



Chile: The Conundrum of Inequality

With a reputation as one of Latin America's most stable young democracies and a superb record of prudent macroeconomic management and solid growth, Chile was the envy of many of its neighbors in Latin America, held up in the region and around the world as a free market miracle and a triumph of the Washington consensus. Symbolic of Chile's status as the poster child of neoliberalism was the praise offered by Rodrigo de Rato, the managing director of the International Monetary Fund, in a September 2004 visit to Santiago. Then, he declared that his visit "underscores the importance that the IMF places on our relationship with Chile. We believe that many countries, not just in this region but around the world, can learn from the lessons experienced here."¹

Yet the rhetoric of miracles and markets could not conceal the fact that steady growth in Chile had long coexisted with an equally powerful phenomenon: profound and worsening economic inequality. According to the 2006 United Nations Human Development Index, Chile ranked twelfth among those countries with the most unequal distributions of income, behind only a handful of deeply impoverished sub-Saharan African nations and four other South American economies (Brazil, Colombia, Paraguay and Bolivia). In that year, the richest 10% of the Chilean population controlled a full 47% of national wealth, while the poorest 10% controlled only a paltry 1.2%. The ratio of the wealth of the richest decile to that of the poorest was more than forty to one.²

As Chile approached a new round of presidential elections that brought the nation's first female president, Michelle Bachelet, to office in 2006, the persistence of this stark inequality sparked increasingly bitter controversy. Policymakers of the center-left Concertación coalition led by Bachelet, as well as a range of non-governmental organizations and academics, contended with increasing vehemence that the Chilean economy and polity would stumble if a significant percentage of its population continued to be excluded from productive economic activity and marginalized from the all-too-visible fruits of the nation's stunning economic success.³ Far more surprising than these calls for a new attack on inequality, however, was the fact that these demands began to be echoed and even amplified by the small but powerful elite that controlled the levers of the highly oligarchic Chilean economy, and the conservative politicians that had long defended their interests.

With little fanfare, a seismic shift in Chilean politics with profound implications for the evolution of its development strategy unfolded: the class that had long benefited from the highly concentrated distribution of wealth began to lower the gates. What one observer described as the most ideological elite in the world had considered the future of a profoundly stratified economy and rejected it.⁴

Professor Bruce R. Scott and Doctoral Candidate Jessica Leight prepared this case. It is drawn from an earlier, unpublished case study prepared by Professor David A. Moss and Doctoral Candidate Jessica Leight. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Accordingly, for the first time in Chile's recent history, the stage was set for the alteration of what had long been one of its economy's most enduring characteristics: an acute inequity in the distribution of its resources and the dividends from its spectacular growth.

Background

From the achievement of Chilean independence in 1816 through the first decades of the twentieth century, the Chilean polity was controlled by narrow elite, comprising a landowning oligarchy and a commercial class linked principally to the export of first nitrates and later copper. These elite ruled over a small, overwhelmingly European or mestizo (mixed European-Native American) population. In 2006, Chile had a population of 16 million, with only 5% identified as indigenous. An overwhelming 87% of the population lived in cities.⁵

Aristocratic dominance in Chile persisted until the historically rigid political system underwent a slow but steady process of opening between 1920 and 1940. Analysts argue that this shift in power from the oligarchy to an increasingly urbanized middle class was symbolized by the 1938 presidential triumph of Chile's first popular-based political party, the Radicals, who inaugurated an economic strategy of import substitution. The economic agenda of the Radical governments was similar to that being implemented by ascendant populist parties across the region during this period, emphasizing protected industrialization, the expansion of public education, and distributive measures favoring the middle and working classes, including increased public employment, rapid wage rises, and price controls on mass consumption goods.⁶

The rise of the Radical party and its quasi-populist agenda was also associated with more fundamental shifts in the Chilean polity, triggered by the increase in the percentage of voters among the voting-age population from a mere 9.1% in 1920 to 56.2% in 1970.⁷ Over those fifty years, each ten-point increase in voting rolls brought a 6.4 percentage-point reduction in the vote won by the historically dominant right (and, of course, concomitant gains by the center and the left, including the growing Communist and Socialist parties).⁸

During the same period, the Christian Democrats emerged as a newly powerful force in the center. Observers hypothesized that this phenomenon reflected the gradual move leftward of the electorate, along with the discrediting of the Radical party by the mid-to-late 1950s, due in part to its over-reliance on deficit spending.⁹ The Christian Democratic Party promised Chileans a "revolution in liberty"—a new generation of reforms that reflected rising popular dissatisfaction with stagnant growth and persistent inequality. Its agenda included rural unionization, land reform, investment in public housing, and the "Chileanization" of copper via state purchase of a majority stake in the economies most important mines, largely owned by U.S. companies. Boosted by the support of elite that viewed the party as the last hope to block Socialist Salvador Allende, the left's longtime presidential candidate, the Christian Democratic Party elected Eduardo Frei to the presidency in 1964.¹⁰

But the promised *revolución en libertad* proved to be frustratingly slow in the eyes of its supporters, and was hampered still further by increasing inflation and slowing growth between 1966 and 1970. With the cause of reform discredited and the Socialist and Communist parties gaining in strength, Salvador Allende narrowly defeated both Christian Democrat and conservative candidates in the three-way presidential election of 1970, thus bringing the leftist coalition Unidad Popular to power for the first time.¹¹

Over the next three years, the Allende government steadily tightened the state's grip on the economy. The copper mines in which the state had previously purchased a stake were fully nationalized by decree, to widespread popular acclaim. The administration also nationalized banking and other major industries, instituted price controls, and stepped up protectionist measures including high tariffs, non-tariff barriers, and a protective multiple-exchange-rate regime. It also introduced agrarian reforms intended to redistribute land to landless agricultural workers. With these measures came classic populist policies, such as sharp wage increases and a dramatic expansion of government social programs.¹²

Although the government's strategy initially produced a sharp jump in growth rates accompanied by declines in unemployment and inflation, the early successes rapidly unraveled. Within the first three years, Allende faced explosive fiscal and trade deficits, skyrocketing inflation, and widespread rationing and shortages. Skyrocketing prices also rapidly wiped out the initial gains made by the working classes. While the minimum wage increased 39% in real terms between 1970 and 1971, only two years later inflation had driven the real minimum wage down to a mere 75% of its 1970 level.¹³

The inflation scourge likewise undermined the Unidad Popular's attempt to increase the poorer quintile's share of national income. Relatively high levels of inequality by international standards had been visible in Chile beginning with the earliest available data in approximately 1957, with a Gini coefficient of nearly .5 reflecting a historical pattern of highly unequal ownership of assets, particularly land, in a largely oligopolistic economy. The index did decline under the Allende government, with the Gini coefficient falling to .475 and the ratio of income accruing to the richest quintile relative to the poorest decreasing from an average of 14.18 (1964-69) to 12.62 (1970-73). (See **Exhibit 7**.) However, these advances were clearly limited and hardly constituted a revolution in the historic pattern of economic inequality in Chile. Moreover, as will be seen, they would soon be easily and drastically reversed.¹⁴

By 1973, Chile found itself in economic and political crisis. Allende desperately maneuvered for the support of the Christian Democratic Party in order to shore up his splintering coalition, while demonstrations and counterdemonstrations escalated. At the same time, increasing rumblings were heard from the historically constitutionalist military. Ultimately, the armed forces abandoned their barracks and besieged the presidential palace on September 11, acting with the open support of prominent private sector organizations and the Christian Democratic Party, as well as the secret assistance of the U.S. Embassy and the U.S. CIA. The 1973 coup was the first in nearly five decades in what had long been regarded as one of Latin America's most stable and advanced democracies. It ushered in seventeen years of military government under the leadership of the army commander-in-chief, General Augusto Pinochet.¹⁵

Neoliberalism Ascendant

Under the military regime's lengthy rule, Chile experienced a dramatic economic transformation. All vestiges of the statist development strategies dominant in Chile for nearly half a century were eliminated, while the regime inaugurated a free-market driven economic policy that sought to open the Chilean economy to the world. At the same time, however, the regime suspended all democratic institutions and killed or "disappeared" more than three thousand citizens deemed politically subversive. To eradicate the radicalism that they claimed had poisoned the body politic, the armed forces detained, tortured, or exiled thousands more.¹⁶ The period was also marked by rapidly intensifying inequality. In the ten years between 1978 and 1988 alone, the richest 10% of the population increased its (already high) share of national income at the expense of the poorest 40%.¹⁷

Thus while per capita income increased dramatically under the military regime's tenure, poverty rates likewise increased rapidly.¹⁸

Following its seizure of power, Pinochet's military regime immediately set about dismantling the structure of socialist institutions that had been created by the Allende government. In its place, the regime established a policy framework designed in accordance with the neoliberal economic theory then dominant at the University of Chicago and at Chile's own Universidad Católica Pontificia, where a Chicago exchange program had created a generation of neoliberal Chilean economists and policymakers.¹⁹ The reforms were inaugurated with a reversal in land reform as well as a rapid privatization of more than 350 firms and banks, which led to an abrupt concentration of ownership in the hands of the few internationally oriented conglomerates that had access to cheap international credit during the major recession that hit the Chilean economy in 1974-1975. One notable exception to the privatization process, however, was the mining sector. Instead, the mines nationalized by Allende were reorganized in 1976 under a state-owned corporation (Corporación Nacional de Cobre, or CODELCO), and its properties were put on a list of enterprises not to be privatized.²⁰

At the same time that the new government pushed forward with privatization, other economic regulations were rolled back in a similarly sweeping manner. The vast majority of controls on prices (excepting wages and the exchange rate) were removed in October 1973. The military administration also made sharp cuts in public expenditures and overhauled the tax code by replacing taxes on wealth and capital gains with an across-the-board value-added tax of twenty percent. The liberalization of the financial market followed in 1975, encompassing a wide-ranging set of reforms including the elimination of interest rate controls, preferential financing laws, and quantitative credit restrictions; the scaling back of banks' reserve requirements; and the elimination of regulations preventing the free operation of non-bank financial institutions and foreign banks.²¹ The government also oversaw a decline in real wages of more than 30% between 1973 and 1975, while outlawing strikes and collective bargaining and killing, exiling, or driving underground prominent labor leaders.²² Ultimately, a labor law passed in 1979 legalized the formation of weak unions empowered to bargain only at the firm level, with severe limitations on the right to strike.²³

Two years later, in 1981, the government privatized the nation's social security system. Replacing a public social insurance system that the economic authorities viewed as financially unsustainable and vulnerable to political pressures, the new system required all workers to place 10% of monthly earnings in an account with an approved Administrator of Pensions Funds (Administradora de Fondos de Pensiones, or AFPs). The savings thus accumulated were used upon retirement to purchase an annuity or could be withdrawn in phases. The government also guaranteed a minimum pension and committed to pay the pensions of the current generation of workers enrolled in the public system. The reform was credited with eliminating a heavy fiscal burden on the state, though there were high temporary transition costs that were covered by government expenditures. The new pension system was also thought to have contributed to an increase in domestic capital accumulation.²⁴

1981 also saw the legalization of private health insurance companies, to supplement—or it was hoped, eventually supplant—public systems of health insurance that had operated in Chile in various forms since the 1920s. Now, affiliates were allowed to exit the system and procure private insurance, normally via their employer, in one of the new companies, known as an Institución de Salud Previsional (Institute of Health Insurance, or ISAPRE). Those who declined to transfer, and workers without access to employer-sponsored insurance continued to obtain medical care in the public system, which in 1986 was restructured into the Fondo Nacional de Salud (National Health Fund, or FONASA).²⁵

With respect to trade, the military government dismantled the diverse protectionist barriers then in effect, including tariffs, non-tariff barriers, and multiple exchange rates. The maximum tariff decreased steadily after 1974, declining from a peak tariff of 750% (and an average nominal tariff of 105%) in September 1973, prior to the coup, to an across-the-board tariff of 10% in 1979.²⁶ At the same time, limits on foreign investment, foreign credit, and foreign exchange transactions were eliminated. By 1980, the trade and financial accounts had been fully liberalized, with the exception of restrictions on short-term capital movements.²⁷ Equally important, the nominal exchange rate was fixed at 39 pesos per U.S. dollar in June 1979, a policy measure announced with great fanfare following several years of periodic government manipulation of the fixed exchange rate, regarded as a principal tool in the stabilization program.²⁸

Technocrats and Economic Groups: Demystifying the Chicago Boys

The dramatic restructuring of the Chilean economy in this period was accompanied by abundant rhetoric hailing the government's rejection of the sordid interest group politics that had supposedly plagued Chilean democracy prior to 1973 and its new dedication to the unquestionably objective hand of the free market. The Pinochet regime unceasingly asserted that it had ushered in a technocracy whose exclusive responsibility was "utilizing logical procedures to solve problems and offer alternative solutions." Yet the reality was radically distinct.²⁹ An integral part of the Pinochet government's success in its aggressive economic overhaul was its ability to create new and extremely valuable rents even in an ostensibly liberalized economy and strategically assign these rents to create pro-liberalization business constituencies. Literature focusing on the political economy of economic liberalization often postulates an inevitable "affinity between neoliberal economics and unilateral decision-making" and emphasizes the importance of state autonomy from rent-seeking interest groups.³⁰ Yet the evidence in Chile suggests a diametrically opposing view.

