8.1 Introduction

After having failed at transitioning from a limited access order (LAO) to an open access order (OAO) in the 1970s, Chile embarked on a second transition starting in 1990. If the democratic breakdown of 1973 dramatically proved the failure of the first transition, the consolidation of democracy and sustained economic growth experienced since the end of the Pinochet regime are symptoms of the presence of the three doorstep conditions necessary for an OAO to exist. The institutional structure that fosters gradualism and pragmatism and that guarantees private property rights—and that evolved out of the authoritarian enclaves left in place by the outgoing dictatorship—have allowed the doorstep conditions to become relatively permanent features of the social, economic, and political order in Chile. The solid economic growth in the 1990–2010 period, due to market-friendly policies, has allowed the government to adopt ambitious poverty reduction initiatives and other socially inclusive policies and has helped consolidate and legitimize the political and economic model. If Chile continues on this path, the nation will become the first Latin American country to complete a transition to an OAO. In what follows, I first discuss the previous failed experience of transitioning from an LAO to an OAO (1925–73) and, drawing lessons from those failed experiences, I then discuss the successful experience of economic growth and democratic consolidation since the end of the dictatorship in 1990.

Figure 8.1 summarizes the different time periods of the LAO order and its evolution since the early twentieth century. Between the adoption of the 1925 constitution—and the implementation of universal suffrage and competitive elections—and the breakdown of 1973, Chile had an LAO unable to cope with demands for social and economic inclusion. Rents were distributed
Table 8.1 Summary of LAO moments in Chile

<table>
<thead>
<tr>
<th>Time Periods</th>
<th>Dominant Coalition</th>
<th>Rents</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925–1973</td>
<td>Urban elites (including labor unions and political parties), rural landed elites, mining elites</td>
<td>Mining exports, import-substituting industrialization and domestic markets</td>
<td>Insufficient inclusion. Urbanization as a result of high social, economic, and political exclusion in rural areas.</td>
</tr>
<tr>
<td>1973–1990</td>
<td>Military rule, landed oligarchy and urban elites (excluding labor unions and political parties)</td>
<td>Mining exports, increasing adoption of export-oriented and free market policies</td>
<td>System based on social and political exclusion. Repression allowed for the adoption of economic reforms that adversely affected labor unions and public sector workers</td>
</tr>
<tr>
<td>1990–2009</td>
<td>Urban elites, export sector, mining elites, and political parties</td>
<td>Mining exports, free market, export-oriented economy, slow but sustained growth of domestic middle-class markets</td>
<td>Rapid economic growth and increased earmarked government social spending have produced more inclusion.</td>
</tr>
</tbody>
</table>

Source: Author

among the elites – which included urban labor unions – but large segments of the population were excluded and forced into poverty and destitution, particularly in rural areas. During the military dictatorship, organized labor and political parties were excluded from the dominant coalition. The nature of rents varied as market-friendly, export-oriented policies replaced import-substituting industrialization. Under military rule, rapid urbanization continued, but a large urban poor class was destitute and marginalized, without access to political or social rights. Finally, since the restoration of democracy, the dominant coalition has extended to political parties, the middle-class urban sectors, and the export sector. The landed rural elites have reinvented themselves into export elites and the mining sector has expanded beyond state-owned mining enterprises into foreign and domestic privately owned companies. Earmarked policies have also achieved a drastic reduction in poverty. But inequality remains high. Though the country is headed in a good direction and the roadmap to reduce inequality and produce social and economic inclusion appears to be sustainable in the long term, the threat of growing demands for immediate social and economic inclusion has not disappeared. Thus, though Chile seems well positioned to advance from an LAO to an OAO in the next decades, the main cause of the previous failure at making that transition has not fully disappeared.

8.2 Limited Access Order in Pre-Pinochet Democratic Chile

Although by regional standards, Chile’s democracy in the second half of the twentieth century was among the most developed and institutionalized, the LAO that emerged in that country met only two of the three doorstep conditions. Though Chile had rule of law for elites and perpetually lived organizations in the public and private spheres, as the bloody coup showed, there was no consolidated control of the military by the democratic government. As political demands for social and economic inclusion eventually resulted in the election of a socialist government that actively sought to redistribute income and wealth, the absence of that third doorstep condition facilitated the military reaction pushed for by some of the sectors threatened by the growing power and influence of the newcomers.

True, the system shattered by the 1973 coup was not an inclusive or sufficiently institutionalized democracy. The election of Salvador Allende, who promised a Chilean road to Socialism, and the previous sweeping victory by Christian Democratic (PDC) Eduardo Frei, who advocated a Revolution in Liberty, reflect that the old democratic system was not functioning very well (Drake 1978; Garretón 1989; Gil, E. et al. 1979; Kaufman 1972; Loveman 1976; Loveman 1988; Stallings 1978; Stallings and Zimbalist 1975; Valenzuela 1977; Valenzuela and Valenzuela 1976). The average annual growth between 1960 and 1970 was 4.1 percent, but only 1.7 percent when measured in per capita terms. According to World Bank figures, inflation averaged twenty-seven percent in the 1960s. Chile was a profoundly unequal society; the poorest twenty percent received 3.7 percent of national income in 1967, while the richest twenty percent received 56.5 percent (Beyer 1997).

To be sure, political inclusion grew in the second half of the twentieth century. After women’s enfranchisement in 1949, 29.1 percent of voting-aged Chileans cast ballots in 1952. When Frei was elected in 1964, 61.6 percent of eligible voters went to the polls. In the last election before the
coup, held in March of 1973, 69.1 percent of voting-aged citizens cast a ballot in that highly polarized contest (Navia 2004). The growing political polarization was caused by the efforts to promote social and economic inclusion. However, the inability of the state apparatus to make education, healthcare, and other public services more inclusive rendered the democratic system incapable of accommodating newcomers. The newly enfranchised population wanted in, but the structure of the state could not survive unaltered with the additional pressure to distribute resources (Jocelyn-Holt 1998). Although the military dictatorship was not inevitable (Garretón and Moulián 1983; Valenzuela 1978), nor was the legacy of human rights violations, Chile’s old democracy, built around the premise of limited social inclusion, could not survive because of its own limitations to bring about sufficient social and economic inclusion. In what follows, I discuss the two failed moments of LAO experienced by the country in the twentieth century and then discuss its third and successful attempt.

### 8.2.1 The Deepening of LAO, 1925–1973

The history of Chile since its independence in 1810 has been characterized by inequality and restrictive access to decision making and limited political rights. Landed elites – and increasingly mining interests since the late nineteenth century – based their economic and political power on low wages and restricted political rights for the large majority of the landless population, including indigenous persons and rural mestizo dwellers. Political institutions were designed to strengthen and maintain that exclusionary structure. Although there were limited democratic practices to elect the president and members of the legislature after the mid-nineteenth century, restrictions on enfranchisement rights made it very difficult for the disposed to vote and have institutional influence over the political system. As Table 8.1 shows, the percentage of those who voted in Chile remained low well into the twentieth century, reaching more than ten percent of the voting-aged population only after 1920.

Although there had been considerable labor union organizing in the early twentieth century (DeShazo 1983; Drake 1978; Loveman 2001) and a competitive – though elitist – political party system emerged in the late nineteenth century (Valenzuela 1995), the nation was characterized by social, economic, and political exclusion. The election of President Arturo Alessandri in 1920, after a campaign on a platform that catered to labor union and middle-class voters, brought a political sea change resulting in an end to the old two-party oligarchy.

