

**THE POLITICAL UNDERPINNINGS  
OF ECONOMIC LIBERALIZATION IN CHILE**

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### **ABSTRACT**

The contemporary consensus over economic policy-making in Chile and the democratic government's capacity to effectively implement these policies are powerfully shaped by a combination of institutional legacies from Chile's democratic past and certain institutional holdovers from the Pinochet regime. This paper reviews briefly the performance of the Chilean economy under the Concertation government headed by Patricio Aylwin. It then argues that Chile's democratic government has been uniquely endowed with a capacity to successfully sustain economic liberalization, in part because of the reappearance of a well-institutionalized party system, in part because of certain nondemocratic limits built into the democratic game during the Pinochet regime. Over the medium term, however, these limits may pose a threat to the consensual style of politics that has come to characterize the post-Pinochet political arena in Chile, and ultimately may threaten democratic political stability if left unaddressed.

### **RESUMEN**

El consenso actual sobre la política económica de Chile y la capacidad del gobierno democrático para llevar a cabo efectivamente esta política han sido, en gran parte, moldeado por una combinación de legados institucionales del pasado democrático de Chile y de ciertos remanentes institucionales del régimen de Pinochet. El presente trabajo hace una breve reseña del desempeño de la economía chilena bajo el gobierno de Concertación encabezado por Patricio Aylwin. Posteriormente sostiene que el gobierno democrático de Chile ha mostrado una capacidad singular para mantener exitosamente la liberalización económica, en parte debido a la reaparición de un sistema de partidos bien institucionalizado, y en parte debido a ciertos límites no democráticos establecidos dentro del juego democrático durante el régimen de Pinochet. Sin embargo, a mediano plazo, estos límites pueden representar una amenaza al estilo consensual de hacer política que ha llegado a caracterizar a la arena política en Chile posterior a Pinochet, y si no se les atiende, pueden llegar a constituirse en una amenaza para la estabilidad política democrática.

In terms of the two axes of economic and political liberalization, Chile is distinctive in a number of important ways among contemporary cases in Latin America. First, more than a 'transition' to democracy, Chile (along with Uruguay) should be considered a case of 'redemocratization,' of reviving previously well-established democratic practices and political institutions. Institutional legacies from Chile's democratic past continue to shape contemporary politics in decisive ways. Second, though comparatively tardy in returning to democratic rule, Chile's move toward economic liberalization was by far the earliest and probably the most far-reaching in Latin America. Moreover, with respect to sequencing, Chile constitutes the region's only unambiguous example of a regime transition *following* substantial economic liberalization.

This distinctive path serves notice that 'lessons from Chile' may be difficult to draw in a way that travels comfortably from one context to another. Rather than drawing lessons from the Chilean case, I aim to explore the political underpinnings of Chile's rather comprehensive economic liberalization. More exactly, I seek to analyze the relationship between Chile's democratic political heritage, its authoritarian interlude and its continuing authoritarian *amarres*, and the exemplary economic policies and performance of contemporary Chile.

In many ways, Chile has been extraordinarily fortunate. I will argue that the contemporary consensus over economic policy-making, and the government's capacity to effectively implement these policies, rests not only upon Chile's democratic heritage, nor entirely upon certain legacies of the authoritarian period, but rather precisely upon the combination of these experiences. Strong political institutions arising from the democratic past, made in part more conducive to consensus policy-making by authoritarian holdovers built into the 1980 Constitution, have endowed Chile's democratic government with a remarkable capacity to implement and sustain coherent economic policy.

After a brief review of the results of economic policies in today's Chile, this paper will explore key elements of the political context that have facilitated its success. I argue that Chile is able to sustain a profound process of economic liberalization better under democratic conditions than would have been possible under dictatorship, in part because of the reappearance of Chile's well-institutionalized party system, in part because of a crucial shift in the ideological center of gravity toward moderation, but also in part because of certain non-democratic limits built into the democratic game by the Pinochet dictatorship—limits which, for the time being at least, make democracy and economic reform both possible and compatible.

### Beyond Liberalization: Growth with Equity

By now the turbulent story of economic restructuring designed and carried out from the mid-1970s through the 1980s by the most repressive regime in Chile's history is familiar enough. The fruits of the relatively orthodox shock therapy applied to Chile's economy were first visible mostly in terms of the deep economic and social dislocations it produced. After almost a decade of rather freewheeling neoliberal experiments in the 1970s and early 1980s, brief cycles of economic boom and bust had resulted in virtually no growth in per capita income. However, by the mid-1980s a more pragmatic set of economic policies had restored overall macroeconomic balance to the economy, resulting in steady growth from 1985 onward.

Though almost certainly more disruptive than it needed to be,<sup>0</sup> the overall program of economic liberalization carried out by the Pinochet government nonetheless endowed the country with a relatively solid foundation for economic growth. The expansion and diversification of the export sector, and the emergence of a more dynamic and competitive business class—largely legacies from the Pinochet era—contributed decisively to the country's newfound status as the region's showcase economy.<sup>0</sup> In 1992 the Chilean economy outperformed even optimistic government predictions, growing at the brisk annual rate of 10.3 percent, with unemployment at a remarkably low 4.9 percent of the work force and inflation at a reasonable level (12.7 percent). During 1993 growth remained high at 6.0 percent, yielding an average growth rate for the Aylwin period (1989 to 1993) of over 6.0 percent. By the end of the Aylwin period, practically every macro-economic indicator, including inflation (11.5 percent), unemployment (4.6 percent), investment in fixed capital (27.2 percent of GDP), domestic savings (21.0 percent of GDP), productivity and wage rates (both growing over 4.5 percent annually), all pointed to the same phenomenon: Chile is booming.<sup>0</sup> Though Chile surely experienced a painful and disruptive economic adjustment, this appears very much a success story. Indeed, the Pinochet experience has raised larger comparative questions about the relationship between authoritarianism, democracy, and the possibilities for successful economic restructuring.

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<sup>0</sup> William F. Maloney argues persuasively that the set of policies adopted by the military regime during the first decades of authoritarian rule resulted in unnecessary costs in Chile's transition to a market-oriented high-growth economy. See "Getting There from Here: Second Thoughts on Chile's Economic Transition." Unpublished monograph from the Department of Economics, University of Illinois, September 1993.

<sup>0</sup> A caveat is in order here. The expansion and diversification of the export sector under Pinochet resulted in little increase in high value-added products, being concentrated instead in (non-traditional) unfinished products. If this general orientation is not redressed, further sustained high growth is improbable over the long term.

<sup>0</sup> A useful set of tables on economic performance during the Aylwin administration is available in the Appendix to Alejandro Foxley's *Economía política de la transición*. Santiago: Ediciones Dolmen, 1993.

