



AFTER AUTHORITARIANISM:  
POLITICAL ALTERNATIVES

Alejandro Foxley

Working Paper 40 - May 1985

Alejandro Foxley holds the Helen Kellogg Institute Chair of International Development and is a Professor of Economics at the University of Notre Dame. He is currently writing a book on economic and political alternatives in Chile, supported by a Guggenheim fellowship. His recent publications include "Vulnerable Groups under Recessionary Conditions: The Case of Children and the Young in Chile," with D. Raczynski (in World Development, 1984) and "Después del monetarismo" in A. Foxley (Ed.), Reconstrucción económica para la democracia, (Santiago: Ed. Aconcagua, 1984). He is President of CIEPLAN (Corporación de Investigaciones Económicas para Latinoamérica.)

This paper was prepared for the conference on "Economic Development and Democracy," in honor of Albert Hirschman, sponsored by the Kellogg Institute of the University of Notre Dame, April 1984. The author wishes to thank various colleagues from CIEPLAN, and Paul Drake, Albert Hirschman, Guillermo O'Donnell and Alex Wilde for their helpful comments. The translation from Spanish was done by J. Kennedy and the editing by G. Steege. Their help is greatly appreciated.



## ABSTRACT

This paper explores some of the factors that contributed to the increasingly antagonistic character of development in Chile during the twenty-five years previous to the military coup of 1973. Special attention is given to the nature of the process of generating ideas, to the role that intellectuals played in the formation of ideology, and to the polarized and mutually exclusive character of the programmatic proposals of the main political parties in Chile.

The problem of the quality of politics is discussed. The consolidation of a political class relatively closed and little sensitive to the real agenda of the problems that confronted Chilean society in this period introduced distortions in the determination of objectives, in the forms of representation of interests, and in the resolution of conflicts.

The second part of the paper analyzes the options open for the future in the context of a democratization of Chilean society. The discussion focuses on the possible forms of politics, defined as types of relation between the political parties, the state and the social organizations.

## RESUMEN

Este trabajo explora algunos de los factores que contribuyeron al carácter cada vez más antagónico del desarrollo de Chile durante las veinticinco años previos al golpe militar de 1973. Especial atención se da a la naturaleza del proceso de generación de ideas, al rol que jugaron los intelectuales en la ideologización, y al carácter polarizador y mutuamente excluyente de las propuestas programáticas de los principales partidos políticos en Chile.

Se discute el problema de la calidad de la política. La consolidación de una clase política relativamente cerrada y poco sensible a la agenda real de problemas que enfrentaba la sociedad chilena en este periodo introdujo distorsiones en la determinación de objetivos, en las formas de representación de intereses y de resolución de conflictos.

La segunda parte del trabajo analiza las opciones abiertas a futuro en el contexto de una democratización de la sociedad chilena. La discusión se centra en las formas posibles de la política, definidas como los tipos de relación entre los partidos políticos, el estado y las organizaciones sociales.



## I. Introduction

In a recent work in which he attempts to bring together the central themes of his vast work, Albert Hirschman introduces the concept of "Antagonistic Development." In so doing, the originator of the theory of unbalanced growth closely examines the conflicting and potentially destructive nature of the process of development. In particular, Hirschman examines clashes between various sectors which lead to a worsening of overall economic conditions; a situation he describes as "a negative sum game" (Hirschman, 1963).

Applying this concept to the political sphere, Hirschman analyzes a pluralistic democracy in which two political parties alternately apply programs which are mutually antagonistic. In political affairs, he asserts, as in economic development, negative sum games can raise the level of antagonism and increase the tendency to look for "radical solutions, such as putting an end to the destructive struggle between political parties" (Hirschman, 1984).

In earlier work, Hirschman explored factors which would explain the transition from antagonistic development to authoritarian politics in Latin America (Hirschman, 1981a), and outlined three variables which help explain the collapse of democracies in this part of the world. The first condition relates to the tendency of policymakers not to defer to economic constraints when designing economic policies. This omission results in huge economic imbalances. This was particularly true during certain episodes of import substitution industrialization (ISI). The second condition arises in intellectual processes in Latin America which have frequently been characterized by a high propensity towards "escalation" in diagnosis and in solutions when faced with difficult problems of economic growth. This escalation in "fundamental remedies" brings on a confrontation between alternative solutions that tend to be strongly ideological, mutually exclusive and characterized by continued recourse to

"global solutions" calling for the total replacement of the existing economic system.<sup>1</sup>

A third characteristic of antagonistic development and its eventual catastrophic outcome, results from the contradictory and partially superposed relation between what Hirschman calls the entrepreneurial function (which by emphasizing accumulation increases inequality) and the always latent inclination of an unequal society to favor reforms that would alter this tendency in favor of a more equal society (Hirschman, 1981a). The premature "breaking in" of the reformist cycle limits the possibilities of accumulation in the economy, affecting negatively its development and growth.

When taken together, these tensions and contradictions in the process of development help explain, at least in part, "the political catastrophes that shook a number of Third World countries since the 70s" (Hirschman, 1981b) and caused great confusion among those economists and politicians who believed firmly in economic development as a stabilizing factor in both social systems and democratic politics.

The economists' lack of attention to development processes that are increasingly antagonistic and polarized has been somewhat compensated by valuable contributions by political scientists (Dahl, 1982). But the connections between political, economic and ideological aspects of the collapse of democracy have not been well explored, with the exception of work by O'Donnell (1983) and by Hirschman himself.

This paper will study some of these themes, in particular the processes of escalation and radicalization of political and economic solutions that have characterized preauthoritarian politics in various Latin American countries. As Hirschman points out, these processes are directly related to the high propensity of these countries to embark on

political experiments. What has been the interrelation between ideological escalation and the high propensity to undertake political experiments? The first section of the paper will explore this theme from a very personal perspective: that of an observer and participant in these processes during the 1970s in Chile. I will attempt to describe, starting from an almost subjective perception, the processes of ideological escalation in Chile. Thus, what follows necessarily represents a partial view of the problem. It also involves a profound critique of the connection between politics and forms of intellectual reflection in Latin America that has sometimes contributed inadvertently to the weakening of democracy and its eventual substitution by brutally repressive political regimes in the area.

