.*, are of the opinion that for example Thatcher's privatization policy was small-scale compared to Chile's. See p. 35.

²⁵ D. Harvey (2005) *A Brief History of Neoliberalism*. New York: Oxford University Press, pp. 7-9, 46, 63.

strategies—for example, between 1870 and 1914 they showed considerable openness to international trade—between the two World Wars and especially after the Great Depression they applied import-substitution industrialization policies and increased state participation in their national economies.²⁶ One of the first difficulties Latin American nations experienced in working under such principles was the lack of markets for their products. In fact, the Latin American Free Trade Association (ALALC) was created in 1961 in order to overcome that obstacle but failed in its efforts: the incumbent governments were reluctant to lower the tariffs of some of their national goods unilaterally. In addition to this obstacle, in the 1950s and 1960s Argentina, Uruguay, Chile, Bolivia and Brazil confronted scenarios of high inflation and scarcity of foreign exchange.²⁷ In the face of growing economic stagnation, it is not surprising that in the 1960s and 1970s several regional military governments should have begun economic reform programmes involving backing away from state-led industrialization and state intervention, although none of them undertook such a radical modification as Chile did. Besides, few sustained the effort that liberalizing restructuring required. Thus Brazil alternated between liberal reforms (1964-1967) and expansionist populism (1967-1974) and Argentina embarked on stabilization programmes during the 1965-1973 and 1976-1983 dictatorships only to abandon them.²⁸

Why did full scale liberalism work in Chile? Partly because of the country's porosity to foreign ideas and veneration of what is foreign.²⁹ Secondly, the economic disaster left by the Unidad Popular administration encouraged the nation to try a totally new system,³⁰ particularly given that Chile is a country prone to order and law abidance, as we have seen before. Also, as Stepan points out, nowhere in Latin America had the local elites been so threatened by the government as was the case in Chile during the Allende years. As a result of this, the local elites showed their total support and loyalty to the military authorities, and were ready to accept some sacrifices.³¹ Then, as I will

²⁶ F. Larraín B. (2004) *Macroeconomía en la Práctica*. Mexico City: Pearson, p. 158.

²⁷ R. Couyoumdjian, A. de Ramón and S. Vial., *op. cit.*, vol. 3, p. 494.

²⁸ M. Reid (2007) *Forgotten Continent. The Battle for Latin America's Soul*. New Haven and London: Yale University Press, p. 122.

²⁹ G. Vial, 'Los Elementos de la Identidad Nacional' in A. Soto (ed.) (2003), *op. cit.*, p. 50. Also see P. Silva (2006) 'The Politics of Neo-liberalism in Latin America: Depoliticization and Technocratic Rule in Chile' in Richard Robison (ed.), *The Neoliberal Revolution: Forging the Market State*, pp. 39-57. London and New York: Palgrave.

³⁰ J. Fernandois, *op. cit.*, p. 401.

³¹ A. Stepan (1985) 'State Power and the Strength of Civil Society in the Southern Cone of Latin America' in T. Skocpol, D. Rueschmeyer and P. Evans (eds.), *Leaving the State Back In*. Cambridge:

suggest, those who introduced neo-liberalism had the ability to adapt it to Chile's needs and mentality —although through a hard process of trial and error closely followed by other nations who sought to copy the best of the Chilean experience and avoid the pitfalls.³² Moreover, neo-liberalism was not imposed on Chile by foreign powers and international financial institutions —as happened in other Latin American countries during the 1980s and 1990s— and thus it was not considered foreign by its citizens.³³ Also, this was not the first time in Latin America's history that military governments engaged and were at ease working with technocrats —i.e. professionals with serious and systematic specialized academic training, mainly engineers and economists. Both the military and technocrats normally mistrust politics in general and political parties in particular, sharing the belief that technical and apolitical solutions are what their country needs.³⁴ In Chile's case, the suggestion that the implementation of the neo-liberal scheme required the military government's prolonged permanence in power definitely coincided with what the Junta thought was a patent necessity.³⁵ Finally, Pinochet had a considerable capacity to absorb new ideas³⁶ and, 'was the first to understand the concepts of economic freedom and internal-external competition in a country with more than forty years of growing statism'.³⁷ His support for the new ideology was to prove crucial as demonstrated when he entrusted Jorge Cauas with the conduction of a shock treatment to 'cure' the country's diseased economy and kept on supporting him throughout those difficult months.³⁸

Pinochet liked the simplicity of the economic model, its anti-communism, anti-collectivism and the way in which it fostered individual effort, individual work and the loss of strength of the labour unions. In fact, an important consequence of the Unidad Popular's tumultuous administration was the generalized fear felt by the middle classes that had had to confront and antagonise radicalized popular sectors,

Cambridge University Place.

³² P. Craig Roberts and K. LaFollette Araujo, *op. cit.*, p. 37.

³³ P. Silva (2004) 'The New Political Order: Towards Technocratic Democracies' in R. Gwynne and C. Kay (eds.) (2004) *Latin America Transformed. Modernization and Modernity*. London: Arnold, p. 158.

³⁴ P. Silva (1997) 'Ascenso Tecnocrático y Democracia en América Latina', *Nueva Sociedad* 152, p. 69.

³⁵ L.H. Oppenheim (2007) *Politics in Chile. Socialism, Authoritarianism, and Market Democracy*. Boulder: Westview, p. 126. The author explains how the Chicago economists initially did not back a long military government, but later on, in order to carry out their economic plan, they ended up supporting it.

³⁶ J. Fermandois, *op. cit.*, p. 401.

³⁷ P. Arancibia and F. Balart, *op. cit.*, p. 402.

³⁸ G. Vial (2002), *op. cit.*, pp. 263-267 and S. Collier and W. Sater, *op. cit.*, p. 365.

mostly industrial workers and shanty town dwellers, often associated with leftwing parties.³⁹ In fact, not only the owners of large landed estates and business corporations opposed Allende's rule but also people from other social sectors, most of them having an ingrained dislike for political instability and social disorder, a trend that has deep historical roots in Chile.⁴⁰ In my opinion, a palpable proof of this was that the biggest movement against Allende was led by truck drivers, most of them belonging to the middle class.⁴¹ Furthermore, the intense fear of stakeholders of full expropriation of their corporations is one of the reasons that explains the support of the business sector —big, middle and small— of the military regime.⁴² Thus, the neo-liberal approach to deregulating the labour markets and reducing the trade unions' power and bargaining capacity,⁴³ was welcomed as it promised to control forces considered to be both disruptive of social order and leftist: as shown by Brian Loveman, most of them had evolved towards the Left from earlier years and thus supported Allende.⁴⁴

In 1973 the economic scenario —both domestic and international— was not auspicious. First of all, the economy inherited from Unidad Popular was seriously affected.⁴⁵ In the second place, the 1973 Yom Kippur war and the consequent oil shock had let loose a world recession of great proportions. Next, worldwide copper prices fell, a fact that added to the already mounting national economic drama: high infla-

³⁹ Gerard van der Ree, lecture delivered on 23 April 2006, Universidad de Los Andes, Santiago, Chile.

⁴⁰ A. M. Stuenkel (2000) *La Seducción de un Orden. Las Elites y la Construcción de Chile en las Polémicas Culturales y Políticas del Siglo XIX*. Santiago: Ediciones de la Universidad Católica de Chile.

⁴¹ On 8 October 1973, the truck owners of several Chilean southern provinces went on strike in protest for a CORFO initiative creating a state company that would own all means of transport. Four guild leaders were arrested. Soon the country's 165 truck drivers union joined in the strike and also other sectors of Chilean commerce. Nevertheless, decades later some have interpreted this crucial event as a ploy of the leading business class supported by the CIA. To access articles that interpret the movement as an elite movement, see 'Huelga de Camioneros 1972 y 1973. El Paro que Coronó el Fin o la Rebelión de los Patrones', *El Periodista*, 8 June 2003.

⁴² A. de Ramón, *op. cit.*, p. 265.

⁴³ A. Angell (1995) 'Unions and Workers in Chile during the 1980s' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 188. M. Barrera (1995) in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 127-149 explores the effects of neo-liberalism on labour movements, concluding that their capacity to engage in collective action has been seriously undermined.

⁴⁴ See B. Loveman, *op. cit.*, pp. 171-173 for the formation of labour movements and unions around the 1920s. For further information on the evolution of the unions under Pinochet's regime, see B. Loveman, *op. cit.*, pp. 282-285.

⁴⁵ For example, in 1972 inflation rose to 255 percent, the money emission increased by 170 percent and the fiscal deficit topped 12.5 percent. As for 1973, inflation rose to 600 percent, emission to 450 percent and the fiscal deficit to 24 percent. See G. Vial (2009) pp. 1282-1286.

tion, scarcity of foreign exchange reserves, little foreign investment, just to name the most pressing matters. It was necessary to stabilize and reactivate a badly disjointed economy and the military men in power needed advice. The group of economists nicknamed the Chicago Boys had been working in Chile for several years, trying to change the country's economic system. Nevertheless, their neo-liberal recipes were considered too radical⁴⁶ and had been put on hold until the arrival of the military regime. Even then, as will be shown in this section, their suggestions —liberalization of the market, fostering private initiative, withdrawal of the state from the economy by reducing bureaucracy and privatizing state enterprises, opening the economy to international trade—⁴⁷ were very slowly accepted by the military.

The University of Chicago had been for some decades already the chief home of up-and-coming neo-liberalism, divergent from the European capitalism predominant in Chile and consistently opposed to Keynesian ideas. A student exchange agreement with the School of Economics of the Universidad Católica in 1955, known as 'Project Chile',⁴⁸ made it possible for several young Chilean economists to be instructed in the principles of a monetarist version of neoclassic laissez-faire theory.⁴⁹ Apparently Chile was deliberately chosen by the heads of the School of Economics of this American university because in the 1950s it was a leading example of 'developmentalism'⁵⁰ and at the same time appeared to be a stable democracy.⁵¹ Besides, Santiago was hosting the headquarters of their 'natural enemy', the Economic Commission for Latin America and the Caribbean (ECLA),⁵² then pervaded by Raúl Prebisch's ideas. In fact, the Cepalian economic school of thought is often presented as the Latin American version of Keynes' tenets. The monetarist economic theory taught to the young Chilean economists who studied at Chicago, totally opposed such a vision, stating that money supply is of utmost importance for a nation's output, inflationary tendencies being caused by an excess in such supply. Besides, monetarists stress the need to adopt free

⁴⁶ G. Vial (2002), *op. cit.*, p. 256.

⁴⁷ P. Silva (2008) *In the Name of Reason. Technocrats and Politics in Chile*. Pennsylvania: The Pennsylvania State University Press, p. 149.

⁴⁸ To access a description of the years spent at Chicago by the first students benefited by the exchange agreement, see E. Fontaine (2009), pp. 43-56.

⁴⁹ For more information about the specific differences between economic liberalism taught in Chicago and the Austrian School, see Th. E. Woods (2008) *Por Qué el Estado Sí Es el Problema*. Madrid: Editorial Ciudadela, pp. 65-71.

⁵⁰ N. Klein (2007), *The Shock Doctrine: The Rise of Disaster Capitalism*. London: Allen Lane, p 59.

⁵¹ P. Drake and I. Jaksic (1995), *op. cit.*, p. 2.

⁵² CEPAL is its Spanish acronym. It is one of five regional commissions of the United Nations.

market policies, reject state intervention and foster private economic initiative led by the principles of economic profit.⁵³

The initial hard core of the Chicago Boys worked together in the economic programme that would be implemented in Chile. The plan was crystallized in a document nicknamed *El Ladrillo* —the brick— because of the density and heaviness of the text. It was secretly prepared during the last six months of 1972 under the also secret orders of the Chilean navy, which foresaw the coup d'état against Allende.⁵⁴ The text —“the Chicago Bible” as called by Gonzalo Vial—⁵⁵ was more of a pragmatic set of economic strategies to counteract the economic crisis rather than a declaration of principles. It was far from a wholly orthodox liberal manifesto. On the contrary, it clearly reflected the diverse tendencies —mainly political— nestled within the initial Chilean neo-liberal group. Also, the Chicago Boys introduced several nonconformist elements in it throughout their participation in the military administration. Prioritizing the reduction of poverty⁵⁶ —probably their religious outlook led them to stress social justice—⁵⁷ and maintaining some of the planning functions of the state are two examples.⁵⁸ Moreover, as will be seen in section 3.3, in my opinion the creation of an institution such as ProChile, aiming at fostering national exports, is heterodox within the neo-liberal prescriptions.

