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**Patricio Navia
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March 2011

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*The views expressed in this paper are those of the author and
do not necessarily reflect those of the US Government,
Department of Defense, US Southern Command or
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EXECUTIVE SUMMARY

In the past 20 years, Chile and Venezuela have followed divergent paths of democratic and economic development. When the Cold War ended, Venezuela was one of the few Latin American countries where democracy had survived the authoritarian wave of the 1960s and 1970s. Heralded in the late 1980s as the most stable democracy and one of the most developed and globalized economies in the region, Venezuela has since experienced deterioration of democratic institutions, political polarization, economic stagnation, and instability. In contrast, Chile has experienced a democratic renaissance since 1990. Rapid economic growth, an increasingly efficient public sector, significant reductions in poverty, and improvements in social programs have all made Chile a regional leader in democratic consolidation and sustainable development. Chile emerges as a success story and Venezuela as a country lagging behind in terms of making progress in economic development and poverty reduction. While Chile has developed a democratic system based on institutions, Venezuela has seen its democracy evolve towards increasing concentration on power on the hands of President Hugo Chávez.

CHILE: FROM A NATION OF ENEMIES TO A SOCIETY OF CITIZENS

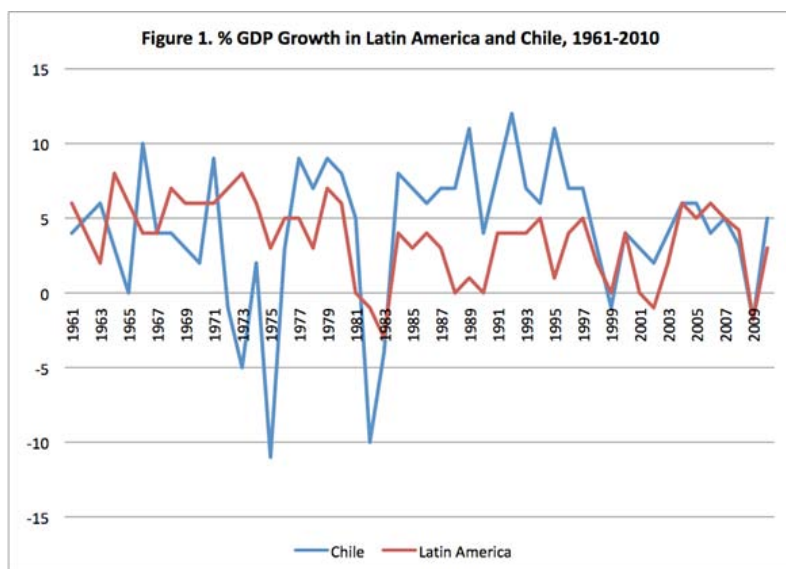
Chilean democracy has grown beyond what General Augusto Pinochet had in mind when the 1980 Constitution was drafted. Democracy today is more consolidated and inclusive than in the past. Yet, the 1973 coup and the Pinochet dictatorship remain defining moments since democracy is built on the foundations set in place by the 1980 Constitution. Although amended several times, the Constitution reminds us that Pinochet is the father of today's Chile, and the *Concertación* coalition has been a deserving stepfather, helping heal deep social and political wounds and presiding over a successful period of economic growth, social inclusion, and democratic progress.¹ The election of Salvador Allende (1970), who promised a “Chilean road to socialism,” reflected the fact that the old democratic system was not functioning well.

From 1960-1970, Chile's economic growth averaged 4.1 percent (1.7 percent per capita). Inflation averaged 27 percent in the 1960s. Chile was a profoundly unequal society in 1967: the poorest 20 percent received 3.7 percent of national income whereas the richest 20 percent received 56.5 percent (Navia 2010). The dictatorship dramatically transformed the country after 1973, and the economic model put in place remains the basis of economic policies. The constitutional order designed to keep the military in power also provided space for democracy. After an economic crisis in 1982 forced the government to accommodate the opposition, and protests threatened the regime, political

¹ The *Concertación* has been one of the longest-lasting and most successful coalitions in Latin American history. The success of the *Concertación*, which governed Chile since its return to democracy in 1990, was due to its ability to devise a formula for governing based on consensus among the disparate collection of center-left political parties that opposed the military government of Augusto Pinochet. Read more: <http://americasquarterly.org/node/1490>

parties seized the opportunity provided for in the constitution and forced a plebiscite. On 5 October 1988, Chileans voted for democracy. Democratic elections were held in March 1990.

