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“MUNICIPALIZATION AND SOCIAL POLICY: CHILE, 1973-1990”

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Bajo el gobierno de Augusto Pinochet (1973-1990) Chile introdujo reformas radicales a su sistema de protección social. Así, las condiciones de elegibilidad, los niveles de beneficios, la estructura de los programas y el sistema de políticas sociales cambiaron sustantivamente, dando origen a un nuevo modelo en el que la focalización, privatización y el “means-testing” fueron elementos clave. Junto con lo anterior, un marcado proceso de municipalización a partir del cual diversas funciones y responsabilidades fueron trasladadas del gobierno central a los municipios, constituyó uno de los ejes centrales de la transformación radical que vivió Chile. Este trabajo analiza el proceso a través del cual la municipalización se convirtió en un elemento clave del proyecto de reforma pro-mercado implementado por el gobierno militar de Pinochet. El trabajo sugiere que, en contraste con otras experiencias latinoamericanas, la municipalización en Chile fue introducida para socavar las bases de la acción colectiva y mitigar la influencia de los actores no gubernamentales opuestos al proyecto de reformas neoliberales que eventualmente se implementaron.

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1. INTRODUCTION

During military rule (1973-1990), Chile underwent a dramatic process of transformation in economic and social policy, through which the country adopted orthodox economic policies. It also replaced the old “universalistic” social protection scheme with a market-oriented social policy system that strengthened means-tested policies, transferred important responsibilities to the private sector, curtailed benefits, tightened eligibility rules, and significantly reduced the state’s participation in social policy provision and administration. The municipalization of social services constituted a key element of social policy reform, particularly in education and health care. However, in contrast to other experiences where municipalization was intended to strengthen collective action and to transfer power and decision-making to the communities, in the case of Chile it was intended to erode the bases of collective action. This paper analyzes the process through which municipalization and social policy change occurred. It also shows that in the case of Chile, municipalization was explicitly designed to debilitate organized social actors, and eventually succeeded in doing so.

2. HEALTH CARE, EDUCATION, AND MUNICIPALIZATION

Health care policy underwent important changes under military rule in Chile. The new health care system introduced the decentralization of public provision and administration and the creation of private health insurance funds. In 1979, when Decree Law 2,763 was issued, the National Health System (SNS) was replaced by the National Health Services System (SNSS). The SNSS was decentralized into twenty-six independent health services that provided preventive and curative attention, under the supervision of the Ministry of Health. Public hospitals gave way to regional health services, and in 1981, the government began transferring primary attention centers to the municipalities. Because of the severe economic crisis that followed the second oil shock, however, by 1982 only twenty percent of centers had been transferred. The process was only completed in 1987. Some municipalities, in turn, ceded the administration of these centers to private, nonprofit agencies. Municipal centers

still provide free ambulatory services for the low-income population (Cifuentes 1993: 69-70; MIDEPLAN 1996: 143; Molina 1996: 157).

In 1981, Decrees 3 and 3,626 established a private system of health care parallel to the public scheme. The creation of private health insurance funds (ISAPREs) allowed dependent workers to choose between making their mandatory contributions to an ISAPRE or to the National Health Fund (FONASA). Independent workers could also contract the service of any ISAPRE, and low-income workers as well as the uninsured poor had access to free health care through the public system (Celedón and Oyarzo 1998: 281-282; Raczynski 1994: 57-58; Valenzuela Magaña 1996: 4). Contributions amounted initially to 1.7 percent of taxable income but were gradually increased, and since 1986 they represent 7 percent, with a maximum contribution level of around US\$ 165 (MIDEPLAN 1996: 144; Valenzuela Magaña 1996: 4). Those insured by an ISAPRE can opt to pay additional premiums in order to expand their benefits. In this way, benefits vary according to the real value of contributions, to the additional premiums the worker pays, and to the worker's risk.¹

Conversely, all workers affiliated with the public system of FONASA receive the same type of service and benefits, regardless of their sex, age, or the net value of their contributions. Nonetheless, in 1985 Law 18,469 classified those insured by FONASA according to their income levels. Based on these categories, those affiliated with FONASA, with the exception of low-income beneficiaries, must make additional income-related co-payments whenever they use the system. Because of the high cost of dealing with private health providers, most of the population remains in FONASA, and only upper and upper-middle sectors can bear the costs of private health care. Thus, by 1990, only 16.1 percent of the population was covered by the ISAPRE system (Superintendencia de Instituciones de Salud Previsional 1997, see figure 2.2). As higher-income beneficiaries entered the private system, the public scheme's revenue dropped significantly (Raczynski 1994: 69). Thus, during 1990, ISAPREs collected almost fifty-seven percent of the mandatory health care contributions in the country (Superintendencia de Seguridad Social 1981-1999).