There, a staunchly orthodox, pro-liberalization coalition was constructed, or rather bought, during the first two years of military rule, over the course of the hasty re-privatization of state firms. Then leading the pack of purchasers were the Cruzat-Larraín, BHC, and Edwards economic groups, enormous conglomerates that controlled respectively 62, 85 and 34 companies concentrated largely in finance, exports of primary products, or international commerce.³¹ The state's rush to sell and the negative impact of the recession on the enterprises' short-term profitability also led to a significant undervaluation of the enterprises sold, with an accompanying loss to the public sector. The implicit subsidy in these sales, reaped by what were already the most powerful corporations in Chile, was estimated to fluctuate between 30% and 70% of the market value of each enterprise, with the loss to the state in 32 privatizations examined by the Chamber of Deputies in 2004 calculated at more than \$2.2 billion.³²

Not coincidentally, it was from among the directors of the conglomerates that had enjoyed this public largesse that Pinochet chose a new economic team in 1975—one that broke with the quasi-nationalist policies favored by more traditional military leaders and turned the Chilean economy in a radically neoliberal direction.³³ In fact, it was precisely the increasing economic and political power of the conglomerates, and their unquestioning support for a sweeping international opening, that facilitated the rise of the "Chicago boys" to the pinnacles of economic policy-making power. The dramatic financial and trade opening implemented by the new authorities then served to further enrich the same dominant economic groups, poised to serve as intermediaries for the enormous inflows of foreign capital and to expand their growing export enterprises.³⁴

Their allegiance to the military regime's neoliberal model was thus recommended, while at the same time the Pinochet government took careful measures to preserve the active support of these newly pro-liberalization elite. Not only were its members granted privileged access to spheres of policy-making power that were closed to political parties, labor unions, and even less virulently neoliberal business sectors,³⁵ virtually no regulatory barriers were imposed to prevent the intertwining of banks and firms under the same conglomerate umbrella, a policy that was a tremendous boon to the already flourishing businesses of the *grupos económicos*.³⁶

The importance of this solicitous cultivation of private sector support should not be underestimated, even though the military government did not face the necessity of garnering either votes or campaign contributions. Despite the authoritarian nature of his regime, Pinochet was clearly unwilling, and arguably unable, to govern without the support of the business organizations (known as *gremios*) that had eagerly supported his violent ascension to office. This dependence would be most clearly demonstrated after the 1982 crisis, when rising business discontent with Chicago-style neoliberalism was an essential factor in the policy-making renovation that marked a crucial turning point in Chile's economic trajectory.³⁷ Thus the rise and subsequent fall of neoliberal orthodoxy in Chile was driven by the disproportionate political power wielded under the military regime by the business elite—and that weight was thrown behind the Chicago boys' project thanks to the skill of the Pinochet government in using privatization-generated rents to win the economic groups' loyalty.³⁸

The Road to Crisis: Overvaluation, Speculation, and Skyrocketing Debt

Between 1977 and 1982, the evolution of the Chilean economy was dominated by the persistence of high inflation, a sharply appreciating real exchange rate, and unprecedented inflows of foreign capital.³⁹ The capital inflow was commonly attributed to a worldwide oversupply of petrodollars (from oil-exporting nations) as well as extremely high Chilean real interest rates, which proved particularly attractive coupled with the pegged nominal exchange rate.⁴⁰ Yet the government was apparently unconcerned. With capital flows large enough to ensure that Chile's foreign exchange reserves continued to rise through 1980, government officials concluded that their currency was not overvalued, despite its substantial real appreciation.⁴¹

By the second half of 1981, however, signs of economic distress began to mount, including the loss of foreign exchange reserves and an even more rapid increase in the trade deficit. Nonetheless, for the time being, the military government continued to place its faith in the exchange rate peg and the automatic adjustment mechanism that it was supposed to guarantee.⁴²

In 1982, capital inflows seemed to dry up even as interest rates continued to rise,⁴³ and the price of copper declined sharply.⁴⁴ Meanwhile, the process of deflation, which the automatic adjustment mechanism was supposed to induce to correct the situation, proved to be far slower and far more painful in real terms than the Chicago-trained reformers (sometimes called the "Chicago boys") had anticipated. The government finally bowed to the inevitable in June 1982 and devalued the currency, a decision that marked the beginning of a period of disarray in Chilean policymaking that would see several more sharp devaluations before the end of the year.⁴⁵

By the end of 1982, foreign exchange reserves had dwindled by 30%, as free access to foreign exchange was maintained while the peso plummeted. The combination of large devaluations, sky-high interest rates, and reduced access to foreign loans wreaked havoc throughout the domestic economy.⁴⁶ Facing an acute shortage of foreign exchange, the Pinochet government turned to the International Monetary Fund for an emergency loan. It also nationalized the domestic financial

system's substantial foreign debt, providing a government guarantee that foreign creditors of private banks would ultimately be paid in full, from the public coffers if necessary.⁴⁷ World Bank estimates at the time calculated that the government was ultimately forced to repay \$3.5 billion in bad foreign loans originally extended to private banks.⁴⁸

Adjustment and Moderation

In the aftermath of this financial crisis, which coincided with crises in Mexico and throughout much of Latin America, the military government in Chile executed a sharp reversal in economic policy. Political scientist Eduardo Silva attributed the shift away from liberal orthodoxy to the regime's fear that disillusioned business interests, devastated by the collapse, would ally with a growing popular protest movement based in Santiago and other major cities. Accordingly, the government began to adopt a more pragmatic – and more politically palatable – set of economic policies that emphasized reflationary “pump priming,” a more activist industrial policy, and an enhanced focus on export promotion.⁴⁹

On the trade front, the uniform tariff was raised from 10% to 35% in 1984, and tariff surcharges were imposed for products where it was thought that “excessive” importation could cause “serious” damage to domestic production. At the same time, price bands to stabilize the prices of key agricultural products (wheat, sugar, and vegetable oils) were reestablished to boost a flagging agricultural sector.⁵⁰ The government also began to employ a more activist monetary policy between 1985 and 1989, designed to maintain relatively cheap credit and fuel business expansion.⁵¹

At the same time, the government took a leading role in the resuscitation of the domestic financial sector, which had been devastated by the 1982 collapse. According to Chilean economist Patricio Meller, the most important concession made by the state to the battered private sector was its assumption of private debt to foreigners, a move that benefited principally the nation's major commercial banks and the *grupos económicos* that owned them. Other enormous resource transfers involved the Central Bank's injection of new capital into private banks, its repurchases of bad loans, its provision of a preferential exchange rate for the repayment of dollar-denominated debt, and its role in renegotiating private debts, both domestic and foreign, at lower interest rates. By some calculations, such “unregistered” subsidies funneled from the state to the private sector via the Central Bank averaged more than 4% of GDP between 1982 and 1985. Accordingly, the government was forced to provide \$6 billion in bonds between 1983 and 1985 to recapitalize the Central Bank.⁵²

Following these rather drastic interventions, higher growth did finally resume in the second half of the decade, though poverty rates remained high. The recovery was widely attributed to a combination of governmental “pump-priming” and increasing export growth, buoyed by an exchange rate that had depreciated by more than 50% since 1980-1981.⁵³ In fact, the explosive growth of export sectors was widely cited by observers as “one of the main causal factors of Chile's economic growth.”⁵⁴ Fruit, forestry products, fishmeal, and the newly emerging salmon sector performed especially well.

Yet contrary to popular myth, the new export industries did not somehow appear fully formed in an economy still struggling to recover from crisis. On the contrary, the state also played an active role in encouraging exports. It offered a diverse array of tax breaks and duty exemptions,⁵⁵ as well as the promotional and networking services of the Chilean export promotion agency, ProChile, originally established in 1975.⁵⁶ The government also played a crucial “midwifery” role in facilitating the early growth and development of what would later become Chile's most successful export industries. In the fruit sector, the state invested extensively in research and training that facilitated

the introduction of technology needed to sustain the industry.⁵⁷ In forestry, the government promoted the establishment of plantations through a comprehensive system of subsidies that Chilean economist Manuel Agosin deemed a “large-scale and undoubtedly very successful industrial policy.” In salmon farming, the crucial impetus was provided by the pioneering technological efforts of the Fundación Chile, a public-private entity that created the nation’s first salmon farming enterprises and subsequently sold them to private investors, thus helping to launch the sector’s explosive growth.⁵⁸

Together, these policies constituted a comprehensive framework for export promotion that analysts have described as analogous in some respects to the economic development strategies of East Asia.⁵⁹ Ironically, though perhaps not surprisingly, the subsequent achievements in export performance credited by the “Chicago boys” to their wisdom in trusting the invisible hand of the market owe much to the clearly visible, though under-recognized, hand of the state.

Inequality Under Pinochet

Yet there was a darker side to Chile’s emerging success as one of the leading export-oriented emerging markets, and that was the intensification of an already grim record of economic inequality, coupled with sharp increases in poverty. The Gini coefficient, which had declined slowly under Allende, subsequently spiked dramatically upwards under the Pinochet regime, reaching historically high levels close to .6 between 1982 and 1990 while the ratio of income earned by the richest relative to the poorest quintile increased to more than 20.⁶⁰ This notable deterioration reflects the conjunction of two overlapping processes: first, the wholesale structural reforms implemented by the military government principally between 1975 and 1979,⁶¹ and second, the protracted and painful process of economic adjustment that Chile underwent following the devastating 1982 crisis.⁶²

In the early years of military rule, there were two major processes of asset redistribution that contributed to a sharp increase in the concentration of wealth at the top of the pyramid. The first was the reversal of the Allende-era land reform, which resulted in the expulsion of around 40,000 people from the formerly reformed sector between 1974 and 1978. Subsequently, there was a sharp shift in land ownership towards medium-sized export-oriented farms as small *parceleros* who retained their plots were cut off from all forms of state assistance, devastated by the recession and forced to exit the sector entirely. In the same period, the re-privatization of nationalized enterprises led to a dramatic increase in the relative economic power of the major conglomerates.⁶³

Simultaneously, there was a sharp and long-lasting decrease in the real wage, reflecting a combination of policy changes sharply increasing the level of flexibility in the labor market and the near-total disarticulation of a formerly powerful trade union movement.⁶⁴ Employing the real wage in 1970 as an index, average wages between 1974 and 1980 were nearly 30% below the level they reached in the first year of the Allende administration. Though real wages would ultimately begin to rise in the post-crisis recovery period of the 1980s, they did not return to 1970 levels again until 1992.⁶⁵ Even as the economy recovered in the waning years of the military government, the economic success of new export sectors was not reflected in the performance of labor income. This trend was attributed by analysts to the fact that the thriving export industries were principally extractive or resource-based, demanding generally low-skilled labor with low wages and highly precarious conditions.⁶⁶

These structural shifts were aggravated even further by the impact of the 1982 crisis and a lopsided process of adjustment and belt-tightening in which the costs were, predictably, borne overwhelming by the poor.⁶⁷ On the one hand, subsidies for leading banks and economic groups unable to repay their foreign debts were, as already noted, abundant and generous. At the same time, the government slashed public expenditures on health, education, and housing, which fell by more than 10% from 1983 to 1986 (or 20% on a per capita basis).⁶⁸ There were also further declines in real wages, with the average real wage dropping again by 20% after wage indexation was abolished

and the minimum wage was drastically reduced in June 1982.⁶⁹ Even in 1987, the minimum wage index was still only 55% of the 1980 level in real terms.⁷⁰ The adjustment period was also characterized by extremely high levels of unemployment, which remained over 24% for four years. The poorest were hit particularly hard, with the poorest quintile accounting for more than 50% of the jobless.⁷¹

The unsurprising result was that poverty indicators, in addition to measures of the overall distribution of wealth, deteriorated dramatically over the military regime's tenure. When democratic governance was restored in 1990, the poverty rate as a percentage of households in the economy as reformed by Pinochet and his Chicago boys was 38.6%, compared to 17% in 1970. Indigence rates had likewise increased, standing at 12.9% in 1990 compared to 6.5% in 1970. (See **Exhibit 8.**)¹ The mark of the military regime was unmistakable. After seventeen years of neoliberal revolution, the poor were poorer—and the rich, far richer.