⁵³ P. Silva (2008), *op. cit.*, p. 147.

⁵⁴ A. Fontaine A. (1988), *op. cit.*, p. 18. Fontaine's vision is slightly different from Sergio de Castro's, often considered the leader of the Chicago economists. Having participated himself in the preparation of *El Ladrillo* he explains that Robert Kelly —former member of the Navy— in conversations with Admiral José Toribio Merino had decided to ask someone to draft an economic plan in case the armed forces decided to topple Allende's government. Then Kelly contacted economist Emilio Sanfuentes who then contacted several Chicago Boys. Based on the economic plan they had drafted for Jorge Alessandri's campaign —which had been discarded at the time— the group worked on a fuller social and economic plan. They never knew for whom they were working as Sanfuentes had promised to keep absolute secrecy. For further information, P. Arancibia and F. Balart, *op. cit.*, pp. 154-158.

⁵⁵ G. Vial (2002), *op. cit.*, p. 258.

⁵⁶ F. Frías Valenzuela (2001) *Manual de Historia de Chile. Desde la Prehistoria hasta 1994*. Santiago. Editorial Zig-Zag, p. 490 and E. Fontaine (2009), *op. cit.*, pp. 244-246.

⁵⁷ Interestingly, Sergio Onofre Jarpa —a prominent conservative politician— asserts that the concern for the poor is a moral and ethical obligation. Thus, it is very likely that the Chicago Boys also absorbed from their political milieu the importance of social justice. As for the Chicago Boys who had a Christian Democratic background, one of that party's leading ideas is social justice. See S. O. Jarpa (1973) *Creo en Chile*. Santiago: Sociedad Impresora Chile, p. 157. See also P. Silva (1993) 'State, Politics and the Idea of Social Justice in Chile', *Development and Change* 24: 465-486.

⁵⁸ G. van der Ree (2007), *op. cit.*, p. 196.

The Chicago Boys ingeniously adapted the economic postulates learned in Chicago to the specific problems they confronted in Chile. So in fact they became true pioneers in many of the neo-liberal reforms applied during the Pinochet regime, for there was no blueprint in the Chicago manuals for many of the problems they faced.⁵⁹

Many of the first generation Chicago Boys were given middle management posts by the new rule,⁶⁰ some of the youngest going into ODEPLAN.⁶¹ Their economic advice was soon felt, as shown by the October 1973 annulment of price control⁶² and the drastic devaluation of the national currency.⁶³ Nevertheless, their ascent to power was not instantaneous. As a matter of fact, both the ideology and the world view contained in the neo-liberal project had to make way patiently, cohabiting with the *gremialistas* and traditionalist conceptions present in the Right. From 1973 to 1975 the regime went through a period of eclectic undefined ideology: the confluence of ideas of diverse nature and origin were clearly present and included a few common notions such as the decrease of state intervention, anti-Marxism and criticism of the way in which the Unidad Popular administration had managed the democratic system.⁶⁴ Interestingly, similar ideals prevailed in the nineteenth century conservatives who had put an end to the decade of post-independence anarchy. On that occasion, and in response to utopian liberalism, the fledgling Portalian state aimed restoring

⁵⁹ P. Silva (2008) *op. cit.*, pp. 144-145.

⁶⁰ Several of the Chicago Boys became important industrialists, politicians and professors. Those who occupied key positions during the military government were Sergio de Castro, Pablo Baraona, Alvaro Bardón, Rolf Lüders, Sergio de la Cuadra, Carlos Cáceres, Jorge Cauas, Cristián Larroulet, Martín Costabal, Jorge Selume, Andrés Sanfuentes, José Luis Zabala, Juan Carlos Méndez, Alvaro Donoso, Alvaro Vial, José Piñera, Felipe Lamarca, Hernán Büchi, Alvaro Sahie, Juan Villalaz, Joaquín Lavín, Ricardo Silva, Juan Andrés Fontaine, Julio Dittborn, María Teresa Infante and Miguel Kast. Patricio Silva has further information about the economists that participated in the military regime. P. Silva (2008), *op. cit.*

⁶¹ State Planning Agency.

⁶² E. Fontaine (2009), *op. cit.*, p. 122 and A. Fontaine A. (1988), *op. cit.*, p. 48.

The description of a 17 September, 1973 meeting of Sergio de Castro, then advisor to the Finance Minister, with delegates of sausage producers is worth reading. In it De Castro explained that the price of products will not be fixed by the government but by the market. The guild representatives left in utter astonishment only to come back suggesting a lower price for their product: they just could not believe that prices were free and had assumed that young de Castro was very clever and had realized they were suggesting prices that exceeded what the sausages were worth.

⁶³ A. Fontaine A. (1988), *op. cit.*, p. 51.

⁶⁴ P. Vergara (1984) *Auge y Caída del Neoliberalismo en Chile. Un Estudio Sobre la Evolución Ideológica del Régimen Militar*. Santiago: FLACSO, pp. 77-78.

order back and installing principles such as authoritarianism, conservatism, depoliticization and social tranquillity.⁶⁵

Although these ideals were accepted within the administration and were inaugurated in 1973, something different happened within the sphere of economics. In fact, a clear sign of this eclectic period is the fact that there were Chicago Boys, army men and people linked to the entrepreneurs among those working in the economic sector of the new government. Thus, several of those businessmen believed in a less doctrinaire, more pragmatic and gradualist liberalism than that advocated by the orthodox monetarists.⁶⁶ In addition, there were times when the government had to forcefully hold back sectors of the business community which, after more than three decades of import-substitution industrialization, had become quite dependent on high levels of economic protection.⁶⁷

Nevertheless, the neo-liberal ideas were slowly but surely seeping through. At times of skyrocketing prices and growing unemployment, their austere views on state spending were not easily shared by some members of the military establishment. But when in 1974 the effects of the aforementioned oil shock and copper price drop were felt in Chile, general Pinochet decided to abandon the state-led system and get aligned with the Chicago economists and the market oriented scheme sponsored by them, thus inaugurating a period of radical liberal policies.⁶⁸ He conferred extraordinary powers on his Finance Minister Jorge Cauas⁶⁹ and appointed Sergio de Castro, one of the authors of *El Ladrillo*, as Economy Minister. The Chicago Boys had finally made it after years of spreading the neo-liberal word among the young students of the Catholic University and through the economy section of the Chilean newspaper *El Mercurio*.⁷⁰ This was not the first time that they had intervened in politics directly, though. In fact, they had participated in the formulation of Jorge Alessandri's economic

⁶⁵ R. Silva Alfaro (2006) *Chile: de un País Militar a un País Emprendedor. El Desafío que Viene*. Santiago: Cadaqués, *op. cit.*, p. 195.

⁶⁶ P. Vergara, *op. cit.*, p. 85.

⁶⁷ E. Silva, *op. cit.*, p. 5.

⁶⁸ E. Silva, *op. cit.*, pp. 97-130.

⁶⁹ He was an engineer. Although he got his MA degree from Columbia University, he is considered a Chicago Boy, with whom he shared their beliefs in a free market economy. He served in the Finance Ministry under President Eduardo Frei Montalva's administration, worked in the World Bank, was Vice-president of Chile's Central Bank.

⁷⁰ For further information on this topic see the book by A. Soto (2003) *El Mercurio y la Difusión del Pensamiento Económico Liberal 1955-1970*. Santiago: Centro de Estudios Bicentenario.

plan with a view to the 1970 elections⁷¹ and, as mentioned above, they authored *El Ladrillo*, after being approached by the navy.⁷²

The Chicago economists were about to lay the foundations of an economic renovation that was to impact the country's traditional identity and self-perception as well as trigger sizeable social changes. They would also provide the Right with a tool that would help it shake off the stagnation into which it had fallen into since the end of the parliamentary regime. In fact, the political and economic ideology that had dominated the Chilean Right approximately from the Great Depression up to 1973 was basically conditioned by the 'state of compromise' described in Chapter 2. The key features of those years were pragmatism and the absence of theoretical doctrine-based benchmarks. After the Popular Front governments, the Right lost its grip on the conservative-Catholic and traditional-Hispanic thought,⁷³ as Jacques Maritain's Social Christian ideas were embraced by the Conservative Party's youth. The young Conservatives slowly moved towards the political centre and then to the political Left; from the *Falange Nacional* first to the Christian Democrat Party later. Thus, the Right was deprived of its ideological and philosophical guidelines, its confessional condition and the support of the Catholic hierarchy.⁷⁴ Once these core ideas were quite lost, the Right drifted towards a pragmatic practice impregnated by strong realism. Politically cornered, looking for the lesser evil for their sector,⁷⁵ the Right was strikingly diminished. It only started to come out of the shadows in 1966 when the National Party was formed. This party embraced diverse micro tendencies glued together by the leading ideas of Chile's first governments after its Independence, which we saw in Chapter 2 and elsewhere above: order, law abidance, private initiative, the primacy of technically prepared people over political friendships, and the primacy of the nation's interest over the benefit of political groups or particular economic sectors.⁷⁶ Another

⁷¹ P. Arancibia and F. Balart, *op. cit.*, p. 131 and p. 155.

⁷² A. Soto (2003) *op. cit.*, p. 46.

The author explains how the admirals got to know the Chicago economists through Hernán Curbillos and Robert Kelly, former army officials, both working for the company in the early 1970s as president of *El Mercurio* the former, and head of the Edwards economic conglomerate the latter.

⁷³ P. Vergara, *op. cit.*, p. 18.

⁷⁴ For an explanation of the ideological-political participation of not few Catholic priests and bishops before and after the creation of the *Falange* and the Christian Democrats, see G. Vial (2009) pp. 1246-1254.

⁷⁵ *Ibid.*

⁷⁶ Silva Alfaro pp.195-205. Even further, Silva points out that whilst these characteristics were forged during the early times of Chile's republican life, Pinochet's regime as well as the Concertación

characteristic that the Right never lost was its anti-Marxism which had deepened its roots during Gabriel González Videla's government (1946-1952), when the Communist Party was outlawed.⁷⁷

In short, by 1966 we find a Right that had decided to abandon the defensive politics of compromises and conciliations, in search of an idea of its own, a developmental project that unabashedly showed its capitalistic stance.⁷⁸

True enough: the Right was capitalistic but not necessarily liberal, as it believed in various protectionist practices. Thus it is not surprising that a group of Chicago economists should have fallen out with representatives of the entrepreneurs when in 1969—working on Alessandri's campaign—the former advocated free international trade and the latter did not even want to hear about it.⁷⁹ Another example of an initially non-liberal Right was the *gremialista* movement, a political group led by Jaime Guzmán who, from the beginning of the military regime was in good standing with Pinochet because of their leading role in the opposition movement against Allende. Guzmán—mainly responsible for the 1980 Constitution—had a corporatist view of society in general,⁸⁰ quite opposed to the vision of the Chicago Boys. And also, as mentioned above, the military liked economic interventionism given that they were used to living in the orbit of the state,⁸¹ and thus were familiar with and inclined to a system of state allowances and state granting of resources.⁸² Lastly, the military were in the habit of planning and giving orders, so they also expected the economy to obey their commands and do as it was told.⁸³

Those defending the path towards a free society—as Milton Friedman called the society that would emerge after applying market strategies—⁸⁴ had to overcome many

got hold of them. In fact, he is of the opinion that Portales' political ideal was achieved during the centre-Left coalition's administration.

