

# **EQUITY AND THE POLITICS OF *CONCERTACIÓN* IN CHILE, 1989-2009**

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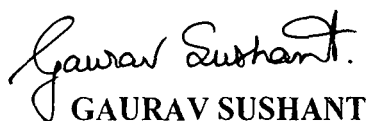
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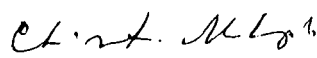
**Declaration**


I declare that the dissertation entitled “Equity and the Politics of *Concertación* in Chile, 1989-2009” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

  
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**CERTIFICATE**

We recommend that dissertation be placed before the examiners for evaluation.

  
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## Preface

Chilean democracy in the present context is considered more inclusive and entrenched than it was before the military dictatorship. Even the situation is much better in comparison to the time period when the previous Centre-Left *Concertación* governments came to power. The military coup under Augusto Pinochet in 1973 was a decisive point in the Chilean history. It was because of this event that the new democracy was built on the foundation base of 1980's Constitution. Although after coming to power, *Concertación* was able to remove authoritarian provisions from the constitution and bring democratic characters in the function of the government. However, it took them a lot of time to completely remove these enclaves from the constitution. *Concertación* coalition's four consecutive governments helped in healing some of the Chilean deep social and political wounds. The governments also lead Chile's most successful period of economic growth, social inclusion, and democratic progress. These achievements look very impressive and appreciating if one sees the growth rate of Chilean economy and the function of their democracy. But the situation was not so pleasant if one analyses these results in detail. To achieve this growth, *Concertación* governments followed consensus building policy to implement their economic and political decisions on the one hand and 'growth with equity' model to carry out redistribution in society by following neoliberal model of economic development on the other.

The aim of this research is a modest attempt to understand the meanings and dimensions of the functioning of *Concertación* government. Thus, this research attempts to explain the works of all the four *Concertación* presidents. It would help in understanding the dimensions in their politics also. This functioning of *Concertación* governments also includes their consensus building policy which was at different levels under different presidents. Although consensus policy helped *Concertación* to function smoothly but it gave some negative impact on the people of Chile who slowly started to keep themselves away from electoral process. So, this research would also mention the reasons behind this alienation from politics.

The current research also aims at explaining the concept of ‘growth with equity’ whose impact was largely seen on the policy formulation in the area of education, health, housing and poverty alleviation. However before explaining the concept of ‘growth with equity’ in Chile, there would be a discussing revolving around the debate on equity and equality. Having described the concept of equity and equality, the research would explain policies implemented in above areas and would simultaneously analyse its performance on the basis of equity. Anti-poverty policy like Chile Solidario will be dealt with to see how it became a successful tool to take poor people out of indigent poverty.

The methodology undertaken while executing this research monograph has been largely dependent on reports and papers published by various institutions like World Bank, United Nations, different ministries of Chilean government, government departments etc. Along with these, articles from JSTOR, Wiley online, Sage, Cambridge University Press and Taylor and Francis were immensely resourceful. Other than these, Secondary sources include famous journals and research works on Latin America and books like Manuel Antonio Garretón’s *Neoliberalismo Corregido y Progresismo Limitado: Los Gobiernos De La Concertación En Chile 1990-2010*; Francisco E. González’s *Dual Transitions From Authoritarian Rule: Institutional Regimes in Chile And Mexico, 1970-2000*; Lois Hecht Oppenheim’s *Politics in Chile: Democracy, Authoritarianism, and the Search for Development*; Yesko Quiroga and Jaime Ensignia’s *Chile en la Concertación[1990-2010]: Una Mirada Crítica, Balance y Perspectivas* among others. These resources helped me in getting the background information, validate my arguments and broaden my perspective and research.

Since the resources for the current research were available at and obtained only from open sources on internet and JNU central library website, New Delhi, the research monograph suffers from a limitation of resources. Added to that is the short availability and scope of two semesters, within which the research had to be completed, which in turn makes this work prone to certain limitations of necessary field work in Chile. The constant endeavor has been

to make this research worth within this limited scope of resource, time and field work, which will be under taken at length while pursuing the Doctoral Thesis.

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## ABBREVIATIONS

AUGE	Universal Access With Explicit Health Guarantee ( <i>Acceso Universal con Garantías Explícitas en Salud</i> )
CAS	Community Social Action Committees ( <i>Comunidad de Acción Social</i> )
CNI	National Intelligence Center ( <i>Central Nacional de Informaciones</i> )
CUT	United Organization of Workers ( <i>Central Unitaria Trabajadores</i> )
COSENA	National Security Council of Chile ( <i>Consejo de Seguridad Nacional de Chile</i> )
FONASA	National Health Fund ( <i>Fondo Nacional de Salud</i> )
FSV	Solidary Housing Fund ( <i>Fondo Solidario de Vivienda</i> )
ISAPRE	Health Security Institution ( <i>Instituciones de Salud Previsional</i> )
ISI	Import substitution industrialization
MIDEPLAN	Planning and Cooperation Ministry ( <i>Ministerio de Planificación y Cooperación</i> )
PDC	Christian Democratic party ( <i>Partido Demócrata Cristiano</i> )
PS	Socialist party ( <i>Partido Socialista</i> )
RN	National Renewal ( <i>Renovación Nacional</i> )
SAPU	Emergency Primary Health Care Service ( <i>Servicios de Atención Primaria de Urgencia</i> )
SERVIU	Housing and Urban Development Service ( <i>Servicios de Vivienda y Urbanización</i> )
UDI	Independent Democratic Union ( <i>Unión Demócrata Independiente</i> )



UCCP	Progressive Union of the Centrist Center ( <i>Unión del Centro Centro Progresista</i> )
UF	Units of Account ( <i>Unidades de foment</i> )
UIF	Family Intervention of Unit ( <i>Unidad de Intervención Familiar</i> )
UPC	Union for Chile ( <i>Unión por Chile</i> )

# Chapter I

## INTRODUCTION

The shift away from authoritarianism to democracy and from Import Substitution Industrialisation (ISI) to market based model of economic development has provided the dominant background to the social change in Latin America since the late 1970s. One may say that the state, including importantly its formal institutions of governance, are all manifestations of social processes which are formed by underlying social relations in a society at a historically given point of time. Admittedly, these social relations in themselves keep changing through political and economic dynamic impacts of national and international shifts in ideologies, processes, policies, actors, etc. Social mobilisations and resulting social movements are in most cases product of these changing social relations through which there is resistance to a given dominant political or economic order. In this dynamic inter-play, it is argued that state undergoes gradual change in response to myriad demands generated by the democratic process including demands for distribution and equity.

Available literature evidences that some of the strong social movements in Latin America worked not only in the withdrawal of the authoritarian regimes but also into the period of democracy, in opposition to many of the dominant features of the so called neoliberal model of economic development as well as the deep-rooted weaknesses of recently constituted democratic regimes. One typical problem faced after the onset of democracy is the inability of recently-installed democratic state institutions to respond to changes within society and to move beyond the shadow of persisting authoritarian state institutions and practices. In sum, the recently constituted democratic state reflects conflict in terms of social relations: while state structures continue to reflect vestiges of authoritarianism and the dominance of neo-liberalism, recently 'transitioned' and 'consolidated' democratic institutions such as legislature and federalism begin reflecting improved representative character of social groups and their interests.

In this context, it is of interest to look into the dynamic inter-play between the recently constituted democratic state institutions and the social sector demands in Chile where neoliberal model of economic development as well as authoritarianism

both were well-entrenched in the democratic 'transition' which the Centre-Left coalitional (*Concertación*) government was committed to pursue further after 1990. While the military-authoritarian regime of Augusto Cesar Pinochet (1973-1989) left deep scars on the society, economic liberalisation process since late 1980s also has wide-ranging impacts like labour flexibilisation, privatisation of public enterprises, and low regulation environment which have no less contributed to larger socio-economic inequality, exclusion and political protestation. Post-transition, *Concertación* governments were faced with different social groups and movements – those who either accommodated or challenged or resisted the neoliberal policies of *Concertación* government.

The military rule also imposed a new constitution in 1980 which envisaged political 'liberalisation' providing continuation of Pinochet beyond 1988; and, in many case, presence and immunity of military-authoritarian elements under an elected government. What the military government had envisaged was a politico-economic model which actually became the framework of political and social engagement in the post-authoritarian era. Pinochet's defeat was as much unexpected in the plebiscite held in 1988 as the ability of various parties to coalesce together into the *Concertación* of Parties for Democracy, which eventually won the elections in 1989 with Patricio Aylwin of Christian Democratic Party assuming the first presidency under the rule of *Concertación*, which lasted for about 20 years.

Among the major issues that dominated the politics under *Concertación* (1989-2009), two can be clearly identified: one was that of the continuation of the neoliberal model of economic development and the persistence of authoritarian elements under democracy for a long period of time. The second issue pertained to the demand and commitment towards the goal of equity. No *Concertación* government thought of changing the economic course keeping in mind the economic stability and growth since the mid-1980s; besides the neoliberal model was part of the 'transition' package. Thus, while legitimisation of the economic model was an important product of Chile's political transition, the common people were not provided any legitimate medium for public response to its policies and consequences under democratic rule. The transition government came to accept the notion of non-intervention in the economy, and this helped to consolidate the dominant role that entrepreneurial class

had attained in the previous years. The *Concertación's* discourse of social harmony and 'growth with equity' replaced the traditional left discourse of social justice and transformation. 'Growth with Equity' meant giving market driven distribution a helping hand through limited social programmes targeting the poorest sections. Prior to the period of military rule, political parties had deep roots that reached way into society, penetrating many aspects of Chilean life. The decade of military repression, however, had cut off virtually all of the opposition parties from their social bases. Then during the period of transition to democracy, Chilean citizen started to believe that political parties did not share their concerns and preoccupy themselves with the people only at election times. The public perceived a clear disjunction between its concerns and the state's policies; and the result has been widespread distrust and disenchantment with political parties and other democratic institutions and a significant decline in political participation. In this kind of political milieu, successive *Concertación* governments had to demonstrate their commitment to the idea of equity through specific public policies and programmes.

## **Review of Literature**

On 11 March 1990, Patricio Aylwin assumed the presidency of Chile as the country's first elected head of state after nearly seventeen years of military dictatorship. Aylwin's candidacy was sponsored by the multiparty, Centre-Left coalition that was anchored by his own Christian Democratic Party (PDC) and the Chilean Socialist Party (PS). The installation of a civilian as president did not mean that Chilean democracy was instantly recreated or consolidated. Rather, it was the beginning of a long-term process to reform the institutional order as well as public policy correction. In the meantime, the military still wielded considerable power, especially General Pinochet, who retained his position as head of the army and commandant of the armed forces. Slowly, the political attention also shifted to electoral and legislative politics which ultimately strengthened the hand of political parties and tended to displace grassroots organisations. Although Chile was a latecomer to the most recent wave of regime transitions in the region, it became quickly and widely recognised as a paradigmatic case of re-democratisation. The questions which arise here: Did the democratic transition fulfil the expectations of all the citizens of Chile? What about

the dynamic inter-play between the democratic institutions and the social sector demands? How and whether electoral politics worked to democratise state institutions and make them responsive to social needs and myriad social sectors? Whether and how neoliberal model of development has been leveraged to pursue equity with growth?

Keeping in mind these very broad questions, scholars have analysed the tenure of *Concertación* government (1989-2009) from three broad perspectives: (i) First set of literature consists of works which have optimistic view of transition. It means they believe that the *Concertación* government has done enough for the Chilean society and politics like initiating the process of democratisation. (ii) A second set of literature has a somewhat normal and neutral view which believes things should be seen as more balanced and in a dynamic manner and should not be prematurely subjected to any value judgement; and (iii) the third set of literature consists of works which consider democratic transition government under *Concertación* in Chile did not have enough positive impact on society and politics. An analysis of economic policies of *Concertación* governments, which became central to democratic decision making on political and social issues, is the focus of all the above viewpoints.

(i) The review starts with the observations of noted scholar Guillermo O'Donnell's 1994 article titled "Delegative Democracy". O'Donnell states: "Among the democratised countries of Latin America only Chile and Uruguay, as soon as they re-democratised, revived earlier political institutions that the other Latin American countries lack" (O'Donnell 1994a: 64, 68). Marcus Taylor, writer of the book "From Pinochet to Third Way Neoliberalism and Social Transformation in Chile", has similar views. He writes:

Three successive elected governments drawn from the *Concertación* coalition of Centre-Left parties generated attention for a brand of reformed neoliberalism that is suggested to give due attention to social issues. A significant increase in social expenditure and a more proactive role for the state in creating the social and institutional conditions for export led development are celebrated features of this revised neoliberal trajectory (Taylor 2006: 5).

Similarly Gerardo Munck's article titled "Democratic Stability and its Limits: An Analysis of Chile's 1993 Elections" hails Chile's rapid progress toward democratic consolidation, claiming that "Chile has undoubtedly made greater strides toward

democratic consolidation than any other country in Latin America” (Munck 1994: 1). Alexander Wilde has also assessed the Chilean transition against the diverse transitions to democracy throughout the contemporary world and says:

Chile is widely and correctly considered among the most successful. Its *Concertación* governments have retained political stability within a constitutional framework, sustained economic growth averaging more than six per cent annually since 1990, and wielded public policy to address the serious social deficit accumulated under the military regime (Wilde 1999: 476).

Gerardo has talked about 1993 election and says that Chile’s 1993 election signified a break with the regional trend but it also hopefully signalled the beginning of a new one in Latin America’s move towards re democratisation. In a departure from these regional trends, Chile’s 1993 election was a vote for democracy of deep significance. He believes that this election has offered convincing proof that Chile has been able to move beyond Allende and Pinochet to create for itself a new type of politics, one capable of striking a successful balance between democratic participation on the one hand and governability on the other. However, in spite of having a democratic participation, there was a continuation of restrictions on the democratic process inherited from the Pinochet years. Another striking trend that emerged from an analysis of congressional elections is that despite the sweeping majority vote for governing coalition, it made no gains in the congress. So, if one minutely analyses the 1993 elections, one finds both stabilising and the destabilising tendencies were working in Chile’s democratic system. Subsequently, the *Concertación* leaders believed that in order to transform Chile into a stable democracy they would have to restructure political institutions, extract the armed forces out of the political arena, and create mechanisms to ensure full participation and physical security for all segments of the population. This was what they meant when they said that democratisation and democratic consolidation constituted their top priority. But, the question arises here is “Were the *Concertación* government able to overcome these challenges in their tenure of 20 years?”

(ii) Keeping this question in mind, the second set of literature which has, what can be called, a somewhat normal and neutral view, believes that things should be seen as more balanced and in a dynamic manner. In this respect one finds that Chile returned to elected government with a series of well-protected authoritarian enclaves (Garretón

1989). These authoritarian enclaves were at different levels and consisted of constitutional and legislative impediments for attaining a fuller democracy. Moreover, Congress included nine 'designated senators' and the electoral system over-represented the political right, ensuring a blocking coalition against most systemic reforms (Valenzuela 1990: 13). At other levels, democracy was also restricted by authoritarian values and mentalities concretely embodied in influential political actors, organisations, and social sectors with at best limited attachment to democratic practice. The many obstacles to democratisation have not prevented all progress toward achieving more responsive institutions. In 1997, after years of effort, the Eduardo Frei government eventually won approval for major judicial reforms (Wilde 1994: 481). On the issue of labour reforms, there was an irreconcilable tension between organised business and labour but finally the *Concertación* regime leaned to the side of business which came out as a setback to *Concertación's* own consensus-building strategy (Frank 2004). However, *Concertación* retained its pledge to divert more resources into social expenditure so as to ameliorate the sharp inequities produced by the neoliberal policies. But, in spite of these intentions, the political options before the *Concertación* government were constrained within a matrix of political, institutional and material limits. That's why *Concertación* has pursued a policy approach that does not directly challenge the major institutional forms created under Pinochet regime.

(iii) The third set of literature has a somewhat critical opinion about the *Concertación* government and believes that democratic government did not have enough positive impact on Chilean society and politics. In the article titled "Neoliberal Ecologies from Pinochet to Bachelet", Alex Latta and Beatriz E. Cid Aguayo write:

The return to democratic government in 1990 did not lead to a turn away from Pinochet's economic model. Constrained by the residual power of the political right in the Senate and the military and concerned with the task of rebuilding social cohesion across a profound left-right divide, the *Concertación* did not seek significant alteration of Chile's course of development. Political difficulties aside, significant upheaval would have been required to reverse some of the structural changes of the Pinochet era, which resulted in the concentration of private property in both land and water rights, the transnationalisation of the energy and resource sectors, and an increasing dependence on primary exports for the country's economic growth. At the same time, through the Aylwin, Frei, and Lagos presidencies it became increasingly evident that the *Concertación* had come to share the political

right's free-market ideology. (Latta, Alex and Beatriz E. Cid Aguayo 2012: 165).

For the period of the *Concertación* governments, the Chilean middle and working classes made do with very limited advances in social protection. Labour rights, women's rights and children's rights continued, with slight improvements, to be severely restricted (Fernandez, Adriela and Marisol Vera 2012: 11). M A Garreton and Gregory Horvath hold the view that Chilean political democratisation cannot be considered exemplary or successful if the outcome of this process and the quality of the democratic regime are factored in: institutional weakness due to the presence of the de facto powers; representational weakness due to tensions between political actors and society; cultural weakness due to the absence of basic consensuses; and weakness of societal cohesion, unity, and direction due to the deterioration of state power. They have also talked about unresolved problems or failures like authoritarian enclaves in *Concertación* governments. They believe that their presence was inevitable but these should have been overcome over a twenty year period by the government. These enclaves are referred to the power of the armed forces; the type of inherited courts and tribunals; the electoral system; the appointed senators; and all the non-democratic constitutional and legal ties which bind the democratic governments. It also refers to the ethical-symbolic problem of the violation of human rights under the military dictatorship, which has left the matter of "national reconciliation" unresolved. According to them, *Concertación* government also lost or sometimes gave up valid chances of overcoming these challenges which shows the failure of these governments.

### **Rationale and Scope of the Study**

Keeping in view the three broadly identified sets of analyses of the *Concertación* period, one needs to identify the following themes as requiring further study and research:

(i) One variable needing further study and research is the idea of designing and implementation of government policies through consensus building. Different writers have got very different views on this basic idea of consensus building, especially in



the context of 'growth with equity'. In this context Genaro Arriagada and Carol Graham say:

The consensus achieved was quite strong among political leaders and elites, particularly in the arena of economic management, it was far less so among the rank and file of the parties. Opinion polls recorded surprisingly low public acceptance of or support for the economic reforms, particularly among low-income groups. (Arriagada, Genaro and Carol Graham 1994: 243).

M. A. Garretón has a very critical view about this consensus policy. He says:

There was an interrogation of the notion that really did exist a democracy of consensus, rather than merely adaptive and pragmatic agreements, where all major topics were avoided or were not subject to debate: The constitutional issue; human rights; the policy toward the armed forces; authoritarian enclaves; the socioeconomic model and model of redistribution; the reduction of the leadership role of the state; the weakness of the processes of decentralization, regionalization, and local democratization; labour relations; and the sustainability of the development model. Therefore, one could hardly speak of consensus. (Garretón, Manuel Antonio 2003: 155).

Still nevertheless, this new political process also had some practical success. It provided both the government and the opposition with stability and certainty, which helped to build political trust among political class. It also provided both sides with political mechanism to debate controversial issues that the country inherited from *Unidad Popular* (1970-73) and the Pinochet (1973-90) years without having to resort to quick and definitive action. Another key policy implication of this new pattern was that the policy making tended to proceed in an incremental way, without surprising innovations or discontinuities. From the discussion, it becomes clear that divergent positions are held on the issue of consensus: for some it was essentially a consensus between the newly-installed democratic elite and the corporate sector, with no place for common persons and their concerns. That is why; it is found that in the later elections less and less citizens came out for voting. It showed generalised dissatisfaction, in spite of the country's rapid modernisation and impressive economic indicators.