While there is little argument that the opening of the economy and the deliberate drive to pursue export-led growth have positively affected growth, there is likewise no room for doubt about the effects of these changes on distribution under Pinochet. As many authors have shown, there was a seamy side to Chile's 'economic miracle.'<sup>0</sup> By the end of the Pinochet period, income distribution had worsened considerably: the poorest 40 percent of households in Santiago saw their share of consumption fall from 19.4 percent in 1969 to 12.6 percent in 1988, while the share of the richest 20 percent rose from 44.5 percent to 54.9 percent. By all measurements, the proportion of families defined as living in poverty and extreme poverty had risen dramatically during the years of authoritarianism. For example, in 1987, 44.7 percent of all Chileans lived in poverty; 16.8 percent were classified as indigent.<sup>0</sup> From 1970 to 1988, total social expenditures per capita fell 8.8 percent; health expenditures alone fell by nearly 30 percent.<sup>0</sup> As Eugenio Tironi put it, by the end of the military regime, Chile had become in some respects a 'dual society' wherein a large portion of the population was left without the benefits of the miracle.<sup>0</sup>

Observers have emphasized the many ways in which post-Pinochet economic policy simply mimics that initiated by the Chicago Boys. However, these assertions are unfair. A central component of the Aylwin administration's economic strategy sought to demonstrate that growth need not necessarily come at the expense of equity. The first major piece of legislation enacted by the new democratic government in 1990 was tax reform, which collected an additional two percent of GNP and boosted tax revenues by approximately 15 percent, making it possible to increase government spending on social programs from 9.9 percent to 11.7 percent of GDP.<sup>0</sup> Between 1989 and the end of 1993, government social spending rose by 30 percent in real

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<sup>0</sup> See Jaime Gatica, *Deindustrialization in Chile*. Boulder, Co.: Westview Press, 1989; Eugenio Tironi, *Autoritarismo, modernización, y marginalidad: El caso de Chile 1973-1989*. Santiago: Ediciones Sur, 1990; Pilar Vergara, *Políticas hacia la extrema pobreza en Chile, 1973-1988*. Santiago: FLACSO, 1990; Larissa Lomnitz and Ana Melnick, *Chile's Middle Class: A Struggle for Survival in the Face of Neoliberalism*. Boulder, Co: Westview Press, 1991; Cristóbal Kay and Patricio Silva, eds., *Development and Social Change in the Chilean Countryside: From the Pre-Land Reform Period to the Democratic Transition*. Amsterdam: CEDLA, 1992; among others. For a very thorough and provocative review of ten contemporary books on the Chilean political and economic transition, see Gerardo L. Munck's "Authoritarianism, Modernization, and Democracy in Chile: Regime Dynamics and Social Change in Historical Perspective," forthcoming, *Latin American Research Review*.

<sup>0</sup> Taken from "Una estimación de la magnitud de la pobreza en Chile, 1987" in *Colecciones Estudios CIEPLAN* no. 31 (March) 1993, p. 110.

<sup>0</sup> Taken from Alan Angell, "What Remains of Pinochet's Chile?" *Occasional Paper No. 3*, Institute of Latin American Studies, University of London, 1992, pp. 4-5.

<sup>0</sup> Taken from Eugenio Tironi, *Autoritarismo, modernización, y marginalidad: El caso de Chile 1973-1989*. Santiago: Ediciones Sur, 1990.

<sup>0</sup> Cited by Kurt Weyland, "Growth with Equity in Chile's New Democracy," Department of Political Science, Vanderbilt University. Taken from "Estadísticas de las finanzas públicas, 1989-1992." Santiago: Ministerio de Hacienda, pp. 56, 71.

terms.<sup>0</sup> By 1993, Chile's government was spending over six billion dollars on social programs, including training and vocational programs for youth, an expanded public health program, and an ambitious public housing initiative. Perhaps most strikingly, at the same time Aylwin's government sought to address the more urgent social demands inherited from the Pinochet regime, the public sector actually experienced growing budget surpluses every year in office. Income distribution improved during the Aylwin administration, with the income share of the wealthiest one-fifth of the population falling from 59.9 percent in 1989 to 54.7 percent in 1991.<sup>0</sup> The numbers of Chileans living in poverty fell between 1990 and 1992 by nearly one million people, from 40.1 percent of the population to 32.7 percent.<sup>0</sup> Though far from eliminating the enormous social debt incurred during the military dictatorship, the Aylwin administration made important progress in bringing about a more equitable distribution of the fruits of economic growth.

Chile's born-again conversion to private initiative and the market has been remarkably complete, but it would be misleading to suggest that privatization has elbowed the state entirely from the market scene. The conversion to private initiative and markets requires a strong state with ample initiative and regulatory capacity; and Chile is endowed with a relatively coherent state apparatus with a long-standing developmentalist tradition. The Chilean state continues to play a key role coordinating economic activity, but it is undergoing its own transition from the predominantly entrepreneurial state dating from the years of import-substituting industrialization to the contemporary regulatory state.<sup>0</sup> In fact, several fundamental aspects of the precise role the state will play in Chile's future development, such as the nature of state involvement in the giant (as yet still nationalized) Chilean copper industry, have yet to be resolved and still haunt the political landscape like ghosts from another era.

### **The Reemergence of Strong Democratic Political Institutions**

I wish to argue that the restoration of what was previously a long-standing democratic regime endowed the Aylwin administration with unusual leverage to craft coherent economic policy. And, perhaps more than any other feature of this transition, the recovery of strong, viable,

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<sup>0</sup> Taken from *El Mercurio*, July 23, 1993. The same article suggested that in 1992, two-thirds of total government spending was directed toward social programs. This figure, however, seems inflated.

<sup>0</sup> Taken from Alan Angell, "What Remains of Pinochet's Chile?" *Occasional Paper No. 3*, Institute of Latin American Studies, University of London, 1992, p. 5.

<sup>0</sup> Taken from a national poll administered by MIDEPLAN in November, 1992. The Casen poll has been the government's standard social measurement since 1985.

<sup>0</sup> For an excellent discussion of the contemporary transformation of the Chilean state, see Oscar Muñoz, ed., *Después de las privatizaciones: Hacia el estado regulador*. Santiago: CIEPLAN, 1992.

and relatively well-institutionalized political parties<sup>0</sup> provided the Aylwin government both the legitimacy and the initiative capacity to do so. Despite the vast social debt left by the Pinochet regime and earlier blistering critiques of neoliberalism by those who now comprise the leadership of the Concertation Alliance, the Aylwin government has not deviated from the authoritarian regime's fundamental free-market orientation.<sup>0</sup>

With the return of competitive politics after 1988, parties resumed their role as the backbone<sup>0</sup> of the Chilean political system. The reappearance of Chile's institutionalized party system facilitated the possibility for coherent policy-making in the post-Pinochet era because it allowed for political participation and conflict in ways that did not overwhelm the political system.<sup>0</sup> Faced with 17 years of pent-up popular demands, Chile's institutionalized party system has been key, together with organized labor, in helping government policymakers express and channel social conflict, directing it toward recognized institutions. Where party systems are less well institutionalized, such as is the case in Brazil, Ecuador, and Peru, presidents may enjoy widespread backing in congress—and therefore broad executive initiative capacity—at moments of peak popularity. Yet, such backing often evanesces in the legislature with signs of diminishing public approval. Chile's institutionalized party system by no means assures congressional support for government initiatives, especially given its problematic multiparty presidential character,<sup>0</sup> but it increases the likelihood.

