

The Paradox of the Neoliberal Developmentalist State: Reconstructing the Capitalist Elite in Pinochet's Chile

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INTRODUCTION

The Pinochet regime is generally considered the laboratory and paragon of neoliberal reform in the developing world. Albeit with strategic variations and temporary reversals, it reduced taxation, restrained public investment

This chapter is based largely upon 15 months of doctoral fieldwork in Santiago, Chile, between 2010 and 2011. During this time, the author carried out a comprehensive examination of archival and secondary sources at the National Library, including an in-depth review of the leading trade journals and publications of the *Sociedad Nacional de Agricultura* (National Agricultural Society—SNA) and the *Sociedad de Fomento Fabril* (Chilean Federation of Industry—SOFOFA). In addition, the author carried out 12 interviews with former and high-ranking members of the Pinochet government and the post-1990 democratic governments, as well as academics and key civil society actors. The author previously carried out 8 months of research in Temuco, Chile, for his Master's thesis, and has lived and worked in Temuco and Santiago, Chile, for 7 years. In 2015, the author returned to Chile for a month, at which time he updated several aspects of his doctoral fieldwork and reviewed the most recent and relevant research.

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and spending, privatized hundreds of firms under state control, and liberalized trade, price, and labour markets at a pace and with a depth that remain remarkable even today. In less than two decades, Chile went from one of the world's most closed and regulated economies to one of its most open and liberal. From the mid-1970s, the old import-substitution industries collapsed under the weight of trade liberalization, while non-traditional exports flourished. Between 1970 and 2000, non-traditional agricultural exports exploded from just over US\$100 million to more than US\$7 billion (Banco Central de Chile 2001, 68–70). Export expansion in turn drove growth. Per-capita Gross Domestic Product (GDP) rose close to 5% per annum between 1985 and 2010, nearly quadrupling Chile's historical average from 1810 to 1985 (see Schmidt-Hebbel 2006).

Over time, however, more careful analyses began to reveal the public foundations of many of the new export industries (Schurman 1996; Perez-Aleman 2000), leading Marcus Kurtz to declare Chile a curious case of “state developmentalism without the developmental state” (2001). But how do we explain this apparent paradox, between orthodox neoliberalism and state developmentalism, between a state that is both subsidiary and developmentalist? This chapter will argue that the paradox vanishes when we conceptualize the Pinochet regime in sociological rather than economic-developmental terms. More than economic development, the underlying objective of the military dictatorship was social-constructivist, to carry out, in the words of one of its main architects, “an authentic revolution in the productive and social structure, in the orientation of its development, and in the perceptions of the people” (Büchi 2008, 237).

A central component of this capitalist revolution was the construction of a capitalist elite capable of subordinating the state and integrating civil society into its socio-economic and ideological networks.¹ Rather than withdrawing from the socio-economic life of the nation, the military regime deployed the extraordinary state power inherited from the deposed socialist government of Salvador Allende (1970–1973). Through reconstruction of the financial and agrarian sectors, mass privatizations, state subsidies and supports, and ideological renovation and diffusion, the Pinochet regime forged a capitalist elite whose economic, political, and ideological power is unprecedented in Chilean history. Perhaps ironically, it is the very success of this revolutionary project that now represents one of the greatest obstacles to the economic development and political stability of the country.

This chapter begins with a brief examination of the Chicago Boys and the revolutionary and constructivist nature of their political and economic vision, and the centrality of the reconstruction of the capitalist elite to this radical project. Second, the author examines how state planners reconstructed the financial and agrarian sectors, so as to fashion and empower a new set of dominant capitalist actors that would support and advance the revolutionary project from civil society, and provided lavish subsidies for the development of the non-traditional-export sector that would become a key economic base of the new capitalist elite. Third, the chapter demonstrates how the Chicago Boys regrouped after the financial crisis of the early 1980s to complete the reconstruction of the capitalist elite prior to the transition to democracy in 1990. The changing composition and unprecedented power and influence of the new capitalist elite in contemporary Chilean life are examined in the fourth section. The fifth and final section provides concluding thoughts on some of the central fault lines of Chilean society and contends that the renovated capitalist elite, arguably the greatest accomplishment of the dictatorship, may now represent a principal obstacle to the continued economic development and political stability of the nation.

THE CHICAGO BOYS AND THE REVOLUTIONARY STATE

In his discussion of post-revolutionary France, Marx observed that the bourgeoisie came to power not "...through a liberal revolt of the bourgeoisie against the throne, but through...a mutiny of the proletariat against Capital. That which it imagined to be the most revolutionary, came about as the most counter-revolutionary event" (2005, 11). So it was in Chile, where the dialectic of socialist revolution and military reaction set the stage for a state-led capitalist revolution. The principal agents of this revolution were not the military generals, however; they were a small group of Chilean economists trained mostly at the University of Chicago, who came to be known as the 'Chicago Boys' (Valdés 1995).² And the Chicago Boys were much more than state technocrats: while their power base rested in the various state ministries responsible for social and economic policy, their reach and influence extended throughout civil society, into the financial and corporate sphere, the universities and professional institutes that trained the new generations of business leaders, and the think tanks and media organizations that developed and disseminated the ideological program of the capitalist-revolutionary project.

From the moment of their ascension to the top ministerial portfolios by the mid-1970s, there was a clear sense of revolutionary mission among the Chicago Boys. Indeed, the historical opportunity presented by the Allende government was clearly grasped, as suggested in the economic and political blueprint that the Chicago Boys prepared for the military junta, *The Brick*: “It [the Popular Unity government] opens a wide channel for a real and profound correction” (De Castro 1992, 29). José Piñera, the architect of the social-security privatization, claimed that the chaos unleashed by the Allende government bestowed the military regime with a “revolutionary legitimacy...to carry out profound transformations” (1979, 7). Jaime Guzmán, who would become a leading ally of the Chicago Boys within the regime, similarly contended that “Chile needs to undergo profound transformations which represent a change considerably more revolutionary than those which would have been needed to convert Chile into a socialist country” (cited in Fontaine 1991, 297).

The Chicago Boys were also cognizant of the lack of widespread support for their revolutionary project, particularly among the traditional capitalist elite. After being rebuffed by most Chilean capitalists throughout the 1960s, the Chicago Boys knew their project would provoke stiff opposition from the entrenched business interests that, in the words of *The Brick*, “...cultivate close relationships with politicians and state officials” and “whose actions run contrary to the general interest” (De Castro 1992, 50, 32). As former Minister of the Economy and President of the Central Bank, Pablo Baraona, observed, the task of the military regime was not only “...to restore in the eyes of the public the role of private enterprise in economic development” but also to transform the practices and mentalities of the dominant business actors by carrying out “...a transition towards an economic system better suited to the production of true businessmen” (DIPRE 1978, 353–355).