Chile performed below the regional average in the years before 1984, but the following 26 years have seen Chile outperform its neighbors. Starting in 1984, the economy began to expand robustly. Under the administrations of Aylwin (1990–1994), Eduardo Frei (1994–2000), Ricardo Lagos (2000–2006), and Michelle Bachelet (2006–2010), Chile experienced its longest run of economic growth and poverty reduction. As such, economic growth has strengthened democracy, resulting in better living conditions, less poverty, more social and political inclusion, growing levels of participation, and the protection of civil and political liberties.



Rapid economic growth experienced under Aylwin (7.8 percent annual average) and earmarked social programs helped reduced poverty dramatically from 38.6 percent in 1990 to 27.6 percent in 1994. Yet, Chile has obtained better

results in reducing poverty than in fighting inequality. It has successfully combined a market-friendly economic model with a strong emphasis on poverty-alleviating programs. Poverty has decreased in every administration since 1990 and inequality has also begun to decrease, as the Gini coefficient reached 0.54 in 2006 (Navia 2011).

Table 1. Poverty and Extreme Poverty in Chile, 1990–2006

	1990	1992	1994	1996	1998	2000	2003	2006	2009
Poverty	38.6	32.9	27.6	23.2	21.7	20.2	18.7	13.7	15.1
Extreme poverty*	13.0	9.0	7.6	5.8	5.6	5.6	4.7	3.2	3.7
Gini Coefficient	0.57	.58	.58	.57	.58	0.57	0.55	0.54	0.55

Source: Encuesta Caracterización Socio-Económica Nacional CASEN, 2006. *Extreme poverty is included in poverty

Chileans are satisfied with democracy. *Latinobarómetro* showed that 54 percent considered democracy the only legitimate form of government (1996). Although there have been fluctuations, in 2006 the figure was 56 percent and 46 percent in 2007. Support for authoritarian government has stayed below 15 percent. Thus, temporary dissatisfaction with democracy has not increased support for alternative types of government (*Latinobarómetro* 2007, 2008). Satisfaction with democracy results from progress made in economic development and in civil and political rights (UNDP 2005). Chile has experienced significant progress in protection of civil and political rights since 1990. Although Chile had more restrictions than average in the region during the dictatorship, in the democratic period it scored better than the region overall, reached the lowest possible level of restrictions in 2002, and has remained at the best possible standing.

Figure 2. Restrictions on Civil Liberties in Chile and Latin America (Freedom House)

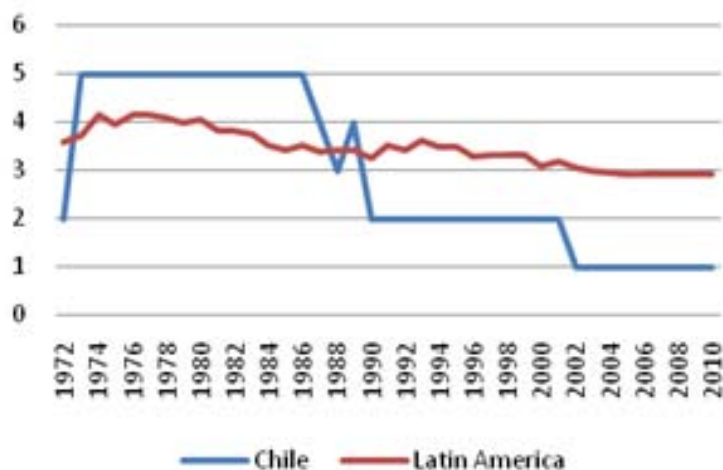
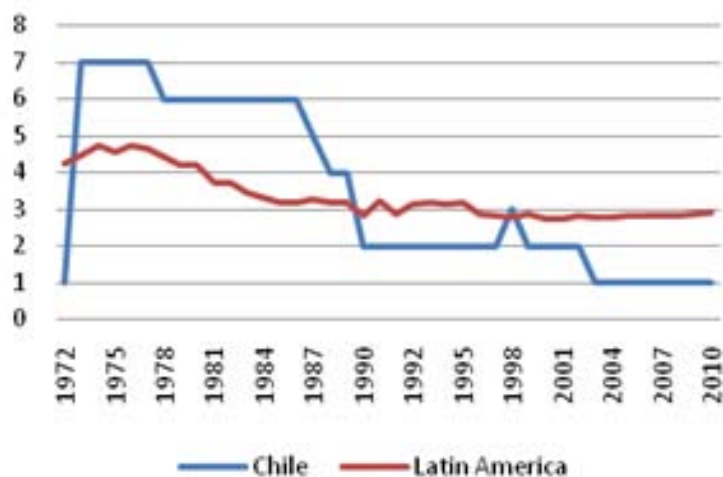


