The Chilean neoliberal state: origins, evolution, and contestation, 1973–2020

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The Chilean Neoliberal State

Origins, Evolution, and Contestation, 1973–2020

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Chile can be regarded as the birthplace and main bastion of neoliberalism in Latin America. It all started in April 1975 when Pinochet's minister of economic affairs, Sergio de Castro, publicly announced the application of a radical plan to liberalize the Chilean economy. This marked the beginning of what with the passing of time has become known as the Chilean neoliberal model. Many of the profound economic, social, political, and institutional changes introduced during the seventeen years of military rule will be inspired by neoliberal principles.

By adopting free-market economics, Chile abruptly abandoned the state-led industrialization strategy that since the early 1930s had constituted the keystone of the Chilean developmental state.[1] In retrospective, it can be stated that since 1975 neoliberalism has radically reshaped Chilean society. The changes generated by the application of market-oriented policies have been so profound that many scholars have argued that Chile has experienced a veritable 'neoliberal revolution'.[2]

This chapter explores the main features of the Chilean neoliberal model since its inauguration in the mid-1970s. My aim is to provide an explanation for the remarkable longevity, relative strength, and substantial degree of support the neoliberal model was able to generate until very recently among key actors in society. Particular attention is given to the origins of neoliberalism in Chile in order to establish the military rulers' motives to abandon the long-existing developmental state and replace it by a radical neoliberal formula. This chapter also pays attention to the continuity of the neoliberal model following the democratic restoration in 1990. It explores a series of political factors and

[1] Silva, 'The Chilean Developmental State'.
[2] Vergara, *Auge y caída*; Collier and Sater, *A History of Chile*; Gárate, *La revolución capitalista*.

considerations that persuaded the new democratic authorities to maintain the inherited neoliberal economic model.

The final aim of this chapter is to assess several expressions of social and political contestation the neoliberal model faced during the Concertación era (1990–2010) and in more recent years. The demand to abandon the neoliberal model in Chile has not only come from radical social movements and the extra-parliamentary left. Also, within the Concertación governmental coalition (1990–2010) some voices expressed from the start their uneasiness with the continuation of the neoliberal policies following democratic restoration in 1990. So, during the twenty years of the Concertación era, neoliberalism was hegemonic but did not remain uncontested.

The Concertación's dramatic electoral defeat in 2010 against the Right-wing presidential candidate Sebastián Piñera fueled even further the anti-neoliberal voices within this center-left alliance. This resulted in the adoption of a new name, the New Majority, and the inclusion of the Communist party and other radical groups into the conglomerate.

In 2014, the New Majority coalition brought Michelle Bachelet for the second time to power, now defending a marked anti-neoliberal agenda. The New Majority government, however, showed poor political and economic performance and proved unable to build up a credible alternative to neoliberalism. In the end, this brought many Chileans to reject Bachelet's eclectic reformist policies.[3] This rejection was expressed in the reelection in 2018 of Sebastián Piñera and the subsequent restoration of the neoliberal agenda.

This chapter ends with a brief reference to the profound political crisis Chile has been confronting since October 18, 2019. That day, the streets of Santiago and other major cities experimented violent protests and riots, demanding the end of neoliberalism in the country. By the passing of weeks and months, the protests did radicalize even further, acquiring an increasingly insurrectionary character. The protestors demanded Piñera's immediate abdication and the elimination of the main pillars of neoliberalism, including the 1980 Constitution and the private pension system. However, the outbreak in Chile of the Corona pandemic in March 2020 brought the unceasing wave of protests to a sudden standstill, as Chileans were compelled to remain at home. However, all seems to indicate that as soon as the corona emergency comes to an end, the anti-neoliberal protests in the country will probably reemerge.

2.1 THE CHILEAN ROAD TO NEOLIBERALISM

Neoliberalism in Chile shows a quite different starting point, trajectory, and outcome than what can be observed in the rest of Latin America. To begin with, the Chilean neoliberal model constitutes one of the single cases in the

[3] Brunner, *Nueva Mayoría*; Walker, *La Nueva Mayoría*.

region that has been relatively successful in transforming and modernizing the economy and society at large.[4] In addition to this, after forty-five years, neoliberalism continues to rule the key aspects of the Chilean economic system and society. This is in strong contrast with the situation in the rest of Latin America where for the last fifteen years neoliberalism has been successfully challenged by a series of 'pink tide' governments.[5] In Chile, neoliberalism has only been seriously threatened following the October 2019 protests.

Chile also avoided the experience of the 'double transition' that took place in other Latin American countries during the 1980s. Those countries faced the monumental task to simultaneously accomplish a transition from authoritarian rule to democracy and to replace their state-led developmental model with a market-oriented economic strategy. In Chile, the establishment and consolidation of neoliberalism had previously occurred under the Pinochet regime. Hence, when Chile recuperated democracy in 1990, many of the most painful neoliberal reforms were already implemented and consolidated. In addition to this, the new democratic authorities inherited an economy which was in a relatively good shape.[6] This advantageous situation did certainly facilitate the process of democratic restoration and consolidation in the country.

Chile was not only the first Latin American country in adopting clear-cut neoliberal policies but it also preceded most other countries in the world. So, for instance, Thatcherism in the United Kingdom and Reaganomics in the United States only took shape in the early 1980s. It was also in the 1980s that international financial institutions started conditioning their loans to Latin American countries to the application of market-oriented economic reforms. In this way, in the Chilean case, the actions of external actors seem to have been less relevant in explaining the adoption of neoliberal policies than in the rest of Latin America. So contrary to what has been stated by some scholars,[7] neoliberalism in Chile was not in my view the result of a foreign 'imposition', as it certainly may have been the case in other Latin American countries. The local roots of the decision to break with the former pattern of development constitutes are in my opinion an important factor in explaining the legitimacy of the Chilean neoliberal model and the identification with it by local Right-wing sectors and entrepreneurial groups. Hence, it is not unreasonable that the Chicago boys – the group of technocrats who designed and implemented the neoliberal agenda – proudly considered themselves as the true creators and architects of the Chilean neoliberal model.[8]

The adoption of neoliberalism in Chile has been rather the result of the severity of the economic crisis inhered by the Allende government, and of

[4] Martínez and Díaz, *Chile: The Great Transformation*.
[5] Silva, *Challenging Neoliberalism*; Flores-Macía, *After Neoliberalism?*.
[6] Larraín, 'The Economic Challenges', 301.
[7] See Klein, *Shock Treatment*.
[8] Büchi, *La Transformación económica de Chile*.

the political lessons taken by the Chilean right from the Unidad Popular (UP) experience. In this way, the 'UP factor' is fundamental for understanding the radical and orthodox nature of Chilean neoliberalism and the decision of important actors of the elite to support the model whatever the costs.[9] Indeed, following the coup, the Right-wing sectors and the entrepreneurial groups were willing to accept and support the application of a severe 'shock treatment' as proposed by the Chicago boys. They did this, even at the price of sacrificing part of their short-term interests.[10] They regarded neoliberalism not only as the right way to confront the economic crisis but also to regenerate the Chilean economy. In their view, it primarily represented a guarantee to discard a possible comeback of state-based socialist formulas in the future. Indeed, the neoliberal model aimed to eliminate the structural conditions which in the past had made possible the ascendancy of the left and the popular sectors, which culminated in the experience of the Unidad Popular.[11]

Another distinctive feature of Chilean neoliberalism is that, in contrast to what occurred in other countries in the region, neoliberalism in that country did not exclusively restrict itself to the liberalization and privatization of the economy. During the Pinochet regime, neoliberalism eventually evolved into an all-embracing hegemonic ideology with strong political and doctrinarian components. Moreover, the neoliberal postulates were able to deeply penetrate the social, political, legal, institutional, and even cultural domains. With the passing of time, the Chicago boys became the organic intellectuals of the military regime, legitimating the applicability of the neoliberal principles to practically all aspects of Chilean society.[12] The indisputable hegemony obtained by neoliberalism in Chile culminated in the adoption of the 1980 Constitution. This legal chart incorporated the most important neoliberal tenets concerning the role of the state, the guarantee for private property, and the emphasis on the individual.[13]

But what certainly constitutes one of the most remarkable aspects of Chilean neoliberalism is that it managed to survive the end of the Pinochet regime. Indeed, following democratic restoration in 1990, the newly elected authorities decided to continue with the application of the inherited neoliberal economic model. This was not only the result of the fact that, in general, the Chilean neoliberal model had undeniably provided economic prosperity and financial stability. Also, political considerations related to the existing balance of power