The educational system also suffered great transformations. Among the main measures promoted were flexibility in elementary and secondary school curricula, decentralization, the establishment of per-student subsidies to private

and public educational centers, and the termination of free university education. At the elementary and high school levels, the emphasis was on modifying the organization and administration of the educational system rather than on addressing pedagogical issues. As former education minister Gonzalo Vial remarked later, the military government “did not have an educational policy. It had an economic policy of education. Economists said a lot of very accurate things that did not affect what was going to be taught and what was going to be learned” (Vial 1999, interview by author).

Municipal governments now ran elementary and secondary schools, which hitherto had been administered by the Ministry of Education; technical educational centers were ceded to nonprofit corporations formed by business associations. The municipalization of education meant that while local governments would have jurisdiction over staff management at educational centers and the right to hire or dismiss teachers and administer educational facilities, the Ministry of Education would maintain regulatory, pedagogical, and surveillance functions (Cox and González 1998). Although delayed by the economic crisis, by April 1982 nearly eighty-five percent of the public schools had been transferred to municipalities (Gaury 1998: 24). The military government also introduced modifications to the curriculum and, from the 1980s on, the emphasis was on curricular flexibility. The existing nationwide curricular requirements were replaced by a set of minimum contents that had to be met for a given academic year. This, in turn, allowed instructors to teach “an enriched curriculum according to local needs and available resources, still framed by the principles and national objectives for education declared by the government” (Espínola 1993: 167).

In 1980, with the issuance of Decree 3,476, the government started directly subsidizing public and private educational centers based on effective monthly student attendance. This per-student subsidy covered all educational costs with the exception of books (Espínola 1993: 144). Albeit similar to the voucher system proposed by Milton Friedman, the Chilean subsidy is provided not to the student’s parents but to the educational center’s owner.² Because parents can freely choose among different schools, this system prompts municipal and private educational centers to compete for students’ enrollment (Gaury 1998: 2 and 24). Finally, the 1981 General Law of Universities ended the

free university system and led to the creation of new private universities. The general trend during military rule was to focus on institutional and organizational aspects of primary and secondary schools, rather than on pedagogical issues (Espínola 1993: 58), and on reducing public expenditures and state involvement at the university level (Brunner 1997: 226).

In all social policy areas, a significant process of retrenchment took place. Social sectors suffered expenditure cuts (see figure 1). The measure of spending used here, welfare state expenditures as a percentage of gross domestic product (GDP), is one of the most widely accepted indicators of welfare effort. This measure, however, has one important weakness. If GDP levels change dramatically, the ratio of social spending to GDP can be radically affected. In this way, the growth of social spending around 1982 does not reflect an increase of welfare effort but a dramatic 14.1 percent drop of GDP, as seen in figure 2 (Banco Central 1988-1999; 1989). The tendency during military rule was to reduce social expenditures as "the objectives of social policy in this period . . . were subordinated to the objectives of economic policy. The goals of controlling inflation and economic growth took precedence over redistributive and social objectives" (Raczynski 1994: 52).

Because the private sector was considered the key to the so-called modernization process, social policy reforms entailed an important transfer of functions from the public to the private sector. Former Labor Minister José Piñera explains, "the crucial contribution of the social modernization of Chile has been to bestow, as much as it was possible and prudent, the function of administering social services provision to the private enterprise" (Piñera 1991: 77). In pensions, the state continued the administration of benefits only of those individuals who were not incorporated into the new scheme. Eventually, however, as these individuals fall out of the system, pensions will be totally administered by private enterprise (still excepting the police and armed forces pension funds and noncontributory assistance pensions, which continue to be state-run).