Political Transition

In the second half of the 1980s, the always tenuous political legitimacy of the Pinochet government was wearing increasingly thin as military governments were toppled throughout the continent and the winds of democracy appeared to blow with increasing force. A new coalition of political parties known as the Alianza Demócrata stepped up its calls for a return to elected civilian rule, and Pinochet agreed to hold a plebiscite in 1988 in which Chileans would be offered the opportunity to vote yes or no on the continuance of ten more years of military rule. The subsequent hard-fought campaign between the government and the Alianza culminated in a victory for the no vote by 55% to 43%. In the presidential election held the following year, a broad center-left coalition baptized the Concertación defeated the military regime's chosen candidate, and Christian Democratic leader Patricio Aylwin took office in 1990 as the first president of Chile's newly reestablished democracy.⁷²

The Aylwin government pursued a deliberately moderate economic strategy during Chile's first four years of renewed democratic governance, eager to demonstrate its economic orthodoxy to a suspicious domestic private sector as well as to the international community. It also sought to avoid any confrontations with the still-restive Armed Forces under the leadership of General Pinochet, who by the terms of the transition to democracy would remain head of the army until 1998. Accordingly, the administration emphasized continuity with the military regime's policies, establishing economic goals that highlighted low inflation, fiscal surpluses, a competitive exchange rate achieved through an adjustable-band regime maintained until 1999, and a sustainable balance-of-payments position.⁷³ At the same time, Concertación leaders and especially Finance Minister Alejandro Foxley argued that the inevitable resurgence of social demands associated with the return to democracy could be met only slowly and incrementally to avoid falling into a populist cycle of massive spending that would ultimately threaten long-term growth.⁷⁴

The Concertación's capacity for major economic and political reform was also limited by the "authoritarian enclaves" enshrined in Pinochet's 1980 constitution and by the terms of the negotiated transition. The latter endowed the military with an outsized role in politics, created a skewed electoral system that favored the right, and installed a virtually unshakeable conservative majority in the Senate (the upper house of the national legislature) by virtue of the presence of appointed senators.⁷⁵ Faced with these obstacles, the first two post-transition governments were forced to moderate their legislative goals. They failed to abolish the lopsided labor code inherited from the

¹ In this context, the poverty line corresponds to money income needed for the purchase of a basic consumption basket; the indigence lines represents the cost of the minimal diet only.

Pinochet government,⁷⁶ though new legislation offered some limited changes by increasing the social benefits available to workers and making dismissal more costly for employers.⁷⁷ Moreover, constitutional amendments eliminating the “authoritarian enclaves” enshrined in the Pinochet-era constitution and reestablishing a fully democratic political system would not be passed until 2005.⁷⁸

Nevertheless, the Aylwin government boasted several notable policy achievements. In the first year of its term, the administration negotiated a tax overhaul that imposed a mild increase on business and the upper classes.⁷⁹ Widely viewed as a triumph of Finance Minister Foxley’s consensus-seeking negotiations with the conservative opposition, the reform boosted tax revenues by approximately 15% and allowed fiscal spending on social programs to increase from 9.9% to 11.7% of GDP.⁸⁰ However, the Chilean state remained acutely dependent on the highly regressive value-added tax established by the Pinochet government. In 2005, revenue from the VAT still constituted 35% of government revenue, with another 13% of revenues due to copper production and only slightly more than a fifth of revenues derived from corporate and personal income tax. (See **Exhibit 5b.**) The skewed composition of government revenues reflected an extremely low level of corporate taxation; the corporate tax rate of 15%, later gradually raised to 17% between 2001 and 2004, was meager compared to rates of close to 30% in most industrialized countries. Moreover, the majority of high income individuals used tax shelters to pay income tax at the 17% rate rather than the highest income bracket rate of 40%, contributing to the persistently low share of corporate and income taxes in total revenues.⁸¹

A second successful policy introduced by the Aylwin government was the imposition of controls on short-term capital inflows, beginning in 1991. The hypothesis was that by limiting excessive inflows, particularly of speculative short-term capital, the controls would help to maintain a stable exchange rate that was widely seen as essential to the success of Chile’s export sectors. The principal mechanism was the requirement that foreign creditors make a deposit equivalent to 30% of the value of their investment at the Central Bank, to be maintained without accrual of interest for one year.⁸² Evaluations of the controls were generally positive, concluding that they markedly reduced the entrance of short-term speculative capital without unduly discouraging foreign direct investment.⁸³ Most analysts agree, however, that increasing leakages in the system developed over time, including heavy inflows into the Chilean stock market and a surge in medium-term borrowing, while Chile also experienced a significant real appreciation of its exchange rate from 1990 to 1997.⁸⁴

Equally important, Chile continued to deepen its integration with world markets through a dramatic expansion of its web of bilateral free-trade agreements. By 2006, it had signed 42 such agreements, with partners including the European Union, the United States, and China. Through its free-trade agreements, Chile won privileged access to markets accounting for 62% of total global production, the highest such percentage for any country in the world.⁸⁵

Shifting Strategies

From an economic standpoint, the first part of the decade following the transition to a civilian government was by most measures a notable success. The economy expanded robustly and there were sharp declines in both poverty and indigence, driven above all by a tightening labor market and rising real wages. According to one estimate, 80% of the poverty reduction could be attributed to the “trickle-down effect” of increased economic growth and a tighter labor market, particularly in the tradable goods sector – a conclusion bolstered by evidence showing that the decline in poverty was greatest in those subgroups associated with tradable goods production.⁸⁶ Others, however, emphasized the increase in social spending and its effective targeting towards low-income groups as an important factor boosting the economic welfare of the poorest Chileans.⁸⁷ Whatever the central cause, Chile’s record of poverty reduction in the 1990s – especially when combined with

macroeconomic stability – was described by some analysts as an achievement virtually unparalleled in Latin America or elsewhere in the developing world.⁸⁸ As Chile approached the end of its first post-dictatorship decade, the Concertación leaders who had guided its economic trajectory under democratic rule seemed to have much to celebrate. (See **Exhibits 1 and 12.**)

The macroeconomic climate worsened considerably, however, in the wake of the 1997-1998 financial crisis in East Asia and the 1999 devaluation in Brazil.⁸⁹ Although relatively robust growth soon resumed, observers cited increasing evidence of declining vitality in key export sectors. Chilean officials also heard a rising chorus of criticism from non-governmental organizations regarding the environmental impact of production in leading export sectors,⁹⁰ with sustainable development advocates stating bluntly that Chile was mortgaging its environment for short-term gain.⁹¹

There were other potential economic stumbling-blocks as well. Economist Marcus Kurtz noted that “there is strong evidence to suggest that market forces are not reorienting the economy towards manufacturing exports or higher value-added products linked to the natural resource sectors.”⁹² (See **Exhibit 6.**) In fact, studies suggested that movement in the forestry sector was in the direction of less sophisticated products,⁹³ and that foreign investment was preferentially directed towards extractive or resource-based sectors.⁹⁴

Thus by 2006, a new emphasis in Chilean economic policy had emerged, highlighting the importance of accelerating a transition towards more sophisticated, higher-technology exports, and the role of the state in facilitating that transformation. Declaring its determination to move the economy downstream, the Bachelet government promised new policies to support technology investment, a nation-wide system of innovation, and increased funding for education and training. In the president’s words, the country that had exported copper, wine, and salmon must begin exporting “software for mining, techniques to improve the yield of vineyards and cures for the diseases affecting salmon.”⁹⁵

Confronting Inequality

Throughout the emergence of the Chilean “economic miracle,” inequality was the hidden underside of Chile’s economic success. (See **Exhibit 7.**) The highly skewed income distribution bequeathed by the military regime was barely altered following the transition to democratic governance, despite the impressive record of macroeconomic stability and poverty reduction already chronicled. Most notably, the Gini coefficient demonstrated no improvements in the fifteen years following 1990, and the income shares of the lowest decile and quintile in fact slightly declined between 1990 and 2003, from 1.4% to 1.2% for the poorest decile and 4.1% to 3.9% for the poorest quintile. Even as per capita income continued to increase at an average of 4% annually between 1990 and 2004 (see **Exhibit 1**), the gap between rich and poor remained unchanged. Moreover, the concentration of income within the richest 20% continued to be extremely high by international standards, with the top quintile capturing 62.2% of total income, compared to 55.1% in Mexico, 45.8% in the U.S., or 44% in the United Kingdom.⁹⁶

Clearly, inequality in Chile was impervious to both economic growth and the continued liberalization of an ever-more open economy. While some growth did ‘trickle down’ and poverty did decrease, the same slice of national wealth continued to be captured by tiny elite. Echoing parallel debates unfolding in the United States, many Chilean economists argued that the entrenchment or even deterioration of existing inequalities reflected a steadily increasing gap in productivity (and hence in wages) between skilled and unskilled labor, as the impact of integration and globalization increased the premium placed on technological skills and education.⁹⁷ At the same time, however,

the opening of the economy had no impact on the immense concentration in the ownership of productive assets; according to one estimate, a handful of economic groups held more than 50% of all shares traded in the Chilean stock market.⁹⁸ This pattern only increased the relative power of employers relative to a workforce that remained largely atomized, with membership of only 10% in unions whose collective bargaining rights remained extremely limited.⁹⁹

Moreover, experts in social policy and poverty alleviation argued that existing economic inequalities were reinforced and even deepened by a system of differential access to education, health, and social security and pensions benefits, creating a situation of economic polarization in which income inequality per se represented “only the tip of the iceberg.”¹⁰⁰ First, in the all-important area of education, a substantial gap in education coverage between upper and lower quintiles remained, even though it had narrowed notably since the transition to democracy in 1990. In 2003, 95% of youths between 20 and 24 years of age in the richest quintile had completed secondary education; in the poorest quintile, only 52% had high school diplomas. The breach in coverage for tertiary education was far wider, with 74% of the richest quintile attending at least some college, and only 15% of the poorest. Also telling was the disparate coverage in preschool education, now widely considered by experts to be a crucial setting for early cognitive and social development that lays the foundation for subsequent educational and employment success, and thus an essential tool in equalizing the opportunities for such success between children of different socioeconomic backgrounds.¹⁰¹ In Chile, however, only 30% of children in the lowest quintile attended school prior to kindergarten, compared to 50% in the richest quintile. (See **Exhibit 9**.)¹⁰²

Equally pernicious, though less-noticed, were stark disparities in the quality of education available to students of differing socioeconomic backgrounds. More concretely, the results of the most recent national examination administered in 2005 to fourth graders showed a substantial gap between the scores of students from higher and lower socioeconomic groups, as defined by the Ministry of Education based on the income of the family and the average education of the parents. (See **Exhibit 10**.) Similar gaps in performance were evident between the three types of schools in Chile: private schools with independent tuition fees, privately managed schools funded by state voucher-like subsidies, and public, municipally managed schools. Average student performance – and average socioeconomic status of the students – descended in that order.¹⁰³

Given this evidence, the frequent assertions by policymakers that the persistent expansion of educational opportunities would ultimately break down socioeconomic barriers and ameliorate inequality seemed increasingly dubious.¹⁰⁴ On the one hand, analysts such as Rodrigo Castro of the conservative Instituto para Libertad y Desarrollo supported this stance of cautious optimism, highlighting the decline in the variance in years of schooling in each generation and suggesting that equality of opportunities must therefore be on the rise.¹⁰⁵ Yet the abundant signs of highly uneven educational quality, as well as the notable gap in access to tertiary education, suggested that the opportunities for human capital accumulation available to youths from different strata of Chilean society continued to be largely determined by the income and socioeconomic status of their parents.¹⁰⁶ In this context, an economist of the University of Chile insisted that sustained state intervention to provide universal early-childhood education and public primary and secondary education of adequate, and equal, quality would be essential to narrow this gulf and approximate equality of opportunity upon entry into the labor market.¹⁰⁷