[9] Stepan, 'State Power'; Remmer, 1989.
[10] Huneeus, *The Pinochet Regime*.
[11] Silva, *The State & Capital in Chile*, 123.
[12] Vergara, *Auge y caída*, 159; Arriagada, *Por la Razón o la Fuerza*, 80.
[13] That constitution was officially named 'the Constitution of Liberty', in honor of Fredrich Hayek, after his homologous book published in 1960. In that book he describes the characteristics that, according to him, a constitution has to possess in order to preserve liberal values and individual freedom.

in the country and the need to guarantee high levels of governability were crucial factors for the adoption of that decision.[14]

The Concertación governments (1990–2010) though proved not to be simple administrators of neoliberalism in the country. During the years, the four Concertación administrations introduced important modifications to the economic model, particularly by implementing a huge package of social programs. This resulted in a successful reduction of the levels of poverty in the country. In this respect, following democratic restoration, Chile was a pioneer in applying the so-called neo-structuralist approach. This was expressed in the hybrid combination of some neoliberal goals (such as keeping low inflation, financial stability, and high levels of economic growth) with structuralist postulates. The latter included the existence of an active role of the state in the implementation of solid and well-financed social schemes.[15] This combination of neoliberal and social democratic goals in the economic and social domains, respectively, became fully reflected in Concertación's maxim 'Growth with Equity'.

The maintenance of the neoliberal economic model under democratic rule, however, generated permanent criticism from Left-wing sectors. They particularly stressed its illegitimate, authoritarian origin, and its inability to eradicate the huge social inequalities in the country.[16] But anti-neoliberal voices could be found within the ruling Concertación coalition as well. There was indeed a sector that felt extremely uncomfortable with the fact that the neoliberal rationale was still dominant in determining the general orientations of the Chilean economy and society at large. Following the end of the twenty years of Concertación rule in 2010, the anti-neoliberal forces, which cohabitated in this former governmental coalition, felt themselves finally liberated to openly express their condemnation of neoliberalism. This resulted in an open demand for the adoption of a more state-led developmental path. In addition to this, neoliberalism also began to face contestation in the form of massive street protests. This is particularly the case of the emergence of a radical student movement since 2006. The students' protests were initially mainly directed against the marketization of education and the dominance of the principle of profit-making in practically all spheres of public life. Since 2011 this discontent evolved into an open rejection of neoliberalism in general. Many of the students' demands counted on the explicit support of the most Left-wing sectors of the parties conforming the former Concertación coalition. In 2014 emerged the New Majority, a radicalized version of the former Concertación coalition (now including the Communist Party), which incorporated most of the students' demands. This new coalition succeeded in bringing Michele Bachelet back into power. During her second four-year term (2014–2018), she introduced several major economic, legal, and institutional reforms. They aimed

[14] Boeninger, *Democracia en Chile*.
[15] Ffrench-Davis, *Entre el neoliberalismo y el crecimiento*.
[16] Moulian, *Chile actual*.

at strengthening the role of the state and reducing the role of the market, in order to initiate the breakdown of the neoliberal order in Chile. In the end, however, the New Majority government failed in its attempt to redirect the country into a non-neoliberal direction. The second Bachelet government was also affected by continuous internal conflicts and contradictions within the coalition and her inability to maintain the rates of high economic growth of the previous years.[17] The Chilean electorate punished the New Majority coalition and its attempt to terminate neoliberalism in the country. Former Right-wing President Sebastián Piñera was reelected and continued with the application of the neoliberal model.

2.2 THE ORIGINS OF NEOLIBERALISM IN CHILE

Most Latin American countries only became familiar with neoliberalism after the emergence in the early 1980s of the 'Washington Consensus' and its crusade to promote free-market reforms across the region. In contrast, the presence in Chile of monetarist and neoliberal-oriented policies can be traced back to the early 1950s. It is important to pay attention to those previous experiences with market economics as they are closely connected to the later adoption of the neoliberal model by the military regime in the early 1970s.

The quest for adopting a market-oriented economy in Chile in the 1950s and 1960s was launched by sectors that were discontent with what they considered the poor performance of the Chilean developmental state. The latter was originated in the late 1920s and represented Chile's main economic engine until the 1973 military takeover. This developmental strategy was based on state-led industrialization and the expansion of state institutions in charge of promoting economic growth and social development in the country.[18] Following World War II, the Chilean economy experienced increasing levels of inflation and severe financial constraints. This was partly a result of the continuous expansion of the state apparatus and public investments. In the early 1950s, numerous voices began to demand the adoption of anti-inflationary measures, the reduction of the state bureaucracy, and the application of market-oriented policies to stimulate the economy.[19] During the second government of Carlos Ibáñez (1952–1958), a series of policies were adopted in that direction as the economic situation continued to deteriorate. In the last two years of his government, Ibáñez decided to put into action a rather orthodox monetarist anti-inflationary program, following the advice of the Klein-Saks mission, an American consulting firm. In the end, Ibáñez was forced to abandon his pro-market policies as the application of

[17] Brunner, *Nueva Mayoría*; Molina, *Michelle Bachelet*; Walker, *La Nueva Mayoría*.
[18] See Silva, 'The Chilean Developmental State'.
[19] Sierra, *Tres Ensayos*.

this program generated growing criticism and widespread protests from the union movement and the Left-wing parties.[20]

In 1958, Jorge Alessandri, a liberal engineer with technocratic credentials, became President of Chile. Like his predecessor, Alessandri attempted to abandon the state-led pattern of development, by announcing a gradual liberalization of the economy. His aim was to catapult the private sector as the main agent of economic development in the country. Alessandri also dismissed a large group of professionals working at state agencies and public companies, who became replaced by a new generation of managers coming from the private sector. Because of his open pro-business and technocratic orientation, and because of the radical character of his program, the Alessandri government soon become known as the 'managerial revolution'. Nevertheless, and despite his open call to the Chilean entrepreneurial class to assume a pivotal position in the country's development, the latter did not really embrace Alessandri's plans.[21] At the end of the day, the entrepreneurial elite had become accustomed to the financial and technical support provided by the developmental state. Hence, at that time, they were not disposed to accept the risks associated with the adoption of free market economics.[22] As Petras pointed out, 'the Chilean industrialists are not the free-wheeling, risk-taking adventures of Schumpeterian frame: they prefer to take subsidies from the state and seek its protection exploiting a limited internal market'.[23] Like it happened under Ibáñez, also Alessandri was finally forced to abandon his technocratic pro-market experiment as the unions and the Left-wing parties strongly resisted his austerity measures and his attempt to put an end to the developmental state.

It is important to stress here that not only Right-wing sectors seriously questioned the developmental state. Also, representatives of the left severely criticized in the 1950s and early 1960s the ability of the Chilean state to solve the main problems affecting the country. Even the Christian Democrats, representing the moderate political center, began since the late 1950s to argue that Chilean economy and society found themselves in a 'structural crisis', requiring the application of profound transformations.[24]

The genesis of the Chicago boys also finds its roots in the 1950s. In 1956, the Department of Economics of the University of Chicago signed a cooperation agreement with the Catholic University of Santiago, allowing among other things the exchange of staff members and students. This was a conscious attempt to counteract the solid hegemony exerted by Keynesian ideas and the UN Economic Commission for Latin America (ECLA) on Chilean economists, by also exposing them to the monetarist vision. Between 1955 and 1963, a

[20] Sunkel, 'El fracaso de las políticas de estabilización'.
[21] Cavarozzi, *Los sótanos de la democracia*.
[22] Moulian, 'Los frentes populares'.
[23] Petras, *Political and Social Forces*, 66.
[24] Ahumada, *En vez de la miseria*.

total of thirty young economists, graduated at the Catholic University, made use of grants to obtain a master or a PhD degree in economics at the University of Chicago.[25] Many of them will later be part of the Chicago boys, in charge of the economic policies of the military regime. Following their return to Chile in the early 1960s, most of them became assistant professors at the Department of Economics at the Catholic University. They used the lecture rooms to spread the main neoliberal tenets of market economics and their message about the need to eliminate state interventionism in Chilean economy. However, outside the university walls, the future Chicago boys were not very influential at that time, as state interventionism and social reformism dominated the political agenda in Chile.[26]