⁷⁷ C. Huneeus (2003), *op. cit.* p. 40. Also see S. O. Jarpa, *op. cit.*

⁷⁸ P. Vergara, *op. cit.*, p. 20.

⁷⁹ A. Soto (2003) *op. cit.*, p. 68. The event is narrated by Adelio Pipino in an interview by Angel Soto.

⁸⁰ A. Valenzuela (1995) 'The Military in Power: The Consolidation of One-Man Rule' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 44-45.

⁸¹ P. Arancibia and F. Balart, *op. cit.*, p. 175.

⁸² A. Fontaine A. (1988) *Los Economistas y el Presidente Pinochet*. Santiago: Zig-Zag, pp. 98-99.

⁸³ Sergio de Castro interviewed in 'Commanding Heights: Chicago Boys and Pinochet' at. http://www.pbs.org/wgbh/commandingheights/shared/video/qt/mini_p02_07_300.html

⁸⁴ Milton Friedman interviewed in 'Commanding Heights: Chicago Boys and Pinochet', *op. cit.*

obstacles before convincing the Junta and Pinochet of the benefits of their idea. Even then, they had to learn to cohabit until the end of the regime with the nationalist hard-liners, i.e. mostly military, the secret police and a few civilians, who backed a state-centred economy and supported the institutionalization of an authoritarian rule.⁸⁵ On the contrary, some military and most civilians participating in the dictatorship —the Chicago Boys among them— were considered soft-liners as they were in favour of having a long military rule only in order to apply a market-oriented course of action. In fact, they advocated liberalization, the gradual increase in societal participation in policy making and a definite return to democracy.⁸⁶ Key to the enthronement of neo-liberalism was Jaime Guzmán's conversion to that doctrine. In fact, at the same time as he was gaining Pinochet's trust, he started abandoning his corporative approach to the economy and favouring free-market guiding principles, in the belief that they would help to modernize Chilean politics and to neutralize political parties and ideologies.⁸⁷

Whilst all this was going on, a second phase of the military regime was about to start, one of its main characteristics being the predominance of neo-liberalism in the conduction of economic policies.⁸⁸ Milton Friedman visited Chile in 1975,⁸⁹ met with Pinochet and lectured in several places about the benefits of monetarist orthodoxy and economic liberalism. Speaking from the prestige of his brilliant academic performance —he was awarded the Nobel Prize the following year⁹⁰— he resolutely

⁸⁵ See G. Vial (2002), *op. cit.*, pp. 227–228 and A. Valenzuela (1995) 'The Military in Power: The Consolidation of One-Man Rule' in P. Drake and I. Jaksic (ed.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 41–42 and 45.

⁸⁶ A. Valenzuela (1995) 'The Military in Power: The Consolidation of One-Man Rule' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 42.

⁸⁷ A. Valenzuela (1995) 'The Military in Power: The Consolidation of One-Man Rule' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 45.

⁸⁸ P. Vergara, *op. cit.*, p. 3.

⁸⁹ There are several opinions as regards how much Friedman influenced the Junta members in their decision to commit the regime towards neo-liberal policies. Friedman himself states that Pinochet did not even pay attention to what he was saying (see P. Arancibia and F. Balart, *op. cit.*, p. 221). On the contrary, L.H. Oppenheim believes that he did influence Pinochet (L.H. Oppenheim, *op. cit.*, p. 111), a view that it is shared by G. Vial (2002), *op. cit.*, p. 265. I think that Friedman's visit must have aided the Chicago Boys: after all, he was a world eminence in his field and that must have tipped the balance in favour of the Junta's decision on market policies.

⁹⁰ Friedman stayed in Chile for five days and he expressed his wish for the installation of a democratic regime. Nevertheless, after his interview with the General, he was considered to be a supporter of the military regime and thus demonized accordingly. Even when he was awarded the Nobel Prize, several detractive manifestations awaited him. Moreover, whilst he was receiving the award, a demonstrator called him names in the awards hall at the *Stockholm Konserthuset*.

recommended a shock treatment to cure Chile's ill economy. A short time after he left, the gradualist economic model was abandoned and Jorge Cauas applied a shock treatment: public spending was sharply reduced while the money supply and interest rates rose steeply. Unemployment mounted dramatically to almost 25 per cent⁹¹ and the GDP fell by 13 per cent.⁹² The social cost was enormous, but the Junta knew beforehand what was coming.⁹³ In fact, the Generals had understood the foundations of the ideas exposed by the liberals and, although they were deeply concerned about the suffering that would be inflicted upon the citizenry,⁹⁴ they came to believe that there was no way of avoiding a shock treatment if the national economy was to be 'sanitized' and the seed of future development and prosperity be sown.⁹⁵

Although the shock measures applied were harsh, by the end of 1976 the economy had started improving. Inflation—which had been an endemic problem in Chile's economy for decades—fell from triple to double digits and finally to 9.5 per cent in 1981.⁹⁶ By 1977 the GDP had risen 8.3 per cent and for the next three years it remained above 7 per cent (annual average).⁹⁷ The growth of non-traditional exports—apples, wood—was considerable: in the 1960s copper exports accounted for almost nine tenths of all national sales abroad. Towards 1980 they accounted for fifty per cent.⁹⁸ The neo-liberal restructuring was finally bearing fruit and economic development looked closer than ever: it was believed that Chile would finally acquire the elusive status of a developed country in a few years, Taiwan, Korea, Singapore and Hong Kong being the ultimate models of economic growth. Chile yearned to leave—to sail away, as it were—its continent, and to be considered by nationals and foreigners as a 'Latin American jaguar', an implicit association with the export-led East Asian tigers that gave clear signs of economic success. This distancing from its continent

See 'Commanding Heights: Chicago Boys and Pinochet', *op. cit.*

⁹¹ J. Fermandois, *op. cit.*, p. 460.

⁹² *Ibid.*

⁹³ A. Fontaine A. (1988), *op. cit.*, p. 52.

⁹⁴ A. Fontaine A. (1988), *op. cit.*, p. 53.

⁹⁵ As L. H. Oppenheim states, the military were not oblivious to poverty related issues. In fact, as will be seen later, during the early 1980s the government established sub-minimum wage employment programs for the unemployed. As Oppenheim goes on to discuss, the government also maintained public housing programmes and a substantial number of houses for the poor were built throughout the years. L.H. Oppenheim, *op. cit.*, p. 283.

⁹⁶ S. Collier, Simon and W. Sater (2004) *A History of Chile. 1808-2002*. Cambridge: Cambridge University Press, p. 369.

⁹⁷ A. de Ramón, *op. cit.*, p. 265.

⁹⁸ S. Collier and W. Sater, *op. cit.*, p. 370.

kept increasing as the years went by and —as we shall see in chapter 4— this did not contribute to good relations with Chile's regional neighbours.⁹⁹

After years of patient work trying to disseminate their ideas, the Chicago economists seized their chance and engineered the most drastic economic reconstruction plan ever seen in twentieth century Chile. They aimed at reversing the entire state-interventionist trend that had developed in the country in previous decades. In order to ensure the accomplishment of their goal they opened up the economy, fostered the nation's comparative advantages in export markets and applied an orthodox monetarism. The marriage between these young economists —who propitiated American-style capitalism— and the dictatorship, was to prove successful. In fact, the outcome of the military government had to match the tragedy preceding it. And without the Chicago Boys and the revolution that they triggered, the authoritarian government would have been remembered as an interruption in Chile's democratic life and nothing else,¹⁰⁰ just one more of many Latin American dictatorships.¹⁰¹

In José Piñera's opinion,¹⁰² 1980 was possibly the best year of the military government.¹⁰³ Indeed, Chile was becoming an increasingly popular member of the international financial community. Besides, the approval of the 1980 Constitution and the announcement and acceptance of a deadline to return to democracy¹⁰⁴ —plus the economic dynamism of the previous years— placed the government 'at its peak of success and legitimacy'.¹⁰⁵ Given this context, it is not surprising that Pinochet should have assured that by 1985 every Chilean worker would have a house, a TV set and a

⁹⁹ E. Rodríguez Guarachi (2006) *Chile, País Puente*. Santiago: RIL Editores, p. 96.

¹⁰⁰ E. Tironi (2006) *Crónica de un Viaje. Chile y la Ruta de la Felicidad*. Santiago: El Mercurio-Aguilar, p. 124.

¹⁰¹ From 1939 to the 1970s it was quite common for civilian governments and dictatorships to interrupt each other. And by the mid-1970s, dictatorships became the norm. For example, in 1977 eight out of ten Latin American nations lived under military regimes, not counting Mexico's civilian dictatorship. Democracy survived only in Costa Rica, Colombia and Venezuela. For further readings on these matters see M. Reid, *op. cit.*, pp. 115-118.

¹⁰² José Piñera was Minister of Labour and Social Security as well as Minister of Mining during Pinochet's regime.

¹⁰³ J. Piñera (1990) *La Revolución Laboral en Chile*. Santiago: Zig-Zag, p. 144.

¹⁰⁴ The announcement of an institutional itinerary and a comeback to a democratic regime was done on 9 July 1977 during a speech at Cerro Chacarilla.

¹⁰⁵ J. Piñera, *op. cit.*, p. 144.

car: ‘it will not be a Rolls Royce’ —he added— ‘but he will have a 1975 *Citroneta*’.¹⁰⁶ In fact, if someone had announced then that a tremendous crisis was about to arrive, disbelief and even hilarity would have appeared on the face of the listeners, Chileans and outsiders alike. After the new Constitution became effective, the regime got carried away on a wave of triumph¹⁰⁷ that proved very dangerous. The traditional low-key, modest and hardworking middle class Chilean citizen —caricaturized in the famous *pobre pero honrado Condorito*—¹⁰⁸ was being replaced in the self-perception of many Chileans by the successful *Cuesco Cabrera*.¹⁰⁹ Very few —if any— suspected that *Condorito* would be back, forcing Chileans to drink the bitter chalice of lost hopes and economic disaster comparable only to the 1929 crash.

Another steep rise in the price of oil appeared in the world horizon and the globe’s economy slumped. Demand for Chilean exports wore out and with it a new and more severe crisis crossed Chile’s threshold. The national economy simply imploded. The ‘petrodollars’ that had overflowed the world markets after the first oil shock, had landed in Chile in considerable amounts, partly given the good name the country was acquiring overseas because of its economic success. The private economic conglomerates borrowed abroad on a large scale. In addition, for years the dollar had been kept artificially low at an exchange rate of 39 pesos. This measure —another heterodox exception to liberal economic theory— was staunchly defended by Sergio de Castro¹¹⁰, then Finance Minister, even when the crisis was far on its way to affecting the pockets of big conglomerates and individuals who had joined the debt-contracting game. The fixed exchange rate made Chile’s exports less competitive, overvalued the peso, fostered indiscriminate private indebtedness and caused serious balance-of-payment problems.

¹⁰⁶ ‘Las Frases para el Bronce de Pinochet’, *La Nación*, 11 December 2006. The statement was made to Radio Chilena in 1979. The *Citroneta* is the 2CV Citroën, manufactured by that firm between 1948 and 1990.

¹⁰⁷ J. Piñera, *op. cit.*, p. 144.

¹⁰⁸ *Condorito* is a comic-strip character created by René Ríos (Pepo) in 1949 as a response to Walt Disney’s 1943 personification of Chile as a small airplane that could hardly fly over the Andes. Pepo devised a condor —the largest flying bird in the western hemisphere and one of the symbols in Chile’s national coat-of-arms— personifying what he considered to be the typical Chilean: poor, honest, devious and good at quick witted riposte.

¹⁰⁹ *Cuesco Cabrera* is a comic character invented in 1978 by a famous Chilean stand-up comedian, Coco Legrand. The character ridicules the young, able and successful executives (urban yuppies in fact) that appeared in Chile as a product of the economic boom of those years.