The conservatism of the Chilean business elite meant that the revolutionary project would have to be planned and led from within the state. And contrary to popular perceptions, the Chicago Boys were advocates of state planning and intervention. *The Brick* defended the “necessity of planning the global activities of the country” (De Castro 1992, 31), while the Chicago-Boy-dominated *Oficina de Planificación Nacional* (National Planning Office—ODEPLAN) described the state during the dictatorship as “...decisive in the socio-economic development of the country” (ODEPLAN 1976, 8). In his memoirs, former Minister of

Finance Hernán Büchi rejected the term ‘deregulation’ to characterize the economic policy of the Pinochet years, writing “...the word could not be more unsatisfactory” and arguing that the objective of the military regime was not to deregulate but rather to construct new regulations and norms to govern economic and political activity (2008, 63). In a sense, the Chicago Boys sought to use the power of the state to plan its obsolescence, a sort of historical inversion of the prediction of Engels that the state would ‘wither away’ in communist society.

THE RECONSTRUCTION OF FINANCE

Although the expropriations of the Allende years significantly weakened the entrenched capitalist interests that had opposed the Chicago Boys from the 1960s onward, they also left the military dictatorship without a capitalist elite capable of and willing to lead the revolutionary project from civil society. The dictatorship thus faced the same fundamental problem that had haunted Chilean governments from the 1920s onwards: how do you implement pro-capitalist reforms when these are opposed by an ensconced and risk-averse capitalist elite that had been protected from competition since the late 1800s. The answer of the economic planners, as it turns out, was to construct a new capitalist elite, and financial reform and privatization were the two chief mechanisms (Moulian and Vergara 1981; Rozas 1984).

Most left-of-centre analysts view the financial reform of the 1970s as a disastrous experiment in neoliberal and deregulatory orthodoxy, but what such analyses overlook is the deeper purpose of financial reform. One can distinguish between the overt and covert levels of policy, between the specific macroeconomic and sectoral policy and political objectives and effects, such as fiscal and monetary restraint and the repression of real wages to restrict demand and reduce inflation, and the deeper level at which policy impacts the formation and transformation of institutions and social forces (Schneider 1984, 210). At the covert level, it becomes clear that financial reform was designed primarily to channel resources to Chicago-Boy-connected firms in the financial sector who would support the revolutionary project from within civil society.

Indeed, it is telling that the sequence of reforms prioritized financial reform over privatization, given the historically marginal role of financial institutions in the Chilean economy. Rather than quickly privatizing productive assets, the military regime first authorized the creation of

new non-bank financial institutions (*financieras*) that could lend money without any interest rate restrictions and with very low reserve requirements, while subjecting the state bank, nationalized banks, and private savings and loan institutions to more stringent interest rate and reserve controls, the effect of which was to channel resources to the new financial institutions (Arellano 1983, 7; Fortín 1985, 167–168). Because Chicago-Boy-connected financial firms, particularly the *Banco Hipotecario de Chile* (Mortgage Bank of Chile—BHC) Group, participated in the deliberations for and design of financial reform (despite the objections of other policy makers and economic groups), they were able to use insider information to set up *financieras* early and use the resources to purchase the privatized banks (Silva 1996, 107–108).

With the financial sector firmly in the hands of the Chicago Boys, restrictions on foreign liabilities were eased in 1977 and eliminated in 1979. As foreign loans trebled between 1977 and 1980, the percentage of the total captured by the financial services sector rose from 4% in 1976 to 72.9% by 1981 (Mizala 1985, 6), granting the financial sector enormous power and influence within the domestic economy. The centralization of the financial sector and foreign savings facilitated a similar concentration of domestic credit, with two of the largest Chicago-Boy-financial conglomerates (BHC-Vial and Cruzat-Larraín) accounting for 60% of domestic credit by 1981 (Mizala 1985, 8). By the second half of the 1970s, then, financial reform had placed the Chicago-Boy-controlled conglomerates at the commanding heights of the national economy.

From their privileged location in the newly prioritized financial sector, the Chicago-Boy conglomerates were well-positioned to snap up the most attractive and lucrative privatized assets. Between 1975 and 1981, the military government privatized 207 firms in which the state held a controlling financial interest, via liquidation, public tender of share blocks, and direct sales (Hachette and Lüders 1992, 45–46; Corbo 1993, 22). The decision to provide state credit to purchases backed by financial assets (the purchased assets which could then be used to guarantee future credit) favoured concentration of ownership by the large financial conglomerates controlled by the Chicago Boys. The number of firms controlled by BHC-Vial and Cruzat-Larraín rose from 28 in 1970 to 174 by 1979, and their total assets tripled those of the next two largest conglomerates (see Dahse 1979; Rozas 1981; Schneider 2010, 663). Profits were similarly concentrated in the financial sector, whose share of total profits rose from 1% in 1960 to 18% by 1980 (Fortín 1985, 186).

The privatization of the 1970s has been criticized for its nepotism (Schamis 2002) and for the sale of state assets at well below market prices (Foxley 1983). More than simple nepotism, however, the privatizations of the 1970s were carried out with the objective of constructing a social foundation for the neoliberal project: a dynamic capitalist elite that would support the revolutionary project from civil society. To this end, assets were concentrated in the hands of newer conglomerates committed to the radical reform project and the development of non-traditional exports, a kind of primitive accumulation to produce a capitalist elite with a stock of capital adequate to drive the restructuring project. Of the six largest family conglomerates at the end of the 1950s, only two were among the six largest by the end of the 1970s (Table 2.1). All the top families in the 1950s were among the economic and political elite of Chile already in the nineteenth century. By the end of the twentieth century, however, only the Matte family, which moved from pulp and paper into forestry exports in the 1970s, would continue to figure among the 20 most powerful economic clans in the nation.

While the established elite declined, they were replaced by new family conglomerates. By the end of the 1970s, Cruzat-Larraín and BHC-Vial controlled nearly 40% of the assets of the 250 largest corporations in the country, more than triple the share of the next two largest conglomerates (see Dahse 1979; Rozas 1981). While Manuel Cruzat, Fernando Larraín, and Javier Vial all hailed from prominent Chilean families connected to politics and finance, they represented a new generation of businessmen and amassed fortunes, power, and influence well beyond that of their ancestors. The Chicago-Boy conglomerates were in turn complemented by two new family groups, Angelini and Luksic. Founded by first generation immigrants from Italy and Croatia, these two families built

Table 2.1 Six largest family-based conglomerates, 1950s and 1970s

1950s	1970s
Alessandri-Matte	Cruzat-Larraín
Cortés-Cousiño	BHC-Vial
Edwards	Matte
Braun-Menéndez	Angelini
García-Picó	Edwards
Furman, Pollack, and Lamas	Luksic

Source Elaborated from Martínez Echezárraga (2016) and Zeitlin and Ratcliff (1988)

diversified business empires from their origins in non-traditional export industries, particularly fisheries and forestry.