Many Chicago boys also participated in the formulation of the economic program of the Right-wing candidate Jorge Alessandri during the presidential election of 1970. That program contained many proposals and ideas which will be later implemented during the military government. Alessandri finally lost the election to Salvador Allende, by a small number of votes. After the two frustrated attempts to apply free-markets policies in the 1950s, and following the electoral defeat of Alessandri in 1970, many supporters of neoliberalism came to the conclusion that the application of such a radical economic strategy would be almost impossible under democratic conditions.[27]

Since the late 1930s until 1970, the Chilean developmental state had created a large number of agencies and public enterprises in all areas of the economy. However, only after the installation of the Unidad Popular government, the expansion of state interventionism really reached its zenith. During the Allende years, the UP government expropriated a large number of companies, banks, and farms. As a result of this, the Chilean state took control of the largest part of the economic activities in the country.[28] In the end, the Allende government proved unable to solve a series of severe problems resulting from its economic policies and its confrontational political styles, such as hyper-inflation and the poor management of the expropriated firms. As a result of the economic crisis, Chileans suffered of dramatic shortages of food and of all kinds of consumer goods.[29] This turbulent period of Chilean political history was characterized by increasing political polarization and confrontation between government and opposition. The increasing deterioration of the economic situation and the exacerbation of the political conflict led to a situation cataloged by Hirschman as a 'ideological inflation'.[30] In the final stage of the Unidad Popular government, the Left-wing parties frenetically attempted to make of Chile at any cost

[25] Valdés, *Pinochet's Economists*.
[26] Délano and Translaviña, *La herencia de los Chicago Boys*; Silva, *In the Name of Reason*.
[27] O'Brien, 'The New Leviathan', 39.
[28] Silva, 'The Chilean Developmental State'.
[29] De Vylder, *Allende's Chile*.
[30] Hirschman, 1979.

a socialist society. With the same token, the Right-wing opposition did not discard any means to put an end to the Allende administration, including a military coup.[31]

During the Unidad Popular government, the future Chicago boys started in total secrecy with the elaboration of an alternative economic program which was intended to be carried out after the expected military coup against Allende. This extensive document was nicknamed 'the brick' due to its heaviness. Previous to September 1973, this program circulated among a restricted group of Right-wing entrepreneurial and political leaders, as well as among some liaison officials within the armed forces.[32]

Between the military coup of September 1973 and the early days of 1975, it was still not clear how long the military were planning to stay in power, nor the kind of developmental strategy the Pinochet government was going to finally adopt. This was the result of the existence of two main options which will keep the armed forces and their Right-wing followers divided for a while. On the one hand, the so-called 'restorative' option was present from the very first moment following the coup. According to this perspective, the military coup was carried out to restore the rule of law and the old Chilean democracy, which resulted severely damaged by the Allende government. This implied that the military government only represented a temporal solution to normalize the political and civil life in the country and to return power to (non-Left-wing) politicians.[33] On the other hand, however, the most radical Right-wing sectors and the hardliners within the Armed Forces defended the so-called 'refoundational' option. In their view, the military junta had to make use of this unique historic opportunity to stay in power for a long period of time if necessary. They esteemed that a long authoritarian period was needed to deeply reshape the political, economic, and even cultural bases of the country in order to eradicate forever the traditional presence and influence exerted by the left.[34]

Following the military coup, the military government searched for its own solutions to face the consequences of the deep economic and financial crisis, inherited from the Allende administration. As Eduardo Silva summarizes, the Chilean economy was hit at that moment by 'hyper-inflation, lack of investments, low foreign exchange reserves, declining export earnings, and general economic disorder in the wake of Unidad Popular's failed attempt at socialist transformation'.[35]

[31] Valenzuela, *The Breakdown of Democratic Regimes*; Sigmund, *The Overthrow of Allende*.
[32] Fontaine, *Los Economistas*; De Castro, *'El Ladrillo.'*
[33] This 'restorative' goal was already stated in the first edict emitted by the military junta on the day of the coup: 'The Armed Forces and the Police are united to initiate the historic and responsible mission to (…) restore order and the institutional framework' [in memoriachilena.cl].
[34] Garretón, '1970–1973'.
[35] Silva, *The State & Capital in Chile*, 97.

As Foxley points out, in the beginning, the economic authorities of the military government choose a gradual approach in introducing changes in the functioning of the economy by means of deregulation. The idea was to gradually restore the market mechanisms in an economy which was until that moment extremely regulated by the state. This gradual approach included measures such as the liberation of prices, the devaluation of the national currency, and the reduction of the public sector deficit by reducing public expenditures and increasing taxes.[36] The military regime also initiated the restitution to their former owners of many firms and landed states that had been expropriated by the Allende government, in the cases that the courts of law had qualified those expropriations as being illegal. Also in the initial period the influence of 'developmentalism' within the Chilean armed forces was not totally neutralized, as some more moderate Generals still supported the idea of a strong presence of the state and the existence of social policies directed to the poor.[37] This was expressed in the decision to keep the state control on the nationalized copper mines and to redistribute part of the confiscated land during the land reform in private smallholdings among part of the peasantry.

In the first year after the coup, the Chicago boys only occupied secondary positions within the state agencies engaged with the economic policies. Their radical ideas generated rejection in moderate circles and within certain sectors of the armed forces.[38] However, their relative influence began to grow when the policies of gradual economic reforms did not produce the expected results. The economic and financial situation of the country became even worse as a result of the enormous increase in oil prices and the sharp reduction in the country's export revenues in 1974. In early 1975, the Chicago boys mobilized all their resources in an attempt to convince the military government that the time had come to adopt radical economic solutions. So, in March 1975, the neoliberal think tank Fundación de Estudios Económicos invited the well-known US economist Milton Friedman to a conference on economic issues. Friedman had personally known many of the Chilean Chicago boys during their study at the University of Chicago. His visit to Chile was used as a powerful show of support for the Chicago boys and their call for adopting an orthodox neoliberal economic model. His visit became not unnoticed as he met several authorities, including Pinochet, all amidst huge media coverage.[39] The fact is that a month after his visit, the leader of the Chicago boys, Sergio de Castro, became an economy minister. De Castro was successful in finally convincing the government that there was no other alternative than to radically reconvert the Chilean economy according to the laws of the market. Following his appointment, de Castro announced in a television speech the decision to

[36] Foxley, 'The Neoconservative Economic Experiment', 17–23.
[37] Gárate, *La revolución capitalista de Chile*, 194.
[38] Valdés, *Pinochet's Economists*.
[39] Oppenheim, *Politics in Chile*, 111.

start with the application of an orthodox program of economic liberalization, a 'shock treatment', based on neoliberal free-market principles. This marked the beginning of the neoliberal era in Chile. As the following section shows, the continuous expansion of the neoliberal ideology in Chile will eventually result in the constitution of a veritable neoliberal state. Indeed, the neoliberal principles succeeded in penetrating the nation's economic, social, political, institutional, and cultural spheres.

2.3 PINOCHET, THE CHICAGO BOYS, AND THE CONSTRUCTION OF A NEOLIBERAL STATE

The ascendance of the Chicago boys and the implementation of the neoliberal agenda went hand in hand with the consolidation of Pinochet's personal rule within the military junta. Although at the beginning Pinochet's leading position was one of *primus inter pares* vis-à-vis the representatives of the Navy, the Air Force, and the Police, he soon deployed a power strategy to consolidate his supremacy. In June 1974, he became Supreme Chief of the Nation and six months later, he proclaimed himself as President of the Republic. As Arriagada indicates, Pinochet used his position as Commander in Chief of the Army, the most important branch of the armed forces, to eclipse the power of the other members of the junta. He also centralized the security and intelligence forces in a single organization, the DINA, which became directly under his control and was utilized to strengthen his position within the armed forces. According to Arriagada, until the early 1980s, the Chicago boys became, together with the Army and the DINA, one of the most important pillars of support for Pinochet.[40]

Previous to the ascendancy of the neoliberal team, those in charge of the economic policies were almost entirely concerned with the direct consequences of the economic chaos left by the Unidad Popular. Also, their criticism of the condition of the Chilean economy in the past was mainly restricted to the former Unidad Popular experience. In contrast, the Chicago boys formulated a long-term critical assessment of Chile's economic policies, going back to the 1930s. In their view, state interventionism during the developmental era resulted extremely harmful to the country, as it blocked Chile's great potential to accomplish rapid economic growth and increase social prosperity. Hence, the message was to put an end to the developmental state and to initiate the construction of a new developmental model, based on free-market economics.[41]