The substantial variation in both access and quality visible in the educational system was likewise evident in health care. In Chile’s bifurcated health system, 72% of the population remained affiliated to the public insurance fund FONASA in 2003, with only 16% affiliated with private insurance companies, known as ISAPRES. More important, these figures were sharply stratified by income, with 51% of the richest quintile in the private health system and 34% in the public sector, compared

to 1.6% in the private sector and 91.1% in the public sector for the poorest quintile. (See **Exhibit 11**.)¹⁰⁸ This reflects the fact that the ISAPREs focused on providing services for high-income, relatively low-risk groups, targeting their marketing efforts to principally high-income men of working age. On the other hand, high-risk groups, including the elderly, low-income patients and women of reproductive age, clustered disproportionately in the public health system.¹⁰⁹

Nonetheless, FONASA operated with considerably lower resources at its disposal to provide services to this relatively vulnerable population. Private insurers, serving less than one fifth of the population, absorbed approximately two thirds of all payroll contributions.¹¹⁰ Contributions per beneficiary were likewise unequal, with an average of 161,427 Chilean pesos (\$305 at 2006 exchange rates) per patient in the private sector in 2003, compared to only 46,032 pesos (\$87) for patients enrolled in FONASA.¹¹¹ Interestingly, despite FONASA's limited resources, in public opinion data it was cited as the economic institution with the highest level of public confidence (61%), while the ISAPREs registered the lowest level of confidence, only 20%.¹¹²

Even beyond the stark resource inequities, however, critics raised other criticisms of the mixed public-private system. Concentration in the market was substantial and information asymmetries limited the ability of the consumer to effectively choose an appropriate plan. Moreover, the ability of the ISAPREs to select disproportionately healthy and high-income individuals, in addition to raising grave questions of equitability of access, resulted in bloated administrative costs as insurers attempted to screen out high-risk patients and competed to make that screening ever more effective—or, from the perspective of the poor and sick, ever more exclusive.¹¹³

The inequalities pervasive in the education and health systems ultimately followed Chileans into retirement, surfacing again in the privatized social security system installed by the military government. Twenty-five years after the reform's introduction, the vast majority of workers still failed to accumulate funds during their working years sufficient to guarantee a pension equal to the mandated minimum. As a result, the government was forced to spend more than a quarter of its annual budget on supplemental pension payments to bring private pension accounts up to the guaranteed minimum, assistance pensions to the indigent, and pensions to those retirees remaining in the public system, with the costs to the state remaining steady at 5% to 6% of GDP annually.¹¹⁴

Perhaps most startling, in 2004 only 4.3% of all retirees in Chile received a pension from an AFP fully financed by their own savings. Total beneficiaries of the AFP system numbered a mere 475,324, compared to more than 1.5 million recipients of some form of public pension in 2005. Moreover, among workers affiliated with a pension fund, only 10% were estimated to contribute every month, with the average worker contributing only four months out of the year and the average pension paid by the fund only \$180 per month. Not surprisingly, the most vulnerable were low-skilled workers and women, who were often engaged in sporadic or informal work and thus suffered from low levels of contributions, limited possibilities for the accumulation of savings, and (in many cases) impoverished retirements.¹¹⁵

In response to these failings, the Bachelet administration proposed a dramatic reform of the pension system in December 2006, calling for the establishment of a guaranteed government-provided minimum pension of approximately \$143 and a variety of measures to increase competition in the AFP market, including authorization for banks and insurance companies to establish pension funds and new restrictions on commissions charged to beneficiaries.¹¹⁶ The six companies currently controlling the AFP market not surprisingly protested, claiming the reforms could be unconstitutional and would reduce consumers' choice. At the same time, critics on the left argued that the reforms would be insufficient to provoke real changes in the AFP oligarchy or limit AFPs' profits.¹¹⁷

The pattern was clear. Though notable enough on its own, the dramatic concentration of income in the Chilean economy was only part of a broader structure of inequities that systematically limited the opportunities of the poor to accede to an education of quality, stable and adequately remunerated employment, essential health care, and a secure retirement. A deep fissure ran between the wealthy upper-class enclaves visible in Santiago and other major cities and the impoverished *poblaciones* close by, and it divided Chileans in every arena and at every stage of life: as workers, as consumers, and as citizens.

Transforming the Debate

Despite the omnipresence of inequality in Chilean society, it remained a virtually taboo subject for the first fifteen years following the transition to democracy. Any mention of inequality was considered tantamount to an open challenge of the dominant economic model, a veritable call to class warfare and a dangerous reprisal of the tumultuous pre-1973 period—a political gaffe of proportions, to be avoided at all costs.¹¹⁸ Yet the problem of inequality suddenly leapt to the forefront in the 2005 presidential election, as the three leading candidates, Michelle Bachelet for the Concertación and Joaquín Lavín and Sebastián Piñera for the center-right Alianza por Chile, actively competed with each other to offer detailed blueprints for the amelioration of the currently distribution of income.¹¹⁹ At the same time, they sought to pin the blame for the persistence of income inequality on the opposing party, or even better, to tar competing policies with the most dreaded moniker of all: populist.¹²⁰

Virtually overnight, inequality was transformed from an embarrassing flaw to be discussed behind closed doors, if at all, to the watchword of the day.¹²¹ Upon Bachelet's triumph in the January 2006 runoff, she declared that "inequality is the principal obstacle that we confront to make Chile a developed country," promising in her inaugural address that under her administration there would be no forgotten citizens.¹²² After a decade in which a relentless emphasis had been placed on growth and stability, what were the roots of this wholesale renovation of political discourse?¹²³

Economist Ricardo Ffrench-Davis (sic), a longtime analyst of inequality in Chile, argued that a crucial trigger was the publication in 2003 of a major World Bank report identifying Chile as one of the most inequitable societies in Latin America.¹²⁴ Others have identified a 2005 report from the Catholic Episcopal Conference of Chile that deemed current levels of inequality to be "scandalous" as a key factor.¹²⁵ Yet such analyses seem somewhat facile. Similar data and analyses of the distribution of wealth in Chile had been available for years; previously, however, they had never been sufficient to awake any serious political preoccupation.

A more promising answer to the query of how and why inequality leapt so suddenly to the forefront is also a much simpler one. There had long existed a tiny elite in Chile who had benefited from and defended the concentration of wealth, extracting as the price of their support for each successive government promises that no fundamental changes to the economic model would be attempted.¹²⁶ Yet as Michelle Bachelet's presidency unfolded, this elite began to abandon the barricades and declare, for the first time since 1973, an openness to fundamental reforms in the nation's social and economic policies, prompted by the increasing evidence that the persistence of inequality in its current stark form would ultimately incur severe social and political costs.

Most symbolic of this renovation was an attention-grabbing interview granted by Felipe Larraín, formerly president of COPEC -- the largest conglomerate in Chile, with interests in fuel, fishing, mining and services -- and also a past president of the powerful and historically conservative manufacturers' organization SOFOFA (Sociedad de Fomento Fabril), in September 2006. In widely publicized remarks, he argued that the stubborn resistance to reform demonstrated by incestuously intertwined political and economic elites had blocked any advance towards a more equitable

distribution of income, heightening social tensions to the point that Chile was beginning to approach the type of popular explosion witnessed in the Argentina crisis of 2001. Though he contended that ultimately, “inequality will transform itself into a national problem,” that assertion in itself was clear evidence that the most profound transformation was already underway – and it was a transformation not in the nature or characteristics of inequality itself, but in the manner in which it was perceived at the top of the Chilean income pyramid.¹²⁷

Simultaneous and complementary to this evolution were the dramatic changes evident in the policy stances of the center-right Alianza por Chile and particularly its more conservative party, the Unión Demócrata Independiente. As the political heirs of Pinochet, the UDI had likewise inherited the military regime’s privileged relationship with the nation’s economic elite, and its reluctance to admit that the free-market economic model had served as a vehicle for a sharp intensification in inequality. Endowed with an artificial legislative majority by virtue of the appointed senators provided for in the Pinochet-era constitution, the Alianza had constituted a stumbling-block for major economic reforms throughout the 1990s, until – as already noted—its discourse began to change dramatically prior to the 2005 election.¹²⁸

Part of the impulse was undoubtedly pure political opportunism: while the coalition was perceived as the defenders of the rich, its possibilities for arriving in government after three consecutive defeats seemed slim. Yet a certain positive feedback loop also emerged between conservative business and political leaders. Increased openness to reform on the part of the elite encouraged political leaders in their attempt at renovation, while Alianza politicians in turn were faced with the task of prodding traditionally conservative constituencies to recognize the necessity of an assault on equality and assist the coalition in its drive towards political renovation and (it was hoped), ultimate electoral success.¹²⁹

The result was a series of virtually unprecedented events in Chilean politics. The UDI held historic meetings with the national union confederation and the union of public employees, and publicly supported a strike by public health employees for higher wages in a meeting with their Communist-affiliated leader.¹³⁰ Its leaders, co-opting the rhetoric of the far left, accused the government of creating dangerous levels of social tension by postponing long-held social and wage demands.¹³¹ At the same time, the party’s leading presidential candidate for 2009, Pablo Longueira, repeatedly condemned increasing economic concentration and mergers in the banking and pharmacy sectors while declaring that “I am not in politics to defend economic groups or the rich; they don’t matter to me.”¹³² Needless to say, an array of observers both inside and outside of Chile – including politicians of the Concertación and, interestingly, leading figures in the Catholic church -- contended that these maneuvers were due to political opportunism rather than conviction.¹³³ Such assertions are debatable, but irrelevant to the central point. For the first time, the perception of inequality as a threat to Chile’s political and economic advance was so widespread that the elite and the conservative parties were convinced, or forced, to add their voices to those clamoring for change.

This was due in part to the increasing evidence that inequality was a burden on growth. Chilean economist and U.N. economist Andrés Solimano argued that the exclusion of a significant proportion of the population from opportunities to mobilize their human capital and potential for innovation—due to marginalization from adequate education, credit and social networks – amounted to a waste of a significant part of the economy’s growth potential.¹³⁴ At the same time, the high degrees of concentration in most important sectors of the economy limited competition and dampened the incentive for innovation or increased efficiency on the part of the largest firms.¹³⁵ Observers noted that a negative correlation between inequality and growth had long been observed at the international level, and suggested that Chile should not be presumed to be an exception to the rule.¹³⁶

Moreover, Lamarca's expressed fear of a social explosion analogous to that visible across the Andes was by no means an exaggeration. Data showed that the maturation of Chilean democracy post-transition had coincided with a decline in political identification and an increase in civic apathy, frequently linked to the perception of entrenched advantage and similarly intractable poverty.¹³⁷ In 2005, a full 84% of Chileans surveyed declared that in Chile citizens were not equal under the law, with only 13% endorsing the opposite position, suggesting that inequality was perceived to extend in the most basic ambit of civil and political rights.¹³⁸ 55% asserted that the poor had limited possibilities to exit poverty, while among the poor the figure rose to 74%. Similarly, only 15% of respondents below the poverty line expressed optimism about the future of the economy, and only 24% were optimistic about the evolution of their own economic situation, suggesting that the majority perceived the existing skewed distribution of income to be virtually immutable.¹³⁹ At the same time, Chileans placed great importance on equality; in 2006, a wide majority of 70% asserted social equality to be a value of greater importance than personal liberty, an increase from approximately 50% that had held this position in earlier surveys in 1990 and 1995.¹⁴⁰ Thus equality was highly valued, yet little in evidence in an economy that also held limited opportunities for social mobility: seemingly a recipe for disaster.

Following the inauguration of President Bachelet, episodes of unusually severe public unrest—widespread student protests in May 2006 that recurred again in November, public sector strikes and virulent labor disputes in the health sector—were again cited as evidence that persistent inequality was threatening Chile's further stability and growth.¹⁴¹ One analyst argued that the existing popular disaffection with the status quo could ultimately produce a grave crisis of governability.¹⁴² The risk was perceived to be particularly high if future political leaders lacked the charisma of Bachelet, whose high approval ratings were widely attributed to her aggressive detachment from the often-criticized machinations of the traditional parties and the perception that she represented a break with the policies, and the parties, of the past.¹⁴³

In the words of one leading Chilean economist and expert on inequality, Chile was at a point of inflection. With social tensions increasingly focused around persistent inequalities, the manner in which the nation grappled with the gap between rich and poor could well prove decisive in the coming decades. Yet even more importantly, he argued that Chile was at a historic moment in which politicians of every party were employing the same fundamental discourse emphasizing the importance of leveling a highly skewed playing field – a discourse increasingly shared by the economic elite. This was the true point of inflection: one at which inequality in Chile was transformed from a curse only for those who suffered from it, to a potential threat to the collective well-being of the economy and the polity, crying out for a collective response.¹⁴⁴

Conclusion

In the last two decades of the twentieth century, Chile was frequently heralded as one of the outstanding economic success stories in Latin America and in the developing world as a whole. It achieved an impressive record of sustained growth on the basis of a development strategy that prioritized a highly open economy, a relatively limited role for the state, and the preservation of a stable macroeconomic climate.¹⁴⁵ The same economic model, however, engendered extremely high levels of inequality, stubbornly resistant to the "trickle-down" effects of high economic growth.

