other hand, the volume of external financing rose rapidly. Thus, external credit came to represent 40 percent of total bank financing (of domestic and foreign origin). Its high volume and negative real cost, despite the persistent segmentation of the domestic and external markets, brought down the cost of credit of domestic origin to 12 percent, twenty points higher than the rate applied to the large enterprises and banks, which had access to funds from international commercial banks.

Policymakers throughout the seven years anticipated that the market, once freed from public intervention, would achieve equalization of domestic and external interest rates, an integrated financial market, and increased investment and efficiency. The outcome was different: (1) there were persistent gaps between domestic and external rates of more than twenty points annually; (2) in the domestic market, the spread between active rates (loans) and passive rates (deposits) was around fifteen points; (3) the nominal and real rates were very unstable, as were the spreads mentioned; (4) consumer credit expanded, predominantly for imported consumer goods; and (5) the high cost of credit, its instability, and the short maturities (mainly thirty days) discouraged productive investment. What nonspeculative investment could pay real interest rates with annual averages of 38 percent?

In effect, the rate of capital formation (gross fixed domestic investment as a proportion of GDP) during the application of the orthodox model was lower than the historical figures, and the performance of saving was even more deficient. We shall return to this subject later.

Indiscriminate Trade Opening

The main feature of trade policy was the rapid reduction of protection to import substitution (protection was clearly excessive in 1973).[21] As discussed in chapter 3, the target of liberalization underwent major changes during the course of its implementation. In 1974, it was stated that in 1977 there would be no tariff higher than 60 percent. Then in 1975 it was announced that the tariff range would be between 10 and 35 percent and that it would be reached through successive adjustments in the first half of 1978. Nevertheless, the reductions were completed earlier, in August 1977. Finally, three months later a program of monthly adjustments was announced, which resulted in a uniform tariff of 10 percent for (almost) all imports after June 1979.

It was repeatedly stated that the real exchange rate would devalue as effective tariff protection decreased. Nevertheless, as noted earlier, shortly afterward the exchange rate began to be used to reduce

21. For more on trade opening in the period under study, see chapter 3.

inflationary expectations and compensate for the monetary effects of massive capital inflows. The result was that advanced phases of tariff liberalization were accompanied by intensive exchange rate revaluations, reinforcing the negative effects on domestic importables and contributing to a growing deficit on the current account. In practice, therefore, especially with the presence of voluminous capital surges, significant deviations occurred with respect to the supposed compensation between tariff reductions and the exchange rate.

Total imports, measured in constant purchasing power, considerably expanded in relation to domestic economic activity. This was mainly observable in consumer goods, particularly nonfood products, where the greater part of new imports were concentrated (see chap. 3). Nontraditional exports showed vigorous growth and diversification by both products and destination. Their share in GDP rose by around four points between 1970 and 1980. This brought total exports up to 20 percent of GDP in the latter year. Even so, there was an evident break in the expansive trend toward the end of the period. Additionally, the diversifying process showed a tendency to retract; in fact, those exports that continued to expand were mostly natural resource intensive (Ffrench-Davis 1979b, 1983b).

Just as import substitution has an "easy" stage, so there is an initial easy stage in the promotion of exports in emerging economies. The increase in nontraditional exports in the 1970s relates in general to this stage. In fact, it relied on rich natural resources and underutilized installed capacities. The underutilization characteristic of overprotected import substitution and exchange rate appreciation in 1971–73 was intensified by the great depression in domestic demand in 1975–76 and its subsequent slow recovery. This situation initially enabled exports to expand without major investments. The increase in exports was spurred by four additional factors. First, a crawling peg exchange rate policy of minidevaluations was applied, which, despite contradictory movements since 1976, in combination with the sharp drop in labor costs initially encouraged exports. Second, the presence of Chile in the Andean Pact until 1976 provided an enlarged market for more than one-third of the increase in new exports (Ffrench-Davis 1979b). Third, there was a reduction in the cost of imported inputs to those exporters who had not benefited from tariff exemptions previously. Finally, together with the above factors, the privileged position assigned to export promotion in the official rhetoric gave a significant impetus to the hitherto incipient export mentality of entrepreneurs.[22]

22. The official policy included active promotion through a public institution (PROCHILE). This involved a deviation with respect to orthodoxy, which claimed to base the promotion of exports exclusively on the liberalization of imports and the supposed compen-

The gap between imports and exports widened persistently after 1977. Several factors account for the external deficit and the poor performance of the production of tradables.