¹¹⁰ Even up to present, and in spite of the general agreement that it was a mistake to keep an artificially low dollar exchange rate, de Castro still defends this policy. To access this information, see P. Arancibia and F. Balart, *op. cit.*, pp. 358 and 386.

When Mexico —one of the region's larger debtors— declared that it would default on its foreign debt repayments, this prompted the curtailing of any further credit for Chile.¹¹¹ If the 1975 crisis triggered the end of the period of gradual application of the liberal policy, the 1982 crisis brought to an end the radical neo-liberal conduction of Chile's economy. After months of ambiguous economic measures —partly protectionist but never radically opposed to economic orthodoxy— a third phase began. This was led by young Hernán Büchi, who had realized how dangerous dogmatism could be: as de Castro affirmed, 'he is the one among us that has learned most'.¹¹²

3.2 Chile, Tiger Nation: The Silent Revolution

The installation of Büchi as Finance Minister in 1985 was to prove decisive for Chile's maturation towards a market-oriented economy.¹¹³ As foreshadowed by the heading of this section, the image of Chile as a new tiger country —a comparison with the fast developing Asian Tigers— became stronger as he skilfully led Chile out of the 1982 crisis and paved the way for years of fast economic growth. Already before the end of the military dictatorship Chile was feeling the effect of a revolutionary transformation which, despite not having reached everyone either then or now, has put the country on its way to further economic development.¹¹⁴

The violent crash of the early 1980s was like a destructive earthquake for most people in the nation. With the country's GNP falling 14.5 per cent¹¹⁵ in 1981, the repercussions were dreadful and the suffering of Chilean citizens substantial. Unemployment climbed to a staggering 20 per cent¹¹⁶ according to official statistics and to 26 per cent if the sub-minimum wage programmes orchestrated by the government are not included.¹¹⁷ And things got worse in 1982: unemployment rose to 28.5 per cent and inflation increased from 9.9 per cent to 27 per cent.¹¹⁸ There was widespread dissent against the military administration among the general population once the military's

¹¹¹ J. Fermandois, *op. cit.*, p. 465.

¹¹² G. Vial (2009), *op. cit.*, p. 1346.

¹¹³ E. Fontaine (2009), *op. cit.*, p. 209.

¹¹⁴ See A. Benítez (1991) *Chile al Ataque*. Santiago: Editorial Zig-Zag.

¹¹⁵ L. H. Oppenheim, *op. cit.*, p. 120.

¹¹⁶ *Ibid.*

¹¹⁷ The programmes were *Programa de Empleo Mínimo* (PEM) and *Programa Ocupacional para Jefes de Hogares* (POJH).

¹¹⁸ L.H. Oppenheim, *op. cit.*, p. 120.

main legitimizing argument —i.e. economic success—¹¹⁹ had shown its frailty and the population's rising demands for consumer goods could not be met.¹²⁰ During that time Chile shared some patterns of behaviour with the other Latin American nations, but it also differed substantially. Thus, when the 1982 crisis broke out, the dictatorships gave way to the opprobrium of economic failure whilst Chile's did not bend to social pressure. Also, the nations of the continent had not broken away decisively from *Cepalista* policies, whilst Chile had.¹²¹ In fact, although Pinochet's new economic team distanced itself from the liberal principles during 1984, it basically kept on track, albeit introducing several changes as we shall see here.¹²²

Many never forgave Pinochet for the dreadful 1982 crisis. Actually, one of the effects of the acute misery induced by the economic collapse of 1981–1983 was the rise of a serious and increasingly loud opposition to his rule. Sparked and led in particular by three trade union leaders, namely, Manuel Bustos, Rodolfo Seguel and Tucapel Jiménez, public demonstrations, strikes and violent clashes with the police sprang up. Besides, on the extreme Left, the outlawed Communist Party fostered mass insurrection through urban guerrilla groups that perpetrated terrorist attacks. One of the main terrorist groups of those years was the *Frente Patriótico Manuel Rodríguez* (FPMR), which was held responsible for the assassination attempt on Pinochet and the illegal introduction of a consignment of weapons found in Carrizal Bajo. Violence was the order of the day. Anger caused by the economic hardship accumulated in the shanty towns and created social volcanoes¹²³ that facilitated the surge of terrorism. Thus, terrorists ended the life of several policemen and the secret police, and other army people murdered several civilians during those years. Emblematic were the crude assassinations of the aforementioned Tucapel Jiménez —who in 1982 was captured in his own taxi, shot

¹¹⁹ G. van der Ree, *op. cit.*, p. 222.

¹²⁰ P. Silva (2008) *op. cit.*, p. 144.

¹²¹ M. Reid, *op. cit.*, p. 123.

¹²² During the interregnum between Ministers Sergio de Castro and Hernán Büchi, the government devalued the peso, established a preferential dollar, lowered wages and intervened the financial sector taking over approximately 80 percent. Although all these procedures meant a break-away from neo-liberal orthodoxy, the government refused to resort to countercyclical measures such as increasing monetary emission or toying with fiscal deficits, which would have implied a serious regression from liberal policies. For more information, see E. Silva (1995) 'The Political Economy of Chile's Regime Transition: From Radical to "Pragmatic" Neo-Liberal Policies' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 107–110.

¹²³ A. de Ramón, *op. cit.*, p. 267.

in the head and dumped in the car— and the torturing and throat-slitting of three Communists in 1985, Santiago Nattino, José Manuel Parada and Manuel Guerrero.

As Eduardo Silva argues, social actors matter when it comes to policy making.¹²⁴ Thus, in my view, the upheaval brewing in the population forced the military regime to adapt its economic and political strategies to calm down public discontent. Firstly, out went the radical liberal policies and in came more pragmatic and less dogmatic procedures which alleviated the economic anguish of the citizenry. Secondly, the government opened a space for a moderate opposition, allowing some political activity.¹²⁵ I also think that other groups besides the regime's economic team contributed to build the third phase in the implementation of neo-liberalism.¹²⁶ For example, by 1983 the Confederation of Production and Commerce, which grouped industrialists, traders, construction entrepreneurs and other large business sectors, presented the government with a countercyclical proposal to overcome the crisis. Although capitalist, they also suggested some less liberal practices, such as protective policies tailored to the requirement of specific economic sectors.¹²⁷ In Eduardo Silva's opinion, the fact that they were heard meant that the business community regained faith in the system.¹²⁸ Other factions were not as lucky and their petitions were not immediately granted. Thus, the 1982 economic petitions contained in the Proclamations of the city of Valdivia and Rancagua, backed by most middle and small scale entrepreneurs, were not taken into account.¹²⁹ Nevertheless, in my opinion, they did alert the government to the intensity of the discomfort of society given that mid-weight industrialists¹³⁰ had been crucial to Allende's downfall and consequently might endanger the permanence of the military regime.

¹²⁴ E. Silva, *op. cit.*

¹²⁵ G. van der Ree (2005), *op. cit.*, p. 223.

¹²⁶ E. Silva, *op. cit.*, pp. 173–208.

¹²⁷ E. Silva (1995) 'The Political Economy of Chile's Regime Transition: From Radical to "Pragmatic" Neo-Liberal Policies' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 112.

¹²⁸ E. Silva (1995) 'The Political Economy of Chile's Regime Transition: From Radical to "Pragmatic" Neo-Liberal Policies' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 113.

¹²⁹ G. Campero (1995) 'Entrepreneurs under the Military Regime' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 135–136.

¹³⁰ G. Campero (1995) 'Entrepreneurs under the Military Regime' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 135–140.

By 1986 the demonstrations against the government faded away as the economy regained its strength. In the interim Chile had experienced a renaissance of its political parties and other civil society groups such as labour unions, squatter movements and diverse NGOs, among them, advocating the rights of women and originary ethnic groups.¹³¹ All of them would play an important role in the rebirth of democracy a few years later. Very interesting in this connection is the analysis by María Elena Valenzuela of the development of feminist movements and the development of female participation in politics during the military administration.¹³²

The 1981-1983 blow had shown that the 'Chilean miracle' was not solid. But once the worst of the Latin American debt crisis backlash was overcome, a 'miracle recharged' entered the scene.¹³³ In spite of having suffered the greatest set-back of the region, the mix of pragmatism and liberal heterodoxy that guided the new economic team from 1985 onwards, resulted in a renewed economic push in open contrast with the rest of the subcontinent. In fact, the 1980s is often called the lost decade for Latin America given the depth of the economic recession of those years.¹³⁴ Most of the countries of the region spent the whole decade desperately trying to get out of the situation triggered by the petrodollars, but every effort seemed useless. Once again, Chile was perceived as the exception in Ibero America, thus reinforcing the nation's traditional self-image of exceptionality:¹³⁵ 'not for the first time in its history, this small country seemed to be leading the pack'.¹³⁶

¹³¹ P. Silva (1997), *op. cit.*, p. 73.

¹³² G. Campero (1995) 'Entrepreneurs under the Military Regime' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 161-187.

¹³³ There is an ongoing discussion on the impoverishment of Chileans during the military regime. On the one hand it is argued that real wages plummeted during the early years of the dictatorship and did not fully recover until the 1990s. On the other hand it is also claimed that, although hardcore poverty remained during the military regime and does so until now, the number of people who have progressed exceeds that of those left behind. For this topic see L.H. Oppenheim, *op. cit.*, p. 132, M. Barrera (1998) 'Macroeconomic Adjustment in Chile and the Politics of the Popular Sectors' in P.D. Oxhorn and G. Ducatenzeiler, *What Kind of Democracy? What Kind of Market?* Pennsylvania: The Pennsylvania University Press, pp. 129-130.

P. Craig Roberts and K. LaFollette Araujo, *op. cit.*, p. 40, E. Fontaine (2009), *op. cit.*, p. 271 and the interview to Alejandro Foxley at 'Commanding Heights: Chicago Boys and Pinochet', *op. cit.*

¹³⁴ L. C. Bresser P. and Y. Nakano (1998) 'The Missing Social Contract: Governability and Reform in Latin America' in P. D. Oxhorn and G. Ducatenzeiler, *op. cit.*, p. 32.

¹³⁵ S. Collier and W. Sater, *op. cit.*, p. 371.

¹³⁶ S. Collier and W. Sater, *op. cit.*, p. 372.

The economic recovery of the country was on, but it was still risky to confirm that the crisis was totally over. Nevertheless, from the mid-1980s onwards, with a new Finance Minister —Hernán Büchi— the process of economic growth was finally ensured and a new period of expansion and development began. Thus, while the 1982 crisis ignited the discontent of the population, already used to previously unseen levels of consumption, Chile was eventually able to get over it. This fact and the increasing success of the pragmatic liberal economic policies applied by Büchi and his team,¹³⁷ enhanced the Chileans' self-image of exceptionality:¹³⁸ unlike its neighbours, Chile had a successful liberal system in place and it looked as if it would become a developed nation sooner rather than later. In my opinion, it is from this point in time on that several of the aspects that I examine throughout this study start showing more clearly. Thus, the free market economic reform fostered an economic transformation, social mobility and socio-cultural change as well as a shift in some features of Chile's identity. Finally, the political context that hosted the liberal reform and free market policies made it quite imperative to launch country image campaigns, thus starting a modern process of nation-branding.

The period of economic growth described above did not stop until the late 1990s. The economic benefits were not felt immediately by the whole population but were clearly perceived by the late 1980s. The country was definitely pushed into a new phase of growth, with positive effects on employment and wages. It is interesting to stress that, although Büchi is considered a Chicago Boy, his postgraduate work was done at Columbia University, and involved business, not economics. His policies differed quite substantially from the de Castro liberal-dogmatic style: in Gonzalo Vial's view, his arrival ended the 'Chicago era' proper.¹³⁹ The new minister had worked for ten years with the economic cadres of the government and had held mid-rank positions. Long haired, a lover of jogging and cycling, the 36 year-old Finance Minister symbolized the pragmatism that was replacing the previous application of *laissez-faire*.¹⁴⁰

¹³⁷ For a good summary of Büchi's economic measures, see P. Craig Roberts and K. LaFollette Araujo, *op. cit.*, p. 38.