---

**Table 8.2. Electoral participation in Chile, 1870–1973**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population ('000)</th>
<th>Voting Age Population ('000)</th>
<th>Voters ('000)</th>
<th>Voters as % Total Population</th>
<th>Voters as % Voting-aged Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>1,943</td>
<td>919</td>
<td>31</td>
<td>1.6</td>
<td>3.3</td>
</tr>
<tr>
<td>1876</td>
<td>2,116</td>
<td>1,026</td>
<td>80</td>
<td>3.8</td>
<td>7.8</td>
</tr>
<tr>
<td>1885</td>
<td>2,507</td>
<td>1,180</td>
<td>79</td>
<td>3.1</td>
<td>6.7</td>
</tr>
<tr>
<td>1894</td>
<td>2,676</td>
<td>1,304</td>
<td>114</td>
<td>4.3</td>
<td>8.7</td>
</tr>
<tr>
<td>1915</td>
<td>3,530</td>
<td>1,738</td>
<td>150</td>
<td>4.2</td>
<td>8.6</td>
</tr>
<tr>
<td>1920</td>
<td>3,730</td>
<td>1,839</td>
<td>167</td>
<td>4.5</td>
<td>9.1</td>
</tr>
<tr>
<td>1932</td>
<td>4,425</td>
<td>2,287</td>
<td>343</td>
<td>7.8</td>
<td>15.0</td>
</tr>
<tr>
<td>1942</td>
<td>5,219</td>
<td>2,666</td>
<td>465</td>
<td>8.9</td>
<td>17.4</td>
</tr>
<tr>
<td>1952*</td>
<td>5,933</td>
<td>3,278</td>
<td>954</td>
<td>16.1</td>
<td>29.1</td>
</tr>
<tr>
<td>1958</td>
<td>7,851</td>
<td>3,654</td>
<td>1,236</td>
<td>15.7</td>
<td>33.8</td>
</tr>
<tr>
<td>1964</td>
<td>8,387</td>
<td>4,088</td>
<td>2,512</td>
<td>30.0</td>
<td>61.6</td>
</tr>
<tr>
<td>1970</td>
<td>9,504</td>
<td>5,202</td>
<td>2,923</td>
<td>30.8</td>
<td>56.2</td>
</tr>
<tr>
<td>1973</td>
<td>9,850</td>
<td>5,238</td>
<td>3,620</td>
<td>36.8</td>
<td>69.1</td>
</tr>
</tbody>
</table>

*Women gained the right to vote in 1948.  

Under Alessandri (1920–5 and 1932–8), a new political system emerged. A new constitution was adopted in 1925 and, after a few years of turmoil, it became the basis on which the first democratic order was established. The political party system included at least two working-class parties – socialist and communist. Enfranchisement rights were significantly expanded, as shown in Table 8.2, and political stability lasted from 1932 to 1970. Eight consecutive presidents were democratically elected. The percentage of those who voted expanded to include women and those in rural areas.

Yet, because the old order was structured around a landed oligarchy, the inclusion of the rural poor in the political system provoked such tensions that the system eventually could not cope with them. In addition, the political organization of the urban working class challenged the existing rent distribution system – based on an import-substituting industrialization scheme tilted toward factory owners rather than workers. Urban dwellers were also consumers. Because the economic system was focused on creating and protecting jobs through price controls and subsidizing industries, the
interests of consumers stood in direct opposition to the interests of workers and factory owners. Factory owners demanded higher prices to meet workers’ salary hike demands and the government gave in to the demands of the organized labor and industrial class to the detriment of the unorganized – but increasingly electorally active – urban poor.

Between 1925 and 1973, social and political rights expanded continuously but insufficiently. Women achieved the right to vote in 1935 for municipal elections and, in 1949, for presidential elections. An electoral reform in 1958 made it more difficult for landowners to coerce peasants into voting for the traditional oligarchic parties. As democracy expanded and consolidated, demands for inclusion produced tensions and ultimately led to instability.

The economic and political dimensions of the period were characterized by the implementation and expansion of import-substitution industrialization (ISI) policies. First adopted after the 1929 crisis – which heavily hit globalized Chile – ISI policies led to the consolidation of an urban entrepreneurial class and, later, an urban working class as well. The 1929 crisis also brought the end of nitrate exploitation in northern Chile. Eventually, copper would replace nitrate as Chile’s most important export commodity. The growth of the copper industry also resulted in the formation of a strong working class in northern mining towns.

Yet, as Table 8.2 shows, most of the population remained marginalized, economically and politically. Less than seventy percent of the voting-aged population was registered to vote in 1970, a higher percentage than in the rest of Latin America but lower than in industrialized countries at the time. Fortunately, for those who sought to organize the disposed, since the mid-1960s, rapid urbanization had facilitated the growth of left-wing parties beyond their traditional organized working-class base. Additionally, political developments within conservative parties – associated to a reform within Catholicism – also led to the growth of reformist parties in rural areas. In fact, an agrarian reform was first adopted in the early 1960s. Later, with the election of reformist Eduardo Frei in 1964, a more comprehensive agrarian reform initiative was implemented. Rapid political incorporation and demands for economic and political rights, which had also led to Frei’s election in 1964, helped Salvador Allende win the presidential election in 1970. However, as Allende sought to dramatically alter the distribution of political power – and ultimately rents – the landed oligarchy reacted by promoting a military coup that marked the end of the first attempt at establishing a limited access order in Chile.

The rents structure in the 1925–73 period was similar to that traditionally associated with landed oligarchies. The landed elite had had ample supply of cheap labor and a captive urban market for its goods. Those elites associated with conservative parties. They exercised quasi-monopoly control over the political system. The growth of an industrial class in urban areas, induced by the adoption of import-substituting industrialization policies, did not directly challenge the old oligarchy as many industrialists were also associated with the traditional landed oligarchies. Links and connections avoided tensions between two otherwise seemingly competing groups. Because the central government protected the agricultural sector with high tariffs and subsidized the industrial sector, the two new elites were protected by ISI policies. A limited organized working class – industrial, mining, and public sector – allowed for limited social and economic inclusion. Rents were extracted mostly by the agricultural oligarchy, ISI industrial class, public sector middle class (public education, health, services) and organized industrial and mining working class. The rural population (forty percent in 1960) and urban poor not in formal employment remained marginalized, without access.

The rents structure was also significantly shaped by the development of the mining industry, first salt pepper and, since the second half of the twentieth century, copper. Between 1901 and 1905, nitrates accounted for seventy-one percent of all exports. Their export share increased to 76.3 percent in 1906–10 (Meller 1996), but decreased considerably thereafter. Between 1901 and 1920, nitrate exploitation taxes accounted for half of fiscal revenue. In the 1921–35 period, nitrate-related taxes constituted 36.3 percent of total fiscal revenue (Meller 1996). As nitrates exports decreased and their contribution to fiscal revenues diminished, copper exports increased. Copper mining was mostly done by United States companies. The rapid growth of exports triggered a debate on the role of mining in fostering economic development. As opposed to nitrates, copper production did not generate sizable government revenues.