(ii) The continuation with market-oriented economic policy is second important variable which needs to be analysed because it became central to political debate and democratic decision making under *Concertación*. The leadership of *Concertación* believed that maintaining a stable economy was a necessary ingredient for democratic

stability and consolidation and it wanted to prove that democrats could also manage economy similar to Pinochet regime. Although the leaders believed in bringing political changes but in the economic model, they focused on continuity with the past. The *Concertación* government decided, from the outset, not to change in any fundamental way the economic framework it inherited from the military. It means *Concertación* governments maintained the basic economic model of reliance on the market and an export orientation. *Concertación* leaders made this decision because they believed that a set of international and domestic factors made it virtually impossible to change the economic model. In this respect, structural changes such as land reform were not on the *Concertación* agenda. The first two *Concertación* governments also used conventional economic measures to deal with economic problems like inflation. So, as a result of its free trade policy and export orientation, the Chilean economy has achieved sustained economic growth rates of about 7 per cent a year from 1990, outdoing the record of the Pinochet regime. The *Concertación* tried to strengthen the export-oriented sector of the economy through policies such as the signing of bilateral and plurilateral free trade agreements, a further lowering of the uniform, low tariffs, and encouragement of non-speculative foreign investment. Other economic policies included privatisation of most of the remaining state enterprises, while maintaining some governmental regulation (Oppenheim 1999: 240). Chile's new democratic leaders also deliberately avoided the populist cycle. It is because they already observed its devastating impact both in Chile's past, especially during the government of Salvador Allende, and in other Latin American countries, especially neighbouring Peru. Conscious political learning from these dramatic failures provided an important motivation for Aylwin administration to pre-empt or limit the demands of its supporters and followers so as not to endanger economic stability (Arriagada, Genaro and Carol Graham 1994: 242-89). The Aylwin administration acted to alleviate the prolonged social problems, and accordingly in 1990 promoted an important fiscal reform that sought to raise the tax burden by a substantial 2 per cent of GDP. Most of the proposed changes targeted business sectors and the upper middle class and thereby had a redistributive effect (Weyland 1999: 73). Despite these efforts, however, many social problems, especially stark inequality, persisted. As a result, social and political discontent slowly rose, and debates on this issue intensified.

The democratic government also used diplomatic tools in its foreign policy to guarantee Chile better access to important markets. The Aylwin administration supported further multilateral trade liberalisation by signing the final agreements of General Agreement on Tariffs and Trade, which, among other provisions, liberalised trade in services, lowered nontariff to trade, and strengthened the means of international dispute resolution. Through these negotiations, Chile achieved a number of concessions from its main trading partners that improved market access for its agricultural and industrial products to the developed countries (Weyland 1999: 77). In social sectors, government also increased its expenditure substantially, such as spending on public health and education increased by 179.3% and 115.7%, respectively. Simultaneously, government also introduced important conceptual and organisational modification in social programmes, deepening the focus on poor sectors, encouraging greater participation by beneficiaries, and introducing performance criteria in service delivery. However in spite of economic growth, growth in different sectors and increase in social spending, Chile still has got problems to face. Oppenheim says: “Economic achievements in Chile have not come without a price tag, in the form of an increased rate of poverty, a large number of poor, as well as much larger income gap between rich and poor, environmental degradation, and changes in Chilean culture” (Oppenheim 1999: 268).

(iii) ***Equity and Inclusive Growth***: An issue of singular importance that the present monographic study shall focus on, and one around which the above-described literature review also largely revolves, is the question of equity and inclusive growth under the 20-year rule of the Centre-Left *Concertación* governments which followed the market-oriented policies of economic growth. How the *Concertación* fared on the equity issue; here equity is understood in the meaning of equal and unhindered access to representation and developmental resources irrespective of gender, ethnicity and class etc. Admittedly, an important variable becomes the evaluation of *Concertación* government’s social policies related to health, education and housing. This government functioned with the idea of inclusive growth and equity which is very much a neoliberal concept. No matter how much pragmatic, the political orientation of the major constituents of *Concertación* was towards the Centre-Left; besides in the process leading up to transition, the people of Chile had high expectations for a rapid response to unsatisfied social demands that had accumulated in the Pinochet years.

Finding these high expectations, the new democratic government immediately put poverty and social equity on top of the agenda. It started by reversing the trend of declining social expenditures that happened during the military government. Alex Segura-Ubiergo writes:

The new Minister of finance, a prominent Chilean economist, called the new programme a 'social market economy'. Behind this misleading phrase, there was a clear strategy that proved at the same time the limits of the possible and the impossible. The impossible was to deviate too much from the free-market model inherited from the Pinochet military regime. The possible was to increase state action in social and labour areas to reduce some of the excessive inequalities generated by the legacy of the Pinochet model (Segura-Ubiergo, Alex 2007: 199).

The democratically elected government started functioning in this direction using the framework of 'growth with equity'. Since, there was also an increase in income inequality, thus it also generated greater demands for redistribution. A series of policy measures and specific programmes were put in effect over the years in areas such as tax reforms, higher social expenditure, improvement in the service delivery etc.:

- The government implemented tax-reforms which managed to increase tax revenues by 40 per cent between 1991 and 1993. The government gave clear indications that all the new tax revenues would be used to finance programmes to reduce poverty, increase health and education expenditure and provide housing for poor people (Foxley, Alejandro 2005: 131-161).
- Government also took a series of initiatives to improve the organisation and service delivery in the areas of health, education, and social security pensions. In education, public expenditures per capita rose at an annual average rate of 17 per cent. A new programme with the name MECE (*Mejoramiento de la Calidad y Equidad de la Educación*) was designed to improve the quality and equity of the educational system especially at the preschool and primary levels. Health expenditure per capita also rose at an average annual rate of 22 per cent. These higher expenditure levels were used to open new emergency primary health-care centres, increase resources for child care and to fight infant malnutrition and expand health immunisation programmes. In addition, real salaries for doctors and medical staff rose by 43% during the 1991-1993

periods (Segura-Ubierno, Alex 2007: 199). The key policy goal was to expand access and make the system as equitable as possible.

- Furthermore according to Segura-Ubierno, the greatest emphasis was placed on education reform and a redistributive agenda to carefully target social spending programmes to the poorest segments of the population. The main purpose of the educational reform was to increase the quality and fairness of educational system, and it included three key elements: extending school hours, increasing support for teachers, and improving management of the educational system. The ministry of education also took initiatives in reforming higher education. It regulated and regularised the status of many private post-high school institutions that were created during the military years under the dictum of the free market (Oppenheim 1999: 260). Despite the hard work of the *Concertación* government concerning the levelling forces of education provision within Chile, a lot of polarisation happened in education stratification. The percentage of students receiving the various levels of education remained highly stratified according to income; also the quality of education varied greatly according to the same income factor (Taylor 2006: 182). It finally reinforced a system in which Children from low-income families attended lesser quality schools whereas the children of the richest families monopolised the highest achieving schools.
- The health system in Chile had already gone through lots of changes during military rule. Its privatisation led to the creation of private health care providers – *Isapres*, on the one hand, and a drastically underfinanced public health sector, *Fonasa*, on the other. One of the *Concertación*'s most pressing problems in 1990 was the need to address the crisis of public health care. They started working on it through reinvestment which included a particular emphasis on improving hospital services and health-sector pay. In spite of doubling of public healthcare expenditure between 1989 and 1997, there remained a common sentiment that the system is strongly polarised in favour of private service providers and their patrons, and that public provision was surrounded with financing and operational problems. The *Concertación* tried to improve these contradictions by channelling increased funding into the state sector, particularly to subsidise those with the lowest income levels. However,

despite the threefold increase in health expenditure since 1990, the public system did not overcome the two decades of under-investment and suffered from considerable overstretch. The result of the *Concertación* increased funding, therefore have been well below what was hoped for in terms of improvements in the quantity and quality of services offered by the public sector (Taylor 2006: 186).

- Housing sector is another area which the *Concertación* government took very seriously after coming to power. The government devoted more resources to the housing programme in attempts to reduce the substantial deficit that the Pinochet government had allowed to accumulate over the previous 17 years. In addition, it made constant efforts to ensure that resources are more effectively directed to the neediest. However, *Concertación* pursued these objectives without changing the housing programme's administrative structure like allocation of resources and kinds of resources. Aylwin government started it by increasing public expenditures on housing, developed programmes targeting specifically at low-income *allegados* (multiple families living together in one dwelling) and improved the effective transfer of resources to the poor overall. Frei administration also continued with the same objectives and its ministries facilitated the construction of more than 90000 housing units per year and instituted more efficient targeting of resources destined for the most poor. Despite these positive achievements, a substantial contradiction nevertheless existed between government's commitment to equity, solidarity and citizen participation, and the actual impact of housing policy. Indeed, rather than equity and solidarity, the design and operation of government housing policy appear more likely to have produced stratification, competition and distrust among popular sector constituencies. The elements of competition was introduced in such a way that shantytown dwellers who had greater savings and earning power were eligible for private sector mortgages which were subsidised by the state. These houses were more than twice the size of the housing available to the neediest residents of the shantytowns. According to Paul W. Posner, the current housing policy design would increase rather than remove differences in economic status among urban poor, and that it would thereby impede their cooperation in pursuit of housing resources from the state. He also believes that the manner in which the state determines

relative need and the targeted nature of access to housing subsidy benefits would promote competition and distrust among potential recipients. It would also undermine the development of social capital and incentives for collective action.

- Starting something new, the government also stimulated poor people to improve their own situation by creating a demand-driven social fund, the Solidarity and Investment Fund (*Fondo de Solidaridad e Inversión Social*, FOSIS) and *Chile Solidario*. FOSIS supported projects proposed by groups of potential beneficiaries themselves in the urban informal sector and small rural producers. The guiding principles of FOSIS are viz., targeting, decentralisation, cost-efficiency, complementing but not duplication of traditional social policies, and involving the public sector, private sector, NGOs, and communities in partnerships. Marcus Taylor, who has analysed the programme, says:

FOSIS is very much a neoliberal form of social policy in that it does not offer a form of decommodification in the manner suggested by social policy theorists such as Gosta Esping-Andersen namely, mediation between individual and market that reduces the dependence of the former on the latter. In contrast, FOSIS aims to provide the physical and human infrastructure to remove barriers from market participation as a means of development. As such, the programme aims precisely to integrate marginalized populations more fully into capitalist social relation thereby inserting the extreme poor more closely into the discipline of labour market. The contradictory dimension of this process is that, in the name of empowerment, individuals are inserted into impersonal globalized market relations over which they have no control and which repeatedly and necessarily enter into frequent crisis periods that marginalize significant portions of the population (Taylor 2006: 192).

Similarly, *Chile Solidario* was started by Ricardo Lagos government in 2002 after observing that the old social sector and poverty alleviating programmes were unable in alleviating the extreme destitution in Chilean society. So, with the implementation of this programme, government tried to synchronise the government sponsored social policies with *Chile Solidario* by adopting a control over demand and the supply side of public services. Indigent Families were asked to come under this programme by signing a contract of 5 years so that in this time period families become independent by making their family

member useful in a way that they are able to earn and support the family. This finally makes certain that they do not come under this poverty again.

## **Hypotheses**

Overall, the effects of these social policy reforms and the macroeconomic policies on social equity have been mixed. On the positive side, poverty and destitution have diminished since the regime transition at a much faster rate than under the military dictatorship. There has been a drastic fall in the number of people living below poverty line and also reduction in poverty gap has been noted. It showed that Chile's growing prosperity "trickled down" to most sectors of the population. However on the negative side, social inequality has not diminished since the return of democracy. After an initial improvement in the early 1990s, the distribution of monetary income deteriorated.

From the above analysis and review of literature, one could broadly hypothesize:

- (i) The consensus-building policies enabled the *Concertación's* neoliberal economic agenda to manage economic growth with deepening of economic inequality; and
- (ii) *Concertación's* tangible gains in the area of market-induced equity have produced new forms of social inequalities.

## **Research Methods**

Growth with equity was the popular goal of the *Concertación* government after 1989. Equity is a normative concept, one which has a long history in religious, cultural and philosophical traditions (World Bank, 2005) and is concerned with equality, fairness and social justice. It also covers the idea of moral equality, that people should be treated as equals. Knowing about 'growth with equity' in Chile will help in knowing the distributive commitment of *Concertación* government. Three variables are relevant here: a) Consensus politics; b) Market oriented economic policies of *Concertación*; c) analysis of *Concertación's* social policies in education, health,



housing and social security. The first two variables will essentially need different secondary analytical sources. These sources will be divided into different categories on the basis of diverse points of view so as to get a clear understanding. Last variable will describe the inclusive policies of *Concertación* government. So for this primary sources or first-hand information like statistical data given in government reports to the extent available, will be consulted. It will also be done by consulting secondary source literatures.

## **Structure of Dissertation and Chapters**

Based on the above literature review and variables, the overall structure of the study takes the form of five chapters, including this introductory chapter. Following are the list of chapters with brief introduction about them:

### **Chapter II: POLITICS OF *CONCERTACIÓN*: MEANINGS AND DIMENSIONS**

This chapter is broadly divided into two sections. First section analyses the functioning of *Concertación* government under four different presidents and highlights the view of different scholars under three perspectives mentioned earlier in the literature review. This section also examines the overall impact of *Concertación* on Chilean politics by finding its meaning and dimension. Some of the major issues discussed in this section are the process of re-democratisation, the overcoming of authoritarian enclaves by *Concertación* and problems faced by *Concertación* while restoring democratic institutions. The Second section deals with the idea and policy of consensus which became one of the main ideal of functioning by *Concertación* government. The section talks about the implementation of the policy in political and economic field and the reasons which led *Concertación* to follow this path. This section also talks about the success and failures of consensus policy. Lastly, the chapter ends with a conclusion by summarising main ideas and linking it with the next chapter.

### **Chapter III: GROWTH WITH EQUITY**

Third chapter is concerned with 'growth with equity' in the context of Chile. This chapter is divided into three sections. The first section talks about the debate on the idea of equity and equality among scholars. The section also talks about the reason which led to the acceptance of equity in developing countries in 80s and 90s. With this discussion, the next section move towards the idea of 'growth with equity' in the context of Chile. The section takes an account of the implementation of this idea in the form of policy implementation as Chilean model of development. Last section evaluates the argument on Equality versus Equity and Growth with Equity mentioned in previous section by analysing education, health and housing polices during 20 year rule of *Concertación* governments. The section has tried to find the impact of polices in these sectors on the reduction of poverty and inequality in Chilean Society. The chapter ends with a conclusion where some of the inferences coming out of the discussion in this chapter are discussed.

### **Chapter IV: SOLIDARIO**

This chapter starts with a brief history of the reasons which led to the implementation of *Chile Solidario* programme. Following this, the chapter is divided into four sections. The first section is on Social safety networks where it's meaning and concepts are discussed. With this background, the second section talks in detail about *Chile Solidario* programme and its various components. Subsequently the next section examines the admission mechanisms of *Chile Solidario* system. Under this section, various eligibility criteria for entering into *Chile Solidario* programme are explained. Last section is dedicated to analyse the results and impact of this programme on employment, housing, education and health. The section also discusses the negative as well as positive impacts of the programme on these sectors. The chapter ends with a conclusion where it summarises overall impact of *Chile Solidario* on Chilean society.

## **Chapter V: SUMMARY AND CONCLUSION**

The last chapter deals with the summation of the research and the results of the inference that has been arrived to as regards the hypotheses. Under this, the overall impact of twenty year rule of *Concertación* on Chile is discussed. Not only that the impact of 'growth with equity' model of *Concertación* government is also summarised.

## Chapter II

# POLITICS OF *CONCERTACIÓN*: MEANINGS AND DIMENSIONS

The recession of 1982 in Chile brought with itself an emergence and consolidation of varied oppositional leaderships which added strength to several sectorial mobilisations under different organisations. Slowly, the opposition leadership started to include the sections of middle and bourgeoisie classes in the protest movement which was earlier dominated mainly by the labour and urban poor. The political opposition comprised essentially of moderate politicians connected to the old political parties like Christian democrats and Socialist parties. There was also a noticeable shift in the economic and social ideologies of these traditional political parties to keep themselves relevant in the current political and economic context. Due to this change, Christian democrats, socialist and several small parties came closer and formed a coalition named '*Concertación*' to contest for the national elections. Significantly the coalition concurred with the idea of neoliberal macroeconomic model to retain and maintain the stability and dynamism of the Chilean economy. A task before the *Concertación* was also to start the process of rebuilding social institutions which would promote equal opportunities within existing economic structures. Thus with the defeat of dictatorship in the plebiscite and eventual fall of Augusto Pinochet regime (1973-89) in general election, a new era started with the formation of *Concertación* government under the leadership of Patricio Aylwin in 1989.

There also existed a high level of consciousness and sensibility in *Concertación* government with respect to the necessity of guaranteeing an economic management which would not open up large areas of conflict. After coming to power, *Concertación* promised to exercise fiscal prudence and refrain from the populist model of past Christian democrat and socialist governments in order to promote pro-business climate. Even the four successive post-dictatorship *Concertación* governments also limited their political practice within the framework of the social institutions. Some of the other characteristic of *Concertación* government included the implementation of labour reform, tax reform, increased social expenditure, new social programmes, a review of human rights violations and constitutional reforms. While doing so, they followed the idea of consensus building policy in the area of

management of the economy and re-democratisation of Chilean state in order to start the process of national reconstruction.

After coming to power *Concertación* coalition however also confronted some challenges, some of them were inherited from the previous military government. They had to maintain good results which Chilean economy had started to register from the second half of the 1980s because many feared that something similar would happen to what had happened during the democratic transition process under president Alfonsín<sup>1</sup> in Argentina. They also had to contain the pressure of social demands keeping in mind the macroeconomic stability achieved during previous years. Another important challenge for the *Concertación* government was to ensure the re-engagement of armed forces in their professional obligations.

Keeping the above mentioned characteristics and challenges before the *Concertación*, the present Chapter is broadly divided into three sections and analyses the politics of *Concertación* by going through its functioning under four different presidents. The first section attempts to find the meaning and dimensions of *Concertación* by examining its overall impact on Chilean politics. The issue is focused on the process of re-democratisation: what were the problems faced while bringing democracy back and how were the democratic institutions restored by the *Concertación* government? The next section examines the idea and process of consensual policy making which became the main motto of all the four *Concertación* presidents. Finally the chapter ends with a summary and concludes the main points raised and evaluates the answers to the questions raised in the chapter.

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<sup>1</sup>After the fall of military authoritarian rule of Jorge Videla due to the defeat in Falklands war, Raúl Alfonsín of Radical Civic Union party (UCR) became the president of Argentina. Alfonsín faced significant challenges in economic matters. To overcome these problems, after every few months, a different monetary or credit policy was implemented which made situation worst. Alfonsín government also faced significant challenge in the form of military uprising because of the continued imprisonment of the former military commanders. All these circumstances made it very difficult for Raúl Alfonsín to work. So, he finally resigned in 1989 which was six months before the end of his term. (Ronghi, Miranda 2012)

## Politics of *Concertación*, 1989-2009

With the formation of first democratically elected *Concertación* government under Patricio Aylwin in 1989, there were apprehensions referring to the difficulty of the democracy to contain social pressures accumulated during 17 years of dictatorship. Others thought that the economic culture of the political parties would bring instability in the macroeconomic model set up by dictatorship regime. However, these apprehensions were proved to be wrong because long years of exile and autocratic reflections, particularly with respect to the experience of *La Unidad Popular*<sup>2</sup>, permitted an important change in the political and economic thinking of these parties. It was addressed in such a way that economic policies of the democracy functioned according to the main objectives of the government. However, initially to formulate these objectives, *Concertación* faced the choice to decide between undertaking a radical change in economic strategy and re-establishing a much needed government intervention with very weakened state, or accepting the institutional conditions that were imposed by limiting the adjustments and were deemed necessary for greater economic efficiency and social equity.

Moreover, the outgoing authoritarian regime of Pinochet ensured implementation of multiple institutional safeguards for strengthening state institutions so that it would impose restriction upon the newly elected government and maintain the status quo. In doing so, the dictatorship wanted to ascertain that the *Concertación* could not directly challenge the institutional basis of neoliberal social transformation. Besides that, some other decisions taken by Pinochet government were the guarantee of tenure to public sector employees, merging of the Supreme Court and Constitutional Tribunal, redistribution of Pinochet's own power within different military commands, incorporation of the 19,000 operatives of the CNI<sup>3</sup> (*Central Nacional de Informaciones*) secret police into military intelligence under his line command, and destruction of secret police archives (Wilde 1999: 480). According to Marcus Taylor these institutional tendencies did not represent a weakening of the Chilean state. On

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<sup>2</sup> *La Unidad Popular* (UP) (English: "Popular Unity" or "People's Unity") was a coalition of left wing, socialist and communist political parties in Chile that stood behind the successful candidacy of Salvador Allende for the 1970 Chilean presidential election.