¹³⁸ L.H. Oppenheim, *op. cit.*, p. 255.

¹³⁹ G. Vial (2009), *op. cit.*, p. 1346.

¹⁴⁰ Büchi retreated from the reflationary policies of 1983 and 1984 which were Keynesian in inspiration. On the contrary, the new minister supported stringent management of the fiscal deficit, inflation and balance of payments. While he refined liberal practices, he also allowed for protection of several domestic market producers. In the same line, the government at large gave subsidies for low income housing, aided some landowners with special credits and implemented more restrictive bank regulations. For further information, see E. Silva (1995) 'The Political Economy of Chile's Regime

Chile started to thrive in the new economic climate. A new breed of more liberal-minded entrepreneurs took their place alongside the previous generation. New and old conglomerates, more solidly based before, blossomed in the late 1980s. Established enterprises —slimmed down by two recessions— proved willing to compete in the domestic and international marketplaces, and were now less inclined than before to look to the state for support or protection: confident in their own abilities, businessmen began to see and project themselves as one of the leading edges of society.¹⁴¹ Although published when democratic rule was back, the following words by a Chilean economist help to capture the zest emerging towards the end of the decade:

We are emerging from our corner of the world and today we think in global terms. We are leaving behind our history, full of moral triumphs that led to generalized stagnation (...) Today Chile is competing on a grand scale, taking the offensive and is not satisfied with moral victories.¹⁴²

Meanwhile, the beginning of the local information revolution fostered the appearance of jobs for computer specialists. Courses in management, commercial law and accounting were very much in demand and higher education acquired a distinctly functional look by the late 1980s. What was going on broadened the scope and even went far beyond the entrepreneurial culture dreamed of by most of the military in power.¹⁴³

Some experts in Chilean history consider that the neo-liberal technocrats probably did not engineer the deep shift in the national culture, which had been gradually taking place since 1975.¹⁴⁴ In my opinion this may be applicable to lesser members of the team, but not to its leaders. They did not have absolutely coincidental views on either neo-liberalism or on specific policies to be applied in the country, but they were aware of what would become of Chile and hoped for a libertarian revolution to take place —a topic that I shall refer to in Chapter 5. In fact, these economists expanded their influence to several other fields of society, namely, education, health, culture, the

Transition: From Radical to “Pragmatic” Neo-Liberal Policies’ in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, pp. 114-119, E. Fontaine (2009), *op. cit.*, p. 209 and L. Whitehead (1987) ‘The Adjustment Process in Chile: A Comparative Perspective’ in R. Thorp and L. Whitehead (eds.), *Latin American Debt and the Adjustment Crisis*. Pittsburgh: Pittsburgh University Press, pp. 117-161.

¹⁴¹ S. Collier and W. Sater, *op. cit.*, p. 375.

¹⁴² ‘Andrés Benítez: el Chile que se la Juega’, *El Mercurio*, 15 December 1991.

¹⁴³ S. Collier and W. Sater, *op. cit.*, p. 375.

¹⁴⁴ *Ibid.*

pension system, etc. Patricio Silva points out that they became techno-politicians and ideologues as they tried to justify the coexistence of political authoritarianism with liberal economic ideas.¹⁴⁵

The Chicago Boys actively participated in the efforts to enhance people's support for the military regime and the neo-liberal model by constantly stressing the success achieved in expanding the consumption of foreign products among the entire population. In this manner, mass consumerism became one of the main instruments of legitimacy used by the Chicago Boys to obtain at least tacit acceptance by large sectors of society for their free market policies.¹⁴⁶

Their views on trade and industry went beyond the sphere of economy. Moreover, they were convinced that a new entrepreneurial culture had to replace what had been a state-dependant mentality, so that the state could be brought to a role of watchman and the whole of society would be permeated by market-oriented relations.¹⁴⁷ One of the first samples of market penetration into administrative fields and social life were the so-called seven modernizations.¹⁴⁸ Up until 1979 the open market approach had been applied through policies such as the liberalization of prices, trade and finance, all of which constituted conventional liberal practices. When in his speech of 11 September 1979 Pinochet openly assured the population that his administration desired the creation of a free market society, by launching the aforementioned modernization measures, he was indirectly saying that the phase of national reconstruction had ended.¹⁴⁹ From that year on neo-liberalism would increasingly permeate all walks of life in Chile in spite of the economic crisis that started brewing up in 1981, which endangered the trustworthiness of the neo-liberal system.

In the long run Pinochet and the Chicago Boys succeeded in the implementation of their libertarian revolution. Having said this, I also believe that the dynamic and

¹⁴⁵ P. Silva (2008), *op. cit.*, p. 143.

¹⁴⁶ *Ibid.*

¹⁴⁷ S. Collier and W. Sater, *op. cit.*, p. 366.

¹⁴⁸ The modernization plan was based on the transformation of the following fields: labour relations, social security and state education; restructuring of public health care, modernization of the judiciary, reforming of the public administration and strengthening of agriculture. Not all the planned modernizations were fully developed. Some were not even initiated —such as the modernization of the justice system. To access a description on the gestation of the seven modernizations, see de P. Arancibia and F. Balart, *op. cit.*, pp. 317–328.

¹⁴⁹ P. Arancibia and F. Balart, *op. cit.*, p. 327.

fast-growing Chile emerging after 1985 was not fully invented by Pinochet and his economic team. The culture of order and resilience developed after centuries of a difficult colonization, earthquakes and other natural disasters as well as the traditional Chilean preference for stable public institutions in addition to the role of democratic rule in Chileans' self-image are all characteristics that worked together in the forging of the post-Pinochet Chile. Today the debate on the economic benefits brought about by the dictatorship is far from closed. It looks as if the outcome was neither totally positive nor absolutely bleak. Although the economic modernization brought in by the military tanks generated an increment of wellbeing for several sections of society, the cost to be paid by others cannot be overlooked. The suffering and economic setbacks referred to elsewhere are often disregarded, especially after the long wave of economic growth that followed in the coming years, from 1984-85 on. On the other hand, I consider that acknowledgement of the crisis and of its victims makes the reloaded future Chilean miracle even more astounding.

In my opinion, the neo-liberal revolution was to show not only the resilience of the neo-liberal system which, in the Chilean case, was able to face and recover from times of crisis. I also believe that the system has a considerable capacity to change mind frames. For instance, by 1986 some social attitudes had shifted in spite of the recently undergone crisis, as shown by the opinion survey conducted that year by Carlos Huneeus. Thus, while banks and conglomerates were disliked by those interviewed, small and middle-sized businessmen were well regarded.¹⁵⁰ In William Sater's and Simon Collier's judgment, a growing attachment to market economy was shaping: proprietors of new small and successful businesses, workers owning shares in the newly privatized companies, peasants growing vegetables either for export or for the Santiago market, even some people working in the large informal sector, all of them regarded themselves as small entrepreneurs belonging to the capitalist system.¹⁵¹ Thus, it looks as if from those years on, a strong reorientation from the state towards the market, from ideological ideas to consumption, from collective to individual courses of action, had come to characterize the mentality of a considerable portion of Chilean society.¹⁵² Nevertheless, there is no total agreement on this point among pundits in the field. Thus, Carlos Huneeus gathers that a certain malaise has set in in Chile's society

¹⁵⁰ C. Huneeus (1987) *Los Chilenos y la Política: Cambio y Continuidad Bajo el Autoritarismo*. Santiago: CERC/ICHEH, pp. 116-120.

¹⁵¹ S. Collier and W. Sater, *op. cit.*, p. 375.

¹⁵² G. van der Ree (2005), *op. cit.*, p. 227. Also L.H. Oppenheim, *op. cit.*, p. 206.

because the citizens do not share the liberal axioms guiding the state. In his view citizens criticize the market and businessmen and would rather have a state playing an active role in the economy.¹⁵³ Although I do not agree with Huneus, I admit that not all Chileans embrace liberalism and there is evidence of this as late as 2010. Thus, months after Eduardo Frei lost the 2009 election, several key Concertacionista leaders came out making a *mea culpa* for having lost. Surprisingly, some blamed the ‘terribly liberal economic management’¹⁵⁴ of Michelle Bachelet’s tenure for the electoral results.

*Chile Revolución Silenciosa*¹⁵⁵ was the title of the bestselling book published in 1987 by the young economist Joaquín Lavín. Outpouring with optimism, his book both synthesized and encouraged what was the feeling of many in the country: Chile had changed and left behind the pre-1973 social and economic model, more inclined towards state protectionism. In his book Lavín argues that Chile had become a country integrated with the rest of the world, in which there were plenty of jobs and more competitive enterprises. Chileans were better educated and informed and had access to the benefits of a consumer society: there was a wider choice of products, more culture and technology. A few years later in a book jointly written with a fellow economist, Felipe Larraín, Lavín said that even in shantytowns small enterprises had appeared. The book called *Chile: Sociedad Emergente*¹⁵⁶ appeared in 1989 and highlighted the fact that the country had become more efficient, humane, was better informed, and more cultured.¹⁵⁷ They mentioned the modern business executives, the shopping malls, supermarkets and street paving in the shanty-towns of Santiago; the computer courses, the renewal of cultural expression, the great variety of consumer goods in the shops, the growth of industrial exports, the emergence of competitive private universities that allowed thousands of youngsters to access higher education: such were the indisputable signs of the emerging modern Chilean society. Changes were also permeating other aspects of Chile’s social organization. Firstly, the collective health and welfare systems —typical of the European capitalism present in Chile— were replaced by an individual model. Secondly, the labour reforms aimed at reducing the role of the state in labour relations and increasing the role of the private sector. Thirdly, the educational

¹⁵³ C. Huneus (2003), *op. cit.*, p. 16. This call for a more active state in the social field became indeed quite evident following the onset of the world financial crisis of 2008.

¹⁵⁴ ‘Francisco Vidal: La Concertación Debe Hacer su Propio ‘Nunca Más’ y Evitar que un Gobierno Suyo Sea Dominado Nuevamente por Tecnócratas’, *El Mercurio*, 5 June 2010.

¹⁵⁵ In English ‘Chile: A Quiet Revolution’.

¹⁵⁶ In English, ‘Chile: Emerging Society’.

¹⁵⁷ J. Lavín and L. Larraín (1989) *Chile, Sociedad Emergente*. Santiago: Zig-Zag, p. 17.

system was decentralized and part of its administration was allocated to private administrators.¹⁵⁸ In a nutshell, the European style collective and state-led approach to such areas as education, health and labour, was replaced by an American capitalistic approach, i.e. liberal, individual, with less state intervention.

Much of what Lavín and Larraín argued corresponded to reality as the material marks of modernization were manifold in the late 1980s in Chile. Nevertheless, in the opinion of detractors of the dictatorship, these authors failed to note that the changes and their benefits were limited to a few lucky ones, basically, the middle and upper classes. Although by the end of the 1980s Chile was perceived as an exception in Latin America, the economic benefits of the recovery would not be felt by the bulk of the population until later.¹⁵⁹ A sector that opposed Lavín's and Larraín's optimism was a considerable portion of the Catholic Church hierarchy. In this line, an interview between Pinochet and Cardinal Juan Francisco Fresno, in which the latter insisted on the existence of widespread poverty in Chile, whilst the former denied it, is quite illustrative.¹⁶⁰ Nevertheless, the best articulated criticisms were mostly voiced by sociologists Eugenio Tironi and José Joaquín Brunner. Tironi argues that the project of modernization of the Right had taken place at the cost of a large proportion of society. Instead of creating a middle class consumer society, it divided the country into two: the haves and have-nots, those who were incorporated to modernization and to the new production and consumption system and those who were left behind.¹⁶¹ On the other hand, Tironi himself acknowledges that by 1985, 85 per cent of shanty-town dwellers had their own TV sets, and 73 per cent had a radio.¹⁶²

The growing image of Chile as a jaguar, a successful nation that was leaving poverty behind, was a contentious issue that divided society. Nevertheless, with the passing of time most sectors came to agree on this image, the 1990s being years of considerable economic expansion.¹⁶³ Thus even opponents to Pinochet ended up using the

¹⁵⁸ E. Tironi (2006), *op. cit.*, pp. 141-142.