Bolstered by the revolving door between the policy-making apparatus of the state and the largest financial conglomerates, what Rozas called the “state-private sector circuit” (1981, Appendix 19), the Chicago-Boy financial conglomerates utilized ‘gravitational pull’ and ‘demonstration effect’ to subsume and rearticulate the old industrial elite. The initial response of established capitalists to the new order was slow: “for most entrepreneurs the old habits remained intact...Diversification under this form of organization is slow and difficult, requiring a break with established patterns based on social, economic and family traditions” (Schneider 1984, 215). The financial conglomerates used their preferential access to savings—gravitational pull—to provide credit for the old economic elite to restructure, diversify, and survive, which helped to modernize production and mute opposition (Rozas 1984, 61; Silva 1996, 145). Gravitational pull was complemented by demonstration effects, whereby the Chicago-Boy conglomerates recruited managers from other groups and encouraged cross investments, constituting interlocking alliances that transcended parochial interests and mindsets: “The conglomerate constituted a node of articulation for the large corporate interests. Early on the young businessmen [Chicago Boys] understood that hegemony over the social group was achieved on the plane of concrete relations” (Rozas 1981, Appendix 18).

The emergent conglomerates utilized their control over financial and productive assets to develop and support the new export sectors, such as forestry, agro-business, and fisheries (Dahse 1979, 140; Gálvez and Tybout 1985; Rozas 1984, 35). Inflows of fixed capital were not channelled into protected non-tradeable sectors, as was the customary pattern, but were invested in the new export-oriented activities promoted by policy makers. As Agacino, Rivas, and Román observed, “...the greater part of new flows [of fixed capital investment] were destined for other sectors of the economy (forestry, mining and services)” (1992, 59). By 1980 five conglomerates, Cruzat-Larraín, BHC-Vial, Angelini, Luksic, and Matte controlled over 60% of the total private sector export bill (Dahse 1979, 140). The shifting sectoral composition of the national economy in turn decimated the organized working class, as employment in industry and construction collapsed from 25.8% of the Economically Active Population (EAP) in the early 1970s to barely 11% by 2009 (Boccardo 2012, 63).

The reorientation of the national economy, moreover, was facilitated by the integration of a new generation of entrepreneurs connected to and supported by the Chicago-Boy conglomerates, who moved from the public to the private sector as salaried employment in the former decline precipitously under the weight of fiscal austerity, from 18.4% of the EAP in the early 1970s to 6.8% by 1995 (Boccardo 2012, 63). Export industries such as fruit, forestry, and fisheries were driven in significant part by small and medium-sized businesses started by a new generation of educated, middle-class entrepreneurs. According to Montero, many of these new entrepreneurs had accessed credit by means of personal contacts they had with former coworkers or classmates working in the financial conglomerates.³ The findings of Montero are supported by Mizala, who found that firms connected to the financial conglomerates were more likely to access credit (no surprise given the concentration of domestic credit), and more importantly that 83% of the firms that received credit from the Chicago-Boy conglomerates were small and medium-sized, a far more equitable distribution of credit than from other financial providers (1985, 10).

Critics of the ‘orthodox’ neoliberal reforms of the 1970s have contended (1) that the non-mining export expansion was the product of investments made by previous governments, not the military regime; and (2) that levels of exports and productive investment only really took off in the 1980s and 1990s, after the abandonment of neoliberal orthodoxy. To the first point, it is undoubtedly true that the accumulated base of productive and human capital that preceded the military coup played an important role in the export expansion of the 1970s and 1980s. And yet, there is no reason these prior investments obviate the significance of investments made in the 1970s and 1980s, particularly given the substantial state supports discussed below.

As for the second point, there was clearly a very significant expansion of non-traditional exports in the 1970s, as we can see in Fig. 2.1.

Contrary to the assertion that investment during the 1970s consisted purely of speculation, with little directed towards productive sectors, there were in fact very substantial productive investments made that laid the foundation for the economic expansion from the mid-1980s. While it is true that investment as a percentage of GDP was not appreciably higher in the late 1970s than in the 1960s, this is misleading for two reasons. First, what is missed by the aggregate data is the level and rate of expansion of *private sector* investment in fixed capital. As Fig. 2.2 demonstrates, private sector investment in fixed capital expanded rapidly

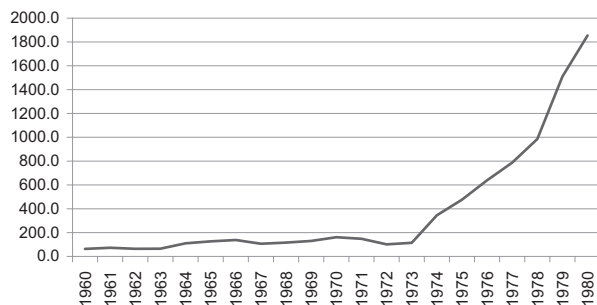


Fig. 2.1 Non-mining exports (millions of US\$FOB), 1960–1980. *Source* Elaborated from data in Banco Central (2001, 856–859)

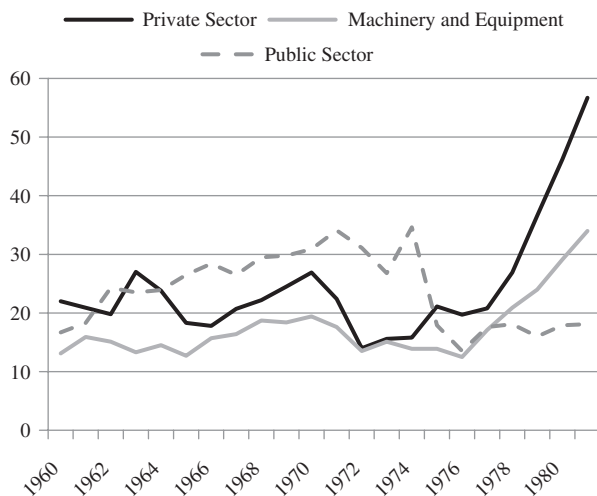


Fig. 2.2 Fixed capital investment (millions of 1977 pesos), 1960–1981. *Source* Elaborated from data in Zucker (1988)

from the mid-1970s, masked in the aggregate by the decline in public sector investment. What is more, a significant portion of public sector fixed capital investment in the 1960s was made in housing sector rather than investments in machinery and equipment.

By the early 1980s, investment in machinery and equipment had more than doubled its 1960s' average, led primarily by the private sector (Gutiérrez Urrutia 1983, 11–12).

Fixed capital investment, moreover, was driven by the non-traditional export sectors, including a fivefold increase in fixed capital investment in the non-mining natural resource sector between 1974 and 1980, which accounted for nearly 40% of investment by 1983 (see Sánchez 1983; Artiagoitia 1988). A massive influx of private sector lending in the agricultural sector drove private sector investment from an annual average of US\$16.1 million between 1965 and 1970 to over US\$36 million by 1982 (Cox 1983, 95–104). This investment was in turn concentrated in the emergent sectors of agro-industry, fruit, and vineyards (Cruz and Leiva 1982, 15). Real investment in the fruit sector, for instance, rose nearly 150% between 1974 and 1986 compared to the period from 1965 to 1973 (Ministerio de Agricultura 1989, 29), while the number of hectares planted with fruit increased from 65,670 in 1973 to over 96,000 by 1982 (Montero et al. 1992, 62). The forestry sector experienced a similar influx of private investment, with the annual growth of new plantations surging from 45,000 between 1965 and 1973 to nearly 80,000 by the early 1980s. By 1986, of the more than one million hectares dedicated to forestry plantations, 70% had been planted within the previous 10 years (see Clapp 1995; INFOR 1991).

