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Administering Authoritarianism: The Birth of the Free Market Model in Pinochet's Chile.

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Abstract

This research paper aims to dissect the origins of the free-market in Chile and its institution through dictatorship. The purpose of this paper is to analyze privatization as an instrument of conservative governments– specifically the Pinochet regime (1973-1990). It outlines how the authoritarian government arose in the geopolitical context of the Cold War which led to a series of neoconservative fiscal policies inspired by Milton Freidman and the "Chicago Boys." This paper goes on to analyze the structural transformation that drastically changed the economic output of the country. The case study highlighted is the Chilean Water Code and the privatization of water rights. This paper ends with a discussion and analysis of the free-market project's success due to the regime's effectiveness in disorganizing the opposition and the Constitution of 1980, which is compared to its socioeconomic effects on Chilean citizens.

Introduction

At 9:00 am on the morning of September 11th, 1973, President Salvadore (el compañero presidente) broadcast his final address to the nation of Chile. The catalyst for this was the replacement of all pro-Allende radio broadcasts with military communiqués and martial music. However, the members of the Partido Comunista de Chile (Chilean Communist Party) at Radio Magallanes broadcasted the spirited final words of President Allende.

He stated, "Radio Magallanes will surely be silenced and the calm metal of my voice will not reach you. It doesn't matter. You will continue to hear it. I will always be at your side…Long live Chile! Long live the people! Long live the workers![1]" Shortly after Allende's final address, Radio Magallanes was forced off the air, and Augusto Pinochet's military operatives began their raid on La Moneda. However, before the station was silenced, they managed to play the nation one final song from the Chilean nueva canción repertoire titled "No nos moveran.[2]"

As the threat of fascism loomed over the nation, the lyrics of the song took on "a life of its own" for the members of the Unidad Popular coalition.[3] The song reads, "No, no, they will not move us/Let he who doesn't believe it put it to the test/They will not move us!/United in a labor union/ They will not move us![4]" "No nos moverán" was emblematic of the fight for socialism as it was popular among Allende supporters at mass action events. The song, a message of hope and patriotism in the face of dictatorship, paid a final homage to Allende's socialist Chile.[5]

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[1] Spener, David. "A Song, Socialism, and the 1973 Military Coup in Chile." In *We Shall Not Be Moved/No Nos Moverán: Biography of a Song of Struggle*, 17–26. Temple University Press, 2016.
[2] Nueva canción, a Chilean musical genre originating in the 1960s, is characterized by its socially conscious lyrics and acoustic instrumentation, often drawing inspiration from traditional Latin American folk music. Rooted in political activism, nueva canción played a pivotal role in expressing dissent and fostering cultural identity during a period of social upheaval in Chile.
[3] Spener, "Song, Socialism," 23.
[4] Spener, "Song, Socialism," 20.
[5] Spener, "A Song, Socialism," 20.

The toppling of the democratic multi-party system came not only as a shock to the nation and government of Salvador Allende but to Chilean identity. After nearly a century of democratic rule, the historic coup d'état marked the end of the democratic tradition of rule in Chile. The airstrikes from Chilean fighter planes on the presidential palace ended in the death of former president Salvador Allende and his socialist government. The consequential demise of the Popular Unity government brought the country into alignment with the military rule that held power in nearly every other surrounding country.

The Chilean party system began during the late-nineteenth century and established Chile as one of the few democratic Latin American countries. Unlike what happened in the case of Brazil, Mexico, or Argentina, no significant party was founded under state authority in Chile (though few have arisen after politicians left office), and democratization became ingrained in Chilean identity. The multiparty system adopted by the 1890s, in fact, grew out of societal divisions over the role of the Catholic Church in state institutions and society. The multifaceted issue– and the polarities that formed over it–created "clerical and anti-clerical parties, social groups, and subcultures, each with easily identifiable intellectual and ideological referents.[6]"

However, while the division of Church and State in 1925 did not eradicate clerical and anticlerical divisions, it did shift the main source of conflict to class divisions. From this, additional parties, social groups, and subcultures were created that came to span all ends of the traditional political spectrum from Left to Right. The vast majority of lawmakers and government officials in Chile have either been party members or had strong links to them. Thus, deciding to create a new party or run as an independent is irresponsible as a politician due to the fact that a vast majority of the public is aligned with one of the main party labels. The Chilean

[6] Valenzuela, J. Samuel. 1995. "The Origins and Transformations of the Chilean Party System." Kellogg Institute For International Studies. https://kellogg.nd.edu/sites/default/files/old_files/documents/215_0.pdf.

party system is so important to national life in linking social groups to the state that it has been described as the 'backbone' of Chilean society.[7]

[7] Valenzuela, "The Origins and Transformations" 5.

Methodology

I chose to hone my studies on the impact of privatization in South American countries. The region has been viewed as a "victim" in the context of the economic structure of global integration due to the mass exploitation from multinational corporations.

An article I read by June Nash, "Consuming Interests: Water, Rum, and Coca-Cola from Ritual Propitiation to Corporate Expropriation in Highland Chiapas of Mexico" sparked my interest in the moral implications of privatizing resources with the lack of government regulation and policy change to address growing shortages. Her article explores the regional expropriation of one of the most basic resources, water, and how this has altered local consumption practices in the highland Chiapas of Mexico. This topic interested me due to the human rights violated for the sake of privatization and free-market reforms.

Through further research, this interest led me to the nation of Chile. Chile was one of the first countries to adopt a free-market economic framework and is currently the only country in the world that has an entirely privatized water sector. The Chilean Water Code was adopted alongside free-market oriented reforms under the dictatorship of Augusto Pinochet Ugarte. Pinochet's rise to power in 1973 subsequently led to the death and disappearance of countless Chileans and the indoctrination of social inequity and poverty across the country.

I have analyzed the complex interplay between the politics and economics of privatization in Chile through a wide range of socioeconomic and political sources. I begin with the relevant historical background that defined the region throughout the 1970s and 1980s. This sets the foreground for a discussion of the free-market model in Chile. I, then, offer an account of the rise of Pinochet and Milton Freidman's Chicago Boys in the country. I also offer a literature

review to provide further context on the junta's strategy in implementing their neoconservative framework. I finish with a case study on the Chilean Water Code and a discussion of what made Pincohet's free-market project so successful. This discussion will analyze privatization as an instrument of authoritarianism as the Pinochet regime weaponized conservative fiscal policies to transform the economic state of the nation.

If Chile was the cradle of neoliberalism, it will also be its grave.

- Gabriel Boric

Authoritarianism in South America

South America in the 1970s and 1980s

The global ideological conflict of the Cold War had profound impacts on regional dynamics around the world. In South America, politics were shaped by the establishment and maintenance of authoritarianism and military regimes. Alongside Chile, Brazil and Argentina experienced military dictatorships that lasted until the mid-1980s. All three regimes committed human-rights atrocities, and implemented economic policies that varied but often included elements of free-market capitalism with a focus on deregulation and privatization.