<sup>3</sup> *Central Nacional de Informaciones*, known by its acronym CNI, was an intelligence agency during the dictatorship of Augusto Pinochet in Chile. It was created in 1977, immediately after the dissolution of its predecessor, *Dirección de Inteligencia Nacional* (DINA). The CNI was responsible for numerous cases of political infiltration, murder, kidnapping and torture of people.

the contrary, various elements of the state apparatus, such as the Central Bank and judiciary, got strengthened and the state as a whole remained a pervasive force within Chilean society particularly by providing the institutional framework in which the disciplinary power of money and property operated (Taylor 2006: 106). But slowly these political structures imposed by authoritarian rule started to disappear in a way that it began favouring the *Concertación*. Not only that, for many years, they had to work according to the 1980 constitution which already had authoritarian enclaves within it. However, with 17 constitutional reforms that took place between 1989 and 2005, the political structure of the country changed. And thus it is believed that Bachelet government was the only government which functioned with minimum authoritarian enclaves.

However, these shifts in the balance of power within the state occurred without a significant change in policy trajectory of the government. Political practises of *Concertación* governments were limited within the framework of social institutions and political practises were carried out through formal democratised state apparatus for the maintenance of a strong electoral base. In this context Marcus Taylor says: “The banner under which they christened this strategy was ‘growth with equity’, a designation chosen to emphasise the confidence in the free market, export-orientated strategy and its amalgamation with a more progressive social policy agenda that would compensate the strata of society marginalised by dictatorship’s restructuring programme” (Taylor 2006: 114). Under this banner of ‘growth with equity’, *Concertación* continued the social relations of production without taking a stand on capital accumulation which already persisted since authoritarian period. It created a sharp division between the consolidated power of capital and a so called flexibilised labour force in market. Despite that *Concertación* retained its promise of diverting more and more funds into social expenditure in order to decrease the sharp inequalities in the society without getting trapped in populist demands. The common Chilean people gave *Concertación* the time and political space to implement their agenda. They accepted the restrictive “Flexible” working conditions imposed by the economic model and worked tirelessly with minimum salaries and limited security. Seeing this model of governance by *Concertación*, Manuel Antonio Garretón has very well talked about two different views in his book “Incomplete Democracy: Political Democratisation in Chile and Latin America”. He Says:

In the Chilean case, the determinist view of democracy has taken two directions that are opposed but that nonetheless both issue from democracy's relation to the market economy. Some on the right, and in part among the ruling coalition of center and left parties believe democracy is only possible in the context of that economy, making it necessary to subordinate the democratization process to the demands and rhythms of that economic model. The so-called Chilean model has been lauded in international economic circles precisely for having completed the double transition, which makes it "successful" and "exemplary". For others, from the most orthodox perspective of the left outside the *Concertación*, this very immersion of the transition process in what they call "the neoliberal system" makes the transition illusory and will render any "full democracy" impossible. In this view, there is no essential difference between the military dictatorship and the post authoritarian regime (Garreton, Manuel Antonio 2003: 143).

*Presidentialismo* is another characteristic of *Concertación* government which functioned with caudillistic tendencies. Under this type of functioning, the bureaucratic and technocratic groups of the *Concertación* government's president got excessive power to work for the economic management of the country without necessary control. Moreover, another bad practise being incorporated by *Concertación* government was of Patronage system i.e. *Clientelismo*. Under this practise, public resources were intended to benefit certain groups in order to make them faithful in their electoral politics support. Apart from that another negative factor in the functioning of the *Concertación* was the mode of relationship established between its various components for the purpose of settling internal disputes. So, instead of dealing with the differences, it opted to side-line all those initiatives which involved complex discussions to its interior.

With this background the following briefly delineates the tenures of four different *Concertación* governments.

***Patricio Aylwin (1989-1994):*** During the presidential election of 1989, Patricio Aylwin emerged as the only presidential candidate of the Centre-Left *Concertación de los partidos por la democracia*. By the time elections came near, this coalition became bigger and 17 parties came together under the leadership of Patricio Aylwin's Christian Democratic Party (PDC). In this election, Patricio Aylwin had a direct fight with two right wing candidates. One was former finance minister Hernan Büchi Buc who got supports from the authoritarian government and the two main conservative parties, National Renewal (RN) and the Independent Democratic Union (UDI). Other



candidate was Francisco Javier Errazuriz from Progressive Union of the Centrist Center (UCCP). On the day of polling, Patricio Aylwin got an absolute majority in the presidential race over these two candidates by securing a total of 55.2 per cent of total votes.

After coming to power, this first democratically elected government of Patricio Aylwin had double task to complete. On the one side, it had to complete the democratic course by overcoming, removing and neutralising inherited authoritarian enclaves. On the other, it also had to initiate the hard work of modernisation and democratisation at political, socio-economic and cultural front. Being the first democratically elected government of *Concertación* coalition, Patricio Aylwin took various initiatives related to human rights violation that happened during authoritarian regime. It compensated victims of human rights violations and their families and reversed the sentences of political prisoners for the acts against the dictatorship. Another very important initiative was the establishment of a Commission for Truth and Reconciliation named “Rettig Commission” for the objective of accounting and analysis of the human rights violations by the authoritarian regime. According to Alexander Wilde, the multi-volume report by Rettig commission was an extraordinary achievement, impressive not only for its impeccable documentation but also for its broader historical and institutional analysis of the period – including, significantly, the years preceding the dictatorship (Wilde 1999:482).

On the economic front, Patricio Aylwin government had to respond to contradictions of neoliberal restructuring. Also, to guarantee economic stability and continued rapid growth, the *Concertación* administration under President Patricio Aylwin pursued various goals which included low inflation, balanced budgets, a competitive exchange rate, and a sustainable deficit in the balance of payments. It was started with the continuance of neoliberal and technocratic solutions to socio-economic issues. Side by side this government also tried to correct market failures and promote social inclusion by rebuilding social institutions. With respect to fiscal reform, the government refused to finance its active social policy through deficit spending- because it would feed inflation. So for this, Aylwin government raised the value-added tax and income tax burden by a substantial 2 per cent of the GDP which directly targeted business sectors and the upper middle class. Right wing parties gave

their consent to these policies in order to enhance the legitimacy of the market model. Corporate taxes were raised from 10 to 15 per cent and taxes for high-income earners and mining, agriculture, and transport were also increased. In exchange of all these, right wing parties compelled the government to transfer the bulk of these new taxes to the VAT so that it does not hurt business directly and make these changes temporary. So, in four year time period, with some adjustments in the economic policies inherited from military regime, these policies gave good results and the Chilean economy grew at an average rate of 7 per cent. This growth in economy meant a very relevant forward move in the fight against poverty and unemployment, supported in an important growth of public income due to a major fundraising. However, in spite of this growth, not a single firm step was taken to stop capital accumulation which resulted in the persistence of large gap in income inequality.

But by the end of the first tenure of President Aylwin in the year 1993, Chile already achieved the basic requirements that are required for a democratic regime in restoration of basic freedom. It developed more than any transition government could have done in this short period of time. Economic dynamism, rapid international reintegration, high reduction of poverty, truth in human rights matter, these all form part of achievement of the *Concertación* in its early years of government.

***Eduardo Frei Ruiz-Tagle (1994-1999):*** Eduardo Frei Ruiz-Tagle was the son of former president Eduardo Frei Montalva. He fought elections against Arturo Alessandri Besa of UPC (*Unión por el Progreso de Chile*), Eugenio Pizarro from Communist party and Cristián Reitze of Humanist party. During the elections, the campaign was considered very dull because there were no outstanding issues or great controversy. So, polling results gave Eduardo Frei a landslide victory over his other opponents. There were congressional elections also along with this presidential election. In these elections, *Concertación* got good number of seats in both the houses of the parliament but failed short of two-third majority to effect new constitutional changes.

Although, after the completion of tenure of first democratically elected government, the transition still remained a pending task. But the comfortable victory of Eduardo Frei in the December 1993 presidential elections reinforced the *Concertación's* political strength. According to the definition that the same government gave as

“transition government”, it concentrated over two questions: to maintain macro-economic equilibrium, correcting the social problems of socio-economic model, and to maintain the regression of authoritarianism. The Eduardo Frei government continued these efforts to bring democratic changes in the institutional arrangements. At the same time, this government set a goal to reform and to modernise the state. Also on the one hand, it confirmed the existence of a two-bloc electoral landscape in the country and on the other it showed the continued relevance of political dynasties in Chile. It also highlighted that the majority of Chileans wanted the continuation of the project of gradual reforms of restricted democracy along with the pragmatic and market-oriented economic policy.

But what was at stake at the beginning of the Frei Government was the way it faced the continuity of the political democratisation. It went through referring to the pending works of transition, social transformation that were aimed at overcoming the poverty and social inequalities. It all required the reformulation of development model and global integration and a collective generation of a model of modernity and coexistence that would ensure as much the socio-cultural diversity as the national unity and cohesion (Garretón, 2003: 52). Major breakthrough came with the introduction of municipal and regional democracy reform bill in the senate. With the passage of this bill Frei government fulfilled its commitment to decentralise regional and local governments. The decentralisation started by giving more authority and power to local government to coordinate and control public services carried out by other governmental agencies in the community. Despite these reforms, the municipalities faced acute problem of inadequate funding for education and health. The situation became so poor that some municipalities threatened to return the responsibility of local health clinics to the central government.

Another interesting event which took place during Frei’s presidency was the arrest of Pinochet in London. It happened six months after he stepped down as commander-in-chief of the Chilean army. This event reignited the political spark in the country. The military and right wing political parties raised concern about the potential destabilisation of the country. Eduardo Frei came under the pressure and threw his government’s support behind immediate return of Senator Pinochet. This was a decision taken against both domestic and international public opinion but it also

illustrated the importance of Chilean military command and the *Concertación* government's fear of possible civil-military conflict at that time. However, on returning to Chile, Supreme Court lifted the Pinochet's congressional immunity as a senator and allowed Judge Juan Guzmán<sup>4</sup> to investigate the accusations against Pinochet.

In the economic front, Frei's presidency inherited a robust, dynamic economy with best performance in the entire Latin American region which was further put forward by academics and politicians as examples to be emulated by countries undergoing dual transition. Thus Frei government continued with the orthodox macro-economic management. The Frei government started their work with the slogan of "modernisation". High growth rate continued registering during the first half of the government of President Frei, who was elected with 58 per cent of votes in 1993. The Chilean economy grew at a rate of more than 5 per cent between 95 and 97. The government's cabinet main emphasis was on the construction and modernisation of infrastructure which had been greatly sacrificed during the military regime. People believed it all happened because the government's cabinet was full of engineers, so they also called them "government of engineers" (Cavallo 1998: 237). Chile's economic success and good economic conditions helped to raise investment and carry out this objective of infrastructure development in a satisfactory manner. President Eduardo Frei considered it one of his government's "revolutions". But Chilean economy suffered two external shocks which adversely affected the foreign capital market of the Chilean economy. First shock was the "*tequila effect*"<sup>5</sup> produced by the Mexico's financial crisis in 1994 and second one was Southeast Asia's regional financial crisis in 1997. Nevertheless, the Chilean economy came out of these crises by preserving the enviable macroeconomic stability and good international credit affecting very less to them in comparison to other Latin American countries. This was a great achievement by Frei government.

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<sup>4</sup> Juan Salvador Guzmán Tapia is now a retired Chilean judge who gained international recognition for being the first judge to prosecute former Chilean dictator Augusto Pinochet on human rights charges, after Pinochet's return to Chile following more than a year of house arrest in London, in England.

<sup>5</sup> Tequila effect is the Informal name given to the impact of the 1994 Mexican economic crisis on the South American economy. The Tequila Effect occurred because of a sudden devaluation in the Mexican peso, which then caused other currencies in the region (the Southern Cone and Brazil) to decline.

However, all these achievements by Frei government could not stop Chilean people from believing that their country was still under the grip of restricted democracy. That's why civil society challenged the Eduardo Frei's administration emphasis on "modernisation". In this context, writer Lois Hecht Oppenheim writes:

Article 19 of the constitution continues in force, limiting freedom of expression for the press, while the law for the internal security of the state punishes those citizens, even members of congress, who make supposedly derogatory comments that impugn the character of the government and the military. This law has been used against those who have criticized Pinochet. Clearly, unfettered political discourse cannot take place when one side is under the threat of punishment for speaking out openly and in a way that offends opponents. Another constitutional limit on free expression is the existence of prior censorship of movies (Oppenheim 1999: 207).

They considered this was happening at the expense of the cause for full democracy. So, a sense of disenchantment also developed in the highly politicised Chilean society and they became less engaged in the political process. This became more visible in the surveys that showed an evident distrust, cynicism, and alienation toward politicians and political parties in the population.

**Ricardo Froilán Lagos Escobar (2000-2006):** By the turn of the century, presidential elections were scheduled to be held after the end of a decade of *Concertación* governments. And by then this was also the most stable coalition of the century in Chile. This Chilean election was considered to be a landmark election in the history of the consolidation of democracy in Chile. It differed from those of 1989 and 1993 in two different ways. In the first place, it was first election after the dictatorship in which parliamentary elections were not held jointly so the attention was concentrated on presidential candidates and not on the parties competing for seats in congress. Secondly, the selection of *Concertación* nominee for president's post was from Socialist party against a single right wing candidate Joaquín Lavín. These were two very important events during this election. However, this selection of *Concertación's* candidate did not happen unanimously, but Ricardo Lagos had to defeat *Concertación* coalition's Christian Democrats candidate Andres Zaldívar in the primaries for the selection of the candidate. This struggle between Ricardo Lagos and Andres Zaldívar for the coalition's candidacy produced some serious dissention between socialists and Christian Democrats, which did not automatically vanish after the primary (Silvia 2009: 195). On the other hand, according to M.A. Garretón, the selection of Joaquín

Lavin showed the representation of whole-right wing spectrum under the unopposed predominance of the more hard line and pro Pinochet people headed by the Independent Democratic Union Party (Garreton 2003: 168).

However, the victory of Ricardo Lagos in this election showed new support to the *Concertación* to run the country but under a different and reformed leadership. So, after coming to power, the first thing he tried to do was to reduce the tensions between the two main *Concertación* parties i.e. Socialist and Christian Democratic Party. This he did by showing the elements of continuity and of change with respect to previous administration. The continuity was visible because he inherited same people in his cabinet that were already ministers during Frei's government. Also he followed the traditional approach based on political "quotas" to form his cabinet. But the presidential tenure of Ricardo Lagos also inherited problems from the previous government. These were economic recession, an Argentine economic crisis, and ideological business elites who refused to cooperate with "Socialist" president even though Lagos' socialism was closer to neoliberalism than Allende's 'Marxism'. Thanks to Aylwin who successfully led the transition and to Fréi who took the process of modernisation forward and sustained economic development, Lagos received a country with less poverty and much less problems than Aylwin and Fréi had confronted when they took their respective governments.

Lagos concentrated much of his government's social spending on Chile's poor to reduce inequality. For example seventy per cent of his public housing budget was focused on the poorest 30 per cent of the population and he fulfilled his promise to construct decent permanent housing for the 105000 families living in shacks in temporary camps, part of the half million housing units were built by his government (Winn 2010: 5). Lagos administration also brought remarkable legal reforms. One of the most important among them was the constitutional reform of 2005 in which Pinochet's appointed senators were abolished. Another important provision under this reform was the restoring of elected president's right to fire the armed forces commanders which was termed as the symbol of completion of transition to democracy. Some of the other legal reforms reduced the authoritarian restrictions on free speech, updated the criminal justice code and changed Pinochet's pro-business

labour code. In order to pass all these reforms, Ricardo Lagos had to go through a lot of compromises to win the support of rightist senators.

In the economic field, the Chile's situation improved reasonably in the first year of Ricardo Lagos presidency. But after the terrorist attack in USA, it went down again. However, the year 2003 brought new airs of recuperation, which was seen consolidated with a strong expansion of the economy during the last two years of the six years of Lagos. On an average, during the Lagos government the Chilean economy expanded with an annual rate of 5.3%. This growth rate was less in comparison to the six years of Eduardo Frei and four years of Patricio Aylwin. However, on comparing the performance of the Chilean economy with respect to the rest of Latin America, Chile maintained its economic leadership in the region during the six years of Ricardo Lagos presidency. The rate of unemployment as well as the rate of inflation was also less in comparison to other Latin American countries and previous administrations of *Concertación*. These improved economic conditions of Chile contributed in consolidating the popularity of Ricardo Lagos. As a matter of fact, Ricardo Lagos probably ended his tenure by achieving a higher popularity in comparison to what he had when he started his office tenure. It all happened because the economy performed reasonably well with more determination at the end of tenure than in the early years.

**Michelle Bachelet (2006-10):** After winning all the presidential elections in post dictatorship period, *Concertación por la Democracia* nominated a woman, Michelle Bachelet, as its presidential candidate in the 2005 presidential election. Michelle Bachelet was a socialist and daughter of a general who was assassinated by the military dictatorship. Bachelet had joined *Concertación* government as health minister and later as the defence minister under the Ricardo Lagos presidency. Similar to what happened in previous election, there was no primary to elect the candidate from *Concertación* in the election of 2005. It was because the only serious rival, Soledad Alvear, a Christian democrat and former minister of justice and of foreign affairs, withdrew after failing to make much impact in the opinion polls ( Angell, Alan and Cristóbal Reig 2006: 481). However, Michelle Bachelet had to fight against two right-wing *Alianza* candidates. They were Sebastián Piñera of *Renovación Nacional* (RN), a former senator and wealthy businessman and Joaquín Lavín of *Unión Demócrata*

*Independiente* (UDI), the presidential candidate in 1999-2000 election. In the first round of elections, Michelle Bachelet got 45.6 per cent of the total vote and his close opponent Sebastián Piñera got 25.4 per cent of the total vote. Since nobody got more than 50 per cent of the total votes, the election went for the second round in which Michelle Bachelet and Sebastián Piñera were the only two candidates contesting. At last after the second round, Michelle Bachelet got 53.5 per cent in comparison to Sebastian Piñera's 46.5 per cent of the total vote.

Finally in March 2006, Michelle Bachelet took oath as fourth president from *Concertación* coalition. She was also the first female president in Chilean history who defeated the conservative alliance candidate Sebastian Piñera in the hard fought run-off elections. While taking over the president's office she announced that her government would be a "People's government" and would be made up equally of men and women. Thus, after taking over the post of president, Michelle Bachelet started to show her modern management style in which she gave list of thirty-six targets to be completed in 100 days to her ministers of respective portfolios. Some of the targets, which were accomplished, were presidential decree granting free health care to the needy elderly. She also proposed a policy of gender parity in the distribution of government posts that would open the political system to more women and that was going to give women a new political voice in the highest spheres of government.

On the basis of the functioning of the government, the tenure of Michelle Bachelet government can be divided into two phases. These phases were marked by the difference in the clarity of government policies and in the level of acceptance and support in the public opinion. The first two years, after which the government reached at very low level of acceptance, led to a cabinet reshuffle and inclusion of politicians with state and party experience. One of the reasons for this was lack of technical and political skills of many of the new appointees in the first phase.

This first phase was characterised by government failure to follow a clear agenda that could crystallise its idea of system or state protection and was surprised by a series of mobilisations raising issues or problems not covered in the programme. The first mobilisation started three months after the inauguration of Bachelet government in which secondary school students came on the streets and took over schools to protest against the rising education costs and the structure of the educational system. The



protesters believed that there was wide inequality in the education system which was never taken into account by the previous *Concertación* governments. Michelle Bachelet's reaction over this protest was slow and insufficient which led to a drop in Bachelet's approval rating. This showed the failure of *Concertación* in bringing the youth into political consensus.

