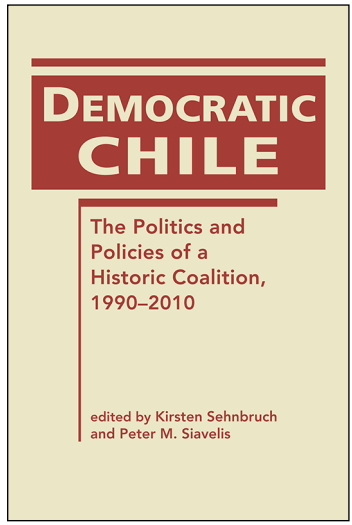
EXCERPTED FROM

Democratic Chile: The Politics and Policies of a Historic Coalition, 1990–2010

edited by
Kirsten Sehnbruch
and Peter M. Siavelis



ISBN: 978-1-58826-873-0 hc

1800 30th Street, Ste. 314
Boulder, CO 80301
USA
telephone 303.444.6684
fax 303.444.0824

Contents

1

Political and Economic Life Under the Rainbow

Kirsten Sehnbruch and Peter M. Siavelis

The eyes of visiting dignitaries fearfully cast toward the ceiling when a 6.9 magnitude earthquake shook Chile's national congress in Valparaíso just as outgoing president Michelle Bachelet passed the presidential sash to the newly elected Sebastián Piñera of the right-wing Coalition for Change. The quake was merely an aftershock from the 8.8 magnitude earthquake that had caused widespread devastation in the south of Chile only weeks before the presidential handover. But it prompted jokes of divine retribution: "God's wrath for having elected a right-wing government!" After all, the general consensus in the media and among most scholars was that the center-left-wing coalition, referred to as the Concertación, had governed Chile successfully for twenty years, between 1990 and 2010, and sometimes looked as though it would be in power indefinitely.

How did the Concertación maintain its power for twenty years? How did it preside over what is commonly referred to as a "model" of democratic transition and development in the region? How was it that the outgoing and extremely popular president Michelle Bachelet, who enjoyed an approval rating over 80 percent, could not pass on this popularity to her coalition's candidate? And how did this remarkable governing coalition finally fall to electoral defeat? These questions lead to some of the deeper issues we seek to analyze in this book. From its 1988 victory in a plebiscite on the continued rule of Pinochet onward, the Concertación competed in elections employing a rainbow as a symbol of the many parties it comprised. This rainbow also symbolized the beginning of a new period of hope after the long and violent storm of the Pinochet dictatorship. But what was life like for Chileans "under the rainbow"? How was Chile transformed politically, socially, and economically during the four Concertación govern-

ments that followed the return to democracy in 1990? How did the coalition maintain itself in power for twenty years? Is the Concertación indeed a political "model"? An economic model? Did it transform Chile for the better? In what ways were Concertación governments found wanting? These are the questions this book seeks to answer. In doing so, we will also uncover some of the reasons for the coalition's defeat.

The metanarrative of the Chilean success story is embedded in an ongoing, profoundly emotional and ideological debate. For his supporters, modern Chile was built by Pinochet, who set the country on a course of political moderation and economic success. For his opponents, modern Chile is a creation of the Concertación coalition, which ruled prudently with a consensus model of politics, successfully and creatively building upon the constraining economic model inherited from Pinochet. A closer examination reveals a much more complex story than either side tells. However, this story cannot be told without a deep and thoughtful analysis of the Concertación governments.

This book provides such an analysis. Modern Chile is a creation of neither of these narratives, but rather a synthesis of both. The Concertación was certainly successful, but it was not the unqualified success story that one finds in many accounts of the country's contemporary political and economic evolution. When President Bachelet, who headed the fourth Concertación government, handed over the presidential sash to the new president, Sebastián Piñera, this symbolic act was a historic moment that marked the end of an era: it symbolized the end of the term of Chile's first female president. The country inaugurated the first right-wing president democratically elected in fifty-two years. It constituted the first democratic and peaceful handover of power from one governing coalition to another since 1970. Finally, it concluded twenty years of rule by the Concertación, the lengthiest and most stable democratic coalition in Chilean, and perhaps Latin American, history.