Before 1950, copper mining remained mostly free from government intervention. Advocates of a laissez-faire approach to mining claimed that the government should let mining enterprises do the exploitation and the government could just collect tax revenues. Excessive taxation would dissuade private companies from additional investments. Because Chile had an almost unlimited supply of copper, the higher the production by private companies, the higher the tax revenues. The experience with nitrates showed that taxing mining did not guarantee development elsewhere in the country. When the nitrate boom ended, poverty was still widespread. Even worse, governments had grown accustomed to relying excessively on nitrate export taxes. In the 1950s, the growth of left-wing parties and the expansion of the electorate – with the inclusion of lower-class voters – strengthened
the argument in favor of increasing taxes on foreign mining companies. Nationalization of oil in Mexico and the larger role played by the state in Chile’s economy since the 1930s, with the adoption of import-substituting industrialization policies, strengthened nationalization demands. Although most political actors agreed that mining should contribute more to fiscal revenues (in part because other sectors would be taxed less), there were disagreements on how to increase fiscal revenues. Some argued in favor of increasing taxes on mining to level that sector’s rate of return with other areas of the economy. Others claimed that fiscal revenues would increase with more investments and increased production.

In the 1960s, the debate evolved from taxing private mining to nationalization. The election in 1964 of reformist Christian Democratic President Eduardo Frei (father of the hemonymous president who held office in the 1990s) paved the way for partial nationalization. The “Chilenization” of copper production between 1966 and 1969, championed by Frei, was supported by all political sectors. Chilenization actually meant acquiring ownership of big private mining companies. In 1967, the state bought fifty-one percent of El Teniente from Kennecott, and twenty-five percent of Andina and Exótica. Because the price of copper rose shortly after, the government faced pressure to expand its participation in mining companies. So, in 1969, the state bought fifty-one percent of Chuquicamata and El Salvador, thus acquiring control of the most important copper mines in the country. The origin of the National Copper Corporation, CODELCO, can be traced back to the Chilenization process in 1966, though it was formally created under Pinochet in 1976.

In 1971, under the government of socialist Salvador Allende (1970–3), Congress unanimously voted for the total nationalization of copper production. Left-wing legislators also advocated for an increased state role in other areas of the economy, but right-wing parties supported only the nationalization of copper. Public opinion also overwhelmingly favored it. Nationalization made the state the sole owner of mining deposits. Existing contracts for partial nationalization with American companies Anaconda and Kennecott were cancelled. The state established means of compensating the former owners, though the details of such compensation were contentious, especially under Allende. Finally, due compensation was paid under the dictatorship.

Later, under Pinochet’s regime, copper continued to play an important role in the economy. State copper giant CODELCO experienced consecutive growth in the 1970s (Meller 2000). A new constitution, enacted by the dictatorship in 1980, made the state the sole proprietor of mineral deposits.

But the Mining Law of 1982 introduced the concept of full concession by the proprietary of mineral deposits (Meller 2000). Thus, the state remained the sole owner of mineral deposits, but private investors retained permanent concession rights. This law represented an important departure from previous mining policies. If the Allende government wanted to control mining through nationalization, the military regime preferred to grant access to new investors. Thus, there was a shift in focus from the state being the owner and sole producer of copper to encouraging investment by private foreign—and eventually national—companies.

In 1977, the dictatorship enacted Decree Law 600, known as the FDI Statute. This law established special conditions and incentives for new foreign investors. Among them, a system of accelerated depreciation was introduced designed specifically to attract FDI for mining projects. The growth of private mining, however, did not occur until the late 1980s, when a democratic transition was in sight and the economy had recovered from the 1973–5 and 1982–3 recessions. Thus, rents from mining followed a similar trajectory as rents elsewhere. After a period when rents were produced for a mining elite—mostly in the hands of foreign-owned companies—and a limited mining working-class sector, the process of nationalization sought to distribute mining rents to the excluded population via government spending. The military coup of 1973 did not undo the nationalization of minerals until the late 1980s, when democracy was restored and private production once again boomed. Rents have since been distributed among the mining companies (both private and publicly owned) and the state (through taxes on mineral production, on companies’ revenues, and through the production of state giant Codelco).

Despite this heavily uneven distribution of rents, the opportunities for violence potential were not widely expanded during the 1925–73 period. The landed oligarchy and the industrial sector kept close relations with the military. Left-wing reformist and revolutionary political parties were included in the system as long as they did not push their reforms too far (Allende was an exception in 1973, and a coup ensued). Labor unions protected organized labor, not the larger informal sector or rural areas (when parties and unions moved to rural areas in the mid-1960s, the political equilibrium collapsed). In fact, it can be argued, it was precisely the increase of violence potential, expressed in the political organizing of the working class and the marginalized urban poor who supported Allende, that triggered the violent reaction by the military that brought about the 1973 Pinochet coup. As the marginalized sectors came to control the central government—or at least political parties that sought to represent the “have-nots”—came to
power and sought to change the distribution of rents, the political equilibrium could no longer be sustained and the pre-1973 democratic experiment came to an end.

As Figure 8.1 shows, Chile's journey of economic development and progress was a frustrating experience. Plagued by endemic high inflation and particularly sensitive to the economic cycle with years of rapid growth followed by stagnation, Chile's economy underperformed Latin America in the 1960–73 period. However, as I discuss in the next section, history began to change during the dictatorship, specifically after the deep 1982 recession. After Chile performed below the Latin American average before 1984, the next twenty-four years have seen Chile outperform its Latin American neighbors in economic growth. Starting in 1984 - under military rule - the economy began to expand robustly. Under the four Concertación administrations of Aylwin (1990–4), PDC Eduardo Frei (1994–2000), PPD Ricardo Lagos (2000–6), and socialist Michelle Bachelet (2006–10), Chile experienced its longest run of economic growth and poverty reduction. As such, economic growth has strengthened democracy. Moreover, at least the Concertación would argue, it has also fostered it.


The 1973 democratic breakdown gave way to a fifteen-year military dictatorship led by General Augusto Pinochet. Political rights were constrained. Rents were redistributed away from workers and political parties into the landed oligarchy and a growing business sector. A new constitution was adopted in 1980. Private property was protected and individual rights were favored over collective rights.

Although the military government was initially triggered by the reaction of landed elites against the efforts to promote redistribution, the dictatorship undertook the ambitious goal of redefining the economic model. Under the leadership of a team of economists trained at the neoliberal economics school of the University of Chicago, the so-called Chicago Boys pushed replacing ISI with market-friendly neoliberal policies. State enterprises were privatized, regulations and oversight structures were eliminated, and government spending was drastically reduced - especially after the 1982 economic crisis. The involvement of the state in social spending was redefined as well. Pensions were privatized in the early 1980s and vouchers were introduced to elementary and secondary education to allow for the entry of private providers and foster competition. A similar scheme was adopted in health provision policies and public housing.

Although the Chilean economy suffered badly from the crisis triggered by the Allende regime and the 1973 coup and the country paid a heavy toll after the 1982 economic crisis, Figure 8.1 shows that the Chilean economic miracle took off during the latter part of the Pinochet dictatorship. Starting in 1985, Chile's GDP grew more steadily than that of the rest of Latin America. A few years after democracy was restored in 1990, Chile's GDP surpassed that of the rest of the region and it has continued its fast growth ever since.

The Pinochet regime did not embrace neoliberalism from the start (Barros 2002; Cavallo, Salazar et al. 1997; Cristi 2000; Huneuets 2007; Vial Correa 2002). More preoccupied with eliminating the Marxist threat, the regime began to talk about "goals, not deadlines" (metas, no plazos) after it gained political control and stabilized the economy. The 1980 constitution, approved in a plebiscite held under undemocratic conditions, entrenched a political system full of deadlock provisions. Authoritarian enclaves hindered the emergence of full-fledged democracy. A carefully designed institutional system of checks and balances made it clear that, even if the military were not to remain in power, the constitutional order would protect private property and consolidate a neoliberal economic model (Cavallo, Salazar et al. 1997; Huneuets 2007).