Yet as the presidential term of newly elected Michelle Bachelet began in 2006, a new societal consensus appeared to emerge around the importance of tackling inequality. Even as improbable an advocate as Felipe Lamarca, a longtime elite corporate leader and former "strong man" of the powerful Angelini economic group, declared that government action in this sphere was essential.

Accordingly, he called for more robust consumer protections, the establishment of a “free competition czar” to regulate mergers and increase competition, and reforms to the political system to facilitate the entrance of independent candidates and break the monopoly on power then held by the two leading electoral coalitions. Though his views were met with scornful admonitions from other elite leaders that it was necessary to maintain “one’s feet firmly planted on the ground” – at the same time that the many of the same leaders rejected the government’s strikingly similar proposal to increase competition in the pension market -- the bluntness of his analysis resonated across Chile nonetheless.¹⁴⁶

In Lamarca’s words, “The richest decile of our society receives a large part of the income, and this decile has a lot to do with the decisions of the right. Therein lies a serious problem that many people note, but no one dares to voice, because there are economic connections, friendships, political connections. The entanglement is too thick...In the end, it is more comfortable to remain where we are. But I can see clearly that here is a problem of inequality that cannot continue, we must enter and correct it. . . I have the impression that Chile will not change until the elite lets go of the teat, and I believe that it will be very difficult for the political and economic elites to do it.”¹⁴⁷

The message was one of pessimism, but it was the identity of the messenger that was significant: a noted leader of the elite, challenging his counterparts to acknowledge that the distribution of income as it stood was ultimately unsustainable. For a nation that had already closed the cycle of socialism to dictatorship to democracy, another profound change was underway – led this time, and for the first time, from above.

Exhibit 1 Chile – National Economic Accounts, 1965–2005

	1965	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005
GDP (billions of current pesos)	0,019	0,101	35,48	1,075	2,652	9,246	25,876	40,575	43,537	46,342	50,731	57,357	64,549
GDP (millions of current US\$)	6,054	8,981	226	27,572	16,486	30,323	65,216	75,515	66,450	67,366	72,412	94,105	115,250
Household consumption (% of GDP)	70.2	67.8	69.3	70.7	67.0	61.9	62.6	65.4	65.3	63.7	60.7	57.9	57.1
Gross capital formation (% of GDP)	18.3	19.2	17.0	21.0	17.2	25.1	25.8	22.5	20.7	21.9	24.2	23.4	23.0
Gross fixed capital formation (% of GDP)	17.2	17.8	21.5	16.6	16.8	23.1	23.9	21.0	21.4	20.6	22.8	22.1	22.1
General government consumption (% of GDP)	10.5	12.4	15.7	12.5	13.4	9.8	9.8	11.1	12.0	12.0	12.0	12.0	11.6
Exports (% of GDP)	13.6	14.6	25.4	22.8	28.1	34.6	30.5	29.8	34.7	33.1	35.7	38.0	41.8
Imports (% of GDP)	12.6	14.0	27.4	27.0	25.7	31.4	28.7	28.8	32.7	30.8	32.6	31.0	33.4
Net exports (% of GDP)	1.0	0.6	-2.0	-4.2	2.4	3.3	1.8	1.0	2.0	2.3	3.1	6.7	8.3
Real GDP (billions of constant pesos)	1,870	2,337	2,182	3,098	3,238	4,484	6,801	8,414	8,650	8,840	9,132	9,685	10,305
Real GDP, CAGR from previous year shown (%)		4.6	-1.4	7.3	0.9	6.7	8.7	4.3	2.8	2.2	3.3	6.1	6.4
GNP/GDP (%)	94.1	94.9	96.0	96.6	87.4	94.2	95.7	96.2	96.4	95.8	93.8	91.4	n.a.
GDP per capita (thousands of constant pesos)	218	246	211	278	269	342	479	553	562	567	579	607	636
GDP per capita (constant 2000 US\$)	1,966	2,220	1,905	2,520	2,432	3,093	4,295	4,917	5,023	5,074	5,205	5,462	n.a.
GDP per capita, PPP (constant 2000 international \$)	n.a.	n.a.	3,542	4,673	4,969	5,861	7,999	9,115	9,341	9,412	9,727	9,993	n.a.
Gross domestic savings (% of GDP)	19.3	19.8	15.0	16.9	19.6	28.4	27.6	23.5	22.7	24.2	27.3	30.5	n.a.
Mineral depletion (% of GDP)*	n.a.	10.7	14.8	8.8	9.3	12.1	9.0	6.2	5.2	4.8	6.3	n.a.	n.a.
Consumer price index (2000 = 100)	0.0005	0.0015	0.4	6.4	16.6	40.7	77.8	100.0	103.6	106.1	109.1	110.3	113.7
Inflation, consumer prices (annual %)	28.8	32.5	374.7	35.1	29.5	26.0	8.2	3.8	3.6	2.5	2.8	1.1	3.1
Inflation, GDP deflator (annual %)	41.2	40.7	334.6	28.8	30.7	21.2	9.3	4.6	3.8	4.2	5.5	6.6	4.8
Deposit interest rate (%)	n.a.	n.a.	n.a.	37.7	32.1	40.4	13.7	9.2	6.2	3.8	2.7	1.9	3.9
Government budget surplus (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	2.4	3.1	-0.6	-0.5	-1.2	-0.4	2.1	4.7
Central government debt, total (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	47.2	19.5	13.8	15.1	15.7	13.1	10.8	7.2
Current account balance (% of GDP)	n.a.	n.a.	-6.8	-7.1	-8.6	-1.6	-2.1	-1.2	-1.6	-0.9	-1.5	1.5	0.6
Population, total (millions)	8.6	9.5	10.3	11.1	12.0	13.1	14.2	15.2	15.4	15.6	15.8	16.0	16.2
Population ages 15-64 (% of total)	55.0	55.7	57.8	60.9	63.0	63.8	63.9	64.6	64.9	65.3	65.7	66.0	n.a.
Unemployment, total (% of total labor force)	n.a.	n.a.	n.a.	10.4	12.1	5.7	4.7	8.3	7.9	7.8	7.4	n.a.	n.a.

Source: Compiled from World Development Indicators; International Financial Statistics for GNP (now called GNI); Economist Intelligence Unit (for Govt Budget Surplus, Deposit interest rate, and 2005 figures, many of which are EIU estimates).

* Mineral depletion is equal to the product of unit resource rents and the physical quantities of minerals extracted. It refers to bauxite, copper, iron, lead, nickel, phosphate, tin, zinc, gold, and silver.

Exhibit 2 Chile - Balance of Payments, 1975-2005 (millions of U.S. \$)

	1975	1985	1990	1995	2000	2001	2002	2003	2004	2005
Current Account	-490.0	-1,413.0	-484.6	-1,349.6	-897.5	-1,100.1	-580.1	-1,102.1	1,389.7	702.7
Trade Balance	70.0	883.7	1,283.5	1,381.0	2,118.9	1,843.6	2,385.6	3,521.9	9,019.2	10,179.7
Goods Exports (fob)	1,590.0	3,804.1	8,372.7	16,025.0	19,210.2	18,271.8	18,179.8	21,523.6	32,024.9	40,573.9
Goods Imports (fob)	-1,520.0	-2,920.4	-7,089.2	-14,644.0	-17,091.4	-16,428.2	-15,794.2	-18,001.7	-23,005.7	-30,394.2
Services Balance	-287.0	-388.0	-228.2	-324.1	-718.8	-844.3	-701.5	-617.1	-580.3	-588.4
Services: Credit	248.0	692.5	1,848.1	3,332.9	4,082.9	4,138.4	4,385.5	4,949.5	5,956.4	7,171.7
Services: Debit	-535.0	-1,080.5	-2,076.3	-3,657.0	-4,801.7	-4,982.6	-5,087.0	-5,566.7	-6,536.7	-7,760.1
Net Income	-285.0	-2,055.2	-1,737.4	-2,713.5	-2,855.6	-2,526.2	-2,846.7	-4,606.3	-8,100.6	-10,623.9
Income: Credit	4.0	200.8	484.1	868.5	1,597.6	1,458.3	1,113.7	1,435.5	1,509.6	2,177.0
Income: Debit	-289.0	-2,256.0	-2,221.5	-3,582.0	-4,453.2	-3,984.5	-3,960.4	-6,041.8	-9,610.3	-12,800.9
Net Transfers	12.0	146.5	197.5	307.0	558.0	426.8	582.5	599.4	1,051.4	1,735.2
Capital and Financial Account	-67.0	-1,394.0	2,857.0	2,356.6	787.4	1,361.8	1,717.3	1,661.2	-519.2	n.a.
Capital Account	0.0	0.0	0.0	0.0	0.0	0.0	83.0	0.0	5.1	n.a.
Financial Account	-67.0	-1,394.0	2,857.0	2,356.6	787.4	1,361.8	1,634.3	1,661.2	-524.3	n.a.
Net Direct Investment	50.0	142.6	653.7	2,205.0	873.4	2,590.0	2,206.8	2,501.3	6,659.7	6,209.0
Direct Investment Outflow	0.0	-1.7	-7.5	-752.0	-3,986.7	-1,609.7	-943.2	-1,884.1	-943.1	-1,000.0
Direct Investment Inflow	50.0	144.3	661.2	2,957.0	4,860.0	4,199.8	2,549.9	4,385.4	7,602.8	7,209.0
Net Portfolio Flows	-6.0	0.0	360.8	34.0	638.8	139.3	-2,317.3	-2,118.0	-3,433.8	n.a.
Portfolio Investment Assets	0.0	0.0	0.0	-14.0	766.1	-1,386.0	-3,315.8	-4,171.7	-4,557.0	n.a.
Portfolio Investment Liabilities	-6.0	0.0	360.8	48.0	-127.3	1,525.3	998.5	2,053.7	1,123.2	n.a.
Net Other Investment	-111.0	-1,536.6	1,842.5	117.6	-724.7	-1,367.5	1,744.8	1,277.9	-3,750.2	n.a.
Errors and Omissions	-109.4	-69.9	-49.9	131.5	426.6	-860.7	-952.2	-916.3	-1,062.0	n.a.
Overall Balance	-666.4	-2,876.9	2,322.5	1,138.5	316.5	-599.0	185.0	-357.2	-191.5	-935.7
Financing	666.4	2,876.9	-2,322.5	-1,138.5	-316.5	599.0	-185.0	357.2	191.5	935.7
Change in Reserves	79.6	-102.5	-2,121.5	-739.7	-316.5	599.0	-185.0	357.2	191.5	935.7
IMF Credits and Loans	206.9	205.0	-209.3	-297.9	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Financing	380.0	2,774.4	8.3	-101.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange Rate: Pesos per US \$ (period average)	4.9	160.9	304.9	396.8	539.6	634.9	688.9	691.4	609.4	560.1
Real Effective Exchange Rate Index (1997=100)*	n.a.	99.0	74.8	91.4	92.8	83.8	81.0	76.1	80.7	85.6

Source: Compiled from International Financial Statistics; World Development Indicators for nominal exchange rate; EIU for stocks, real effective exchange rate, and 2005 figures (many of which are estimates).

* An increase in the Real Effective Exchange Rate Index indicates appreciation.

Exhibit 3 Chile: Foreign Assets and Liabilities (millions of US\$)

	1985	1990	1995	2000	2001	2002	2003	2004	2005
Stock of Foreign Exchange Reserves	2,450	6,069	14,140	15,035	14,379	15,341	15,840	15,994	16,929
Stock of Inward FDI	2,483	6,425	15,701	43,789	48,637	51,959	54,579	61,727	68,935
Stock of Outward FDI	102	178	2,769	18,293	19,903	20,246	22,130	23,073	24,073
Total Foreign Debt	20,390	19,200	22,010	37,330	38,670	41,220	43,250	44,706	46,533
Public Medium and Long Term Debt	12,900	10,400	7,180	5,260	5,580	6,800	8,050	8,115	7,450
Private Medium and Long Term Debt	4,730	4,260	11,400	25,900	27,800	28,600	27,700	27,346	28,096
IMF Loans	1,090	1,160	0	0	0	0	0	0	0
Short Term Debt	1,670	3,380	3,430	6,170	5,290	5,820	7,500	9,245	10,986

Source: Economist Intelligence Unit (some of the 2004 and 2005 figures are estimates).