Figure 3. Restrictions on Political Rights in Chile and Latin America (Freedom House)



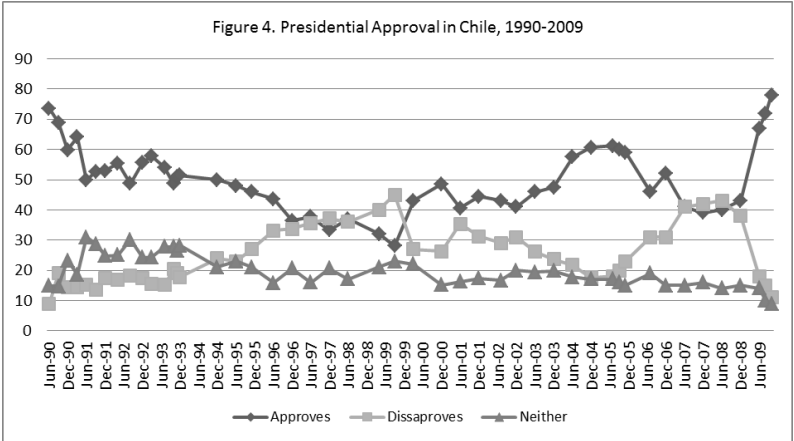
Source: Freedom House. The higher the value, the more restrictions there are on civil liberties.

Interest in political participation was at its highest in 1988. Slightly less than 90 percent of eligible Chileans went to the polls—a record-breaking turnout. Electoral participation has decreased since 1988, with presidential elections attracting more voters. Yet, in the most recent presidential election (2009) only 62.0 percent of voting-age Chileans voted, the lowest since 1970. Decreasing interest in politics might mean that people are fully satisfied, but lack of interest may correspond to discontent with politics (UNDP 2005). Some observers have pointed out a certain malaise with democracy, as the political system is insufficiently responsive to the demands and needs of citizens (Huneus 2003, Navia et al 2008, Morales and Navia 2010). Yet, the problem is more nuanced. When measured as percentage of registered voters, electoral participation has remained remarkably stable and high since 1988. Nine of every ten registered voters cast ballots in each of the five presidential elections held since 1989 (Navia 2004). Among those registered, participation is fairly high. There are no real penalties for those who fail to vote, and a growing number of people are not registered. Thus, the electoral participation phenomenon has to do with flawed institutional design. Voting is mandatory, yet registration is optional. To be eligible to vote, one must first register and then is legally compelled to vote though penalties are seldom applied to those who abstain. Low levels of participation warn that democracy may be vulnerable. Lack of participation, particularly among youths, hints to future problems of legitimacy. When people do not consider electoral participation the best mechanism for expressing discontent, they will eventually use other means to channel frustration. Reforms that foster electoral participation are crucial to the future of democracy.

THE LIMITS OF REPRESENTATIVE DEMOCRACY

The arrival of President Michelle Bachelet to office in March 2006 represented political change. Bachelet, Chile's first woman president and fourth *Concertación* president,

championed bottom-up democracy. Opposed to the previous top-down approaches, she promised to establish participatory democracy (*gobierno ciudadano*). Bachelet focused on strengthening the social safety net. In promising to overhaul the private pension funds system, Bachelet sought to keep the fundamentals of the market-friendly economic model first introduced by Pinochet and consolidated under the previous *Concertación* administrations and to introduce instruments that would allow the government to play a more active role as regulator and foster redistribution (Navia 2011). Her initiatives included preschool reforms to increase coverage and subsidize low-income families, a set of reforms to foster more innovation and entrepreneurship in business, and improvements in the quality of urban life to “construct a more humane environment and to promote a wider conception of human development.” (Navia 2011) Although the long-term effects of her initiatives are yet to be known, Bachelet added a new dimension to the debate on consolidating and strengthening democracy.



Source: Author’s calculation with data from <http://www.cepchile.cl>.

Politically, Chile faces significant challenges. Recent corruption scandals have highlighted the need to better regulate campaign finance and make it more transparent. The absence of an established system of primaries gives too

After coming to power, Chávez convoked a national referendum to call for a constitutional assembly. In 1999, Venezuelans went to the polls three times. They overwhelmingly supported the call for a constitutional assembly; 72 percent voted in favor for a new constitution in a referendum held in April. Chávez had the enthusiastic backing of a significant segment of the excluded population. Elections for a constitutional assembly gave Chávez a majority in the new assembly and a new constitutional text was submitted to a new plebiscite in late 1999.⁴ An overwhelming majority approved it and a new constitution was adopted. The constitution called for the creation of a new republic—following the French Fifth Republic model—and presidential elections were held in 2000. Chávez won, and his allied parties received a majority share of the votes in the unicameral Congress.