In this book, we seek answers to theoretical questions as well: What does the Chilean case tell us about why political transitions succeed? What are the limitations of consensus models of transitions and what are their implications for democracy? What does the Chilean case tell us about the interplay between processes of economic and political reform? How does the country's development strategy inform us with regard to the optimal policies and strategies for reform within the context of such transitions?

In essence, to presage many of the arguments set out in this book the Concertación was simultaneously a victim of its own success and the author of its own demise—both with respect to its political and economic model. In political terms, the coalition crafted a model for democratic transition and governance that relied on elaborate forms of consensus building between political parties, between the government and opposition, and be-

tween political parties and powerful social groups. This model of consensus government is interpreted by most as the key to the success of the coalition in managing the inevitable conflicts and tensions that arise in the course of democratic transitions. We argue that this model became entrenched and difficult to change for a number of political and institutional reasons. At the same time, however, the continued reliance on transition politics over the long term led Chileans to believe that elitist politicians were engaged in a process of government by negotiation and horse trading rather than true representative democracy and that citizen input mattered little. Presidential and legislative candidates were named by elites, parliamentary lists assembled by negotiation, and, once in power, elites negotiated policies that maintained the integrity of the transition, but often failed to meet the needs of average Chileans. While to a certain extent elite domination was also historically the case in Chile (and has been the case in many other countries of the world), the extent of elite domination and the sheer extent of power concentrated in the hands of elites is what sets Chile apart from its historical experience and other countries. As a result of this failure to respond to legitimate citizen demands, political participation and levels of engagement and confidence in the democratic system have declined precipitously, and citizen discontent has spilled onto the streets.

We make a parallel argument regarding the economic and social policy sphere. Chile's development model is widely lauded as a potential blueprint for the rest of Latin America, given consistently high levels of growth and very successful economic management. For Pinochet supporters, analysis of this economic success usually includes a discussion of the much vaunted University of Chicago–trained economists inspired by Milton Friedman, who, at Pinochet's behest, transformed Chile's economy into a free market success story. For the Concertación, however, the neoliberal experiment may have begun in a ham-handed way under Pinochet, but its taming and its transformation into a successful economic policy occurred during the democratic governments that followed the dictatorship. As is often the case, a closer examination reveals a much more complex economic story than either side tells.

On the subjects of economic and social policy we contend, once again, that the Concertación was both a victim of its own success and instrumental in its own demise. By maintaining the broad outlines of the neoliberal economic model bequeathed by Pinochet, the Concertación kept powerful actors and veto players in the business community and on the Right at bay, ultimately assuring its ability to continue to govern the country and generate positive macroeconomic outcomes. However, Chile's positive economic growth has been of little comfort to those at the lower end of Chile's notoriously unequal socioeconomic ladder: Chile remains one of the most unequal countries in the world. Twenty years of consistent economic growth

have led to equally consistently declining absolute poverty rates, but they have also led to constantly increasing demands for consumption of goods and services among the poor that have outpaced their income growth rates.

Similar patterns emerge in the success story of Chile's social development: while health care services that can compete with the best in the world cater to the rich, the poor largely remain excluded from these private clinics. Similarly, Chile's privatized pension system replicates the inequalities generated by its labor market, with little redistribution between rich and poor. The education system is equally split between excellent standards for the rich and very low standards for the poor. Many Chileans sense a lack of social justice that fails to provide greater equity in the overall distribution of the country's wealth and access to opportunities. In essence, the twenty-year Concertación period has been dominated by the tensions of achieving social progress within the confines of an economy that still largely adheres to the principles laid out by a neoliberal dictatorship, which privatized social services as far as possible, reduced the size of the state, and limited its tax base. Thus, while the Concertación has been lauded for maintaining economic stability and growth, it is also continuously criticized for its lack of audacity in engaging in real reforms to the Pinochet model that could make Chile a more just and equitable society.