Exhibit 4 Chile: Money and Interest Rates

	1985	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Base money (billions of pesos)	111	395	1,069	1,211	1,395	1,397	1,787	1,713	1,894	1,983	2,094	2,329	2,928
M1 (billions of pesos)	129	484	2,222	2,544	2,963	2,793	3,246	3,498	3,897	4,263	4,698	5,512	6,242
M2 (billions of pesos)	566	2,413	8,877	10,814	13,148	14,840	16,540	18,007	18,524	19,756	19,801	24,377	29,958
Discount rate, % (end of period)	n.a.	n.a.	8.0	11.7	8.0	9.1	7.4	8.7	6.5	3.0	2.5	2.3	4.5
Deposit rate, %	32.1	40.4	13.7	13.5	12.0	14.9	8.6	9.2	6.2	3.8	2.7	1.9	3.9
Deposit rate (foreign currency), %	n.a.	n.a.	5.4	5.2	5.0	4.4	4.4	5.5	3.5	1.6	1.4	1.6	2.9
Lending rate, %	40.0	48.9	18.2	17.4	15.7	20.2	12.6	14.8	11.9	7.8	6.2	5.1	6.7
Lending rate (foreign currency), %	n.a.	n.a.	10.0	9.3	9.5	8.7	7.4	7.8	5.5	3.8	3.4	3.0	4.4

Source: IMF, International Financial Statistics.

Exhibit 5a Chile: Fiscal Accounts, 1990-2005 (billions of current pesos)

	1990	1995	1997	1999	2000	2001	2002	2003	2004	2005
Budget revenue	2,225	6,166	7,519	7,577	8,789	9,485	9,790	10,616	12,819	15,707
Budget revenue (% of GDP)	23.1	21.8	21.7	20.4	21.7	21.8	21.1	20.9	22.4	24.9
Budget expenditure	1,991	5,285	6,806	8,365	9,047	9,701	10,364	10,834	11,586	12,642
Budget expenditure (% of GDP)	20.7	18.7	19.6	22.5	22.3	22.3	22.4	21.4	20.2	20.1
Budget balance	234	881	713	-788	-257	-216	-574	-218	1,233	3,066
Budget balance (% of GDP)	2.4	3.1	2.1	-2.1	-0.6	-0.5	-1.2	-0.4	2.2	4.9
Public debt	4,371	5,063	4,594	5,107	5,549	6,515	7,286	6,651	6,229	4,631
Public debt (% of GDP)	45.4	17.9	13.2	13.8	13.7	15.0	15.7	13.1	10.9	7.3

Source: Economist Intelligence Unit. Figures for 2005 are estimates.

Exhibit 5b Chile: Government Income by Source, 2000-2005 (billions of current pesos)

	2000	2001	2002	2003	2004	2005
Corporate tax	935.9	1032.2	1088.4	1118.0	1303.2	1868.7
% total	10.9	11.1	11.3	10.7	10.4	12.2
Personal income tax	721.3	786.4	775.7	786.3	838.8	934.1
% total	8.4	8.5	8.1	7.5	6.7	6.1
VAT tax	3205.9	3423.8	3728.5	4096.8	4693.2	5248.2
% total	37.2	36.8	38.9	39.3	37.6	34.3
Product taxes (tobacco and fuel)	907.7	998.1	1054.2	1088.6	1108.7	1243.7
% total	10.5	10.7	11.0	10.4	8.9	8.1
Taxes on international trade	548.6	510.2	436.6	317.4	259.9	289.4
% total	6.4	5.5	4.6	3.0	2.1	1.9
Revenue from pension contributions	576.7	628.1	678.9	728.1	827.6	931.7
% total	6.7	6.8	7.1	7.0	6.6	6.1
Revenue from copper	215.2	66.7	55.1	269.2	1414.4	2017.3
% total	2.5	.72	.57	2.6	11.3	13.2
Total government revenue	8606.9	9293.0	9592.3	10418.8	12479.5	15316.8

Source: Compiled from Chile Ministerio de Hacienda, Dirección de Presupuestos. Estadísticas de las Finanzas Públicas 1996-2005. Gobierno Central Presupuestario Consolidada en Moneda Nacional; Ingresos Tributarios Netos: Clasificación por Tipo.

Note: Minor tax categories and miscellaneous sources of government income are not included; thus the percentages cited will not sum to 100.

Exhibit 6a Chile: Value Added and Employment by Major Sector, 1965-2004

	1965	1970	1980	1990	1992	1994	1995	1997	1999	2000	2001	2002	2003	2004
Agriculture, value added (% of GDP)	8.7	6.9	7.3	8.7	9.9	9.4	9.2	4.6	4.6	4.8	4.2	4.3	4.2	3.8
Industry, value added (% of GDP)	39.9	42.0	37.4	41.5	38.1	35.6	35.3	40.0	37.3	38.4	39.1	39.5	40.9	44.6
Services, value added (% of GDP)	51.4	51.1	55.3	49.8	52.0	55.0	55.5	55.4	58.0	56.8	56.7	56.2	54.9	51.6
Employment in agriculture (% of total employment)	n.a.	n.a.	16.3	19.3	18.0	16.2	15.7	14.4	14.4	14.4	13.6	13.5	13.6	n.a.
Employment in industry (% of total employment)	n.a.	n.a.	23.7	25.2	26.5	26.1	26.1	27.3	23.4	23.4	23.9	23.9	23.4	n.a.
Employment in services (% of total employment)	n.a.	n.a.	59.8	55.5	55.5	57.7	58.2	58.3	62.1	62.2	62.5	62.6	63.0	n.a.

Source: Compiled from World Bank, World Development Indicators.

Exhibit 6b Chile: Miscellaneous Sectors, Shares of GDP, 1960-2004 (%)

	1960	1970	1980	1985	1990	1995	1997	1999	2000	2001	2002	2003	2004
Fishing	0.4	0.3	0.6	1.1	1.2	1.5	1.3	1.4	1.2	1.1	1.3	1.5	2.0
Mining	7.7	6.6	7.2	10.5	8.9	7.8	6.2	5.8	7.0	6.6	6.9	8.5	13.4
Manufacturing, total	22.3	24.7	21.5	17.5	17.5	16.2	17.4	17.4	17.6	18.4	18.4	17.9	17.1
Food	n.a.	n.a.	7.3	5.2	4.8	4.4	5.4	5.7	5.5	6.0	5.7	5.4	4.5
Textiles	n.a.	n.a.	1.9	1.9	1.6	1.0	1.5	1.1	1.0	0.7	0.6	0.6	0.7
Wood	n.a.	n.a.	1.2	1.2	1.5	1.3	1.3	1.3	1.2	1.2	1.5	1.4	1.3
Paper	n.a.	n.a.	1.9	1.9	1.8	2.0	1.9	2.2	2.6	2.6	2.8	2.8	2.7
Chemical	n.a.	n.a.	3.3	4.0	4.3	4.1	3.8	4.1	4.1	4.7	4.7	4.6	4.4
Mineral and basic metal	n.a.	n.a.	1.6	1.7	1.6	1.6	1.6	1.3	1.5	1.6	1.6	1.6	2.0
Machinery	n.a.	n.a.	4.1	1.6	1.7	1.7	1.9	1.7	1.7	1.6	1.6	1.4	1.5
Electricity, gas and water	1.5	1.7	2.1	2.7	1.9	2.5	2.8	2.7	3.1	3.1	3.1	3.1	2.9
Construction	7.6	7.5	5.3	4.6	5.3	5.2	9.8	8.0	7.1	7.4	7.4	7.9	7.6
Commerce, restaurants and hotels	17.1	16.5	18.4	14.2	15.2	16.7	11.0	10.7	10.4	10.5	9.4	9.3	8.4
Transport and communications	4.2	4.9	5.6	6.3	7.1	7.6	6.4	7.0	2.8	7.0	7.1	7.1	6.8
Financial services	3.0	4.6	9.6	11.9	12.7	13.5	12.5	13.8	13.6	13.9	13.8	13.3	12.4
Real estate	6.6	6.4	5.8	6.0	4.6	3.5	7.5	6.1	5.7	5.6	5.5	5.2	4.7
Personal services	10.8	10.2	10.2	8.9	7.6	6.2	10.9	12.5	12.6	12.8	13.1	12.9	12.2

Source: Compiled from Banco Central de Chile, National Accounts.

Note: 1997-2004 percentages calculated on the basis of nominal data; earlier data were reported only in real terms.

Exhibit 7 Income Inequality in Chile: Shares of Income (%) and Gini Index, 1957–2003

	1957-1963	1964-1969	1970-1973	1974-1981	1982-1986	1987-1990	1990	1992	1994	1996	1998	2000	2003
Poorest 10%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	1.5	1.3	1.3	1.2	1.1	1.2
Poorest 20%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1	4.3	4.0	3.9	3.7	3.8	3.9
Richest 20%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	57.4	56.7	57.3	57.1	57.3	57.5	56.5
Richest 10%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	42.2	41.9	41.9	41.6	41.3	42.3	41.2
Gini index	48	51	48	53	58	59	58	57	58	57	58	58	57

Source: For 1990-2003: Fundación para la Superación de la Pobreza. For 1957-1990: Larrañaga 1999. Gini coefficients provided are averages over the years indicated. Given the difference in sources, the two sets of data are not strictly comparable. Note also that pre-1990 data is based on a survey of the greater Santiago area only, not the entire country.

Exhibit 8 Chile: Levels of Poverty and Indigence, 1970-2003

	Poor non-indigent, % population	Indigent, % population
1970	17.0	6.5
1987	38.1	13.5
1990	38.6	12.9
1992	32.6	8.8
1994	27.5	7.6
1996	23.2	5.7
1998	21.7	5.6
2000	20.6	5.7
2003	18.8	4.7

Source: Adapted by the author – for 1970-1987, Scott 1996, p. 171; for 1990-2003, Fundación para la Superación de la Pobreza, based on data from the government survey CASEN (Encuesta de Caracterización Socioeconómica Nacional).

Note: Definitions of “poor” and “indigent” in Chile varied from year to year in dollar terms. In 1996, for example, the urban poverty line in Chile was \$2.73/day, and the urban indigence line was \$1.37/day.

Exhibit 9 Chile: Educational Coverage by Income Quintile, 2003

Income quintile	Coverage of preschool education, %	Coverage of secondary education, %	Possession of high school diploma, %	Coverage of tertiary education, %
I	30.3	87.5	52.4	14.5
II	34.0	91.7	65.6	21.2
III	35.0	94.0	78.4	32.8
IV	36.1	96.9	86.6	46.4
V	49.1	98.7	95.3	73.7

Source: Compiled from Chile Ministry of Planning and Cooperation (MIDEPLAN). "Encuesta de Caracterización Socioeconómica Nacional 2003. Principales Resultados Educación."

Note: Quintile I corresponds to the poorest 20%, with quintile V the richest.

Exhibit 10 Chile: Educational Performance Scores by Socioeconomic Group, 2002-5

National averages	2005	2002
Language	255	251
Mathematics	248	247
Comprehension of natural, social, and cultural materials	257	251

Socioeconomic Group	% of student body	Language		Mathematics		Comprehension		
		2005	Variation from 2002	2005	Variation from 2002	2005	Variation from 2002	Percent of Total
Low	8	231	7	220	2	227	2	8%
Medium low	28	236	6	228	0	235	6	28%
Medium	36	253	2	245	-2	256	5	36%
Medium high	20	278	0	271	-2	282	5	20%
High	7	300	-1	297	-3	306	6	7%

Source: Compiled from Chile Ministry of Education, www.simce.cl.

Note: The characterization of socioeconomic groups is defined by the Ministry of Education, which divides the student body into categories according to three characteristics: average years of study of both parents, monthly income, and an index of educational vulnerability, also constructed by the Ministry, corresponding to the school that the student attends. The percentage of the total student body represented by each group is indicated above for reference. A positive "variation from 2002" indicates a higher score in 2005 than 2002. A negative "variation" indicates a lower score in 2005.