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<sup>0</sup> Mainwaring and I have discussed extensively in another place what we mean by an "institutionalized party system." We measure party system institutionalization in terms of four attributes: 1) stability in the patterns of interparty competition; 2) the existence of parties that have somewhat stable roots in society; 3) the acceptance of parties and elections as the legitimate institutions that determine who governs; and 4) the existence of party organizations that have reasonably stable rule and structures. Using these criteria, we label Chile as possessing an institutionalized party system (together with Costa Rica, Venezuela, Uruguay, Colombia, and Argentina). See Scott Mainwaring and Timothy R. Scully, eds., *Building Democratic Institutions: Party Systems in Latin America*, forthcoming, Stanford University Press. See especially the Introduction by Mainwaring and Scully.

<sup>0</sup> It is worth reemphasizing here that, though the Aylwin government has not deviated from a basic reliance on free markets, some of its economic policy orientations do differ substantially from the Pinochet period. Most importantly, these changes focus on tax reform, labor legislation, and sharply increased social spending.

<sup>0</sup> According to Garretón, this "backbone" was formed by the interlocking of base-level social organizations with the political party structure, both in tension with the state as the focal point for political action." Manuel Antonio Garretón in Marcelo Cavarozzi and Manuel Antonio Garretón, *Muerte y resurrección: Los partidos políticos en el autoritarismo y las transiciones del cono sur*. Santiago: FLACSO, 1989, p. xvi.

<sup>0</sup> As one indication of the moderation of social conflict in Chile, strike rates during the Aylwin administration have been extraordinary low, both compared to historical rates as well as those of neighboring countries. See Alan Angell, "What Remains of Pinochet's Chile?" *Occasional Paper No. 3*, Institute of Latin American Studies, University of London, 1992, pp. 6-9.

<sup>0</sup> Scott Mainwaring has shown quite convincingly that the combination of presidentialism with a multiparty format is problematic for maintaining democratic stability in *Comparative Political Studies* vol. 28, (July) 1993, pp. 198-228. These notions are also developed in the Introduction to Scott Mainwaring and Timothy R. Scully, eds., *Building Democratic Institutions: Party Systems in Latin America*, forthcoming, Stanford University Press.

The degree to which a party system is institutionalized provides an important key for understanding success or failure of efforts at economic restructuring in many Latin American countries. It is no accident, for example, that the leadership of Chile's Concertation government (as well as the political leaderships of Costa Rica and Uruguay) have eschewed rule by executive decree (*decretismo*) for carrying out economic policy. Where parties and other political institutions, such as congress and the judiciary, are well established, presidents must deal with them and negotiate major policy directions. These political institutions help orient economic actors by laying down clear and legitimate rules of the game and for this reason they help insure a framework of predictability for economic decision-making. With well-established political institutions like coherent and well-organized parties, actors are more likely to know the rules of the game and generally have some sense of how to pursue their interests, even when surprises occasionally confront them. Institutionalized parties are certainly not a sufficient condition for explaining successful economic policy-making in new democracies, but they may be necessary. However, in addition to the degree of institutionalization present within a party system, it is important also to explore the kinds of parties and the ways they interact.

The reappearance of a highly institutionalized party system is a key legacy from Chile's democratic past, but the dynamics that characterize the contemporary party system differ in significant ways from its pre-coup predecessor.<sup>0</sup> Several of these differences greatly affect the capacity of the democratic government to formulate and pursue coherent policy. First, current party leaders, with the exception of the Communists and a minority of Socialist leaders on the left, and to some extent the Unión Democrática Independiente (UDI) on the right, now try to emphasize the centrist nature of their positions and programs. Renovación Nacional (RN) insists repeatedly that it is a 'center-right' party, and the Unión del Centro Centro (UCC) puts this notion into its very label. This reorientation toward the center is especially striking among a majority of the Socialists. Whereas in the late sixties and early seventies the predominant group in the party was influenced by the Cuban revolution and espoused positions generally considered to be to the left of the Communists, most—and in the case of the Socialist-inspired Party for Democracy (PPD), virtually all—are now close to the current more liberal outlook and policies of the Spanish

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<sup>0</sup> For a more thorough discussion of continuities and changes in the Chilean party system, see Timothy R. Scully, *Rethinking the Center: Party Politics in Nineteenth and Twentieth Century Chile*. Stanford: Stanford University Press, 1992, especially Chapter 5; Scott Mainwaring and Timothy R. Scully, eds., *Building Democratic Institutions: Party Systems in Latin America*, forthcoming, Stanford University Press, especially chapter 5; also Timothy R. Scully and J. Samuel Valenzuela, "From Democracy to Democracy: Continuities and Changes of Electoral Choices and the Party System in Chile" in Arturo Valenzuela, ed., *Politics, Society, and Democracy: Latin America*. Boulder, Co.: Westview Press, forthcoming. I take some of the discussion of the next several paragraphs from Scully and Valenzuela.

Socialists.<sup>0</sup> As a result of these changes, the Chilean party system—at least during the years of the democratic transition (from 1988 to the present)—is no longer characterized by the same sharp ideological cleavages between the main parties as was the case before the 1973 breakdown, and therefore is not currently subject to the centrifugal pulls of polarized pluralism.<sup>0</sup>

Crucially, today there is a rough consensus over fundamental issues pertaining to the nation's socioeconomic institutions, and voters are not asked to choose between radically different models of development. This general ideological convergence toward the center and, in terms of economic policy, toward export-led growth and free markets, has sharply reduced conflict, thereby making it far easier to formulate and implement coherent policies. This is not to suggest that dissenting voices, such as that of the (now greatly diminished) Communist party (MIDA), are completely absent. Notwithstanding, there is perhaps as much or more ideological consensus on the appropriateness of the current economic model in Chile today as there was (correspondingly) widespread agreement in the 1940s on the correctness of import-substituting industrialization led by a strong developmentalist state.<sup>0</sup>

Second, and equally consequential for the Aylwin government's capacity to shape successful economic policy, the pattern of party alliances during the Aylwin years is very different from what it was in the late 1960s and early 1970s. Whereas in the earlier period the Christian Democrats were at loggerheads with the parties of the left and the Radicals, and in the early 1970s the Christian Democrats struck an alliance with the right to oppose the Popular Unity government of Salvador Allende, the Concertation government is comprised principally of Christian Democrats and parties that were formerly part of the Popular Unity government—except for the Communists. Two decades ago the coalitional patterns were determined mainly by support or opposition to the left wing government of President Allende, while more recently they have been determined by party acceptance or rejection of the military regime.

This change in the pattern of political coalitions is of the utmost importance. By introducing a new dimension of party division along the lines of support or rejection of the military

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<sup>0</sup> The reasons for this shift within the Socialist party have been discussed amply elsewhere. Suffice it to say that it was partly a consequence of the experiences Socialist leaders and militants had in both Eastern and Western Europe during their years of exile. See Ignacio Walker, *Socialismo y Democracia en Chile: Chile y Europa en Perspectiva Comparada*. Santiago: CIEPLAN-Hachette, 1990; and Julio Faundez, *Marxism and Democracy in Chile*. New Haven: Yale University Press, 1988.