Three successive experiments which took place in Chile form a context within which this intellectual development and its relation to political projects can be studied: the Christian Democratic government of Frei, the Popular Unity experiment under Allende, and the Military Government that came to power in the 1973 coup. The paper will attempt to relate the lessons that can be learned from these past experiments to the present day dilemmas and options regarding alternative forms for post-authoritarian politics. In the final sections of the paper, several possible alternatives for the democratization process in Chile will be examined in the context of a comparative analysis drawing mainly from European experience.

## II. The Radicalization of Ideas and Its Relation to Antagonistic Development and Political Catastrophes

The recent history of Chile provides perhaps the best of all possible case-studies through which to discuss the interrelation between ideological escalation and political polarization. During the last twenty years Chile has been subjected to successive social and political experiments that eventually led to a total crisis and collapse of the democratic institutions in the country (Garreton, 1983).

The historical background for our story begins in the 1920s when Chilean society entered into an accelerated process of change in rebellion against the century-old domination of the power structures by a land-based oligarchy (Vial, 1981). At this point in time, the "middle sectors" gradually emerged into political life and slowly began to displace the oligarchic sectors until, in 1937, a new political alliance was formed between the middle class and urban labor. Known as the Popular front, the group consisted of the Radical Party and the Socialist and Communist Parties. The Popular Front was an alliance which implied a class compromise directed towards joint participation in a national-democratic project. The central elements consisted of an economic program of industrialization and of political reform aimed at the gradual democratization of Chilean society (Cavarozzi, 1975; Pinto, 1973; and Stevenson, 1942).

The collapse of the Popular Front in 1947 and the subsequent failure of a populist attempt in 1952 produced a marked turning point in the ideology and programs of the left, particularly the Socialist Party. Later reinforced by the Cuban revolution, the ideology of the Left in Chile thus evolved from nationalistic and reformist, to orthodox revolutionary. This trend was evident as early as 1956 when the Popular Action Front (Frente de Acción Popular-FRAP) was formed. FRAP denounced the alliance of classes and re-oriented itself towards "proletarian internationalism" (Moulian, 1983).

The political center also underwent significant changes. The old Radical Party, characterized by pragmatic and coalitionist tendencies, was displaced by a Christian Democratic Party (CDP) which was ideologically rigid and alternativist. The CDP did not seek coalitions but rather sought to make alliances unnecessary by trying to develop its own broad popular support (Valenzuela, 1978).

From this point on, the left and the center traveled parallel paths, each attempting by way of a bitter political struggle to articulate a



hegemonic coalition to replace the previously dominant oligarchy. With this background, we can attempt to analyze the subsequent process of radicalization of ideology and programs experienced by both political groups during the 1960s and early 1970s.

During those years, a powerful political class had consolidated. This political class was able to penetrate and manipulate social organizations in order to take control not only of the state but of civil society as well (Garretón, 1983). Intellectuals exercised a powerful influence over these processes, particularly in defining the agenda of problems and solutions that the political elite would eventually propose to the country (Moulian, 1983).

The process, similar to that described by Hirschman in "Journeys," was characterized by a disturbingly short path between the conception of new ideas and their subsequent acceptance as fundamental parts of governmental programs, or in Hirschman's words, by "exaggerated and hasty claims made to supply a basic explanation and cure." In this way, a "pseudo-creative form of solving problems" was created (Hirschman, 1963).

The political class, in particular that fraction that had acceded to power, rapidly adopted these "solutions" and implemented them with rigor and zeal. Thus, a succession of political "experiments" applied by the state were unleashed upon society. The proposed solutions suffered from "an inflation in fundamental remedies" and hence a proposition of tasks which were more and more global and antagonistic. This culminated in the belief shared at the time by a large number of intellectuals and politicians that the fundamental problems of Chilean development were to be found mainly in the prevailing structure of private property, rather than in more conventional factors.

If discussions that prevailed in the second half of the 1960s are

followed, it will be seen that Chilean intellectuals at the time heatedly debated alternative schemes for ownership of the means of production, which they saw as the determinant variable of the possibilities of future development for the country. While engaging in these discussions, intellectuals were decisively influencing the public agenda proposed to the country in the 1970s both by the political left and by the political center as the three "narrations" that follow will suggest.

### The First Narration

The writings of T. Moulian, a well respected intellectual in the Chilean left who participated actively during the Popular Unity government, aid in understanding this process. Moulian states that, "Up until the military coup of 1973, nationalization was considered to be one of the central axes of Popular Unity politics. The spontaneous response to the problems of Chilean development, from the left and even the center, was to increase the ability of the state to control the economy and transfer property towards the state." He goes on, "The area of social property had, during the period of the Popular Unity, an almost mythical significance: it represented for many (or most) the heart and soul of the revolutionary process. Programs emphasized development in this area as if it was thought that the only requirement for the existence of socialism was state ownership of the means of production, without any consideration of the possible negative ideological effects of the massive expropriation policies over the non-monopolistic bourgeois sectors" (Moulian, 1983).

Moulian now asserts that this simplistic view flourished because "we nourished ourselves on a religious vision of politics which caused us to think of Marxism as the source of all knowledge... hypnotized by what we believed to be laws of revolutionary development: the rigid distinction between reform and revolution, the lack of confidence in gradual reform,

the necessity to destroy the bourgeois state, the impossibility of capitalist development in a country of the periphery, and the need for political subordination of the middle sectors" (Moulian, 1983). This "rage de vouloir conclure"<sup>2</sup> was supported by "an imitative and dependent manner of thinking that created habits of dogmatism by the neglect of empirical investigation, and by a tendency to repeat slogans or theories without concern for the specificity of historical events in Chile . . . Chile was thought to be equivalent to Russia -- the capitalist development of Chile was discussed using the words of Lenin, more than in terms of its own specific history" (Moulian, 1983).

Through the powerful intellectual influence of the most orthodox Marxism, public discussion in Chile was increasingly oriented towards the theme of property and expropriations. And, as Moulian maintains, this emphasis was characteristic not only of the Marxist left, but of those political groups and intellectuals closely associated with the CDP as well.

### The Second Narration

Even though Chilean Christian Democracy is usually identified with developmental reformism along the lines of the Alliance for Progress (which in fact predominated under the Frei Government), in truth, this political group had been searching since the mid-1960s for more radical approaches to ideology as well as to programs. As in the case of the Marxist left, both diagnoses and propositions had a marked emphasis on property relationships. In part, this reflected the need to counter the theoretical paradigm of the Marxist Left. But it was also related to an ideological effort to give concrete meaning to the Christian "communitarian" philosophy that had characterized the Chilean CD Party since its inception, an effort crystallized in the idea of communitarian socialism. The second narration is a description of how these ideas were developed in the late

1960s.