¹⁵⁹ J. Fermandois, *op. cit.*, p. 481.

¹⁶⁰ G. Vial (2002), *op. cit.*, pp. 527-529.

¹⁶¹ E. Tironi (1988) *Los Silencios de la Revolución. Chile: la otra Cara de la Modernización*. Santiago: La Puerta Abierta, pp. 28-29.

¹⁶² E. Tironi (1988), *op. cit.*, p. 87.

¹⁶³ For example, in 1992 the GDP was 12.3 percent; in 1995 it was 10.6 percent and fell to 3.2 percent in 1998 when the Asian crisis broke out. As for inflation, in 1992 it was 12.7 percent; in 1995 it dropped to 8.2 percent and in 1998 to 4.7 percent. For more information, see S. Collier and W. Sater, *op. cit.*, p. 384.

parameters introduced by the former. For example, although Tironi and Brunner had initially rejected the views expressed in *Chile Revolución Silenciosa* and *Chile: Sociedad Emergente*, a few years later they adopted the main concept contained in the books,¹⁶⁴ i.e. *sociedad emergente*. The emerging society —mainly triggered by changes in the economy, trade and communication—¹⁶⁵ is not a univocal concept. Nevertheless, in general terms it denotes a social order with an internal bottom-up dynamic, from the grassroots to the central authority or, even better, according to liberal principles, with a very small government. The emerging society brings about an increasingly larger group of well educated, informed and travelled people, individuals who move with autonomy. Within this kind of society, the market is the great organizer of life, not the state. The concept also includes the fall of traditional values and the arrival of new life styles: in short, a real shift in mentality, which will be further analyzed in Chapter 5. As Christian Welzel and Ronald Inglehart put it,

economic growth, rising levels of education and information and diversifying human interactions increase people's material, cognitive and social resources, making them materially, intellectually, and socially more independent (...) Cultural emphasis shifts from collective discipline to individual liberty, from group conformity to human diversity, and from state authority to individual autonomy.¹⁶⁶

Chile on the threshold of democracy showed many signs of such swings.

The period studied in this chapter comes to an end with the 1988 plebiscite by means of which Chileans brought general Pinochet to account.¹⁶⁷ The economic factor was very important at the time of voting. It has been argued it was the most decisive issue,¹⁶⁸ a fact that is backed by the figures: 72 per cent of those who voted 'No' did so because of their economic situation.¹⁶⁹ Eugenio Tironi claims that it was the success of the system installed by Pinochet that ended up defeating him.

¹⁶⁴ Patricio Silva addresses this issue in his 2001 article 'Towards Technocratic Mass Politics in Chile? The 1999-2000 Elections and the 'Lavín Phenomenon'', *European Review of Latin American and Caribbean Studies* 2: pp. 25-39.

¹⁶⁵ P. Halpern (2002) *Los Nuevos Chilenos y la Batalla por sus Preferencias*. Santiago: Editorial Planeta, p. 18.

¹⁶⁶ C. Welzel and R. Inglehart (2005), *op. cit.*, p. 2.

¹⁶⁷ The 'Yes' option obtained 43.01 percent and the 'No' option 54.71 percent.

¹⁶⁸ J. Fernandois, *op. cit.*, p. 482.

¹⁶⁹ A. Varas (1995) 'The Crisis of Legitimacy of Military Rule in the 1980s' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 76.

Pinochet created a much more modern society, open to the world, which was not compatible with a dictatorial regime, even less given his human rights record. Pinochet also made possible the strengthening of the entrepreneurial class that felt it could stand on its own feet and not depend on an authoritarian political power whose ill reputation, in addition, had been the cause for the closing of international markets to them. To sum up, it was the modernization process impelled by Pinochet himself that expelled him in order to expand and support the new system.¹⁷⁰

Tironi's argument is in line with Ronald Inglehart's and Christian Welzel's observations alluded to in Chapter 1. In fact, as these authors assert, human development in wealthy or wealthy-to-be nations normally leads to socioeconomic modernization, a cultural shift towards a growing accent on self-expression values and democratization. Also, Milton Friedman himself warned Pinochet that eventually the country would go back to a democratic regime.¹⁷¹ Moreover, except for the hardliners supporting the dictatorship, most of its followers were democratic:¹⁷² not in vain do Chileans believe that democratic rule is one of their country's differentiating features. I also believe that it is plausible that those who voted 'No' in the plebiscite did so not wishing to throw out of the window what had been achieved since 1973. Change was called for, but not absolute change: it was not as if Chileans wanted to start all over again and try a totally different social and economic model. Otherwise, the Concertación administrations would have changed the model and they did not. Indeed, during twenty years of government, it was impossible for the centre-Left coalition, placed at the antipodes of the political spectrum of those serving under Pinochet, to replace economic success and market economy as a dominant legitimizing feature, as will also be seen in Chapter 5.

Pinochet's government was atypical in many ways which I summarize in five points. Firstly, as mentioned in section 2.1, Chile's military government did not fall during the economic crisis as happened in other Latin American countries. Secondly, unlike other authoritarian regimes, it sought institutionalization by putting legal limits to its tenure and political ideas and by making sure that the top brass fulfilled their professional duties. For example, whenever an officer was appointed to a political position, he had to abandon his military functions.¹⁷³ In the third place, Chile's 17-year-long

¹⁷⁰ E. Tironi (2006) *op. cit.*, pp. 151-152.

¹⁷¹ 'Commanding Heights: Chicago Boys and Pinochet', *op. cit.*

¹⁷² Patricio Prieto, (President TLC Consulting, company which provides legal and economic advice for the establishment of free trade agreements) interviewed on 8 July 2010.

¹⁷³ E. Tironi (2006) *op. cit.*, p. 130.

authoritarian rule had mapped out the road back to democracy and followed it even when it meant relinquishing power, quite in accordance with Chile's law abiding mentality.¹⁷⁴ Moreover, the supporters of the regime would not have admitted a disruption of the democratic process as they expected fair play, not fraud.¹⁷⁵ Even in the army, respect for legality was more important than allegiance to the commander-in-chief:¹⁷⁶ once again, the Chileans' legalistic outlook played an important role in its historic evolution.¹⁷⁷ As novelist Isabel Allende put it, it is difficult to explain to anyone outside Chile how a dictatorship that had the support of the armed forces, the Right and a considerable part of the population accepted to leave power once the referendum was lost.¹⁷⁸

In the fourth place, military rule was not a B-movie type dictatorship in which the leaders seek their own advantage, ransack the country and take the money and run. On the contrary, it was quite exceptional in that it was constructive in the forging the country's material development and its insertion in the global economy.¹⁷⁹ Moreover, it launched several reforms meant to transform Chile from a backward nation with an inferiority complex, which was proud of its ability to 'produce' great poets such as Gabriela Mistral and Pablo Neruda or Vicente Huidobro, and convinced of its inability to create wealth,¹⁸⁰ into a fast-track developing state. Finally, as Alan Angell has argued, even though the fact is quite shocking for many, the dictatorship did have an important support base until the very end of its tenure, even among the poor.¹⁸¹

¹⁷⁴ Carlos Huneeus states that the opinion Chileans have of Pinochet is better than that the Spaniards have of general Francisco Franco: the year 2003, when Huneeus' book was published, 22 percent of Chileans thought positively of Pinochet and only 17 percent of Spaniards did so as regards Franco. C. Huneeus (2003), *op. cit.*, p. 71.

¹⁷⁵ A. Valenzuela (1995) 'The Military in Power: The Consolidation of One-Man Rule' in P. Drake and I. Jaksic (eds.), *The Struggle for Democracy in Chile*, *op. cit.*, p. 108.

¹⁷⁶ *Ibid.*

¹⁷⁷ In the book in which Isabel Allende revisits her native country, she affirms that Chileans are 'legal animals'. Thus, it is not surprising that even General Pinochet should have wanted to go down in history as a president, not a usurper of power. Thus, he planned his own election as President but lost and consequently, handed over the presidential sash to his elected opponent. I. Allende, *op. cit.*, p. 92.

¹⁷⁸ I. Allende, *op. cit.*, p. 92.

¹⁷⁹ See an interview with Alejandro Foxley in 'Commanding Heights: Chicago Boys and Pinochet', *op. cit.*

¹⁸⁰ J. Piñera, *op. cit.*, p. 21.

¹⁸¹ A. Angell (2005) *Elecciones Presidenciales, Democracia y Partidos Políticos en el Chile Post Pinochet*. Santiago: Centro de Estudios Bicentenario, p. 26.

It is not uncommon that a military coup has an initial support when the population is tired of the incertitude and turmoil of a weak civil government —1976 Argentina was a good example of it. Nevertheless, what is singular (to the Chilean case) is that this support stands for a long period of time, even after the return to a democratic regime.¹⁸²

In my opinion, Pinochet's government was successful in terms of having planted the seeds of economic development. In contrast to this, one of the negative implications of his rule was the bad country image that he generated around the world. Given that Chile's new economic scheme called for the country to reach out for the globe, especially through trade, it was crucial to help to revert or soften the negative connotations that the dictatorship had. Thus, as described in section 3.3 will, ProChile was created to enhance Chile's integration to global trade and improve its reputation.

3.3 ProChile and the Marketing of Chile

The project of modernization brought about by the military administration throughout 17 years in power aimed at the full opening of Chile's economy to foreign competition and the incorporation of the country to world markets. Although the radical and systematic way in which this was done during the dictatorship was unique in Chile's history, the nation's integration to global trade was not new as shown in Chapter 2. Besides, Chile was 'born to history under the sign of business, a corporation with partners, capital and warranties (...) Work —a pivotal value in North America's conquest— is also present here'.¹⁸³ In my view, Chile's origins as a land of work and commerce, tends to be forgotten. For example, the figure of Juan Jufré de Lozcaya y Montesa who, in the early years of the conquest planted the first vineyards of the country, thus initiating the wine industry and commerce,¹⁸⁴ is scarcely known among Chileans. In fact, one of the founding fathers of this nation, he contributed to the inauguration of the industrious and *mestizo* country that evolved during the colonial period and initiated Chile's transoceanic commerce trying to sell his produce to the South Pacific islands and to what appears to be New Zealand and Australia.¹⁸⁵

¹⁸² A. Angell, *op. cit.*, p. 27.

¹⁸³ M. Laborde (2004) *Santiago, Región Capital de Chile. Una Invitación al Conocimiento del Espacio Propio*. Santiago: Publicaciones del Bicentenario, pp. 29-30.

¹⁸⁴ J. T. Medina (1906) *Diccionario Biográfico Colonial*. Santiago: Imprenta Elzeviriana.

¹⁸⁵ M. Laborde, *op. cit.*, p. 81.