In the case of Argentina, the nation was not unfamiliar with political instability and military rule. The military regime led by Jorge Rafael Videla in 1976, however, was the most extreme and cruel expression of the five previous regimes. Known as the "dirty war" the chosen method of repression during this period was a "clandestine system of detention and disappearance.[8]" The primary goal of this strategy was to dilute responsibility and ensure that all arms of the military were involved. Yet, the bureaucratically co-ordinated system did not translate effectively into practice, and led to tensions and fragmentation between the various

[8] The period of state terrorism in Argentina from 1974 to 1983 as part of Operation Condor, in which death squads and military and security forces went after political dissidents and anyone thought to be connected to the Montoneros movement, left-wing Peronism, or socialism. This group was known as the Argentine Anticommunist Alliance, or Triple A.The National Commission on the Disappearance of Persons (CONADEP) stated that the variety of torture techniques used "is astounding due to the imagination shown." Torture included dehumanizing the victim by assigning them a number as well as horrendous living and feeding conditions; Catoggio-Soledad, Maria. 2010. "The Last Military Dictatorship in Argentina (1976-1983): the Mechanism of State Terrorism." Sciences Po. https://www.sciencespo.fr/mass-violence-war-massacre-resistance/en/document/last-military-dictatorship-argentina-1976-1983-mechanism-state-terrorism.html.

services.[9] The regime, also known as the National Reorganization Process, eventually collapsed due to fragmented rule, civil unrest, the failed military campaign to invade the Falkans islands, and the unanticipated consequences of free-market reforms.[10]

The military regime in Brazil from 1964 to 1985 also marked a prolonged period of authoritarian rule characterized by the suppression of democratic institutions and the curtailment of civil liberties. On March 31, 1964, the military toppled João Goulart's reformist center-left government and imposed a tutelary authoritarian dictatorship to dominate civil society and the political system.[11] In an effort to protect the region from the perceived threat of communism, this regime served as a political model for similar governments in Latin America during the Cold War. The military attempted to expedite capitalist development and the "national integration" of Brazil's enormous area while enacting arbitrary laws and harshly suppressing left-wing political organizations and social movements.

Similar to Pinochet's Chile, the regime implemented economic policies that emphasized state intervention in the economy, known as the "Brazilian Miracle," resulting in rapid economic growth but also contributing to increased income inequality.[12] Eventually, the military lost its grip on power in 1985 due to a combination of domestic and international pressure, and

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[9] Disagreements over strategy, leadership, and the handling of the Falklands War created rifts among the military leadership, diminishing the regime's cohesion.

[10] The economic consequences of the implemented reforms failed to placate a significant external debt crisis, high inflation, increased poverty and inequality, and the deepening of the recession that followed the Falkland War.

[11] The 1964 coup, which was the result of a plot involving Brazilian social and political parties and backed by the US government, falls into two different historical settings. From a global perspective, it was caused by anticommunism's influence on Brazilian politics and society. Domestically, since the republic's founding in 1889, the elites of the armed forces and civilian population have been indoctrinated into an authoritarian, exclusive, and conservative political culture, which ultimately led to the coup.

[12] While still successful, the free-market reforms in Brazil were not established with the same persistence and continuity as in Chile. Brazil experienced shifts in economic policies during its military regime, with variations in approaches and levels of commitment; Napolitano, Marcos. 2018. "The Brazilian Military Regime, 1964-1985." *Latin American History*, (April). https://oxfordre.com/latinamericanhistory/display/10.1093/acrefore/9780199366439.001.0001/acrefore-9780199366439-e-413.

economic challenges. This led to a transition to civilian rule and the restoration of democratic governance in Brazil.

Guillermo O'Donnell, an Argentinian political scientist, argued that social and economic modernization in developing nations correlated with the rise of bureaucratic-authoritarian regimes.[13] He criticizes modernization theory, which argues that development is simply the transfer of technology and science, and "emphasizes internal forces and sources of socioeconomic development such as formal education, market-based economy, and democratic and secular political structures.[14]"

O'Donnell instead framed the modernization of South American nations as a catalyst for the rise of authoritarianism. He states that "the exclusion of the popular sector can sometimes be achieved with psychological or economic payoffs; otherwise, the exclusion requires the application of strong and systematic coercive measures,"[15] To effectively adopt free-market policies, the political conditions must limit bargaining and interest representation to the leaders at the top of governmental organizations and demand-formation methods where dissent would have no place.

Privatization as a Tactic of Conservative Governments

Privatization shifts the government apparatus by implementing a new institutional framework, and altering the ways in which citizens mediate, proliferate and express their

[13] Remmer, Karen L., and Gilbert W. Merkx. "Bureaucratic-Authoritarianism Revisited." *Latin American Research Review* 17, no. 2 (1982): 3–40. http://www.jstor.org/stable/2503143.
[14] Wright, James D., ed. 2015. *International Encyclopedia of the Social & Behavioral Sciences*. N.p.: Elsevier Science.
[15] O'Donnell, Guillermo A. 1979. *Modernization and bureaucratic-authoritarianism : studies in South American politics*. N.p.: Institute of International Studies, University of California.

individual and shared interests.[16] The shift in function away from the public sector and toward the private sector shrinks government responsibility and intervention in the market. In sum, this movement is the broad interest in privatizing state assets in areas that were formerly the domain of the state.[17]

In "The Political Underpinnings of Privatization: A Typology" Harvey B. Feigenbaum and Jeffrey R. Henig state, "The specific consequences of such an institutional restructuring are hardly agreed upon or the same for all: some groups in a more privatized arena would find their interests more clearly defined and more readily promoted; other groups would find the opposite.[18]" Both scholars argue that the privatization movement should be understood as a political adjustment instead of a technical one to mediate social conditions or apply economic theory. Historical circumstances shape privatization, and no one phenomenon can fully account for the motivation to privatize.[19]

However, despite the politicized nature of privatization, most scholars and political theorists argue for its depoliticization from ideas and institutions. Instead, it is portrayed as a necessary exercise in economic adjustment to structural restrictions or as a practical adaptation of tried-and-true administrative practices. From an administrative standpoint, privatization is having a "tool-box" full of approaches that authorities can choose from for the ones that are most suited for the job at hand. Administrators try to identify the circumstances in which various privatization strategies are most likely to be effective, understanding that there is no one optimal way for the government to achieve the common good.[20]

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[16] Feigenbaum, Harvey B., and Jeffrey R. Henig. "The Political Underpinnings of Privatization: A Typology." *World Politics* 46, no. 2 (1994): 185–208. https://doi.org/10.2307/2950672.
[17] Feigenbaum and Henig, "The Political Underpinnings"186.
[18] *Id.*
[19] Feigenbaum and Henig, "Privatizing and Political Theory"339.
[20] Feigenbaum and Henig, "The Political Underpinnings"187.

In contrast, an economic perspective views privatization as the natural outcome of neoclassical realities that demand the withdrawal of an encroaching and parasitic welfare state.[21] Proponents of an economic perspective contend that public officials are ill-equipped to perceive market signals, driven by desires to seize a larger portion of the public wealth, and ultimately restrained by monetary and fiscal policies that follow their own logic. This perspective categorizes privatization in relation to the values of ownership, competition, and the balance of benefit and price.[22]

Yet, when viewed as a political instrument of dictatorship, privatization becomes a strategy of realignment to privilege certain groups or individuals over others. Thus, from the political perspective, it is used as a weapon for the stated rationales and political objectives of the politicians that enforce it. As described by Feigenbaum and Henig, "tactical privatizations…are advocated to achieve the short-term political goals of particular parties, politicians, or interest groups. They seek to alter the balance of power by attracting allies and rewarding supporters.[23]" Thus, these privatizations take place in circumstances that are overtly political, if not explicitly so. Although there might be additional long-term effects, the purpose of these initiatives is likely to be the political gain of those who support the strategy in the short term.

In addition, politicians may systematically privatize to address ideological concerns and alter class relations. Privatization efforts may work to undermine the working class by dismantling organized labor and shifting the power back toward the elites. Another tactic of systematic privatization is an enduring shift in the values and culture of the active public. Feigenbaum and Henig note, "the effect of privatization in this sense is to delegitimize the public

[21] There are micro and macro perspectives. The micro perspective argues that political actors, bureaucrats, and interest groups are motivated to privatize due to personal interests who gain more in their role than they lose as tax paying citizens. The macro perspective is often adopted by Right and Left-wing ideologists, and suggests that the public sector has inherent structural limitations that results in economic stagnation in the long-term.
[22] Feigenbaum and Henig, "The Political Underpinnings"190.
[23] Feigenbaum and Henig, "The Political Underpinnings"192.

sector by subtly imbuing broader constituencies with the ideological perspective already shared by the advocates of privatization.[24]" This form of privatization often addresses ideological concerns of the state such as socialism or Marxism.