The theory had two bases. The first involved accepting the diagnosis of the left, namely, that the strong concentration of property in private hands severely limited the possibility of a more equal development. The second emphasized the need for a decentralized system of social property, making possible a more egalitarian economic development, along with the existence of political democracy.

During those years, intellectuals close to the Christian Democratic Party, and later those who conducted the economic policy of the Popular Unity Government, wrote extensively about socialism, democracy and decentralization. These discussions were reflected in a book that was somewhat pretentiously entitled "Chile, búsqueda de un nuevo socialismo" (Foxley, 1971). As a result of the intellectual effort of many groups and research centers, the alternatives of decentralized socialism took shape. Self-managed socialism was incorporated into the Christian Democrats' platform during the presidential campaign of Radomiro Tomic in 1970. Later it became a point of reference in multiple negotiations at both the official party level and in parliament between the Popular Unity and Christian Democrats. The objective of these negotiations was to reach a compromise on the extent of and institutional framework for the expropriation policies that were at the core of the UP program.

Compromise was never reached. Self-management was discarded as a reformist scheme by the UP parties and the statist, more centralized model prevailed. In retrospect, the elaboration of the self-management by the CDP was incomplete at best, and left serious theoretical questions unresolved. For instance, while self-management was proposed as "the" desirable system in terms of property relationships and as the specific form that workers' participation would take, nothing was said about how the existing capitalist system in Chile would evolve towards self-managed

socialism.

In fact, the formulation of the self-management proposal was strongly influenced by the Yugoslavian experience. But no proper account was taken of the historical evidence indicating in that the Yugoslav case, self-management came about only after a long transition period during which the means of production were integrally expropriated by the state and maintained for years under centralized state management. If the Yugoslavian experience was at all valid, it showed that the centralized Soviet model seemed to be a prerequisite for the establishment of self-management. Therefore, once power and property were concentrated in government hands, only an enlightened state would voluntarily transfer the factories to the workers.

On the other hand, historical experience also demonstrated that at least in the case of Yugoslavia, self-management was imposed and preserved through the existence of just one political party, the Communist Party. A question thus arose. In the case of Chile, which was a pluralistic democracy where multiple and antagonistic political and ideological currents were constantly contesting for power, could self-management actually be made to function? How could a Yugoslav-type self-managed economic system be made compatible with pluralistic democracy which was also a key political objective? The solution we proposed was simple enough. First, one had to accept the fact that political pluralism meant also plurality in the forms of property ownership. This in turn implied the acceptance of a mixed economy model instead of a purely self-managed one. Thus, we in fact avoided the initial problem (how to transform capitalist property relations into self-management) by postulating that the mixed economy would only gradually evolve towards self-managed forms of property ownership, within the framework of a mixed economy.<sup>3</sup>

Inherent within this postulation was an inevitable series of consequences. First, as we know from comparative experience, the mere announcement of a deep, albeit gradual, transformation in property relationships tends to be perceived as a major threat by capitalist sectors. The unavoidable result in Chile of the late 1960s was that property owners radicalized their political positions and withdrew resources from investment. Second, given this private sector reaction, obviously only the state could undertake investment since the self-managed sector was by then weak and rather marginal. In addition, financing the new public investment necessitated an increased tax burden on the private sector which, in turn, forced a further retreat of private enterprise. This crowding-out confirmed the capitalist sector's worst fears: that is, the inevitability of a systematic expansion of the state, once the self-management formula in a mixed economy context was accepted.

The Socialist experiment of the Popular Unity began in this climate, where fundamental questions of property and the relations-of-production were disputed. And the disputes intensified. The increasingly volatile popular mobilizations served to reinforce the fears of the business sector, while the Popular Unity further radicalized its positions in order to maintain the support of the mobilized masses. By the middle of 1973, public property represented seventy percent of total assets in the industrial sector and forty-five percent of all industrial production (Bitar, 1970).

### The Third Narration

In 1972 a group of thirty economists, influenced by ideas from the University of Chicago and supported by the anti-UP political right, began to meet. These economists were motivated by a profound discontent with the

course of political affairs and the socialist direction of the economic transformation. The third narration describes their impact in Chile after 1973.

By the end of 1972 these economists discussed ideas and authored documents for circulation among the most radicalized groups of the right, which had by that time begun to think in terms of a "military solution" to the problem of the Popular Unity experiment. They elaborated a diagnosis that was at first totally technocratic, as it concentrated on proposing how to re-establish the fundamental economic equilibrium which had been profoundly altered by the Socialist experiment. To do so, they argued, it was necessary to return to orthodox policies, including "sound" fiscal and monetary policies freeing up prices in order to insure their allocative role, and opening the economy to free trade with the rest of the world. Theirs was a "neutral and technocratic" solution, applicable under any political system. This intellectual group filled a vacuum at that time and provided the ideas which would subsequently constitute the "program" of the military government at the time of the coup.

As is well known, upon taking power, the military junta suspended all political parties and organizations which had played major roles during the UP regime. Instead of the previous state of affairs that implied that "todo es politico", (everything is political), it was now stated that "todo es económico" (economics is everything). Not only did the military feel they had the self-imposed task of "cleaning up" politics and repressing social organizations but also of returning "rationality" to the market and re-establishing the basic economic equilibria. In so doing, they followed the suggestions previously elaborated by the "Chicago" economists. The latter would increasingly fill the key government positions.

The economic model began as a mere program of economic

stabilization. As it was applied in a political vacuum with absolute state control over all social and political life, it soon began a subtle process of transformation. The economic goals became increasingly ambitious, especially with regard to the transformation of the country's economic structure. It was soon argued that the macroeconomic ills (inflation, balance of payment deficits, etc.) were ultimately due to an excessively large government sector. The "privatization" of more and more economic activities was proposed as a requirement for a revitalized economy. On the other hand, increasingly drastic and ambitious goals were set for a process of tariff reductions, so that full integration into "free" world trade would be achieved over a period of four years.