Previous to the application of their 'shock treatment', the Chicago boys warned the population that the first years would not be easy as the reconversion of the economy would imply a series of deep measures. And indeed, in the

[40] Arriagada, *Pinochet*, 19–20.
[41] De Castro, *'El Ladrillo,'* 12.

years 1975 and 1976, Chile experienced a severe recession. However, from 1978 onwards, the Chilean economy began to experience an unprecedented boom. In the period 1978–1981, inflation was reduced to a historical low level, while the fiscal deficit disappeared, the balance of payments showed a growing surplus, and the export sector expanded very fast. The relative success of the neoliberal policies not only potentiated the power and influence of the Chicago boys within the government but also the relative legitimacy of Pinochet's rule. He was very conscious of the fact that the consolidation of his personal leadership depended on an important degree on his ability to obtain a good economic performance and financial stability.[42]

The achievement of economic growth and access to foreign loans also stimulated enthusiasm among the Chilean economic elite with the new pattern of development. Moreover, the process of privatization of state companies started by the Chicago boys also benefited the large economic and financial conglomerates, which obtained control of a series of enterprises at low prices and mainly financed by external credits.[43]

Three important factors facilitated the application of the neoliberal model in Chile. To begin with, the Chicago boys counted on the resolute support of Pinochet, whose authority was not questioned by the rest of the armed forces. So, despite the initial reticence shown in certain military circles toward the application of the neoliberal project, in the end, the strict verticality in the chain of command was decisive to subordinate the military corps to the new economic model.[44] Secondly, both the political right and the entrepreneurial class exhibited impressive support to Pinochet and the government of the armed forces. This was the direct result of the intensity of the threat they experienced during the Unidad Popular government.[45] Indeed, nowhere in Latin America did the social and economic elite feel so threatened as in Chile. During the Unidad Popular, they faced a threat 'from above' (the Allende government) and a menace 'from below' (the radical masses demanding expropriation of their assets and the instauration of socialism). Thus, Pinochet was regarded by the Chilean elite as a great patriot and savior who liberated Chile from communism. He also received, from the very first moment until his death (and even beyond), the elite's enthusiastic support and loyalty.[46] And last but not least, the Chicago boys possessed a very strong "sprit de corps" and unity. They propagated, as a cohesive group, a coherent diagnosis of the problems

[42] Huneeus, *The Pinochet Regime*, 140, 162.
[43] Mönckeberg, *El saqueo de los grupos económicos*.
[44] Arriagada, *Pinochet*; Garretón, *The Chilean Political Process*.
[45] Stepan, 'State Power'.
[46] This became manifest during Pinochet's arrest in London in 1998–2000. Both the Chilean right and the entrepreneurial elite financed his stay and his lawyers in London. They also visit him on a regular basis to express him their total support. Even today the figure of Pinochet generates a broad support within several rightwing circles.

affecting the economy and presented a complete plan about how to deal with each of them.

The Chicago boys stressed time and again the alleged 'apolitical' nature of their economic policies. According to them, their policies were strictly based on scientific principles and were only directed to guarantee the good functioning of the economy. Pinochet certainly welcomed the scholarly and technocratic tone adopted by the economic team. This alleged apoliticism was congenial with his own purpose to depoliticize Chilean society and eliminate doctrinarian elements in the discussion about how to foster economic growth. Pinochet also saw the political and strategic benefices of the deindustrialization of the country, as proposed by the Chicago boys, as this represented in his view an important blow to Marxism and the labor unions.[47]

At the zenith of their hegemonic position, the Chicago boys announced what they called 'the seven modernizations', involving a series of profound reforms intended to introduce the neoliberal rationale in several strategic policy fields. The seven modernizations included the introduction of a new labor legislation, the transformation of the social security system, the municipalization of education, the privatization of heath care, the internationalization of agriculture, the transformation of the judiciary system, and the decentralization and regionalization of the government administration.[48]

As stated before, the role played by the Chicago boys was not restricted to administrate the economic policies. They also played a pivotal role in the attempt to legitimate the authoritarian regime of Pinochet. Moreover, the Chicago boys disseminated political and doctrinarian neoliberal ideas (coming from Hayek, Friedman, and other neoliberal thinkers) against communism and collectivism in general. The 1980 Constitution adopted by the Pinochet regime is almost enterally written from a neoliberal worldview.

Making use of Hayek's ideas, the Chicago boys stated that most Western democracies, including the old Chilean one, were in fact pseudo-democracies, as they were controlled by political parties, labor unions, and other power groups. According to them, the introduction of a neoliberal system based on what they considered general and impartial rules, will be able to put an end to the constant pressure exerted by sectoral interests on the state. In addition, they defended the neoliberal tenet that the achievement of economic liberty represented a precondition for the existence of political liberty and real democracy. Moreover, the existence of the authoritarian regime was presented as a *conditio sine qua non* to be able to introduce and consolidate a free market economy. However, they foresaw that once the new economic system achieved maturity, the prolongation of the authoritarian rule was going to be unnecessary and restoration of democratic rule in Chile would be possible.[49]

[47] Silva, *The State & Capital in Chile*, 123.
[48] Baño, 1982.
[49] Vergara, *Auge y caída*, 89–106.

One important instrument used by the Chicago boys to provide some degree of legitimacy to the neoliberal model was mass consumerism. The opening of the Chilean economy to foreign imports allowed many Chileans, for the first time, to acquire desirable foreign consumer goods, from clothes to television sets, from perfumes to cars. The massive import of consumer goods was made possible with the subsequent expansion of credits for consumption. This represented a byproduct of the privatization of the banks and the authorization of foreign banks to operate in the country. The broad presence of foreign goods in the country created a general sensation of welfare and that Chile had been integrated into the dominant Western lifestyle. Not only the rich but also the middle classes participated in this consumeristic festival. Also, the popular masses acquired access to cheap foreign products coming mainly from China and other Asian countries.[50]

The hegemony of the Chicago boys would eventually come to an end as a result of a sudden and profound economic crisis in 1981, which shook severely (but not destroyed) the entire basis of the neoliberal structures. The crisis led to the bankruptcy of several financial and industrial conglomerates, a radical fall in production, and an unprecedented rate of unemployment. Pinochet was forced to dismiss the Chicago boys, including his minister of finance Sergio de Castro. He replaced them by military men who began to apply more pragmatic economic policies to reactivate the economy.[51] After a couple of years, the Chilean economy recovered from the crisis. After a while, Pinochet started again to appoint a series of neoliberal economists, closely associated with the Chicago boys, in key positions in his government. In other words, neoliberalism as such managed to survive the crisis.

However, the economic crisis had changed the political scenario for good. The economic turbulences generated, for the first time since the 1973 coup, a huge wave of street demonstrations against the military regime. A large number of people demanded the end of the dictatorship and the restoration of democracy in the country. Pinochet appointed Sergio Onofre Jarpa as interior minister. This experimented Right-wing politician started conversations with leaders of the democratic opposition forces as a way to deradicalize the protests and to win time to deal with the new political scenario. It is interesting to note that the protests were not mainly directed against the neoliberal economic model but primarily again the dictatorship; the main objective was clearly the recovery of democratic freedom and the reign of the rule of law.

Not only the regime but also the leaders of the democratic parties were concerned with the radicalization of the street protests against the dictatorship. The democratic leaders were afraid that if the radicalization continued, a

[50] Silva, 'Modernization, Consumerism and Politics'.
[51] Silva, *The State & Capital in Chile*, 173–213.

scenario of political polarization, similar to the situation previous to the 1973 coup, could emerge. If that occurred, the chances to come closer to a political solution and put an end to the dictatorship by peaceful means, would evaporate. So, the leaders of the main democratic opposition parties consciously decided to demobilize the masses and to conduct directly, at a top level, negotiations with certain civil politicians within the military government.