Exhibit 11 Chile: Health Insurance Affiliation, 2003

Socioeconomic group	% affiliated to FONASA	% affiliated to ISAPRE	% affiliated to Armed Forces or police insurance
Total population	71.2	16.3	n.a.
Men	69.5	17.3	12.3
Women	74.5	15.7	8.9
Income quintile I	91.1	1.6	.6
Income quintile II	85.4	5.6	1.6
Income quintile III	76.4	11.2	3.9
Income quintile IV	60.5	24.0	5.5
Income quintile V	33.6	50.5	5.1

Source: Compiled from Chile Ministry of Planning and Cooperation (MIDEPLAN). "Encuesta de Caracterización Socioeconómica Nacional 2003. Principales Resultados Salud."

Exhibit 12 Comparative Social Indicators

	Chile	Argentina	Brazil	China	India	Mexico	Peru	United States
GDP per capita (US\$), 2005	7,779	4,780	4,455	1,420	645	7,984	2,704	43,168
GDP per capita (US\$ at PPP), 2005	12,420	14,310	8,590	6,290	3,490	9,999	6,030	43,168
GDP per capita growth (annual %), 2005	5.2	8.0	1.0	9.3	7.0	1.8	5.1	2.5
Life expectancy at birth	76	74	69	71	63	75	70	77
Adult literacy rate, % of people ages 15 and above	96	97	88	91	61	91	88	n.a.
Average number of children per woman, 2004	2.0	2.3	2.3	1.8	2.9	2.2	2.8	2.0
Telephone mainlines (per 1,000 people), 2005	232	205	237	242	46	174	62	615
Mobile telephones in use (per 1,000 people), 2005	539	236	300	328	60	379	158	504
Passenger cars (per 1,000 people), 2004	79	149	90	8	5	136	22	474
Gini Coefficient	57	53	58	45	38	50	55	45
% of population consuming less than \$2 per day	10	23	21	47	80	20	32	0
% enrollment in primary education, 2002	86	100	97	n.a.	83	100	100	99
% enrollment in secondary education, 2002	76	81	75	67	n.a.	60	69	86
% of population with access to indoor plumbing, 2002	92	n.a.	75	44	30	77	62	100

Source/Notes: GDP data from the Global Financial Data database. Automobile and Telephone data from the Global Market Information Database. Gini coefficients for India and the United States from the Central Intelligence Agency. Other data from the World Bank World Development Indicators database. Data on poverty for 2000, except China (2001), Mexico and Peru (2002), and Argentina (2003). Data on inequality for 2003, except India (1997) and China and Chile (2000). Data on life expectancy for 2003, except Mexico (2004). Data on literacy for 2004, except China (2000), Argentina and India (2001), Chile (2002), and Brazil (2003).

Exhibit 13 Comparative Educational Data

	Chile	Argentina	Brazil	China	India	Mexico	Peru	United States
Public spending on education, total (% of GDP)	4.2 ^d	4.0 ^d	6.3 ^d	4.2 ^c	2.1 ^a	4.1 ^b	3.0 ^d	5.7 ^c
Expenditure per student, primary (% of GDP per capita)	15.8 ^d	11.0 ^d	15.5 ^d	11.2 ^c	n.a.	12.4 ^c	6.4 ^d	21.7 ^c
Expenditure per student, secondary (% of GDP per capita)	15.6 ^d	15.1 ^d	12.8 ^d	11.1 ^c	12.1 ^a	20.9 ^c	8.7 ^d	25.0 ^c
Expenditure per student, tertiary (% of GDP per capita)	17.7 ^d	13.2 ^d	44.0 ^d	50.7 ^c	85.8 ^a	86.4 ^b	14.1 ^d	26.0 ^c
Pupil-teacher ratio, primary	32.9 ^d	17.3 ^d	23.7 ^d	25.2 ^d	21.1 ^d	41.3 ^d	25.1 ^d	14.8 ^d

^a1999 ^b2000 ^c2001 ^d2002 ^e2003 ^f2004

Source: World Bank, World Development Indicators.

Note: "Tertiary" education refers mainly to university education.

Exhibit 14 Indicators of competitiveness, ranking out of 117 countries

	Chile	Argentina	Brazil	Mexico	Peru
Public trust of politicians	23	107	93	86	110
Property rights	31	110	60	66	98
Judicial independence	47	105	72	60	110
Efficiency of legal framework	35	98	74	62	107
Company spending on research and development	47	58	29	63	93
Quality of the educational system	73	77	94	79	110
Quality of math and science education	88	73	100	92	110
Secondary enrollment (high school)	52	25	13	75	50
Tertiary enrollment (college)	38	22	74	71	57
Overall competitiveness ranking	23	72	65	55	68

Source: Compiled from World Economic Forum, Latin America Competitiveness Review 2006 and Global Competitiveness Index 2006.

Note: A lower number indicates a superior rank.

Endnotes

-
- ¹ The quote can be found in the IMF press release announcing the visit at <http://www.imf.org/external/np/sec/pr/2004/pr04185.htm>.
- ² United Nations. 2006. *Human Development Report*. Available on-line at <http://hdr.undp.org/hdr2006/pdfs/report/HDR06-complete.pdf>
- ³ Solimano, Andrés and Molly Pollack. 2005. "The Search for Stability and Growth Under Conditions of Extreme Inequality: The Case of Chile." Paper prepared for the International Project on Pro-Poor Macroeconomics, July 9. 34.
- ⁴ Interview with anonymous Chilean economist. July 15, Santiago.
- ⁵ Instituto Nacional de Estadísticas. 2003. "Censo 2002: Síntesis de Resultados." Available on-line at <http://www.ine.cl/cd2002/sintesisencensal.pdf>.
- ⁶ Meller, Patricio. 2000. *The Unidad Popular and the Pinochet Dictatorship*. New York: St. Martin's Press. 1-12.
- ⁷ Winn, Peter. 1986. *Weavers of Revolution*. New York: Oxford University Press. 58.
- ⁸ Meller 2000, 18-9.
- ⁹ Velasco, Andrés. 1994. "The State and Economic Policy: Chile 1952-92." In *The Chilean Economy: Policy Lessons and Challenges*, ed. Barry Bosworth, Rodrigo Dornbusch and Raúl Labán. 379-411.
- ¹⁰ Skidmore, Thomas and Peter H. Smith. 2001. *Modern Latin America*. Oxford: Oxford University Press. 123-6.
- ¹¹ Winn, 58-69.
- ¹² Stallings, Barbara and Andy Zimbalist. 1975. "The Political Economy of the Unidad Popular." *Latin American Perspectives* 2:1 (Spring): 69-85.
- ¹³ Meller 2000, 32-9.
- ¹⁴ Larrañaga, Osvaldo. 1999. "Distribución de Ingresos y Crecimiento Económico en Chile." Comisión Económica para América Latina (CEPAL) *Serie Reformas Económicas* 35 (July): 1-56. 13.
- ¹⁵ Winn, 235-45.
- ¹⁶ Skidmore and Smith, 133-4.
- ¹⁷ Martínez, Javier and Alvaro Díaz. 1996. *Chile: The Great Transformation*. Geneva: United States Research Institute for Social Development. 124.
- ¹⁸ Scott, Christopher. 1996. "The Distributive Impact of the New Economic Model in Chile" In *The New Economic Model in Latin America*, ed. Victor Bulmer-Thomas. New York: St. Martin's Press. 147-184. See data in Table 5, p. 171.
- ¹⁹ Silva, Patricio. 1991. "Technocrats and Politics in Chile: from the Chicago Boys to the CIEPLAN Boys." *Journal of Latin American Studies* 23:3 (May): 385-410.
- ²⁰ Kutz, Tomas and Hugo Muñoz. 1990. "La Corporación Nacional del Cobre de Chile, CODELCO Chile." In *Estado Empresario y Privatización en Chile*, ed. Jorge Ale, Luis Larraín, Gustavo Mallat, Mónica Ortúzar and Mirencho Videla. Santiago: Universidad Nacional Andrés Bello, Centro de Desarrollo.
- ²¹ Meller 2000, 79-81.
- ²² Foxley, Alejandro. 1983. *Latin American Experiments in Neoconservative Economics*. Berkeley: University of California Press. 65.
- ²³ Silva, Patricio. 1988. "The State, Politics and Peasant Unions in Chile." *Journal of Latin American Studies* 20.2 (Nov.): 433-452.
- ²⁴ Diamond, Peter and Salvador Valdés-Prieto. 1994. "Social Security Reforms." In *The Chilean Economy: Policy Lessons and Challenges*, ed. Barry Bosworth, Rudiger Dornbusch and Raúl Labán. Washington: Brookings Institute. 257-329.
- ²⁵ Barrientos, Armando and Peter Lloyd-Sherlock. 2000. "Reforming Health Insurance in Chile and Argentina." *Health Policy and Planning* 15(4): 427-423. 418.
- ²⁶ Corbo, Vittorio. 1997. "Trade Reform and Uniform Import Tariffs: The Chilean Experience." *American Economic Review* 87:2 (May): 73-77. 73.

-
- ²⁷ Edwards, Sebastian. 1986. "Monetarism in Chile: 1973-83: Some Economic Puzzles." *Economic Development and Cultural Change* 34:3: 536-47. 538-9.
- ²⁸ Edwards, Sebastian. 1985. "Stabilization with Liberalization: An Evaluation of Ten Years of Chile's Experiment with Free-Market Policies, 1973-83." *Economic Development and Cultural Change* 33: 223-54. 228.
- ²⁹ Silva, Patricio. 1991. "Technocrats and Politics in Chile: from the Chicago Boys to the CIEPLAN Boys." *Journal of Latin American Studies* 23:3 (May): 385-410. 393.
- ³⁰ Etchemendy, Sebastian. 2001. "Constructing Reform Coalitions: The Politics of Compensations in Argentina's Economic Liberalization." *Latin American Politics and Society* 43:3: 1-35.
- ³¹ Foxley, 66-7.
- ³² Espinace, Sebastián. 2006. "Los Chicago Boys Celebraron Cumpleaños Esta Semana." *La Nación*, April 2.
- ³³ Palma, Cristián and Ana Verónica Peña. 2006. "Nos Legaron La Desigualdad." *La Nación*, April 2.
- ³⁴ Kurtz, Marcus. 1999. "Chile's Neoliberal Revolution: Incremental Decisions and Structural Transformation, 1973-89." *Journal of Latin American Studies* 31:2 (May): 399-427. 411-15.
- ³⁵ Silva, Eduardo. 1993. "Capitalist Coalitions, the State and Neoliberal Economic Restructuring: Chile 1973-88." *World Politics* 45:5 (July): 526-59.
- ³⁶ Edwards 1985, 247.
- ³⁷ Silva, Eduardo. 1992-3. "Capitalist Regime Loyalties and Redemocratization in Chile." *Journal of Interamerican Studies and World Affairs* 34:4 (Winter): 77-117.
- ³⁸ Gutiérrez, Cristián. 2005. Economist, Oceana. Interview with the author. July 7, Santiago.
- ³⁹ Petras, James, Fernando Leiva and Henry Veltmeyer. 1994. *Democracy and Poverty in Chile*. Boulder: Westview Press. 28-9.
- ⁴⁰ Edwards 1986, 537-8.
- ⁴¹ Ffrench-Davis, Ricardo. 1992. "Adjustment and Conditionality in Chile." In *Cross-Conditionality, Banking Regulation and Third-World Debt*, ed. Ennio Rodriguez and Stephany Griffith-Jones. London: Macmillan Press: 87-120. 115-8.
- ⁴² Meller 2000, 104.
- ⁴³ Paster, Manuel, Jr. 1987. *The International Monetary Fund and Latin America: Economic Stabilization and Class Conflict*. Boulder, CO: Westview Press. 159.
- ⁴⁴ Ffrench-Davis, 91.
- ⁴⁵ Meller 2000, 102-15.
- ⁴⁶ Meller 2000, 118-19.
- ⁴⁷ Ffrench-Davis, 92-101.
- ⁴⁸ Meller Patricio. 1991a. *Adjustment and Equity in Chile*. OECD Development Center. 58.
- ⁴⁹ E. Silva 1993, 551-5.
- ⁵⁰ Hachette, Dominique and Maria de Pilar Rozas. 1993. "The Liberalization of Chilean Agriculture: 1971-1990." Pontifica Universidad Católica de Chile, Instituto de Economía Documento de Trabajo No. 157.
- ⁵¹ Meller 1991a, 128.
- ⁵² Meller 1991a, 58-63.
- ⁵³ Meller 1991a, 74.
- ⁵⁴ Agosin, Manuel. 1999. "Trade and Growth in Chile." *CEPAL Review* 68 (August): 79-100. 84-6.
- ⁵⁵ Macario, Carla. 1998. "Chile: de las Políticas de Subsidio a las Exportaciones, a las Políticas de Desarrollo de la Competitividad." *Integración y Comercio* 4/5 (Jan.-Aug.)
- ⁵⁶ Arellano, José Pablo, René Cortázar and Andrés Solimano. 1987. "Chile: Stabilization and Adjustment Policies and Programs." Helsinki: World Institute for Development Economics Research. 24.
- ⁵⁷ Meller 2000, 151.