FIGURE 1. EXPENDITURES IN HEALTH CARE AND EDUCATION AS A PERCENTAGE OF GPD IN CHILE: 1976-1990

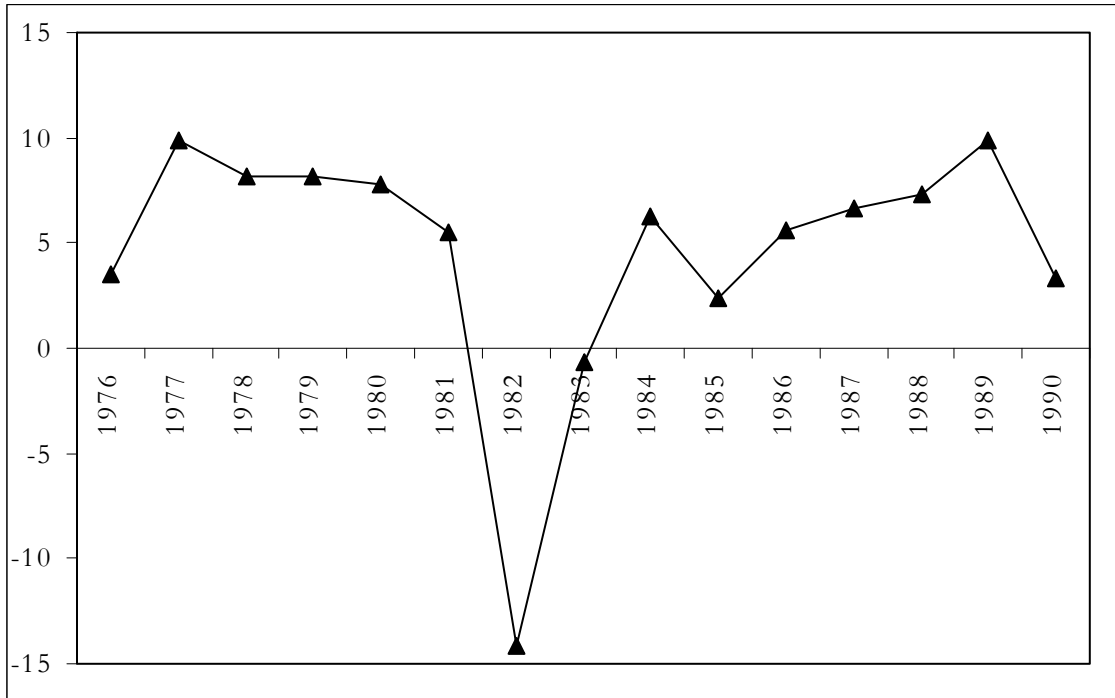


Sources: For pension expenditures Superintendencia de Seguridad Social (several years). Pension expenditures include: retirement; survivability; and invalidity pensions (it does not include transitional and administrative costs). For health care and education expenditures Contraloría General de la República, División Contabilidad. Health care expenditures include: Subsecretaría de Salud; FONASA; SNSS; Instituto de Salud Pública de Chile; and Central de Abastecimientos del SNSS (includes administrative costs). Education includes: Dirección de Educación Primaria; Secundaria; Profesional; Dirección de Bibliotecas, Archivos y Museos; Superintendencia de Educación; Oficina de Presupuestos, Comisión Nacional de Investigación Científica y Tecnológica; Junta Nacional de Auxilio Escolar y Becas; Junta Nacional de Jardines de Infantiles; Sociedad Constructora de Establecimientos Educativos; Consejo de Rectores; Subvención a Colegios de Enseñanza

Gratuita; and Transferencias a la Educación Superior. For GDP: Banco Central (several years).