The most painful part of tariff liberalization was carried out abruptly and saw its negative impact reinforced by exchange rate revaluation (see chap. 4 and table 3.2). To make matters worse, this policy was applied in the context of very depressed domestic demand and notoriously high, open unemployment.[23] In consequence, the macroeconomic framework was not favorable for the identification of "comparative advantages" and corresponding investment opportunities. This contributed to the markedly low level of investment and the low rate of utilization of installed capacity and labor.

Underutilization of labor and capital, outlier macroprices (interest and exchange rates), and depressed domestic demand generated a framework quite different from the theoretical one on which the arguments in favor of free trade were based. The numerous changes made in the Chilean economy and the neutrality (passivity) of the public sector made it difficult, during the transition to a new equilibria, to identify "comparative advantages."[24] Not surprisingly, the resulting low level of domestic investment was concentrated mainly on resource intensive items and scarcely at all on activities intensive in value added over the natural component and in "acquirable comparative advantages."

There is no doubt that the phenomenon was aggravated by the freezing of the exchange rate in 1979 and its sizable real appreciation in the following years. Even those exports based on the most valuable natural resources, such as fruit, were discouraged. The unqualified adoption of the monetary approach to the "balance of payments" and the belief in an "automatic adjustment" were prejudicial even to one of the successes that economic policy could exhibit in its nine years of implementation.

As a consequence, the reallocative message provided by trade liberalization was clearer for the sectors that should have contracted than for those in a position to expand. The more rapid growth of imports than of exports was a decisive factor in the deterioration of the current account. The deficit was covered by increasing capital inflows.

The government expected a vigorous inflow of FDI in response to the "economic and political system" offered and to the favorable norms established for investors by the new statute for foreign investment (Decree

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satory exchange rate devaluation. As the orthodox approach gained control in public action, PRO-CHILE rapidly lost importance.

23. Furthermore, there was high terms of trade instability, with a significant negative trend, particularly in the copper price.

24. *Neutrality* was an obstacle to the much needed efforts to *complete* markets. See ECLAC 1998, chaps. 7 and 8; and Ffrench-Davis 2000, chap. 1.

600). It was hoped that foreign investment would exploit the "comparative advantages" previously repressed, which the model was liberating, and that it would make a decisive contribution to rapid development. However, the response of FDI dashed the hopes of the economic team. There were promises of considerable amounts, but their realization was slow (see Lahera 1981 and Vignolo 1980).

In contrast, access to financial capital in private international markets represented the main source of financing for the growing current account deficit. Its main destination in Chile was the private sector. The fact that during a good part of the 1970s real interest rates in international capital markets were low or negative and access to private funds was expeditious led the economic team, and many policymakers and economists throughout the world, to believe that it was "good business" to borrow and that if the debtor was the private sector the funds would be invested efficiently (see chap. 5).

Once again the facts belied the expectations of the supporters of the model. A significant share of foreign credit was devoted to consumption. The massive net inflow of funds, in its turn, helped to promote excessive exchange appreciation and maintain it for several years. In fact, if foreign credit had been less accessible the government would have been forced to moderate the tariff liberalization and/or the exchange rate appreciation. Indeed, the loans available to Chile were larger than the country could absorb productively. After only a moderate increase in 1977–79, the level of debt accelerated in 1980 and grew spectacularly in 1981, rising by about 35 percent in the latter year. In contrast to other countries, which channeled external financing into investment, Chile, instead of having a "debt-led economic growth," incurred a "debt-led deficit on the current account," with a crowding out of savings and domestic output by imports and the discouragement of exports. Finally, external conditions worsened toward the end of the period: real interest rates rose abruptly, and access to funds became progressively more difficult in 1981–82 (see chap. 5).

The experiment in this area culminated in mid-1982 with a sudden exchange rate devaluation after several months of costly and inefficient "automatic adjustment" (Arellano and Cortázar 1982).

Production, Investment, and Income Distribution

In this section, I will make an appraisal of the results obtained in growth and equity. First, what happened with GDP and its main components? Second, to what extent was the performance of the economy generating new productive capacity and new sources of saving? And, third, how were the benefits and costs of the implementation of the model distributed? The background data show that (1) "growth" was largely fictitious, (2) the capital formation ratio was notably lower than in the 1960s, and (3) the limited benefits went to a minority while high costs burdened the majority alongside a sharp worsening of income and wealth distribution.