The Chicago-Boy conglomerates also introduced new forms of corporate organization and control that facilitated the centralization of authority and the decentralization of production. The older forms of corporate organization were based upon family groups that were run with little in the way of global planning and coherence (Dahse 1979, 25). The new conglomerates, on the other hand, centralized power and control via holding companies, direct ownership with indirect forms of control via mutual funds and banks, and the usage of interlocking shareholdings, the latter of which can support the diffusion of ideological and political orientations, as well as strategic and management practices (Palmer 1983; Zeitlin 1974). These changes in corporate organization also facilitated the shift towards more capital-intensive production and the decentralization of the productive organization, both of which served to weaken the organizational capacity of labour and integrate workers into the new and more flexible employment arrangements (Díaz 1995, 10–11).

The centralization of power and control in the hands of Chicago-Boy conglomerates was accompanied by a parallel transfer of control within the commodity cycle, as power shifted upstream from production to finance and downstream from production to commerce. Agricultural producers, for instance, found themselves increasingly dominated by

agro-export firms and supermarkets, who exercised control over the production process and product as a result of their access to domestic and foreign consumers (Clark 2011). Powered by the decentralization of the productive structure and horizontal integration pioneered by the Chicago-Boy conglomerates, and bolstered by trade liberalization, powerful firms rapidly concentrated the historically dispersed retail sector, squeezing input providers, wiping out small-scale sellers, and restructuring import-substitution industries, like metallurgy, that were most effective in meeting the challenges of foreign competition (Díaz 1995; Stecher 2013).

The power and influence of the Chicago Boys transformed not simply the economic and organizational foundations of the capitalist elite but their ideological orientation and projection as well.⁴ Prior to the 1970s, the Chilean capitalist elite were ideologically heterogeneous and dispersed, organized primarily at the sectoral level to extract favourable policies for particular firms and industries (Undurraga 2012, 204). The leftwards drift of the Catholic Church and the political radicalization from the 1960s, however, drove many business people towards ultra-conservative orders such as Opus Dei and the Legionnaires of Christ, and unified the capitalist elite politically, albeit into a fundamentally reactionary position (Undurraga 2012, 204–218).

From this conservative canvass, the Chicago Boys slowly constructed a new self-perception of and public image for business and businessmen as the drivers of social progress, laying the foundations of what Nigel Thrift called “the cultural circuits of capitalism” (2005).⁵ The purging of radical elements from the university combined with the expansion of Chicago-school-dominated economics and business administration departments to create an ideological training ground for future entrepreneurs and executives. From their foothold in the flagship daily *El Mercurio*, moreover, the Chicago Boys and their followers in the business world established a host of new print media, such as *Economy and Society* and *Qué Pasa*, to advance their ideological project.

At the same time, think tanks such as the *Centro de Estudios Públicos* (Centre for Public Studies—CEP) and *Libertad y Desarrollo* (Liberty and Development—LyD) were set up to influence and shape debates over public policy and train the business community in the new ideological vision of free markets and private enterprise (Pollack 1999, 62–64; Ruíz 1983, 12–14). By the early 1980s, the capitalist elite and their major peak associations were under rapid transformation. SOFOFA, once governed

by the old industrial elite and opposed to liberalization and competitive forces, was controlled by firms connected to the export-oriented model and imbued with the values of competitive individualism. As the former President of SOFOFA, Orlando Saenz, himself an early opponent of the Chicago Boys, observed in the early 1980s: “Businesspeople [now] ascribe to a logic in which competition forms an intrinsic part of success... even though in the Chilean experience the businessperson had been not so much a competitor than a negotiator with the state and the public administration” (cited by Campero 1984, 299).

RECONSTRUCTION AND SUBSUMPTION OF AGRICULTURE

At the time of the coup, the military regime had a weak social base in the countryside as well. The state controlled much of the agricultural land and capital goods, prices were set by state agencies, and property rights were often collective and non-transferable (Kurtz 2004, 73). Rather than return agrarian assets to the former landlords, however, the military regime embarked upon a radical transformation of the countryside and redistribution of land, based upon a dynamic, agro-export model. Indeed, the military junta’s views on the old hacienda system were revealed by a representative who declared to the SNA in 1974, “We consider the latifundio socially and economically retrograde” (cited in Ortiz de Zárate 2003, 47).

The military regime reconstructed the countryside via three mechanisms. The first was the return of lands to former owners (revocation and restitution), up to 80 Basic Irrigated Hectares (BIH).⁶ This mechanism accounted for nearly 30% of the land in state hands and constructed a medium-sized agrarian capitalist sector, consistent with the objectives of the 1967 agrarian reform law of the Christian democrats (Jarvis 1992, 191). The second mechanism was the utilization of land auctions (7.5%) and the transfer of lands to public institutions (4.2%), primarily to the *Corporación Nacional Forestal* (National Forestry Corporation—CONAF). Auctioned lands were sold to the highest bidder and lands transferred to public institutions were subsequently privatized to conglomerates—such as Luksic and Matte—that would invest heavily in the nascent forestry sector.

The third mechanism was the assignation of lands to small-scale farmers, which represented nearly 60% of the lands in the hand of the state. The ascension of the Chicago Boys, however, transformed agrarian

policy away from the farmer road favoured by the military, towards the domination of the countryside by large-scale agro-capitalist exporters. Indeed, the objective of land assignments went from the construction of a political base for the military regime in the countryside to a means of creating a supply of land for fluid property markets. Rather than support the beneficiaries of assignments, the budget for public investment was slashed, guarantees for bank loans were eliminated in 1976, and officials from the *Instituto de Desarrollo Agropecuario* (Agricultural Development Institute—INDAP) were prohibited from providing credit to land-reform beneficiaries (Jarvis 1992, 196; Kurtz 2004, 76).

The military regime then promulgated Decree Laws 2247 and 2405 in 1978, which legalized the sale of land, the holding of estates over 80 BIH, and corporate ownership of land. The elimination of restrictions on large and corporate estates, when combined with the legalization of land sales and the restriction of support for peasant beneficiaries, created both the supply and the demand for the land markets through which state planners hoped to concentrate land in the hands of powerful agro-industrial interests. As the Deputy Director of the National Sugar Company in the 1970s noted, the parcellization of land and the construction of land markets represented the main mechanisms through which “...new capital entered into agriculture” (Büchi 2008, 71). The utilization of asymmetric land markets rather than mere assignment was critical to the legitimization of the neoliberal land reform as, once the original redistribution project was completed, any subsequent outcomes could be attributed to individual responsibility and neutral market forces (Kurtz 2004, 82). The corollary of the reconcentration of land in the hands of large landowners was the creation of a poorly paid rural proletariat concentrated in small towns.