The next mobilisation was started by the subcontracted copper mine workers who went on strike for better wages. They demanded a hike in wages keeping in mind the high price and global demand for copper. However, Bachelet's administration was committed to maintaining budget surplus to avoid future deficits and to reduce the value of the peso in case copper prices fell in the future. This strategy helped the administration during the 2009 global economic crisis. Another people's mobilisation which the Bachelet government faced was by Santiago residents. This mobilisation of protest happened because the integrated public transportation system in the capital, called "Transantiago"<sup>6</sup>, was unveiled and immediately broke down. The situation became so bad that the Santiago residents were unable to find buses and were stranded or forced to walk. The metro was overloaded and taxis were difficult to locate, for those who could afford them (Weeks, Gregory and Silvia Borzutzky 2012: 111). Moreover, Santiago was again rocked by the protests from Chile's largest union i.e. The United Organisation of Workers (CUT)<sup>7</sup> and public workers from hospitals, courts and schools. These protests even got support from some sections of the Bachelet's own party. These protests were also against inequality and the government's failure to address it. Since her coalition was in power since 1990, Bachelet's government could not easily blame previous administrations for these shortcomings.

Probably, all these reasons explain the origin of the crisis of support to the president and his government. Eventually, Bachelet fired several ministers, including the interior minister. Although, President Bachelet took office promising inclusionary changes

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<sup>6</sup> Transantiago was introduced on February 10, 2007. It standardized bus routes and eliminated redundancy of same; redundancies were commonplace in the old system, which was run by thousands of independent bus operators. Transantiago's implementation was problematic, as the decreased bus fleet and the newer routes have proved insufficient to properly serve a population inadequately informed of pending changes.

<sup>7</sup> United Organisation of Workers (CUT) is a union federation in Chile. The CUT was founded in 1953, but it was suppressed after the Chilean coup of 1973. It was re-established in September 1988 near the end of Augusto Pinochet's dictatorship. The CUT is affiliated with the International Trade Union Confederation (ITUC).

but she found it difficult to enact. By late 2007 her approval ratings fell precipitously, into the mid-to-high 30s, among the lowest in the region. Due to these crises, Bachelet changed her modus operandi to tackle national issues by approaching both the expert's opinion on each topic and the opinion of the appropriate sector of the civil society.

This strategy helped Bachelet and due to that her second phase of the government was marked by the formation of a more conservative political team that introduced experienced figure from the coalition, ending gender parity in the office. Thus, by early 2010 only 10 of the 22 ministers, and only 8 of the 31 undersecretaries were women (Weeks, Gregory and Silvia Borzutzky 2012: 105). Slowly, the Bachelet's popularity started to rise in spite of the increasing problems for the *Concertación* government. The 2009 global economic crisis impacted the price of the copper which reduced suddenly. However, this did not have much impact because of the country's conservative fiscal management. On the contrary, government announced stimulus package that included a combination of new funds to be used for road and housing construction, tax reductions and a special bonus for low-income families. In economic terms, this second phase of the Michelle Bachelet's government is first marked by the substantial increase in copper resources, which then allowed in insulating from the effects of the global economic crisis. In this phase, Bachelet's government made significant progress in social security and gender issues, maintained macroeconomic and social policies of neoliberal character with some modifications. In general, it happened because of responding to the pressures and social mobilisations and the effects of international crisis. Bachelet also came up with the idea of participatory and citizen's democracy in which she proposed the idea of decentralisation of power in regions and municipalities. It was also termed as bottom-up democratic mechanisms. However, her government did not agree on how to promote participation. She even had to encounter resistance when she suggested the idea of plebiscite for reforming the controversial electoral system.

Ironically, four years later she handed over the government for the first time to the right wing opposition coalition '*Coalición por el Cambio*' led by Sebastián Piñera<sup>8</sup>

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<sup>8</sup> Sebastian Pinera, a businessman-turned-politician, became Chile's newly elected president. It was First time that a conservative has been elected in Chile since 1958. He won in a runoff after defeating *Concertación* candidate Eduardo Frei Ruiz-Tagle.

since returning to democracy in Chile. This happened in spite of her having the highest rate of acceptance and popularity among common people in the political history.

So in this section, we see that *Concertación* coalition has been by far the most stable and successful political coalition in contemporary Latin America. Among the major issues that dominated the politics under *Concertación* (1989-2009), two clearly identified are: one was that of the continuation of the neoliberal model of economic development and the persistence of authoritarian elements under democracy. Four different people as presidents showed that it functioned in such a way that it was never dominated by only one party or personality. Although, *Concertación* won four presidential elections consecutively, they also experienced increased competition from the right. This increased competition was visible in the results of the 1999 presidential election in which Lagos was virtually tied with *Alianza* candidate Joaquín Lavín. On the performance point of view, for the period of the *Concertación* governments, the economy grew 5.6 per cent per annum but the Chilean middle working classes still had very limited advances in social protection. Huge income inequality was very much visible which happened in spite of following neoliberal model. Thus, despite providing economic growth and poverty reduction, the *Concertación* was unable to resolve the high levels of income inequality in Chile.

### **Process of Consensus Building Policy in *Concertación***

Historically, Chilean political parties have maintained strong ties with society and provided voters clear and consistent ideological and programmatic choices. However, in the post transition period, Centre-Left parties abandoned goals and practices that they believed contributed to the breakdown of democracy. Thus, leading *Concertación* parties such as the *Partido Demócrata Cristiano* (PDC) and *Partido Socialista* (PS), which during the prior democratic regime were guilty of a high degree of ideological rigidity and unwillingness to compromise, adopted a much more consensual policy approach towards economic and democratic issues (Posner, Paul W 2008: 66). Another important development was the split of Chilean parties into two distinct camps: those who supported the continuation of military rule and

those who opposed it. This induced the formation of Centre-Left coalition, the *Concertación*. It also forced the right to follow a coalition strategy and *Renovación Nacional* (RN) and *Unión Demócrata Independiente* (UDI) thus presented joint candidates in elections throughout the 1990s. The political outcome of this situation was the rise of two wide and relatively stable electoral coalitions representing the centre of the political spectrum, coalitions that monopolised political representation in Chile. This helped to displace political conflict from party level to coalition level and forced the two political camps into a consensus policy style of functioning.

After the defeat of the supporters of military rule in the plebiscite, elections were called for in December 1989 and a delicate, difficult dialogue and series of negotiations were started between the military and the right wing party on the one side and the *Concertación* on the other side. This presidential election mirrored the results of the plebiscite of the previous year, however before that Agreements were reached with much difficulty in four fundamental areas. These were economic management, the political system, relations between civil society and the military, and relations between the state and society, particularly trade unions. For both the sides, agreement meant different things. On the one hand *Concertación* government wanted that the military would allow free elections and would transfer power if *Concertación* wins. On the other, military and the right wing parties were expecting that the *Concertación's* victory would not result in populist economic policies or persecution of the military. In this context Genaro Arrigada and Carol Graham say:

The consensus achieved was quite strong among political leaders and elites, particularly in the arena of economic management, it was far less so among the rank and file of the parties. Opinion polls recorded surprisingly low public acceptance of or support for the economic reforms, particularly among low-income groups. (Arrigada, Genaro and Carol Graham 1994: 243).

The consensus building in the area of management of the economy was one component in the process of national reconstruction. *Concertación* government, which was a coalition of the centre and left parties, initially did not support the neoliberal policies of military government. But once the *Concertación* coalition came to power after the fall of military regime, there was a shift within this democratic regime toward a more pragmatic and less ideological formulation of political economy. One of the reasons for this shift was the crisis of the socialist economies in

different part of the world in the latter part of the 1980s which obliged the left sector of the *Concertación* without an alternative economic paradigm. Another important reason for this shift was the dramatic collapse of the populist heterodox economic experiments undertaken in countries whose transition to democracy immediately preceded Chile's for example Alan Garcia in Peru, José Sarney in Brazil, and Raúl Alfonsín in Argentina. Conscious political learning from these dramatic failures provided an important motivation for the Aylwin administration to pre-empt or limit the demands of its supporters and followers so as not to endanger economic stability. Thus, a consensus gradually developed on economic policy and *Concertación* started to put pressure on the emphasis and technique of implementation of these economic policies. The moderate reforms and the economic performance of the Chilean economy between 1990 and 1994 led them to consider the possibility that economic growth and prosperity might actually be strengthened and sustained in a more solid way under a democratic regime (González 2008: 155). However, business and those on the right were opposed to state and labour activism. In both the cases, long negotiations between the *Concertación* and the center-right helped to reach a consensus about the need of policies that would reform both areas, but in an incremental and mutually advantageous way. This trust enabled activities between the moderate political process and the market oriented economy. On the other hand, in the areas like social spending, the enactment of education and health reforms, and democratic municipal elections, the *Concertación* was always able to count on the support of RN and sometimes of UDI to pass legislation through consensus (González 2008: 152). This came to be known as *la democracia de los acuerdos* (Consensus democracy).

With the completion of the tenure of first democratically elected government, a broad national consensus clearly existed in several areas, particularly in maintenance of the structural reforms implemented by the military. However, initially some forces in Chilean society regarded the neoliberal economic model as illegitimate because it was implemented by the military regime. But once the neoliberal model was accepted and taken on board by the *Concertación* government, it became broadly legitimate. People also believed that *Concertación* was forced to adopt a consensus building strategy and to accept certain parameters of economic management for fear of return to military rule. But more than that, the consensus was possible because of political

and economic lessons learned by all parties. It happened in such a way that on the political front, pragmatism and coalition-building replaced confrontation and ideological utopianism and on the economic front, the principles of prudent fiscal management, respect for private property, a liberal trade regime, and minimal state intervention were accepted virtually across the political spectrum. Consensus policy also provided both the government and the opposition the comfort of stability and certainty, which helped to build political trust among political class. It provided both sides with political mechanism to debate controversial issues that the country had inherited from *La Unidad Popular* (1970-73) and the Pinochet (1973-90) years without having to resort to quick and definitive action.

On the political front, *Concertación* also faced tough situations in the form of authoritarian enclaves. In the short term, these enclaves played an important role in maintaining the confidence of the right and the military. So, the *Concertación* needed to counter these enclaves with an approach which could let them function without any hindrance. In this respect writer Genaro Arrigada and Carol Graham says:

The parties of *Concertación* government sought to counter the effects of these enclaves with an approach more common to parliamentary or semi presidential regimes than to presidential systems. With the obvious exclusion of appointed senators, President Patricio Aylwin's government represented less a division of powers (Presidential system) than a unity of powers, whereby parties holding a majority in congress were also members of the executive branch, thereby limiting the conflict between them (Arriagada, Genaro and Carol Graham 1994: 252).

The consensus was also among the constituent parties of *Concertación* coalition which initially got strengthened by the strong showing of their coalition in the 1992 municipal elections. Significant changes were also made in the constitution to reduce the power of the president through consensus by the Aylwin government. First one was the reduction of the president's authority over the appointment, promotion, and retirement of armed forces and security personnel. Second, the president's power of advocacy, or co-legislation of laws, was withdrawn. Third, the president's constitutional right to dissolve the chamber of deputies once during his term was also withdrawn.

In the area of labour reform, the government wanted to bring changes in the 1980 labour code by military government which severely restricted the workers' rights. So,

the government had to do long negotiations to reach consensus with right parties. Finally, RN voted with the *Concertación* in favour of the labour reform. Some of the main achievements of this reform were “the elimination of the clause that allowed arbitrary dismissal; an end to the time limit of strikes; the legal recognition of small unions; and the loosening of measures against union organisation and collective negotiation.” However, right wing parties also got some clauses passed in these negotiations which were not in favour of the workers. These were the establishment of limits for compensation, limitation of collective bargaining of the labourers to the plant level not at the industrial and sectoral levels, giving rights to employers for replacing workers on strike with new ones and prohibition of labour union from associating with any political party or movement (González 2008: 155).

Also as a result of this consensus policy, Frei administration got institutional stability as a gift from Aylwin government. This stability let Frei Administration pass judicial reform bill approved from the congress. The bill was passed because judicial system had long been criticised as ineffective, unapproachable to the poor, submissive to the military dictatorship, and more prone to corruption due to growing narco-traffic money (Oppenheim 1999: 207). These pointed criticism of the judicial system helped Frei to gain broad-based political support and consensus from the Right and the *Concertación* for comprehensive judicial reforms in 1997. Seeing these judicial reforms being implemented by the Chilean congress, Francisco E. Gonzalez says:

The reform of the Supreme Court showed that the Chilean government was capable of engaging in gradual political change that weakened the authoritarian enclaves and moved Chile closer to a full democracy. In turn, bold political reformism helped to transform an institutional source of political-economic antagonisms into a source of potential synergies (Gonzales 2008: 172).

This helped the Frei government to contain the politico-economic antagonisms in Chile which got an upper hand in countries like Argentina, Bolivia, Brazil, Ecuador and Peru. Later on, Michelle Bachelet who came from a socialist background, made it clear that her government would be in the hands of prestigious economists of a liberal imprint. They would continue to follow the economic model upheld so far. It was a well thought decision by Michelle Bachelet in which she choose not to challenge the main bases of the political consensus through continuation of market-oriented fiscal moderation along with the maintenance of a unified party coalition during the

presidential election campaign. However, just below consensual surface, many unfulfilled economic and political demands were accumulating which came out after Bachelet's election. To complete these demands, Bachelet government created instances where civil society worked to solve the conflict and agree on public policies. This was done by emphasising more on the traditional policy of consensus building which was based on delegating the solving of critical socioeconomic problems through special commissions. These commissions had positive impact on the popularity of Michelle Bachelet as a president.

But there is another side of this consensus politics, which according to some thinkers reached its end by the year 1997. M.A. Garreton has a very critical view about this consensus policy. He says:

There was an interrogation of the notion that really did exist a democracy of consensus, rather than merely adaptive and pragmatic agreements, where all major topics were avoided or were not subject to debate: The constitutional issue; human rights; the policy toward the armed forces; authoritarian enclaves; the socioeconomic model and model of redistribution; the reduction of the leadership role of the state; the weakness of the processes of decentralization, regionalization, and local democratization; labour relations; and the sustainability of the development model. Therefore, one could hardly speak of consensus. (Garreton, Manuel Antonio 2003: 154).

The types of consensus in use by the *Concertación* were very different in nature. To overcome seemingly impossible divisions, politicians focused on points of agreement rather than differences and employed a common language that would permit debate. They emphasised on the importance of words and symbols in maintaining the culture of cooperation or culture of optimism, which would permit the resolution of differences. On the one hand president Aylwin and the *Concertación* committed themselves to overcome hindrances to restore democracy. On the other the right knew that it could safely rely on its institutional veto points to protect the restricted democracy model. It was seen in January 1992, when the government sent a reform bill of armed forces law. The top military leaders lobbied legislators of RN, the UDI and even DC against this action so the appointed senators and the rest of the right's legislators vetoed it. The model of restricted democracy introduced the element of institutional unaccountability in Chilean polity in which the policies of democratically elected government were vetoed by appointed individual. In the economic arena also, this institutional unaccountability introduced mismanagement in form of favouritism,



venality and corruption. The issue of human rights also brought conflicts in the consensus policy of *Concertación* government. The military engaged in the display of force and intimidation to dissuade the new authorities from addressing human rights abuses. In May 1993, while president Aylwin was on a diplomatic mission in Eastern Europe, the army assembled troops in combat gear in central Santiago. This show of the military was against the investigation and possible prosecution of military officers for human rights violations and against further investigations into Pinochet's family business affairs (González 2008: 162). It showed that the politics of consensus was working in the functioning of *Concertación* government but hidden conflicts and turbulence were hanging around deep inside.

It became more visible in Eduardo Frei's tenure when Political disagreement over perpetuity or change of Chile's political institution remained highlighted due to active participation of the executive, the coalitions in the congress, the courts and the military. One of the examples was the tensions within the governing *Concertación* coalition. This was most visible during the formulation of economic policy by the economic cabinet which led to internal disagreements and quarrels in the political cabinet of the Frei's administration. It became more visible when politico-economic antagonism between coalitions parties increased to get membership in the *Concertación's* second government under Eduardo Frei. He provided cabinet post to some of the leaders of all *Concertación's* parties but decision making members were the presidents most trusted advisers. This situation created disruptive competition and a lack of coordination in the cabinet which finally caused three disruptive crises during the tenure of President Eduardo Frei (Cavallo 1998: 240, 243). Another important event in this context was the defeat of the constitutional reform bill in the congress where UDI was able to defeat in spite of an overwhelming support from RN and the *Concertación* for this bill. Some of the reforms included in this bill were the elimination of the designated senators; changes to the appointment procedures in the *Tribunal constitucional*<sup>9</sup> and the *Consejo de Seguridad Nacional de Chile* (COSENA)<sup>10</sup>; reform of the armed forces' organic law; and a proposal to accelerate

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<sup>9</sup> The Constitutional Court of Chile is a Chilean state body, autonomous and independent from any other authority or power, with legal nature of appellate court. It was originally created through a constitutional reform in January 23, 1970. It was later dissolved by in 1973 by the military junta government. The 1980 Constitution revived it as an independent constitutional body.

<sup>10</sup> *Consejo de Seguridad Nacional de Chile* (COSENA) is a body that advises the President on matters related to national security. COSENA was created by the Constitution of 1980, under the government

judicial procedures against military proposals (Montes and Vial 2005: 21). This trend of defeat of the constitutional reform packages in the congress continued. It is believed that both *Concertación* governments sent these proposals a total number of six times in seven years but with the exception of municipal democratisation, not a single proposal was approved (Oppenheim 1999: 206). This defeat of the Constitutional reform bill shows that bringing all the political parties to a consensus was sometime a very difficult task to achieve by *Concertación* government.

From the above discussion, it becomes clear that the key policy implication of this consensus policy pattern was that the policy making tended to proceed in an incremental way, without surprising innovations or discontinuities. We also find that through this policy *Concertación* emphasised on the need to work together, compromise, and avoid serious conflict as much as possible. This was possible because of Chile's strong democratic traditions and well-developed party system. The above analysis also shows divergent positions on the issue of consensus: for some it was essentially a consensus between the newly-installed democratic elite and the corporate sector, with no place for common persons and their concerns. Due to these reasons, less and less citizens came out for voting in the later elections. This showed generalised dissatisfaction, in spite of the country's rapid modernisation and impressive economic indicators.

## **Conclusion**

Since transition to democracy in 1990, Chile made significant progress in economic development, poverty reduction, and democratic consolidation. After the analysis of their consensus policy and the politics of *Concertación* government under different presidents, it can be said that this coalition functioned by inheriting certain basic characters like neoliberal model of development, consolidation of democratic institutions and an increase in spending on social policies. Getting all these done was not that easy, so they followed consensus policy under which they were ready to

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of General Augusto Pinochet. Head of this organisation is the President of the Republic, and is composed of the chairmen of the Senate and House of Representatives, the President of the Supreme Court, the Commanders in Chief of the Armed Forces, the Director General of Police and the Comptroller General of the Republic.

compromise in other areas. In spite of all this, they were successful in keeping the legacy of high economic growth of the previous authoritarian government which broke the trend of failure of other newly formed democratic governments in Latin America. This shows that they were very successful and allowed democratic restoration, consolidation of post authoritarian regime and course correction of socioeconomic model with a significant improvement of living condition of the population, especially of poor masses. Not only that they were also able to bring the armed forces under the control of civilian government which was possible only after several years of starting the process of re-democratisation.

However, this, in the context of economic prosperity, became increasingly unacceptable to the majority of Chileans. Because Income inequality became a sort of permanent presence, a “spectre” that haunted the *Concertación* governments, and although everyone knew very well that it was there, as a reflection of a divided society, nobody really seemed to know what to do about it (Camargo, Ricardo 2012: 23). Another important development coming out from the above discussion during *Concertación* tenure was the falling interest of voting-age Chileans in the political process. Some of the reason which led to this was the growing discontent with politicians and dissatisfaction with politics, also the belief that the political system is insufficiently responsive to the demands and needs of common people. This happened in spite of following ‘growth with equity’ model which was always at the core of the distinctive project that *Concertación* pursued since 1990. ‘Growth with equity’ meant giving market driven distribution a helping hand through limited social programmes targeting at the poorest sections. Through this model *Concertación* government formulated social policies; thinking that it would have more penetration and success after the implementation.

