



Popular Economy in Santiago de Chile: State of Affairs and Challenges

THOMAS BAUWENS^a and ANDREIA LEMAÎTRE^{b,*}

^a University of Liege, Liege, Belgium

^b Catholic University of Louvain, Louvain-la-Neuve, Belgium

Summary. — Do informal initiatives share a capitalist spirit of entrepreneurship? This article attempts to answer this question, using a “popular economy” analytical framework and focusing on the case of Chile. First, we present the context of the research, namely the economic and political evolutions in Chile since the 1970s and their effects on the popular economy. Then, we seek to answer the original question, relying on in-depth case studies of so-called “popular economy organizations”. Our research shows that their socio-economic logics significantly differ from those of the traditional capitalist firm. Our observations also suggest important differences between current and older initiatives.

© 2014 Elsevier Ltd. All rights reserved.

Key words — South America, Chile, popular economy, informality, popular economy organization, capitalist firm

1. INTRODUCTION

The issue of informality represents one of the major challenges in the fight against poverty (Heintz, 2009; Lautier, 2004). The traditional response has often been to apply Western entrepreneurial rationality to informal actors and look upon their small-scale productive units as pre-capitalist firms, whose growth potential supposedly depends on the provision of adequate tools such as funding and training (Lautier, 2004). Do informal initiatives actually share the capitalist spirit of entrepreneurship? This is the question we propose to answer here.

Using a so called “popular economy” analytical framework, we focus on the socio-economic operating rationale intrinsic to informal initiatives to find out whether their logics can be assimilated to those of the traditional capitalist firm. Characteristically, this approach sets out from the fact that the specific living contexts of informal actors shape their socio-economic practices and therefore are crucial to an understanding of their mode of operation (Fonteneau, Nyssens, & Salam Fall, 1999). Our analysis concentrates on the collective/associative forms of the informal economy, the so-called “popular economy organizations” (Nyssens, 1997; Razeto, 1990) as these can more appropriately be compared with capitalist firms than individual or household-based initiatives. What follows specifically concerns Chile, a pioneering developer of the popular economy movement in South America.

Section 2 outlines the historical context of the study, namely the economic and political evolutions in Chile since the 1970s and their effects on the popular economy. This background clarifies our empirical findings and puts them into perspective. Section 3 presents the methodology used for our field research conducted in Santiago de Chile from March to June 2012. Section 4 analyses the collected data with the view of answering our initial question. On the grounds of these observations, Section 5 reassesses the theoretical discourse of the 1980s and early 1990s on Chile’s popular economy organizations. Section 6 puts forth our conclusions.

2. THE HISTORICAL CONTEXT: THE EVOLUTION OF THE POPULAR ECONOMY IN CHILE SINCE THE 1970S

(a) Macroeconomic and political evolutions since 1973

The 1973 *coup d’état*, during which the armed forces led by Augusto Pinochet took power, put a definitive end to the socialist project of Allende’s government. Alongside violent political repression, the junta adopted a radical neoliberal economic policy inspired by the Chicago school—spearheaded *inter alia* by Milton Friedman (Ffrench-Davis, 2008).

Advocates of neoliberalism often see non-state intervention as one of the model’s hallmarks.¹ In Chile, this became the ideological justification for the various economic reforms carried out during the dictatorship. As this sought to turn an import-substituting, regulated, statist economy into a free-market system, these reforms consisted of three key features:

- 1) State reforms. First of all, companies and properties expropriated by Allende’s government according to irregular procedures were restored to their former owners. Thus in 1974, 257 companies and about 3,700 agrarian estates returned to the private sector while traditional public companies were privatized. As a result of these privatization and reprivatization processes, the number of state-owned companies and banks fell from over 400 in 1973 to 45 in 1980 (Meller, 2007). A second set of reforms concerned cuts in public spending, especially in state social welfare and redistributive programs. The weight of public expenditures in the economy fell from 20% of GDP in 1971–72 to 15% in 1975 and to 12% in 1981. Fiscal reforms were introduced to eliminate the fiscal deficit in the context of a drastic

* This work has been realized with the support of the Belgian Science Policy Office, within an Interuniversity Attraction Pole (IAP) on social enterprise entitled « If not for profit, for what? And how? ». This IAP brings together four Belgian University Research Centres: the Centre for Social Economy (ULg—coordination), the Centre Interdisciplinaire de Recherche Travail Etat et Société (UCL), the Centre Européen de Recherche en Microfinance (ULB) and the Department of Applied Economics (VUB). We are grateful to Sophie Adam and three anonymous referees for valuable comments and suggestions. We also thank Isabelle Peere for her linguistic revision of the present text. Final revision accepted: May 7, 2014.

program of anti-inflationary stabilization. Finally, the military regime decentralized government administration by transferring “significant administrative responsibilities to lower levels of government while further centralizing political power and control over resources” (Posner, 2004, p. 62).

2) Liberalization and deregulation of the economy. Pinochet’s regime encouraged the flexibilization of the labor market, which implied the weakening of unions and workers’ atomization. Prices were liberalized: out of 33 controlled prices in 1974 there remained less than 10 in 1976. The junta also proceeded to the liberalization of the national financial market, followed by capital account liberalization in 1979 and 1980.