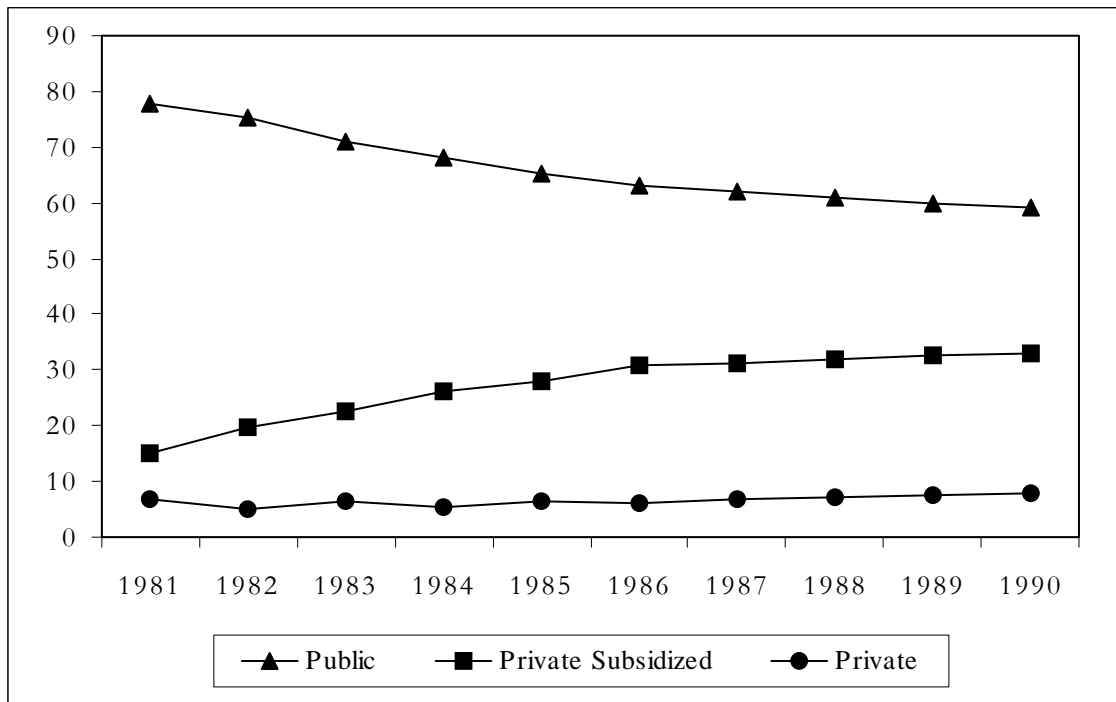
FIGURE 2. GDP GROWTH IN CHILE: 1976-1990

Source: Banco Central (several years).



In education and health care, a main objective was to reduce significantly the state's role as a resource allocator. In education, the per-student subsidy boosted competition between the public and private sectors. This also meant an important transfer of students from public to private educational centers. In 1981, 2,215,973 students were enrolled in public schools and 430,232 in private subsidized schools; whereas by 1990, these figures were 1,717,222 and 960,460, respectively (Ministerio de Educación 1998, see figure 6). In health care, as private providers were costly and no system of subsidies like those for education existed, the state was forced to continue to play a prominent role in health care provision. This helps to explain why, although an important process of health care reform occurred, retrenchment was less radical than in other social policy areas, inasmuch as the private sector provided health care services for only a small portion of the population.

FIGURE 3. DISTRIBUTION OF STUDENT ENROLLMENT BY TYPE OF EDUCATIONAL CENTER IN CHILE: 1981-1990



Source: Ministerio de Educación (1998a).

Another objective of the reforms to the social policy system was to address the needs of the poorest sectors of society. To reach this goal, social policies became targeted and means-tested, so that individuals became entitled to a given benefit only insofar as they fell under a certain income level. Former finance minister Hernán Büchi later observed that just as “in educational matters the favorite verb of the [military] government was to target,” in terms of health care, “the government chose, and it chose correctly, to privilege the weakest, in this case the kids from poor families” (Büchi 1993: 134). Examples of the prevalence of targeted over universalistic policies include significantly reducing state transfers to universities so as to focus on elementary and secondary schools, the development of means tested mother-infant programs, and the establishment of a feeding program for low-income groups.