The reconstruction of the countryside produced three new types of agrarian capitalists. The first was the class of medium-sized capitalists that emerged from the restitution of land to previously expropriated owners, the size of whose holdings, under conditions of international competition, compelled them to act as modern capitalist farmers. The second group consisted of middle-class professionals who used loans from the financial conglomerates to purchase land in the new export sectors. The final group consisted of the agro-industrial interests that were privatized into the control of the nascent financial conglomerates and began to purchase lands in the 1970s, a process that accelerated with the crisis of the 1980s (Furche et al. 1987, 111–113). All of these groups, moreover, benefitted from the land made available as a result of the policy-designed

collapse of the peasant agricultural sector in the face of trade liberalization and reduced state support. Over the course of the dictatorship, nearly 60% of the peasant beneficiaries sold their land: 50% to the former owners and 40% to other persons, in many instances to investors from outside the agricultural sector (Hachette and Lüders 1992, 51).

The deeper objective of the land reform, however, was the reconfiguration of the relationship between land and capital, and the subsumption of the former to the latter. The Chicago Boys were keenly aware of the political nature of land ownership and agrarian reform. As former Minister of Finance Büchi wrote of the agrarian reform of the 1960s and early 1970s, “My opinion is that the basic objective of the agrarian reform was never economic. It was... at its deepest level...a strategy to break the traditional nexus between landlord and rural worker” (2008, 72). In carrying out their own version of agrarian reform, the military regime sought to invert the historical relationship between land and capital.

In the pre-land reform period, land served an important part as a source of political power. Historically land ownership conferred control over the rural vote, which in turn ensured access to congress and served as a conservative bulwark in the political system (see Bauer 1990). As Zeitlin and Ratcliff (1988) found, the political representatives of the integrated capitalist elite in the 1950s and 1960s continued to come from the great landowning families. The political power conferred by land ownership was used to extract economic rents from the state (and from the mining sector indirectly), while processing industries were established and controlled by large landlords. Two decades of agrarian reform, however, severed the traditional nexus between agriculture and political power, on the one hand, and agriculture and industry on the other (Diaz and Rivera 1986, 43).

In the post-agrarian reform Chile, land ownership ceased to provide reliable votes and new urban agro-industrial and commercial firms not linked to the countryside were concentrated in the hands of the financial and retail conglomerates via privatization and productive restructuring. In the new order, the exercise of political power was shaped not by access to land but by access to capital. According to the new rationality, the value of land ownership was less dependent on the size of the tract than on its relative levels of capitalization and profitability. The social purpose of land became primarily an instrument for the reproduction and expansion of private capital accumulation and landowners were increasingly subordinated to urban agro-industrial and retail interests

(Díaz and Rivera 1986, 53–54). As Sáez and Larraín observed, “...there exists...a new rationality in the agricultural sector. Gone are the patriarchal and aristocratic characteristics of old, as land has ceased to be a symbol of prestige and source of political power and become strictly a business enterprise” (1989, 69). By the 1990s, moreover, capital had effectively subsumed not only land but also labour, with formerly unionized agricultural workers and smallholders reintegrated into productive networks as a dispersed and flexible rural proletariat.

STATE SUPPORTS, SUBSIDIES, AND CREDITS

Despite the public proclamations of sectoral neutrality, state subsidies and supports guided the market towards the development of new firms and sectors throughout the 1970s. As the Chicago-Boy-dominated ODEPLAN affirmed, “The State will provide incentives for the growth and development of modern and efficient national companies through CORFO [(*Corporación de Fomento de la Producción*) (Chilean Economic Development Agency)], SERCOTEC [(*Servicio de Cooperación Técnica*) (Technical Cooperation Service)], the development banks, PROCHILE [(*Dirección de Promoción de Exportaciones*) (Export Promotion Bureau)], the State Bank, and other institutions” (1976, 8). The industrial development and export promotion programs of the dictatorship can be classified into two groups: horizontal and sectoral programs. Horizontal programs supported export industries at the macro-level, while sectoral policies targeted particular firms and industries.

At the horizontal level, sales tax and tariff rebates were approved in the 1970s for the importation of raw materials and capital goods to be used in exports, while special lines of credit were extended to exporters, refinanced by the Central Bank at a reduced cost (Vera Giusti 2001, 49–50; DIPRE 1978, 240–241). In 1975 the military regime founded ProChile to carry out studies and develop contacts in foreign markets and organize exporters to increase market share and export value. ProChile organized and worked closely with export associations to develop foreign markets and facilitate contact with foreign traders, and it paired with CORFO to finance an export promotion fund (Achurra 1997, 66). Microeconomic evidence based on firm surveys suggests that ProChile had a significant impact on product technological improvement, the introduction of new products, and improved management (Alvarez and Crespi 2000, 239–240).

Sectoral policies were even more aggressive. Chile Foundation, a partnership between the Government of Chile and the ITT Corporation (as part of the compensation for expropriation under Allende), played a key role in the establishment of the salmon industry and the modernization of the wine industry, as well as the introduction and development of numerous agro-export lines, including asparagus, blueberries, and oysters (Agosin et al. 2009, 30; Fundación Chile 2007, 23–29). In the forestry sector, Decree Law 701, promulgated in 1974, provided a subsidy for the planting and management of forestry plantations of up to 75% of cost, while also providing a variety of tax incentives (Meller 1994, 105; Vera Giusti 2001, 41–43). In agriculture, the State Bank and CORFO opened multiple lines of credit for investment and expenditures, while the Central Bank set up credit facilities for Chilean exporters and for the purchase of Chilean exports abroad (see ODEPLAN 1978). INDAP more than doubled its credit program for large-scale agriculture between 1974 and 1979 and increased the percentage dedicated to productive investment more than fivefold. In the burgeoning fruit industry, the number of hectares planted with INDAP credit rose from 40 in 1975 to 900 by 1980 (Ministerio de Agricultura 1989, 227–229).

FINANCIAL CRISIS AND RE-PRIVATIZATION

As the Chicago Boys consolidated their influence in the state and civil society, however, storm clouds were brewing in the economy. The fixed exchange rate policy, when combined with the indexation of wages to inflation and the liberalization of trade, created significant ‘Dutch disease’ effects and provoked severe macroeconomic disequilibria. The trade deficit rose sharply from 3.2% of GDP in 1978 to 12.9% by 1981. The full liberalization of the capital account and inadequate financial regulation, moreover, initiated an explosion of foreign indebtedness, which nearly trebled between 1977 and 1981. The combination of these policies led in turn to an unsustainable asset and consumption bubble. Unfavourable external conditions put the final nail in the coffin, driven by deteriorating terms-of-trade and the dramatic increase in the US dollar interest rate in 1981, which increased net factor payments abroad by 83% and precipitated the most severe economic collapse since the 1930s (Haindl Rondanelli 1999, 10–12).