3) Integration of the national economy to the international economic space. This process consisted, first of all, in trade liberalization, which resulted in a significant increase in Chilean exports: from US\$ 1,309 m in 1973 to US\$ 3,835 m in 1979 (see Table 1). As to imports, Chile evolved throughout the 1970s from a complex tariff and non-tariff structure—with an average duty of 94%—toward the establishment of a uniform 10% tariff and the elimination of all non-tariff barriers (Meller, 1992). After exhibiting a moderate growth rate during 1974–76 and a drastic decline in 1975 linked to Chile’s economic recession that year, imports increased substantially after 1976, accompanied by an unrestricted opening to foreign investment.²

From an economic viewpoint, the dictatorial era is generally divided into two periods (Ffrench-Davis, 2008; Silva, 1995). The first one (1973–81) corresponds to the application of the aforementioned reforms and thus offers the purest example of neoliberal orthodoxy. As for the second period (1982–90), although the general paradigm remained unchanged, several heterodox measures were introduced in economic policies, which gave this era a more pragmatic and less ideological character.

Table 1. Evolution of Chilean imports and exports, 1970–90

Year	Imports FOB (millions of current dollars)	Exports FOB	Annual growth rate (%)	
			Imports	Exports
1970	956 ^a	1,112	0.9	2.1
1971	1,015 ^a	999	8.5	0.8
1972	1,103 ^a	849	3.2	-15.1
1973	1,288	1,309	-5.4	2.8
1974	1,794	2,151	3.4	45.9
1975	1,520	1,590	-38.7	2.4
1976	1,479	2,116	4.3	24.4
1977	2,151	2,185	35.5	11.9
1978	2,886	2,460	17.6	11.2
1979	4,190	3,835	22.7	14.1
1980	5,649	4,705	18.7	14.3
1981	6,513	3,836	15.7	-9.0
1982	3,643	3,706	-36.3	4.7
1983	2,845	3,831	-15.1	0.6
1984	3,288	3,651	16.5	6.8
1985	2,955	3,804	-11.0	6.9
1986	3,099	4,199	9.7	9.8
1987	3,994	5,223	17.0	8.8
1988	4,833	7,052	12.1	6.1
1989	6,502	8,080	25.3	15.7
1990	7,065	8,310	0.6	7.6

Source: Meller (1992).

^a These are imports CIF.

On October 5, 1988, a national referendum was held to determine whether Pinochet would be maintained at the head of the state for another eight years. As the “no” vote won with 55.99%, the General was forced to resign his position following the 1989 presidential elections.

From March 1990 to 2010, the country was administrated by governments stemming from the Concertación de Partidos por la Democracia, a coalition of center-left parties. The four successive presidents were Patricio Aylwin (1990–94, Christian democrat), Eduardo Frei Ruiz-Tagle (1994–2000, Christian democrat), Ricardo Lagos (2000–06, social democrat), and Michelle Bachelet (2006–10, socialist). The conservative candidate Sebastián Piñera won the Chilean presidential election in 2010. Governments of the Concertación sought to avoid a brutal break with the economic policies in force and opted for a “change in continuity” (Laban & Larrain, 1995). Under the first two administrations, Chile experienced one of the most prosperous and stable periods of its economic history with an annual average growth rate of more than 7% during 1990–98 when the Asian crisis spread to Latin America (Ffrench-Davis, 2008). During 1990–2006, the effective GDP grew 5.5% annually in average.

(b) The rise and fall of popular economy in Chile

Popular sectors were disproportionately affected by neoliberal economic reforms (Oxhorn, 1995). In addition, many who had acquired a certain level of education and been expelled from the formal sphere of the economy, joined popular sectors. According to Martínez and Tironi (1985, p. 146), this implied “a displacement of approximately 103,000 workers from regular wage-earning employment to independent [informal] employment or open employment” so that the informal sector accounted for 37% of all employment in 1986 (Angell, 1989). The arrival of these workers with better participation and organizational skills and greater social consciousness changed the social, political, and cultural landscape of the popular world (Nyssens, 1997). Parallel to this, traditional spaces for popular participation (political parties, unions, neighborhood committees, etc.) were repressed. Ironically, the conjunction of these two factors—the new political and socio-cultural landscape of popular sectors and the repression of traditional popular participatory institutions—encouraged the mushrooming of popular sector groups and a modification of the political *locus* for the benefit of non-partisan actors, who were more difficult to repress (Garretón, 2001; Posner, 2004). The second half of the 1980s thus could be called the “Golden age of the popular economy in Chile”. In 1987, around 220,000 persons, i.e. 16% of the population of *poblaciones*,³ belonged to a popular organization of some kind, whether productive or not (Oxhorn, 1994b; see also Garretón, 2001).

Parties from the Concertación explicitly took into account the interests of popular sectors. Indeed, during the 1989 campaign, the coalition committed itself to repaying the enormous “social debt” inherited from the military regime (Oxhorn, 1994a). Consistently, the state substantially increased social expenses dedicated to the poorest, and in July 1990 established the ministry of planification and cooperation (Mideplan) to administrate these resources. Moreover, the Aylwin government recognized the significant role that popular organizations could play under the newly restored democratic regime. This government also set up the División de Organizaciones Sociales (DOS), a bureau in charge of ensuring the interface between the government and various community organizations on the assumption that a genuine democracy

Download English Version:

<https://daneshyari.com/en/article/7394518>

Download Persian Version:

<https://daneshyari.com/article/7394518>

[Daneshyari.com](https://daneshyari.com)