3. SOCIAL POLICY AND MUNICIPALIZATION UNDER MILITARY RULE: CONTEXT, ACTORS AND RATIONALE

The group of young economists known as the “Chicago Boys,” whose programs were the precursors of Chile’s radical market-oriented reforms, participated in the economic and social policy making process from the beginning. In 1956, the Department of Economics at the University of Chicago and its counterpart from the Universidad Católica de Chile established an agreement that allowed promising young economists from Chile to pursue graduate studies in Chicago. Although the “Chicago Boys” gained preeminence during the mid-1970s, they started to work together during the late 1960s from their own research center, the Centro de Estudios Socio-Económicos, where they prepared an economic program for the right-wing candidate Jorge Alessandri in the 1970 elections. This experience and subsequent collaborations culminated in the draft of an economic development program that came to be known as “The Brick” (*El Ladrillo*).

In 1972, Roberto Kelly, a former marine with close links to the young economists and a personal friend of Navy Commander-in-Chief Merino, offered high-ranking naval officers the chance to draft a plan to “solve the economic problems of Chile” (Fontaine Aldunate 1988: 18; Remmer 1988: 12). A brief first draft was presented to a few Navy officials in May 1973. On September 12 (only one the day after the coup!), “The Brick” was distributed among prominent members of the armed forces. Yet, during the first few years of military rule, “The Brick” was not accepted as the framework for the adoption of economic and social policies. Hence, from September 1973 to April 1975, military officials were appointed to nearly every ministerial position, and the “Chicago Boys” were invited to serve mainly as advisers.

During the first days of the military government, there was fierce debate over what strategy to follow, as some military and civilians argued in favor of devaluing the Chilean peso and others opposed it. The Junta, at Junta member Gustavo Leigh’s request, settled this issue by asking advice from Raúl Sáez, a former finance minister under the Eduardo Frei administration (1964-1970) and son of a well-known general. Sáez supported devaluation and suggested nominating Fernando Léniz for minister of economy. Léniz was president of the conservative *El Mercurio*, Chile’s largest newspaper, which was closely linked to

Edwards, Matte, and other important Chilean conglomerates that together “controlled many of the nation’s most important banks, consumer durables, food processing, pulp and paper (newsprint), beverages, construction materials, and fishing companies” (Silva 1996: 49). Both Sáez and Léniz, who was appointed in October 1973, were sympathetic to the “Chicago Boys” and their monetarist orientation, but they differed on timing. While the Chicago team argued for a radical and rapid liberalization, Sáez and Léniz thought liberalization should be gradual. The finance minister, Rear Admiral Lorenzo Gotuzzo, agreed with the “Chicago Boys,” but Admiral Merino, on the junta, sided with Sáez and Léniz. Thus, until early 1975, the gradual approach prevailed (Cavallo Castro, Salvo, and Pacheco 1990: 20-21; Fontaine Aldunate 1988: 60-63; Huneus 2000: 250; Silva 1996: 85-90).

Chile’s poor macro-economic performance,³ exacerbated by the oil crisis and a nearly fifty percent drop in the international price of copper, prompted a questioning by technocrats at the National Planning Office (ODEPLAN) of the gradualist team’s strategy and favored a shift that culminated in the implementation of the “Chicago Boys” policy recommendations (Huneus 2000: 252). The next finance minister, Jorge Cauas, was appointed in April 1975, and pushed for the intensification of the policies pursued hitherto. Cauas, the czar of the shock treatment of 1975, believed that to implement the “necessary” radical fiscal reform it was essential to centralize the economic decision making process and the coordination of public administration under the exclusive umbrella of the Ministry of Finance. According to Cauas, everyone’s opinion would be heard in the decision making process, but once a decision was taken it would be implemented with absolutely no further debate (Cauas 1999, interview by author). General Pinochet agreed and through his legal adviser encouraged the drafting of a decree that would turn the finance minister into a super-minister. Hernán Büchi asserts that the main objective was “to correct the existing lack of coordination and to introduce homogeneity into an area in which there still remained undisciplined groups which could rarely agree on a consistent and coherent line of action” (Büchi 1993: 20).

The sought-after power concentration materialized in the approval of Decree 966 of April 1975. This decree established that the finance minister would be the coordinator of the economic system and therefore would have command

of all government offices involving economic policy and the majority of ministries and state agencies (Silva 1996: 108).⁴ It also granted the finance minister further control over resource allocation, economic planning, and the nomination and dismissal of high government officials, with the exception of ministers, who could be nominated or dismissed only by the chief of state. Cavallo Castro, Salvo, and Pacheco (1990) argue that these new powers were given to the finance minister in such a subtle way that nobody really realized the consequences this would have on the concentration of authority. The new decree ended the junta members' veto power over nominations (Cavallo Castro, Salvo, and Pacheco 1990: 86-87).