Yet, because even custom-made shoes bind (Barros 2002), the constitutional order masterminded to perpetuate the military in power provided an opportunity for the opposition to bring about democracy (Aylwin 1998; Boeninger 1997; Zaldívar Larrain 1995). After an economic crisis in 1982, the government opened political room for the opposition and social protests threatened the stability of the regime; democratic political parties
seized the opportunity provided for in the constitution and agreed to hold a plebiscite to decide on a new eight-year presidential period for Pinochet.

Although the plebiscite was held under conditions that favored him, on October 5, 1988, Chileans rejected Pinochet. Democratic elections were held in 1989 and democracy returned in March 1990. Yet, because Pinochet was defeated within a constitutional framework of his choosing, the cost of forcing him to step down was to acquiesce to the institutional order entrenched in the constitution (Ensalaco 1994; Ensalaco 1995; Heiss and Navia 2007; Loveman 1991; Loveman 1994). A plebiscite approved constitutional reforms proposed by the dictatorship in mid-1989. True, the Concertación asked for more comprehensive reforms (Andrade Geywitz 1991; Aylwin, Briones et al. 1985; Geisse and Ramírez 1989). Acquiescence to the reforms and the overwhelming majority support in the plebiscite made it easier for the new democratic regime to take power peacefully, but also legitimated the constitution (Heiss and Navia 2007; Loveman and Lira 2000; Portales 2000).

The economic model initially implemented by the dictatorship and its economic team (Fontaine Alhunate 1988; Valdés 1995; Vergara 1985) has been the basis of the economic policies adopted since the return of democracy. Although several reforms aimed at increasing social spending, reducing poverty, and creating a safety net for the needy—have been championed by successive Concertación governments (Boening 2007; Larraín and Vergara 2000; Martínez and Díaz 1996; Meller 2005; Ottone and Vergara 2006), the fact that the Concertación itself identifies its economic model as neoliberalism with a human face and social market economy reflects the extent to which Pinochet's legacy remains a defining factor.

When PDC Patricio Aylwin became president, the Concertación government began to eliminate other authoritarian enclaves and adopted reforms to reduce rampant poverty levels. With 38.7 percent of Chileans living in poverty, and one in every three of those in extreme poverty (Ministerio de Planificación 2006), the new government was hard pressed to show tangible results. Widespread poverty and social and economic exclusion could trigger an authoritarian regression or democratic instability (Aylwin 1998; Meller 2005). Thus, "democracy to the extent possible"—though never formally stated—became the guiding principle for the transition under Aylwin and democratic consolidation under his successors.

A number of authoritarian enclaves that survived the 1989 reforms made it difficult for the Concertación to carry out its policies (Drake and Jaksic 1995; Garretón 1999; Portales 2000). Although the Concertación enjoyed majority support in all parliamentary elections, non-elected senators, appointed by the outgoing military regime, stripped the Concertación of its electoral majority in the upper chamber. The non-elected senators gave the right-wing opposition an effective veto power that constrained the Concertación beyond the already strict limits imposed by the 1980 constitution.

Other scholars also pointed to the electoral system as an additional anti-majoritarian constraint (Angell 2003; Siavelis 2002; Siavelis and Valenzuela 1997; Valenzuela 2005). Designed as an insurance mechanism against an electoral defeat, the across-the-board two-seat proportional representation system makes it difficult to transform an electoral majority into a majority in Congress (Navia 2005). The electoral system tends to favor large coalitions at the expense of smaller ones (particularly the Communist Party). As Table 8.3 shows, the Alianza has systematically obtained a larger share of seats than its share of votes, but the electoral system has not severely underrepresented the Concertación's vote share (Zucco 2007). Critics of the system point to the fact that smaller parties are left without representation (Huneus 2006). Yet that cannot be considered antidemocratic. Single-member majoritarian systems punish minority parties but are not antidemocratic.

The electoral system does have clearly negative features, but they have more to do with the structure of incentives on the political system. Because the two large coalitions tend to equally split the two seats in more than ninety-five percent of the districts, voters end up having little to say on the seat distribution in Congress. In every district, voters can only decide which candidate from each coalition will get the seat, but a sixty percent to forty percent vote advantage for one coalition will produce exactly the same one to one seat divide as a forty percent to sixty percent vote distribution. The lack of competition embedded in the system undermines one of the essential components of democracy, competitive elections.

The presence of designated senators certainly distorted seat allocation in the Senate until a constitutional reform eliminated them in 2005. Nonetheless, because it was imposed by the outgoing regime, the electoral system remains the most symbolic pending authoritarian enclave. A set of constitutional reforms passed under President Lagos in 2005 eliminated most remaining authoritarian enclaves. But there was a lack of agreement on how to replace the binominal system. The Concertación favored a more proportional representation system that would allow the Communist Party to gain seats in Congress, but the Alianza defended the binominal system. The binominal system should be considered an authoritarian enclave because of its origin, not because of its effects.

After the 2005 reforms, the constitution regained democratic legitimacy. Although some criticize the fact that it was first adopted under military
Table 8.3: Vote and seat distribution in congress in Chile for the Concertación and Alianza coalitions, 1989–2005

<table>
<thead>
<tr>
<th>Election year</th>
<th>Chamber of Deputies</th>
<th>Senate</th>
<th>Chamber of Deputies</th>
<th>Senate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Votes</td>
<td>% Seats</td>
<td>% Votes</td>
<td>% Seats</td>
</tr>
<tr>
<td>1989</td>
<td>34.2</td>
<td>40.0</td>
<td>34.9</td>
<td>42.1</td>
</tr>
<tr>
<td>1993</td>
<td>36.7</td>
<td>41.7</td>
<td>37.3</td>
<td>50.0</td>
</tr>
<tr>
<td>1997</td>
<td>36.3</td>
<td>39.2</td>
<td>36.6</td>
<td>47.4</td>
</tr>
<tr>
<td>2001</td>
<td>44.3</td>
<td>47.5</td>
<td>44.0</td>
<td>50.0</td>
</tr>
<tr>
<td>2005</td>
<td>38.7</td>
<td>45.0</td>
<td>37.2</td>
<td>44.7**</td>
</tr>
<tr>
<td>2009</td>
<td>43.5</td>
<td>48.3</td>
<td>45.2</td>
<td>50.0</td>
</tr>
</tbody>
</table>

*Including non-elected senators.  
**It does not include one senator elected as an independent. 


questioned the legitimacy of a democracy built upon a constitution designed by an authoritarian government (Cristi and Ruiz-Tagle 2006), but even those critics acknowledge that Chile today has a full-fledged democracy.