This process of structural change in the economy and of ideological escalation, which has been described elsewhere (Foxley, 1983a), found a receptive echo in both the right and in the business community which supported the authoritarian regime. It was also well received by the military itself. The latter would again and again demonstrate a marked propensity for "overkill", not only in the political arena but also in the area of economic policies. Filled with "revolutionary zeal," the military was in fact attempting to eliminate all vestiges of Socialism and Marxism in Chile through a curious blend of political repression and free market ideas. The latter were embraced with truly religious fervor. The "new" economic truths were incessantly preached to the public through the media that was -with very few exceptions- controlled by a repressive state. Friedman was giving lectures on national television, as were many of the local Chicago boys. Harberger's press conferences were given the space usually reserved for visiting heads of state. Each of his words was used by the official press as an endorsement of Pinochet's economic policies. By these means, plus the fact that politics was not allowed to be discussed, Chicago economics became the official ideology of the regime.

To be sure, the process of indoctrination was not an easy one. The



difficulties were certainly compounded by the Chicago boys themselves, because at one time they were talking about "closed-economy monetarism", then about "global monetarism", and the policy prescriptions resulting from both versions of the theory were at least partially opposed.<sup>4</sup> At one time, they were arguing for supply-side economics, the next for the "public choice" doctrines.

While this was happening, both the military and the business communities were making serious efforts to digest all these new doctrines that were thrown at them as scientific, immovable truths. This ideological paroxysm of the technocratic right seemed to provide an answer for every question. When the economic model collapsed in 1981-1982, advocates contended that the observed massive bankruptcies of firms were but a manifestation of the healthy effects of the free market as it improves the utilization of available resources. Thirty percent unemployment was thought to be caused by the still lingering effects of a labor market with less than perfectly flexible wages. The enormous balance of payments deficit, that would be equivalent to 21% of GDP in 1981, only reflected the spontaneous adaptation of the economy to the needed absorption of huge amounts of foreign capital. The availability of these foreign loans was thought to be, in fact, a confirmation of the model's success. The exorbitant domestic interest, between 30 and 40% in real terms, were nothing but a signal that a process of automatic adjustment in financial markets was in full operation. And most importantly, the slow reaction of the economy to the new free market stimuli only reflected the inherited irrationality of existing economic agents. The discipline of the free market, reinforced by the military, was the only force capable of inducing the rationality that was needed in order for the country and its economy to come out of the crisis and function as "the model" predicts.

But, politics -- suppressed for a while as a condition for the success

of the neo-conservative transformation -- came back with a vengeance. The suppression of politics eliminated social feedback. As a consequence, the economic crisis was worsening -- without the government fully realizing it -- to the point that the legitimacy of the military government was at stake. The government reacted by reaffirming the same economic policies, and increasing political repression to new higher levels.<sup>5</sup>

### III. The Alternatives for Post-Authoritarian Politics

Our narrations in the previous section are meant to illuminate from a subjective perspective, the nature of politics in the period that preceded the political disaster in Chile: the exacerbated antagonism and the extreme competitive polarization and radicalization of ideas that, when added together, produced the tragic and well known outcome. In this section, we would like to explore the issue of the "quality" of politics in its various alternative forms.

To start with, we accept the fundamental lesson of our three narrations: an improved quality of politics requires a certain tuning up with society's real problems, which are not identical with problems as perceived by ideologized intellectuals.

As several authors have pointed out (Touraine, 1983; Garretón, 1983), the Chilean political class utilized out bidding and social mobilization as the principal instrument for increasing its quota of power and gaining control of the state. Politically amplified unrealistic demands were made upon the state while the manipulation of social organizations by political parties accentuated conflicts and polarized and politicized each and every level of society.

On the other hand, when there exists a political class which monopolizes all forms of intermediation between society and the state and shares with intellectuals the tendency to embrace utopian solutions, the need arises to allow for a wider representation of interests and participation in public decisions and to give a voice to the principal social actors.

What are the possibilities for developing new forms of interaction between the political parties, social organizations and the state so that the pattern of interaction helps in consolidating democracy and not the opposite?

These questions are quite broad and have received a good deal of attention from contemporary political science. Our objective here is not to repeat this discussion but rather to explore the options in the particular case of post-authoritarian Chile.

#### The Four Options

In order to analyze the alternative political options, a framework proposed by Schmitter (1982) will be modified and used here. The reason we chose this particular scheme is that it focuses not only on the state and the political parties -- the focus of traditional politics in Chile -- but it enlarges it to include as well the relationship between the corporate interests in society and the state and political parties.

It is our basic contention that the renewal of politics and a concurrent strengthening of democratic processes in Chile has to deal with the issue of interest intermediation and with the alternative channels by means of which labor and business organizations may represent their demands and participate in some key public decisions. On the other hand, concerted

action may improve efficiency in decision-making and reinforce political stability, as European experience seems to show (Schmitter, 1984).

Table 1 describes four alternatives. They are defined as a function of two main variables: the mode of interest representation -- pluralist or corporatist;<sup>6</sup> and the process of policy formulation -- statist (policies decided by government and imposed from above) or concerted policies (with participation of organized interest groups). Each of these alternatives can be related to concrete historical experience, particularly in post-war Europe. That is why our discussion, in what follows, will make continuous reference to comparative historical analysis.

TABLE 1  
Political Alternatives

		Formation of Public Policy	
		Statist	Concerted
Representation of Interests	Pluralist	1	4
	Corporatist	3	2

Alternative #1:  
Pluralism and Competitive Politics

The authoritarian experience generates in society a strong demand, not only to reconstruct politics and parties, but also for spaces which make

possible the autonomous development of individuals and social movements. Political parties return to public life full of competitive vigor. In its naive version, free competition among parties is seen as having the same virtues that orthodox economists grant to the free-market: it will eventually lead society towards an optimizing equilibrium. Parties compete with each other for the favor of the electorate, until hopefully a stable equilibrium is reached.

Interest representation is pluralistic in the sense that any group can voice its demands in competition with others, but there are no established institutional mechanisms to process these demands or orchestrate decisions between corporate or social organizations and the state.

Post-Franco Spain appears to have followed this model. Even though the democratic regime there arose out of an initial and transitory pact -- the pacts de la Moncloa -- the political system rapidly evolved toward a system of highly competitive parties in which social organizations were increasingly fragmented (Linz, 1981).