Since the initial military coup, Chávez showed strong sympathy for Fidel Castro and the Cuban Revolution. Similar to the Cuban socialist model, his administration began to confiscate foreign companies and nationalize certain services and productive sectors, including sectors associated with oil production and utilities. His critics accused him of moving the country to a socialist-oriented economy and concentrating political power (McCoy and Myers 2004, Corrales 2006, Hawkins 2010).

In the case of economy, the economic model reforms adopted by Chávez correspond to the 1960s development corporate state (*estado desarrollista*). Chávez believes that economic development can be best achieved by having the state control the means of production. Thus, he has moved forward with an aggressive nationalization effort. Moreover, because the state sector is not necessarily well prepared or equipped to take on productive activities, Venezuela's

⁴ "Venezuelans vote in local elections,"

<http://www.nowpublic.com/world/venezuelans-vote-local-elections>.

much power to party elites in selecting candidates for Congress and municipal elections. The electoral system is insufficiently competitive and fosters a political duopoly; the center-left *Concertación* and the center-right *Alianza* equally split congressional seats in more than 95 percent of all districts (Navia et al 2009). Government services have improved and are among the most efficient and accountable in the region, but they need to improve if Chile is to be comparable to industrialized countries. The successes of the past should generate optimism about Chile's ability to strengthen its democracy; however, there are also some reasons for concern. What proved successful in securing and consolidating democracy in the 1990s might not work in the future. Chile must come up with new reforms to meet the challenges of the future. As the country commemorated its bicentennial, the successes of its first two decades of post-authoritarian democracy have generated high expectations about what can be done in the future. Moving forward will not be easy, nor will it be inevitably successful. Yet, Chile today enjoys a strong, vibrant, and consolidated democracy more so than ever before in its history.

VENEZUELA: WEAKENING DEMOCRACY UNDER CHÁVEZ

While most Latin American countries have made significant progress in consolidating and expanding democracy since the end of the Cold War, the quality of democracy in Venezuela has worsened.² In the 1970s and 1980s, when authoritarian governments ruled throughout Latin America, Venezuela was an exception. Together with Costa Rica—and to a lesser extent Colombia—Venezuela was civilian ruled, with regular free and fair elections and peaceful transfer of power. Since the third wave of the democracy (1980s), Venezuela has

² Other countries have a comparable low quality democracy in the region—in addition to authoritarian Cuba, the quality of democracy in Nicaragua, Guatemala and Honduras is also low according to many international rankings.

moved against the international trend. Modern democracy can be traced back to 1958, when the Pérez Jimenez dictatorship (1952-1958) came to an end. Pérez Jimenez was forced to resign after popular protests followed his decision to hold a plebiscite rather than elections in 1957. Eventually, a negotiated transition to democracy by the emerging three parties, that is, *Acción Democrática* (AD), the Christian Democratic COPEI, and the *Unión Republicana Democrática* (URD), emerged. A pact to secure a transition to democracy was reached. It called for respect for the results of democratic elections, creation of a national unity government, incorporating members of losing parties into the presidential cabinet, and reaching consensus on a policy platform were agreed to. This pact, the *Pacto de Punto Fijo*, sought to discourage the military from seeking power and was modeled after the so-called *consociational* democratic model (Arendt Lijphart). The pact proposed that all relevant parties be guaranteed some access to shared power to secure compliance and allegiance to the government.

The three leaders of the *Pacto*—COPEI's Rafael Caldera, AD's Rómulo Betancourt, and URD's Jovito Villalba—enabled democracy to flourish. Betancourt was elected president (1959-64). The fact that he had already served as president (1945-48) before the dictatorship allowed the old political elite to regain control of the state apparatus and to secure a peaceful transition to civilian rule. Betancourt's successor was Raúl Leoni. After his term, Venezuelans elected Rafael Caldera, the leader of COPEI. In 1974, AD returned to power under Carlos Andrés Pérez (1973-78). Pérez represented a generational change, embracing more militant leftwing policies. He led an active campaign to promote democracy in the region—which made him take positions against U.S. anti-communist efforts—and the notion that Venezuela's oil reserves offered an opportunity to reach a much higher level of development. High oil prices and political crisis in the Middle East consolidated his leadership. He championed the creation of the Organization of Petroleum Exporting Countries (OPEC) and advocated for

productivity has lagged behind as a result of increased participation of the public sector in the economy. Even worse, because the government is always subject to political pressures to increase social spending, nationalized industrial and productive sectors have failed to make the necessary investments to remain competitive. The government uses public sector revenues to fund social programs rather than reinvest to improve productivity. Finally, the lack of competition in a public sector-controlled economy has created opportunities for corruption.