Other decision making units dealt with social policy but were always subordinated to the Ministry of Finance and General Pinochet. The "Chicago Boys" dominated ODEPLAN from the beginning, working out of its Department of Studies, where many of the regime's social policy reform projects were partly or totally drafted. In addition, the decentralization of education and health care and the subsequent transfer of primary health care establishments and educational centers to municipal governments augmented the relative power of mayors in relation to the central government. Nevertheless, mayors were appointed directly by Pinochet and were supervised by the Interior Ministry. Pinochet and his economic team thus monopolized the process of economic and social policy making by centralizing the decision making process. The economic team's continued presence as a pivotal decision making unit, however, was contingent on Pinochet's support. Indeed, between 1982 and 1985, Pinochet removed the "Chicago Boys" from key positions. This is the main reason that the salience of the economic team varied over time.

The economic team, mainly from ODEPLAN, eventually started to seize key governmental posts in the areas of health care and education. This process was more gradual in health care; until late 1981, as both the Chicago boys and member of the Colegio Médico (the professional association of physicians) were involved in health care policy design, although after 1975 the CM's influence started to wane (Castiglioni 2005). There were several points of disagreement between these two groups, including the role of the public and private sectors, the reorganization of the national health care system, the public sector procedures for hiring and paying physicians, the level of fiscal resources

allocated to health care, and, at the very center of the dispute, the CM's very involvement in policy formulation (Raczynski 1982: 87). The confrontation intensified after 1979. Physicians shared the government's view that the health care sector was overly centralized, and as a result, they were willing to accept the creation of 26 regional health services. They disagreed with the government, however, on transferring primary attention centers to the municipalities. Doctors contended that the municipalization plan was being imposed from above and that it was not backed by a sound study of the situation in the health care sector (Beteta, Cabezas, Ferreccio, Larrañaga, Oyarzo, and Sanhueza 1998: 44). The process of change was under way nevertheless. Mercedes Cifuentes, former budget chief of the Ministry of Health, recalls,

The CM had, and continues to have, great power in the health care area. And the CM was quite conservative; it did not want the reform. So the health care reform was incomplete. . . . But slowly the economists were able to gain entry. . . . When I got to the budget office I was, of course, the first non-physician to occupy that position and there was a big scandal. The undersecretary of health was a doctor who was very close to Pinochet . . . who had a lot of power, and he almost had a nervous breakdown because I was an economist and a woman. But anyway, to his displeasure, the reform continued. . . . People working for the government were in favor of subsidizing the demand . . . but this goal was never achieved because there was a great deal of pressure (Cifuentes 1999, interview by author).

To bypass the pressure from the CM, the economic team pushed the process of health care privatization through the Ministry of Labor. Büchi says that by 1980 "in health care nothing was done. Besides changing the system's structure, no additional step toward privatization or toward creating a private health care system was taken" (CIDOC 1993). Büchi collaborated with Labor Minister Piñera to draft the social security bill, and believed that this reform "offered an enormous opportunity" to push through changes in health care. As a result, one of the decrees reforming the social security system (3,626) established, among other things, that workers could make their health care-related contributions either to public or private institutions, thus "leaving the

door open for the creation of ISAPREs" (Piñera 1991: 93). Thereafter, Büchi was sent to the Ministry of Health as under secretary (the first time a physician did not occupy this position) to coordinate the design and implementation of health care privatization.

The harshest clash between the CM and the "Chicago Boys," however, was yet to come. In February 1981, the government issued Decree 3,621, which transformed professional associations into corporate associations (*asociaciones gremiales*) and eliminated mandatory affiliation. With this measure, the CM lost most of the regulatory, policy formulation, and wage-setting prerogatives that had been granted from the late 1940s on (Dávila 1998: 10). Enrique Acrossi, president of the CM in 1998, explains,

Between 1973 and 1981 we [the CM] maintained our main prerogatives; in particular, professional affiliation was mandatory for the practice of medicine; so it was imperative to be registered in the CM to obtain a professional license. Pinochet himself was the one who abolished our principal attributions, turning us into some sort of social club. . . . [But] the real mentors of the destruction of the CM [were] Pinochet's economic advisers, who continue to be attached to political power and to press in favor of the disintegration of our association (Noticias 1998: 1-2).