The homogeneity and "unity" imposed on social organizations by Franco gave way to multiple divisions during the first phase of democratic reconstruction in Spain. For example, at one point the workers' movement gave rise to twelve different national organizations. None of these confederations however, was strong enough to constitute a valid spokesman for labor. On the other hand, political parties did not maintain institutional ties with social organizations. These factors combined led to a form of politics in which state action appears dissociated from the principal social and economic factors. The regime is pluralistic in the sense that it allows for the representation of multiple interests; and it is statist in the formulation of public policy. This corresponds to Box 1 in Table 1: decisions are taken by the government alone and are implemented from

above, without the participation of groups affected by the policies.

It would be easy to speculate that this is a course that Chile could follow. In fact, the modest opening-up of the political system in Chile after the national protests of 1983 permitted the partial and transitory reconstruction of the powerful Chilean "political class," which has always been extremely competitive. On the other hand, more than ten years of harsh repression of social organizations has inevitably led to a weak and divided labor movement, ineffectual business organizations and a virtually non-existent peasant movement.

In keeping with our analysis under this scenario, we can project that this political class could again corner the spaces made available by the gradual opening, and penetrate social organizations with the intention of increasing its political power, until it is again in a position to take control of the state. In addition, if pre- and post-authoritarian electoral conduct is consistent, it is probable that the political scene would be characterized by three clearly differentiated blocks, with the Leninist revolutionary left advocating again maximalist solutions, including massive expropriations. The traumatic memory of the recent past, refreshed by these radical positions, would probably initiate a new cycle of political polarization between the authoritarian right and the more radical left.

In this scenario the process of democratization would not bring about a stable political system. Rather, politics would be characterized by permanent instability and "the political game" could result in any of a number of outcomes. The wide range of possible outcomes would breed the same kind of uncertainty that rendered impossible the long-term survival of the previous democratic regime, and caused the military to intervene.

Alternative #2:  
Consociational Democracy

The precarious equilibrium of forces that characterizes post-authoritarian situations, or reversion to authoritarianism, may act as a dissuasive factor against the development of the harshest forms of confrontation in post-authoritarian politics. The total crisis of society at the point when the regime is replaced forces people to face certain basic questions, such as the likelihood of democracy's survival after authoritarianism. On the other hand, the systematic abuse of basic rights under the military, makes democracy appear more precious to thousands of citizens who see their rights threatened. For these reasons, a strong demand is likely to emerge for cooperation among parties and social groups, with the objective of reducing the probability of returning to authoritarian government.

Due to the fact that democracy only institutionalizes uncertainty (to use Przeworski's expression), tendencies develop in society that attempt to reduce uncertainty by regulating the results of the democratic process through pacts and alliances. A new theme emerges in these weak democracies: consociational pacts. They are perceived as a means of eliminating the rough edges from confrontation over ideology and over the mutually exclusive programs that are a feature in sharply segmented and polarized societies. The experiences of Holland and especially Austria in the post-war period seem pertinent in this context, as is the case of Colombia after "the violence" (Castles, 1978; Stephens, 1979; Wilde, 1982).

In the Austrian consociational scheme, political-ideological conflicts are regulated by way of political pacts which involve the principal parties.

Subordinate to these pacts, an understanding is structured between corporate organizations. Institutions representing business and labor negotiate with the government and even participate in the implementation of economic policy. Areas of negotiation and participation include incomes policy, modernization and expansion of industry, export strategies, etc.

The attractive feature of this scheme is that it appears to improve economic performance as well as to contribute to the "governability" of society (Schmitter, 1984). The troublesome features are also obvious. By definition, these pacts exclude groups and sectors of society that are not formally organized. These may be large and, in many developing countries, they may even form the majority of the population.

The difficulties for a scheme such as this in Chile, or more generally in Latin America, are varied. The existence of weak and fragmented corporate organizations which represent only a small fraction of the labor force or of the producers is but one of the limitations of the scheme. On the other hand, if the consociational pact is conceived only as a means to avoid "internal war," it tends to reinforce the status quo, thus making it more difficult to advance towards the solution of the more fundamental problems of post-authoritarian society: the reincorporation of the marginalized sectors of the population and the acceleration of economic growth (Dos Santos and Grossi 1983).

In other words, the consociational pact fortifies the transition by reducing uncertainty. But it also excludes political sectors that are forced to operate outside the system (i.e.: the revolutionary left). These sectors capitalize on the demands of the discontent, gradually increasing their power and constituting a powerful opposition not controlled by the pact. In the end the military, which has the balance of power, sees this development as a threat and promotes actions to "protect" the democratic regime from



the perceived threat. Almost inevitably, this leads to a "hardening" of the new democratic regime.

Does this "democradura"<sup>7</sup> (with an increasing emphasis on the "dura") represent a better option than the one previously analyzed (pluralistic and competitive, less certain of the possible outcomes but more democratic in the institutions controlling the political process)?

Without doubt, there is a complicated trade-off between these two options. The trade-off becomes even more complicated when one considers the economic limitations imposed by the heritage of the monetarist experiment and the low tolerance for error or poor performance implied by these limits. From this point of view, concerted action to achieve the most urgent economic goals -- reconstruction of productive capacity, improved international competitiveness, increased employment, etc. -- seems like a most useful instrument.

#### Alternative #3:

#### Statist Corporatist with Limited Pluralism

A third alternative for post-authoritarian politics is a regime with marked class characteristics that would, therefore, seek the collaboration of just one sector (labor or industry, depending on the bent of the government) for the purpose of better achieving the policy objectives set by the state. This regime is characterized by partial representation of corporate interests and corresponds to a statist regime in terms of the formulation of policy. See Box 3 in Table 1.

### Scenario 1: The Left-Wing Version

There are two alternative scenarios in which these characteristics would be present. Scenario 1 would be the following. If the initial process of democratization is arrived at as a consequence of a simultaneous crisis in both the economic model and in the political regime, then it is probable that the objective economic conditions will point in the direction of rather drastic and radical solutions. This may, in turn, generate serious political repercussions.