Nevertheless, an analysis of the ‘growth with equity’ model and social policies during the 20 years of *Concertación* rule in the next chapter will make their performance more clear. It is because only good institutions can bring equity in a fundamental way through prosperity, creating incentives for the vast majority of the population. Equity here refers to the idea of distribution and fairness which can be locally in families and communities, or globally across nations. Equity is defined in terms of two basic principles. First one is Equal opportunity where outcome of a person’s life should not

be predetermined on the basis of gender, race, place of birth, family origins etc. Second one is avoidance of absolute deprivation in which society intervenes to protect the livelihoods of its neediest members even if the equal opportunity principal has been upheld. So the forthcoming chapter will look into these aspects of equity and the approach taken by *Concertación* government in handling these situations.

## Chapter III

### GROWTH WITH EQUITY

Chile is considered to be the ultimate model of neoliberal restructuring in Latin America in the late 20<sup>th</sup> century and first decade of 21<sup>st</sup> century. After the overthrow of the socialist regime of Salvador Allende in 1973, Chile's military government under Augusto Pinochet implemented an orthodox neoclassical economic restructuring programme<sup>11</sup> which replaced state intervention with market incentives and opened Chile to global economy. These policies of severe fiscal control with stiff economic austerity by the autocratic military regime, for a period of seventeen years, failed badly in the task of economic growth with redistribution. The situation became so bad at the end of the military regime that Chile became a dual society, wherein a large percentage of the population was left without any substantial benefit of the so called country's economic miracle. With the coming of Centre-Left *Concertación* government in Chile, the market-oriented policies of economic growth and the model of equity with inclusive growth were followed. It was very much a neoliberal concept which was enacted and implemented through a wide range of 'equity-enhancing reforms' and the idea of inclusive growth. *Concertación* government followed it without breaking the neoliberal economic model instituted by their predecessor. No matter how much pragmatic, the political orientation of the major constituents of this *Concertación* coalition was towards the Centre-Left, the people of Chile had high expectations for a rapid response to unsatisfied social demands that were accumulated in the Pinochet years.

Finding these high expectations, the new democratic government immediately put poverty and social equity on top of their agenda. Equity is here understood as giving equal and unhindered access to representation and developmental resources irrespective of gender, ethnicity, class etc. *Concertación* governments emphasised the need to increase public expenditure and target these expenditures on marginalised groups. It started by reversing the trend of declining social expenditures that happened

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<sup>11</sup>In neoclassical economics, buyers attempt to maximize their gains from getting goods, and they do. this by increasing their purchases of a good until what they gain from an extra unit is just balanced by what they have to give up to obtain it. Similarly, producers attempt to produce units of a good so that the cost of producing the incremental or marginal unit is just balanced by the revenue it generates. In this way they maximize profits. (Weintraub, E. Roy 1993)

during the military government. This approach to social policies became the core of the *Concertación's* 'growth with equity' strategy. However, under this approach of growth with equity, equality was never considered and included as a goal to achieve by *Concertación* governments.

So, in order to understand this model, one has to go through this government's social policies related to health, education and housing. Since, there was also an increase in income inequality; it generated greater demands for redistribution. A series of policy measures and specific programmes were put into effect over the years in areas such as tax reforms, higher social expenditure, improvement in the service delivery etc. The government gave clear indications that all the new tax revenues would be used to finance social programmes to reduce poverty, increase health and education expenditure and provide housing for poor people (Foxley, Alejandro 2005: 131-161). Government also took a series of initiatives to improve the organisation and service delivery in the areas of health, education and housing.

Keeping the above mentioned points in mind, the present chapter is broadly divided into three sections. The first section talks about the debate on the idea of equity and equality. It tries to find how both are different from each other and the reasons behind acceptance of equity as a goal by most of the emerging developing countries of the world in the decade of 80s and 90s. Subsequently, another section talks about the idea of 'growth with equity'- its origin, inheritance in Chilean model of development and policies implemented under this development model. With these backgrounds, the next section assesses the validity of arguments on 'growth with equity' by analysing education, health and housing policies under 20 year rule of *Concertación* government. It is because these three areas are crucial to equity enhancing efforts and are defined as policy programmes that strongly favour disadvantaged strata in order to combat destitution. This section will also look into the impact of these policies on the reduction of poverty and inequality in Chilean society. Finally, the chapter ends with a conclusion where main points raised in all the sections of this chapter will be discussed. It also tries to find whether the issues raised in the beginning of this chapter have been answered or not and up to what extent.

## Equity and Equality

The debate on equity and equality is unsystematic. One of the reason for this is, today there is no longer any societal references for the issue of equality as it used to be in the past. It means to say that earlier when the idea of socialist society or society without private property was proposed, a model of equal society was considered a target which finally remained unfulfilled. Another reason was the topic of equity which tends to become an ideological alternative for that of equality thereby it only refers to one of the dimensions of equality. According to M A Garreton and Gregory Horvath in their book titled *Incomplete Democracy- Political Democratisation in Chile and Latin America*:

Equality and equity appear as two faces or dimensions of the old concept of “social justice.” They are two distinct ethical principles that cannot be assimilated with one another or used interchangeably. Whereas equity refers to the equality of individual opportunities for the satisfaction of a set of basic needs or socially defined aspirations, equality refers to the distance between social groups in terms of power and wealth, or if you will, in terms of access to instruments that determine power over the personal and over one’s surroundings (Garreton, MA and Horvath, Gregory 2003: 62).

They further explained that a society can be equitable and unequal simultaneously. Another possibility is that equity can continue to increase but without decreasing inequalities. From the Equity point of view, if individuals can meet their basic demands then the size of socioeconomic gaps is irrelevant. But if one sees from the Equality perspective, then the socioeconomic gap between the social groups is considered unacceptable leaving aside the sociocultural difference or diversity (Garreton, MA and Horvath, Gregory 2003: 62). Another aspect of equality of opportunities is to specify that people should not be denied jobs on morally irrelevant factors such as ethnicity, religion, class, gender or other forms of social differences.

Equity has arrived from the basic idea of moral equality, and moral equality here refers to treating people as equals. Thus, if one thinks about equity, one will have to decide on the ways to distribute goods and services across society. The responsibility of distribution of these goods and services are traditionally with the state and it influences distribution. Moreover, state control over distribution also ideally ensures fair treatment for all citizens. So, distribution of goods is based on three principles of equity. They are:

1. **Equal life chances:** There should be no differences in outcome based on factors for which people cannot be held responsible.
2. **Equal concern for people's needs:** Some goods /services are matters of necessity and should be distributed proportional to people's level of need and nothing else.
3. **Meritocracy:** Positions in society and rewards should be distributed to reflect differences in effort and ability, based on fair competition (Jones, Harry 2009: 5-6).

Apart from that Equity is also central to development and it is believed that developing countries should keep this high in their policy agenda. But it could not get that much high priority because of lack of political will and lack of interest of political elites. Moreover another reason is it might challenge vested interest or dominant ideologies. As a result, in order to promote equity in developing countries, government should bring policies which can change political economy of that particular country. Based on these ideas, Harry Jones in his paper titled "*Equity in development-Why It Is Important and How to Achieve It*" has proposed five existing and emerging core areas where policy change can bring equity. These are:

1. **Providing universal public services for fair treatment.** This means prioritising universal access to public services, such as health and education, and improving their quality by improving their delivery and strengthening underlying institutions, infrastructure and law and order are also crucial. Services should be free at the point of delivery wherever possible, and where this is not possible, arrangements should be made to ensure that poor people are not excluded.
2. **Targeted action for disadvantaged groups.** Government expenditure should favour disadvantaged regions or groups. Quotas can support access to employment for specific excluded groups. Empowering these groups is also vital, as well as strengthening organisations such as producer organisations, social movements and trade unions.
3. **Social protection.** Social protection should be provided to ensure that nobody drops below a minimum level of wellbeing, beyond which unmet need will create cycles of disadvantage. Options include: payments such as social



insurance or basic income grants; conditional transfers to promote human development; minimum wage policies; guaranteed government employment programmes; and labour market regulations to those in employment.

4. **Redistribution.** ‘Downstream’ action is required to improve equity by reducing inequality. Progressive taxation can help, if the additional fiscal space created is used to fund interventions that will support equity. Other priorities include lowering taxes on staple goods and applying taxes on property – inheritance taxes are key. Land reform is also crucial and redistribution may be required to provide the poor with productive assets.
5. **Challenging embedded power imbalances.** Power relations can cause and sustain inequity. Tackling harmful power relations takes time, and the empowerment of disadvantaged people must be combined with improving accountability mechanisms and reforming democratic institutions. It is important to build a vibrant civil society and an independent media. Addressing unhelpful attitudes and beliefs can also help foster social cohesion and build a pro-equity social contract. ( Jones, Harry 2009: 7-8)

Based on above suggestions, equity should be a key policymaking guiding principle. Donors and others external development actors like International development agencies and NGOs should take equity more consistently and coherently as a goal for their work. Also, they should include an understanding of the pressing inequities within countries and simultaneously informed assessment of the potential results for equity of their work. Efforts should be made to institutionalise and embed equity in decisions over policy and programming at various levels. This would involve incorporating equity-inspired principles into various tools and practices that guide and contribute to decisions. Chile, which was already following the neoliberal model of development under military regime, followed this idea of equity to enhance redistribution of benefits to the poor. In the next section, we will have a greater look on this issue under the ‘growth with equity’ model.

## Growth with Equity

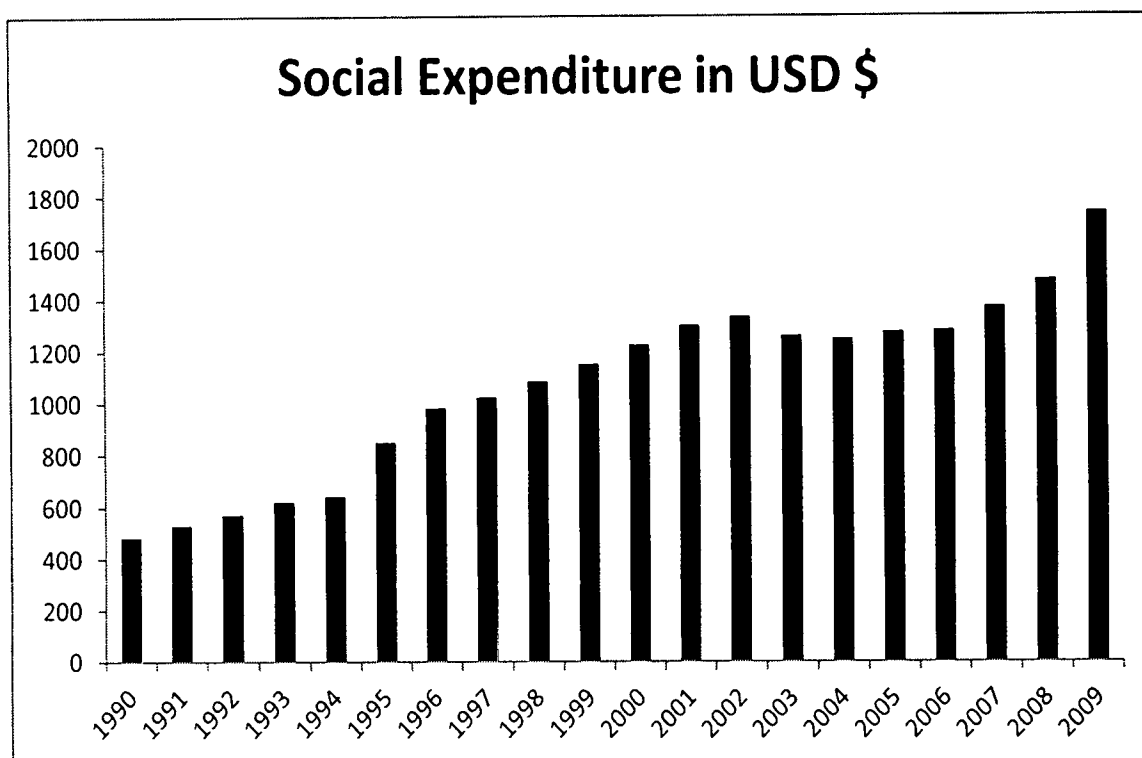
After the removal of Salvador Allende government, military government under Augusto Pinochet followed various neoliberal economic policies which further deepened social inequality in Chilean society. Not only that Economic growth per capita were also erratic and on average mediocre: 1.9 per cent per year from 1974 till 1989. This increasing inequality consequently led to considerable poverty. In 1987, 44.4 per cent of all Chileans were living in poverty, and 16.8 per cent were indigent (Weyland, Kurt 1997: 40).

Thus, after coming to power *Concertación* coalition anticipated that there would be popular demands that were previously repressed under the military regime. So, they attempted to pre-empt a possible conflict by satisfying the most urgent needs in those demands. Thus, after taking office, *Concertación* perceived equity-enhancing policies as necessary to guarantee stability and strengthen its base of support. This way, they averted the possible surge of populism and carried out responsible economic policies. This economically sustained growth and economic dynamism made it easier for the *Concertación* governments to promote equity and reallocate the fruits gained from better off sectors to the poor.

Being the last decade of 20<sup>th</sup> century, Latin American countries were at a crossroads in which, on the one hand they either had an option of following market-determined, private, individualistic and elitist models or market-correcting, public, solidaristic, and egalitarian models on the other. Chile under *Concertación* coalition desired to follow the second one with an emphasis also on a need to move towards social equity through reforms in social policies. With the formation of first *Concertación* government, "*Crecimiento con equidad*" ('growth with equity') became the slogan of this government for promoting social fairness.

Keeping this in mind, attention was focused on increased resource extraction from the better-off through a progressive tax reform; the expansion of social benefits for poorer strata via improvements in the health system; and the strengthening of workers' power through labour reform. In the below mentioned graph, we can see that the total expenditure of the government in social sector doubled in 1996 and tripled in 2008 in

comparison to 1990. This increased expenditure was to a certain extent targeted towards the lower-earning sectors of the population.



Graph 1 Source <http://stats.oecd.org>

These newly implemented social policy reforms of *Concertación* government were based on neoliberal model and according to Marcus Taylor, they had four pillars: *selectivity* and targeting in place of universalism, *Privatisation* of service provision, *decentralisation* of remaining state responsibilities, and *compensation* for the social costs of structural adjustment through anti-poverty programmes (Taylor, Marcus 2006: 172). *Concertación* government maintained these institutional forms while emphasising the need to increase public expenditure and simultaneously target these expenditures on marginalised groups. In this context, Alex Segura-Ubiergo writes:

The new Minister of finance, a prominent Chilean economist, called the new programme a ‘social market economy’. Behind this misleading phrase, there was a clear strategy that proved at the same time the limits of the possible and the impossible. The impossible was to deviate too much from the free-market model inherited from the Pinochet military regime. The possible was to increase state action in social and labour areas to reduce some of the excessive inequalities generated by the legacy of the Pinochet model (Segura-Ubiergo, Alex 2007: 199).

After the formal adoption of ‘growth with equity’ model, *Concertación* government there by emphasised their confidence in free market, export oriented strategy to

develop the material base of Chilean society, and its amalgamation with a more progressive social policy agenda that reincorporated those groups marginalised under the dictatorship's restructuring programme. Therefore 'growth with equity' strategy does not represent a perfectionist endeavour to engineer a new and socially equitable national state, but kind of sophisticated political strategy that emerged unevenly from within the social and political constraints of post-authoritarian Chile. Marcus Taylor in his article titled "*From National Development to 'Growth with Equity': nation-building in Chile, 1950-2000*" has shared his observation on 'growth with equity'. He writes:

'Growth with Equity' is therefore a moment of what is often termed 'neoliberalism with a human face' or 'Third Way' neoliberalism. In these circumstances 'Growth with Equity' soon developed into an attempt to mitigate the institutional confinement of production relations in the form crafted under the dictatorship by incorporating social aspirations primarily into the realm of social policy. Marginalized populations have been partially incorporated into the mainstream of Chilean society through new welfare institutions, such as participatory healthcare measures and the government anti-poverty programme entitled FOSIS ( Taylor, Marcus 2006: 80).

Thus, we see that increased social expenditure was the essential part of *Concertación's* 'growth with equity' strategy. So, an increase in the social expenditure aided in recovery of public services from a dispersed situation of crisis. However, despite this achievement several contradictions still persisted in social sector which seriously limited *Concertación's* declaration of the policy of 'growth with equity'. In this respect, a critical analysis of a range of social programmes in healthcare, education and housing needs to be discussed which will be done in the next section.

### **Education, Health and Housing**

**Education:** This section first tries to characterise the conditions in which the Chilean education found itself in 1990. Subsequently, the policy options that were taken from that time have been pointed out.

Before 1980s, the predominant state model in Chile was that of a liberal state that tightly controlled the public education system. Such control meant a strict regulation

of the inputs of the schooling process by states within their intention of establishing the foundations of the nation and the citizenship. In 80s, the administration of most of public school was transferred to the municipalities. And municipalities took two approaches to education administration. First option was to establish a municipal education administration department within the structures of local administration that were administered by municipal administration and regulated by normal municipal guidelines with the departmental head being a teacher. The other option was to follow a corporate way and to privatise education administration through the establishment of a *Corporación Municipal* (Municipal Corporation). It used to run the organisational structure of local education as a privately operating entity. Despite the great faith placed in the transformation of public administration into private regulatory bodies, most municipalities chose to establish municipal government schools because of greater ease of their establishment and the low costs involved (Taylor, Marcus 2003:33). Authoritarian government also established a system of partial commodification of education under which voucher scheme was started. Within this system, the state provided funding on the supply side, with schools receiving payments based on the number of students they could attract, imparting a strict competition ethic into the education system. The competition was between municipal-run schools and private schools for state funded students. So, if the schools were unable to compete in this new marketplace environment then they were allowed to fail and face dissolution. However, on the side-line of these reforms, there was a drastic reduction in public education expenditure which finally led to a significant drop in teacher salaries and increased financial burden on local municipalities' government.

In 1990s, after the transition of Chile in to democratic government, a set of policy decisions of long term were taken that determined the appearance and extent of the intervention of *Concertación* in education sector. This trend ended in 2006 with the start of "penguin revolution"<sup>12</sup>. Thus, 16 years of this period, in which important and profound changes to Chile's education system were introduced, have in common a series of certain structural variables such as the type of financing, decentralisation of public education, market incentives for quality education, symmetrical treatment to

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<sup>12</sup> An estimated 700,000 high-school students in Chile fed up with the neo-liberalisation of public education in their country forced educational change by marching in the streets and occupying schools for three weeks in what they called the Penguin Revolution. They were named so for the colour of their school uniforms. (Chovanec, Donna M. and Alexandra Benitez 2008)

state and private owned institutions, among others. The new *Concertación* administration put the issues of both education quality and equity into the educational policy agenda, based on public policies of direct or indirect central intervention on the system. However, it was all done without altering some of the naturally inherited structures from the reform of early 80s under the military regime which were of neo-liberal orientation.

Thus, the stage was set for educational reform driven by *Concertación* governments. For this there existed joint efforts for quality and equity in education and a sustained increase in public investment (which partly repositioned the role of the state), along with institutions and methods inherited from the reform period which have liberal, decentralised and authoritarian character.

Perhaps, the first great achievement that one can make a note of in favour of the *Concertación* was to set education as one of the strategic priority of the country and to recover the public investment in this sector. Therefore, the per student finance system for public and private subsidised schools were preserved with an increase in education spending so as to reverse the earlier tendency of decreasing resources in the sector. A major portion of this increased funding went into increasing school teacher wages after years of relative decline. This policy also forced educators to be more alert to what the schools are doing and what parents and students wanted. Due to this, schools became more involved in the life of the student, and teachers started visiting the students' homes when they were absent or when they have a family problem. But it was later found that there was no well-planned channel developed for the parents to express their opinions and interests. Another policy was also set in place which targeted the lowest 10 per cent with direct and technical aids such as infrastructure, textbooks, didactic teaching material, class libraries etc. In addition, other policies were developed like an extension of the school day, a networking of outstanding schools and a strengthening of teacher training programmes.