Politically, Chávez has concentrated power and undermined institutions that provide for checks and balances. Repeated constitutional reforms have given more power to the central government. When the opposition makes electoral gains in local elections, the government has responded by reducing the powers of local authorities through constitutional reforms. Granted, the erratic and divided opposition has contributed to its own weakening, and the president has shown an enormous ability at winning elections (Corrales 2006). Although evidence of irregularities and unfair practices that favor Chávez and his allies abound (Carter Center 2007), it would be excessive to claim that he has remained in office against the will of the majority since he enjoys significant support among the poor and lower middle class (Hawkins et al 2008). However, even if one accepts his electoral strength and acknowledges his victories as legitimate, there is unquestionable evidence that Chávez has not ruled democratically (Human Rights Watch 2008). He has overstepped his powers and attributions and, despite ruling with a custom-made constitution, he has also changed it several times—and found ways around it—to advance his political agenda (Hawkins 2010, Human Rights Watch 2008). As Figures 6 and 7 below shows, independent observers point to a weakening of democratic values in Venezuela. The Freedom House Index has consistently shown political rights and civil liberties in Venezuela as worsening since Chávez came to power in 1999. Most recently, Chávez successfully changed it to be allowed to

developing countries having an independent voice during the Cold War. While other countries were experiencing breakdowns, Venezuelan democracy was being consolidated, and the country was emerging as a leader among developing nations.

The election of COPEI's Luis Herrera Campins in 1979 showed that the *Pacto* had begun to deteriorate. The power sharing between the two main parties, AD and COPEI, (URD had left the *Pacto* in the early 1960s) had generated a class of bureaucrats whose careers depended on party allegiance rather than performance. Parties became employment agencies for people who wanted to enter the public sector. The system became increasingly less competitive and prone to corruption. Under AD's Jaime Lusinchi (1984-89), corruption increased dramatically. The negative terms of trade resulting from low oil prices limited the government's ability to offer social services. Foreign debt also became a political and financial problem. The resources produced by oil exports were not efficiently distributed among the population and a large underclass was excluded from many social services and opportunities. As *Pacto* governments had sought to create and consolidate a strong middle class, the focus being on establishing subsidies that mostly benefited the middle class—such as free access to higher education or oil subsidies for automobile owners—there were insufficient subsidies and job-creating stimulus programs to help bring people out of poverty. Migration from the country-side to cities worsened urban poverty. In short, the *Pacto* became a victim of its own success by creating a stable and pampered middle class with abundant resources from oil export. Many members of the excluded rural population and urban poor began to express dissatisfaction with the system and demanded more inclusion. Because electoral democracy was consolidated and electoral results were widely respected, the excluded majority had an opportunity to make its voice heard.

Carlos Andrés Pérez returned to the presidency in 1989. Despite having campaigned against Washington Consensus policies to cut spending, Pérez quickly signed an agreement with the International Monetary Fund (IMF) accepting many of the Consensus policy recommendations.³ A drastic increase in public transportation triggered a protest movement known as *Caracazo* in February 1989. The social peace associated with the *Pacto* could no longer be guaranteed. Riots against the government underlined the exclusion that had come to characterize society since the mid-1980s. Discontent with the Pérez administration—and political elites in general—led to the unpopularity of the *Pacto* and fueled calls for drastic change. Hugo Chávez’ failed military coup attempt reflected dissatisfaction with the elite, and he became a hero for many of the poor who had not benefited and were now suffering from austerity policies adopted by Pérez.

In the 1998 presidential campaign, the main candidates all disavowed the *Pacto* and promised radical reforms. Hugo Chávez won the election with 56.2 percent of the vote. The candidate of the COPEI and AD received 2.8 percent of the vote. Rather than correct the ills of the *Pacto*, Chávez replaced democratic institutions with institutions that concentrated power in his own hands. Moreover, even though he did promise to bring an end to corrupt government practices, recent evidence shows that the rule of law continues to be characterized by discretionary decisions on the part of government, and corruption indicators remain high (Corrales 2006, McCoy and Myers 2004).