Another factor which facilitated the establishment of bridges between the democratic opposition and the regime were a series of research institutes founded by the democratic opposition to monitor the policies applied by the military regime. These think tanks were mainly financed by donations coming from western countries. The idea was to support the democratic intelligentsia in those difficult years and help to formulate possible policy alternatives for the eventual restoration of democracy in the future. As political parties were prohibited, these think tanks were careful in not adopting a too obvious oppositional stance, preferring to make sophisticated academic studies on the policies implemented by the Chicago boys. Their papers and books were written in a rather technical style, making use of heavy scholarly jargon. Paradoxically, the professionals working in those research institutes also adopted with the passing of time a technocratic style, very similar to the one characteristic of the Chicago boys. These technocrats from the opposition also gained increasing prestige and power within the political forces against Pinochet, helping to moderate their agendas and to diminish the confrontational tone vis-à-vis the military regime.[52]

In retrospective, the peaceful nature of the Chilean democratic transition was paradoxically facilitated by the existence of the plebiscite mechanism, introduced in the 1980 Constitution. It was established that eight years after the adoption of the new constitution, a general plebiscite would take place in which the population should decide, in a yes-or-no option, if they wanted another eight years of military rule. If the no option won, general elections should take place within twelve months after the referendum. This was exactly what happened: the no option became victorious and within a year general election took place, marking the return of democratic rule in the country. Between the October 1988 Plebiscite and the installation of the Aylwin government in March 1990, frenetic negotiations took place between representatives of the military government and the future democratic authorities. One of the major fears of the supporters of the military regime was the possible dismantlement of the neoliberal economic model by the future democratic government. However, the future Concertación authorities did not even contemplate the idea to radically modify the neoliberal economic policies introduced by the military regime.[53]

[52] Puryear, *Thinking Politics*.
[53] Tulchin and Varas, *From Dictatorship to Democracy*.

2.4 THE SOCIAL-DEMOCRATIZATION OF NEOLIBERALISM, 1990–2010

The decision by the Aylwin administration to maintain the main components of the neoliberal economic model following democratic restoration in 1990 was the result of multiple factors, which were certainly not circumscribed to strict economic considerations.

In my view, perhaps the most important factor in producing this outcome was not even related to the Pinochet government and the Chicago boys, as one could have expected, but to the experience of Allende's Unidad Popular in the early 1970s.

Following the coup, a series of books and essays of former leaders of the Allende government were published in exile, in which they attempted to find explanations for the dramatic debacle of their socialist experiment.[54] In the beginning, the analysis was extremely ideologized and biased: time and again both the CIA and the national bourgeoisie were indicated as the sole responsible for the abrupt termination of the Unidad Popular experience. However, with the passing of time, the Unidad Popular's own responsibility in the 1973 debacle became integrated into the assessments[55] The important point to stress here is that those reassessments were particularly critical about the economic policies followed by the Unidad Popular. In their view, the inability shown by the Allende government to manage the economy and to avoid the emergence of serious issues (such as hyperinflation, food and consumer goods shortages, huge fiscal deficit, and so forth), constituted, if not the sole responsible element, a crucial factor in producing its fall. The recognition that the UP economic policies were a failure would have important consequences for the traditional economic thinking within the Chilean democratic left. The previous existing conviction that a state-based economic strategy, the nationalization of enterprises and banks, the expropriation of farms, the control of prices, etc., was the right thing to do, gradually disappeared among most leaders of the Chilean democratic left, following the Allende experience and the coup. That is the reason why, at the end of the Pinochet dictatorship, no serious leader of the democratic left proposed or defended the idea to replace Pinochet's neoliberalism by an economic model similar to what was implemented during the Unidad Popular.

The same evolution can be seen within the democratic left with respect to the neoliberal model implemented by the military regime. At the beginning, most of the leaders of the Chilean left in exile were convinced that the neoliberal model introduced by the Chicago boys was economically inviable. They enthusiastically made predictions about the collapse of the model, as they expected it could occur in a few years. Contrary to this, the neoliberal model

[54] See Altamirano, *Dialéctica de una derrota*.
[55] See Garretón, '1970–1973', 252ff.

not only survived the crisis of 1975 and 1981 but even outlived the authoritarian government after 1990. By the late 1970s, many economists from the opposition finally began to recognize the viability of the neoliberal strategy followed by Pinochet, as most economic indicators showed undeniable good results. Although they correctly stressed the enormous social costs of these economic achievements, they also began to realize the importance of having a sound economy in the years ahead. After the expected restoration of democratic rule in the near future, Chile was going to require constant economic growth to obtain the needed resources to improve the living standards of the popular masses.[56]

The decision to maintain the neoliberal model following democratic restoration was in my view also linked to the experience of exile. Following the coup, thousands of Chileans abandoned the country, becoming disseminated around the globe. Most of the former UP leaders lived a long exile in countries of Western and Eastern Europe. That experience was decisive for the increasing 'social democratization' of the democratic left, known as the 'renovation process'. On the one hand, many Chilean refugees consciously decided to live in a Communist country in Eastern Europe. They got by this a personal experience of the dark sides of 'real socialism'. They became disenchanted with those countries due to the lack of freedom, the repression of dissidents, and the bad shape of their economies. Already in the late 1970s, many of them moved toward Western European countries, escaping from those societies they had so much admired in the past.

On the other hand, many leaders who lived in Western European countries became increasingly impressed by the accomplishments of social democracy in the establishment of welfare states. They were particularly impressed by the social democrats' moderation and their ability to reach compromises and consensus with opposite political forces. Many Chilean Left-wing leaders saw with their own eyes that it was possible to have progressive labor legislation and relatively good living standards for the popular sectors under capitalism. At the end, many of them finally rejected the Leninist postulates and explicitly renounced the old goal to build up a (proletarian) dictatorship. At the same time, they expressed their unequivocal support for democratic rule.[57]

But what perhaps became the most decisive factor among the opposition forces in the decision to maintain the neoliberal model had to do in my view with their great concern in guaranteeing governability and political stability following democratic restoration.[58] The new democratic authorities had to show their ability to maintain economic growth and financial stability in the country, as many Chileans feared that economic chaos could be one of the possible unintended consequences of democratic restoration. That is the reason

[56] Tulchin and Varas, *From Dictatorship to Democracy*.
[57] See Arrate, *La fuerza democrática*.
[58] Boeninger, *Democracia en Chile*.

why President Aylwin consciously empowered his economic team, led by his minister of finance Alejandro Foxley, in an attempt to ensure the achievement of economic success under democracy. As Oppenheim pointed out, 'Chileans were extremely sensitive to situations that they thought might recreate previous crises. For example, many Chileans associated inflation and economic dislocation with the Allende government: consequently, the Aylwin government made the day-to-day management and stability of the economy a major priority'.[59] Also, the trauma of 1973 and the failure of Allende's economic policies were extremely present in the minds and memories of the leaders of the democratic leftist parties participating in the Concertación coalition. Many of them had actively participated in the Allende government and considered its debacle also as a kind of personal failure. This personal commitment in guaranteeing the success of the new Chilean democracy is expressed in the following words of the socialist leader Enrique Correa. He was the minister secretary general of the government and key articulator of general agreements between the government and the Right-wing opposition during the Aylwin administration: 'we have made many concessions, but it is thanks to this that we have built the kind of democracy we have today. (…) we have constructed a political and social order which will be very stable. And the contributions of the Socialists will remain related to that success, in the same way we remain related to the failure of the early 1970s. The Socialists of the future shall be the inheritors of that success, and not of the failure of the past'.[60]

Also, international factors concerning experiences coming from neighboring countries convinced the Concertación authorities not to change the neoliberal economic model. As Chile became the last country in South America in recuperating democracy (1990), the Chilean democratic forces had the chance to witness the calamitous results of the economic policies followed in Peru, Argentina, and Brazil following their transitions earlier in the 1980s. That sad and worrying spectacle in the region finished to convince many within the Concertación coalition that Chile had to avoid any experimentation in economic policies after the reestablishment of democracy in the country.