8.4 Transition from LAO to OAO in Democratic Chile, 1990–2010

The defeat of Pinochet in 1988 opened the road toward democracy. When President Bachelet completed her mandate in 2010 and turned power over to Sebastián Piñera, the moderate candidate of the right-wing Alianza, the Concertación completed twenty years in power, the longest rule for any coalition since universal suffrage was adopted. The Concertación’s initial goal was to secure a smooth transition to democracy. The Concertación’s first president, Patricio Aylwin, sought to deal with pending issues (such as human rights abuses) and launched an aggressive drive to build democratic institutions and overpower the institutional constraint left by Pinochet (Cavallo 1998; Ensallaco 1994; Ensallaco 1995; Heiss and Navia 2007; Loveman 1991; Loveman 1994; Otano 1995; Rojo 1995). Because unemployment was widespread, the Aylwin government prioritized a growth-inducing, poverty-reducing economic policy. For democracy to flourish, the government had to better distribute economic growth. Thus, though the Concertación realized that, by not taking on authoritarian legacies and enclaves right on, the new institutions of democracy would consolidate and gain legitimacy – including nonappointed senators, a powerful National Security Council, and a tutelary role for the military – the Aylwin administration favored economic development and poverty reduction rather than institutional change (Aylwin 1998; Boeninger 1997; Boeninger 2007). Figure 8.2 shows that the strategy proved successful. Unemployment went down, the economy grew rapidly, and inflation was brought under control after a spike provoked by increased government spending by the dictatorship in 1988 and 1989.

Because of Aylwin’s success, the Concertación easily won the 1993 presidential elections. Frei continued the same social market economic policies during his six-year tenure. By the time Lagos became the third Concertación president in 2000, the center-left coalition had become inseparable from a market-friendly economic model. The Concertación proved that democracy would not inevitably lead to polarization and social upheaval. As Figure 8.2 shows, in its twenty years in power, the Concertación did exceptionally well in bringing about economic growth, reducing inflation, and producing the conditions for more and better employment. Chileans living
in poverty decreased from 38.6 percent in 1990 to 27.7 percent in 1994. Though part of that reduction is explained by the economic growth experienced since 1985, a tax reform brokered with the Alianza in the opposition-controlled Senate allowed Aylwin access to fresh resources to combat poverty. Because the 1980 constitution provided for the outgoing regime to directly and indirectly appoint nine non-elected senators — who transformed the Concertación’s 22–16-seat majority among elected seats into a 25–22-seat majority for the opposition — the Concertación could not transform its commanding electoral majority into a majority in Congress. Thus, all reforms had to be bargained with the overrepresented conservative opposition. Poverty reduction continued during the Frei and Lagos administrations. Though economic growth was less robust as Figure 8.2 shows under Lagos and Bachelet than under Frei or Aylwin, the Concertación succeeded in reducing poverty.

Not surprising, Chileans rewarded the Concertación with electoral majorities in all contests held since 1989. Until the Alianza won the 2009 presidential election, four presidential elections, five legislative elections, and five municipal elections held between 1989 and 2008 had been won by the Concertación. Democracy under the Concertación resulted in increased welfare, better living conditions for all, less poverty, more social and political inclusion, growing levels of participation, and better indicators of civil and political liberties (Lagos Escobar 2005; Stein, Tommasi et al. 2006; UNDP 2005; Walker 2006).

8.5 The Post-Pinochet Democratic Institutional System

The institutional system is based on the 1980 constitution adopted by the Pinochet dictatorship. Thus, democracy in Chile flourished within the constraints imposed by the dictatorship. Despite the fact that it was designed to limit and prevent democracy, the 1980 constitution became the tool used by the democratic opposition to bring an end to the Pinochet dictatorship. For the constitutionally mandated plebiscite in 1988, the opposition organized to campaign actively against Pinochet — who was nominated as the candidate by the Junta. Pinochet lost the plebiscite and elections were indeed held in December 1989. The center-left opposition coalition known as the Concertación won those elections.

Yet, after the Pinochet defeat in the plebiscite of October 1988 and before the elections were held in December 1989, the outgoing Pinochet regime and the Concertación opposition began discussing reforms to the constitution that would eliminate some of the most outrageous authoritarian provisions and, in turn, would also legitimize it by having the democratic opposition acquiesce to a number of constitutional reforms. Those reforms, correctly deemed as insufficient by the democratic opposition, were approved in a new plebiscite in mid-1989. The Concertación benefited by having a more democratic constitution to establish the framework for the transition to democracy, and in exchange the outgoing regime could claim a democratic legitimacy to its authoritarian constitution.

The 1989 reforms were not the only constitutional reforms adopted. Several other reforms were adopted in the 1990–2005 period to strip the constitution of other authoritarian enclaves. The 2005 reforms — championed by President Ricardo Lagos — were the most comprehensive reform package adopted since 1989. With the 2005 reforms, the constitution was left without any remaining authoritarian enclave. Issues remain with regards to the electoral system and the powers and attributions of non-elected bodies — like the constitutional tribunal — but those are issues common to other democracies as well and cannot be considered authoritarian enclaves.

Chile has one of the strongest presidential systems in Latin America, with a bicameral congress, a proportional electoral system with a district magnitude of two, an independent judiciary, and other enforcement mechanisms. Checks and balances are designed to allow for slow but incremental change,
preventing policy instability as a result of changes in the balance of political power (Aninat et al. 2010).

The executive has exclusive legislative initiative on several policy areas, has a highly hierarchical control of the budget process, and has an array of urgency and veto options, which make it a de facto agenda setter. Yet capable lawmakers and a long legislative process with supermajorities for most economic policies impose on the executive the need to negotiate its legislative agenda with Congress. Presidents are elected for four-year terms and are prevented from running for immediate reelection. The constitutionally mandated agenda-setting powers enjoyed by the president are substantial. The executive has the sole legislative initiative over legislation concerning the political and administrative divisions of the state, its financial administration, the budget process, and the selling of state assets. Also, the executive has sole initiative in areas such as taxation, labor regulation, social security, and legislation related to the armed forces. In addition, the executive controls the flow of legislation through the use of “urgencies” – a constitutional mechanism designed to give the executive the power to force a rapid legislature vote on an initiative (Aninat et al. 2010).

Although, given the powers of the president, it is weak by comparison to the U.S. Congress, the Chilean legislature is unusually professional and technically competent by Latin American standards. The lack of term limits and high entry barriers for challengers allow Congress members to develop long legislative careers.

Constitutionally mandated supermajority thresholds for special legislation help offset the executive’s substantial agenda-setting power. They range from an absolute majority of the total membership (as opposed to a majority of those present) up to two-thirds of the members. Those provisions permit a minority in one legislative chamber to block legislation. With the exception of the weakest threshold (a majority of total membership), when in power, the Concertación always faced the need to negotiate changes to legislation that require supermajority approval with the conservative opposition in at least one legislative chamber. These high thresholds, together with the repeated interaction of the president with Congress for long-time horizons, have led to tit-for-tat equilibrium legislative strategy. “Consensus politics” has emerged as the president does not only negotiate with the opposition bills requiring qualified majorities, but most legislative initiatives (Aninat et al. 2010).

Socioeconomic actors participate in the policy making process at a high level of aggregation, either through business organizations, labor unions, or influential think tanks and NGOs. The corporate sector is well organized in multilayered business federations that represent all areas of economic activity. They have high media standing and interact repeatedly with the executive and political parties in legislative negotiations that affect their interests. Moreover, the lack of transparent, well-designed campaign financing mechanisms allows these interest groups to exert unobservable influence in the political parties and think tanks’ legislative agendas (Aninat et al. 2010).