Global Production and Its Composition

National accounts, both official and corrected (Marcel and Meller 1986), show high "growth" between 1976 and 1981. However, in the first place the model was not initially put in motion in 1976 but (in partial form) in 1973. Second, in 1975 there was a sharp recession, which multiplied about threefold the depressive effects of external shocks. The overall result was a fall of 17 percent in GDP. Hence, to measure economic evolution from that low point is to record as "growth" that which in fact is simply a "*recovery*" of former levels. Whereas 1976–81 gives a per capita annual rate of increase of 4.7 percent, the period 1974–81 gives a rate of 1.4 percent. It is obvious that the greater the recession of 1975 the greater could have been the subsequent recovery. Thus, the greater the loss of production as a result of the recession (a true social and private cost) the higher will appear the "growth" if the period of recession is not taken into account and the measurement begins at the lowest point. This is an extremely gross error, but it is quite frequent.

Paradoxically, in several ways the domestic recession was useful for the promotion of the model. First, the model was able to show "growth" for several years, a circumstance that attracted extensive publicity in the national and foreign mass media; the degree of shortsightedness was impressive. This gave rise to the mistaken impression that Chile was growing vigorously and would continue to do so at rates on the order of 8 percent per year,[25] irrespective of what might happen in the rest of the world. Second, economists were able to show that employment was increasing (though only after the unemployment rate had risen from 6 to 22 percent and again ignoring the starting point). Third, on a more political level, after an intense recession — underestimated or ignored by the media under an authoritarian regime that allowed the orthodox neoliberal policy to continue — the subsequent gradual recovery brought a sensation of relief to both entrepreneurs and workers.

The weakness of the model is highlighted when the composition of GDP is disaggregated. Unfortunately, because there are no revised figures to follow this analysis, I use the official data here. This is shown in table 2.1. First, there was a rise in external indebtedness and its cost.

25. See, for example, the illustrative statements quoted in Foxley 1980, 5–6.

TABLE 2.1. Evolution of GDP and Its Composition, 1974–81 (annual rates of growth)

	Total		Per Capita	
	1974–80 (1)	1974–81 (2)	1974–80 (3)	1974–81 (4)
1. Gross domestic product	3.8	4.0	2.3	2.5
2. Gross national product	3.4	3.5	1.9	2.0
3. Value added				
(a) Marketing of imports	15.5	16.2	13.8	14.5
(b) Financial services	14.6	14.2	12.9	12.5
4. Gross national product excluding value added in (3)	1.9	1.8	0.4	0.3

Source: Calculations are based on official figures in Cuentas Nacionales de Chile, 1960–81, in pesos of 1977.

Note: Revised figures by Marcel and Meller (1986) give GDP growth of 2.6 percent for 1974–81; the main correction was in the industrial sector (here included in line 4). There are no disaggregated corrected figures in order to build a revised table.

Around a fifth of the per capita growth recorded between 1974 and 1981 was used to pay interest and profits abroad, which meant that the rate of expansion of the national product was lower than that of GDP. Second, the value added in the marketing of imported products and financial services contributed a high share to GDP "dynamism"; these two sectors, which were linked with the essence of the model, exhibited a dramatic cumulative expansion of 13 percent annually. The first sector expanded as a result of the rapid growth of imports of consumer and other goods. As was discussed earlier, most of these were financed not by greater exports but by an increase in private foreign debt. This source of dynamism was unsustainable in an economy that lacked vigorous real productive support. The second source of dynamism was associated with the financial reform and responded in large measure to the spread between the rates of interest on deposits and loans and to the transfer of foreign credits in Chile. Thus, these two sources of dynamism depended on outlier values of imports and financial spreads, both of which were prejudicial to productive activity and investment.

There can be no doubt that, owing to the distortion produced by both sectors in the Chilean economy, the overall performance contained a sizable share of artificiality. Hence, it is very significant that the rest of the value added per capita, which in 1974 amounted to 91 percent of gross national product, remained virtually stationary, as can be seen in column 4 of table 2.1.[26] Over and above this poor performance, GDP

26. As mentioned earlier, the value added in export production also grew at a significant pace. Therefore, a contraction in the rest of the economy—the nonexporting

fell by 14 percent in 1982–83, while Latin American GDP fell by only 3.2 percent in the same period.