Whether we criticize or applaud the Concertación on its achievements largely depends on the perspective we take of Chile's development process. Very few countries in the world have successfully closed the "development gap" and raised the standard of living of their population to levels similar to those of industrialized countries. So far, no Latin American country has succeeded in this endeavor. In Latin America, Chile continues to stand out as a case of above-average economic, social, political, and institutional development, and must therefore be applauded as the region's success story. However, if we consider Chile's development record from the perspective of those countries that have successfully caught up with industrialized nations, we have to apply a more critical perspective. In particular, such an approach leads to the question of whether Chile has implemented the structural reforms necessary to achieve such a goal. This book discusses Chile's development process from these two perspectives, continually evaluating its absolute achievements (e.g., reduced poverty levels, expansion of health care and education) against the country's relative performance as compared to those countries that succeeded in bridging the gap between the status of "middle income" and "developed."

Four broad themes thus apply to all of the chapters in the book, and make for the volume's many theoretical contributions to more general literature on democratic transitions:

1. The delicacy of the democratic transition created restraints on the scope of political change and economic policy. Strong veto power of elements in the military and the Right created powerful limits on the potential for political change under the Pinochet-imposed 1980 constitution. Similarly powerful economic actors restricted the scope for significant economic and social policy reforms.
2. The economic and political models introduced by the Concertación were, indeed, the keys to the success of the transition and the "success" of the coalition, but they also created longer-term limits still felt today. In particular, and as developed fully by Siavelis in Chapter 2, certain entrenched norms and ways of doing politics eventually evolved into what he calls *transitional enclaves*. He builds on the work of Manuel Antonio Garretón (2003) who argued that certain *authoritarian enclaves* left over from Chile's authoritarian regime interfered with the optimal functioning of the democratic system. He argues that similar transitional enclaves have become entrenched and have limited the range of action and audacity of reforms. These include *el cuoteo* (the process of passing out positions based on partisan identification), elite control of candidate selection and electoral politics, party-dominated politics, elitist and extra-institutional policymaking, and the untouchability of the economic model inherited from the Pinochet government. We consider these enclaves to have deeply shaped the political, social, and economic development of Chile.
3. Crucially, toward the end of the Concertación governments the economic and political model of the transition *became the status quo* for both the governing coalition and the opposition—in effect freezing these enclaves, which have now become impediments to the realization of deeper economic reforms and a higher-quality democracy.
4. The challenge for the future of Chile and the Concertación is to leave behind the political and economic enclaves to devise a political model that is more legitimate, representative, and accountable, and an economic model that will allow the country to close its development gap.

In our book we analyze these tensions in three additional sections. Each author points to the relative success and failures of the Concertación, and how the constraints created by the democratic transition helped lead simultaneously to both success and limitations. Part 1 focuses on politics and policymaking and begins with an overview of the genesis and evolution of

the Concertación by Peter Siavelis in Chapter 2. This chapter traces the development of the Concertación as a political entity whose very nature is tied to the conditions of its birth. In particular, it analyzes the genesis of the Concertación as a product of the characteristics of the democratic transition. It outlines the mechanisms, both formal and informal, that allowed the coalition to govern with high levels of effectiveness and governability. The chapter then turns to the variables that led to the entrenchment of these mechanisms and how they eventually undermined the effectiveness and popularity of the coalition. This chapter is fundamental to understanding the rest of the book's argument, as it sets down and analyzes what we contend are the transitional enclaves to which our contributors so often refer.

The point of departure for Chapter 3 is that we cannot understand the development of the Concertación without an exploration of how it was shaped by its main opposition, the rightist Alianza. Patricio Navia and Ricardo Godoy's chapter traces the development of Chile's right-wing coalition that later became known as the Alianza from its defeat in the 1988 plebiscite to the 2010 election victory of Sebastián Piñera. The authors recount how at first, the coalition was divided between two sectors: those who sought to modernize and adapt to the new democratic rules, and those who advocated for the status quo and defended the remaining authoritarian enclaves of the 1980 constitution that allowed the Alianza to exercise veto power in key areas despite its minority electoral support. The 2009 presidential victory by Sebastián Piñera was the culmination of a process that timidly began after the 1988 plebiscite with the gradual convergence of the Right toward a more liberal democratic stance. However, the authors do note that the tensions between a more liberal and pro-democracy wing and a more conservative current emerge in areas other than the convenience of the protected democracy framework. In this sense, just as the Concertación's political strategy and policy orientation were shaped by the transitional enclaves, so too were the Right's.