<sup>0</sup> See Giovanni Sartori, *Parties and Party Systems: A Framework for Analysis*. Cambridge: Cambridge University Press, 1976, pp. 131-216.

<sup>0</sup> Robert A. Packenham has written a very stimulating essay tracing the causes of economic liberalization in Argentina and Brazil. He suggests four pattern variables that explain economic liberalization in Argentina (and the absence of it in Brazil). I am indebted to him for his rich analysis. See Robert A. Packenham, "The Politics of Economic Liberalization: Brazil and Argentina in Comparative Perspective," Kellogg Institute Working Paper No. 206, University of Notre Dame, 1993.

government, it has submerged—at least for the time being—traditional sources of conflict between the parties, contributing to the decrease in ideological distance between them.<sup>0</sup> The current Chilean party system has been re-created in a manner that is reminiscent of the Popular Front governments in the late 1930s to late 1940s, when there was also a center to left alliance, but an alliance in support of a very different socioeconomic model (that of import-substituting industrialization). The principal differences in terms of political support between the Concertation and the Popular Front coalitions are that the Christian Democrats, and not the Radicals, now act as the fulcrum of the party system at the center, and that the Communist party, whose vote is one-half to one-third of what it was then, does not belong to the present coalition. The differences separating the two periods in terms of economic policy are far greater, replacing a state-directed development model with Latin America's most liberal, market-oriented economy.

These changes in Chile's political landscape have powerfully reinforced the capacity of the democratic government to pursue a strategy of pacts and *acuerdos* leading to successful economic policies. The symbolic importance of Finance Minister Alejandro Foxley, a Christian Democrat, and Economics Minister Carlos Ominami, a Socialist, both early and intractable opponents of the Chicago Boys, led the first Concertation government's efforts to strengthen Chile's export-led growth strategy. Their leadership lent to the current economic model legitimacy that it never enjoyed under the military regime. Since both the Christian Democratic and Socialist parties have traditionally identified themselves as opponents of unbridled capitalism, the fact that they now find themselves leading the efforts to sustain inherited liberal economic policies places them in some respects in an even stronger position vis-à-vis economic liberalization than the Chicago Boys!<sup>0</sup> At home their economic policies commanded the support of practically the entire spectrum of political opinion, and abroad they became a model for developing countries undergoing economic and political liberalization.

### **Recovering Democracy within the Framework of the 1980 Constitution**

Democratic governance returned to Chile with the inauguration of Patricio Aylwin in March 1990, yet the battle toward full recovery of a consolidated democratic political regime has been a difficult and, to date, unfinished one. The institutional framework inherited by the Aylwin

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<sup>0</sup> These changes are discussed more fully in Timothy R. Scully, *Rethinking the Center: Party Politics in Nineteenth and Twentieth Century Chile*. Stanford: Stanford University Press, 1992. See especially Chapter 5.

<sup>0</sup> This point should not be exaggerated. The Chilean state continues to play an important role in the economy. For example, the giant copper industry remains in state hands. The state continues to subsidize the forestry industry, the automobile industry, and most recently, the coal industry. Unions were also given more power under the Aylwin administration. Pakenham refers to this as the Nixon in China syndrome, where his impeccable anti-Communist credentials strengthened his hand with potential domestic critics. *Ibid.*

government is loaded with features built into the 1980 Constitution that constrain and potentially undermine the authority of the democratically elected government.<sup>0</sup> Though much of the 1980 Constitution restores familiar republican elements to Chile's democratic institutional order, it also includes institutional privileges for the military and its political allies that are inimical to the democratic process.

Within the framework of the 1980 Constitution, Pinochet and his supporters ostensibly sought to craft a 'protected' capitalist democracy and to resolve once and for all the most fundamental conflicts that had rocked twentieth-century democratic politics in Chile. While economic managers Sergio de Castro and Miguel Kast were busy designing and implementing dramatic policies aimed at liberalizing the economy, the regime's chief ideologist, Jaime Guzmán, and others were drawing up the legal framework to support them. Perhaps more crucial than any other feature, the inviolability of private property enshrined in the 1980 Constitution resolved, at least for the time being, a central axis of decades of social and political conflict in Chile and a key source of uncertainty in the economic arena. Ever since the new Constitution took effect, the Supreme Court has consistently given a narrow interpretation to the constitutional provision that "protects the right to private property of all persons" (Article 19). In contrast to the 1925 Constitution, expropriation is now only possible by legislation specifically "authorizing expropriation by virtue of public utility or national interest." "In all cases," the Constitution continues, "the owner will have the right to indemnification for any alienated property," the sum total being fixed by common agreement or adjudicated by a decision of the appropriate court. Given the interpretation of these clauses by the Supreme Court, any expropriation must be compensated at market value and with full cash payment in advance.

The sacrosanct status of private property enshrined in the 1980 Constitution, combined with constitutional provisions placing strict limits on the role of the state as entrepreneur, in a country where laws traditionally carry a great deal of weight has contributed mightily to resolving the problem of economic credibility, and has contributed to a positive climate for domestic and foreign investment. This provision, together with the creation within the Constitution of an independent Central Bank and important changes in the ideological climate referred to above, reinforced confidence among entrepreneurs that the parameters of economic policy will not fluctuate unexpectedly. That none of the major political actors in post-Pinochet Chile have

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<sup>0</sup> Issues relating to the process of democratic consolidation in comparative perspective are discussed in J. Samuel Valenzuela's chapter "Democratic Consolidation in Post-transitional Settings: Notion, Process, and Facilitating Conditions" in Scott Mainwaring, Guillermo O'Donnell, and J. Samuel Valenzuela, *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective*. Notre Dame: University of Notre Dame Press, 1992, pp. 57-104. The term "perverse institutionalization" is his. I have provided a full account of the constraining features of the 1980 Constitution in Timothy R. Scully and Alejandro Ferreiro Y., "Chile Recovers its Democratic Past: Democratization by Installment," *Journal of Legislation* vol. 18, no. 2, 1992, pp. 317-329.

challenged either the fundamental inviolability of private property or the limited role of the state, is a telling indicator of just how much the nature of the political agenda has changed. As a consequence, compared to the days of factory takeovers and land seizures that preceded the 1973 coup, the stakes involved in politics have been dramatically reduced, resulting in a shrinkage of the political arena itself.

Additional features of the 1980 Constitution granted institutional privileges to the military and its allies. For example, it grants the Chilean armed forces tutelary powers within Chile's political arena.<sup>0</sup> Whereas the only reference made to the armed forces in the previous Constitution stated that "The armed forces are obedient and non-deliberative" (Article 22 of the 1925 Constitution), the new document states that "The armed forces...exist in order to defend the nation, and are essential in order to procure national security and to guarantee the institutional order of the Republic" (Article 90 of the 1980 Constitution). Though the Constitution stipulates that the heads of the respective branches of the armed forces are subordinate to the President, the most critical element of that subordination, the power of appointment and removal, is absent for a period of eight years, thereby virtually tenuring the entire command structure of the military until 1997. As a result, the same military leaders who commanded the armed forces during the dictatorship—including Pinochet himself at the head of the Army—have continued to do so since March 1990.