Apart from that formulation of policies for allowing schools to levy a co-payment from parents led to the stratification of schools according to geographic location differentiated along class lines. Due to this, schools that were located in middle or upper class areas started levying greater extra charges to afford increased costs. This led to deliberate discourage of these schools to less educated, working class parents

from enrolling their children and giving an excuse that this might lower standards and compromise profit maximisation. Simultaneously, on the other side the schools in working class low income neighbourhoods used to be state schools or privately-owned schools which always used to suffer from lack of resources. Not only that the schools in these areas had to borrow money in order to keep the schools running and compete with other privately owned schools. This borrow of money increased the municipal debt. Consequently, while reinforcing this dual education systems, sharp distinctions in quality between private and public education and between those that charge co-payments and those that do not, continue to permeate the entire spectrum of education provision (Taylor, Marcus 2006: 182). These trends consolidated rather than broke the educational condition of Chilean society.

Another education sector related programme implemented by the *Concertación* government for the poorest schools of Chile was P-900 programme which was initiated to supplement material and financial resources in the most impoverished and underperforming 900 primary schools of Chile. This programme was subsequently expanded to 2300 schools. Moreover, the reform of curricula was also carried out under this programme by the government to incorporate the most recent advances in teaching. For this purpose, a curricula and evaluation unit was setup which did national consultation with teachers and students to prepare a draft. This draft was analysed and compared with the standards of the countries with best school results. Finally, the draft was submitted to supreme council for education for its final approval. Due to all these policy changes, there were some positive achievements about which Jose Pablo Arellano writes:

As regards the achievements in terms of learning, two aspects are worthy of note. Firstly, repetition and dropping out have been reduced, so that a growing proportion of young people are completing their secondary education. Within secondary education, the rate of repetition has been reduced from over 12% in 1990 to 8% at the end of the decade and the dropout rate has been brought down from 7.5% to 5%. The same evolution is to be seen in basic education, with the rates dropping from 7.8% to 3.5% and from 2.3% to 1.5%, respectively. These rates had remained practically unchanged during the 1980s. This success in keeping children in school and increasing the proportion of students who pass on to the next grade is undoubtedly an important achievement (Arellano, Jose Pablo 2001: 90).

Despite, these policies being implemented by the *Concertación* governments and the positive result being mentioned above, the negative result in the form of a clear polarisation in the stratification of education was visible. It happened in such a way that quality of education and percentage of students enrolled varied greatly according to the income factor. It means to say that children from low-income families attended lesser quality schools whereas the children of the richest families monopolised the highest achieving schools. Thus, as part of the 'growth with equity' programme in which government wanted to provide a high-quality education to all Chileans, the dual system of class dimension between choice and income in the education system preserved deep inequalities in the expansion of education in Chile. Also due to all these prevailing conditions, during the tenure of Michelle Bachelet, student protest erupted under the name of "Penguin revolution". As a result of this student movement, Bachelet government had to assume a broad and ambitious agenda in education. To do this, she sent a legislative agenda that included the withdrawal of organic law of education and new institutional arrangements in education. In historical terms, it can be said that the "penguin revolution" questioned the gradualist model and the intangibility of certain variable structural Chilean educational model. It also caused the crumbling of consensus of 90s on education. The presidential commission for the quality of education and its results somehow showed the loss of consensus on education.

**Health:** The reform of the healthcare system had more or less a similar logic to what was followed in the education sector. This sector also had to deal with the issues of decentralisation and privatisation for bringing reform. The reason for these reforms was the structural change the Chilean economy had undergone after the 1980s crisis. Due to this, government aimed to formulate policies which could manage the fiscal deficits and this was done by cutting the financing of public health sector. Changes were also brought in labour market conditions under which government decreased the financing of health insurance from public sector. Following are the subsections in which changes that happened in different areas of health sector are being discussed.

(ii) *Health System:* On the basis of these economic restructuring, the role of public health sector were redefined and there was an expansion of the scope for private provision and financing of health care. So, in the year 1981, dictatorial regime



started a new system under which it was made obligatory for all workers to contribute a part of their salary to a fund which was used to provide compensation for a range of contingencies threatening their well-being. Under this new system, workers used to pay 7 per cent of their earnings for health insurance either to the public health insurance fund, FONASA (*Fondo Nacional de Salud*), or to one of the private health insurance providers, the ISAPREs (*Instituciones de Salud Previsional*). It depended upon the personal choice of the individual (Barrientos, Armando 2002: 442). Both of these functioned differently. Marcus Taylor in his article titled “*The reformulation of social policy in Chile, 1973-2001*” says:

These private health funds generally do not employ a permanent medical staff but rather contract in doctors and relevant medical apparatus as needed. They are universally regarded as offering far superior healthcare services. However, belonging to an ISAPRE requires that the contributions that an individual or family are able to pay cover the premiums levied by the fund. The latter are based on risk analyses of each prospective entrant according to considerations of age and gender and are far higher than the contributions required for membership of the public system. Alternatively, the public system – FONASA – operates according to a system whereby services are financed through mandatory contributions alongside subsidies from the public treasury. Furthermore, on undergoing any form of medical attention users are means tested and charged a co-payment relative to their income level for the particular treatment received. The quality of care within the public system is generally considered to be very low (Taylor, Marcus 2003: 37).

ISAPREs system was also structured upon gender and age lines which was discriminatory. Under this, older women and men and particularly women who fell in the age range deemed statistically probable to become pregnant were faced with prohibitively increased premiums. In some cases they were simply rejected by the private health insurers (ISAPREs).

(ii) *Health Reforms by the democratic governments*: The return to democracy in 1990 was accompanied by a major change in health policy. The new Centre-Left coalition had wanted to restore the capacity of the public health care sector to meet the health needs of the majority of the population. Apart from securing significant increases in fiscal transfers to the public health care sector, the government also focused on decentralising health care provision and restructuring the internal mechanisms for resource allocation. The objectives of *Concertación* government’s

reforms were to increase the equity and efficiency of the decentralised public system and to encourage community participation.

One of the steps to solve some of the problems of health provision was an increase in the resources intended to the public sector like FONASA. The primary motive of this reinvestment was intended to emphasise on improving hospital services and health-sector pay. However, under all these motives, no effort was made by the government to change the predominant structure. Also, in spite of doubling of public healthcare expenditure between 1989 and 1997, a large section of people strongly believed that the health system was strongly inclined in favour of private service providers and their clients. They also believed that public provision is troubled with financing and operational problems (Taylor, Marcus 2006: 184).

It became more visible by the end of the millennium when it was found that private sales insurers under ISAPREs were making high profit by accumulating two-third of total mandatory contribution from only one-fifth of total population of high-income groups who were less likely to need health services. In contrast, public systems were asked to provide services to 80 per cent of population who were most likely to require sustained health services. Furthermore, in many cases people who developed health problems and require complex and expensive care, could not afford the additional co-payments required under the ISAPREs and so they transfer back into the public sector, making FONSA the provider of last resort. According to a study, it was found that annually around 24 per cent of patients covered by ISAPREs received services in public facilities because they could not afford the necessary co-payments for certain interventions (Manuel, A 2002: 67). These symptoms favoured inequity because of weak regulation concerning ISAPREs ability to discriminate risks.

(iii) *Regulation of the private sector*: Nevertheless, democratic government aimed to strengthen regulation of private health insurance providers and to eliminate cross subsidies from the private health sector to public health sector. For this work, a regulatory body (*Superintendencia de ISAPRE*) was setup in 1990 to monitor the function of ISAPREs. This regulator forced ISAPREs to bring greater transparency and equivalence in health plans and contracts. It also strictly regulated exclusion periods as well as benefits excluded in these health plans and contracts. Contents of health contracts and the obligations of the ISAPREs were specified and were asked to

mandatorily disclose. *Superintendencia* also initiated the progressive elimination of the tax-deductible employer's contribution that used to benefit mostly employers and middle-income workers. Another very remarkable step was ISAPREs were asked to offer health insurance cover for catastrophic health risks also.

(iv) *Focus on Primary Care*: In order to improve access to health care for the economically poor sections of the society, new initiatives were taken for primary care. Under this initiative, the responsibility of primary health care which used to be under municipalities were additionally given to a new emergency service unit named SAPU (*Servicios de Atención Primaria de Urgencia*). Also it was observed that primary health care located in poor municipalities were facing funding problems in comparison to primary health care in wealthier municipalities, this created significant rise in inequality of access and quality of services. So, to overcome these problems a central fund was created which used to collect 60 per cent of property tax from all the municipalities and was redistributed to these municipalities on the basis of poverty indicators. Moreover, 'third shifts' were also added to these primary health care Centres to extend working hours and coverage. Also, new status was provided to primary care workers under which a centrally determined pay scale was assigned as part of a global programme of workers re-evaluation (Manuel, A 2002: 66).

(v) *Plan AUGE*: During first decade of democratic government most efforts were concentrated on the management of the health sector. It was under president Lagos' government (2000-2006) that a new comprehensive health reform plan was initiated. Earlier, reform projects in health sector mainly focused on the management of issues and budget control without taking into account the problem of inequities. Keeping this in mind, president Lagos' administration submitted a draft with a set of law to the parliament in 2002. The reform aimed to ensure universal access, opportunity of care and financial protection for the most predominant health problems that represented 60 to 70% of the disease burden of the Chilean population. The law was finally approved by the parliament in 2005 with the name Plan AUGE (the Universal Plan of Explicit Guarantees in Health/*Plan Acceso Universal con Garantías Explícitas en Salud*). The key elements under this plan were as follows:

- A medical benefit package consisting of a prioritised list of diagnoses and treatments with explicit Guarantees for 56 health condition;

- Universal coverage for all citizens;
- A set of Explicit guarantees specific to the universal health plan and enforced by law (Missoni, Eduardo and Solimano, Giorgio 2010: 12).

The plan committed public funding for health care of people without an income and established compulsory contributions for independent workers. The plan AUGE is significant because it was an attempt to eliminate the dual distinction between status and conditional citizenship. It establishes a universal package of services for all citizens, regardless of their income level. It aimed to create an executable social right to health care that the state would undertake to guarantee through providing funds and legal mechanisms by which citizens could exercise their right to healthcare. It has also been considered as a system of social guarantees by World Bank (Dannreuther, Charles and Gideon, Jasmine 2010: 850).

In sum, the return to democracy was accompanied by a more inclusive health policy, with greater emphasis on extending access and improving services for the more vulnerable sections of the population. This led to the recovery of public health care sector, which is now better resourced and modernised. In 20 years of *Concertación* coalition government, the health sector showed some concrete results like decrease in infant and mother mortality, improvement in professional care of delivery and an increase in the life expectancy of Chileans. In the same period, the per capita social expenditure on health increased to 6.2% annually which became 2.8 times more in the year 2005 than it was in 1990 (Quiroga, Yesko and Ensignia, Jaime 2010: 155).

**Housing:** Housing sector has also been one of main focus area of *Concertación* government because it also had some persistent problems which continued from the authoritarian regime. During the dictatorship period, the regime tried to replace the politicisation of housing and for this they restructured the allocation of housing resources in a way that it promoted categorisation and competition among possible recipients. Their housing policy strategy was formulated to achieve following three objectives:

1. Shifting primary responsibility for housing finance and construction to the private sector;

2. Classifying low income households on the basis of income, savings and other criteria established in accordance with the *Comités Comunales de Acción Social* (Community Social Action Committees or CAS) survey;
3. Allowing families of different income levels to compete for the same housing subsidies (Posner, Paul W. 2008: 146).

After coming to power, one of the important steps taken by *Concertación* was the increase in public expenditure on housing and a decline of housing deficits. Also, the government developed programmes which targeted specifically low-income *allegados*<sup>13</sup>. In addition, it also made efforts to ensure that resources were more effectively directed to the neediest. However, the government pursued these objectives by continuing the neoliberal policies implemented under Pinochet regime. And one of the major characteristic of these policies was its emphasis on housing as commodity whose distribution used to be determined primarily by market forces rather than as a right.

The increase in expenditure was in the form of rise in housing subsidies. So, the number of subsidies provided by Ministry of Housing and urban increased from 61000 in 1990 to 161912 in 2009 on average yearly. Also, the total subsidies increased from 8.2 million *unidades de fomento*<sup>14</sup> (UF) in 1990 to 36 million UF in 2009. This increase in spending helped in shortening the waiting periods to 10 years after 1998 for obtaining housing which used to be 15.6 years (Ozler, S. Ilgu 2011: 56). Also, with the help of Ministry of Housing and urban, many programmes related to housing subsidy and mortgages for families were started. This task was given to an operational sub agency named *Servicios de Vivienda y Urbanización* (Housing and Urban Development Service-SERVIU). One of these programmes was the continuance of funding of basic housing programme which was started in 1981 by the authoritarian regime. Under this project, SERVIU used to directly fund the building of social housing projects through private contractors (Ozler, S. Ilgu 2011: 59). It also used to provide subsidies and mortgages and oversaw the distribution of these social housing. However, the recipients of the Basic Housing programme had to save 10 UF for SERVIU sponsored social housing. Apart from that if they have this, the recipients

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<sup>13</sup> *Allegados* are multiple families living together in one dwelling.

<sup>14</sup> UF (*unidades de fomento*) is a unit expressing the value of housing and real estate in Chile, adjusted daily on the basis of inflation rates.

also used to receive a subsidy of up to 140 UF and a maximum mortgage of 80 UF for these SERVIU founded housing. Mortgages guaranteed by SERVIU for basic housing were granted by the *Banco Estado*<sup>15</sup> or commercial bank for 20 years (Ruprah, Inder J. and Marcano, Luis 2007:11). One of the disadvantages for the recipients of these SERVIU-provided housing was that they did not get to choose a location because it was given on the basis of availability. Regardless of the intention to serve the poor, the majority of the beneficiaries of these programmes were of moderate income. However, this Basic Housing programme was discontinued in 2002.

*Concertación* government started another housing programme with the name Progressive Housing programme. This programme was started keeping in mind the people who are too poor to qualify for Basic housing programme. Similar to the Basic housing programme, it also provided subsidies and mortgages and required minimum savings but it did not provide fully completed structures equipped with a kitchen and a bathroom (Rojas, Eduardo 1999: 3). The main aim of the Progressive Housing programme was to have the initial structures expanded and completed through a second loan (MINVU 2007: 9). However, the second phase of this programme remained underutilised because even the first stage was unaffordable for most of the poor families. Due to this reason, the programme was phased out by 2000 because of the above shortcomings and opposition from various sectors.

Squatters were another set of homeless families who were living as *allegados* when *Concertación* came into power. Shifting them into legal homes was one of the priorities of *Concertación* government. For this, they conducted a census to find total number of squatters and it was found that there were 972 squatter settlements in Chile in 1996 (Chile Barrio 2008). After getting an idea of their total number, *Concertación* government started *Chile Barrio* programme under which an independent governmental entity was formed which gave urgency and priority to issues of housing for squatters and also to address social and economic problems in squatter communities (Ruiz, Berta A. Belmar 1998: 13-14). Thus to solve housing problems, Chile Barrio agencies like NGOs and municipalities were contracted by the government to assist squatters in forming committees to claim houses under SERVIUs Basic Housing programme. Moreover, these agencies were also

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<sup>15</sup> *Banco Estado* is the National Bank of Chile, created by decree on 1953.

responsible for helping squatter groups in their dealing with the government. Although squatter communities were able to qualify for these housing programmes but they found difficulty with the savings requirements. Still for all those people who overcome these problems, they further had to wait because the complete process to get house was very long and frustrating. Some groups even had to wait for 20 years to get these houses. Finally, this programme was suspended in 2002 but since the deadlines to achieve target was not completed so it was extended till 2007.

Another important housing programme started by *Concertación* government was *Fondo Solidario de Vivienda* (Solidary Housing Fund-FSV). This was started by Lagos administration which grew rapidly under Bachelet. It was started after the suspension of Chile Barrio programme. Although this programme came with some new ideas and changes, the fundamental neoliberal orientation of housing policy was not changed. As a matter of fact, like previous housing programmes it became more dependent on market forces and private enterprises. It was visible when SERVIU stopped direct funding for social housing and the construction of subsidised housing was given totally to private sector. FSV was started to address the very high rates of mortgage defaults reported in MINVU's social housing project. It was designed to aid people who were below poverty line or those who are just above that (Ozler, S. Ilgu 2011: 64). It helped homeless people by giving sufficient amount of subsidies to them so that they did not have to mortgage. Unlike previous SERVIU's housing programme, FSV used to give the task of building homes to managing entities working with local committees. It helped them in having their say over the location, size, and design of the housing. These committees were constituted of a minimum of 10 and a maximum of 50 families. Committees were managed by *entidades de gestión inmobiliaria social* (Social property management entities) (Ozler, S. Ilgu 2011: 65). So, in a way the programme was designed to give recipients more control over their housing and to ease the mortgage debt burden experienced by the poor.

In spite of implementation of above mentioned housing programmes by *Concertación*, homelessness and inadequate housing remained a persistent problem in Chile. However, the situation was better in comparison to authoritarian regime period. It happened because there were improvements in the availability and accessibility of housing for the poor. Still, many Chileans lacked housing or suitable living conditions

because they were unable to meet certain minimum requirement like savings and government-guaranteed mortgages. Although, the problem of mortgages and other shortcomings were taken care by Bachelet government but problems of affordability, isolation and quality of housing remained persisted. Another important development happened due to *Concertación's* housing policy is that people started to compete against one another individually which lead poor people to seek personal solution to their housing problems. This also closed chances of political interference by political parties. Last but important impact of housing policy was the relocation of recipients of housing subsidies to marginal lands on the outskirts of urban centers there by leading to lack of services, jobs and amenities for them.

## **Conclusion**

From the above discussion it is visible that just after coming to power, *Concertación* government increased social expenditure in sectors like education, health and housing. It was one of the central strategies of their 'growth with equity' model. Although initially this increase in expenditure was not sufficient, however it was just enough for these sectors to come out of the state of poor condition after 17 years of authoritarian rule. Moreover, the government continued the neoliberal policies implemented under dictatorship regime with some modifications in the above discussed sectors. It was only after the coming of Ricardo Lagos and Michelle Bachelet that these policies were reviewed. In many cases these policies were suspended and new ones were implemented. And as discussed earlier, although these new policies were different from the previous one but they were more integrated and dependent on market forces and private sector. Due to this, profit became one of the motives of many of these social programmes being enforced through market forces. Not only that in many cases equity and solidarity was not the outcome of these programmes, but stratification, competition and distrust were the things that developed among poor people. There were also tensions between public and private systems of service provision in major areas of social policy due to structural problems.

If we access the work of *Concertación* on the basis of five core areas to bring equity mentioned previously in this chapter then we find that universal public services were



provided but it was not able to give fair treatment to all. It was seen in health policies where low income people were provided health facilities through public hospitals but these hospitals were less equipped with essential facilities. Also, the numbers of health professionals were less in comparison to total number of patients. Same was the case with targeted action for disadvantaged groups where a large section of poor people were finding it difficult get employment. Social protection in terms of health insurance was also provided but it became somewhat meaningless because large section of low income families were incapable of paying high monthly premiums. Redistribution was another way to promote equity by *Concertación* but after 20 years rule, it was found that poor became poorer and the gap increased between rich and poor. In the area of power imbalances, there were some positive results where democratic institutions became more democratic and powerful. But on the negative side, social cohesion became weak because of individual approach of the government to these social problems.

All these contradictions persisted in these sectors in the post-dictatorship era which challenged *Concertación's* proclamation of policy of 'growth with equity'. However, an in depth analysis of Social Safety Network will help in getting more information about the success of this model. In the next chapter, *Solidario* policy implemented by *Concertación* governments in the area of poverty alleviation for poor people will be discussed extensively.

## Chapter IV

### *SOLIDARIO*

The economic crisis of 1980s marked the beginning of change in the model of development, from ‘import substitution industrialisation’ (ISI) to ‘export led growth’ (Barrientos, Armando and Santibañez, Claudio 2009: 3). The crisis and structural adjustment programmes<sup>16</sup> which followed produced a steep rise in poverty and vulnerability. During this period, the focus of the policy was on reform of social insurance, and especially pension funds. In late 90s, the weight of social policy shifted towards social assistance, with the emergence of large scale programmes focusing on poverty and vulnerability reduction. This has involved integrated anti-poverty programmes, such as *Chile Solidario*, conditional cash transfer programmes like *Progresar/Oportunidades* in Mexico, *Bolsa Escola/Bolsa Familia* in Brazil, or *Trabajar/Jefes y Jefas* in Argentina (Barrientos, Armando and Santibañez, Claudio 2009: 3).

