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978-1-107-00354-5 - Chile and the Neoliberal Trap: The Post-Pinochet Era

Andrés Solimano

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Chile and the Neoliberal Trap

This book analyzes Chile's political economy over the past thirty years and its attempt to build a market society in a highly inegalitarian country, even though it is a new member of the Organization for Economic Cooperation and Development (OECD). This book provides a historical and contemporary background to Chile's economy and society, and discusses the cultural and institutional underpinnings of the imposition of a market society in authoritarian conditions in the 1970s and 1980s, and its maintenance in democracy in the 1990s and 2000s, as well as the counterreactions, mainly by social movements, to these attempts. Macroeconomic and growth policies and performance of the 1990s and 2000s are analyzed along with the record of poverty, inequality, and middle-class squeeze in the framework of social policies conducted under the privatization of education, health, and social security. The book documents the growing concentration of economic power (ownership, market shares, and productive structures) among small elites and discusses the evolution and limits of the democratic system built after the departure of the Pinochet regime.

Andrés Solimano is founder and chairman of the International Center for Globalization and Development in Santiago, Chile. He holds a PhD in economics from the Massachusetts Institute of Technology. Dr. Solimano was regional adviser at the United Nations Economic Commission for Latin America and the Caribbean, country director at the World Bank, executive director at the Inter-American Development Bank, and director of the Latin American School of Social Sciences in Chile. He was also director of the project on International Mobility of Talent with the United Nations University–World Institute of Economic Research and served as executive director for Chile on the board of the Inter-American Development Bank. Dr. Solimano has written extensively on international migration, talent mobility, growth, inequality, political economy, macroeconomics, and international development. His latest book is *International Migration in the Age of Crisis and Globalization* (Cambridge University Press, 2010).

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*This book is dedicated to the memory of
Alice Amsden, great friend and perceptive economist
who left us too early*

*To my family members, Bernardita, Gracia,
Pedro and Paula.*

To my father Ivan and late mother Sofia.

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ANDRÉS SOLIMANO

*International Center for Globalization and
Development, Santiago, Chile*



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Preface

This book was written as an attempt to put some historical and analytical objectivity to the overly optimistic and uncritical assessments, so common over many years, of the Chilean economic and social model launched by the military regime of General Augusto Pinochet in the 1970s and 1980s, and continued and deepened – albeit with some modest amendments – by the various governments elected after the restoration of democracy in the 1990s and 2000s. The Chilean model was being enthusiastically promoted, at different points in times, by the International Financial institutions as the blueprint for stability, prosperity, and progress to be applicable in Latin America and emerging economies worldwide, while paying little attention to both the very particular economic and political circumstances under which it was implemented and its deleterious effects such as increased social inequality, large-scale natural resource exploitation, and the high concentration of economic power and political influence in a few elites. As of 2011, the Chilean establishment, the common citizen, and the international development community was shaken by the emergence of a strong, yet peaceful and creative, student and social movement critical of the profit motive and privatization of education in Chile, which began to demand fundamental changes in the economic model and more democracy for Chile. Interestingly, this social movement is led by a new generation of students and youth largely free of the experience, involving fond memories but also myths and ghosts, of the older generation that lived through the pre-military coup attempts of social reform and democratization and the subsequent collapse of

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democracy and military rule that affected Chilean society over the last half-century.

Comments by Alice Amsden, Jan Cademartori, Roberto Frenkel, and Manuel Riesco to a first draft of the book are greatly appreciated. I want to thank the important collaboration of my editor and friend Thomas G. Good who contributed fresh background research and enlightened editing and stylistic improvement to the overall shape of the book. Luis Valenzuela also provided important and unfailing support through very valuable and thorough research assistance, including index preparation, for which he deservedly has my thanks. Scott Parris, senior editor of economics and finance at Cambridge University Press, contributed with encouragement and empathy through the writing of this book. Adam Levine, Kristin Purdy, and Bindu Vinod were also supportive and effective in the coordination, editing, and production of this book. Finally I owe a debt of gratitude to my wife, Bernardita, daughters, Gracia and Paula, and son Pedro for their interest and patience over a period of three years while this book was being written.