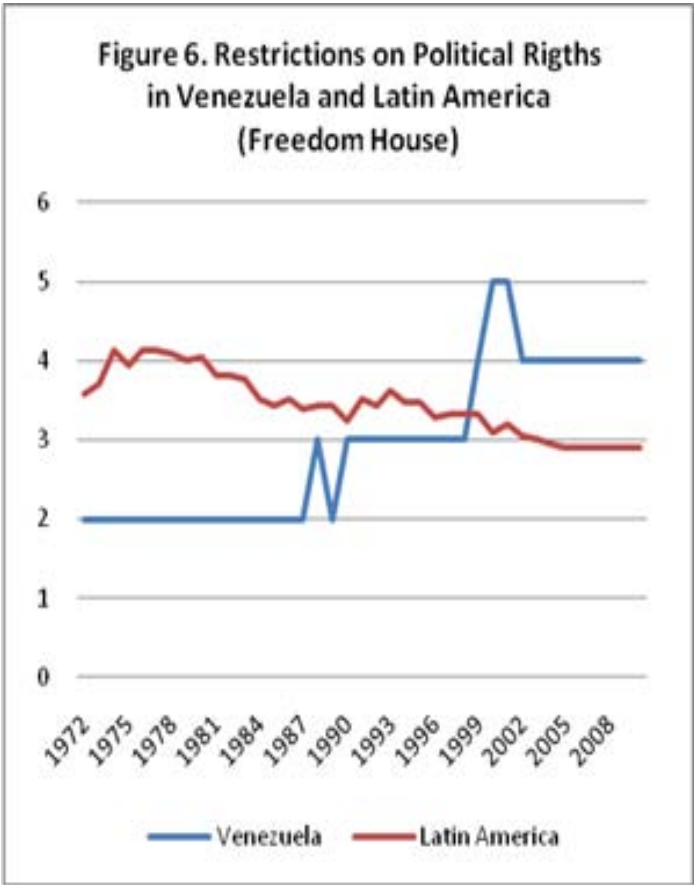
³ In 1990, John Williamson coined the term “Washington Consensus” to refer to the set of economic reforms that the U.S. government and Washington-based international-financial institutions had considered necessary to restore growth in Latin America during the late 1980s. Williamson summarized these recommendations as a combination of “prudent macroeconomic policies, outward orientation, and free-market capitalism.” Read more: <http://www.answers.com/topic/washington-consensus#ixzz1FegNxxLc>.

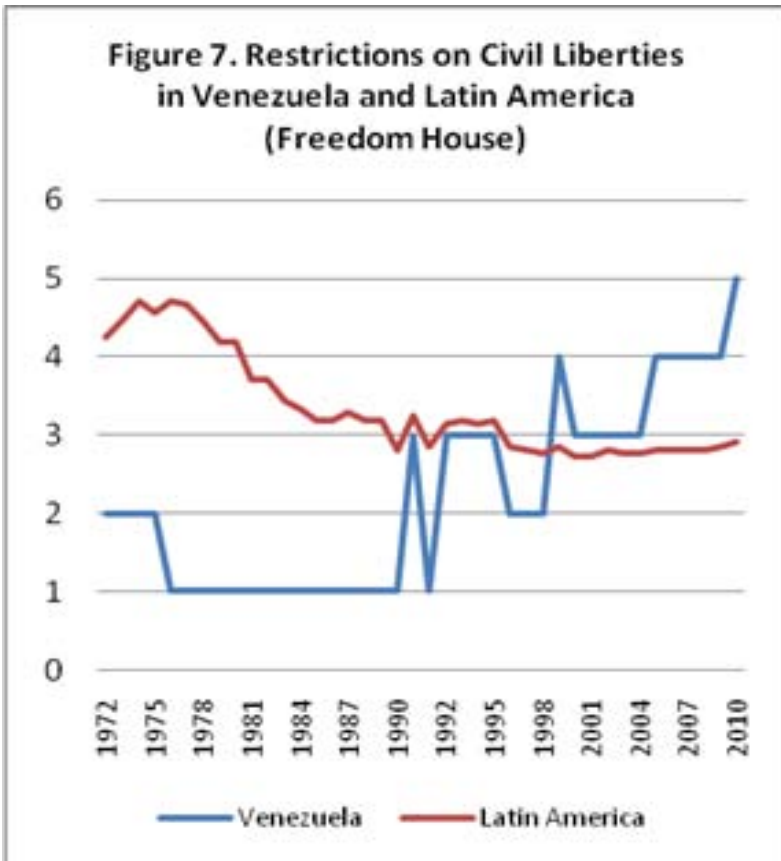
seek indefinite re-election. He is expected to run again when his second term expires in 2012.