The last form of systemic privatization realigns societal institutions– in the political, legal, and economic sectors– to encourage social reliance on market-oriented solutions.[25] The method of this form of privatization is altered by the institutional movement from overt political and bureaucratic organizations to more covert and less responsible forces of the market. For example, in the case of Britain, the intention behind key political actors was to permanently transform the way citizens related to one another by breaking down working class bonds. This led to a cultural shift away from Marxist ideas of class conflict and towards a society of autonomous, Hobbesian citizens.[26]

A strong case is made to privatize in the developing world due to evidence of corruption within the public sector. For the developing nation, tactical privatization appeases the interests of international lenders, such as the World Bank or International Monetary Fund, and is often a systemic solution to receive aid.[27] Although some emerging elites continue to support socialist-inspired development plans, pressure from international groups employing conservative economists has resulted in a shift toward more market-oriented approaches.

However, while privatization strategies can address corruption and monetary deficits, it also "alters the nature of control in all countries, the degree of accountability may change in different directions, depending on the preexisting form of bureaucratic control and on the kind of

[24] Feigenbaum and Henig, "The Political Underpinnings" 200.
[25] The authors note, "It results in a broadening of the sphere of activities regarded as personal and private and a shrinking of the sphere of activities considered to constitute legitimate areas for public scrutiny and intervention".
[26] Feigenbaum and Henig, "The Political Underpinnings" 200.
[27] Feigenbaum and Henig, "Privatizing and Political Theory"342-343.

regulatory apparatus put in place after privatization.[28]" Privatization has historically been used as an instrument of dictatorship.

Dating back to Mussolini's Italy and Nazi Germany, both dictatorships de-nationalized state sectors of their respective economies. The strategy to privatize originated in Mussolini's Italy despite his early manifestos rejecting industrial interests and private ownership. However, once he established his fascist regime, the "collectivist state" came to an end. Mussolini removed state monopolies on life insurance, match manufacturing, telephone networks, and tolled roadways.[29] For example, the Ansaldo firm who built boats, railroads, airplanes, and naval equipment filed for bankruptcy in 1921. It was initially nationalized to save the firm, however, in 1925 Musolini privatized it once more.[30]

In Germany, public ownership of "steel, mining, banking, shipyard, ship-lines, and railways" was divested by the Nazis.[31] The Great Depression's devastating effects on the economy led to the original nationalization of these industries in the early 1930s. The dictatorship took control over the market and pushed out uncooperative industrialists such as the head of the Junkers aircraft company.[32] Thus, as noted above, privatization has historically been rooted in power politics through concentration and repression at the hands of authoritarian dictatorships.

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[28] Feigenbaum and Henig, "The Political Underpinnings" 201.

[29] Mussolini's government, while maintaining the rhetoric of nationalism and the primacy of the state, moved away from strict collectivist economic models. One notable aspect of this shift was the dismantling of state monopolies in various sectors. Mussolini initiated a series of economic reforms that included the removal of state control over key industries.This move reflected a shift toward a corporatist economic model, emphasizing collaboration between the state and private businesses within the framework of state supervision. While the Fascist regime retained tight control over economic activities, these reforms introduced elements of private enterprise and market mechanisms, illustrating a nuanced approach to economic management under Mussolini's fascist government.

[30] Wills, "The Roots of Privatization."

[31] This privatization process involved the transfer of state-owned assets, particularly industries and businesses, to private ownership, often with close ties to the Nazi Party. The Nazis sought to consolidate economic power within a select group of individuals and corporations while maintaining state control over key sectors for ideological and strategic reasons.

[32] Wills, Matthew. 2023. "The Roots of Privatization." JSTOR Daily. https://daily.jstor.org/the-roots-of-privatization/.

The Pinochet Regime

Historical Overview I: The Military Coup

It is important to re-emphasize the geopolitical conditions that influenced the Chilean coup and brought Pinochet into power. The "Red Scare" of the post-war period drove American efforts toward the containment of the communist movement. The region of Latin America was targeted as left-wing governments began spreading throughout South America– specifically Allende's Christian Democratic Party in Chile.[33]

The rise of Chile's most infamous dictator, Augusto Pinochet Ugarte, and his military regime began a period of mass atrocities and human rights violations that lasted until the 1990s. In the 17 years that followed, Pinochet became the epitome of the brutal Latin American dictator by eliminating all opposition– including more than 3,000 slain or "disappeared." The era became characterized by censorship, surveillance, torture, extrajudicial executions, and forced disappearances. The sense of order and transformation that transformed Chile into an economic juggernaut came at a tremendous cost.[34]

Pinochet, through his bloody and brutal dictatorial rule, established a "new Chile" based on his custom constitution promulgated in 1980. Mere days after the coup, the military junta established a commission to draft a new constitution and safeguard his neo-conservative government from the "fertile land of demagogy" or democracy.[35] Patricio Navia, professor of

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[33] After Allende expropriated U.S. companies with assets in the Chilean copper industry, the United States ceased the support of the Allende government and began economically sanctioning the nation. The World Bank stopped granting loans to Chile– which led to an economic crisis and high inflation that encouraged anti-Allende sentiment. Additionally, once Allende turned to Cuba for assistance, the purported threat of Chile to the interests of the United States mobilized support for a Central Intelligence Agency (CIA) backed coup.

[34] Larmer, Brook. "The Long Goodbye; the 'Pinochet Syndrome': [Atlantic Edition]." *Newsweek,* Mar 16, 1998, 16, https://login.avoserv2.library.fordham.edu/login?url=https://www-proquest-com.avoserv2.library.fordham.edu/magazines/long-goodbye-pinochet-syndrome/docview/214035361/se-2.

[35] Couso, Javier. "Trying Democracy in the Shadow of an Authoritarian Legality: Chile's Transition to Democracy and Pinochet's Constitution of 1980." *Wisconsin International Law Journal* vol. 29 no. 2 (September 2012): 394-415. Accessed October 25th, 2023. https://wilj.law.wisc.edu/wp-content/uploads/sites/1270/2013/01/Couso.pdf.

Liberal Studies at New York University, states, "Except for its respect for human rights and a consolidated democracy, Chile today looks very much as Pinochet wanted. It is an ardent defender of market-friendly policies and, though modified several times, its institutional structure is still based on a strong presidential system that Pinochet carefully masterminded into the 1980 constitution.[36]"

The constitutional charter enshrined anti-democratic policies, such as an introduction of supermajorities, non-elected Senators, and a binomial electorate system.[37] With these mechanisms in place, the junta prevented any other political groups from taking majoritarian popular support into an established congressional supremacy and overturning their policies. Once the new regime politically concentrated itself, it began its focus on economic transformation or, its claim to, "extirpate the Marxist cancer" facilitated by an ideological group named the Chicago Boys.[38]

Historical Overview II: The Chicago Boys

The Chicago Boys were born out of the Chile Project– a US Department of State initiative for containment to train Chilean economists at the University of Chicago.[39] The graduates studied under Milton Friedman and religiously adhered to his free-market monetarist policies.[40] Once they returned to Chile, the Chicago Boys "toiled in academia, trained other economists, wrote newspaper columns and insipid academic papers, and consulted for large

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[36] Navia, Patricio. "Pinochet: The Father of Contemporary Chile" in Latin America Research Review, (2008).https://www.academia.edu/3127261/Pinochet_The_Father_of_Contemporary_Chile.

[37] The binomial electorate system assigned two seats per electoral district to the winning coalition, stifling pluralism and favoring the regime's supporters, thereby consolidating authoritarian control over the electoral process. This system aimed to limit political representation and maintain a balance of power beneficial to the military government; Couso, "Trying Democracy in the Shadow of an Authoritarian Legality," 398.