To enable the armed forces to carry out their new tutelary role, the 1980 Constitution (as amended by plebiscite on July 30, 1989) created a National Security Council whose purpose includes, in addition to ensuring national security, examining all matters that may "gravely undermine the bases of the institutional system" (Articles 95 and 96). Of the eight positions on the National Security Council, four are to be occupied by the heads of the Army, Navy, Air Force, and the National Police. Two other members were named, indirectly, by General Pinochet before leaving office. General Pinochet's control over this body was enhanced by the creation of a Strategic Advisory Committee, an agency comprised of approximately 50 full-time staff persons designed to keep watch over every aspect of national policy and to give political advice to Pinochet. In addition to its other responsibilities, the National Security Council is charged with designating two of the seven members of the Constitutional Court.

The institutional autonomy of the armed forces enshrined in the 1980 Constitution is further enhanced by a number of policy domains reserved for the privileged action of the military. As J. Samuel Valenzuela notes, in contrast to the diffuse and generally ambiguous character of tutelary powers, reserved domains "remove specific areas of governmental authority and

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<sup>0</sup> Rhoda Rabkin evaluates the prerogatives granted to the military by the 1980 Constitution. See "The Aylwin Government and 'Tutelary' Democracy: A Concept in Search of a Case" in *Journal of Interamerican Studies* vol. 34, no. 4, 1992, pp. 119-194.

substantive policy making from the purview of elected officials.”<sup>0</sup> For instance, the 1980 Constitution prescribes that the defense budget may never fall below the amount spent in real terms by the military government in its last year. Lest there be some misunderstanding, the law also states that funds to ensure these levels of military spending must be provided automatically from ten percent of all copper sales by the state-owned National Copper Corporation (CODELCO). Elected government officials cannot interfere in the preparation of military budgets or the acquisition of armaments, and thereby are barred from making changes in military doctrine or from altering the curriculum of studies in the military academies. Perhaps most importantly, military intelligence, which was deeply involved in human rights violations during the seventeen-year dictatorship, is also left entirely in the hands of the armed forces.

The continuing presence of General Pinochet at the head of the Army has been a considerable source of concern for the Aylwin government. Though at the outset of his presidential term Aylwin asked Pinochet to resign his command “for the good of the country,” Pinochet openly refused to do so. While the other military branches, the Navy, the Air Force, and the National Police, have adjusted their rhetoric and even much of their behavior to the reality of civilian rule, the Army and its top leadership have been openly critical of the Aylwin administration. The Army’s hard-line stance has been especially visible in its continuing and vehement objections to investigations of abuses committed by the military during the authoritarian period. In December 1990, while top military leaders, including Pinochet’s son, were undergoing judicial and congressional review for misuse of government funds, the Army garrisoned its troops, precipitating rumors of an impending coup. Again in May 1993, unhappy with the Aylwin administration’s insistence that the Constitution be amended to curtail the autonomy of the armed forces, and indignant at a new court interpretation of the 1978 Amnesty Law that allowed courts to investigate human rights violations, Pinochet called Army units to general quarters and surrounded public buildings in downtown Santiago with soldiers dressed menacingly in battle fatigues. The drama of this event occasioned a firm public rebuke to Pinochet by President Aylwin, who insisted that “no demonstration of force from state institutions, individuals, or private groups will lead to solutions.” Afterwards, Aylwin reflected sullenly that he may have been “overly optimistic” in 1991 when he had affirmed that the transition to democracy was complete in Chile. “Events have clearly shown that key institutional aspects have yet to be resolved in the Chilean transition.”<sup>0</sup> In sum, an important obstacle still blocking Chile’s path to full democratic consolidation is the institutional autonomy granted to the military in the 1980 Constitution.

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<sup>0</sup> Quoted from J. Samuel Valenzuela, “Democratic Consolidation in Post-transitional Settings: Notion, Process, and Facilitating Conditions” in Scott Mainwaring, Guillermo O’Donnell, and J. Samuel Valenzuela, *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective*. Notre Dame: University of Notre Dame Press, 1992, p. 64.

<sup>0</sup> Quoted from *El Mercurio*, June 17, 1993.

The sharply increased role of the military within the state set forth in the 1980 Constitution might well have been substantially mitigated if the electoral majorities won by the Concertation for Democracy in 1989 had translated into congressional seats. In such case, key elements of this 'perverse institutionalization' might have been removed by way of congressional reform.<sup>0</sup> However, two key mechanisms, a heavily biased electoral formula and the presence of Pinochet-designated members of the Senate, have prevented the preferences of the electorate from being fully represented in the composition of the membership in Congress.

Electoral systems in most democracies are biased in the sense of underrepresenting minority parties and candidates. However, the electoral formula adopted by the Pinochet regime is a distortion. The electoral law provides that, for the elections of both deputies and senators, each congressional voting district (or region in the case of senators) elect two candidates. Parties are allowed to form electoral alliances, or 'lists,' in order to maximize the vote obtained by a given political tendency. For a single list to obtain both seats in a given voting unit, the list achieving the majority is required to double the combined total of their nearest competitors, thereby allowing (at least theoretically) a list obtaining minority support (33.4 percent or more in the case of only two lists, the percent decreases the more lists there are) to win one-half of the seats. This system was designed to provide maximum representation of the second-highest lists, which in this case are partisans of Pinochet. In addition to systematically favoring the candidacies of the right, the boundaries of electoral districts erected by the military regime made extensive use of gerrymandering. For example, since opposition to Pinochet in the plebiscite of 1988 tended to be much more concentrated in urban areas, urban electoral districts were given far less representation proportionally than rural areas.<sup>0</sup> While Santiago accounts for 40 percent of Chile's population, it is represented by only 26 percent of the nation's deputies. Whereas twenty small rural districts containing one and a half million people elected 40 deputies in 1989, the six most densely populated urban districts, also accounting for one and a half million people, elected 14 deputies. The same distortion occurred in the design of senatorial regions. In practically every case, the lines of districts and regions were drawn in such a way as to overrepresent areas which voted for Pinochet in the 1988 plebiscite.<sup>0</sup>

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<sup>0</sup> The ease with which these provisions might be enacted should not be exaggerated, however. Any changes with respect to the armed forces (as well as the Constitutional Court and the National Security Council), require a two-thirds majority in both houses of Congress. To modify other features of the Constitution requires a slightly lower majority of both houses, either three-fifths or four-sevenths, depending upon the type of law to be modified.

<sup>0</sup> For a full treatment of the electoral law and its multiple implications, see "El Sistema Electoral," Programa de Asesoría Legislativa, *Análisis de Actualidad* (June), 1992. Also see Genaro Arriagada, "Después de los presidencialismos...¿Qué?" in Oscar Godoy, ed., *Cambio de Régimen Político*. Santiago: Ediciones Universidad Católica de Chile, 1990, pp. 57-91.