The Nexus with the Future

The connection with the future relates to savings and investment.[27] The supporters of the model claimed that it would achieve a substantial increase in savings, investment, and efficiency. The foregoing analysis has shown that the results were negative with respect to production. However, this could be consistent with a vigorous process of slow maturing investment. Unfortunately, in each of the years between 1974 and 1980, the gross fixed investment ratio was lower than that of each year in the 1960s, and in the peak year, 1981, it was lower than in 1970 (Marcel and Meller 1986). In parallel, national savings financed a lower share of investment; in 1970, around 90 percent was covered by national savings, whereas in 1978–81 scarcely half came from this source. The sharp increase in inequalities of wealth and income observed in these years apparently expressed itself in a notorious differentiation in lifestyles rather than in higher levels of saving destined for productive investment; this is attested by the sharp fall in the rate of national savings.

Concentration of Income and Wealth

Here we shall take a brief look at the indicators of wages and pensions, employment, consumption, and wealth. Others are discussed in chapter 9.

Table 2.2 shows the evolution of some income indicators of wage earners and retired workers. All of these indicate a regressive performance. In 1974–81, average wages reached scarcely three-quarters of the level attained in 1970. After a sharp fall in 1973 and 1974, real wages began to recover somewhat in 1977 but without achieving, even in 1981, the level reached eleven years before,[28] labor income fell further given

sectors—occurred. Within this subset, the industry, which accounted for the major share of economic activity, suffered the negative pulls of the recession in 1975, trade liberalization, and then exchange rate appreciation. See chapter 3 and Marcel and Meller 1986.

27. There are many other connections to the future that are not considered here. These include the impact that the model may have had on the capacity for technological absorption and adaptation; the degree of creativity of the technical and university education systems; national cultural development; the channels of participation that could have served as a basis for development strategies, which represent the national consensus; and the dynamism and efficiency of the function of the state as the activator of development.

28. Note that 1970 was taken as a "normal" point of reference. Wages in 1971 were much higher and in 1972 somewhat lower than in 1970. See Cortázar 1983. The index available, calculated by INE, does not include firms with fewer than twenty workers or agricultural wage earners or workers in the Minimum Employment Program.

TABLE 2.2. Indicators of Income and Unemployment, 1970–81

	Incomes (1970 = 100)				Unemployment (%)		
	Average Wage (1)	Average Pension (2)	Average Family Allowance (3)	Average PEM Income (%) (4)	Open (5)	PEM (6)	Total (7)
1970	100.0	100.0	100.0	—	5.9	—	5.9
1974	65.1	51.3	69.5	—	9.1	—	9.1
1976	64.8	52.3	61.8	80.5	16.6	5.2	21.9
1978	76.0	62.1	56.0	45.5	13.8	4.2	18.0
1980	89.0	74.3	54.4	37.6	11.7	5.2	16.9
1981	96.8	78.0	54.0	32.1	10.4	4.7	15.1
1974–81	76.1	61.9	59.3	48.8[a]	13.0	4.8[a]	16.8

Sources: Jadresić 1990 for column 1; Arellano 1985 for column 2; Cortázar 1983 for column 3, which is a weighted average of all family allowances.

Note: Column 4 indicates the net income of PEM (Minimum Employment Program) workers as a percentage of the minimum wage of 1970. All figures in current pesos have been deflated by the corrected CPI (Cortázar and Marshall 1980) up to 1978 and by the official index for the later years. Columns 5 and 7 are based on Jadresić 1986.

[a]Average for 1976–81.

the higher unemployment. Decisive factors explaining the drop in income were union repression, wage policies linked to the official index of inflation (which systematically underestimated it), the high level of unemployment, and the low level of productive investment. The pensions of retired workers and family allowances for wage earners' dependents (wives and children not working) also worsened considerably, as can be seen in columns 2 and 3.[29]

Despite some improvement between 1976 and 1981, open unemployment in the latter year was double the 1970 rate. As a palliative to growing unemployment, the government adopted in 1975 the emergency Minimum Employment Program (PEM), whose members worked mainly in municipalities and public institutions. In 1981, these workers represented around 5 percent of the labor force, and their income was equivalent to one-third of the minimum wage in force in 1970 (see table 2.2, col. 4). If the PEM workers are included, the unemployment rate is three times that of the year of reference (col. 7). As a result of the crisis of 1982, unemployment (including PEM) climbed to an annual average of 31 percent of the labor force in 1983.