-
- ⁵⁸ Agosin, 95-96.
- ⁵⁹ Schurman, Rachel. 1996. "Chile's New Entrepreneurs and the 'Economic Miracle': The Invisible Hand or a Hand from the State?" *Studies in Comparative International Development* 31: 83-109.
- ⁶⁰ Larrañaga, 13.
- ⁶¹ E. Silva 1993.
- ⁶² Meller 1991a.
- ⁶³ Scott, pp. 155-7.
- ⁶⁴ Frank, Volker. "The Elusive Goal in Democratic Chile: Reforming the Pinochet Labor Legislation." *Latin American Politics and Society* 44:1 (2002): 35-68.
- ⁶⁵ Barrera, pp. 134-5.
- ⁶⁶ Claude, pp. 6-10.
- ⁶⁷ Altimir, Oscar. 1998. "Income Distribution and Poverty Through Crisis and Adjustment." In *Poverty, Economic Reform and Income Distribution in Latin America*, ed. Albert Berry. Boulder: Lynne Reiner. 282-3.
- ⁶⁸ International Monetary Fund. 1985. "Chile: Staff Report for the 1984 Article IV Consultation and Request for an Extended Arrangement." Memorandum from the Secretary to the Members of the Executive Board EBS/85/122, May 13. 36 and 70.
- ⁶⁹ Meller 1991a, 13-4 and 63.
- ⁷⁰ Petras, Leiva and Veltmeyer, 33-4.
- ⁷¹ Meller, Patricio. 1991b. "Adjustment and Social Costs in Chile During the '80s." *World Development* 19: 1545-61. 1559.
- ⁷² Skidmore and Smith, 135.
- ⁷³ Weyland, Kurt. 1999. "Economic Policy in Chile's New Democracy." *Journal of Interamerican Studies and World Affairs* 41:1 (Autumn): 67-96.
- ⁷⁴ Giraldo, Jeanne Kinney. 1997. "Development and Democracy in Chile: Finance Minister Alejandro Foxley and the Concertación's Project for the 1990s." In *Technopols: Freeing Markets and Politics in Latin America in the 1990s*, ed. Jorge Dominguez. University Park: Pennsylvania State University Press. 49-93.
- ⁷⁵ Roberts, Kenneth. 1988. *Deepening Democracy? The Modern Left and Social Movements in Chile and Peru*. Stanford: Stanford University Press.
- ⁷⁶ Frank 2002.
- ⁷⁷ Weyland 1997, 46.
- ⁷⁸ Loveman, Brian. 1991. "¿Misión Cumplida? Civil-Military Relations and the Chilean Political Transition." *Journal of Interamerican Studies and World Affairs* 33:3 (August): 35-74.
- ⁷⁹ Giraldo, 259-60, and Boylan, Delia. 1996. "Taxation and Transition: The Politics of the 1990 Chilean Tax Reform." *Latin American Research Review* 31:1: 7-31.
- ⁸⁰ Weyland, Kurt. 1997. "Growth with Equity in Chile's New Democracy." *Latin American Research Review* 32:2: 37-67.
- ⁸¹ Azzopardi, Tom. "Does Chile Have the Taxes It Needs?" *Business Chile*. December 2005. Available online at www.businesschile.cl.
- ⁸² Aninat, Eduardo and Felipe Larraín. 1996. "Capital Flows: Lessons from the Chilean Experience." *CEPAL Review* 60: 39-48. 45.
- ⁸³ Ffrench-Davis, Ricardo, Manuel Agosin and Andras Uthoff. 1997. "Capital Movements, Export Strategy and Macroeconomic Stability in Chile." *Estudios de Economía* 24:2 (Dec.): 297-326. 324-6.
- ⁸⁴ Agosin, Manuel and Ricardo Ffrench-Davis. 1997. "Managing Capital Inflows in Chile." *Estudios de Economía* 24:2 (Dec.): 297-326. 315-6.
- ⁸⁵ Olivares, Eduardo. 2005. "Chile Cierra TLC con China y es el País con Mayor Acceso a Mercados." *La Tercera*, October 29.

⁸⁶ Scott, 125.

⁸⁷ Martínez and Díaz, 125.

⁸⁸ Contreras, Dante, Osvaldo Larrañaga, Julie Litchfield and Alberto Valdés. 2001. "Poverty and Income Distribution in Chile 1987-1998: New Evidence." *Cuadernos de Economía* 38:115 (August): 191-208. 196-7.

⁸⁹ Solimano and Pollack, 35.

⁹⁰ See for example Buschmann, Alejandro and Rodrigo Pizarro. 2001. "El Costo Ambiental de la Salmonicultura en Chile." *Análisis de Políticas Públicas* No. 5, Fundación Terram (Nov.) Also Borregaard, Nicola and Theresa Bradley. 2000. "Through the Open Door: Realizing the Full Potential of Trade Liberalization." World Resources Institute and Centro para Investigación y Planificación del Medio Ambiente (CIPMA), June.

⁹¹ Hernán Blanco. 2005. Director, Recursos e Investigación al Desarrollo Sustentable. Interview with the author. July 14, Santiago.

⁹² Kurtz, 18.

⁹³ Gwynne, R.N. 1993. "Non-traditional Export Growth and Economic Development: The Chilean Forestry Sector Since 1974." *Bulletin of Latin American Research* 12:2: 147-69. 157-9.

⁹⁴ Hojman, David. 1995. *Neoliberalism with a Human Face? The Politics and Economics of the Chilean Model*. Liverpool: Institute of Latin American Studies.

⁹⁵ Bachelet, Michelle. 2005. *Estoy Contigo: Programa de Gobierno*. Available on-line at www.presidencia.cl. 38-9.

⁹⁶ U.N. Human Development Report 2006.

⁹⁷ This opinion was reaffirmed in interview with Larrañaga, as cited below, as well as three other Chilean economists who prefer to remain anonymous.

⁹⁸ Solimano and Pollack, 67.

⁹⁹ Frank, 41.

¹⁰⁰ Larrañaga, Osvaldo. 2005. Interview with the author, July 11.

¹⁰¹ Interview with Chilean economist. July 14, 2005, Santiago

¹⁰² Ministerio de Planificación y Cooperación (MIDEPLAN.) 2004a. "Encuesta de Caracterización Socioeconómica Nacional 2003. Principales Resultados Educación." Available on-line at www.mideplan.cl

¹⁰³ *La Nación*. 2006. "Una Brecha Menor." March 6.

¹⁰⁴ Interview with a former official in the Ministry of Finance. August 10, 2005, Santiago.

¹⁰⁵ Interview with the author. July 19, 2005, Santiago.

¹⁰⁶ Interview with Chilean economist. July 15, 2005 Santiago.

¹⁰⁷ Interview with Chilean economist. July 14, 2005, Santiago.

¹⁰⁸ Ministerio de Planificación y Cooperación (MIDEPLAN.) 2004b. "Encuesta de Caracterización Socioeconómica Nacional 2003. Principales Resultados Salud." Available on-line at www.mideplan.cl

¹⁰⁹ Barrientos, Armando and Peter Lloyd-Sherlock. 2000. "Reforming Health Insurance in Argentina and Chile." *Health Policy and Planning* 15:4: 417-423. 421-2.

¹¹⁰ Barrientos, Armando. 2002. "Health Policy in Chile: The Return of the Public Sector?" *Bulletin of Latin American Research* 21:3: 442-459. 448-9.

¹¹¹ Urbina, Rafael. 2005. "Health-Care Financing and Equity: Public Insurance in Chile." *CEPAL Review* 87 (December): 61-78. 64.

¹¹² Centro de Estudios de la Realidad Contemporánea. 2005. "Informa de Prensa Encuesta Nacional: August." Available on-line at www.cerc.cl.

¹¹³ Barrientos, pp. 446-449.

¹¹⁴ Rohter, Larry. 2005. "Chile's Retirees Find Shortfalls in Private Plan." *The New York Times*. January 27.

¹¹⁵ Riesco, Manuel. 2006. "Tres Exigencias Mínimas para la Reforma Previsional." *Expansiva En Foco*. Available on-line at www.expansiva.cl. 7-9.

-
- ¹¹⁶ Rohter, Larry. 2006. "Chile Proposes to Reform Pension System." *The New York Times*, December 20.
- ¹¹⁷ Rivera, Raúl. 2006. "Gobierno Pide Apoyo Ciudadano para Rápida Aprobación de Reforma Previsional." *La Nación*, December 18.
- ¹¹⁸ Interview with Chilean civil society leader. July 19, Santiago.
- ¹¹⁹ Agosin, Gabriel. 2005. "Un Modelo para Desarmar: Repentino Consenso Contra la Desigualdad." *La Nación Domingo*, December 4.
- ¹²⁰ See for example, Silva, Manuel and Pilar Molina. 2005. "La Guerra Electoral por la Desigualdad." *El Mercurio*, May 13.
- ¹²¹ Monckeberg, Maria Olivia. 2005. "La Pata Coja de la Concertación." *La Nación Domingo*, February 22.
- ¹²² Bachelet, p. 9.
- ¹²³ Monckeberg.
- ¹²⁴ Leiva, Miriam. 2005. "Ffrench-Davis a Fondo en la Desigualdad." *La Segunda*, May 30.
- ¹²⁵ Guerra, Paula. 2005. "Desigualdad: La Papa Caliente." *La Nación Domingo*, August 5.
- ¹²⁶ Guerra.
- ¹²⁷ *La Tercera*. 2006. "Felipe Lamarca: 'Chile No Va a Cambiar Mientras Las Elites No Suelten la Teta.'" October 9.
- ¹²⁸ G. Agosin.
- ¹²⁹ *La Nación Domingo*. 2006. "El Gremialismo Detrás de la Tentación Populista: Permitido Virar a la Izquierda." October 1.
- ¹³⁰ Toro, Ivon. 2006. "Gremialismo Incluso Valida Movilización Social de los Trabajadores." *La Nación*, September 26.
- ¹³¹ Guerra, Mónica. 2006. "UDI Acusa a La Moneda de No Escuchar a Los Trabajadores: 'Gobierno Genera Movilizaciones.'" *El Mercurio*, September 27.
- ¹³² Broschek, Matías. 2006. "Longuiera Apura Los Tiempos de la Campaña." *La Tercera*, October 8.
- ¹³³ Guerra.
- ¹³⁴ Solimano and Pollack 2005.
- ¹³⁵ Monckeberg.
- ¹³⁶ Chávez, Leandro. 2006. "'Estamos Cosechando el Olvido en el Tema de la Desigualdad y Eso Influye en la Desaceleración.'" *La Nación*, October 30.
- ¹³⁷ Posner, Paul. 1999. "Popular Representation and Political Dissatisfaction in Chile's New Democracy." *Journal of Interamerican Studies and World Affairs* 41:1 (Spring): 59-85.
- ¹³⁸ Centro de Estudios de la Realidad Contemporanea. 2005. "Informa de Prensa Encuesta Nacional: October." Available on-line at www.cerc.cl.
- ¹³⁹ CERC, August 2005.
- ¹⁴⁰ Centro de Estudios de la Realidad Contemporanea. 2006. "Informa de Prensa Encuesta Nacional: May." Available on-line at www.cerc.cl.
- ¹⁴¹ Chávez.
- ¹⁴² Interview with a Chilean social scientist. August 9, 2005, Santiago.
- ¹⁴³ See for example Salinas, Claudio. 2005. "Los Riesgos de la Estrategia Ciudadania de Bachelet." *El Mercurio*, August 6.
- ¹⁴⁴ Interview with a Chilean economist. July 21, Santiago.
- ¹⁴⁵ Interview with a former official in the Ministry of Finance. August 10, 2005, Santiago.
- ¹⁴⁶ Jaramillo, Betzie. 2005. "Desmarcando a Lamarca." *La Nación*, November 12.
- ¹⁴⁷ Felipe Lamarca as interviewed in *La Tercera*, 2006.