[38] *Id.*

[39] Edwards, Sebastian. 2023. *The Chile Project: The Story of the Chicago Boys and the Downfall of Neoliberalism*. N.p.: Princeton University Press.

[40] Couso, "Trying Democracy in the Shadow of an Authoritarian Legality,"403.

banks and firms. *But they were not taken seriously*.[41]" The coup of 1973, however, gave the Chicago Boys the opportunity to finally implement their economic theories with a free hand of experimentation. Sergio de Castro, the most senior of the Chicago Boys, was appointed by Pinochet as advisor to the new minister of economics.

The highly cohesive group presented the plan for a new nation referred to by the sobriquet, The Brick (*El Ladrillo*). The plan covered fourteen specific policy areas, including the price system, trade policy, privatization, deregulation, health care provision, old-age pensions, agriculture, industrialization, and education.[42] However, even a close appraisal of The Brick does not suggest that it would serve as the foundation for the later-named neoliberal revolution. However, once the Chicago Boys understood the enormous influence Pinochet granted to them, they implemented more significant reforms.[43]

Milton Friedman visited Chile in March of 1975 to discuss the state of the Chilean economy with General Pinochet. The primary concern addressed was the hyperinflation that plagued the country– rising 350 percent annually and facilitated by money printing. Friedman's suggestion was the "shock treatment" or across-the-board budget cuts of 25 percent. This plan abandoned gradualism, policies designed to steadily reduce rates of inflation, and publicly endorsed the Chicago Boys views to the elites.[44] As put by Sebastan Edwards, "The hour of the Chicago Boys has arrived.[45]"

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[41] Edwards, *The Chile Project*, 1.
[42] Edwards, *The Chile Project*, 80.
[43] "El Ladrillo" was a proposed economic plan developed by a group of nationalist technocrats within the military government who sought a more interventionist approach than the Chicago Boys. Unlike the Chicago Boys' emphasis on free-market principles, "El Ladrillo" proposed a more dirigiste model with a stronger role for the state in guiding economic development. It aimed at promoting import substitution industrialization (ISI) and protecting domestic industries.Ultimately, "El Ladrillo" was not fully implemented. The Chicago Boys' more market-oriented approach prevailed, leading to the free-market reforms that characterized Pinochet's economic policies.
[44] Edwards, *The Chile Project*, 94.
[45] The Plan de Recuperación Económica (Plan for Economic Recovery) was announced one month after Friedman's visit to address the economic crisis and Sergio de Castro was appointed as minister of economics; Edwards, *The Chile Project*, 98.

The "Chilean Miracle"

Laying the Bricks for Economic Reconstruction

Marcus Taylor discusses the origins of the globally praised Chilean economic model in the second chapter of his work *From Pinochet to the 'Third Way': Neoliberalism and Social Transformation in Chile.* This section, titled "'*Chicago to the Rescue'- The Emergence of Neoliberalism in Chil*e," analyzes the junta's widespread attempts to reshape the relationship between the state and society reflected in the transformation of the welfare state.[46] He highlights the use of neoconservatism by the Pinochet regime not only as a prescription for the economic crisis, but also as a mechanism to depoliticize and individualize social relations.

Early proponents of the free-market project explicitly stated that the prerequisite to Chile's transformation was a strong authoritarian hand to oppose the fierce resistance from those entrenched in the social institutions it sought to uproot. The junta expressed in the 'Declaration of Principles' (1974) that it aimed to "give Chile a new institutional basis…to rebuild the country morally, institutionally, and materially.[47]" Yet, as noted by Taylor, Pinochet and his regime lacked a cohesive action plan of sufficient sophistication to achieve these long-run reforms– aside from short-term repression. Taylor writes, "Rather its policy formation would necessarily prove to be reactive, changing course in response to new manifestations of economic and political crisis.[48]"

The Pinochet dictatorship defended violence and persecution as the appropriate means of protecting the Chilean homeland from the existential Marxist threat. The hallmark of repression was the annihilation of organized labor, social movements, political mobilization, and the suppression of any political opposition. Oppression was at its peak during the years that

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[46] Taylor, Marcus. *From Pinochet to the "Third Way": Neoliberalism and Social Transformation in Chile*. Pluto Press, 2006. https://doi.org/10.2307/j.ctt18dztpr. 1-240.
[47] Taylor, "From Pinochet to the 'Third Way', 31.
[48] Taylor, "From Pinochet to the 'Third Way', 32.

immediately followed the coup as over 3,000 individuals disappeared and over 10,000 activists were jailed, exiled, or executed.[49] The main achievements of these actions were the dissolution of independent and politically engaged social groups, the decapitation of organized labor, and the widespread persecution of political opposition– including the primary political parties. The pacification of the nation created a relatively stable social and political climate for the Pinochet regime to dramatically reshape the Chilean economy.[50]

The prescription for the Chilean crisis was to dismantle the formalized relationships between the state and society. In the first place, it embedded the ability of collective social actors, such as labor unions, social movements, and other interest groups, to demand things of the state, and, in the second place, protected certain social actors from the market's regulatory framework. Privatization, in neoclassical thought, reconciled the divide between the condition of scarcity and the endless human nature of desires and needs. Thus, the normative theory's systematic social and economic mechanisms were mutually reinforcing and appealed to the regime as it depoliticized society and mended the economic crisis.[51]

For proponents of the free-market project, "reinserting the primacy of the market was argued to offer not only a solution to the economic manifestation of crisis by controlling inflation and restructuring the productive apparatus, but also a mechanism of societal depoliticization by obliterating the circumstances in which politics had become a means for attaining social and economic ends.[52]" Taylor emphasizes that neo-conservatism was not incompatible with the role

[49] The term "human insecurity" encapsulates the profound and pervasive sense of vulnerability experienced by Chilean citizens during this period, encompassing not only the physical threats posed by the state but also the erosion of civil liberties, the suppression of dissent, and the profound socio-economic impacts of the neoliberal economic policies implemented concurrently.
[50] Through the imposition of self-regulating market institutions as the fundamental organizing principle of social life, the junta was able to refashion social relations in a way that depoliticized society. Their approach was based on a specific normative theory of social interaction.
[51] Taylor, "From Pinochet to the 'Third Way', 40.
[52] Taylor, "From Pinochet to the 'Third Way', 41.

of the state, but rather promotes a social engineering based on the strengthening of state institutions that enforce the power of markets.[53] He argues that the adoption of the neoconservative approach opposed the Keynesian orthodoxies of the time in an audacious attempt to destroy many of the social structures built during the preceding fifty years of national developmentalism.

Gradualism in the Structural Transformation of Chile

Marcus J. Kurtz discusses the surprising emergence of the neo-liberal development model during the Pinochet regime in his article "Chile's Neo-Liberal Revolution: Incremental Decisions and Structural Transformation, 1973-89." Kurtz argues that the regime managed to create a comprehensive and coherent economic model despite confronting two conflicting goals– economic and political instability.[54] He states, "Ironically, the process of making and implementing decisions through hesitation, policy contradiction, shifting goals, and incremental choices created a developmental model internationally hailed for its coherence, rationality, and scope.[55]

The author creates an incrementalist approach for understanding the "Chilean model" and explains why this increases one's understanding of ideological, coalitional, and institutional explanations.[56] He notes that, due to the disparate coalition behind the coup, implementing policy changes gradually maintained a heterogenous coalition that aimed to move away from President Allende's backward policies. This made for short-run political decisions that later shaped

[53] Taylor, "From Pinochet to the 'Third Way', 43.
[54] Kurtz, Marcus J. "Chile's Neo-Liberal Revolution: Incremental Decisions and Structural Transformation, 1973-89." *Journal of Latin American Studies* 31, no. 2 (1999): 399–427. http://www.jstor.org/stable/157909.
[55] Kurtz, "Chile's Neo-Liberal Revolution,"399-400.
[56] Kurtz explains, "The point here is not to assert that decision-makers (meaning the military junta, and later General Pinochet himself) were or were not 'committed' to neo-liberalism at any particular point in time. Rather, the focus is on the process through which policies were made and implemented, a process which by no means moved in a consistent direction, or was coherent across issue areas."