The economic crisis was concentrated in the financial sector. By late 1981 financial institutions in the country owed US\$2.5 billion, double

the combined capital of the industry (Martínez Bengoa and Díaz 1996, 59). In June of 1982, the government abandoned the fixed exchange rate; in January of 1983 it dissolved three financial institutions and intervened in another five, including the two largest banks in the country, the Bank of Chile and the Bank of Santiago (Edwards and Edwards 1991, 48). By 1985 the state controlled a share of the total economy comparable to the Popular Unity years, leading critics to deride the economic policies of the military regime as the “Chicago road to socialism”.

Faced with extraordinary levels of publically guaranteed foreign debt and direct state control over the economy, debt-for-equity swaps and privatization became two of the principal means to complete the reconstruction of the capitalist elite. Two legal mechanisms were set up to administer debt-for-equity swaps: Chapter XVIII (US\$3.28 billion) to convert dollar debt to peso-denominated debt for domestic investors, which could then be swapped for equity, and Chapter XIX (US\$3.6 billion) for foreign investors. The chief domestic beneficiaries of Chapter XVIII conversions were the powerful non-financial economic groups that had concentrated assets in the new export industries like Angelini, Luksic, and Matte (Avendaño 2001, 14), while Chapter XIX swaps were organized to allow the Central Bank to channel foreign resources into the tradable sector, which accounted for 70% of Chapter XIX swaps (Williamson 1990–1991, 472–473). Within the tradable sector, more than 70% of conversions went to industry, focussing on new export sectors such as pulp and paper, food-processing sectors, forestry, and fruit (Haindl Rondanelli 1999, 42).

The debt conversion process dovetailed with the privatization of the so-called ‘strange area’ (firms that were legally private but had come under state control following the financial crisis) and the traditional public monopolies. The main modalities used were patrimonial (auction of share blocks to large investors) and institutional (sale to pension funds). The cash requirement for the purchase of privatized assets favoured large domestic capitalists who were invested in the nascent export sectors. When combined with the debt-for-equity swaps, the cash requirement stimulated joint ventures with foreign investors, which capitalized upon the managerial acumen and foreign-market access of those foreign investors to strengthen domestic exporters (Fernández Jilberto 2004, 198; Montero 1997, 268–278).

Another central component of the reconstruction of the capitalist elite was the creation of the *Administradoras de Fondos de Pensiones* (Pension Fund Managers—AFPs). Although most AFPs are owned by foreign conglomerates, they have played a critical role in the development of

liquid capital markets that have bolstered the domestic conglomerates. In 1985, the government liberalized investment rules for AFPs to allow investments in equity and publically traded shares. Supported by regulations and incentives that favoured bond emissions and bank deposits with terms over 1 year, pension funds were able to channel an enormous pool of private savings, around 35% of GDP by 1993, into private capital markets. Between 1985 and 1989, AFP investments in corporate shares exploded from a mere US\$200,000 to over US\$454 million, and by 1992 pension funds held 60% of corporate bonds (Büchi 2008, 113–117; Hermes 1995, 117; Larroulet 1994, 213).

Over the 1980s the military regime continued to prop up the reconstructed capitalist elite via state supports, subsidies, and credits. CORFO provided more than US\$500 million in subsidized credit to non-traditional exporters in 1986, and the State Bank and the Central Bank opened subsidized credit lines for small and medium-sized exporters (Büchi 1987, 1147–1149; Kurtz 2001, 14; Moguillansky 1999, 48). The government also expanded the simplified drawback of import duties for exporters, the value of which was based on export sales. So successful was the drawback program that Agosin et al. estimated that participating firms saw their exports rise by nearly 500% compared to similar but non-participating firms (2009, 25). Decree Law 18,450 of 1985 made substantial subsidies available for irrigation investments in agriculture, 95% of which were captured by large producers, thus further consolidating the emergent agro-industrial capitalists (Kay 1997, 20), while subsidies to forestry and other sectors were sustained and the forestry sector boomed.

THE CHILEAN CAPITALIST ELITE TODAY

From early on the Chicago Boys were cognizant that their capitalist revolution would require the construction of a dynamic and powerful capitalist elite. Indeed, as Minister of Finance Sergio de Castro observed in 1978, the subsidiary state model depended upon the existence of a dynamic class of capitalist entrepreneurs and investors to exercise leadership and hegemony, from civil society rather than the state: “in this way, and only in this way, can we guarantee the state will become truly subsidiary” (DIPRE 1978, 382). The reconstruction of the Chilean capitalist elite began in the 1970s with the ‘state-private sector circuit’ organized around the Chicago Boys in the principal economic ministries of the state and a handful of financial conglomerates, which channelled productive assets and subsidies to strengthen those capitalists committed to the project.

When the Chicago-Boy conglomerates collapsed in the early 1980s, the state intervened and bolstered the non-financial elements of the new capitalist elite further via debt swaps, privatization, and targeted supports and subsidies. The continuation of the basic macroeconomic, trade, and support policies since the 1990 return to democracy, moreover, further strengthened the dominant conglomerates, the result of which was the formation of a capitalist elite whose economic clout, political influence, and ideological hegemony is now unprecedented in Chilean history.

The capitalist elite today are significantly different from the elite of the 1950s and 1960s. As Fig. 2.3 demonstrates, the principal family conglomerates that comprise the capitalist elite vary considerably from the main family groups of the 1950s and 1960s. Indeed of the 20 largest family conglomerates in Chile, only six were among the

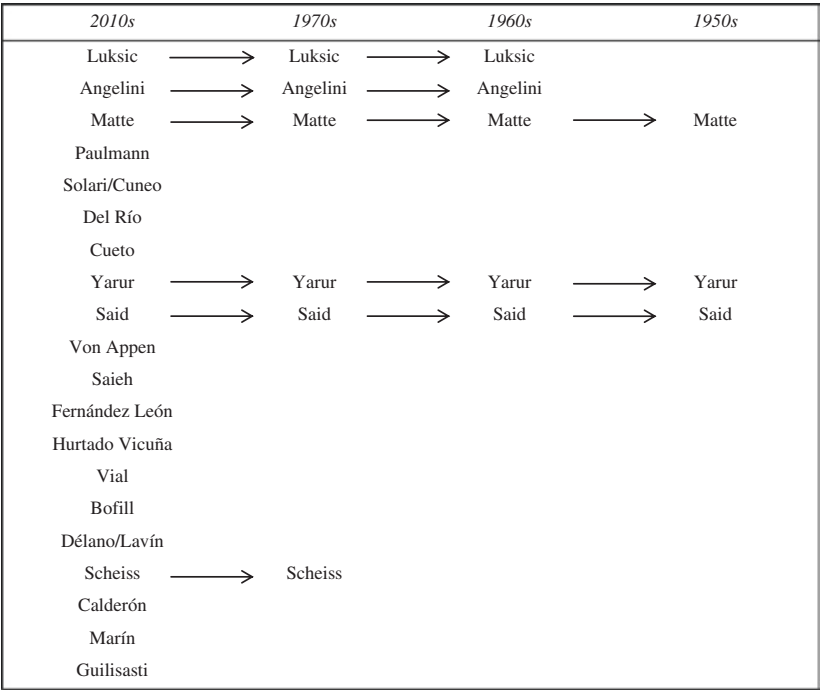


Fig. 2.3 Origins of the 20 largest Chilean entrepreneurial families, 2010s to the 1950s. *Source* Drawn from Martínez (2016)

top 20 families in the 1970s and only three were among the major economic family groups of the 1950s. Put another way, 14 of the 20 largest entrepreneurial families rose to prominence in the last 30 years and 16 of the 20 are led by first or second generation entrepreneurs (Martínez 2016, 266). The shift in the dominant families over the past 40 years, moreover, tracks closely transformations in the economic structure of the nation, from industrial and agricultural production for the domestic market towards resource exports, commerce, and services.