Other social actors are business associations and economic conglomerates. Since the mid-twentieth century, a number of business associations have emerged as strong advocates of their particularistic interests. Thus, the Sociedad Nacional de Agricultura (SNA) brings together most large and mid-sized agro-industrial entrepreneurs. The Cámara Chilena de la Construcción (CChC) brings together the construction and infrastructure sectors. Altogether, six of such business associations form the Confederación de la Producción y el Comercio (CPC), the leading association that defends the interests of the entrepreneurial class. After having actively participated in shaping government policies in the 1940–60 period, as a result of governments that promoted import-substituting industrialization, these business sector organizations entered the political arena in the 1970s. By first opposing the socialist Allende government (1970–3) and then supporting the Pinochet dictatorship – but also opposing liberalizing, market-friendly policies adopted during military rule, these organizations slowly withdrew from an open political role after democracy was restored. In the late 1990s, the CPC made a conscious effort to renew its leadership so that it could present a less political face. In part because the policies championed by Concertación governments had produced positive results and also because it was in the best interest of their organizations to develop and maintain good relations with the government – regardless of the political color of the party in power – the business organizations made their own transition away from authoritarian rule. Most recently, the CPC has elected a former Allende supporter turned businessman as its leader in 2008 (Aninat et al. 2010).

Regarding informal networks between business associations and political parties, this can be of special importance for a small country like Chile with a very unequal income distribution, where economic power is highly concentrated. If we consider that sixty percent of the political elite of Chile (particularly deputies) come from private schools, maybe a social network between business people and political actors who share the same origin is developed (Espinoza 2010).

Labor unions also play an important role. Historical episodes added to specific economic conditions have led to more organized and strong public
sector federations. Teachers, public health sector employees, and public employees in general— are well organized and play an important role in the electoral base of the Concertación coalition. Some of these labor unions are: CUT (National Association of Unions), ANEF (National Federation of Public Sector Workers), Teachers Union, Health Workers Union, Municipal Employees Union, and the CODELCO workers' union. The preferences of these socioeconomic players are related mainly to the maximization of job stability and salary increases based on seniority rather than performance (Aninat et al. 2010).

The Concertación parties—most notably the PDC and PS— have strong ties to labor unions. Public sector unions are among the strongest in Chile, including the powerful CODELCO state copper company union. Most unions are controlled by militants of the Socialist and Christian Democratic Parties. The Communist Party, to the left of the Concertación, also has a strong presence in labor unions. In fact, Communist Party militants led the national association of unions CUT for several years during the 1990s. Other powerful labor unions include the Teachers Union (Colegio de Profesores) where the Communist Party has commanding support, and the Health Professionals and Health Workers Unions (CONFUSAM) where the Socialist Party commands strongest support. Most unions represent formal sector workers and many union members are public sector workers, thus they have incentives to work within the system to obtain higher wages and more benefits.

The influence of unions within the party apparatus is far larger than their membership numbers would seem to indicate. Unions can mobilize organized voters and become crucial in manning campaigns and providing avenues to disseminate information to politically sophisticated unionized workers. This is mainly due to ideological features. Public workers (from the education, mining, health, and state sectors, among others) lean to the left, so they are more prone to support organized left-wing associations that defend, or seem to defend, public workers' rights from a leftist point of view. Thus, even though they are not formal members of these associations, they feel represented by them. This situation put these socioeconomic players in a privileged arena for exerting influence over specific actors in the policy making process. The limited understanding of public workers about complex problems and solutions, added to their leftist ideological leaning, gives unions enough space to act under opacity, promoting actions related to vested interests at the expense of more technical solutions. Given the strong influence of unions over the citizens they represent—formally or informally—and the power they have to threaten political stability through demonstrations, political parties—especially the PS and PDC—find it difficult to adopt policy positions that will alienate their strong union base support. Unions have incentives to exert pressure within the political process, as they largely represent public sector workers. Because a large majority of Chileans are not union members but depend on public sector services—such as health and education—unions have disincentives to become violent in their protests. Public opinion polls show that people prefer delivered public services to solidarity with public sector workers on strike (Aninat et al. 2010).

Think tanks and NGOs play an active role in the policy making process, both technical and political. Think tanks are independent and privately financed, but most of them are close to one or more political parties. There is a two-way relationship between the parties and think tanks. The latter offers legislative assistance in exchange for advancing their ideological agendas. The lack of congressional staffers to support the legislative work of congressmembers reinforces this relationship (Aninat et al. 2010).

Other social organizations like NGOs (Paz Ciudadana, the Chilean Chapter of Transparency International) and the churches (traditionally Catholic but increasingly others) play an important role in the aggregation and representation of social preferences in Chile's policy making process (Aninat et al. 2010).

Political parties are highly disciplined and organized, but they mostly lack technical expertise. Parties are much more concerned with organizing militants to run and win elections than with preparing technocrats who can design and analyze public policies. Thus, think tanks have emerged as the policy arm of the two coalitions. Given that the executive controls the legislative agenda, opposition parties can only react to government-sponsored legislation. Because bargaining is often necessary for the government to achieve majority and super majority support in Congress to advance its legislative initiatives, opposition think tanks advise opposition legislators on what issues they should compromise and what items they should stick to their initial positions. In fact, it is often the case that the government ministers negotiate directly with representatives from policy experts from opposition think tanks who also formally serve as legislative assistants for opposition senators and deputies.

In the Alianza coalition, the Instituto de Libertad y Desarrollo (LyD) has evolved into the think tank that provides the UDI with policy recommendations and with advice on how to vote on government's proposed legislation. For RN, Instituto Libertad (a different think tank) serves the same purpose. Because it is better funded and staffed, and because it has had a more constant
leadership, the Instituto de Libertad y Desarrollo has emerged as the most influential think tank within the Alianza. Also, because the UDI is a much more disciplined, top-down party, the Instituto de Libertad y Desarrollo can better influence the positions of UDI legislators than Instituto Libertad can the position of RN congresspersons (Aninat et al. 2010).

As nonprofit corporations, these think tanks can receive non-tax deductible private funding from companies and interested parties. But as private entities, the think tanks are not required to release information on what sources of funding they receive. There is plenty of anecdotal evidence, however—widely reported in newspapers and talked about among Concertación and Alianza legislators—that the Instituto de Libertad y Desarrollo receives funding from companies and entrepreneurs associated with the most conservative positions within the Catholic church and with close ties to state companies privatized during the Pinochet dictatorship. The Instituto de Libertad y Desarrollo is the think tank most closely aligned with the neoliberal economic policies promoted by the Pinochet dictatorship. The Instituto Libertad, on the other hand, is comprised primarily of technocrats associated with RN. As a nonprofit corporation, Instituto Libertad gets funding from private sources as well. In addition, the influential Centro de Estudios Públicos (CEP) serves as supplier of policy positions for right-wing legislators. The policy positions announced and defended by the independent CEP occasionally serve as a signaling device for right-wing legislators. The CEP was originally created by the Matte family—one of the wealthiest family conglomerates in Chile with financial interests in forestry, electricity, and almost every other sector of the Chilean economy. CEP is funded by contributions from private donations—mostly private companies—and its nonparty ideology champions the defense of market-friendly policies and liberal capitalism. Occasionally, Concertación governments sought to negotiate policy agreements with CEP in order to obtain legitimacy before presenting legislative initiatives to Congress. Thus, the Concertación used CEP to bypass the think tanks more directly associated with the Alianza (Aninat et al. 2010).