The embryonic commercial spirit and activity of the early *conquistadores* was then overshadowed by other more pressing matters —mainly the Arauco war— which explains why it went more or less unobserved. Nevertheless, it is interesting to note that the entrepreneurial drive present in today's Chilean society is not without historic foundation. In addition to the already mentioned efforts to develop trade from the very beginning of colonial times,¹⁸⁶ the desire for further commercial freedom appears to have been one of the propelling forces behind the independence movement:¹⁸⁷ in fact, through monopoly, the Spanish administration imposed all kinds of restrictions on colonial trade in general and Chile's trade in particular, thus hampering its economic development.¹⁸⁸ Independence opened the door to expand and diversify Chile's international trade which, as seen in previous chapters, flourished and sparked an incipient development. As was to happen more than a century later, the national trend coincided with international tendencies which collaborated with Chile's economic growth. Thus, a first globalization wave that took place after the industrial revolution helped to increase that nation's commerce.¹⁸⁹ Also the gradual unfolding of liberalism and withdrawal of mercantilism in the nineteenth century encouraged the young republic's adherence to free market values.¹⁹⁰ The tendency reverted from the Great Depression onwards when state intervention, market control mechanisms and protectionism entered the scene. This global tendency started to ease towards the end of the Second World War, but not in Chile: it was not until the military dictatorship that those tendencies remained unchanged.¹⁹¹

Neo-liberalism and its drive towards free trade triggered in Chile the need to foster national exports. Nevertheless, the political isolation in which the nation found itself involved in because of the ruling dictatorship was definitively an obstacle. In the first place, the ban on Chilean exports around the world as political retaliation was a latent possibility. Secondly, the sale of a product also sells its place of origin —it comes as part of the traded goods.¹⁹² Thus, Chile's bad reputé inevitably had an effect in the

¹⁸⁶ See J. T. Medina, *op. cit.*

¹⁸⁷ Patricio Prieto (President TLC Consulting, company which provides legal and economic advice for the establishment of free trade agreements) interviewed on 8 July 2010.

¹⁸⁸ D. Barros Arana, *op. cit.*, Vol. VII, p. 298 and Vol. VIII, p. 194.

¹⁸⁹ O. Muñoz (2007) *El Modelo Económico de la Concertación 1990-2005 ¿Reformas o Cambio?* Santiago: FLACSO-Catalonia, p. 64.

¹⁹⁰ G. van der Ree (2010) 'Chile's (Inter) National Identities: Framing the Relations with Bolivia and Peru', *Bulletin of Latin American Research*, p. 212.

¹⁹¹ O. Muñoz, *op. cit.*, p. 10.

¹⁹² S. Anholt (2005), *op. cit.*, pp. 115-116.

marketing of items ‘made in Chile’. It was obvious that something had to be done to assist the national businessmen to export their produce, internationalize their companies and help the country regain its good name, or at least, to tone down the negative connotation that the country had acquired internationally.¹⁹³ These aims were synthesized in one organization: ProChile, the name of which means ‘in favour of Chile’.

ProChile was created in 1974 as a state-run organization that aimed at backing the exports of small and middle size private companies and the internationalization of Chilean corporations. Inspired by a Colombian association called Proexpo, the Chilean version was going to try to reverse Chile’s dependence on copper sales abroad.¹⁹⁴ In order to do so, ProChile started gathering information about international markets and passing it on to whoever was interested in exporting non-traditional goods, i.e. practically everything but copper. Interestingly, the early stages of the institution coincided with a world tendency to link foreign trade and political international relations at a state level. Thus, the 1944 Bretton Woods agreements, the World Bank and the International Monetary Fund as well as the 1948 General Agreement on Tariffs and Trade (GATT) showed that foreign affairs ministers all over the world had been actively participating in trade matters for some decades already.¹⁹⁵ The integration of both concepts did not prove an easy task, and it was eventually necessary to hire new officials to work in the ministry of Foreign Affairs and to make others redundant. Nevertheless, it was not until 1979 that members of the ministry staff dedicated to economic matters were attached to some embassies around the world. To do so, the creation of a new institution was necessary —the *Dirección General de Relaciones Económicas Internacionales* (DIRECON)— linked to the ministry and under whose direction ProChile continued to operate throughout the decades.¹⁹⁶

In my view, the linkage to DIRECON proved positive in two ways. Firstly, it lowered ProChile’s profile thus helping it to look less threatening for the neo-liberal orthodoxy. In fact, some of the Chicago Boys, especially ministers Sergio de Castro and Pablo Baraona, considered it to be an unnecessary subsidy to exports as, in their opinion, exports only needed adequate monetary stimuli and trading barriers.¹⁹⁷ Secondly, while from 1974 to 1979 the organization was mainly dedicated to coaching

¹⁹³ Fernando Morales B., (Founding member of ProChile) interviewed on 14 March 2011.

¹⁹⁴ *Veinticinco Años de ProChile* (2000) Ministerio de Relaciones Exteriores. Santiago: ProChile, p. 3.

¹⁹⁵ *Veinticinco Años de ProChile, op. cit.*, p. 1.

¹⁹⁶ Fernando Morales B., (Founding member of ProChile) interviewed on 14 March 2011.

¹⁹⁷ Fernando Morales B., (Founding member of ProChile) interviewed on 14 March 2011.

national would-be exporters, working in closer connection with the Foreign Affairs ministry also allowed ProChile to promote Chile's good reputation overseas using the embassies. In fact, by 1977 it started articulating the activities of promotion offices in Germany, Argentina, Brazil, Colombia, the United States and Japan, and by 1980 the fully operating foreign offices were 12.¹⁹⁸ The role played by ProChile in the country's export system and country image was proving to be effective. In fact, although it carried less weight as regards the major national commodities sold overseas, it made an important difference for many smaller enterprises.¹⁹⁹

As mentioned above, during the first years ProChile concentrated on helping to boost exports. For example, its 1979 annual report explains that from 1974 onwards the organization had helped to qualify people wishing to get into the foreign trade business. ProChile also provided exporters with information on legislation in force for overseas shipping and means of transport available throughout Chile to carry their goods. It also provided business people from places other than Santiago with updated information on international prices for diverse products.²⁰⁰ According to a ProChile report of 1979, which gives an account of the rise in Chile's export capacity, these efforts bore fruit: within a year non-traditional sales abroad had increased by 57.8 per cent.²⁰¹ The trend continued to rise. In fact, more than twenty years after ProChile's creation a French newspaper affirmed that if by 1975 exporters in Chile numbered approximately two hundred exporters, by 1995 there were almost six thousand.²⁰²

As for helping to overcome Chile's relative international isolation and improving its image, the task was more difficult. For example, a study prepared in The Netherlands —based on newspaper articles and interviews with Dutch business men—²⁰³ showed Chile's reputation was negative both during Allende's and Pinochet's tenures: while the first leader was accused for his confrontational political style, which could have

¹⁹⁸ A. Cárcamo and M. Riveros, (1998) *La Imagen de Chile en el Exterior*. Santiago: Universidad Nacional Andrés Bello, p. 154.

¹⁹⁹ Sergio Lecaros, (President Duncan Fox S.A. holding, one of the biggest companies in Chile) interviewed on 11 December 2006.

²⁰⁰ See *Memoria de ProChile Año 1979*. Santiago: ProChile.

²⁰¹ See *Memoria de ProChile Año 1979*. Santiago: ProChile.

²⁰² 'Le Chili. Modèle Économique de L'Amérique Latine', *L'Express*, 27 February 1997.

²⁰³ V. Stols (1994) *La Imagen de Chile de Los Empresarios Holandeses. Una Investigación de la Imagen Global de Chile*. Nijmegen: Katholieke Universiteit Nijmegen.

led the nation to civil war,²⁰⁴ Pinochet's government was criticized for its violation of human rights.²⁰⁵ Interestingly, the study shows that Pinochet's economic policies were regarded as leading the nation towards development.²⁰⁶ Thus, Chile's economic performance was no doubt helping to improve the country's poor reputation: as seen in previous sections, after two economic setbacks, the dictatorship's neo-liberal policies were working and elite business groups were acknowledging so. Although ProChile had not initiated proper international country image campaigns, its contribution to enhance exports was bearing fruit in terms of good reputation for Chile.

Once the 1982 crisis was over, two contrasting identities and images emerged in Chile, that of triumph and pride together with a sense of international rejection because of its dictatorial regime: while many Chileans were proud of their nation because of its economic performance, most of the world—as well as many nationals—loathed it because of its political system. In fact, although the image that was gaining strength in the country was that of achievement and a possible return to democracy, detractors all over the world considered this country to be one more among Latin America's chaotic and dictatorial nations. However, it is also true that Chile's economic performance was acknowledged at least among small political and financial international elites.²⁰⁷ Hence, the general improvement of the economic system was also a positive contribution to one aspect of the country's image. The military government took advantage of this situation by reinforcing commercial diplomacy with the world using ProChile's increasingly globalized network.²⁰⁸ Also, the government worked at building new commercial ties with the Asian nations, whose economies were on the rise in order to lessen its political isolation.²⁰⁹

Key in terms of a shift in Chile's international image was its return to democracy.²¹⁰ Nevertheless, as we shall see in Chapter 4, even this political change was not enough to reverse the negative connotations that Chile's name had acquired during the dic-

²⁰⁴ 'Oppositie in Chili Verbreekt Gesprek', *NRC Handelsblad*, 7 August 1973 and 'Weer Executies in Chili', *NRC Handelsblad*, 10 August 1973.

²⁰⁵ V. Stols, *op. cit.*, p. 108.

²⁰⁶ *Ibid.*

²⁰⁷ V. Stols, *op. cit.*, p. 21.

²⁰⁸ I. Witker (2005) 'La Política Exterior de Chile Frente a la Teoría de las Relaciones Internacionales. 1990-1999' in *Revista de Historia de Chile y América*. Santiago: Centro de Estudios Bicentenario 4(1), p. 53.

²⁰⁹ *Ibid.*

²¹⁰ V. Stols, *op. cit.*, p. 22.

tatorship: the transition to democracy was not always credible to the international community, even if the country's economic performance continued to be acknowledged.²¹¹ It was evident that Chilean diplomats had a considerable task ahead of them and that well-orchestrated international campaigns to promote Chile's international name were needed. During the 1990s Chile's Foreign Affairs Ministry gave considerable emphasis to economic diplomacy and launched commercial negotiations with several nations in order to establish free trade agreements and other business-related deals.²¹² The guiding principle behind this strategy was to take advantage of globalization and use diverse dimensions of soft power: communications, information, commerce and finance.²¹³ Probably the main campaign orchestrated in the first decade of Concertacionista governments was Chile's stand at Expo Seville 1992, which will be described in the next chapter. Although ProChile was not primarily responsible for this activity, it played an important role in its organization, thus contributing to build one of the ten most visited and original stands in the whole exhibition.²¹⁴

Also in 1992, ProChile launched for the first time different business-related campaigns around the world, which developed the same idea of commercial diplomacy. The organization had been operating through its international promotion offices based in several Chilean embassies around the globe, but the emphasis had been mostly on helping private business people to establish commercial links overseas. Thus, the promotion of Chile's good name had been indirect. Also in 1992, ProChile launched some research in different countries to determine what the world citizens knew about Chile or what image they had about this country. The results were quite discouraging. To begin with, several commercial divisions of the Chilean embassies around the world reported that, except for the business community, nobody had heard of the country. Thus, in Miami —a city with a strong Latino presence— people vaguely associated Chile with wine and grapes.²¹⁵ As for the city of New York, the study established that its dwellers linked Chile to Mexico.²¹⁶ In Europe, Chile's image was either diffuse or

²¹¹ 'Aylwin sluit vervolging van Pinochet niet uit', *NRC Handelsblad*, 16 December 1989.

²¹² *XXX Aniversario de ProChile. Discurso del Ministro de Relaciones Exteriores de Chile*. Santiago, 1 December 2004. Santiago: ProChile.

²¹³ I. Witker, *op. cit.*, p. 62.

²¹⁴ Informativo de ProChile, April 2010 in http://www.prochile.cl/newsletters/2010/04_expo_shanghai.html

²¹⁵ Proyecto Imagen Corporativa para Chile (1992) Ministerio de Relaciones Exteriores, Dirección General de Relaciones Económicas and Dirección de Promoción de Exportaciones. Biblioteca Histórica de ProChile, p. 4.