<sup>0</sup> The over-representation of the rural sector was characteristic of pre-coup Chile as well. See Cesar Caviedes, *The Politics of Chile: A Sociographical Assessment*. Boulder, Co.: Westview Press, 1979.

The results of the 1989 elections demonstrated the effectiveness of the military regime's electoral formula for rewarding the right and punishing the left. The law's most egregious effects were reflected in the allocation of seats in the Senate. Whereas the right (National Renovation (RN), the Independent Democratic Union (UDI), and various independent candidates) obtained 42.2 percent of the senate seats with 33.9 percent of the vote, the left won only 12.5 percent of the Senate with 20.6 percent of the vote. The country's largest party, the centrist Christian Democrats, were left largely unaffected, winning 34.2 percent of the upper House with 32.3 percent of the vote.<sup>0</sup>

It would be misleading, however, to focus the analysis of the impact of the electoral formula exclusively on election results. In some ways a far more important consequence of the regime's electoral formula is the almost inexorable bipolar logic the new electoral rules impose on all the major political actors. Since the rules are designed to reward the two largest political alliances and at the same time punish small or non-allied parties, parties are left with practically no choice but to join together to form large coalitions and alliances. This imposed bipolar logic has resulted in several unintended consequences for the major political parties. First, intense pre-electoral negotiations between party leaders within the same alliance play a decisive role in selecting candidates for office in each district. These often result in arcane intra- and inter-party deals, wherein popular candidates are sometimes sacrificed by their own party leadership and prevented from running in the interests of the larger alliance ticket. In some cases, these practices have led to revolts among local party rank and file who view these as opportunistic electoral calculations of national party leadership and an attempt to thwart popular choice. While this practice has had its costs for the various partners within the Concertation Alliance, it has been especially divisive among the parties of the fractious right. Tension within the right has been further heightened by two additional factors. First, a nettlesome populist leader, Francisco Javier Errazuriz, and his Center-Center party joined forces with the rightist alliance to compete in the 1993 elections, thereby further complicating the already acrimonious relationship between the two major parties of the right, National Renovation and the Independent Democratic Union. Second, whereas the logic of competition permits the Concertation to aim for both seats in any given electoral unit, the (now expanded) center-right alliance, termed the Union for the Progress of Chile, could realistically hope for only one seat in each district. The larger number of actors within the alliance, combined with the reduced stakes, have made pre-electoral negotiations and intra-alliance electoral competition among the parties of the right intensely competitive.

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<sup>0</sup> Caution should be exercised in interpreting these results, however, since parties ran in alliances, potentially producing some distortion in the results. Figures are taken from Genaro Arriagada, "Despues de los presidencialismos...¿Qué?" in Oscar Godoy, ed., *Cambio de Regimen Político*. Santiago: Ediciones Universidad Católica de Chile, 1990, p. 78.

The legislative 'fail-safe mechanism' of the Pinochet-inspired 1980 Constitution is its provision for nine designated members to be added to the 38 elected members of the Senate.<sup>0</sup> According to Article 45 of the Constitution, four of these 'institutional' senators are chosen by the National Security Council from among retired Commanders in Chief of the Army, Navy, Air Force, or National Police; two are chosen by justices of the Supreme Court from among retired justices, and a third must be chosen by the justices from among retired Attorney Generals of the Republic; one is to be chosen by the President of the Republic from among ex-Rectors of an officially recognized university; and finally, the President selects one from among former cabinet ministers. Fifteen days after Pinochet lost his bid to stay in power in October 1988, the names of those designated to hold positions were announced to the public. Not surprisingly, all of those chosen were supporters of General Pinochet.

Repeated efforts by President Aylwin's administration to remove non-elected members of the Senate have failed to gain the support of the right. In effect, the former allies of the Pinochet regime have used the presence of their elected colleagues to veto legislation they consider incompatible with the institutional legacy of the military regime. The Concertation alliance has found itself in a very difficult position: its capacity to respond effectively to anti-democratic features of the institutional framework left behind by the military regime has been severely constrained by the strength of the right in the Senate. Even with an electoral formula that over-represented more conservative rural areas, if the Senate had been free of designated members, parties loyal to Aylwin would have controlled 60 percent of the seats in the lower House and 58 percent of the Senate. This would have permitted the government much broader freedom in enacting its legislative agenda. Ironically, this feature of the 1980 Constitution and other constraints left behind by Pinochet have forced the new democratic government to govern by seeking to gain the consent of its opponents, thereby strengthening the political system's newfound culture of consensus.

By the early 1990s, Chile had reaffirmed its commitment to a liberal economic regime, but important tutelary powers, electoral discriminations, and reserved domains stood in the path of a consolidated democracy. Returning to the two dimensions that form the focus of this paper's concerns, economic and political liberalization, we are left in post-Pinochet Chile with a considerable asymmetry in terms of the government's capacity to pursue policies along these two dimensions. Whereas the Aylwin government was almost singularly empowered to pursue liberal economic policies, its capacity to consolidate a democratic political regime was quite constrained.

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<sup>0</sup> The 1980 Constitution originally provided for only 26 senators to be elected, in which case the nine designated would have represented more than one-fourth of that body's total. However, a constitutional reform in July 1989 raised the total number of elected senators to 38, lowering the relative importance of the designated senators to about one-fifth of the Senate.

### The 1980 Constitution: Blessings in Disguise?

Perhaps not surprisingly, many of the same features of the 1980 Constitution that have made it difficult to fully consolidate the democratic political regime in Chile have reinforced the choice to continue liberal economic policies. In fact, some have argued that once the opposition to Pinochet accepted the overall institutional framework set forth in the 1980 Constitution, it was left little choice but to follow the conservative bias of the new institutional order.<sup>0</sup> Though this latter claim may be an exaggeration, the provisions within the Constitution that overrepresent supporters of the Pinochet regime within the Congress, combined with other reserved domains discussed above, have had the effect of requiring the center-left Concertation government to seek consensus among an even wider array of political forces, pushing the government to go beyond the parties that comprise the Concertation Alliance. Since the right holds considerable power in the Senate due to the presence of designated senators, the Aylwin administration often had to satisfy the minimal demands of the representatives of Chile's business and landholding groups in order to pass legislation. While clearly a non-democratic feature of the new institutional order, this bias has provided important guarantees to capitalists during the transition period. The presence of constitutional restrictions unfriendly to the center-left alliance may have provided economic policymakers within the Concertation government a necessary weapon to defend themselves from the pressures of populist demands from the left upon the return to democracy.<sup>0</sup>

Also contributing to this climate of consensus, the 1980 Constitution resolved Chile's perennial problem of what Genaro Arriagada has called the 'double minority system' established by the prior (1925) Constitution. First, whereas the earlier Constitution allowed the President of the Republic to gain election to office without the support of a majority of the electorate, the 1980 Constitution requires election by a majority of the votes cast (either in the first round, or in a runoff election). Even though the 1925 Constitution called for elections—in the case of no majority winner—to be decided upon by a majority vote of a joint session of Congress between the two leading candidates, it became virtually impossible politically to elect anyone other than the candidate with the first plurality. Second, the earlier Constitution enabled the president to pass legislation with the support of a simple majority in either house, and only one-third plus one in the other. This attribute, combined with other extraordinary executive powers, reinforced a

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<sup>0</sup> Eduardo Silva notes his agreement with Brian Loveman in this quote taken from Silva's "Capitalist Regime Loyalties and Redemocratization in Chile" in *Journal of Interamerican Studies* vol. 34, no. 4, 1992, p. 78.