Chapter 4 takes up the institutional enclaves of the democratic transition (and some authoritarian ones left over from the military regime first identified by Garretón [2003]). In particular, Claudio Fuentes examines the Chilean political dynamics related to constitutional reforms since 1989. He argues that the Chilean case is an outlier in Latin America as the constitution was promulgated during the military regime and political changes have been negotiated as opposed to undertaken by decree or by executive fiat. By analyzing the process of reform, the chapter proposes two main cycles: in the first cycle, between 1989 and 2005, politicians focused on transforming the balance of power between executive and legislative and eliminating the authoritarian enclaves; in the second cycle, after 2005, politicians broadened their political agenda to include social rights and topics of rep-

resentation. The chapter provides a detailed account of the dynamics of negotiations and suggests that informal mechanisms of bargaining by the executive were crucial to set the agenda and timing of the reforms. In line with the overall argument of this volume, Fuentes argues that given the political and institutional restrictions they faced, pro-reformer forces of the Concertación chose a gradual strategy that avoided social and political confrontations with the opposition along with an elite-led bargaining process. In essence, the Concertación initially accepted the institutional limits as a guarantee to prevent veto powers from removing them from office and then engaged in gradual reforms. As the political context changed and affected the existing balance of power, the pro–status quo forces of the Right engaged in constitutional reforms to retain some power in congress.

The military was one of the crucial veto players during the democratic transition, and one that was deemed the most dangerous. In Chapter 5, Gregory Weeks analyzes how Chilean civil-military relations changed considerably from the beginning to the end of the Concertación's twenty years in power. This chapter chronologically traces the development of the civil-military relationship from Patricio Aylwin to Michelle Bachelet, and argues that a combination of creation and destruction of specific laws and institutions has fostered stronger formal connections between the armed forces and the executive branch. Weeks argues that the Concertación was more successful in reforming political rather than economic aspects of civil-military relations, and that the military continues to wield important economic prerogatives and influence. At the same time, Weeks does note areas of weakness in civil-military relations, particularly with regard to intelligence oversight and legislative accountability. Though less than is the case in other areas, he argues that the practical effects of the transitional enclaves here made reform of the military slow, difficult, and plodding, and that the military's potential veto power was central to the development of the other transitional enclaves analyzed in the book.

Michelle Bachelet was one of the most, if not *the* most, popular Concertación presidents and the first woman not related to a powerful husband or father who was elected president of a Latin American country. However, her election was not necessarily an indication of progressive gender policies during the democratic transition. In Chapter 6, Liesl Haas and Merike Blofield argue that policy reform on these issues also revealed the limits of the possible, particularly when reform touched on any aspect of Catholic doctrine or required redistributive measures. They argue that the lack of reform exposed stark divisions within the Concertación as well as the limits imposed by the transition on the reach of reform. Using specific policy areas as illustrations, they analyze how the battle for gender equality policy within the Concertación exposed the ideological fault lines within the gov-

erning coalition, which had to balance the goals and platforms of individual parties with those of the coalition as a whole, while at the same time taking into account issues of the stability of democracy and consensus. They do note, however, that in the course of two decades of Concertación government, all the parties in the coalition strengthened their support for gender equality. They analyze the changing patterns of bill introduction as well as public opinion survey data to demonstrate parties' slow evolution on these issues, and how this slow evolution also reflects broad trends in Chilean society. Once again, the transitional enclaves set out here limited the scope and audacity of potential reforms in the gender arena.

Chile is still dealing with the legacy of terror and torture from its authoritarian past. In Chapter 7, Cath Collins provides an in-depth study of the struggle to obtain justice for human rights violations in Chile. She argues that public policy and political activity, with respect to dealing with the country's human rights legacy, display the kind of stability-oriented and risk-averse behaviors suggested by the transitional enclaves metaphor, perhaps more than any other area dealt with in this volume. She argues that the Concertación in essence allowed early constraints to permanently narrow its horizons thereby minimizing the reach of reform and the extent to which it would deal with the legacy of abuses. She contends that limited progress was made because presidents saw significant movement on the human rights agenda as politically unrewarding and too controversial. Collins shows how eventually the impetus for change came from below, which gradually supplanted elite resistance to change and culminated in a 2003 policy that expanded and built upon previous truth and reparations measures but stopped short of dealing with or providing restitution for private justice claims.