The decline in real wages and employment was mirrored in the distribution of consumption expenditures. The data available refer to

29. In 1973, the family allowances for workers and employees were made equal. The equalization was made at the bottom, so all allowances diminished, though less in the case of blue-collar workers.

surveys conducted in 1969 and 1978.[30] With the households divided into quintiles, the poorest is found to have reduced its consumption by 31 percent between the two years of reference, and the second and third quintiles lost 20 and 12 percent, respectively. As total consumption remained stagnant, that drop equaled the percentage loss in the share of these groups. In contrast, the richest quintile was the only one that increased its share (see table 8.2).

There is one important indicator that showed significant improvement during this period. This is the infant mortality rate, which improved from 66 per thousand in 1973 to 33 per thousand in 1980,[31] despite the worsening of employment and income distribution. The main compensating factor for the negative impact of the economic environment for the majority of the population seems to be associated with the emphasis placed by the National Health Service on the maternal and child sector and on the nutrition programs directed toward breast-fed and undernourished infants (Raczynski and Oyarzo 1981; Monckeberg 1998).

In contrast to this specific area, as noted, total social expenditures of the public sector diminished between 1970 and 1981, falling in education, health, and housing by 17 percent per capita (Cabezas 1988; Ffrench-Davis and Raczynski 1990). Nevertheless, as total spending declined in even greater proportion, social expenditures came to represent a larger share of the public budget.

The distribution of assets and wealth also became highly concentrated. This phenomenon was associated with (1) decreasing wages and employment, (2) the privatization of public enterprises, and (3) the impact of the recession on entrepreneurs independent of the main economic groups in conjunction with the faulty functioning of the capital market.

There is no doubt that deteriorating employment and income among workers influenced the distribution of expenditures and wealth. Moreover, there was a striking improvement in the income of the highest paid workers, which increased the distributive gap. But the concentration was fostered by other components of the economic model as well. As mentioned, numerous enterprises in the public sector were rapidly privatized. This took place in an economy in recession and with high interest rates. Only a small segment of the private sector was able to take them over and at prices very favorable to the purchasers. Finally, the recession hit many private businessmen who lacked privileged

30. This information is based on household surveys conducted in Santiago by the National Bureau of Statistics. See chapter 9.

31. At the beginning of the 1960s, the infant mortality rate was 110 per 1,000, and in 1970 it improved to 82 per 1,000.

access to domestic or external credit. Hence, many of these entrepreneurs were forced to sell their businesses to the same economic groups that had acquired the former public enterprises. Differential access to foreign loans was another source of concentration. It signified, apart from the purchasing power it conceded, a capital gain corresponding to the large spread between the domestic and external interest rates (see table 5.5; and Zahler 1980, table 14).

The available data show the marked concentration of wealth, with two groups well ahead of the rest. At the end of 1978, the two main economic groups controlled enterprises representing around 50 percent of the wealth of the corporations registered in the stock exchanges of Santiago and Valparaiso, a figure notably higher than in 1970 (Herrera and Morales 1979, 148). Data on the 250 largest national and foreign private firms in Chile indicate that the two aforesaid groups controlled at least 37 percent of the capital of these firms in 1978 (Dahse 1979). The process of concentration continued in subsequent years; between 1978 and 1980, the capital of firms controlled by the two main groups doubled in real terms (Dahse 1982). Data provided by the Stock Exchange of Santiago in June 1982 on distribution of the shares of 177 open private companies indicated that the ten chief shareholders of each firm had direct control, on average, of 72 percent of equity capital.

Lessons from the Neoliberal Experiment

In the 1970s, neoliberalism came to the forefront in various countries and achieved a leading position in many academic centers in industrialized and developing countries. Nonetheless, its practical application in the postwar period had been generally limited and for brief periods. The case of Chile is particularly significant because of the depth, coverage, and continuity with which the orthodox neoliberal model was applied. The political regime that permitted its imposition likewise conceded great autonomy to its advocates, which invests this case, properly speaking, with the character of an "experiment."

The external situation prevailing during the years of application of the model had some negative shocks for the Chilean economy, which affected the success of the model. A case in point was the low price of copper, which persisted during most of the nine years considered. Even so, the external situation also contained features that facilitated the operation and duration of the model. One of the main features was that from 1977 on Chile had expeditious access to external financial loans, which, up to 1981, enabled it to more than offset the income loss caused by worsening of the terms of trade.