<sup>0</sup> President Aylwin's Chief of Staff, Edgardo Boeninger, stated two years into the transition that "The main threat is populism, by which I mean the danger of responding to widespread social demands by making promises that outstrip the resources available to fulfill them." Quoted in Rhoda Rabkin, "The Aylwin Government and 'Tutelary' Democracy: A Concept in Search of a Case" in *Journal of Interamerican Studies* vol. 34, no. 4, 1992, p. 142. Alejandro Foxley, in an interview with the author, has suggested this to be the case.

dangerous proclivity of presidents (in many cases elected by a bare plurality) to govern without sufficient popular support, and helped precipitate a deep crisis of legitimacy during the government of Salvador Allende. However, though the current Constitution eliminates the possibility of a president elected with minority popular support (with a second-round election), it by no means ensures parliamentary support for the sitting president. Indeed, the president is forced to seek broad alliances with multiple parties in order to enact legislation.

The 1980 Constitution requires the president, who must be elected by at least a majority, to pass legislation with a majority in both Houses—and depending on the policy area, substantially more than a majority—thereby requiring broad agreement on policy before legislation is enacted. Though, as we have seen, the requirement of achieving such levels of support has prevented the Aylwin administration from removing most elements of perverse institutionalization from the Constitution, at the same time it has provided for, in the words of Socialist cabinet minister Enrique Correa, “a more solid political majority for social change than was possible under the government of Salvador Allende.”<sup>0</sup> Rather than adopting an openly and completely hostile posture towards the initiatives of the democratic government, the rightist opposition has manifested a pragmatic attitude, often engaging in intense parliamentary negotiations to blunt legislation aimed at the interests of capital. Conscious perhaps of the high levels of popular support enjoyed by president Aylwin throughout his tenure in office,<sup>0</sup> important elements of the right have lent their support to government-sponsored reforms ranging from key changes in the tax and industrial relations codes to wide-reaching reforms of local and municipal government.

In sum, while the 1980 Constitution is characterized by multiple elements of ‘perverse institutionalization,’ I have argued that, at least in the short term, some provisions of the new Constitution may have provided a legal and institutional framework to retain economic liberalization. The legal guarantees given to private property and the creation of an independent Central Bank, as well as other constitutional provisions, enhance the potential for government credibility and consistency. The Constitution also sought to resolve several destabilizing propensities inherent in the earlier institutional order, removing the chronic problem of an executive elected with only minority support. These factors, combined with the requirement of parliamentary majorities (and sometimes more than a majority) to pass legislation, reinforce centripetal drives within the political system and contribute to building consensus.

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<sup>0</sup> Cited in Rhoda Rabkin “The Aylwin Government and ‘Tutelary’ Democracy: A Concept in Search of a case” in *Journal of Interamerican Studies* vol. 34, no. 4, 1992, p. 142.

<sup>0</sup> The popularity enjoyed by President Patricio Aylwin’s government has been consistently high throughout the period of his government, only once dipping below 50 percent approval. A poll in March 1993 gave Aylwin’s government a 57.8 percent approval rating, compared with only 15.6 percent disapproving of the government. Longitudinal survey data covering the previous three years of the Aylwin presidency are provided in “Estudio social y opinion pública No. 19,” Centro de Estudios Públicos (May), 1993, p. 41.

### Consensus: A Key Facilitating Condition

Many of the ideological and institutional changes in Chilean politics that we have discussed suggest that collective learning can occur, making major political actors more tolerant and disposed to compromise.<sup>0</sup> Reflecting on this political sea change, Aylwin's Finance Minister, Alejandro Foxley, noted that, "the long authoritarian recess created, almost imperceptibly, a new political culture which made possible agreements, accords, and consensus that had simply been unthinkable earlier."<sup>0</sup> The experience of seventeen years of dictatorship profoundly altered belief systems and strategies among politicians in Chile and the capacity of political leaders to engineer compromise. The greater degree of consensus among political forces in Chile, and the enhanced propensity for broad coalitions and alliances, have provided a propitious context for the continuation of the dual processes of economic and political liberalization.

The notion of 'consensus' can be a slippery one. Giovanni Sartori proposed a general definition of consensus to be "a sharing that somehow binds." He then usefully identified three levels where such a sharing may hold relevance for the existence of democracy: first, the level of "ultimate values (such as liberty and equality) which structure the belief system"; second, that of "rules of the game, or procedures"; and finally, of "specific governments and governmental policies." He calls the first level of consensus a 'facilitating' condition for the existence of democracy, whereas the second level he argues is a fundamental prerequisite. The third level, that of specific governments and government policy, is an area where consensus would be both unnecessary and in some ways undesirable for democracy: the existence of dissenting views over specific policy lies at the heart of democratic government.<sup>0</sup>

In terms of the first level, that of ultimate values that structure the belief system, there is abundant evidence that the transition in Chile has coincided with a substantial narrowing in ideological distance between major social and political actors. Belief systems, especially among opponents to the dictatorship, have reemerged from the experience of authoritarianism substantially transformed. Chastened by the defeat of the Allende regime, and sobered by the

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<sup>0</sup> Manuel Antonio Garretón argues forcefully that political learning among elites provides a principal explanation for the changed political arena. See Manuel Antonio Garretón, "La oposición política partidaria en el régimen militar chileno: Un proceso de aprendizaje para la transición" in Marcelo Cavarozzi and Manuel Antonio Garretón, eds., *Muerte y resurrección: Los partidos políticos en el autoritarismo y las transiciones del cono sur*. Santiago: FLACSO, 1989. Nancy Bermeo provides a useful overview of the comparative literature in "Democracy and the Lessons of Dictatorship," *Comparative Politics* vol. 24, no. 3 (April) 1992, pp. 273-291.

<sup>0</sup> Quoted from an acceptance speech made by Alejandro Foxley upon his induction into the Royal Academy of Moral and Political Sciences, Madrid, Spain, March 30, 1993.