In the context of Chile as discussed in the earlier chapter, the end of Pinochet regime and subsequent process of democratisation did not carry out dramatic transformations to Chile’s political economy. The *Concertación* government that ruled Chile since 1990 maintained the neoliberal model which was based on a critical role for the private sector and free trade policies were equipped to secure the full integration of the country into the world economy. *Concertación* government implemented several reforms in the labour market and in social sector, financing them through a new tax reform and supported by the favourable external conditions and sustained economic growth. As a consequence, poverty rates started to decrease quite rapidly. During the first half of the nineties i.e. from 1990-1996, the moderate poverty rate reduced from 38.6 to 23.2 per cent. The extreme poverty rate also followed the same trend, falling from 12.9 to 5.8 per cent. However, the second half of the nineties was characterised by relative stagnation in extreme poverty, which decreased by just 0.1 point between

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<sup>16</sup> Structural Adjustment Programmes (SAPs) are economic policies for developing countries that have been promoted by the World Bank and International Monetary Fund (IMF) since the early 1980s by the provision of loans conditional on the adoption of such policies. Structural adjustment loans are loans made by the World Bank. They are designed to encourage the structural adjustment of an economy by, for example, removing “excess” government controls and promoting market competition as part of the neoliberal agenda followed by the Bank. The Enhanced Structural Adjustment Facility is an IMF financing mechanism to support of macroeconomic policies and SAPs in low-income countries through loans or low interest subsidies. (WHO 2013)

1996 and 2000 (Palma, Julieta and Urzúa, Raúl 2005: 15). This showed the inability of government's strategy to reduce poverty of the poorest population. And if we consider that the government worked to improve the condition of social sector, then lack of easy accessibility to these facilities was the main reason which kept the poorest population away from availing these facilities and finally impairing their chances of coming out from the indigent situation of poverty.

It was within this context that in May 2002, the Lagos administration announced the *Chile Solidario* initiative under social safety network programmes, a package of legislative and administrative reforms to Chile's poverty reduction and social protection policies. In this context, the broadest objective of *Chile Solidario* was defined as the social integration of the poorest; by connecting them with the public benefits network (Saracostti, Mahia 2008: 567). Like other social safety network programmes, *Chile Solidario* provided monetary transfers to indigent families enabling them to move out of extreme poverty in the short term. It also tried to support vulnerable people by creating opportunities for a better future in the long term.

With this background on the reasons that led to the formulation of *Chile Solidario* programme, this chapter will now be talking in detail about various aspects of the social safety network programme. For this, chapter will be structured as follows: first section will conceptually explain the idea of social safety networks. It will explain its meaning and various components. Second section will give a detailed description of the *Chile Solidario* system with its background and components. Next section will talk about the admission mechanism of poor people to the *Chile Solidario* system. Subsequently in the next section, results and the impact of the *Chile Solidario* system will be discussed. It will also evaluate the success of *Chile Solidario* system. Last section will conclude the chapter taking into account the main points that will be raised in different sections of this chapter and few shortcomings of *Chile Solidario* which needed to be discussed.

## **Social Safety Networks: Meaning and Concept**

According to Jessica Vivian in his paper titled *Social Safety Nets and Adjustments in Developing Countries*, “Social safety networks” began to be used more frequently in early 90s and were related with structural adjustment programmes. Developing countries introduced Social Safety networks to minimise the social impact of structural adjustment measures on specific low income groups. They were initially formulated to serve three objectives: poverty alleviation, to make adjustment programmes more politically acceptable and institutional reform. According to the definition given by World Bank in 2003 after the experience of the Asian financial Crisis:

Safety nets are basically income maintenance programmes that protect a person or household against two adverse outcomes: a chronic incapacity to work and earn, and a decline in this capacity caused by imperfectly predictable lifecycle events (such as the sudden death of a bread winner), sharp shortfalls in aggregate demand or expenditure shocks (through economic recession or transition), or very bad harvests. Safety net programmes serve two important roles: redistribution (such as transfers to disadvantaged groups) and insurance (such as drought relief) (Paitoonpong, Srawooth *et al* 2008: 470).

This definition clearly incorporates various transfer programmes designed to play both a redistribution and risk reduction role in poverty reduction. The redistribution here is intended to reduce the impact of poverty and the risk reduction role is intended to protect individuals, households and communities against unsecured income and consumption risks. Risks can be household-specific, community or religion based or nationwide. So, the linkage of Social Safety networks and poverty is based on the assumption that the poor are more vulnerable than the non-poor to these types of risks. From this perspective, Social Safety network programmes are specifically designed to address the need and characteristics of various categories of a country’s poor population.

Public Social Safety network programmes can be classified into formal and informal safety nets. Formal safety nets are those which legally guarantee individuals access to economic or social support whereas informal safety networks provide a possibility of support to individuals to assure them of attaining the minimum standard of living but not legally mandated (Paitoonpong, Srawooth *et al* 2008: 469). Social safety networks often represent a significant departure from other governmental organisational

structures and procedures. For this, generally new agencies are set up which works as an intermediary between government and its implementing agencies. They ask for project proposals and evaluate them, and finance and monitor projects carried out by private contractors or self-help groups. Social safety network programmes are also commonly responsible for the delivery of certain social services, including nutrition supplements to targeted groups, primary health care and immunisation drives and literacy campaign.

In the context of Latin America, social protection has been highly separated, with good coverage for those in the civil service, teachers, the military and employees of large corporations. However, workers in the informal sectors or holding temporary jobs were not covered. Repeated financial shocks in the year 1980s and 1990s created a contraction in the social expenditures which directly affected the quality and efficacy of public health providers. As a result, reaction to the repeated external shocks was to establish or improve social sector institutions. Some of the responses to the crisis were in the form of increased family allowances, nutrition and food programmes. Conditional cash transfers also became a part of these responses. *Chile Solidario* was one such programme started for poor people which covered a large number of people living in indigent situation in Chile. In the forthcoming sections, *Chile Solidario* programme will be explained.

### ***Chile Solidario* and Its Components**

*Concertación* government under Ricardo Lagos was favoured by the renewed upswing in economic performances in the early 2000s which let them to introduce a new set of policies largely inspired by the concept of redistribution with growth. Keeping this in mind, *Chile Solidario* was designed in 2002. It is believed that this programme was Chile's most important social safety network programme which was coordinated by the minister of Planning. The main aim of the programme was to incorporate poorest families into the state's social protection network which in turn could be used to facilitate access to benefits and services that for the most part are already provided by the state. However, very poor did not know how to access these facilities. Thus one of the primary objectives of the policies of this programme was to coordinate monetary benefits, subsidies, services and programmes that were already

available, and to facilitate access to these programmes. In the words of Silvia Borzutzky *et al* in his paper titled “Anti-Poverty Politics in Chile: A Preliminary assessment of the *Chile Solidario* Program”:

The innovative approach involves a two-pronged strategy, working on both the demand and the supply side of public services.” On the demand side, the programme allows the indigent to become aware of the existence of benefits and services. On the supply side, the programme requires coordination of services at the municipal level since it guarantees preferential access to the services provided by the municipality (Borzutzky, Silvia *et al* 2009: 4).

Like other social safety network programmes, *Chile Solidario* provides monetary transfers to poor families there by empowering them to move out of extreme poverty in the short term. It also supports vulnerable people by creating opportunities for a better future in the long term. All this was done by taking an innovative approach with some distinctive features which made it a unique model. Some of these approaches are as follows:

1. First, this programme worked in a very different way because it was targeted to those in extreme poverty which was about 5 per cent of the Chile’s population. The eligibility to implement this programme was done by ranking families according to their socio demographic and economic conditions which includes domains like health, income, education and housing (Fiszbein, Ariel and Schady, Norbert 2009: 6).
2. Second, under this programme, poverty is precisely considered as a multidimensional experience and thus, a capability approach is specifically adopted to ensure greater equity among beneficiaries. In a different way, the unique feature of the programme is that the social worker use to assist the households in realising what their needs and priorities are, helps them devise a strategy (their ‘life-time project’), by developing a set of endowments (assets, skills, abilities, information, autonomy and self-efficacy) that allows them to autonomously sustain their exit from extreme poverty in the long-run (Galasso, Emanuela 2006: 7).
3. Finally, an important innovative feature of the programme consists of developing the supply side to provide services more specifically designed to meet the needs of the poor. Under this feature, single and independent social

policies are combined to make it comprehensive and interdependent system of social protection (Galasso, Emanuela 2006: 7).

### *Background on the Program*

According to ministry of social development of government of Chile, *Chile Solidario* is defined as “a system of social protection for families in extreme poverty, which combines aid and skills development in an integrated approach”. The system takes the family as the unit for action, and understands extreme poverty as a multidimensional problem that relates not only to lack of income but also to the scarcity of human and social capital and to the family’s vulnerability to common events, such as sickness, accidents and unemployment (Carneiro, Pedro *et al* 2009: 5). The aim is to incorporate all families found to be living in extreme poverty in 2000 into the state social protection network. They are chosen on the basis of information from the *Ficha CAS-2*<sup>17</sup> and have been brought into the system gradually from 2002 onwards. Once chosen, the families are contacted and invited to take part. Those who accept sign a “Family contract” to improve their living conditions. This contract establishes an agreement between the government, which takes responsibility for supplying them with a range of support services and resources, and the family, which agrees to work to overcome the aspects of their lives where they see themselves as most insecure and needy, using the opportunities offered by the local social network (Palma, Julieta and Raúl Urzúa 2005: 21).

For the plan of action, the system considers seven dimensions or pillars of family life: identification, health, education, family dynamic, housing conditions, work and income. These seven dimensions are broken down into 53 minimum conditions for quality of life, and the family is considered to have overcome the state of extreme poverty when it can achieve all of them (Saracostti, Mahia 2008: 569).

### *Components of Chile Solidario*

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<sup>17</sup> Ficha CAS-2 is a tool for classifying families who apply for social benefits, making it possible to prioritize and select beneficiaries for the various social programmes, mainly state subsidies. The Ficha CAS-2 is taken for all those living in the home inhabited by the individual seeking the subsidy. The information is valid for two years, after which it must be updated. The classification is based on a points system ranging from 350 to 750 approximately; the higher number of points corresponding to situations of greater unmet needs. The calculation takes into account 13 variables, grouped into four factors: housing, education, job and income/net worth. The score is differentiated for each of the families in a household. (MIDEPLAN 1999)

The system has four components:

(i) *Psychosocial support*: It is the first stage of programme implementation and entrance into *Chile Solidario*. It starts with a programme called *Puente* or “bridge programme” that in a way opens the door into the benefits provided by *Chile Solidario* programme or it builds a bridge between the indigents and their rights in order to defeat the condition of extreme poverty. This *Puente* programme provides psychosocial support at municipal level to families. This support consists of periodic personal visits by professional or technical staff to each home. These professional or technical staffs that are also known as “Family Support” performs personalised mentoring in 21 sessions over a two year period (Hoces de la Guardia, Fernando 2011:133). Throughout this process of intervention, the *Puente* programme works to enable a family and its support counsellor to establish an atmosphere of cooperation and trust. This positive relationship allows the family to openly share its history, priorities, and information about their capital resources. Mutual commitments are also established in which a link is formed between the families and the public and private networks for social skills development. In fact, the aim of this visit by professional staffs is to stimulate and empower the family as a nucleus. It also supports the family in strengthening the seven categories of “support pillars” of family life. The intervention includes two distinct phases:

- I. An intensive work phase with the family, consisting of 14 work sessions over a period of four months. The methodology used focuses on a game board, designed especially for the programme, which is progressively completed as the intervention progresses. At the end of this intensive phase, it is hoped that the family has achieved the set of minimum conditions set by the programme.
  - II. The support, monitoring and follow-up of this phase are carried out with respect to the specific commitments that the family has made in their own Family Contract, signed at the conclusion of the phase. The clauses specified in this contract are particular to the characteristics of each family and focus on sustaining the achievements of phase one (Cañas, Mario Ossandón 2006: 19).
1. *Protection bonus for the family*:

The second component of this programme includes small cash transfer i.e. ‘*bono de protection*’, which is transferred to participating households after having signed their



partial contracts. This cash benefit is conditional on the families meeting the contract they signed, and is given to the mother in single parent families or to the female partner of the head of the family. The amount of the bonus decreases from US\$21 per month during the first year to approximately US\$12 per month in the fifth year of this programme (Hoces de la Guardia, Fernando 2011:133). It is done so with the idea that the households would progressively improve their standards of living as a result of coming under this programme. The value of the bono is independent of family size or composition. Like other social safety network programmes popular in Latin America, this direct cash transfer represents the large share of the cost of intervention. But contrary to the approach of many social safety network programmes, the emphasis is here shifted from the transfer itself towards bridging the demand and the supply side of social services. The transfer is not conditional on any behavioural requirements like school enrolment or health visits; nevertheless it is terminated if households interrupt their participation in the programme. The conditionality relates to the partial contracts that households signed during the intensive phase. After two years of psychosocial support, households receive an unconditional exit bonus (*'bono de egreso'*) for additional three years.

(ii) *Guaranteed Access to Monetary Subsidies*: Third component of this programme is Monetary Subsidies which is done through transfer of cash in terms of subsidies within conditional cash transfer. Under this system, the families are guaranteed standard monetary aid to which they are entitled according to their family status. Basically, there are four different money transfers people may apply to<sup>18</sup>, each with different requirements. Subsidy in terms of cash transfer is given for children under the age of 18 years, old age assistance and/or invalidity pension, and a subsidy that pays the families water bills. Family subsidy is also given to pregnant women and to parents of persons with physical disabilities. For being eligible to avail these subsidies, parents have to take their children for regular medical check-ups and must send children to school also. The benefit amounts to about US\$8 per month. Unemployment benefit is also given that ranges approximately between \$20-30. However, there is condition for availing this subsidy. Under this scheme, the unemployed person must have been employed for at least 52 weeks during the

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<sup>18</sup> People may apply to SUF (around US\$10 a month, given for each child, pregnant woman); SAP (Drinkable Water Subsidy); PASIS (around US\$100 a month, given to elderly or sick people) and the Subsidy for School Retention.

previous two years from the date of applying. Assistance pension are given to those, whose age is more than 65 years and to physically and mentally-disabled adults regardless of age. This pension amounts to about \$95 per month which includes free medical care. Households also receive water and sewage subsidy which fluctuates from \$4-\$7 monthly. In total, it is believed that if all the subsidies are added a poor in Chile receives on average about \$40 monthly through cash transfers, and up to about \$275 throughout the life of the programme (Borzutzky, Silvia 2009: 6).

(iii) *Preferential Access to Assistance and Social Promotion Programmes:* Last component of this programme focuses on the supply side of the public services. Under this component, the beneficiaries of *Chile Solidario* are given priority to access social services. In order to ensure this preferential access, MIDEPLAN establishes assistance agreements with many public services for these enrolled families. Thus, for all this, *Chile Solidario* works directly with local providers of public services like municipalities and making it sure that the supply side was locally organised to attend the needs of this specific targeted indigent population and 'bridge' the demand gap. Other way, it requires giving preferential access to public services for the families of *Chile Solidario* so that this specific group becomes visible to public services. So, if an indigent family has got different dimensions of deprivation, then overcoming all these problems will require coordination with different institutional actors involved in the provision of services in the municipality. For example, some benefits are specified: Health assistance free of charge in public health services; preferential access to training programmes; preferential access to the support programme for small business. This process is facilitated by the social workers (UIF, *Unidad de Intervención Familiar*) and their work and performance is supervised and coordinated by a municipal employ that is the head of the UIF (Galasso, Emanuela 2006: 7).

After going through these components, it can be said in brief that *Chile Solidario* provides a set of small cash transfers and access to assistance programmes adapted to facilitate the exit from poverty. The programme is based on a notion of poverty that sees the poor as active actors in the process of poverty eradication, and sees the role of the government as providing a bridge between the poor and the state's benefits. Simultaneously, it also tries to condition the provision of benefits to a process of constructing social capital. However, there are certain criteria which need to be

fulfilled by the participating households. These criteria are discussed in the following section.

### **Admission Mechanism to *Chile Solidario***

This section is fundamental to completely understand the mechanism through which families enter the *Chile Solidario* programme. *Chile Solidario* was created as a social protection system which targeted people living in conditions of extreme poverty. As a result, there are differences in outcomes between participants and non-participants. These differences are attributed to differences in the condition of educational level and ethnicity or to unnoticeable characteristics like motivation or ability.

*Chile Solidario* like other social programmes and conditional cash transfer programmes in developing countries is assigned on the basis of a proxy-means score calculated on the basis of a card (*CAS Ficha*<sup>19</sup>). The admission mechanism to the programme works as follows:

- i. Since the plan is to cover the population living in extreme poverty and due to the fact that there was no clear way to distinguish between indigent and non-indigent families using the CAS score. So, all households whose scores are below a predetermined threshold are considered to participate.
- ii. The programme is allocated geographically to all areas proportionally to the target population i.e. households below a predetermined CAS threshold.
- iii. These thresholds (or CAS cut-offs) are not same nationally. In order to ensure a wide geographical coverage of the programme, a decision was made to allow threshold to vary across communes and regions, with the aim of reflecting differences in the poverty rates across different geographic areas.
- iv. Households within municipalities are sequentially invited to participate in the programme, by starting from *bottom up* of their CAS distribution. Households are assumed not to self-select into the programme based on expected gains (Galasso, Emanuela 2006: 8).

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<sup>19</sup> The score is a summary index of unsatisfied basic needs that is used as pre-requisite for participation to *Chile Solidario* and a wide-array of other social programmes in Chile, from income transfers (e.g. family allowance SUF, old age public pension PASIS) as well as subsidies to health utilisation (FONASA), water subsidies SAP, access to public housing and childcare centers. (MIDEPLAN 1999)

Since different cut-off scores were established in districts all over the country, it is possible to use non-experimental strategies for the evaluation. One of these strategies is matching, in which it is mandatory that the treatment and the control group are same. Thus, these design features are such that two potentially eligible and observationally equivalent households can be differentially exposed to the programme. There are three situations where different families with similar CAS are not all included in the programme: 1) the treatment group has a marginally lower CAS score; 2) the treatment group and controls have the same score but they live in different districts with different cut-off scores; and 3) both families have the same CAS score and live in the same district, but due to unknown reasons, one of them receives treatment and other does not.

It can be concluded here that, for a family, the variables having influence on their programme participation are their CAS score, the cut-off score obtained by their district, the amount of slots assigned for that district, and the rate of assigned slots/original slots, which is related to the management capacities of each district.

## **Results and the Impact of *Chile Solidario* System**

*Chile Solidario* programme was started with a conceptual framework which targets human development and focuses on enhancing and equalising basic capabilities. Following are the sections which will show the impact and results of *Chile Solidario* programme in the above mentioned areas:

*Employment Effects:* *Chile Solidario* households exhibit very strong take up of labour market programmes. These households more likely participate in programmes aimed at supporting self-employed and in public employment or labour re-insertion and training programmes. Participation rates increased to 30 percentage points in urban areas, and about 14 percentage points in rural areas for self-employment programmes. Same pattern is found in public employment programme which increased by about 6% point in urban areas, and 4% points in rural areas (Galasso, Emanuela 2006: 15). However, the impact of the programme on taking up training programmes is significant only in urban areas. Another, positive impact of the programme is rise in number of people enrolment in their local employment office because of the minimum

condition set by the *Chile Solidario* programme for unemployed members. On the other side, there is no sign of improvements on the number of members having stable employment. The only positive and significant effects on the labour force participation are observed in rural areas, with gains in the share of members who are active.

*Housing effects:* One of the important aspirations of the participating families in this programme is having their own house and improving its basic infrastructure. So, housing becomes an important medium for participants to create their own identity which can be passed on to their children with the investment in their education and health. Besides providing ownership, basic sanitary with access to safe water and sanitation are some other important aspect of housing welfare. Data shows that the enrolment in housing programmes in urban areas increased from 7 per cent in 2003 to 14 per cent in 2004. On the other hand, the social worker also often helps the family obtain housing equipment such as having a bed, a table, etc. In this area, there is an increase of 23 per cent. There is also 10 to 15 per cent rise in the receipt of basic material to protect the house from rain or cold (Galasso, Emanuel 2011: 118). With these results, it becomes evident that participating households were more likely to activate themselves to connect with the social protection network to bridge the initial gaps in their housing situation.