The portfolios of the dominant economic family groups in the 1950s and early 1960s had two main characteristics: first, most of the family groups were organized around a bank. The role of the bank, however, was not as a source of profits. Given the levels of financial repression that prevailed in the 1950s and 1960s, banks were primarily a source of reliable financing. The financing secured from the ownership of banks was in turn invested in agricultural and industrial production for the domestic market.

The Alessandri-Matte group, for instance, was organized around the *Banco Sudamericano* (South American Bank—BSA), but their principal interests were in paper products, cement, steel, agriculture, and livestock. Similarly, the Yarur and Said families were organized around the *Banco de Crédito e Inversiones* (Credit and Investment Bank—BCI) and the *Banco Panamericano* (Pan-American Bank), respectively, but the fortunes of both families originated in the textile industry.

The largest economic family conglomerates today are organized around a quite distinct set of economic interests. The investments of the 20 largest economic family groups are concentrated in finance and insurance (as a source of profit not lending), retail, agro-industry for export, transportation, telecommunications, mining, and energy. The rise to prominence of finance and retail is encapsulated by the Paulmann, Solari/Cuneo, and Del Río families. None of these families were among the dominant economic families of the 1950s, 1960s, or 1970s; all three made the bulk of their fortunes in the last 30 years. As economic power shifted upstream to finance and downstream to retail, the Paulmann, Solari/Cuneo, and Del Río families concentrated the retail sector via department stores and supermarkets, while connecting retail back to finance through the provision of consumer credit.

As one can see in Fig. 2.4, consumer credit exploded in Chile from the mid-1980s, driven largely by the retail stores owned by the Paulmann, Solari/Cuneo, and Del Río families. In fact, Chile is the only country in the world where major retailers have more credit cards in circulation than do the banks (OECD 2011, 23). All the largest conglomerates today, moreover, are characterized by high degrees of concentration and cohesion, building upon the organizational models pioneered by the Chicago-Boy financial conglomerates of the 1970s. The dominant conglomerates of twenty-first-century Chile are very much creatures of the economic, political, and cultural revolution of the Pinochet regime.

The most powerful family conglomerates are not just relatively new; they exercise an extraordinary level of influence within the local economy. The 20 largest economic groups control 85% of the assets of listed companies, with the five largest groups controlling nearly 50% (Lefort 2010, 395). Large firms that comprise 1.4% of all listed companies now account for an extraordinary 81.6% of domestic sales and approximately 95% of all exports (Cademartori 2011, 117; Solimano 2012, 131). At the sectoral level, four supermarket chains control nearly 90% of sales; five banks control 75% of market share; three companies control 92% of the pharmaceutical industry, two companies control 70% of electricity generation, and one firm controls 78% of the sugar market, 88% of airline traffic, and 89% of beer sales (Ruiz 2005, 46; Ruíz and Boccardo 2009, 33; OECD 2011, 22).

The concentration and cohesiveness of the capitalist elite stand in stark contrast to the decline and disarticulation of what was once one

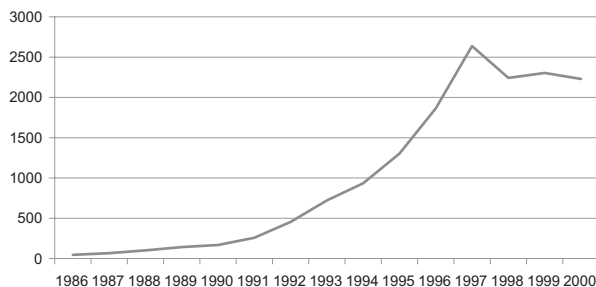


Fig. 2.4 Consumer credit (millions of CP\$), 1986–2000. *Source* Elaborated from data in Amar Sapaj et al. (2001)

of Latin America's most organized and influential working classes. Under the weight of trade liberalization, productive reorganization, and social and labour policies designed to individualize and commodify social relations, Chilean workers have found themselves mired in precariousness. Despite the significant increases in real and minimum wages from the mid-1980s, wages in the 1990s were still catching up to pre-coup levels, and the working class has suffered sharp income declines. For instance, the share of blue-collar workers in the top four income deciles fell dramatically from 37% in 1971 to 16% by the second half of the 1990s (León and Martínez 2001, 22–24). Similarly, while the average wage is US\$715 per month, 53.5% of Chileans earn less than US\$450 per month (Durán and Kremerman 2015a, 6). The decline of protected industries where labour was strong and the harsh Labour Code passed by the military regime produced a collapse in the rate of unionization, from 34% during the Allende government to 14.2% by 2013 (Durán and Kremerman 2015b, 2). Many workers now find themselves at the whim of their employers, with fewer than 40% of workers holding fully protected contracts, i.e., a written contract of indefinite duration with pension, health, and employment-insurance contributions (Ruíz and Boccardo 2009, 41–42; Narbona and Tonelli 2011, 1).

The enormous disparities in the economic power and organizational capacity of the capitalist elite and the working class, buttressed by a constitution and political system designed to impede challenges to elite rule, have conferred upon the Chilean capitalist elite an extraordinary structural and institutional power in the political life of the nation (see Fairfield 2015). Given the remarkable concentration of assets, it is small wonder that an important part of the rationale provided by democratic governments for the mild nature of their reforms since the 1990s has been the need to appease business interests and maintain economic activity. From taxation and environmental policy to labour and social-security reform, the limits of public policy during the post-transition years have been powerfully shaped by what was perceived as acceptable to the dominant conglomerates, so as to “avoid a negative or dysfunctional reaction from business”, as Edgardo Boeninger, former top advisor to President Aylwin, noted (1997, 465). The capitalist elite, moreover, maintains tight connections to the rightist political parties (and have strengthened their connections to the centre-left

since the 1990 transition), which has enabled them to block and weaken legislative initiatives that threatened their entrenched interests, such as labour reform under President Aylwin and tax reform under President Lagos (see Fairfield 2010). And finally, the high degree of institutionalized consultation between the executive and the dominant economic groups, established during the 1980s, has continued to provide the capitalist elite with privileged access to key policy makers (Teichman 2001, 92).

