

Introduction

It has been fourteen years since this book was first published, so we thought it was important to issue the present revised edition.

It has not been our intention at this point to write a new book, but rather to complement the first edition's analysis from the perspective provided by the years elapsed. In that spirit, we have avoided making substantial modifications and have simply provided a context for the events described in the original document, from the viewpoint afforded by the passing of time. By the same token, we have decided to mention a few subsequent events, which it was difficult not to account for, given their relation to the contents of the book. Consequently, this book needs to be read with the context of the nineties in mind, except for the situations that needed updating, as previously explained.

Chapters 1 and 2 specially have been modified in order to provide a suitable historic standpoint for readers who were not there or who do not remember the actual events that took place at the time. This was unnecessary in the early nineties when we wrote the first version, since the facts and their circumstances were more vivid in people's memories; besides, proximity in time would have made it impossible to try to approach these events from a historic vantage point.

In the chapters that describe the major reforms in detail, the changes are meant to update or include facts both relevant to the account and necessary in order to understand subsequent events, though this update is neither complete nor exhaustive.

A final chapter has also been added, to analyze the evolution of the reforms between 1990 — the year the *Concertación* coalition, still holding executive power today, took office— and the present day. Once again, it is meant to be a global, rather than a detailed analysis, since this issue in itself would probably warrant a book of its own. The most outstanding aspect in this enquiry is the cause-consequence relation between the deep and comprehensive transformations designed and carried out during the 1970 and 1980 decades, and the progress Chile experienced, which was remarkably accelerated until 1997, and more moderate after that.

The influence of the transformations that crystallized in the second half of the eighties is decisive in all the areas in which progress is observed after the nineties. For example, the definitive moderation of inflation can be explained, among other reasons, by the financial discipline shown both by the treasury and public enterprises —a process which took time and effort— and by the part played by the Central Bank whose final structure, still operative today, was reached in 1989. The beginning of accelerated economic growth can be traced to the countless sectoral reforms that made spectacular growth in areas as diverse as copper mining and forest exploitation possible; the accelerated economic growth enabled by these reforms, together with a great number of social policies that were already beginning to bear fruit in the early nineties, resulted in improved social indicators.

The slackening in economic and social progress over the last ten years cannot be ascribed to the fact that the level of well-being reached in Chile makes it difficult to maintain an accelerated rate of progress. This, unfortunately, is not the case. Empirical evidence shows that some countries have experienced spectacular changes in their development levels over the last forty years. Countries that have managed to leave poverty behind and increase their level of well-being have done so by maintaining high growth rates during at least three decades.

The problem that explains this waning in Chile's growth rate lies basically in the weaker conviction shown by successive governments after 1990 towards providing the necessary conditions for generating wealth and employment. In spite of this, and perhaps in spite of the governments themselves, the optimistic aspect I *can* highlight, is that a population that has profited from the country's progress by gaining access to a job, to a decent home, to better health and education for the whole family, instinctively recognizes conditions that benefit it. This population is, therefore, a critical mass that makes it easier to get back on course if national leaders finally lay aside obsolete ideological visions and provide them with the necessary conditions.

Revising this book fourteen years on, it is striking to find that it is still relevant today. This relevancy has both a positive and a disappointing side to it. The positive side is that the general principles that inspired the great transformations accomplished are applicable to countries that are just setting out on reform or have yet to do so. However, the disappointing side is that in many areas, such as labor for instance, arguments that should have been obsolete long ago are still being brought up in opposition to reform. Behind this reality lies the explanation for the gradual decrease in growth noticeable over the last ten years.

There is a lesson this fresh reading reminds me of: in order for policies to be successful and long lasting, they must be comprehensive and sufficiently deep, and they must tackle the main conceptual challenges presented by an economy. Given these conditions, reforms take on a life of their own and are harder to modify in the future, when an overabundance of ideology interferes with development.

This experience can be verified at different sector levels. In areas where reforms were more complete, either they have endured or it has been more difficult to change them; in areas where they were weaker or incomplete, on the other hand, regression has not been insignificant. So for example, if we look at areas such as the health system or the pension system, we find that the former has come to a standstill and has had to overcome countless obstacles during these years, expectably to the detriment of better results. Reform in the pension system, on the other hand, has remained strong and it is only in the last year that proposals for modifications have been made, which keep the bases of the system, adding universal benefits that belong more in a Welfare State, and whose effect remains to be seen. The inertia of policies, both good and bad, lasts much longer than one presidential term.

Critics of the social and economic transformation of Chile who in the early nineties were still questioning the benefits of the reforms carried out by the military government, never imagined the results time would bring about in the decrease in poverty, the improved child mortality rate, the increased access of Chilean population to higher education and in general, the means of progress made available to all Chileans. However, these results are real today.

Transforming a country's economy, thus enabling its population to reach higher well-being levels, requires awareness that reform is not owned by any specific group, or by any political party, or even by the government that accomplished it. Effective public policies belong to the population and are an essential part of the country that put them into effect. When this concept takes root in people's minds, the rational behavior is to defend the policies and not try to destroy them in the political process. In this respect, ideally, good policy will become an integral part of a country's culture. Unfortunately, Chile has not managed to incorporate into its values and culture all the elements that foster development. It has embraced some, but not all. And that explains some regressions.