*Education effects:* *Chile Solidario* has a significant impact over education. It is found that there is consistent increase in the enrolment of children aged 4-5 years in pre-schools. The effects of this enrolment are in the range of 4-6 percentage points which is consistently found in both urban and rural areas. Enrolment of children aged 6-15 also improved by about 7-9 per cent. Another important achievement is the significant increase in the number of illiterate adults in literacy programmes after enrolling themselves in the *Solidario* programme. This increase ranges between 5-10 per cent with a larger number having been enrolled in the rural areas (Borzutzky, Silvia 2009: 8).

One of the reasons for this gain in pre-school level are the intense work of social worker, who during the psychosocial session emphasises on the importance of being enrolled in pre-school for the cognitive and behavioural development of the children.

*Health effects:* The effect of *Solidario* on enrolment in the available health programmes is less in comparison to education. The only consistent result is participating households are more likely to be enrolled in the public health system which is 2-3% in urban areas and 3% in rural areas (Borzutzky, Silvia 2009: 8). The impact on health visits for preventive care was found for children below six years of age and for women aged 35 or older for their cancer test. *Solidario's* impact on the health of elderly was very minimal in urban areas and generally negative in rural areas.

## **Conclusion**

The rationale of starting *Chile Solidario* programme was that households in extreme poverty were previously observed to be disconnected from the public network of social services, and the programme seemed to have bridged part of this gap. It would be better to say that *Chile Solidario* did not involve the creation of new benefits, but rather a different way of articulating the provision of existing benefits and services in order to improve the performance and effects of those benefits. The main results show a significant and substantial effect on the take-up of cash assistance and social services, which was one of the main objectives of the programme in its inception. There were also improvements in educational and health outcomes of the participating households. Psycho-social support was an important factor which helped in bringing these changes by increasing awareness of social services in the community as well as households. *Chile Solidario* worked on strengthening the human capital of adults and expanding their employment opportunities and productive activities through completion of education or training and public or self-employment programmes. This expansion of opportunities helped the participants to exit from extreme poverty but it was not enough to ensure a reduction of moderate poverty in Chilean society. These positive results show that *Chile Solidario* programme implementation is somewhat successful because due to this programme there are progresses in seeking growth with equity in Chile. But one must not forget the negative impact of this programme because it was noted that *Chile Solidario* did not include community and associative issues in its work. Actually, its focus is on family, and it does not create links with others in similar situations. *Chile Solidario* works with the family in isolation unlike

other programmes directed at poor families which stress the neighbourhood and the habitat.

## Chapter V

### CONCLUSION

The study was set out to explore the Twenty Year rule of *Concertación* governments and has found that ‘growth with equity’ was one of the basic traits of coalition’s development model and the way the model was adopted and followed by the four successive *Concertación* presidents. The model was adopted because through this model, they were able to contain the pressure from right wing political parties and military. To follow the economic model inherited from authoritarian rule was one of the conditions of transitions. On the other side, *Concertación* government was also able to put in process the redistribution of economic gains, from the inherited economic model, among the poor through programme of equity. Although the redistribution process was very slow but sustained high growth at least gave some hope of reducing of the state of poverty. Literatures indicates that *Concertación* was able to implement ‘growth with equity’ model by following a policy of consensus building on key policy issues which became the only way for governments to get things done according to their political conditions. But it was all implemented in a pragmatic manner and at the cost of giving concessions and an understanding with the right wing parties and military. So after studying the functioning of 20 Year Rule of *Concertación* governments, it becomes very important to understand the growth with equity model and consensus building policy as it had large impact in formulating policies for social and economic sectors. While going through these aspects of *Concertación* governments, the study has sought to revolve around two hypotheses:

- (i) The consensus-building policies enabled the *Concertación*’s neoliberal economic agenda to manage economic growth with deepening of economic inequality; and
- (ii) *Concertación*’s tangible gains in the area of market-induced equity have produced new forms of social inequalities.

Thus, on the basis of the issues discussed in the previous Chapters, following discusses the impact of politics of *Concertación* and its ‘growth with equity’ model on various sectors of Chilean society.



## **Impact of Coalition Formation on the Constituents of *Concertación***

With the formation of *Concertación*, some of the main constituent parties of this coalition namely Christian Democratic Party (PDC), Party for Democracy (PPD) and Socialist Party (PS) compromised on several issues related to respective party ideologies and economic and social policies. Not only that in the name of democratic transition, PS which used to be a mobilising force of many protest movements during authoritarian rule, followed the straightforward policy of demobilising social movements. Likewise, PS which also used to have closer relations with *Central Unitaria Trabajadores de Chile* (CUT) persuaded union leaders to limit social mobilisation. Many a time, the party also put pressure on union leaders to limit strikes. PS leadership who had control over the party decisions and who believed in the neoliberal consensus policies became very critical of any social movement and section of the left which remained outside of the *Concertación*. There were also some fundamental changes within PS at party level. One major change was the concentration of power in the hands of elites which led to a process of de-institutionalisation in the party. This change created a sense of inactiveness at lower level and opened criticism with dissension by the base and mid-level leadership against concentration of power and increase in corruption. The party which used to have its presence among poor, unions and students gradually became absent in many *poblaciones*, weak in university sector and diminished from various unions. According to Sara C. Motta, one of the main reasons of this downfall was the excessive stress on neo-liberal consensus policy which undermined the links between the social and political base of Chilean socialist party and its leadership (Motta, Sara C. 2008: 319).

Another important constituent of *Concertación* was Party for Democracy (PPD) which was formed in the year 1987 after breaking away from PS. The main founding members of the PPD were Ricardo Lagos Escobar, Guido Girardi Lavín and Sergio Bitar Chacra. The party was formed with a more moderate view than the socialist party. Initially, its basic objective was to restore democracy through elections. They believed that a government can be legitimate when it originates from common people will. It can only be achieved if elections from the post of presidents to municipal authorities are conducted freely, directly, competitively and secretly. However, after

joining *Concertación* and coming to power, the party started to bring progressive changes in their party principles to accommodate new ideas related to society, economy, youth, environment etc. This created a new support base for PPD which resulted in significant rise in vote share initially. But the situation started to change when some of the prominent leaders like Ricardo Lagos left this party to join PS towards the end of 1990s. These events negatively impacted the PPD's support base and resulted in its poor performance in parliamentary elections.

Changes also occurred within the Christian Democratic Party (PDC) after it became part of the *Concertación* coalition. Before and during the authoritarian rule of Augusto Pinochet, PDC used to be a party with an ideologically centrist view and its leaders believed that the state must play an important role to reach specific programmatic goals. It also had a commitment to specific Christian-inspired political principles. This attitude in PDC made them reluctant to form coalitions with left or right parties and instead endeavour an independent path. However, in 1989 while forming *Concertación* coalition, PDC gave up its mission to transform Chilean society and became more conciliatory by finding common cause with left parties with the objective to reclaim and consolidate democracy. PDC leaders became more ambitious after getting in to power and they gave up many of their earlier ideological principles. After 1990 with the formation of a democratically elected government under Eduardo Frei from PDC, the party took both left and right wing positions on different issues. According to some scholars, while being in power after 1990, they also time and again abandoned Catholic social thoughts. However, despite embracing neoliberalism, they kept themselves committed to the "social question" related with employment, social policy, health and poverty. These circumstances negatively affected the party's influence on their voters which caused a decrease in the PDC share of chamber vote during the 1997 elections. This gave PS to field Ricardo Lagos as their presidential candidate in the primaries against Andrés Zaldívar of PDC. Ricardo Lagos won the primaries and the centre of power of *Concertación* coalition shifted somewhat towards PS finally. This event shows that *Concertación* coalition was never dominated by a single party. The gravity of power shifted from one party to another party when one finds that the first two presidential candidates of *Concertación* were from the Christian Democratic Party and the last two candidates were from the Chilean Socialist Party.

## **Overall Performance of *Concertación*'s 'growth with equity' Model on Different Sectors**

After coming to power *Concertación* coalition faced the tough challenge of dealing with the authoritarian bonding on the political and socio-economic fronts. These bonding kept on influencing the government's decisions by giving them a very narrow space to formulate new policies which were intended to bring more democratic consolidation in the Chilean society. Initially, governments did not try to involve themselves in the complex discussion process to clear these authoritarian enclaves fearing this would destabilise the newly achieved democracy. With the passage of time, *Concertación* governments slowly started to come out and challenge these enclaves but continued to follow the neoliberal model of economic development inherited from the authoritarian government. It happened because of the positive results neoliberal model had on the Chilean economy. Apart from following the economic policies, *Concertación* governments took some bold steps on their own without fearing about its repercussions like the beginning of trial of army officers involved in human rights violations during dictatorships; increase in funding for various social programmes to reduce poverty; decentralisation of power in regions and municipalities; abolition of the provision of Pinochet's appointed senators and bringing the armed forces under the control of civilian government etc.

However, all these achievements were not achieved easily by *Concertación*. They faced representational challenges in the form of opposition from right wing parties and other sections of the society. To overcome these, they followed the consensus building policy through consultation with the opposing groups. These consensus policies were sometimes more like bargains because government had to compromise in other areas. But on the positive note, it was followed to emphasise on the need to work together, compromise, and avoid serious conflict as much as possible. Due to all this, it was possible for the government to improve the living condition of the common people, especially of poor masses by reducing poverty. The data shows that poverty decreased from 38.6 per cent in 1990 to 14.4 per cent in 2011. Although poverty decreased but the income inequality and the difference between the rich and the poor kept on increasing which became contentious issue in politics. This was visible from the Gini coefficient index where Chile's coefficient remained at 0.55 in

2009 which was 0.02 per cent less from 1990. This data raises the question over 'growth with equity' model of *Concertación* government. After Seeing these problems in the society, citizen's interest in the Chilean electoral and political process also decreased substantially. It was visible during the presidential election of 1999 when 1.24 million blank or defaced ballots were cast. It was nearly 18 per cent of the 7 million total votes cast and twice the percentage of 1993 election. The *Concertación* rule of 20 years also saw conflicts and necessary trade-offs between the two main political parties. These tensions were most notably and importantly in the areas that were at the core of the traditional identity of parties like poverty, social justice, retribution for human rights abuses and national reconciliation. Differences were also seen over determination of candidates for joint electoral lists which was from the level of the municipality till presidency. Nonetheless, seeing these rising discontents among the Chilean people and differences between the constituents of *Concertación*, right wing parties like Independent Democratic Union (UDI), National Renewal (RN) and Christian Humanism (HC), worked hard to gain support among the common people for the elections. Their hard work were giving results when *Concertación* governments kept on getting good competition in the presidential and congressional elections from these right wing parties elections after election. Finally, Sebastian Piñera, an independent candidate from the right wing coalition named "*Coalición por el Cambio*" won the presidential elections of 2009.

As discussed earlier, *Concertación* governments functioned on the idea of 'growth with equity'. So with the implementation of neoliberal policies, the country's economy emphasised their confidence in the free market, export oriented strategy. It gave positive results and country grew with a growth rate which was better than all other Latin American countries during that time. The country developed at an average rate of 5.59 per cent during 1989 to 2009. This growth was special because it was achieved when its neighbouring countries and countries in other parts of the world were going through economic instabilities and recessions.

*Concertación* governments also worked towards improving relationship with business leaders in corporate sector who had some apprehensions initially with the functioning of the *Concertación*. A large part of corporate sector in Chile emerged during the authoritarian rule when banks and industrial firms were sold off to private firms.

Moreover, many public sector companies were also sold off to foreign private companies which further increased the size of corporate sector. This sector worked under favourable conditions during authoritarian rule. However, after the coming of *Concertación* to power, corporate sector got mixed response. On the one hand, the government increased tax burdens on these companies and on the other they further flexibilised the labour laws making these policies in favour of companies. The government chose their key policymakers from the business world. In this context, the election of Eduardo Frei as president of the republic gave a boost to this relationship. It was because Frei himself was a successful businessman with strong contacts in corporate sector. Due to this Eduardo Frei's commitment to economic growth was uncontroversial. The government did not interfere in the expansion and accumulation model of the economy which further improved their relation with the government. However, the coming of Ricardo Lagos produced some tensions to this sector because of his socialist party background. But, Ricardo Lagos followed the same model which was being followed since 1989. Moreover, his government signed various free trade agreements with different countries giving access to large markets to these companies. Not only that, the Lagos government favoured a good deal on infrastructure, technology, investment capital, worker training and general education so that more and more companies invest in Chile. The government also changed the labour regulation which made Chile a country with highest levels of working hours. This flexibilisation of labour markets increased the competitiveness and attractiveness of the Chilean labour force to foreign investors which finally helped Chile in achieving more economic growth.

Seeing this growth, the government started to give more emphasis on the redistribution by increasing social expenditure in sectors like education, health and housing so as to promote equity. Initially during the tenure of first two presidents, this expenditure was less and social policies implemented under authoritarian rule were continued with minor changes. But with the coming of socialist presidents like Ricardo Lagos and Michelle Bachelet, the expenditure in the social sector got a major boost not only by increasing the funding but also through review of previous policies and implementation of new policies.

Funding in education sector was increased from 2.71 per cent of the GDP in 1989 to 4.53 per cent in 2009. The new policy implementation in this sector also improved the total literacy rate of Chile. However, these changes could not stop the rise of polarisation in the stratification of education. It became visible when quality of education and percentage of students enrolled were influenced by income factor in a way that children from lower income families were compelled to attend lesser quality schools whereas the children of rich families were privileged to attend good quality schools. Same was the case with health sector where government got the task of reducing large inequalities in health care. Taking this as a challenge, government first formed a regulating body to overlook the functioning of insurance providers and health service provider of private sector. Apart from that the functioning of public health care and public health insurance provider were also improved with more funding. The funding in public health expenditure increased to 3.83 per cent of GDP which was providing 70 per cent of the total healthcare services in Chile in 2009. Health indicators of the country was good by regional standards where life expectancy was at 77.3 years in 2009 and infant mortality rate dropped to below 8 per 1000 live births in 2008.

In this respect, major initiative was taken by Ricardo Lagos government in which a new comprehensive health plan with the name "*Plan AUGE*" was initiated. Due to this, spending on health rose to 8 per cent a year between 2005 and 2009. It was for the first time that a health policy took the problem of inequity as one of the main challenge. This programme was implemented with the motive of providing universal coverage of medical benefit to all citizens. After its implementation, the country saw a rapid and significant increase in access to treatment for the mandated services. Country also experienced improved health outcomes in terms of low mortality rates for several types of cancer. This plan also helped in early detection and timely treatment of patients. *Plan AUGE* was considered a successful programme because it helped in changing the perception of many of the common people who used to believe that health system was very much inclined in favour of private service providers and their clients. Although *Plan AUGE* has done a lot in improving the health facilities but still it is facing problems with waiting lists and inequitable access to services.

Next social sector which was always the main focus area of *Concertación* governments was housing sector. During the authoritarian period, it came out to be one of the major problems. So, after coming to power *Concertación* took some important steps like giving the responsibility of housing finance and construction to private sector and giving more housing subsidies to families. These facilities in housing sector were intended more towards low-income and poor families; and to make this access easy for these families, government started many programmes related to housing subsidy and mortgages through government banks. However few such programmes were started for very poor families and families living as *allegados*. In spite of implementing these programmes, these were not much successful because basic idea of all these programmes was inherited from authoritarian time period without considering any change in it. Some of the problems which still persisted in this sector were quality of housing, location of the new housing projects very far from main city, etc. However, after the coming of Ricardo Lagos, a new set of housing programme with new ideas was implemented which gave more control in the hands of recipients and also eased the mortgage debt burden. Later on, this was continued by Michelle Bachelet also. As a result of this new set of housing programme, allocation of houses got a boost and it substantially decreased the waiting period for obtaining houses. But in spite of all these initiatives, by the end of *Concertación* government tenure in 2009, Housing sector were still facing some persistent problems like affordability, isolation, quality of housing and difficulty in getting mortgage loan from banks. The housing policy also gave promotion to individualism, competence among individual families and personal advantage among aspiring families in Chilean society to seek personal solution to their housing problems.

In spite of keeping the focus on 'growth with equity' model while implementing the above mentioned policies in these three major social sectors, *Concertación* governments could not stop the rise in income inequality and indigent poverty in Chilean society. This problem was finally taken into account by socialist president Ricardo Lagos who formulated a poverty alleviation programme on the pattern of social safety network. It was named *Chile Solidario*.

Under this programme, a contract is signed for 5 years with the family with certain conditions to follow. This period is divided into two phases of 2 and 3 years. To get

enrolled in this programme, the family has to fulfil certain criteria which varies on the basis of CAS cut-off score, region or area, amount of slots assigned for that area etc. The final motive of this programme is to take the family out of this indigent poverty so that they become self-dependent and does not fall back in this type of poverty again. So for this, government runs various training programmes to make member of the participant families skilled in some type of work which finally helps them in getting employment. Apart from that the programme is also intended to bring easy accessibility to social sector programmes for these poor people who find themselves unable to take benefit of these facilities either due to lack of knowledge or due to lack of motivation and ability. That's why the first task for the *Concertación* government under *Chile Solidario* programme was to overcome these barriers through psychosocial support which is done by government designated professional staff. Apart from that government provides monetary benefits through subsidy and conditional cash transfers to families for child health and education, female health, old age pension, unemployment etc. Moreover, it is also made sure that the families under this programme are given priority in using the benefits of government sponsored facilities like public education, health, employment opportunities, housing etc.

Thus, after implementing and following *Chile Solidario* for some years by Lagos government, the programme got mixed responses in different areas. For example in employment generation, the programme has positive impact in rural as well as urban areas but one major drawback is that most of these new employment opportunities are temporary which always keep the risk of being unemployed. Similarly housing sector got a major boost due to this programme because participating families were given priority in fulfilling their aspiration of getting own house. Not only that, sanitation was also included in housing programmes. So, enrolment in housing programmes increased after starting *Chile Solidario* programme. Enrolment of children of different age groups in schools also increased. Moreover, adult literacy rate also increased due to family's enrolment in *Chile Solidario*. In comparison to the improvements mentioned above, health sector has very limited or no improvement. In many cases, its impact was negative. However, in spite of all these drawbacks and limitations, *Chile Solidario* is considered successful and comparatively better than other social safety network programmes in Latin America because its ultimate aim was to facilitate poor families to exit from poverty. Unlike other conditional cash



transfer programmes, *Chile Solidario* makes it sure that poor families do not get dependent on the programme and for this they constantly work on making them self-employed or self-dependent. It was considered another positive step of *Concertación* government towards their aim of growth with equity.

The implementation of above mentioned policies during 20 year rule of *Concertación* has no doubt uplifted the status of poor families. They came out of poverty after a lot of hard work. Due to this, Chilean society has undergone a profound structural and cultural change. Various factors have played important role in this process. Some of them are the globalisation of society, the atomisation of individuals, and the centrality of the market and modern technology. These cultural changes have created opportunities on the one hand and challenges for everyday life in society on the other. Neoliberal model of development has also brought individualism in the society which has taken away the society's ability to act as a collective agent. Due to large difference in the quality of service in the public and private system, the upward social mobility of poor people has become very difficult which is finally creating social gap in the society. One of the positive impacts of the development in Chile is stability in the migration of population from rural areas to big cities. It stopped because small cities have also experienced important transformations which show noticeable improvement of the living condition of the population in general.

So in brief, it can be said that the main pillar strength of this 20 year rule was built on consensus policy. And through this policy coalition partners were able to avert many threats to their newly restored democracy. However behind this consensus policy, *Concertación* coalition also had to compromise on certain contentious issues which were not in their coalition principles.

Further, 'growth with equity' model influenced *Concertación* policy formulation and implementation. It was also observed that 'growth with equity' model gave legitimacy to implement neoliberal policies on the one hand and increase spending in social sector on the other without major hindrances by all the four *Concertación* presidents. According to *Concertación*, this model was found to be successful because on one side it boosted the country's economic growth and on the other it reduced poverty and increased social development indicators. Policies implemented in housing, education and health areas and poverty alleviation programme of *Solidario* helped people come

out of poverty to a certain extent. Due to these positive results, these policies became an example for other developing countries. However, in spite of positive gains, some negative impact of *Concertación*'s economic and social policies come out in the form of large income inequality and perpetuation of another form of social inequalities.

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