Think tanks are also important for the Concertación. But since the center-left coalition has continuously occupied the executive power in Chile since the restoration of democracy, technocrats were often lured into government positions from Concertación-friendly think tanks. For example, after Michelle Bachelet was elected president, she appointed three ministers—including the finance minister—from among members of the liberal-leaning, Concertación-friendly Expansiva think tank. Similarly, in 1990, President Patricio Aylwin recruited many of his technocrats—including his finance minister, Alejandro Foxley—from the Cieplan think tank (Aninat et al. 2010).

Thus, Concertación think tanks have failed to remain permanent actors in the political arena. They form and, when successful, are rapidly recruited into the executive. Because the executive effectively controls the legislative agenda and drafts most relevant legislative initiatives, Concertación think tank technocrats have every incentive to join the government. As a result, Concertación think tanks are much weaker and more poorly staffed than Alianza think tanks. This adversely affects Concertación legislators, who have little technical support vis-à-vis the Concertación government when discussing policy reforms. Except for those legislators who develop a personal interest in specific policy issues, Concertación legislators can count on less technical support and expert advice when exercising their legislative role (Aninat et al. 2010).

8.6 The Virtuous Cycle of Democracy and Economic Development

In Chile, economic development and democratic consolidation occurred concurrently under the Concertación. As the Pinochet regime ended in 1990, the economy was showing strong and dynamic growth. The 1988 plebiscite was held under favorable economic conditions for the dictatorship. Yet the outgoing regime did not benefit electorally. When Aylwin won in 1989, the economy was growing at unprecedented levels. The sound fundamentals of Chile’s economy made it easier for Aylwin to focus on strengthening social policy and alleviating poverty.

The rapid economic growth experienced during his tenure (7.8 percent annual average) and earmarked social programs helped reduce poverty dramatically from 38.6 percent in 1990 to 27.6 percent in 1994, Table 8.4. True, the government privileged poverty reduction rather than tackling inequality. Inequality only began to decrease after 2000. Still, the reforms first adopted by Aylwin set the country on an impressive path of poverty reduction that made Chile a successful case of poverty alleviation in Latin America (Meller 2005; Vega Fernández 2007).

In recent years, income inequality has also improved. As Table 8.5 shows, since 2000, the lowest income deciles have seen their income grow at higher rates than the top deciles. As a result of earmarked government spending, sustained economic growth, improvements in pensions for the elderly, and the entry into the labor force of new age cohorts with higher levels of education, income inequality has gone down. Naturally, as older cohorts with lower levels of education retire and new highly educated cohorts enter the
Table 8.4 Poverty and extreme poverty in Chile, 1990–2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>38.6</td>
<td>32.9</td>
<td>27.6</td>
<td>23.2</td>
<td>21.7</td>
<td>20.2</td>
<td>18.7</td>
<td>13.7</td>
<td>15.1</td>
</tr>
<tr>
<td>Extreme</td>
<td>13.0</td>
<td>9.0</td>
<td>7.6</td>
<td>5.8</td>
<td>5.6</td>
<td>5.6</td>
<td>4.7</td>
<td>3.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Gini</td>
<td>0.57</td>
<td>.58</td>
<td>.58</td>
<td>.57</td>
<td>.58</td>
<td>.57</td>
<td>.55</td>
<td>.54</td>
<td>.55</td>
</tr>
</tbody>
</table>


Table 8.5 Per capita income growth rate by income segments, 2000–2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>10.2</td>
<td>22.2</td>
<td>34.6</td>
</tr>
<tr>
<td>2</td>
<td>6.5</td>
<td>17.5</td>
<td>25.1</td>
</tr>
<tr>
<td>3</td>
<td>5.7</td>
<td>16.4</td>
<td>23.1</td>
</tr>
<tr>
<td>4</td>
<td>4.7</td>
<td>15.7</td>
<td>21.1</td>
</tr>
<tr>
<td>5</td>
<td>3.3</td>
<td>14.7</td>
<td>18.5</td>
</tr>
<tr>
<td>6</td>
<td>3.3</td>
<td>13.5</td>
<td>17.3</td>
</tr>
<tr>
<td>7</td>
<td>2.6</td>
<td>12.7</td>
<td>15.6</td>
</tr>
<tr>
<td>8</td>
<td>1.8</td>
<td>12.3</td>
<td>14.3</td>
</tr>
<tr>
<td>9</td>
<td>0.2</td>
<td>11.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Highest</td>
<td>0.1</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Average</td>
<td>1.5</td>
<td>7.6</td>
<td>9.2</td>
</tr>
</tbody>
</table>

Source: Author with data from (Mideplan 2008).

The labor market, income inequality should continue to improve and social inclusion should also advance (Torche 2005).

Concertación governments successfully combined a market-friendly economic model with a strong emphasis on poverty-alleviating programs. Poverty decreased in every administration since 1990. Moreover, recent data also shows that inequality has also began to decrease, as the Gini coefficient reached 0.54 in 2006. The policies championed by the Concertación proved successful, but were also electorally rewarding. In the 1993 presidential election, Frei obtained fifty-eight percent of the vote. Six years later, Lagos won a closely fought runoff election with 51.3 percent. Michelle Bachelet gave the

Concertación its fourth consecutive presidential victory with 53.5 percent of the vote in a runoff election.

The quality of Chile's democracy is far superior than that observed before 1973. The institutional setting is more strongly consolidated, there is more transparency and accountability from campaign funding to government spending, from lobbying and interest groups' influence, to access to government information. Though there are areas where there has not been sufficient progress, like plurality in the printed media (Dermota 2002) or citizens' groups and unionized workers (Olarvarria 2003; Oxhorn 1995; Oxhorn and Ducatenzeiler 1998; Posner 2003; Posner 2008; Roberts 1998; Winn 2004), the depth and reach of Chile's democracy in the post-Pinochet era is commendably superior to that in existence before the authoritarian period.

8.7 Electoral Participation

Representative democracy is based on electoral participation. As Table 8.6 shows, only one in every three voting-aged Chileans cast ballots in the 1958 presidential election, but rapid enfranchisement almost doubled that number for the 1964 presidential contest. In 1970, when Allende was elected president, voter turnout decreased slightly, whereas in 1973, for the last election before the dictatorship, almost seventy percent of voting-aged Chileans cast valid votes.

After a fifteen-year interruption, interest in political participation was at its highest. Slightly less than ninety percent of eligible Chileans went to the polls in 1988 in a record-breaking turnout. As Table 8.3 shows, electoral participation has decreased since 1988, with presidential elections attracting more voters than other contests. Yet, in the most recent presidential election in 2009, only 56.7 percent of voting-aged Chileans cast valid votes, the lowest since 1970. Naturally, it would be foolish to expect the same high turnout levels reached in 1988. Decreasing interest in the political process could mean that people are fully satisfied, but there is evidence that the lack of interest corresponds to discontent with politicians and dissatisfaction with everyday politics. Table 8.3 also shows that, when measured as percentage of registered voters, electoral participation has remained remarkably stable and high since 1988. Nine of every ten registered voters cast ballots in each of the four presidential elections held since 1989. Among those registered, participation is fairly high – though there are no real penalties for those who fail to vote. Yet a growing number is not registered to vote. Thus, the real unique electoral participation phenomenon has to do
with a flawed institutional design. The constitution formally makes voting mandatory, but in practice, registration is optional. If registered, Chileans vote. Yet younger Chileans – those who turned eighteen after 1988 – are registered at lower rates. A natural solution would be to adopt automatic registration and hope that, when registered, voters will vote. Because the deadline for registration expires ninety days before an election, it is plausible that many unregistered Chileans who become interested in the political process during the official thirty-day campaign cannot vote. Polling data shows no difference in the depth and intensity of political views between those registered and those not registered.