²¹⁶ *Ibid.*

negative. Thus, Chile was hardly known in Sweden and —when remembered— it was associated with underdevelopment. At the same time some of the people interviewed did acknowledge its recent economic success.²¹⁷ As for the Netherlands, Chile's national image was definitely negative: it was considered to be a poor country, associated with plagues, crime, drugs and violation of human rights.²¹⁸

Given these discouraging findings, ProChile launched in 1993 an initial country image campaign, targeting the United States, Chile's main commercial partner at the time. It consisted mainly of advertisements in newspapers and journals such as *The Wall Street Journal*, *International Business*, *Harvard Business Review*, and specialized magazines like *Bon Appetite* and *Gourmet*.²¹⁹ The targeted public was an ABC1 elite cluster, and the aim was to convince them to try Chile's delicious and prime quality salmon, wine, fruit and pasta. In addition, the advertisements promoted tourism in Chile, Chilean software, and Chilean stock traded at the New York's Stock Exchange. In 1994 the budget for Chile's international promotion increased and in 1995 two new countries were added to the campaign, Great Britain and Spain, whose citizens had shown some knowledge about Chile.²²⁰

Aiming at the promotion of national products, this time the campaign also tried to give Chile a stronger international underpinning, so that it could stand on firmer ground in the event of a political or economic crisis. In fact, the 1989 grape crisis²²¹ showed that Chile did not amount to much on American soil, had few friends, no lobby and no strength—all of these facts that increased its vulnerability. This could not be reverted by ads in the press intended for the general public. So this time promotional brochures with information on Chile's public affairs, democratic regime, etc., were sent to journalists and congress representatives and others.²²² Alongside this, the European operation focused on the organization of 'Chilean rallies' such as

²¹⁷ *Proyecto Imagen Corporativa para Chile, op. cit.*, p. 5.

²¹⁸ *Ibid.*

²¹⁹ A. Cárcamo and M. Riveros, *op. cit.*, p. 160.

²²⁰ A. Cárcamo and M. Riveros, *op. cit.*, p. 162.

²²¹ In March 1989, an anonymous caller phoned the American Embassy in Chile and announced that fruit shipped to the United States had been injected with cyanide. The FDA urged small groceries and the public to throw away any Chilean fruit that they had, and impounded 2 million crates of fruit nationwide. Between 20,000 and 50,000 Chileans lost their jobs as a result of the closure of the American markets. The allegedly cyanide-contaminated grapes were harmless and the rest of the fruit was not contaminated.

²²² A. Cárcamo and M. Riveros, *op. cit.*, pp. 159 and 161.

cultural weeks organized by the embassies, photography shows to display the beauty of the national landscape, or food and wine tasting events. 'The idea was to establish a positive link between Chile's name and some characteristics of products and services related to that name'.²²³

The results of this initial international branding drive were quite satisfactory. The assessment carried out by ProChile showed that 45 per cent of the groups of Americans surveyed in the cities of New York, Washington, Boston and Philadelphia knew about Chile, although the names of Brazil, Mexico and Argentina rang a louder bell.²²⁴ The best known element about Chile was its agriculture and economic development as well as the opportunities to do business. Nevertheless, the quality of local produce was perceived as low.²²⁵ With all these relatively positive results, a new campaign was launched in 1995, this time including Singapore and Japan under the umbrella of a slogan, 'Chile, a good business partner'.²²⁶ Besides, and for the first time, a visual logo was prepared, consisting of a bright sun shining on blue, red, green and white stars: blue for the sky and the Pacific Ocean, red for copper and natural resources, white for the snow crowning the Andes and green for the forests and woods.²²⁷

In 1997, i.e. two years after the 1995 campaign, ProChile carried out a second international survey as to find out what people from several countries knew about Chile or what image they had of the country. We must remember that the same initiative had taken place in 1992 —with negative results— and that ProChile had launched promotion campaigns in 1993 and 1995. The results of 1997 survey were almost as discouraging as those of 1992, despite ProChile's expectations of improvement: Chile had gone back to democracy, its economy was performing very well and, worst of all, the organization had ran two country image campaigns apparently to no avail. For instance, a 1997 report showed that Miami dwellers associated Chile with Mexico and citizens of the Netherlands still related the country to poverty, crime, drug traffic and human rights violation. The British happened to have a more positive vision of Chile: they associated it with lovely—but non-existent—Caribbean beaches. On the positive side, however, the readers of papers such as *The Times* and

²²³ Interview with Jorge Lavados, director of ProChile in *Revista Comercio Exterior*, Agosto 1994, pp. 5-7.

²²⁴ A. Cárcamo and M. Riveros, *op. cit.*, p. 164.

²²⁵ Chilean Ministry of Foreign Affairs (1995) *Una Política Exterior para el Desarrollo de Chile*.

²²⁶ *Forbes Magazine*, 16 November 1998.

²²⁷ A. Cárcamo and M. Riveros, *op. cit.*, p. 175.

The Financial Times — definitely an elite group — had some idea of Chile's economic accomplishments. The Spanish were some of the few Europeans able to tell Chile from other Latin American nations, although they expressed — as well as the German respondents — that this country was way too far to be of any 'use' or interest to them. The French thought Chile was as poor as Haiti except, once again, for an elite entrepreneurial core, who knew it was doing quite well in its economic development.²²⁸ Referring to the seemingly useless nation-branding efforts carried out by ProChile, Jack Leslie, a branding world expert, declared that Chile had never invested enough money to promote a strong country image, and that although it has organized a not insignificant number of events, the efforts have lacked continuity.²²⁹

In my view, the role played by ProChile since its creation in 1974 up to now has been relevant in all matters related to Chilean exports. As for the efforts to foster a positive country image, they were quite positive during Pinochet's era, as the commercial diplomacy deployed during those years was one of the few tools that Chile had to show an image that did not identify this nation with the dictatorship and human rights violations. Nevertheless, it is my opinion that once democracy was regained, the nation-branding effort should have been assigned to a different association, and should have focused on branding Chile with a holistic outlook, going beyond commerce and trade related propaganda — an issue that I shall come back to in Chapters 4, 5 and 6. I also think that ProChile should have focused on doing what it does best: promoting exports among medium and small scale entrepreneurs and promoting Chile as a niche brand. This is what the organization is doing at present, but it should have started doing so some fifteen years ago.

An example of what, in my opinion, ProChile should concentrate on in terms of branding Chile from a commercial perspective has to do with organic food. In fact, experts say that Chile should bet on becoming a member of the 'exclusive club' of wholesome, organic and healthy food producers and exporters, benefiting from its geographic isolation. In fact,

²²⁸ ProChile (1997) *Informe sobre la Campaña de Posicionamiento Económico y Comercial*. Santiago: Pro-Chile.

²²⁹ 'La Mayoría de los Estadounidenses no Saben Dónde Queda Chile', *El Mercurio*, 2 November 2006.

with the Pacific Ocean stretching the whole country's length to the west, the towering Andes Mountains to the east, the Antarctica territory to the south and the Atacama Desert to the north, Chile is naturally protected from the parasites and diseases that plague most other farming regions of the world. Thus, Chilean farmers use significantly less agrochemicals than most food producing regions in the world.²³⁰

Since it is free from most of the world's pests and diseases, Chile could very well become a haven for bio-security just like New Zealand, Australia and South Africa.²³¹ Thus, as centuries have gone by, what was often perceived as a factor that hindered Chile's contact with the world (as seen in Chapter 2), the nation's isolating geography has become a plus in economic terms. Leveraging on what has become a natural advantage, Chile needs good public policies aimed at this sector and heavy investment for the promotion of this angle of its country brand. New Zealand's '100% Pure New Zealand' is considered a masterpiece as a of nation brand publicity tagline. By contrast, Chile's 'Chile: All Ways Surprising', the last slogan devised by ProChile, proved quite negative.²³² Also, whereas Chile spent US\$ 8 million during 2008 to promote that slogan all over the world, Australians wines alone spent US\$ 50 million promoting themselves in American supermarkets.²³³ Lots more needs to be done if Chile wants to brandish the elite 'business card' as a wholesome, safe and clean food producer. ProChile has done much to position the country in the minds of international consumers and business people. But, as shall be seen in the following chapters, it has not been enough.

Concluding Remarks

In this chapter I explored the introduction of neo-liberalism in Chile from the mid-1970s onwards. It meant a real break with twentieth century construction of a state-centred society with its bureaucratic order, dominant and politicised corporative

²³⁰ 'Facts About the Chilean Food Industry and Specialty Food Industry' in <http://www.prochile.us/flavors/fast-facts-about-chilean-food-industry-specialty-food-exports?page=show>

²³¹ 'Chile es un País que Sorprende' in <http://www.prochile.cl/coquimbo/noticias.php?item=00000005447>

²³² Juan Gabriel Valdés S., (Minister of Foreign Affairs, June 1999 to March 2000. Executive Director *Fundación Imagen de Chile*) interview on 10 December 2008.

²³³ 'Los Hitos de las Tres Últimas Décadas. Cómo se Gestó la Revolución Agrícola Chilena', *El Mercurio*, 23 July 2007.

factions and a regulated market that tended to protect the national industry to the detriment of foreign trade. I started with a description of how neo-liberalism arrived in Chile via the young economists nicknamed 'Chicago Boys' and then I described how they gained prominence within the military dictatorship. Their economic leadership marked the start of a period of great economic dynamism that filled Chileans with hopes of soon becoming a developed nation. Nevertheless, the 1982 crisis shattered those expectations and led the military regime to go back on some of its liberal policies. However, although the Latin American nations that had started a liberal-oriented reform process retraced their steps, Chile did not.

Indeed, from 1985 on a new phase of the liberal economic period began, with a blend of orthodoxy and pragmatism that paved the way for years of realistic economic growth. By 1990, when the military dictatorship left power, Chile felt the effects of a revolutionary economic and social transformation which, nonetheless, has not reached everyone even now. Neo-liberalism allowed the country to be 'exported' in several ways by fostering Chile's participation in international trade, enhancing an export-led economy and projecting the image of a dynamic and developing nation. In the last section of the chapter I tried to probe deeper into those concepts, by exploring the contradictory images of a successful nation whose citizens started acquiring new identity traits, and a world that kept looking at Chile mainly as a political outcast. ProChile was created to help shift such image and foster sales overseas. While Chapters 1 and 2 showed some examples of spontaneous and non-technical branding of Chile, this one described ProChile's professional efforts for the country to be better known abroad. Although this organization contributed to improve the image of the country and helped to establish an economic diplomacy system, it is my view that another organization should have taken over the task. In fact, time and events have shown that despite ProChile's role in promoting Chile during Pinochet's tenure, it definitely was not able to do it once democracy was regained. A more holistic and politically oriented organization was called for.

During the time period that I have addressed in this chapter, Chile became a sort of world laboratory where economic liberalism in its monetarist strand was tested. A theory that goes beyond the field of economics, it inspired devotion among the economists trained at the University of Chicago who, despite their young age, managed to be entrusted with the economic direction of the country. I conclude that the tenacity of the Chicago Boys in spreading their views through the mass media and universities and their ability to produce a pragmatic version of their ideas, were central to the penetration of neo-liberal views in Chile. I also think that the same pragmatism

led Pinochet's economic team to abandon some doctrinal phases that they deemed unfit for the country and to innovate in other best suited aspects. Chapter 3 also deals with the Chileans' self-perception of exceptionality. Although holding strong beliefs about belonging to an exceptional nation that is quite different from the rest of Latin America, these views were based on the success and stability of Chile's institutions rather than on its economy. I suggest that neo-liberalism has endowed this nation with a system that has taken it close to development. Pinochet's dictatorship also contributed in this sense: despite the violation of human rights and civil liberties, it was constructive in terms of inserting Chile in the global economy. Also the fact that a plebiscite was held and that Pinochet admitted his defeat, made it clear that his had not been just another Latin American authoritarian regime.

While Chapter 3 addressed the first relevant fracture accounting for what Chile has become by the Bicentennial, in Chapter 4 I will go on to tackle a second vital historical rupture that also characterizes what Chile has become in the 2010s. In fact, the coming chapter will deal with the beginning of the post-authoritarian regime, the development of the political transition and the following Concertacionista governments. As done in previous chapters, I also analyse Chile's social changes, its identity shifts and the transformation of its national image.