long-run outcomes.[57] Kurtz defines Chile's free-market revolution in four phases: economic crisis and initial repression (1973-75), liberal economics versus corporatists politics (1975-78), emergence of the free-market 'model' (1979-82), and reconstitution of a bourgeois political coalition (1982-89).[58]

A. Economic Crisis and Initial Repression (1973-75)

During the initial phase of the authoritarian regime, decisions in the economic sector were slowly implemented but decidedly not corporatist. The circumstances the military faced when it took control first gave rise to the two broad problems that would dominate the national political agenda throughout the military's administration: stabilizing the economy and generating growth.[59] To address these overarching goals, policy-making was fragmented and institutionally decentralized to all four military branches. General Pinochet eventually opted for a stabilization strategy that avoided free-market shocks which harmed long-term economic growth, political stabilization, and pro-coup state actors.[60]

The military quickly took action to combine repression with initiatives to create a more stable system of government. The generals stated that they intended to hold onto power until alternative, corporatist definitions of political and economic institutions could be established. Kurtz writes, "This was in keeping with Chile's already highly-developed set of interventionist state institutions, and was backed by some of the most powerful and mobilized supporters of the coup-small business and the *gremios* (trade associations).[61]" The decentralization of decision

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[57] Kurtz, "Chile's Neo-Liberal Revolution,"401-402.
[58] Kurtz, "Chile's Neo-Liberal Revolution,"404-423.
[59] By pointing to the collapse of social harmony and the ensuing economic disaster of the Allende period, the military seized power and used these factors as justification.
[60] "A neo-liberal approach to stabilization would have produced, according to Pinochet, 'a strong (increase in) unemployment and the suspension of numerous basic public works that the country cannot cancel without affecting its future development." However, explanations on the coalitional or institutional side do not explain the policy outcome as stabilization policies harmed capitalist interests as well as the interests of industrial firms. Kurtz, "Chile's Neo-Liberal Revolution,"408.
[61] Kurtz, "Chile's Neo-Liberal Revolution,"409.

making created a divergence between social and economic policy that was not corporatist but also not liberal.[62]

B. Liberal Economics Versus Corporatists Politics (1975-78)

However, during the second period, proponents of liberal economic policies took more control over economic policy aligned toward a deflationary direction. This phase of military rule is categorized by the deepening of fiscal austerity in 1975 and the complete abandonment of the corporatist model in late 1978. Kurtz contends, "One cannot make sense of the move toward neo-(conservative) economic policy after 1975 without simultaneously giving credit to the prior success–i.e., the short-run establishment of political control– of the repressive policies of the first phase."[63] Thus, due to the success of repression in the first period, the military was able to focus on economic growth and stability.

Although less politically dangerous than stricter economic orthodoxy, the moderate approach to stabilization proved to be ineffectual. There was very little economic growth, and inflation remained high—above 300 percent.[64] To address this, the military agreed to a "shock policy" in 1975 which intensified already adopted fiscal policies by adding severe monetary restrictions. This, however, was not a widespread military consensus on the benefits of a free-market project. Kurtz concludes that, "This was enough to force firms to adjust to a moderate level of international competition, but not enough to reorient the economy away from domestic import substituting firms.[65]"

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[62] Admiral Merino, the Navy's envoy, was in charge of economic matters at this time. While Air Force General Leigh oversaw social and labor matters and was a vocal opponent of free-market economic principles.
[63] Kurtz, "Chile's Neo-Liberal Revolution,"410.
[64] Repression effectively shut off any political opposition, yet the incrementalist approach is necessary here to see how this pushed economic stability to the top of the political agenda as well.
[65] Ultimately, the economic policy dispute was waged between neo-liberals in ODEPLAN, the planning agency, and moderates under Sáez at the Ministry of Economic Coordination. Decisions to pursue the free-market project were Kurtz, "Chile's Neo-Liberal Revolution,"411.

C. Emergence of the Free-market 'Model' (1979-82)

During the third phase, the success of free-market, deflationary policies convinced the junta to transition to institutional liberalism. In 1979, Pinochet announced that economic reconstruction was complete and the nation would now move toward modernization. Sergio De Castro, the Economics Minister, constrained ways to create new money and tied the Chilean peso to the U.S. dollar.[66] While this policy seems far from a liberal mechanism, for ODEPLAN economists, mending the exchange rate was a minor inconvenience with respect to the monetary control market forces offered. As free-market economic policies began to bear fruit, its success transferred into areas of social policy. This united social and economic policies for the first time since the coup in 1973.[67]

D. Reconstitution of a Bourgeois Political Coalition (1982-89)

The final period was marked by a pivot towards pragmatic free-market capitalism. The year of 1982 was plagued with trade deficits, a collapse in the GDP, high unemployment, a cutoff of foreign loans, and high tariffs.[68] Yet, "contingent political pressures helped induce both private sector collective action and openness to policy change on the part of the military.[69]" The junta made modifications to its economic free-market model to bring domestic and international business into harmony with one another, along with the agricultural elites that supported the government. Both private sector collective action and military willingness to shift policies were prompted by political circumstances. Coalition justifications are important, but partly because of the altered micropolitical environment.

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[66] Monetary policy can become completely inert, with adjustments coming from shifts in the amount and direction of private capital flows.

[67] Led to the transformation of welfare and social institutions (mainly the privatization of pensions) and ended state intervention in labor disputes; Kurtz, "Chile's Neo-Liberal Revolution,"416.

[68] Kurtz, "Chile's Neo-Liberal Revolution," 419.

[69] Massive political protests sprung up in 1983 countered the stability of military rule, support from the top trickled into soft backing at best or complete opposition at worst, and the military's autonomy dwindled at the hands of the institution it created; *Id.*

Persistent Entanglements with Inequality

Colin M. Kennedy and Murray E. Warwick use sectoral and regional data from Chile to analyze the growing social inequality, components of its geography, and the role of the state in regulating this inequity. "Growing Apart? The Persistence of Inequality in Chile, 1964-2010" investigates the inverse relationship between economic development and social inequality in Latin American countries– specifically Chile. The authors characterize Chile as a policy laboratory for social and economic development defined uniquely by each administration. They note, "the inequality gap, measured in terms of material possession and opportunity, has remained stubbornly high throughout all administrations and, today, remains as wide as it was in the early 1960s.[70]"

Kennedy and Warwick begin by providing historical and empirical context on the political economy of inequality in Latin America as a whole. They note that structural theorists in the 1960s rejected free-trade expansion and dependency policies. This analysis was predicated on the idea that severing all connections with the neo-colonial core was the way to address inequality both locally and globally. However, during an era defined by Cold War politics, a series of U.S. backed coups ensued throughout the region eradicating left-wing governments.[71]

The authors state over the past fifty years, Chile has undergone significant political changes that have encompassed almost every political viewpoint. Each succeeding administrations has approached the problem of inequality in different ways. They highlight the main policy directions of each period and the impact these decisions had on equality gaps. In

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[70] Kennedy, Colin M., and Warwick E. Murray. "Growing Apart?: The Persistence of Inequality in Chile, 1964 — 2010." *Urbani Izziv* 23 (2012): S22–35. http://www.jstor.org/stable/24920838. 22.

[71] Thus, the 1970s was characterized as the 'lost decade' for Latin America as Bretton Woods institutions forced trade liberalization, privatization, reduced state expenditures, and debt repayments. The end of the Cold War ushered in more centrist policies throughout the region, yet Latin America was still characterized by economic instability and aggravated social inequity.

regard to the Pinochet dictatorship, the authors analyze the free-market framework instituted by the junta.