Part 2 of this volume discusses Chile's economic and social development under the Concertación. Though the transitional enclaves that shaped the policymaking arena are relevant here, the most important factor that limited socioeconomic progress was that the neoliberal economic model established by the military regime became a transitional enclave in its own right. Since the economic model was "untouchable," any structural reform that proposed fundamental change to its incentives, regulation, or fiscal mechanisms constituted an extremely difficult endeavor. In addition, though there is no separate chapter on inequality, the subject so clearly permeates every area in the socioeconomic realm that it is discussed by every author as a legacy of the military regime, and one that the Concertación has been least successful in confronting. In Chapter 8, Oscar Landerretche Moreno discusses the idea that Chile's development process constitutes a "model" that other less successful countries should copy from a critical perspective. He argues that if there is indeed a "Chilean model" that other countries should study, this model was shaped and developed by the Con-

certación, and not by the Pinochet dictatorship. This does not contradict what has been said up until now concerning the resistance of civilians to fundamentally alter the Pinochet economic model. Rather the argument is that democratic governments worked within the broad outlines of the model left from the previous regime, essentially optimizing economic performance within the constraints imposed upon them. Indeed, Landerretche argues that these legacies of the Pinochet regime and the resistance of civilians to deal with them constitute the major challenges facing Chile for the future in the economic and social policy realms: income distribution, labor market reforms, diversification of the country's export portfolio, the need for significant increases in spending on research and development and innovation policies, and the necessity of substantial improvements in productivity, vocational training, and educational performance. Furthermore, he argues that Chile's development model incorporates both evident strengths and important weaknesses, the combination of which has led to a significant increase of GDP per capita levels and improved social indicators, but not to a sufficiently diversified economy that can ensure continued high levels of growth over the long term, or to an improved income distribution structure.

These arguments are echoed in Chapter 9 where Ramón López presents an analysis that shows how the emphasis of the Concertación's fiscal expenditures on the provision of public and social goods, including health, education, and social programs, has been exemplary compared to many other countries in the region. The key problem he identifies is the reduced level of fiscal resources derived from a tax system that has lagged behind Chile's overall development process. He argues that these low revenue levels have negatively affected the expansion of human capital and the reduction of inequality on all levels. López's central hypothesis is that fiscal policy has been in part responsible for Chile's lack of progress toward developing an economy that is based more on knowledge-intensive and environmentally clean industries and has prevented the country from becoming less dependent on natural resource–based industries, and in turn from generating greater social equality.

In Chapter 10, Silvia Borzutzky, Claudia Sanhueza Riveros, and Kirsten Sehnbruch take up these arguments in their discussion of the evolution of poverty rates under the Concertación. They engage critically with one of the most frequently and widely cited achievements of the Concertación: its successful reduction of absolute poverty levels from 38.6 percent in 1990 to 15.1 percent in 2010. The authors argue that contrary to widespread belief and official rhetoric, this achievement is due more to economic growth rather than social policies, which have been fiscally constrained, ideologically timid, and resistant to existential reforms. The authors also show how current definitions of poverty in Chile are both outdated and methodologically limited. While a multidimensional approach

to poverty demonstrates that the Concertación's social policies have been successful in almost all dimensions of social development (with the exception of employment indicators), this analysis also very much depends on the thresholds used to define poverty. The authors illustrate this point by applying Organization for Economic Cooperation and Development (OECD) standards of relative poverty to the subject, which lead to the conclusion that progress has been minimal.

Along similar lines, Dante Contreras and Kirsten Sehnbruch argue in Chapter 11 that progress on social issues in absolute terms has not been accompanied by structural changes in Chile's systems of social protection that go far enough to make real inroads into the difficult problem of inequality. In their chapter they examine the social policies of the Concertación from the perspective of welfare state theory and focus on the key question of whether Concertación governments really have laid the foundation for something that could develop into a liberal welfare state, as official government rhetoric has claimed. The authors present six initial arguments, which show that overall and despite its many achievements in the area of social policy, Concertación governments did not succeed in undertaking the necessary structural reforms that such an objective would require. The chapter examines this question by looking at the pension, health, and unemployment insurance systems, as well as at the benefit structures that the Concertación created. Once again in this area of policymaking, elites demonstrated a deep resistance to challenge audaciously the status quo with significant reforms. The chapter concludes by questioning whether Chile's social systems are sustainable in the long term.