Last but not least, the maintenance of the neoliberal model was also a consequence of the existing political balance of power between the center-left forces in government and the Right-wing forces in opposition. The 1980 Constitution, still in force after 1990, made possible an over-representation of the right in the Senate. This was a result of the so-called *senadores designados*, members of the Senate designated by constitutional stipulation, including former military commanders, and former top officials of the authoritarian regime. Moreover, the existence of a binominal electoral system, also introduced by Pinochet, favored the Right-wing parties, as they obtained in each electoral district half

[59] Oppenheim, *Politics in Chile*, 212.
[60] Interview, *El Mercurio*, February 2, 1992.

of the seats in dispute, even in places where the center-left forces had obtained nearly 2/3 of the vote. In this manner, the Concertación governments faced a Parliament in which the Right-wing forces were heavily (over)represented. This forced the Concertación governments to seek for agreements with the opposition in order to be able to introduce new legislation and implement a series of social reforms. The result was a climate of relative cooperation between the Concertación governments and the Right-wing opposition which became known as the 'politics of agreements' (*política de acuerdos*). This attitude of both sides was critical to guarantee the climate of strong political stability and consensus which dominated most of the twenty years of Concertación rule in Chile. As Tulchin and Varas correctly indicated 'after seventeen years of military dictatorship, Chilean political leaders all across the political spectrum began to put an end to a long tradition of bitter confrontations, and slowly to value more and more democratic stability through compromise. (…) The trauma of the military coup and its long and bloody aftermath were powerful incentives for all political sectors not to recreate the same conditions that produced the breakdown of democracy'.[61]

In retrospective, it can be stated that the Concertación governments of the period 1990–2010 were extremely successful in both political and economic terms. On the political front, they consolidated a climate of political stability and consensus-seeking among the major political forces in the country. In the economic realm, Chile experienced during the Concertación years very good results in terms of economic growth, increasing expansion of trade, foreign investments, and sound management of the finances (including very low inflation, almost no fiscal deficit, and other achievements). But what is even more important, the Concertación government dramatically reduced the levels of poverty in the country, going from almost 40 percent in 1990 to 12 percent of the population in 2010.

Although the new democratic authorities eliminated the most controversial features of neoliberalism in the country, the maintenance of a free-market economy remained a contested issue among certain sectors of the left that were part of the governmental coalition. Pinochet's paternity of the neoliberal system represents a key factor to understand the constant resistance neoliberalism has experienced among that sector within the Concertación forces. This is despite the good performance of the country's economy and the functioning of state institutions since democratic restoration in 1990. So, in fact, 'two souls' cohabited within the Concertación. On one hand, the Concertación had been drawn up by a Social Democratic oriented sector, which aspired to gradual and moderate changes in the country's political and institutional structures. This was the so-called 'self-complacent' sector (*autocomplacientes*) that tacitly supported the economic model inherited from Pinochet and favored the use of

[61] Tulchin and Varas, *From Dictatorship to Democracy*, 4.

technocratic public policies to combat social problems. On the other hand, a very influential Left-wing minority always felt uncomfortable with these neoliberal policies. This was the so-called 'self-flagellating' sector (*autoflagelantes*), which demanded a more predominant role for the state and greater levels of citizen participation.[62] The struggle between both sectors intensified during the first Bachelet's government (2006–2010), to the extent that different social movements began to burst forcefully onto the political scene, supporting the 'self- flagellating' thesis.

The struggle between the so-called 'two souls' within the Concertación visibly weakened the internal cohesion of Bachelet's administration. Moreover, her administration did not manage to reduce the political effervescence of the social movements that regularly took to the streets in protest against the neoliberal model. The 'self-flagellating' sector expressed its support for the social movements' demands. At the same time, this sector started an open attack on the powerful group of technocrats in charge of economic policies, led by the minister of finance, Andrés Velasco. These technocrats were accused of not paying attention to the demands coming from civil society, as they consistently resisted the pressures to substantially increase public expenditures as was demanded during street protests.[63]

During the Concertación years, a series of publications coming from the academic world severely criticized the continuation of neoliberal policies. One of the most influential was the book *Present-day Chile: Anatomy of a Myth* by Tomás Moulian.[64] In this book, the Concertación is severely criticized and accused of not daring to take distance from neoliberalism. That book became a bestseller and went through several editions in a short period of time. In addition to this, the UN agency UNDP published a report entitled *The paradox of modernization*.[65] This study argues that despite the economic and social achievements of the Concertación, there was a growing discomfort among the population with this particular type of neoliberal modernization. This document, as well as subsequent PNUD publications on this topic, became extremely influential among the Left-wing leaders within the Concertación.

The electoral victory of the Right-wing candidate Sebastián Piñera in 2010 showed, however, that the assessment done by the self-flagellating sector about the discontent in Chilean society with neoliberalism did not fully correspond to reality. According to Peña, the emergence of relative discontent is natural in countries like Chile, experiencing a very vast transition toward modernity. However, this cannot be automatically interpreted as an expression of rejection of the neoliberal economic system by the Chilean population. For Peña, when present-day Chileans are discontent with the system is when the system

[62] Brunner and Moulian, *Brunner vs Moulian*.
[63] Silva, 2008.
[64] Moulian, *Chile actual*.
[65] UNDP, 1998.

does not observe its own rules of game. So for instance, when conglomerates collude among themselves to fix prices or when someone obtains a prestigious job because of his social connections and not on the basis of merit.[66]

Following the electoral defeat of the Concertación, the self-flagellating forces took control of the conglomerate, radicalizing their positions and adopting a tough and non-cooperative attitude against the Piñera government. This occurred despite the fact that the Right-wing government conducted policies very similar (and most times identical) to those of the Concertación era, including the continuation of a broad scale of social programs directed to the popular sectors.

After Piñera's installation, a kind of total symbiosis took place in the opposition between the self-flagellating forces and the radical social movements. From 2011 onwards, Piñera had to deal with a fierce student movement that used the struggle against profits made by private universities as their main weapon. The students took aim at the commercialization of university education, cataloged by Piñera as a 'consumer good'. Even though current legislation prevented profit-making, many private universities made large amounts of money for their owners by demanding high registration fees and through real estate speculation. The students demanded free education and an improvement in its quality. Student protests continued throughout Piñera's administration, posing an increasing threat to both his government's legitimacy and the neoliberal economic model.[67]

2.5 THE NEW MAJORITY AND ITS FAILED ASSAULT ON NEOLIBERALISM, 2014–2018

During the first Piñera government (2010–2014), the political forces that had supported the old Concertación coalition were visibly in disarray. After their electoral defeat, the Concertación parties sank into mutual recriminations regarding each other's responsibility in the collapse of the Concertación coalition. After their defeat, the old struggle between radical and moderate sectors inside the alliance reached a peak, putting on an upsetting show for the electorate. In fact, at the end of March 2013, the Concertación still did not have an official presidential candidate to go up against the ruling Right-wing coalition. Michelle Bachelet, however, suddenly appeared, like a saving *deus ex machina*, to lead the debilitated center-left opposition. Bachelet had finished her previous administration with high rates of popularity and public approval. She had also wisely kept her distance from the Concertación's internal disputes, holding a

[66] Peña, *Lo que el dinero sí puede comprar*.

[67] For a specific study of political struggles around university reform and neoliberalism in Chile and Peru, see the chapter by Camacho and Dargent in this volume. For a detailed examination of the recent wave of social protests against neoliberal policies in Chile, see the chapter by Schild in this volume.

high-ranking function at the United Nations in New York. In the meantime, the more radical sectors of the Concertación had managed to gain political control of the conglomerate, disowning most of what had been done during their twenty years of government. Imbued with a strong 'refoundational spirit' and eager to change almost everything, they left the 'Concertación' behind once and for all, by renaming it 'New Majority'. As a sign of their turn to the left, the New Majority coalition included the Communist Party and representatives from the radical student movement. As a result of this political and ideological about-turn, the Christian Democrat Party, which represented the moderate sectors, was given a painful secondary role in the electoral coalition. In fact, with the exception of the Christian Democrats, the New Majority represented (in terms of the political forces included in the coalition) a kind of upgraded Unidad Popular.

The main foundation for the New Majority's government program, called 'Chile for All', was based on achieving greater equity in Chilean society. To do so – among other measures – profound reforms in education and in the tax system were proposed.