Let us illustrate the argument by drawing on recent Chilean experience. The economic crisis in Chile, after ten years of monetarism, has led to a forced government intervention in most banks, financial companies and many industries, in order to avoid their bankruptcy. The significance of the government-intervened sector's output relative to Chile's GDP, is almost equivalent to the size of that of the nationalized sector, according to Allende's plan in 1971, as shown by figures on Table 2.<sup>8</sup>

TABLE 2  
Area of Social Property in 1971 (approx.)  
and Government Intervened Firms in 1982

	<u>Approximate - 1971</u>	<u>Intervened - 1982</u>
	% of Sector	% of Sector
	Value Added	Value Added
Industry	19.6	9.6
Construction	-	0.8
Transportation	18.8	9.2
Commerce	14.3	14.9
Financial	13.8	34.3
Services	—	—
Total	9.3	8.6

What stands out in Table 2 is that after ten years of the most radical privatizing free-market experiment, the erroneous conception of economic policy forced the conservative government of Pinochet to intervene in a percentage of production activities similar to that which had been planned by the socialist government of the Unidad Popular.

This gigantic failure has had a devastating effect on public opinion. The neo-conservative ideology has become discredited. The economic failure has predisposed the general public towards a total change in public policy. On the one hand the material and even legal conditions for major socialization of the means of production and financial activities are now present, since so many bankrupt firms are de facto in government hands. Because of the failure of the private enterprise model, nationalization might appear again as a legitimate option.

What type of regime would be ready to take up this option and use it to its full advantage, nationalizing all of the intervened sector? It would probably be a leftist statist regime of the kind that the military sought to eradicate in 1973. Polarized economic and political conditions do exist in 1985's Chile to the extent that a radical swing to the left after democratization is a not unlikely possibility, given the enormous failure of Pinochet's policies.

The nature of the regime, in terms of Table 1, would be statist as far as policy formulation is concerned, with participation in policy implementation limited to government-supporting labor organizations.<sup>9</sup> The scheme would polarize the political spectrum further, perhaps pushing the business sector more to the right. A relapse into authoritarian solutions would not be impossible under these circumstances.

### A Second Alternative Scenario: The Center-Right Coalition

An alternative--the opposite of that just described, yet sharing the statist character of public policymaking and partial corporative representation--would consist of a right-of-center government that would correspond to the typical liberalizing coalition observed in several processes of transition to democracy (Kaufman, 1980; Przeworski, 1984).

With regard to interest representation, the regime would tend to seek mechanisms for the participation of the business sector, while excluding workers' organizations, and would retain the centralized ability to define and implement public policy from above. This governmental form contains elements of restricted pluralism and would be situated between Boxes 3 and 4 in Table 1. Typical examples include Chile's rightist governments, such as Alessandri's, and the center-right governments of the 5th Republic in France.

The French case is especially illuminating. France, like Chile, has a long tradition of centralized state administration and of workers' confederations that are divided along ideological lines and which cannot represent workers as a whole. Industrial organizations in both countries are weak, even though they do possess a marked capacity to mobilize when threatened by adverse political coalitions. Both political systems are characterized by a multiplicity of parties with strong ideological differences, and a Marxist left which represents at least one-third of the electorate.

Beginning with the government of DeGaulle, the center-right coalition secured control of a stable electoral majority for more than twenty years. The state maintained strong control, while at the same time attempting to assure coherent policies and improved implementation of programs by way

of informal participation from representatives of business organizations and from executives from the largest public firms (Flanagan, et. al, 1983; Lehmbuch, 1982). Formal organizations such as a "Social and Economic Council," modernization committees, and hundreds of smaller committees and councils functioned with the representation of both the private sector and public firms and institutions. In DeGaulle's France, however, there was no scheme for delegating authority to corporate organizations as in the better-known cases of concerted action observed in the Scandinavian countries, and in Holland, Austria, and Switzerland.

Perhaps the most illuminating mechanisms in the French case were the "Contrats de Programme" --production agreements between the state and leading private firms. These were often secret agreements between the government and big firms. For example, a leading enterprise agreed to pursue technology improvements and better methods of production as proposed by the government. The firm also agreed to help apply the government's incomes policy -- if a firm conceded salary increases greater than the government's goals, then price controls would be imposed on the enterprise. As a quid-pro-quo, the firm had access to preferential and guaranteed state subsidized credit; the government and public firms would purchase needed inputs from that firm and not from others. Selected enterprises could freely manipulate prices to increase profits, as long as they were compatible with the government's plans for modernization and expansion (Flanagan, 1983). This arrangement signified the institutionalization of a close corporate alliance between a strong state and a private sector that adhered to the state's plans in exchange for a privileged status which implied the protection of its economic interests.

Labor organizations were excluded from the agreements. The rightist government attempted to discipline unions by adopting recessionary policies and indirectly controlling salaries through leading firms in each sector. In

addition, the government deliberately pursued a strategy of ignoring unions' demands until accumulated problems exploded in a wave of strikes. After a prudent waiting period, the government increased nominal salaries only to follow with monetary expansion and devaluation of the franc. The result was that wage increases were eaten up by higher price rises (Flanagan, 1983).

This type of government and corporate organization relationship corresponds roughly to that in Chile during the Alessandri administration in the last half of the 1950s.

#### Alternative #4: Concerted Policies in a Pluralist Framework

The fourth alternative, which corresponds to Box 4 in Table 1, allows for the coexistence of a pluralist system of interest representation with informal but systematic participation of corporate organizations -- both labor and business -- in selected areas of governmental decisions.

Perhaps the best illustration of how this alternative works is given by Italy in the 1970s and 1980s. In the last decades, Italy has evolved from a competitive and pluralistic system (which corresponds to Box 1 in Table 1) towards an alternative which is best represented by Box 4 in the same Table. Beginning with the emergence of center-left coalitions, a gradual process of non-institutionalized informal consultations with labor organizations, and in other cases with business organizations, was initiated. These organizations were usually consulted regarding key legislative initiatives and government actions.

The coalition between a multi-class Christian Democratic Party, with an electorate covering a wide spectrum of Italy's social structure, and a

socialist party in competition on the left with the communist party, provided the political conditions for the development of concerted action, particularly between the key labor organizations and the government.

The participation of labor organizations evolved gradually. Beginning with the transfer of majority control of the board of Social Security Institutions to labor representatives, it continued with labor incorporation into numerous local and national committees that sketch out specific sectorial and regional policies, including participation in management of public firms (Regini, 1982; Flanagan, et. al., 1983).