Many critics consider Chávez a populist. The term has different meanings. For some, it refers to adopting expansionary economic policies that ultimately lead to fiscal deficits and runaway inflation. For others, populism refers to a style of leadership that seeks to bypass political parties and institutions and create a direct link of unmediated communication with the masses. Others define populism as a democratic practice that seeks to concentrate power in the hands of a personalistic leader, undermining democratic institutions (Castañeda and Navia 2006). Depending on the definition used, different regional leaders have been labeled populist. For example, former Argentine President Raúl Alfonsín was considered a populist on economic grounds. His successor, Carlos Menem, who championed neo-liberal reforms, was labeled a populist based on his governance style. Former Colombian President Álvaro Uribe was also deemed populist because of his personal style and, according to some critics, his effort to concentrate power in his own hands and his failed attempt to stay in power beyond the end of his second term (Castañeda and Navia 2006, Dugas 2003). President Chávez can be classified as a populist because he has adopted economic policies that are typical of 1940s and 1950's state-led economic growth experiences. He has also developed a highly personalistic style. His weekly television programs, where he makes policy decisions and shows disregard for democratic institutions by acting as a benevolent authority figure that allegedly defends the interests of the poor, have become a symbol of his leadership style. Chávez regularly surprises people with his unexpected, and occasionally improvised, announcements of policy reforms, nationalization initiatives, and even foreign policy decisions.

Independent observers have also noted a worsening of the conditions under which democracy functions in the country. Freedom House has ranked Venezuela as a country where

restrictions on political and civil liberties have increased in recent years. Venezuela had fewer restrictions on freedom during much of the 1970s and 1980s, when many other countries were ruled by authoritarian governments. Since the transition to democracy in the late 1980s and early 1990s, restrictions on civil and political liberties have decreased. Unfortunately, Venezuela has gone in the opposite direction. Since the late 1990s restrictions on civil and political liberties have increased. In the last 10 years, Venezuela has had more restrictions on political and civil liberties than the regional average. Thus, as democracy has consolidated in the region, the quality of democracy—measured in civil and political liberties—has worsened in Venezuela.

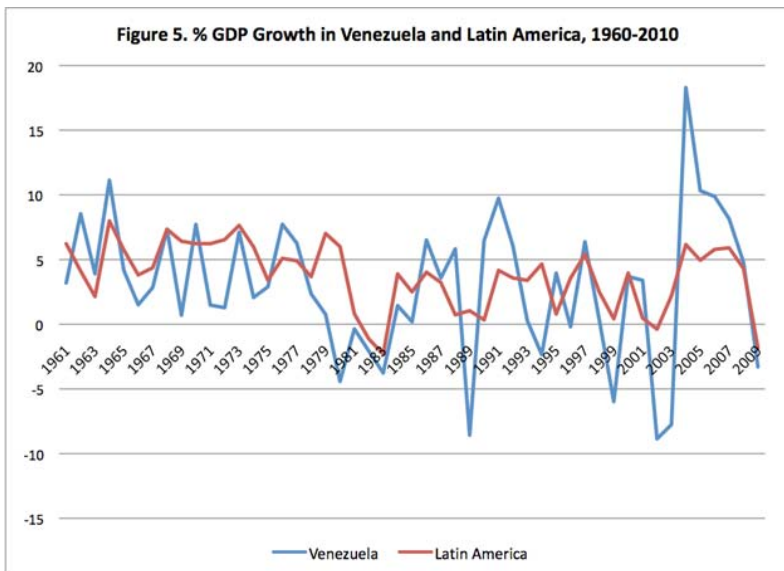




Source: Freedom House. The higher the value, the more restrictions there are on civil liberties.

During his 12 years in power, Chávez has implemented economic policies that have not been conducive to sustained economic growth. Despite the generally positive terms of trade for the Venezuelan economy—especially the high oil prices—economic development has been at best modest. Analyzing Latin America and Venezuela’s GDP growth from 1960 to 2010, Venezuela did worse than the regional average for most of the *Pacto* years. In the late 1980s and 1990s Venezuela showed the typical pro-cyclical pattern, growing faster than the region in good years and suffering from recessions when regional economies experienced setbacks. That pro-cyclical pattern has accentuated since Chávez came into office in 1999. In years where the regional