After the CM was stripped of its policy formulation and regulatory rights, Decree 3 was approved in 1981, allowing the formation of ISAPREs and creating the structure of private health care institutions. In addition to the CM's resistance, other unrelated factors helped to limit the retrenchment in health care policy. In general, reforming health care is a complex process with unique difficulties. The costs of decentralizing highly specialized medical facilities can be extreme; the relationships among a multiplicity of actors (government, beneficiaries, public and private health care providers, insurance companies) may need to be redefined. The health care reform started later than in other social sectors, delayed by the unexpected 1982 economic crisis, which limited access to additional resources that could be used to finance new measures. The CM was, nevertheless, a crucial veto player in moderating and delaying reforms.

The CM's position differed dramatically from that of groups opposing reforms in other policy areas where organized opposition was weak. In

education, "the military regime's program to disarticulate rival political organizations targeted the teachers' union in particular because of its undeserved reputation as an instrument of the Communist and Socialist Parties" (Gaury 1998: 37). Besides dismissing and detaining thousands of teachers, the military took unprecedented measures, such as demanding mandatory reporting of all "irregularities" involving teachers and students, guarding the entrances to educational centers, and imposing procedures to control everyday school activities (Gaury 1998: 76-77). As a result, "the opposition of teachers and of the bureaucracy to the reform could only be expressed as reactions to decisions that had already been implemented" (Espínola 1993: 83-84).

The economic team's ideology also had great impact on social policy change and municipalization. The "Chicago Boys" managed to monopolize a great deal of power that could be limited solely by Pinochet. Furthermore, during the time most decisions on social policy change were adopted (1979-1981), the economic team's position was vindicated with the fulfillment of economic policy targets set in 1975. Thus, "neoliberal ideas were beginning to win. Success in reducing inflation helped convince the junta that liberal ideas might be successfully applied in other areas of policy" (Kurtz 1999: 416). As a result, monetarism became the leading ideology of the "modernization process."

The economic team's main ideas on virtually every aspect of policy making can be found in their 1973 plan, "The Brick." The diagnosis identifies six major problems: low growth rates, exaggerated statism, scarcity of productive employment, high inflation, stagnation of agricultural production, and extreme poverty in sizable segments of the population (*El Ladrillo* 1992: 27-38). The solutions are a set of thirteen prescriptions that served as the basis of the economic team's policies, although different periods of the military regime emphasized different policy goals. For social policy reform, "The Brick" outlined seven "modernizations" as a general course of action. They included decentralization, as well as reforms in agriculture, education, health care, labor, social security, and the judicial system. Major changes did not take place until 1979, however, when the team succeeded in implementing the stabilization program. At the same time, "the success (albeit temporary) of economic stabilization and the return to growth, when added to the abundance of foreign exchange between 1979 and 1981, made serious reforms to state institutions

fiscally feasible" (Kurtz 1999: 416). Yet the "Chicago Boys" involvement in social policy was delayed mainly because the Air Force initially had control over this policy area and opposed the implementation of market-oriented reforms.

Education and health care reforms were guided by the same market-oriented principles: reducing state intervention, strengthening the private sector, adopting free-market and stabilization policies, and privatization. Social policy had to be framed in agreement with economic growth and had to be focused and means tested, with the state concentrating on low-income sectors. As former finance minister Büchi asserts,

due to the close correlation between [economic] growth and redistribution, social policies inimical to growth are never healthy. It is necessary that, at least, they have a neutral impact on growth. . . . Social policies that interfere, undermine, or hinder the economic development process are disastrous and in the end they do not favor those whom they should favor. . . . Social programs have to include some incentive for individual effort and for persons gradually to be responsible for their own destiny. There is nothing more pathetic than social programs that encourage social parasitism (Büchi 1993: 127)