The inclusion of labor organizations in the State's decision-making was facilitated by the economic crisis that Italy faced in the 1970s. This forced the labor unions to focus not only on labor-related issues, but more and more on global economic problems: industrial revitalization, strategies to reduce unemployment in general and especially among the young, retraining of permanently displaced workers, international competitiveness of Italian industry, and the need to increase investment, especially in the south. All of these themes appeared in negotiations between the labor confederations and the government during the late 1970s.

A practical result of consultations with labor seems to have been that they accepted policies which implied a reduction in living standards, in exchange for a future perspective promising an improved economy through higher investment and increased international competitiveness of Italian industry. These arrangements have become increasingly important in Italy during the 1980s and they help explain that country's notorious ability to recover from major political and economic crises.

It must be stressed that, in the context of our discussion here, the

Italian system's versatility and its ability to adjust to changing conditions are particularly attractive features that are not abundant in most of Latin America. Rather, rigid ideological confrontations and antagonistic politics seem to have characterized the recent past, at least in the Southern Cone of Latin America. Even though the Italian case has been described by some as one of "dismal politics," it is not at all dismal when compared to the way politics has been conducted in Latin America.

Perhaps an approximation to the Italian model could be found in the experience of the Popular Front in Chile. The Front represented a broad center-left coalition which included the radical, socialist and communist parties; it governed from 1938 until 1947. Politically, this was a pluralist scheme with participation by business and worker organizations on certain public decisions. Strictly speaking, the former had a more significant participation, particularly in the boards of all major public corporations. Representation of labor organizations was minimal. Their demands were mainly voiced through leftist parties in Parliament, where they pushed for changes in social legislation and achieved an increase in social service for workers. The emergence of a welfare state and the gradual democratization of Chilean society, while a mode of capitalist development was retained, were the substantive contents of the class compromise represented by the Popular Front.

#### IV. Tendencies and Perspectives

Although the previous section explored some alternative forms of political life after authoritarianism in Chile, almost no reference was made to the probability of occurrence of any one of these alternatives. This will depend on the likely behavior of the respective political forces, social



actors, and, if we accept the argument presented in the first section of this paper, the role played by the intellectual-politicians in the definition of the tasks and agenda that post-authoritarian society imposes on itself. What is clear at this point about the Chilean case is that the future behavior of the pertinent forces and actors cannot be accurately predicted. For this reason it is only possible to suggest some of the pieces of the complicated mosaic that is beginning to form.

Twelve years after the military coup, the political class shows some signs of taking up politics where it left off: with bitter internal conflict where each group seeks to maximize its own short-term gains, without sufficient considerations for the long-term stability of the democratic system. Within this scheme there is a premium placed on the ability of a group to differentiate itself from all others. According to this fiercely competitive logic, the more the similarities between the programs proposed by two groups, the more they try artificially to differentiate from each other, a goal often achieved by radicalizing one's own party's positions. Outbidding becomes the name of the game. This already occurred in Chile during the 1960s. When the CDP took up the banners of agrarian reform and the nationalization of copper, the Popular Unity reacted by radicalizing its positions on these issues and introducing new themes, such as the need to expropriate a significant fraction of industry.

We will call this principle of political behavior "the risk of excessive coincidence." The result, when it is in operation, is that long-term political agreements are difficult to achieve.

Of course, ex-ante programmatic coincidences tend to become highly significant in the post-authoritarian phase. Thus, the economic crisis in Chile -- characterized by unemployment rates of 30% of the labor force, by per-capita output levels in 1983 equivalent to those already achieved in

1966, by the destruction of one out of seven industries and by an external debt per capita that duplicates the average for Latin America -- generates a wide consensus over what was wrong with the monetarist model and what now needs to be done (Foxley, 1983b).

Political and social conditions contribute to this convergence of proposed programs. After suffering political repression from the authoritarian state, political parties in the opposition place a new value on the need to strengthen civil society so that respect for human rights is insured, and autonomous spaces for social movements are possible. There is also agreement on the need to decentralize decision-making in order to avoid the recurrence of authoritarian forms of centralized government and hence to procure the development of truly participatory democracy (Pinto, 1983).

These coincidences, already evident within the so-called "Alianza democrática," a center-left coalition established in 1983, do not insure non-competitive behavior. In fact, one can already observe a tendency towards political differentiation even within this coalition.

Another possible tendency of Chilean politics has already been described in Alternative 3 of Table 1. The collapse of the financial system and the involuntary intervention of a large number of productive enterprises by the authoritarian state in Chile as a result of the failure of monetarist economics, creates structural conditions which make maximalist expropriation schemes a possibility. This is reinforced by the influence of events on the international scene. Just as the Cuban revolution had a strong, radicalizing effect on the Chilean socialist party during the 1960s, the Communist Party now absorbs and adopts as its own another imported scheme -- that of the Nicaraguan Revolution. Thus, objective conditions, which favor statism in the economic sphere, and the Sandinista

ideology provide a political framework which legitimizes the thesis, new to the Communist Party, of popular insurrection and violence. An extreme left coalition (the Popular Democratic Movement) is the instrument created by the Communist Party as an answer to the challenge posed by the reformist Alianza democrática. The Popular Democratic Movement seeks to outflank the opposition on the left.

This Communist Party strategy induces the expected response from the right which is aligned with the military regime --a more cautious advancement towards liberalization is proposed, as well as a more rigorous definition of what constitutes "acceptable" political behavior, before steps towards a "protected" democracy can be undertaken.

The process of liberalization becomes even more difficult to accept for the right, given the tremendous confusion in which it falls after the unexpected failure of the neoconservative economic model. The "explanations" for the failure given by the Chicago technocrats are not convincing. Businessmen begin looking for alternative economic schemes. One that seems attractive to a private sector in crisis is that represented by the Gaullist model. Current economic policies in Chile roughly follow this pattern.<sup>10</sup> This model --close cooperation between government and the largest firms-- has the advantage of permitting the right to recover from the losses caused by the economic crisis, while allowing it to gain time in order to position itself within any new democratic institutionalization designed from above by the state.

Perhaps the most promising tendency in the political spectrum of Chile however, is that of a widely based, center-left coalition, such as Alianza Democrática. But, even this type of coalition will be faced with some considerable challenges: a need to overcome the competition for ideological-programmatic differentiation among the principal components of

the coalition; a need for improved interaction with and representation of corporatist organizations (especially labor organizations); the necessity to redirect each group's maximization of short-term political interests toward long-term cooperation; and the need to enhance the capacity to respond more to society's real demands than to those of its political and intellectual elites.