The political influence and cohesion, in turn, are buttressed by a remarkable degree of ideological coherence. Prior to the 1970s, the Chilean capitalist elite were ideologically heterogeneous and dispersed, with little in the way of a global developmental vision and a significant distance between the ‘political’ and the ‘economic’ right (Undurraga 2012, 204). By the 1990s, however, Chile had arguably the most ideologically cohesive capitalist elite in Latin America (Arriagada 2004). While the generation that has taken over from the 2000s is less ideologically rigid and less shaped by the conflicts of the 1970s than their predecessors, their ideological influence within civil society remains powerful, bolstered by one of the most concentrated media industries in the region, in which two conglomerates control nearly 95% of newspapers (Mellado 2012).

The foundations of the ‘cultural circuits of capitalism’ laid by the Chicago Boys in the 1970s continued to develop and strengthen the ideological coherence and influence of the capitalist elite throughout civil society and the state. For instance, the Department of Economics and Business Administration at the Catholic University not only trained the first generation of new business leaders, it shifted the centre of intellectual gravity and extended the influence of neoclassical economic throughout the country. The CEP, moreover, would become one of the most influential think tanks in Latin America, the ‘neurological centre of business thinking’, while the Instituto Chileno de Administración Racional de Empresas (Institute for the Rational Administration of Business—ICARE) became a nodal institution and ideological training ground for private enterprise. By the end of the 1980s, the capitalist elite in Chile had transcended its narrow lens and defensive posture and exercised an active leadership role in civil society through the promulgation of an ideology organized around individualism, competition, and private enterprise, a true cultural revolution (see Undurraga 2013).

CONCLUSION: WAS THE CAPITALIST REVOLUTION TOO SUCCESSFUL?

This chapter has made two central arguments: (1) that the Pinochet regime carried out a state-led capitalist revolution from above; and (2) that this capitalist revolution required for its success the reconstruction of the Chilean capitalist elite itself. One question that emerges, however, is this: was the revolutionary project a success? The answer of course depends greatly on how one defines ‘success’, which in turn depends on how one conceptualizes and understands the objectives of the military regime. If the objective was the construction of a capitalist elite capable of driving economic growth and integrating the state and civil society into its networks of power and influence, then the answer would appear to be yes. And yet, the military regime may have created a capitalist elite so powerful and insular that it now represents arguably one of the greatest obstacles to addressing the most serious structural and institutional challenges facing the country today.

Considerable scholarly and policy debate has taken place in Chile since the return of democracy over economic diversification and industrial upgrading. However, the capitalist elite have been able to block the formulation of a more robust industrial policy that they fear would infringe upon their investment and profit prerogatives. As a result of this failure to diversify from the initial export successes of the 1970s to the 1990s, economic growth has slowed and exports have come to depend more and more upon the mining sector. What is more, for all the impressive export growth, exports continue to consist of primary and natural-resource-based products, which represent 70% and more than 90% of all exports, respectively (Mesquita Moreira and Blyde 2006, 5). In the case of copper, diversification has actually regressed, with the share of refined copper in total copper exports falling from 97% in the early 1970s to barely 50% (Nem Singh 2010, 72). As the most recent commodity supercycle unwinds, Chile will face significant pressures on its trade and payments balances. This sense of stagnation and opportunity lost permeates the public. Despite the strong growth and low unemployment for much of the past decade, 60% of Chileans describe the country as stagnating or declining (CEP 2012, 9).

The levels of economic concentration and market power have also produced deep inequalities of income and opportunity that undermine

the legitimacy of the political order. Two decades after the transition to democracy, income inequality had barely declined from a GINI of 0.57 in 1990 to 0.55, compared to a GINI of 0.25 for Denmark and Norway, which rank among the world's most egalitarian countries in terms of income distribution. Primary and secondary schools in Chile demonstrate characteristics of 'hyper segregation', and segregation levels have risen since 2000 (Valenzuela et al. 2014). Although the current government has passed a major education reform to address issues related to cost and accessibility, there is evidence that free education may not be the silver bullet for reducing socio-economic segregation. For instance, university graduates from high-income families earn on average 50% more than similar graduates from poor families, and the 'class earnings gap' is nearly twice as large as the gender gap and more than three times the racial gap (Núñez and Gutiérrez 2004; Núñez and Pérez 2007). The inequalities produced by this network of ancestry and income are compounded by profound levels of socio-geographical segregation. In Santiago the isolation index is 90%, meaning that families from poor neighbourhoods have only a 10% chance of interacting with families from other socio-economic strata (Lambiri and Vargas 2011).

Economic slowdown and persistent inequality have in turn contributed to rising levels of social protest throughout the country. And while it would be simplistic to attribute all failures to address these deeper-seated issues to the power and influence of the capitalist elite, they shape the political life of the nation in numerous and significant ways. Their control over investment, output, and employment represents powerful structural constraints on policies opposed by capitalist elites. Their influence within political parties and their access to office holders provide potent instrumental channels through which to shape the formation and legislation of public policy, and their significant ideological reach, particularly within elite circles, means many issues related to their power and privilege remain outside the public debate and off the political agenda. The Chilean capitalist elite are arguably the greatest legacy of the military regime and the greatest obstacle to the future economic development and political stability of the nation. Whether countervailing forces can emerge from civil society to challenge the power and prerogatives of this elite will shape powerfully whether Chile can address the serious social,

economic, and environmental challenges facing the nation and escape the ‘middle-income trap’.

NOTES

1. A note on terminology: the term ‘elite’ is used here instead of ‘class’ for a specific reason. The term elite is more commonly associated with the Weberian tradition, where social groups are defined by their internal characteristics, i.e., income level, education, etcetera, while class is more closely associated with the Marxist tradition, in which actors exercise class power, defined and conceptualized in relational terms. Because this chapter is focussed on the internal characteristics of Chilean capitalists, the term ‘elite’ is utilized.
2. The label ‘Chicago Boys’ is used here to describe the core group of individuals, most of whom were trained in economics and business administration at the University of Chicago, who designed and implemented the revolutionary project, both from within the state and beyond. Key members of the group were neither economists (Jorge Cauas) nor Chicago-educated (Hernán Büchi and José Piñera), nor state officials (Manuel Cruzat). There were also differences and disagreements amongst the individuals one could describe as ‘Chicago Boys’. What united the group, however, was their adherence to a common sense of mission (the revolutionary transformation of Chilean society), values (economics as a neutral science, the elevation of markets, and a suspicion towards politics and the state), and core policy positions (liberalization of markets and private ownership of economic assets).
3. Interview with former President of the Chilean Association of Sociologists and researcher at CIEPLAN, Dr. Cecilia Montero, July 29, 2011, Santiago, Chile.
4. Indeed, former HBC executive and Minister of Finance Rolf Lüders commented that the new generation of business people viewed the older generation with much skepticism and saw themselves as transforming the mentality and role of businesspeople in the country. (Interview with Rolf Lüders, July 19, 2011, Santiago, Chile.)
5. Thumala (2013) contends the neoliberal adulation of private enterprise and markets was largely compatible with ultra-conservative religious beliefs, particularly with regards to the religious belief that the talented and privileged have a responsibility to strive and achieve.
6. BIH stands for Basic Irrigated Hectare, a standard measurement unit that originated from the agrarian reform period to control for land quality.

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