Decentralization, another important guiding principle, was to be promoted mainly so that the beneficiaries of social services could participate in the decision making process (*El Ladrillo* 1992: 53) and to insulate the state from social conflicts. The first objective was never achieved (and probably never sought). The second, however, was attained in health care and education by removing the state as the main target of collective action. One of the main goals of transferring responsibilities from the central government to the municipalities

was to break unions, because prior to these reforms teachers would go on a national strike and would deal with the [education] minister (the same was true with doctors). But when you distribute this among municipal governments, the employer is the mayor, so instead of having a national union you have 350 small unions (Cifuentes 1999, interview by author. The 350 refers to the approximate number of regional governments in Chile.)

Because the market was assumed to be much more efficient than the state in allocating resources, it was theorized that the state should be only minimally involved in administering and delivering social programs, and the private sector should be given a chief role (*El Ladrillo* 1992: 139). In this view, to inaugurate an efficient, “modern” system, it was necessary to promote free choice and competition. The main belief was that as long as individual consumers could choose freely the source of social services, service providers would be forced to compete to secure customers, and thus the quality of these services would improve. As Cifuentes points out,

all reforms were guided by a common framework: the market was the best resource allocator and, thus, individual freedom to choose was the main requirement needed for the market to prompt competition. We wanted the market to assign resources, and for that purpose it was imperative that individuals be able to choose. . . . This [framework] was repeated in all [social] sectors, not only in health care, but also in education and social security (Cifuentes 1999, interview by author).

The coherent monetarist ideology of the “Chicago Boys” in charge of economic and social policy gave content to the retrenchment and municipalization processes advanced in Chile. Yet the timing and breadth of these reforms is explained by the presence of veto players.

5. CONCLUSIONS

Under military rule, Chile experienced a process of deep social policy change, through which the old universalistic social protection system was replaced with a set of targeted, means tested social policies intended mainly to guarantee the necessities of low-income households. Municipalization was a key component of the “modernization” process that the military and the “Chicago boys”, the team in charge of economic and social policy, advanced. In contrast to other experiences, municipalization and social policy reform were key strategies to weaken mobilization and to atomize collective actors who gradually lost their prerogatives.

The Chilean experience suggests that, at least in some contexts, whether municipalization serves to connect citizens to the government and to empower

civil society organizations is an empirical question and its democratizing effect should not be taken for granted. In fact, the fortunes of social policy and municipalization under military rule show that collective action can be dramatically eroded. National, all encompassing organizations (such as trade unions and professional organizations) have never fully recover neither the prerogatives their lost under military rule nor their capacity to represent and mobilize nationwide interests.

Having being Chile one of the successful stories in the eyes of International Financial Institutions during the nineties and concomitantly being underlined as one of the cases to emulate, the process of municipalization must capture our attention and caution, at least if we want to extrapolate "success" from one case to another.⁵

In addition, while beyond the scope of this paper, the Chilean case indicates that social policy reform and municipalization might stamp pervasive institutional legacies that are extremely difficult to rollback, even after long periods of democratic rule (a similar argument but on direct democracy was elegantly advanced by Auer.)⁶ As a result, future research should address the extraordinary resilience of the institutional innovations of the government of Pinochet and their consequences.

¹ As Celedón and Oyarzo argue, the price of a health care plan is determined by risk levels, which, in practice, are reflected in differential rates based on age and gender (Celedón and Oyarzo 1998: 282).

² Milton Friedman suggested that in order to improve the functioning of the educational system the “government could eliminate public schools and give the parents of students vouchers (grants) so that all children could attend private schools tailored to their individual needs” (Byrns and Stone 1993: 296).

³ According to Central Bank’s figures, during 1975 Chile’s GDP dropped an outstanding 12.9 percent and inflation mounted to 340.7 percent.

⁴ These ministries and state agencies included Agriculture, CORFO, Economy, Health, Housing, Labor, Mining, the National Planning Office (ODEPLAN), Public Works, and Transportation.

⁵ In regard to institutional diffusions and their implications see Altman (2008).

⁶ In his study of direct democracy in Europe Auer says: “It is a one-way street to direct democracy: you can only go forward or halt, but it is difficult to turn back” (Auer 2007: 275).