We conclude by going back to a central theme throughout this paper: that the structural weakness of the Chilean economy, the errors of pre-authoritarian policies, and the deficiencies in political institutions are only partial explanations of Chile's inability to sustain a democracy and of the military's lengthy stay in power. To some extent, the crisis of the democratic regime in Chile is also related to the constitution of a self-sufficient political class which exacerbated its own interests and radicalized itself under the influence of important intellectual groups that ended up rather removed from the "real agenda" of society's problems.

Perhaps a fundamental first step towards the reconstruction of a truly democratic and durable political system in Chile should be the critical self-examination by these actors -- politicians and intellectuals alike -- of the role they played in Chile's recent past.

### Notes

1. Using Hirschman's expression: "Everything has to change before any improvement at all can be introduced."
2. The expression belongs to Flaubert and is quoted from Hirschman (1963).
3. The French Socialist Party solved the same dilemma during Mitterrand's successful presidential campaign, by proposing that self-management be applied as a principle in social interaction (promoting the free association of citizens in autonomous bodies) but not to be applied in the production sphere.
4. For instance, under the first version of the theory, the public was told that money supply was the key instrument for price stabilization. But later the same economists were saying that money supply was totally irrelevant, because now the economy was working under the principle of global monetarism, where money supply is "endogenous".
5. A state of siege was imposed, starting in November 1984.
6. For definitions, see Schmitter (1982).
7. The expression is Schmitter's.
8. The data in the first column includes the 91 firms and 14 banks originally considered in the Popular Unity Government's expropriation program. The last column provides similar information about those firms intervened by the Pinochet Government, after the insolvency crisis of the main economic conglomerates which were formed during the period of laissezfaire economics reigning in Chile since 1973.
9. It corresponds to the pattern observed during the UP government, 1970-1973.
10. "Current" refers to the date at which this paper is being revised, February 1985.

## References

- CASTLES, F. (1978), The Social Democratic Image of Society, Routledge and Kegan Paul, London.
- CAVAROZZI, M. (1975), "The Government and the Industrial Bourgeoisie in Chile, 1938-1964", Ph.D. Thesis, University of California, Berkeley.
- DAHL, R. (1982), Dilemmas of Pluralist Democracy, Yale University Press.
- DOS SANTOS, M. and GROSSI, M. (1983), "La concertación social: una perspectiva sobre instrumentos de regulación económica en procesos de democratización", Crítica y utopía, Buenos Aires.
- FLANAGAN, R., SOSKICE, D., and ULLMAN, LL. (1983), Unionism, Economic Stabilisation and Incomes Policies, the European Experience, Brookings.
- FOXLEY, A. (1971), Chile, búsqueda de un nuevo socialismo, Ed., Ediciones Nueva Universidad, Santiago.
- (1983a), Latin American Experiments in Neo-Conservative Economics, University of California Press, Berkeley
- (1983b), "Después del monetarismo", in CIEPLAN, Reconstrucción económica para la democracia, Editorial Aconcagua, Santiago.
- GARRETON, M.A. (1983), El proceso político chileno, FLACSO, Santiago.
- HIRSCHMAN, A. (1981a), "The Turn to Authoritarianism in Latin America", in A. Hirschman, Essays in Trespassing, Cambridge University Press 1981.
- (1981b), "The Rise and Decline of Development Economics" in A. Hirschman, Essays in Trespassing, Cambridge University Press 1981.
- (1984), "La confesión de un disidente", El Trimestre económico, No. 201.
- (1963), "Journeys Toward Progress", 20th Cent. Fund.

- KAUFMAN, R. (1980), "Liberalization and Democratization in the Context of B-A Rule", mimeo, Wilson Center, Washington, D.C.
- LEHMBRUCH, G. (1982), "Changing Relationships Between Labor and the State in Italy", in Lehbruch, G. and Schmitter, PH. Patterns of Comparatist Policy-Making, Sage.
- LINZ, J. (1981), "A Century of Politics and Interests in Spain", in S. Berger (ed.), Organizing Interests in Western Europe, Cambridge University Press.
- MOULIAN, T. (1983), Democracia y socialismo en Chile, FLACSO.
- O'DONNELL, G. (1983), El estado burocrático autoritario, editorial Belgrano, Buenos Aires.
- and  
SCHMITTER, PH (1984), "Political Life After Authoritarian Rule: Tentative Conclusions About Uncertain Transitions", mimeo, Kellogg Institute, University of Notre Dame
- PINTO, A. (1983), Chile, un caso de desarrollo frustrado, Ed. Universitaria.
- (1983), "Consensos y disensos en el espacio democrático popular", Colección Estudios CIEPLAN, No. 10, 1983.
- PRZEWORSKI, A. (1984), "Democracy as a Contingent Outcome", mimeo, Kellogg Institute, University of Notre Dame.
- and  
WALLERSTEIN (1982), "Capitalismo y democracia: una reflexión desde la macroeconomía", Crítica y utopía, No. 8, Buenos Aires.
- REGINI, M. (1982), "Changing Relationships Between Labor and the State in Italy", in Lehbruch, G. and Schmitter, PH, Patterns of Comparatist Policy-Making, Sage.
- SCHMITTER, PH. (1982), "Reflections on Where the Theory of Neo-Corporatism Has Gone" in Lehbruch, G. and Schmitter, PH, Patterns of Comparatist Policy-Making, Sage.
- (1984), "Democratic Theory and Neo-Corporatist Practice", in Social Research, forthcoming.

- (1979), "Still the Century of Corporatism", in Schmitter, PH. and Lehbruch G., Trends Towards Corporatist Intermediation, Sage.
- STEPHENS, J. (1979), The Transition From Capitalism to Socialism, MacMillan Press, London.
- STEVENSON, J. (1942), The Chilean Popular Front, Greenwood Press, Westport.
- TOURAINÉ, A. (1983), in Prefacio a M.A. Garretón, El proceso político chileno, FLASCO.
- VALENZUELA, A. (1978), "The Breakdown of Democratic Regimes: Chile", in J. Linz and A. Stepan (eds.) same title, Johns Hopkins Press.
- VIAL, G. (1981), Historia de Chile, 1891-1973.
- WILDE, A. (1982), Conversaciones de caballeros: la quiebra de la democracia en Colombia, Ediciones Tercer Mundo, Bogotá.