The increasing adherence to orthodoxy from 1974 onward met its first severe obstacle in 1981, and in 1982 it suffered several notable setbacks.[32] These were associated with the domestic crisis that erupted in 1981–82 with unusual virulence and spread to practically all sectors and groups in the domestic economy. During 1982, GDP and manufacturing output fell by 14 and 21 percent, respectively; construction was cut by one-half, and open unemployment was affecting one of every three workers in 1983. These and other indicators revealed a substantial worsening of the already poor levels attained in 1981, which have been analyzed in the course of this chapter. That left a long-lasting negative mark on equity in Chile.

The problems developing in the productive apparatus were closely linked to the functioning of the financial system and the indiscriminate trade opening. The model conceded a leading role to the financial reform. In fact, the financial system was transformed into the dominant decision-making center in the Chilean economy. In 1982, it became clear that indebtedness of firms and individuals was strangling economic activity and was growing rapidly owing to the prevailing high interest rates, while the revenue of enterprises was declining as a result of the domestic recession. The financial reform and the opening to capital flows constituted at first a determinant factor in the concentration of wealth and in the crowding out of productive investment (Agosin 1998). Then, toward the end of the period, it revealed the additional vulnerability that it had introduced into the national economy and the distortion of economic development created by the unbridled *financierism* to which it gave rise.

The results observed were actually the result of both intrinsic features of the model and errors in its implementation. For example, the freezing of the exchange rate at thirty-nine pesos per dollar is not an intrinsic element of the model, which was consistent with a more devalued fixed rate and/or a free rate.[33] However, given the model, the absence of an appreciated exchange rate would have prevented the reduction in inflation achieved in 1981, and this was the priority of the economic team when the exchange rate was frozen.

The intrinsic components of the model are observable in three

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32. Examples of these are the establishment of a preferential exchange rate to enable private debtors to pay their foreign creditors, the reintroduction of controls on access to foreign currency, and the purchase by the Central Bank of nonperforming loans from the private banks. These had risen to more than 50 percent of the capital and reserves of the national private banks by mid-1982. See chapter 6.

33. Evidently, with a free exchange rate the level of appreciation would have been even higher, which would have led to a worse crisis. See Harberger 1985 for a similar argument.

areas, which form the pillars of orthodox neoliberalism. These are the assumption (1) that privatization and the suppression of state intervention rapidly result in integrated, flexible, and well-informed markets and spontaneously generate dynamic development; (2) that adjustment processes are stabilizing and characteristically speedy; and (3) that "competition," even among unequal competitors, leads to greater well-being for the majority. All three assumptions proved to be false in the Chilean experiment (see a comparison with reforms throughout Latin America in the 1990s in Ffrench-Davis 2000).

First, the indirect and "neutral" economic policies were introduced in a context of "competition" between unequals, which intensified the differences. Furthermore, the neutrality was broken in several decisive instances, so that institutions such as the cooperatives and a semipublic system of savings (SINAP) were discriminated against. The restraint on union activity accentuated the inequality between "suppliers" and "demanders." As has been shown, the concentration of income and wealth was dramatic. Second, the slowness of adjustment processes involves substantial costs because of the inefficient underutilization of resources and the disincentive it implies for capital formation (see Ffrench-Davis and Reisen 1998). The neoliberal approach fails to take into account the fact that to reach the long-term objective it is necessary to go through a succession of short-term effects that influence the final outcome and the quality of the transition (the so-called hysteresis in modern literature). Third, although a mistaken interventionism also severely accentuates the structural segmentation and heterogeneity of markets, the extreme alternative option, consisting of the cessation of state action and the indiscriminate privatization of the means of production as fast as possible, disregarding the conjuncture and balance of benefits and costs, does not lead to the rapid integration and flexibility of markets (these failures are characteristic of underdevelopment). Consequently, the resulting macroeconomic context is not propitious for the coexistence of the trilogy of growth, equity, and national autonomy, the three basic ingredients of a national development project. The solution to these failures demands an active state that is subject to strict norms of efficiency and accountability.

In summary, the neoliberal experiment produced a society with increased inequality on many fronts and a predominance of economicism over other human activities. A highly productive segment coexisted with impoverished large segments of the economy. It markedly deepened the unemployment problem, discouraged investment, and in general favored speculative and financieristic trends to the detriment of activities likely to increase overall productivity and capital formation. It intensified external vulnerability, as attested by the greater impact of the 1982 recession on the Chilean economy compared to the rest of Latin America.