Following its electoral victory, the New Majority government immediately started with the proclamation of a long list of reforms. However, the self-confidence and legitimacy of the New Majority government became abruptly damaged in February 2015, following an article in the weekly magazine *Qué Pasa* in which Sebastián Dávalos, the son of President Bachelet, became linked to a questionable purchase of land.[68] This news did deeply shake the main foundations of Bachelet's government. The problem was that Dávalos was not only Bachelet's son but also he held public office in the government at the time, a position his mother had appointed him to. Namely, Dávalos was Director of the Presidency of the Republic's Sociocultural Department, in charge of a series of activities normally carried out by the First Lady. This case of traffic of influence (which became known as the Caval scandal) severally affected the popularity of Bachelet and hence of the New Majority government. Soon after this, another scandal emerged when following a judicial investigation, a situation came to light involving the illegal financing of political parties by the Chilean Chemical and Mining Society (SQM), run by Pinochet's former son-in-law, Julio Ponce Lerou. It became clear that SQM had financed not only Right-wing parties but also several parties that participated in the New Majority as well.[69]

In the final years of the first Piñera administration, most sectors of the former Concertación had adopted many of the slogans and goals defended by the student movement and the radical social movements in general. The ambitious reformist agenda of the New Majority strained government-opposition relations to the limit. Bachelet's government was characterized by its unwillingness

[68] Navia, 'Dirty money scandal'.
[69] Silva, *Public Probity and Corruption in Chile*, 221–223.

to compromise with Right-wing parties on its large-scale package of political, economic, and institutional reforms. Finally, the New Majority's ability to introduce radical reforms was seriously affected by the emergence of a series of cases of corruption that affected President Bachelet and some of the former Concertación parties.

Bachelet's second administration and her New Majority coalition constituted a radical break with the line followed by the previous Concertación governments. It was motivated by a 'refoundational logic' in a clear attempt to break not only with the economic and political legacy of the military government but also with the own legate of the Concertación era. The new coalition aimed to implement three fundamental reforms, which in fact were intended to hit the very heart of the neoliberal structures which had been constructed in the last thirty years. It included a tax reform, a reform of the education system, and a new Constitution.[70] In sharp contrast to the economic and fiscal policies followed by the Concertación, aimed to maintain high rates of economic growth and fiscal discipline, the New Majority administration paid almost no attention to the strengthening of the economy, while the deficit and the public debt grew as never before.[71]

During Bachelet's second government, the practice of looking for a compromise with the opposition, initiated in 1990, came to an abrupt end. As the name of the new coalition indicated, the new government had a majority in both chambers of parliament and it was decided to make use of it to implement a series of profound reforms in Chilean society. With this favorable correlation of forces, the New Majority decided to govern and implement its policy program without compromising with Right-wing parties. In addition, the New Majority's most radical sectors publicly expressed their intention to go beyond the original aims set out in the government program, having as their ultimate goal to put an end to the neoliberal system in Chile. This objective was fully reflected in the declarations of a prominent leader of the New Majority, senator Jaime Quintana, who claimed that 'we're not just going to steamroll everything, we're going to excavate everything, because we have to destroy the obsolete foundations of the dictatorship's neoliberal model'. These maximalist declarations had a profound impact on the Right-wing opposition, which saw in Quintana's words the real objective of the series of reforms announced by Bachelet. From then on, the center-right began to view the radical spirit of the New Majority as an attempt to revive some of the aims of Allende's Unidad Popular government of the early 1970s.

[70] The New Majority depicted the Constitution as an unacceptable heritage of the Pinochet years. This, despite the fact that in 2003 the Constitution had been profoundly revised. All the controversial and authoritarian components in the constitution were eliminated. This profound reform of the Constitution took place during the government of President Ricardo Lagos (a Socialist) in which Bachelet was minister of state.

[71] Walker, *La Nueva Mayoría*.

The New Majority also got the intellectual support of several scholars who wrote in 2013 about the imminent end of neoliberalism in Chile and the inevitability of its replacement by a new system based on universal social rights and new forms of citizen's participation. That was the case of the best-seller collective volume *The other Model: from the Neoliberal Order to a Public Regime*, written by a group of well-known public figures and scholars.[72] The study contains a veritable blueprint for an alternative developmental model in the fields of institutional reforms, public services, education, and others. The same year appeared the book *The Model's Collapse: The Crisis of the Market Economy in present-day Chile* by the sociologist Alberto Mayol.[73] This book presented an almost apocalyptic impression of Chilean neoliberalism, that according to the author, was witnessing its very last days.

The mismanagement that characterized Bachelet's second administration produced an increasing alienation from the middle classes who feared that the 'reformist fever' showed by the New Majority could result in a clear reduction of the levels of the general welfare of the country. The fears regarding another economic collapse (like in 1973) were reactivated by the New Majority itself by presenting the figure of Salvador Allende as a central source of inspiration. So for instance, Bachelet used very often a gigantic picture of Allende as background in her public presentations, with texts such as 'the Chilean people will fulfil your mandate'.

In practice, the desire among the New Majority leaders to get rid of neoliberal structures was several times stronger than their real ability to formulate and implement possible alternatives. The lack of internal consensus within the coalition also provoked a visible incoherence in the performances of ministers and other important figures who regularly made simultaneous declarations that contradicted each other. Also, new law proposals presented by the government were often severely criticized by members of the parliament who were part of the governmental coalition.

Particularly, the co-habitation between the Christian Democratic party (PDC) and the Communist party within the New Majority governmental coalition proved to be very tense as both represented totally opposite visions about most of the issues under discussion. So while the PDC felt very proud about the accomplishment of the twenty years of Concertación rule, the Communist party had permanently criticized the Concertación in the past and decided to eradicate any memory of it within the Chilean left.[74]

In the end, many supporters of the PDC abandoned the party. They felt that there was no room for moderate positions within a governmental coalition that had adopted a too militant and intransigent position. The New Majority, which initially considered itself the natural successor of the Concertación

[72] Atria et al., *El otro modelo*.
[73] Mayol, *El derrumbe del modelo*.
[74] Walker, *La Nueva Mayoría*.

coalition, aimed to rule the country for a very long time. However, it did not manage to remain in power following Bachelet's presidential period. The defeat of the New Majority coalition became extra painful as a Right-wing coalition won the 2017 presidential elections. In March 2018, Bachelet handed over the presidential baton to Sebastián Piñera.

During his second administration, Piñera initially focused on the reactivation of the Chilean economy, following the very poor performance of the New Majority government in this field. After their electoral defeat, the parties of the New Majority coalition become extremely divided, missing a central figure who could keep the conglomerate together. After finishing her term, Bachelet accepted a high position at the UN in Geneva, making clear that she was not intending to lead the New Majority coalition in the future.

In the months previous to the socio-political upheaval of October 18, 2019, nothing indicated that Chile was on the eve of the worst socio-political crisis the country has experienced since the breakdown of democracy in 1973. Only a week before that event, Piñera stated in an interview that Chile was like an oasis amidst a turbulent region. He stressed the relatively good performance of the economy and the political stability in the country and contrasted it with the complex scenario affecting the rest of Latin America. In the international arena, Piñera achieved a series of successes. In late August 2019, he participated at the G7 summit in Biarritz, as President Macron's guest of honor. This was a clear expression of the international prestige Chile and the country's economy enjoyed among Western leaders. Moreover, Chile was going to host two major and prestigious international summits before the end of the year. In mid-November, the Summit of the Asian-Pacific Economic Cooperation (APEC) was going to take place in Santiago. More than 7,000 delegates from twenty-seven Asian and (Latin) American countries were expected. Among those who had confirmed their presence were Vladimir Putin, Donald Trump, and Xi Yinping. In the beginning of December 2019, Chile was going to host for ten days the United Nations Climate Change Summit (COP25) for which more than 25,000 delegates from all over the world should be present.

But all of a sudden everything changed. On October 18, 2019, a slight rise (4 US$ cents) in the price of the Santiago subway immediately originated protest actions led by secondary school students who massively avoided to pay the subway. In a matter of hours, these protests evolved into a veritable general uprising that obtained the full support of the Left-wing political parties and a broad variety of social movements. Twenty subway stations were put on fire, and the other 41 stations became severely damaged. In the following days, weeks, and months, the protests persisted. In some cases, they were accompanied with violent riots and plundering of supermarkets, malls, drugstores, and all types of shops in the major cities of the country. The government responded with the use of force, deploying anti-disturb police and later military personnel in the streets of the main cities. The security forces were clearly overtaken by the massive nature of the protests and its persistence in time. Following

the October 18 uprising and the immediate deterioration of the political and security situation in the country, both international meetings were canceled. From October 18, 2019 until the beginning of the corona pandemic in Chile in March 2020, Chile has been in a state of continuous socio-political turbulence.

