

CHILE IN MESA-LAGO'S MARKET, SOCIALIST, AND MIXED ECONOMIES: CHILE, CUBA, AND COSTA RICA

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For an author, a comparative study on countries he has been analyzing for three or more decades represents a major challenge. How to deal with the issue of the conclusions of previous analyses influencing the results of the new?

Carmelo Mesa-Lago faced several challenges in *Market, Socialist, and Mixed Economies*. First, selecting national researchers who were his students and had conducted independent research on the development experience of their countries. Second, developing hypothesis based on his previous work and that of others, as well as additional hypothesis based on current development theories. And finally, personally collected, check and refined the data to produce the series that underpin the study. Through this methodology, he was able to draw on autonomous critics within his team and test the hypothesis using longer and more refined data.

Mesa-Lago's intimate, deep and extensive knowledge of Chile, Costa Rica and Cuba, together with independent collaboration, permitted him to produce three outstanding case studies, combining institutional and policy aspects and systematic data series that allow comparison of the countries' performance. Nevertheless, those already acquainted with Mesa-Lago's impressive intellectual production, may have preferred strictly an institutional approach—on which the author excels—rather than that combined with a ranking-oriented statistical approach.

The Chile case study combines the extensive and fruitful debate by national and foreign economists

and social scientists, with the work of Mesa-Lago and his research collaborators, Arenas and Montecinos. A main contribution to the case study by the senior author, which permits comparisons with the other two countries, is the periodization of the process of economic change in Chile.

The development model pursued by Chile changed over the time span examined by Mesa-Lago. It changed as the domestic situation evolved, from the economic crisis of 1974-76, and that of 1981-85, to the economic recovery and political change-democratization scenario that followed. In the 1990s, social-justice or distributive-oriented changes were introduced in Chile's market or neo-liberal model, while Cuba's socialist and Costa Rica's mixed or social-democrat models incorporated market-oriented changes. The author establishes how, contrary to conventional wisdom, Chile's authoritarian and Cuba's totalitarian political regimes showed far less policy continuity than democratic Costa Rica.

On the Chile case, social justice and distributive-oriented changes that marked the government of President Alwyn (1990-94) were combined with several additional basic changes to the previous market model with far reaching consequences. Some examples will illustrate this point:

- On the issue of reinsertion into the international economy, President Alwyn and his democratic successors preferred an open regionalism approach, choosing negotiated economic openness over unilateral actions.

- They also favored regional commerce—with Argentina, Brazil and Mexico—and infrastructure integration with geographically close Latin American countries to support external sector diversification of products and markets that the former unilateral openness policy did not assure.
- The market model pursued by the authoritarian regime relied on low labor costs and sacrificed social equity to macroeconomic stability and international competitiveness objectives. The democratic governments implemented increases in the minimum and general salaries, thereby putting additional pressure on productivity gains to reach such objectives. As a result, the poverty reduction capacity of the Chilean economy rose and the costs of the deterioration of equity declined.

Nevertheless, basic policies and the market model were maintained.

Moreover, the democratic regime's commitment to free enterprise represented continuity to the authoritarian military government's creation of an entrepreneurial class and development objectives. State administrative capacity was not used as an instrument to support private enterprise "spurious" profits. Growth in the education, health and social security sectors also continued. Privatization policy continued under democratic governments but on a social evaluation, case-by-case approach, and under the control of *Superintendencias* (regulatory bodies). Furthermore, the tax reform adopted in 1991, passed with the consensus of all the political parties, achieved various objectives: guaranteed the recovery and modernization of the education and public health sectors, increased competitiveness in the public and private sectors, and focalized benefits to the poorest and to those in vulnerable-age groups.

Chilean public sector secular efficiency was necessary for the introduction of structural reforms and to promote development by the authoritarian regime. But the "dogmatic" attachment to the radical reduction in state size and intervention was a reason why proper development had not been accomplished after 17 years of military rule. Later, the democratic regime included state reform and modernization, acknowledging its strategic role on international commercial negotiation and, particularly, the success on the expansion of social services and poverty alleviation programs. During the 1960-96 period analyzed by Mesa-Lago, compared with Costa Rica and Cuba, as well as other Latin American countries, Chilean public-sector efficiency was one of the main factors explaining similar or better achievements in Chile.

The Chilean transition to democracy and a more socially and efficiently balanced economic model, as well as the economic changes to the Cuban socialist model after the dissolution of the CMEA and the Soviet Union, were far more complex and extended transformation processes than the economic reforms in the Costa Rican mixed model. Chile's successful transition to democracy and the survival of Cuban socialism have attracted international attention and several specialists and Latin American politicians have asked if the Chilean lessons could be useful on a future Cuban transition to democracy and structural reforms to introduce a market model. The Chilean experience shows the critical contributions of the consensual transition program adopted, including a plebiscite on General Pinochet continuation in power, favoring economic and political actors role change and democratic regime economic policies acceptance. Peaceful political change and economic transformation, stability and growth accompanied the return to democracy.