A. Experimentation with Trickle-Down Economics

Between 1973-1975, Kennedy and Warwick call attention to the lack of policy direction that caused a drastic devaluation of currency, unemployment, and inflation of 375%. This led to the adoption of "trickle-down" economics and a period of free-marketeer experimentation, as solicited by the Chicago Boys. The "shock treatment" sold off government owned banks, cut import tariffs, and reduced state spending. The authors note, "Evidently, reducing inequality was not a short-term concern for the neo(conservative) administration but, despite the extensive health care cuts, he 'channeled much of what was left to infants, young children, pregnant women, and new mothers, using a poverty map to target the poorest areas of the country."[72] The policy direction is attributed to a combination of state paternalism, deterrence of dissent, and to improve international reputation.[73]

B. The Debt Crisis of 1982

The Debt Crisis of 1982 initiated a period of state intervention to once again transform the Chilean economy. The government's pursuit of neoconservative economic policies, including deregulation and privatization, contributed to a surge in external borrowing to finance development projects. The subsequent debt crisis led to austerity measures, social program cuts, and a recession, disproportionately affecting lower-income segments of the population. While the crisis prompted economic reforms to stabilize the situation, the burden of adjustment fell disproportionately on the marginalized, widening the gap between the rich and the poor.

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[72] Kennedy and Warwick, "Growing Apart?" 30.

[73] The introduction of the "Seven Modernizations" recast socialized provision into atomized and apolitical connections between individuals and commercial service providers. The public school system was crowded out by subsidies provided to private schools, the national healthcare system abolished, and new labor laws restricted worker rights.

Pinochet absorbed external debts, took over failing companies, and established emergency work programs. His work program climbed the nation out of crisis due to its exploitative working conditions. Kennedy and Warwick note, "One in eight Chilean workers ended up on these programmes, working for less than the minimum wage.[74]" Thus, since unemployment rates began to swell once again, the inequality trend that began in 1973 worsened.

The Gini coefficient throughout the Pinochet dictatorship was considerably higher than any other administrations that came before it as demonstrated by the figure below. This statistical evidence vividly portrays the stark disparities in income distribution that characterized the era of Pinochet's authoritarian regime. Kennedy and Warwick underscore the phenomena of Chile's high rates of inequality despite a history of extremely fast economic growth and advancements in poverty reduction.

Figure 1: Gini coefficient, Chile 1973-1988[75]

1973	44.1
1976	47.2
1980	49.1
1984	54.2
1988	53.7

[74] *Id.*
[75] Kennedy and Warwick, "Growing Apart?" 31.

Case Study: Water Privatization in Chile

The Establishment of the Chilean Water Code

The Water Code of 1981 is a paradigmatic example of the law of pendulum– the historical propensity for political and economic events to swing from one extreme to the other without finding a point of equilibrium in the middle. Prior to 1967, water law in Chile was relatively balanced between private property rights and public regulation by the State. However, the Agrarian Reform Law that was enacted in 1967 shifted water rights greatly toward expanded government regulation and authority over water use and management at the expense of privatization.[76]

The Code was written into law under the Pinochet Regime to reform the distribution and use of the resource while also strengthening privatization by the State. As a landmark piece of legislation, the new Water Code adopted a laissez-faire approach by setting up legal rules and preconditions for the spontaneous emergence of a market in water rights. It created water rights distinct from land rights, established market mechanisms, and aimed to encourage water users (the vast majority of whom are farmers), to adopt a commercial and market-oriented economic perspective.[77]

Under the Code, the following conditions are met: i) water rights are transferable, can be bought and sold, and are distinct from lands rights; ii) application for water rights is not conditional or prioritized on use; iii) water rights are allocated by the State without charge, however, in the case of multiple requests granted to the highest bid. Water rights are not subject

[76] The Chilean Agrarian Act of 1967 was enacted by the Chilean Congress on July 28th, 1967. The law proposed a change to the nature and structure of the current Chilean agricultural structure by breaking up landholdings through providing funding and technical assistance to the agricultural sector. It also reformed the water law to improve the efficiency of water usage throughout Chile.

[77] Bauer, Professor Carl J., Carl J. Bauer, and Professor C. Bauer. 2014. *Siren Song: Chilean Water Law as a Model for International Reform*. N.p.: Taylor & Francis Group.

to a specific tax; iv) water rights fall under civil law and disputes over water rights are resolved with private negotiations and the judiciary system, the State has a limited role in resolving disputes; v) non-consumptive use is permitted so long as it is replenished at a stipulated quality and/or manner.[78]

The distinction between permanent and eventual water rights is also defined. The distribution of permanent rights allows for continuous use of the water supply without restriction unless the water supply cannot sufficiently be used by all parties who hold rights to it. In this event, water is distributed *alícuota* (proportionally). Eventual water rights only grant holders the use of the water supply when there is a surplus beyond what is needed by those with permanent water rights. There are limitations defined within the Code on the amount of access granted to each holder. Continuous rights allow access to the water supply 24 hours a day and discontinuous rights specify a duration when water can be accessed. Alternative rights require multiple holders to alternate water use.

Thus, under the statutes of this Code, private parties hold the rights to surface and ground water despite being understood as "national goods of public use.[79]" Known as *bienes nacionales de uso público*, the Chilean Civil Code has defined water, among other public resources such as roads, bridges, beaches and plazas, as property that cannot be alienated from public ownership. Yet, the Civil Code grants the government concessions to give private parties rights to exclusive usage of said properties.[80]

There are a number of key institutions that played an instrumental role in the establishment of the Water Code and the irrigation laws of Chile. The Water Users Associations

[78] Ríos Brehm, Monica, and Jorge Quiroz. 1995. *The market for water rights in Chile Major issues*. N.p.: World Bank.
[79] *Id.*
[80] Bauer et al, *Siren Song*, 32.

(WUAs) were instrumental in the shift toward decentralization in Chile through three committees as defined under the Code: *juntas de vigilancia*, *asociaciones de canalistas*, and *comunidades de aguas*. *Juntas de vigilancia* monitor water usage of natural sources such as lakes and rivers, and *asociaciones de canalistas* is an association in charge of primary infrastructure and main irrigation channels. The aforementioned committees have a legal status that can be acted upon collectively– such as taking out a loan. *Comunidades de aguas,* while without said status, are responsible for secondary forms of infrastructure such as distribution channels.

The General Directorate of Water (DGA, Dirección General de Aguas) is a government agency under the discretionary authority of the Ministry of Public Works. The primary responsibility of the agency is to oversee water use planning and the development of natural water resources. The DGA was directly involved in the drafting and enforcement of the Code. The National Irrigation Commission (CNR, Comisión Nacional de Riego) is also a government agency responsible for the planning of irrigation infrastructure investment projects.

The CNR, with the Directorate of Irrigation, is involved in the application of irrigation laws for major and minor irrigation projects.[81] CNR worked in coordination with other government agencies, including DGA, to ensure that the Water Code's provisions related to irrigation and agricultural water use were effectively implemented. In conjunction with two pieces of related legislation, the Irrigation Law for major works and Irrigation law for minor works, these institutions worked together to create and implement the Water Code of 1981 to promote efficient water use, and involve local stakeholders in decision-making processes related to water resources.

[81] *Id.*

The Chilean Water Market

The Water Code of 1981 has been perceived as synonymous with the Chilean water market and the trading of water rights. In order to efficiently distribute limited water supplies among various economic purposes, many economists support the use of tradable water rights. A privatized, tradable water market is often viewed as an effective policy for developing nations since it promotes private investments in infrastructure and management.[82] As a symbol of laissez-faire economics and ideology, the Water Code of 1981 has put both supporters and detractors of the law in dialogue over the success of the Chilean water market.