It is still too soon to identify clearly the main factors that caused the socio-political upheaval the country has been experiencing since October 2019. Some analysts and politicians point at the big social inequalities still existing in the country as the major catalysator of the socio-political explosion. Others stress Piñera's own responsibility in creating too high expectations among the population during the presidential elections that brought him back to power. During the electoral contest, Piñera had promised to recuperate the high levels of economic growth the country had experienced in the recent past. However, in the course of 2019, it had become clear that although the economy was showing clear improvements, the pace of the reactivation was far much lower than expected. Still, others see in the October upheaval a coordinated political action organized by the Communist Party, anarchist organizations, and a series of extreme leftist groups, to force the cancelation of the two world summits in Chile at the end of the year. Both events were seen by the Chilean Left-wing forces as the crowning of Piñera in the international arena and a proof of Chile's full involvement in a globalization process they openly condemned. In the same light, some accused Cuba and Venezuela to have been involved in the organization of the October 18 uprising and the subsequent riots. According to this view, this corresponded to a concerted action against Piñera after he took a leading position in Latin America in the condemnation of the Maduro regime and for openly supporting the Venezuelan opposition.[75]

Independently of the question concerning which factors were decisive in producing the socio-political upraising, what is clear is that the protesters have identified neoliberalism as responsible for the main problems affecting the country. Indeed, most of the slogans proclaimed by the multitudes on the street and most texts of the protest banners contained to demand to terminate with the neoliberal system in Chile.

The second Piñera administration confronted a Left-wing opposition that from the very beginning showed little disposition to reach agreements with the executive. Following the October 2019 upraising, the government-opposition relations reached a low critical point. Many leaders of the opposition rejected Piñera's invitations for direct talks about the crisis and possible ways to overcome it. However, the levels of violence and confrontation on the streets of the major cities began to reach explosive dimensions. At that point, many Chileans feared for a possible military intervention. At that critical moment, representatives of the right- and center-left political forces represented at the parliament reached a historical agreement on November 19, 2019. They agreed to deploy

[75] Peña and Silva, *Social Revolt in Chile*.

common efforts to reestablish social peace and public order, as well as to protect human rights and democratic institutions. They also agreed to call for a referendum to determine if the majority of the population support the idea of a new Constitution. The corona pandemic, however, forced the authorities to postpone the plebiscite for a later occasion.

Like in the rest of the world, the corona pandemic forced the Chilean state to take a very active role in trying to control the spread of the virus among the population and to deal with its social and economic consequences. This has resulted in a marked increase of state interventionism in all spheres of public and private spheres. The government has deployed a large battery of state support in the form of large subsidies, distribution of food packages, and other measures. Moreover, the government has provided full support to industrial initiatives to produce medical equipment and medicines which until now were acquired abroad. In other words, the new reality created by the pandemic has visibly reduced the freeway the market forces possessed in Chile until very recently. It is still not clear if this strengthening in the state presence will be a temporal phenomenon or will become a more permanent feature of the Chilean state in the post-pandemic era.

2.6 CONCLUSION

Chile possessed until October 2019 socio-political upraising one of the most dynamic and stable economies in Latin America. The country maintained that exceptional position for more than three decades. In the political and institutional domains, Chile represented until mid-2019 one of the most stable and successful democracies in the continent. Both the political stability and the good economic performance have dramatically evaporated since October 18, 2019.

The relatively good economic and political performance achieved since democratic restoration in 1990 was a combination of market-oriented economic policies and the existence of a moderate political class that managed to build up a general consensus around its 'growth with equity' formula. While conserving many aspects of the original economic model implanted by Pinochet, the Concertación administration introduced a series of important reforms to adequate the model to the goal of fighting poverty in the country.

Despite its relatively good performance since democratic restoration in 1990, the Chilean neoliberal model has been constantly questioned by Left-wing sectors that stress its illegitimate origin as it was born under an authoritarian and repressive regime. They also permanently criticized the full opening and internationalization of the Chilean economy, as this had allowed multinationals of all sorts and origins to exploit Chile's natural resources.

In retrospect, it seemed for a long time that the initial purpose of the military regime to eliminate state interventionism in the economic domain and to impede by this a future comeback of socialist-based formulas had been achieved. However, since the New Majority government (2014–2018) and

particularly following the social upheaval of October 2019, Chile has experienced an increasing shift toward a stronger presence of the state in both the social and economic realms.

If we look back at the twenty years of Concertación governments, it can be concluded that they were quite successful in terms of economic performance, political stability, and overall performance of the country. The credit for this achievement goes in first place to the Concertación authorities who showed a high level of political competence to adequately rule the country in a very crucial historical moment. But also the Right-wing opposition showed its good disposition, through a 'politics of agreements', to collaborate with the government and to introduce a series of important reforms. Both government and opposition shared the same interest in maintaining the good functioning of the economy and avoiding political and social turbulences which could jeopardize democratic consolidation. By continuing with the previous neoliberal policies, the Concertación governments unintentionally provided neoliberalism with an important degree of legitimation that it had lacked during the Pinochet years.

Still, the presence of neoliberalism created continuous tensions within the Concertación governments. Left-wing sectors within the coalition could not easily accept that the economic system inherited from Pinochet was not only alive but that it had been improved under democratic rule. In reality, during the Concertación governments, neoliberalism experienced a process of 'social-democratization', as an impressive battery of social policies and programs were implemented to support the popular sectors, which have been unparalleled in the rest of the Latin American region.

As long as the Concertación was in power, the fact of being part of the government restrained the dissident voices within the coalition to criticize too much the neoliberal course. However, when the Right-wing candidate Sebastián Piñera won the presidential elections in 2009, all the previous self-restraint among the anti-neoliberal forces within the Concertación disappeared. This resulted in the adoption of a very confrontational attitude toward the new Right-wing government. Since 2010, the former Concertación forces, with the exception of the Christian Democratic party, experimented an accelerated process of radicalization, adopting most of the slogans and demands coming from the student movement and other radical social organizations.

The only serious threat neoliberalism has met since democratic restoration took place during the New Majority government (2014–2018). This alliance elaborated a radical Left-wing agenda which included a marked expansion of the role of the state, in terms of establishing more public agencies and social programs as a way to guarantee universal social rights for the popular sectors. In addition, the New Majority aimed to increase state control of the private sector and the market, by means of new legislation. The second Bachelet government took a very intransigent attitude *vis-à-vis* the Right-wing oppositions and the business organizations. The idea was that the government had a program to carry out independently of the objections and criticism it could generate in the opposition.

By this, the New Majority government definitively abandoned the tradition of consultation and negotiation with the opposition, which had been established during the Concertación era. Having achieved a majority in both chambers of the parliament, the New Majority forces concluded that no negotiation was needed to implement a series of reforms. In reality, many of those projects did eventually not pass the acceptance of the parliament. This was the product of internal divisions among the parties of the New Majority, and particularly because of the increasing dissident voice of the Christian Democrats.

The attempt to introduce an enormous number of complex reforms in just four years often produced chaotic situations as ministries, state agencies and the parliament were unable to cope with so many issues at the same time. The result was a generalized administrative disorder that negatively affected the image and the popularity of the government. In the end, the New Majority not only failed in its attempt to dismantle the neoliberal state. It also put in evidence that the neoliberal system was much more powerful and resilient than the Bachelet government had previously expected.

The inability of the New Majority to win the 2017 presidential elections and the triumph of the Right-wing coalition headed by Sebastián Pinera were another political expression that the days of neoliberalism in Chile were not counted yet. The bad performance of the New Majority government convinced many Chileans that they better not bury neoliberalism until a better, more efficient, and realistic alternative was actually within reach.

No one can predict how and when the current socio-political crisis in Chile will conclude. Nor what the future of neoliberalism in Chile will be. It is quite plausible that many aspects of neoliberalism will remain relatively unchanged, such as the strong orientation of the Chilean economy to foreign markets and the constant influx of foreign investments. In other areas, however, the role of the state and the public sector has been markedly strengthened. This is the case in the social field in which the Chilean state has witnessed a huge expansion following the socio-political uprising and the corona pandemic. These two major events have unleashed a broad battery of vast social programs and a close involvement of state agencies in a series of social policies intended to reach the most vulnerable sectors in society.

What Chile is witnessing today is very probably not the end of neoliberalism in the country. The increasing role of the state in the social area is gradually transforming the neoliberal model toward a hybrid type of social market economy or Rhine capitalism. If this is the case, in the coming years, the Chilean free market capitalist system will evolve toward a sort of limited welfare state based on a gradual expansion of social rights among the population.

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