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Comparing the Chilean and Chinese Political Economies

The Chilean Jaguar and the Dilemma of Growth Versus Equity

Under the Concertacion governments, the Chilean economy has boomed. Economic growth has averaged more than 7 percent a year under civilian rule, a statistic that stands in contrast not only with Chilean historical experience but also with the current situation of most Latin American governments. Both Presidents Aylwin and Frei have pointed with pride to the ways in which their economic teams have managed the economy, to the country's recent fame as the "jaguar of South America," and to its potential to serve as an economic bridge between Latin America and Asia. However, the Concertacion still faces serious challenges with regard to the issues of equity and sustainability. One quarter of the population still lives in conditions of poverty and the country's income distribution is one of the worst in the region. The minimum wage, although almost triple what it was in 1989, is still only about US\$150 a month and cannot come close to meeting a family's basic needs. Moreover, there have been serious environmental costs. The current economic boom depends in large part on the exportation of natural resources, such as copper and wood, which are finite. In addition, their extraction has resulted in the contamination and degradation native forests, waters, and the air. The persistence of economic inequities, significant poverty levels, and the high environmental costs raise fundamental questions about the ability of the free market model to end underdevelopment and about the long-term sustainability of this type of economic growth.

In this chapter I review the basic characteristics of the Chilean economic model under the Concertacion and ask several fundamental questions. First of all, what are the fundamental principles of the Concertacion's economy policy, especially in comparison with the neoliberal policies of the Pinochet years? On the one hand, the Concertacion's electoral programs emphasized growth with equity and the need to recompense Chileans for the high social cost of the neoliberal model as imposed under Pinochet. On the other hand, it appears, at first sight at least, that the economic model they are pursuing is basically the same as that of the military. What are the economic and social policy differences between the two periods, for example, in terms of the export model, privatization and government regulation, and social policy to attain greater equity? Is the Concertacion's economic policy different in kind, or is it essentially a continuation of the military's neoliberal economic policy?

Second, has Chile really solved its historic dilemma of underdevelopment? If its economic program is not an unqualified success, what are the unresolved problems? Should the much-touted Chilean experience serve as a model for the region, which

has long struggled to overcome poverty and inequality?

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