Rather than discontent with democracy or the social order, low electoral participation seems to point to dissatisfaction with the political process, the lack of competitiveness in the electoral system, and the insufficient responsiveness by elected politicians. Yet those problems are also present in stable and industrialized democracies. Chileans might be unsatisfied with their politicians and the political process, but they are supportive of democracy as the only legitimate mechanism of exercising power.

8.8 Conclusion

The growth of a middle class since the 1990s has consolidated Chile as an LAO society. Yet as the middle class becomes stronger, the top-down structure of post-Pinochet democracy will face additional pressure to generate inclusion. Social and political inclusion must expand from poor to middle class to middle class to decision-making elite.

Paraphrasing former president Patricio Aylwin’s famous dictum, Chile enjoys a democratic system to the extent possible. Aylwin’s definition of transitional justice (justicia en la medida de lo posible) has extended into the fabric and institutions of Chile’s twenty-year-old democracy. Democracy is today more consolidated and inclusive than before the military dictatorship or at any point since the center-left Concertación government came to power. Yet the 1973 coup and the seventeen-year Pinochet dictatorship remain a defining moment in Chilean history. After all, democracy has been built upon the foundations set in place by the 1980 constitution. Though amended several times – and most of its deadlock authoritarian provisions and enclaves now eliminated – the constitution reminds us that Pinochet is the father of today’s Chile. Yet the Concertación coalition has been a deserving stepfather. Four consecutive Concertación governments have helped heal deep social and political wounds and have presided over Chile’s most successful period economic growth, social inclusion, and democratic progress in the nation’s history.

When democracy was restored in 1990, 2.8 million Chileans (seventeen percent) were less than ten years old. An additional 5.3 million (thirty-one percent) have been born since. In fact, less than forty-three percent of Chileans were born before 1973. Only three of every ten Chileans were at least eight years old when the military bombed the presidential palace and socialist president Salvador Allende committed suicide. When the new president – the fifth democratically elected since 1989 – took office in March 2010, Chilean democracy turned twenty years old. For most Chileans, it was the first democratic experience they knew. Because it has evolved within – and beyond – the constraints imposed upon it by the authoritarian constitution but also because it has evolved in a context of persistent levels of inequality combined with stable economic growth, Chile’s democracy has evident strengths and unquestionable weaknesses. But it provides a good platform for future consolidation and offers opportunities to promote and bring about increasing levels of social and economic inclusion and to expand political rights.

Table 8.6 Electoral participation in Chile, 1988–2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Voting-aged Population</th>
<th>Registered Voters</th>
<th>Valid Votes</th>
<th>Nulls, Blanks, Voters/ Abstentions, Registered and Non-registered</th>
<th>Valid Votes/ Voting-aged Population %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>8,062</td>
<td>7,436</td>
<td>7,291</td>
<td>7,187</td>
<td>889</td>
</tr>
<tr>
<td>1989</td>
<td>8,243</td>
<td>7,558</td>
<td>7,159</td>
<td>6,980</td>
<td>1,344</td>
</tr>
<tr>
<td>1992</td>
<td>8,775</td>
<td>7,841</td>
<td>7,044</td>
<td>6,411</td>
<td>2,345</td>
</tr>
<tr>
<td>1993</td>
<td>8,951</td>
<td>8,085</td>
<td>7,377</td>
<td>6,969</td>
<td>1,488</td>
</tr>
<tr>
<td>1996</td>
<td>9,464</td>
<td>8,073</td>
<td>7,079</td>
<td>6,301</td>
<td>3,085</td>
</tr>
<tr>
<td>1997</td>
<td>9,627</td>
<td>8,078</td>
<td>7,046</td>
<td>5,796</td>
<td>3,746</td>
</tr>
<tr>
<td>1999</td>
<td>9,945</td>
<td>8,084</td>
<td>7,272</td>
<td>7,055</td>
<td>2,890</td>
</tr>
<tr>
<td>2000</td>
<td>10,100</td>
<td>8,089</td>
<td>7,019</td>
<td>6,452</td>
<td>3,648</td>
</tr>
<tr>
<td>2001</td>
<td>10,500</td>
<td>8,075</td>
<td>6,992</td>
<td>6,107</td>
<td>4,393</td>
</tr>
<tr>
<td>2004</td>
<td>10,700</td>
<td>8,013</td>
<td>6,874</td>
<td>6,123</td>
<td>4,577</td>
</tr>
<tr>
<td>2005</td>
<td>10,800</td>
<td>8,221</td>
<td>7,207</td>
<td>6,942</td>
<td>3,758</td>
</tr>
<tr>
<td>2009</td>
<td>12,226</td>
<td>8,285</td>
<td>7,186</td>
<td>6,928</td>
<td>5,284</td>
</tr>
</tbody>
</table>

Since its transition to democracy in 1990, Chile has made significant progress in economic development, poverty reduction, and democratic consolidation. The country enjoys a consolidated democracy as there is no fear of an authoritarian reversal. Chileans value democracy, and autonomous institutions with a working balance of power have made the political system stable. Elections are the norm and respect for individual rights is widespread. Yet, as do most democracies, Chile faces significant challenges. The success of the past should generate optimism about the country’s ability to strengthen, widen, and deepen its democracy in the future. However, there are also some worrying signs. What proved successful in securing the transition and consolidating democracy in the 1990s might not work in the next phase. Chile needs to come up with a second generation of democratic reforms to meet the challenges of the future. As the country approaches its bicentennial, the success of its first two decades of postauthoritarian democracy have generated high expectations about what the country can do in the future. Moving forward in uncharted territory will not be easy, nor will it be inevitably successful. Yet Chile today enjoys a strong, vibrant, and consolidated democracy more so than ever before in its history.

References


NINE

Transition from a Limited Access Order to an Open Access Order

The Case of South Korea

Jong-Sung You

9.1 Introduction

During the second half of the twentieth century, South Korea (Korea, hereafter) transformed itself from a poor nation into a rich and democratic country. Although Korea relied heavily on American aid while endeavoring to emerge from the ashes of the Korean War (1950-3) in the 1950s, it has become a significant donor country.\footnote{Korea plans to increase its official development aid from 0.12 percent of GNI in 2010 to 0.25 percent by 2015.} Korea has demonstrated the long-term viability and strength of its economy by quickly overcoming both the Asian financial crisis of 1997 and the global financial crisis of 2008. Moreover, Korea has successfully consolidated its democracy since the democratic transition in 1987. The Korean people have made two changes of government through free and fair election, and Korea has seen no successful or attempted coup. Democracy has become the only game in town.

Many scholars have tried to explain Korea’s success story of sustained economic growth. Few have, however, examined both the economic and the political development of Korea. Mo and Weingast (2012; Mo-Weingast, hereafter) is a notable exception. They applied the framework of transition from a limited access order (LAO) to an open access order (OAO) developed by North, Wallis, and Weingast (2009; NWW, hereafter) and North, Wallis, Webb, and Weingast (2007; NWW, hereafter). As NWW and Mo-Weingast indicated, Korea is one of the three countries outside of Europe and the Anglo-American countries (Australia, Canada, New Zealand, and the United States) that have completed (Japan) or moved far along the transition to an open access order (Korea and Taiwan).