The Water Code was publicized as a model example of reform by the World Bank to promote the adoption of free-market politics. The discussion revolved around the effectiveness of buying and selling of water rights while ignoring the other implications of integrated water resources management. Thus, there has been a lack of empirical research on the effects of social inequity, managing river basins and water conflicts, water quality, and environmental protections.[83]

The natural and physical properties of water are intertwined with social dynamics and power asymmetries making them politicized entities. The Water Code has imposed cultural and political ramifications on the country of Chile as it "established a uniform policy for managing water for the entire country without considering local, geographic, economic, or cultural specificity.[84]" This is especially harmful to areas such as Northern Chile where the world's driest place on earth, the Atacama Desert, is found.

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[82] Ríos Brehm and Quiroz, *Market for water rights,* 1.
[83] Bauer et al, *Siren Song*, 75.
[84] Prieto, Manuel. "Privatizing Water in the Chilean Andes: The Case of Las Vegas de Chiu-Chiu." *Mountain Research and Development* 35, no. 3 (2015): 220–29. http://www.jstor.org/stable/mounresedeve.35.3.220.

Despite this precondition, privatization of the water sources was forced upon the area. One civilian described, "We were afraid. We were forced to privatize. The mayor came here and told us that if we did not privatize (the military) would come and they would beat us with sticks. That is how they measured and privatized the way they wanted.[85]" The region has since struggled from the privatization of water rights due to the mining industry and urban populations placing pressures on water accessibility, bodies of water in the locality having a high mineral density, and the native populations managing water for farming and pastoralism.

This problem has been exacerbated in the Andean region since the Chilean Water Crisis began in 2010. As noted in a study of hydrology, "Scientific evidence suggests that the world's atmosphere has experienced an increase in temperatures and because Chile is in a climate transition zone, the phenomenon of climate change could have a very high impact in this South American country, particularly for the availability and use of surface water resources.[86]" The water shortage is due to the effects of climate change in combination with the restrictions the Code places on water resources in Chile.

The extreme water shortages caused the Ministry of Agriculture to declare agricultural emergencies for over fifty municipalities. Civilians were forced to source water from tanker truck deliveries and tens of thousands of cattle and other animals died. Between 2016-2020, the volume of one of the primary water reservoirs that provides Santiago with water, El Yeso, lost 120 cubic meters of water.[87] These factors have worsened conditions of water accessibility and social equity under a framework of a privatized water sector.

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[85] The average rainfall since 2010 has consequently been recorded between 20-40 percent below normal. Prieto, "Privatizing Water," 222.

[86] Sangüesa, Claudia, Roberto Pizarro, Ben Ingram, Francisco Balocchi, Pablo García-Chevesich, Juan Pino, Alfredo Ibáñez, Carlos Vallejos, Romina Mendoza, Alejandra Bernal, and et al. 2023. "Streamflow Trends in Central Chile" *Hydrology* 10, no. 7: 144. https://doi.org/10.3390/hydrology10070144.

[87] Voiland, Adam. 2020. "A Strained Water System in Chile." NASA Earth Observatory. https://earthobservatory.nasa.gov/images/146577/a-strained-water-system-in-chile.

Discussion and Analysis: The Politics of Privatization

The Effectiveness of Pincohet's Free-Market Project

In comparison to the surrounding military regimes of Brazil and Argentina, Chile was the most effective in implementing long-lasting free-market reforms. The tactic of repression used under Pinochet's regime created an environment of fear and intimidation, silenced opposition and dissent. The strong hand of authoritarianism, in conjunction with the Constitution of 1980, uprooted any social and political opposition that had been the foundation of the previous democratic regime.

A. The Instrument of Repression

A week after the coup, the National Stadium was filled with "rows and rows of naked bodies covering the floor, stacked up into heaps in the corners, most with gaping wounds, some of their hands still tied behind their backs…[88]" A 'state of siege due to internal or external war' was declared by the junta, who overthrew the 1925 constitution and suspended fundamental rights to arrest, detention, a fair trial, and incarceration. The regime hunted down communists and socialists, teachers, students, journalists, progressive church people, and anyone else suspected of sympathizing with the opposition. Soon after, the National Intelligence Directorate (DINA) was established by Pincohet and his military junta to oversee civilian monitoring and intelligence collection. This made the repression less widespread and more targeted. While the DINA was not the only intelligence agency capturing and torturing Chileans, it was the primary arm responsible for disappearing people.[89]

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[88] Webber, Frances. "The Pinochet Case: The Struggle for the Realization of Human Rights." *Journal of Law and Society* 26, no. 4 (1999): 523–37. http://www.jstor.org/stable/1410552.

[89] The DINA was created after the Coup in 1973 and replaced in 1977 by the National Centre for Information (CNI).

The main detention and torture center of the DINA was an estate called Villa Grimaldi. Located in the outskirts of Santiago, the capital city, Villa Grimaldi served as one of several clandestine sites where political prisoners were held, interrogated, and subjected to severe human rights abuses. The United Nations reported the various methods of torture used at the detention center, including: '*parilla*,' where prisoners were tied to metal beds and subjected to electrical shocks; '*submarino*,' the water-boarding of individuals with liquids such as sewage water, urine, or petroleum; or '*paloma*' where prisoners were hung by their hands and beat with electrical currents or blunt objects.[90] Villa Grimaldi and other similar sites were instrumental in covering up the extent of the atrocities committed during this period.

To further weaken any chance of opposition, Frances Webber notes, "(the) DINA systematically informed employers of the political sympathies of employees, ensuring that those released from detention centers were unable to work and faced economic as well as psychological ruin.[91]" This systematic process guaranteed that those who were released from the prisons were not only deprived of their personal freedoms, but that they also faced economic and psychological ruin. This practice had far-reaching implications, as it effectively blacklisted individuals based on their political beliefs, rendering them unemployable in various sectors of society.

Through a comprehensive network of surveillance and intelligence gathering, the DINA meticulously documented the political sympathies and affiliations of individuals who were targeted for their perceived opposition to the regime. This information was then relayed to employers, which contributed to the atmosphere of mistrust and submission across the nation. Thus, the released detainees, despite regaining their physical freedom, found themselves trapped

[90] Other methods included: driving over individuals' extremities with vehicles, extracting teeth, breaking of bones, burning organs with cigarettes or acid, and sexual abuse. Webber, "The Pinochet Case" 526.
[91] Webber, "The Pinochet Case" 527.

in a web of economic hardship and social alienation. The intentional dissemination of this information to employers further marginalized the political opposition as it extended the consequences of political persecution far beyond the confines of detention centers.

The DINA also worked with intelligence agencies abroad to eliminate any physical threats in surrounding nations. As a key participant in Operation Condor, the agency collaborated with intelligence agencies such as Argentinian far-Right terrorist groups, Cuban extremists, and the French Corsa Brotherhood, to track, arrest, and execute individuals considered subversive.[92]

Through this system of intelligence, hundreds of political opponents were abducted from countries in South America, Europe, and the United States and taken back to Chile for persecution. Individuals were also targeted, such as the former Chilean defense minister Orlando Letelier, who was killed with a car-bomb while in Washington campaigning against foreign investment in Chile.[93] Thus, in conjunction with domestic army and navy intelligence agencies, the DINA was able to subdue any internal and external threats to Pinochet's free-market project.

B. Writing Neoconservatism into Law

Through the role of repression, the junta eliminated all opposition to the proliferation of a new constitutional framework. Pinochet governed through a series of decree-laws that granted the executive branch extraordinary powers, which bypassed legislative processes. These decree-laws allowed the regime to enact sweeping changes, including the creation of a new constitution, without the need for broad-based political consensus. Further, the lack of political pluralism facilitated the imposition of the regime's vision without the need for broad consultation or compromise.