<sup>0</sup> Quoted from Giovanni Sartori, *The Theory of Democracy Revisited*. Chatham, New Jersey: Chatham Publishing House, Inc., 1987, pp. 89-91.

global collapse of international Leninism, the left in Chile is barely recognizable as the heir to its more ideological pre-coup predecessor. The policy agenda of the left has taken a sharp turn in the direction of liberalism, based on a rethinking of both the value of political democracy and the usefulness of the market. In this new environment, the centrist Christian Democrats no longer advocate 'communitarian socialism,' but have resorted to the language of their European cousins proclaiming support for a 'socially responsible' market. Comparatively, the right has traveled the least ideological distance from its pre-authoritarian counterpart, in important measure because their goals in economic policy have largely been realized. The near convergence of these formerly irreconcilable political actors has introduced a moderating dynamic into the political system that has undoubtedly served as a facilitating condition for the return of democracy. The newfound capacity and willingness of political leaders to bridge long-standing animosities and to forge coalitions and alliances among key parties of the center and left (within the Concertation), and those of the center and the right (within the Union for the Progress of Chile), has supplied a useful lubricant within the political system.

Sartori's second and most fundamental level of consensus, that of basic agreement upon rules and procedures, has been more problematic in the Chilean case. As we have seen, the legal framework established by the 1980 Constitution, though formally acknowledged as the 'rules of the game' by major political and social actors, retains authoritarian holdovers that are unacceptable to the parties of the Concertation Alliance. Disagreement over the institutional framework of Chile's democracy will doubtless intensify during the six-year presidential period of Eduardo Frei R. Since the forces of the Concertation failed to gain the seats necessary to remove the legacies of authoritarianism, parties of the Concertation, especially those most disadvantaged by the provisions of the 1980 Constitution, such as the Socialists and the PPD, may lose patience with what appears to be an endless waiting game. This, in turn could contribute in the not-so-distant-future to political instability.

Finally, with regard to the level of policy, the Aylwin government succeeded in crafting delicate political understandings and skillfully engineered policies in three critical areas: the economy, the gradual consolidation of political democracy, and human rights. Though sometimes a battleground, in general the terrain of economic policy has been one of broad agreement between Chile's major social and political actors. Pursuing a strategy of 'growth with equity,' the government has demonstrated to believers and skeptics alike that responsible and highly successful management of the economy is possible in a democratic context.

In the area of reform of political institutions, success has been more limited. The democratic government has pursued a strategy of incremental reform of the legacies of authoritarianism. Though the transitional government of Patricio Aylwin gained the support of the right in securing some progress in this area (such as municipal reform), the more fundamental

problems of civil-military relations, non-elected senators, and the reform of the electoral law have not been solved. It seems likely that these reforms can only be made in piecemeal fashion. In perhaps the most painful policy area for the Concertation government, the area of human rights, Aylwin consistently resisted pressures from the right and the military to enact legislation putting an end to the investigation of past rights abuses (the so-called *punto final*, or 'end point' legislation). Instead, Aylwin insisted on a policy he called *justicia posible*, or 'justice of the possible,' a measure that required the clarification of the circumstances of the crime, moral rehabilitation of the victim, and material compensation to the victim's family. Under this policy, most of the perpetrators of human rights abuses will not be subject to either trial or punishment. Just as in the area of full democratization, in this third policy area agreement between the parties of the Concertation and the opposition has been elusive.

### **Conclusion**

I have argued that the democratic government led by Patricio Aylwin, and his successors in the Concertation alliance under President Eduardo Frei R., have been uniquely positioned to consolidate a free-market, outward-oriented political economy. Since 1990, Chile's democratic government has successfully formulated and implemented a set of coherent economic policies that have respected the general market orientation pursued under Pinochet. However, it has been much less successful in removing the legacies of authoritarianism that block the full consolidation of democracy. In some ways, perverse institutional legacies built into the 1980 Constitution have strengthened the new democratic regime's hand in economic policy-making.

The institutional framework set forth in the 1980 Constitution has contributed powerfully, though not always democratically, to the Aylwin government's capacity to pursue coherent policy. The decisive resolution of the status of private property within the Constitution helped provide the requisite guarantees without which capitalist investment at current levels would be unthinkable. The systematic overrepresentation of Pinochet's allies in the Congress, especially the presence of non-elected members of the Senate, introduced into the system the requirement of a new level of consensus in order to pass legislation. This latter feature, though again non-democratic, has reinforced centripetal ideological dynamics already present within the political system and, somewhat ironically, contributed to the overall continuity and effectiveness of the government's ability to pursue coherent economic policies.

Democratic transition in Chile should be understood in terms of a recovery of well-established democratic practices and institutions. Several factors have influenced the government's capacity to formulate and implement coherent policy. The reappearance of strong parties capable of channeling and expressing diverse social and political interests has provided a

powerful institutional buffer, at least in part protecting policymakers from populist temptations. However, the presence of strong parties is not enough. The dynamics that characterize the contemporary party system in Chile differ in multiple and salutary ways from the pre-coup period. The ideological distance separating the major contenders within the party system has narrowed markedly, and the newfound capacity among the parties to join alliances and coalitions has greatly enhanced democratic governability. Not surprisingly, coherent economic policy-making is more feasible where political polarization is absent.

The trauma and dislocation caused by the experience of authoritarianism in Chile, combined with other global ideological changes, have contributed to a new political culture in which political compromise and agreement is more likely. This new consensus, at the level of ultimate values that structure the belief system among elites, has enabled policymakers to seek common ground among opposing social and political actors, and has served as a key facilitating condition for economic liberalization in a democratic context.

What of the future of this slightly heterodox, center-left Concertation Alliance and its warm embrace of economic liberalization? A fundamental question for the post-Aylwin period is whether the parties of the Concertation can continue to re-create in the mid-1990s the sense of excitement and urgency that characterized the transition to a democratic government at the end of the 1980s. Once the novelty of this historic agreement wears off and the fabric of the implicit social pact upon which it rests becomes thin, will the major parties of the center and the left be willing and able to forge new agreements over programs and political leaders that go beyond those created for the transition? As the dominant issue for which the Concertation was created recedes—i.e., the goal of defeating Pinochet in the 1988 plebiscite and winning the presidency for the forces pressing for full democratization—the cleavage between supporters and opponents of the authoritarian regime may increase as enthusiasm for maintaining current party alignments diminishes. In this new situation, the political leadership within the various parties of the Concertation will be tempted to try to strengthen their own parties and political identities around issues other than a rejection of the dictatorship, and may, for this reason, welcome more open, unstructured electoral competition.

With the December 1993 election of Eduardo Frei R. to succeed Patricio Aylwin at the head of Chile's second Concertation government, the question arises how the dual reality of relatively unencumbered markets combined with a political regime still harnessed by the constitutional constraints left in place by Pinochet will evolve. Has the political arena undergone a fundamental change, or was the consensus of the Aylwin period been more a necessary truce to see parties through the transition? Will renewed party competition revolve around such specific policy-related issues that the fundamental consensus over basic questions can be retained, thereby avoiding the reemergence of centripetal tendencies in the party system and permitting

the re-creation of the Concertation during the entire term under Eduardo Frei R.? Most probably, the pressure will mount during the Frei period to strip away—one way or another—these constraints. Despite these pressures, lessons from the relatively recent past may be powerful enough to ensure that party divisions remain moderate, allowing the formation of new alliances between forces around the center of the ideological spectrum and winning the time needed to consolidate democracy in Chile.