Similar arguments emerge in the area of labor policy. In Chapter 12, Kirsten Sehnbruch argues that the Concertación essentially left employment issues—such as high levels of informality and unemployment as well as low levels of participation and of job quality—to the market, assuming that these problems over time would be resolved by high levels of economic growth. However, the empirical evidence over the last twenty years has not been consistent with the neoclassical theory on which Concertación governments relied. In fact, despite relatively high economic growth rates and a stable regulatory environment, employment conditions have deteriorated while the level of employment generation has not been sufficient to reduce the pressures of low employment rates and underemployment in any significant way. Thus, labor reform—and the development of the Chilean labor market—is one of the most important unresolved issues of the Concertación's legacy. Sehnbruch's chapter briefly examines the evolution of labor legislation under the Concertación before reviewing the economic performance of the Chilean labor market, labor policy, and the political situation of unions.

The issues of inequality that mark the chapters of this section also emerge in Chapter 13 where Gregory Elacqua and Pablo González Soto discuss the Concertación's education policies. The chapter discusses in detail the constraints faced by the four Concertación administrations in reforming the education system, and that have ultimately led to two powerful social movements, the "Pinguino" demonstrations of 2006, and the student movement that erupted in 2011, almost as soon as the Concertación left office. The subject of education, and its significance as a policy arena that has most motivated Chileans to popular protest, is one that has perhaps most demonstrated the Concertación's temerity in challenging the status quo inherited from Pinochet.

Unfortunately, no book of this kind can be an absolutely comprehensive analysis of a country's political, economic, and social development. We are conscious of the fact that there are many subjects, such as governance, trade, foreign affairs, infrastructure, sociocultural change, ethnic minorities, or social movements, that we do not cover in dedicated chapters. Our critics may argue that some of the Concertación's principal achievements lie precisely in those subjects that we do not cover: for example, in Chile's institutional capabilities and functioning where it outranks many developed countries or in its integration with international trade systems where it functions as one of the most open economies of the world. Similarly, others may argue that we are ignoring subjects that express deep levels of social discontent, such as the Mapuche conflicts in the south of Chile or the multiple social movements that have emerged since the advent of student protests in 2006. Unfortunately, time and space constraints limit the analyses in this book and have forced us to be selective in our approach. Nevertheless, many of these issues are included in the chapters that follow even if they are not analyzed in depth.

What the chapters of this volume hold in common is a critical evaluation of Concertación governments. We seek to avoid the simplistic notion that we can simply call the Concertación a success by pointing to political stability and impressive macroeconomic indicators. Nor can we take the route of the Concertación's critics and simply conclude that its governments represented simple continuity with the Pinochet regime. Our task is to elucidate how the coalition was a success, and at the same time provide a balanced analysis of the limits of the Concertación's room to maneuver in initiating more audacious policies. Our analysis leads to the conclusion that the Concertación failed to appreciate the extent to which and the pace at which it changed Chile. This is a problem that has emerged in many transitioning democracies, as, for example, in Spain: while the population comes to take democracy for granted and expects progress commensurate with its expectations, political elites remain stuck in the modus operandi of

transition politics, and fail to adapt and change at the same pace as their electorate.

The constraints on the first transitional government were very real. Where the Concertación erred was in the routinization of the transitional political model and in its conception of the menu of social and political reform options. There were many constraints to moving beyond the transitional enclaves we discuss, and the legislative electoral system itself served as an important impediment to abandoning these enclaves, given that it forced the kind of elite negotiations necessary to maintain the coalition in the electoral arena. To win, the Concertación had to remain coherent electorally and the only way to achieve this was through purposeful elite negotiations on policy, candidate selection, and shared consensus-forming arrangements and institutions. From a theoretical perspective, we can draw important lessons from the case. Chile clearly shows how pacted transitions create real constraints for political actors. This has been recognized in much of the literature on democratic transitions. What has been less recognized is that the influence of the mode of democratic transitions goes beyond the politics and economics of the transition per se to leave a profound imprint on later ways of doing politics once democratic regimes become consolidated. The chapters that follow provide ample empirical evidence of this reality.