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[92] A covert intelligence-sharing and coordination effort among South American military dictatorships during the 1970s and 1980s. Operation Condor aimed to eliminate left-wing political opponents across borders.
[93] *Id.*

A coherent, neo-conservative policy emerged as a result of Pinochet's complete centralization of authority and the growing foreign demand for political reform. Robert Barros notes, "In 1980 this personal power enabled Pinochet to impose a constitution that perpetuated his rule and included provisions that later allowed him to remain commander-in-chief for eight years…[94]" The new constitution not only enshrined Pincohet's power, but also the free-market reforms his administration created alongside the Chicago Boys.

In the 1980 Constitution, the principles of economic policy, particularly those related to a market-oriented and neoconservative approach, are enshrined in several provisions. Articles 19 and 20 of the document indoctrinated Pinochet's free-market project. The former spelled out the framework for the free-market economy with explicit protections for private property, guaranteed freedom of economic initiative, the freedom of contract, the protection of economic activities and the freedom to engage in trade and business. The aforementioned 1981 Water Code is protected by this section of the constitution. Further, the rights to economic independence and self-initiative are expressly recognized in Article 20. This clause emphasizes the constitution's support for a market-oriented economic system that encourages individual freedom in economic endeavors.[95]

In comparison to the authoritarian regimes of Brazil and Argentina, Pinochet created durability through these institutionalized reforms, fostering an economic framework that outlasted the political transition to democracy. The enduring success and longevity of Chile's free-market transformation can be attributed, in part, to the careful embedding of free-market principles into the fabric of the 1980 Constitution. The commitment to these ideals, sustained by

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[94] Barros, Robert. "Personalization and Institutional Constraints: Pinochet, the Military Junta, and the 1980 Constitution." *Latin American Politics and Society* 43, no. 1 (2001): 5–28. https://doi.org/10.2307/3177011.
[95] "Constitution of the Republic of Chile." 1980. Human Rights Library. http://hrlibrary.umn.edu/research/chile-constitution.pdf.

influential economic advisors such as the Chicago Boys, became deeply ingrained in Chile's institutional structures. Consequently, the constitution not only legitimized these economic reforms but also ensured their resilience over time– shaping the trajectory of Chile's economic development well beyond the era of authoritarian rule. This constitutional foundation provided a stable and consistent platform for economic policies, even as the political landscape shifted.

Lasting Effects of Privatization on the Chilean People

Despite the threat of repression behind them, the Chilean people still suffered through high unemployment, a decline in real wages, and a rise in poverty and income inequality after Pinochet enshrined his free-market project into their constitution.[96] The income distribution in Chile was highly unequal at the beginning of the 1990s as the concentration of wealth skewed the share of national income received by the bottom 40% of civilians. In addition, amongst the seven largest Latin American countries, Chile presented the second largest ratio between the income share of the top and bottom 20% of the population.[97] In 1992, 32% of the population lived below the poverty line.

The administrations that followed the Pinochet regime in the 1990s adopted free-market policies with a motivation to address civilian poverty. The Concertación governments, a coalition of center-left political parties, maintained a private enterprise with slight deviations to increase the role of the State and create a more equitable distribution of wealth. David E. Hojman states, "Since this policy variation began, Chileans have witnessed a decrease in inflation, a reduction in unemployment, an increase in both real wages and the real minimum wage, vast reductions in

[96] David-Hamel, "Successful Neoliberalism?" 83.
[97] Hojman, David E. "Poverty and Inequality in Chile: Are Democratic Politics and Neoliberal Economics Good for You?" *Journal of Interamerican Studies and World Affairs* 38, no. 2/3 (1996): 73–96. https://doi.org/10.2307/166361.

poverty, and slight improvements in income inequality.[98]" The socioeconomic balance of Chile changed as a result of the shift in government policies to improve the situation of disadvantaged citizens. Without adjustments to the conventional free-market paradigm used under Pinochet, Chile's increase in welfare would not have been achievable.

Today, Chile is renowned worldwide for its economic stability driven by a well-developed market-oriented economy and a commitment to free trade.[99] The government has maintained sound fiscal policies, including a structural budget rule, which helps ensure the sustainability of public finances. This rule has contributed to the country's economic stability and resilience to external shocks.

Yet, despite such success on paper, Chile remains one of the most unequal countries in the world. In 2022, 4.8 percent of Chileans had to subsist with under US$6.85 per day and were considered impoverished. This was an improvement from the 8.0 percent of individuals living in poverty in 2020. The Gini index, which measures income inequality, gave Chile an inequality score of 44.9–which places it below the rest of the developed world and countries such as Haiti and El Salvador.[100] Chileans are still faced with the wealth disparity that neoliberal fiscal policies facilitate.

As a result, widespread and persistent anti-neoliberal uprisings began in 2019 to express the nation's discontentment with Pinochet's enduring constitution and economic model. The demonstrations, often referred to as the "*estallido social*," or social upheaval, called for greater

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[98] Hojman, David E., "Poverty and Inequality in Chile," 88.

[99] The nation has established itself as a major player in the global copper market– a key contributor to its export revenue. In addition, the nation established an extensive network of trade agreements, both bilateral and multilateral, enhancing its global trade connections. The country has free trade agreements with numerous countries, including the United States, China, and the European Union, fostering international commerce.

[100] "Chile Overview: Development news, research, data." 2023. World Bank. https://www.worldbank.org/en/country/chile/overview.

fairness and dignity for all people in addition to denouncing severe economic and social injustices.[101]

To address the protests that erupted across the nation, Chilean political parties agreed to a constitutional referendum. Millions of Chileans decisively approved the development of a new constitution and, in a subsequent vote, selected the 155 members of the constitutional assembly one year after the protests began.[102] Additionally, the recent election of left-wing president Gabriel Boric gives the country a chance to reform the constitution that has long plagued Chileans with poverty and inequality.[103]

[101] "Chile's constitutional process: an historic opportunity to enshrine human rights." 2022. ohchr. https://www.ohchr.org/en/stories/2022/06/chiles-constitutional-process-historic-opportunity-enshrine-human-rights.
[102] *Id.*
[103] Pérez, Carolina. 2022. "Neoliberalism was born in Chile. Now it will die there." Open Democracy. https://www.opendemocracy.net/en/oureconomy/neoliberalism-was-born-in-chile-now-it-will-die-there/.

Conclusion

The Pinochet dictatorship's implementation of the free-market project in Chile marked a pivotal period in the nation's history as it transformed the social and economic landscape of the nation. Under the influence of the "Chicago Boys" and their neoconservative economic principles, the regime orchestrated the “Chilean Miracle” through the prioritization of market-oriented policies, privatization, and limited state intervention. The strong hand of authoritarianism facilitated the success of the neoconservative revolution through the intense repression of the post-coup period. Due to the DINA’s elimination of all political oppositions, “the road to the free-market was opened and kept open by an enormous increase in continuous, centrally organized, and controlled interventionism.[104]”

Furthermore, the success and enduring legacy of the free-market project in Chile is owed to the promulgation of the 1980 Constitution. The constitutional framework enshrined the blueprint for Chile’s neoconservative economy well beyond the nation’s transition to democracy. This includes the Water Code that privatized water rights and created a market-driven system that has contributed to environmental challenges and social inequities. The lasting effects of this constitutional structure continue to shape the political dynamics in Chile and highlight the enduring impact of Pinochet's economic and political legacy.

Chile is a nation that has experienced both remarkable economic progress and persistent social disparities. The tension between free-market economics and social equity remains a central theme in Chilean discourse, shaping contemporary debates about constitutional reforms, social justice, and the role of the state. While the free-market policies initiated during the Pinochet era contributed to significant economic growth and modernization, they also

[104] Taylor, “From Pinochet to the ‘Third Way’, 43.

exacerbated social disparities and killed millions of Chileans, leaving a lasting impact on the nation's fabric. As Chile navigates the complexities of its dark past, the ongoing dialogue around these issues serve as a testament to the resilience and dynamism of a nation seeking to forge a more equitable and sustainable path forward.

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