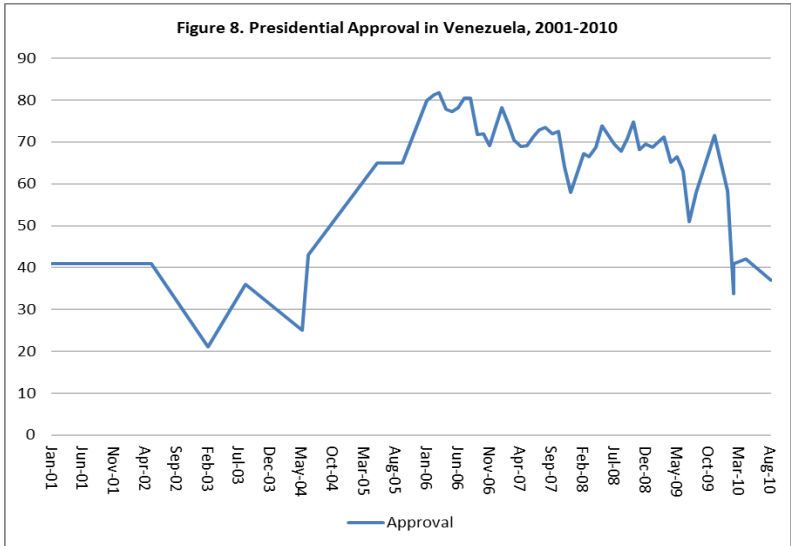
economy has expanded, Venezuela's economy has grown even faster; however, when the economy has slowed down, Venezuela has experienced years of significant recessions. This pro-cyclical pattern reflects the economic policies championed by the Chávez administration, with expansion of government spending in the years the economy grows and spending reductions when economic activity slows down.



Source: World Development Indicators, World Bank.

Chavez has seen his approval ratings fluctuate significantly in the last 10 years. During periods of economic crisis and political tensions, his approval rating has fallen below 30 percent. In 2002 he suffered a coup attempt. The coup attempt was a defining moment; afterwards, he developed stronger anti-American and anti-business positions, accusing the U.S. and big business of supporting the coup. In 2003 PDVSA workers went on strike; almost 20 thousand workers were fired, and Chávez acquired control of the largest company and employer in the country (Hawkins 2010). In 2004 a recall referendum was opposed by the government, but Chávez won the recall election, further weakening the opposition. In 2005, the opposition opted to boycott

legislative elections, and then participated in the 2006 election but lost (Hawkins 2010). In the 2010 legislative election, the opposition did fairly well, but gerrymandering provisions allowed Chávez to retain a sufficiently large representation in the legislature, which granted him the power to govern via decree for a good part of 2011, preventing opposition interference (Romero 2010). Chávez’ popularity has declined in recent years, mostly due to economic conditions, increasing crime rates, and the perception that the government is tolerant of corruption and inefficient in the provision of social services.

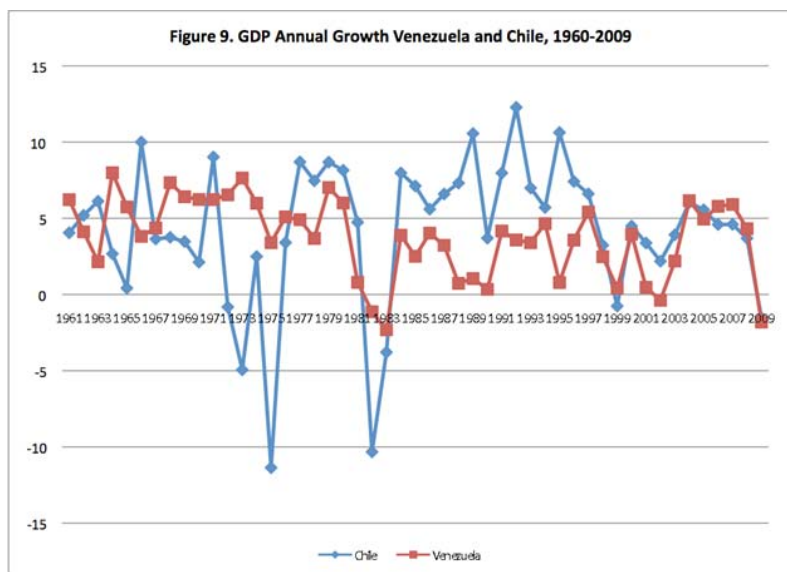


Source: Data from Observatorio Electoral Universidad Diego Portales, Chile

DIFFERENT RESULTS IN VENEZUELA AND CHILE

Since the late 1980s, Venezuela and Chile have experienced dramatically different patterns of economic and democratic development. Chilean democracy has been consolidated and strengthened, while Venezuelan democracy has deteriorated, with the political class increasingly polarized and government centralizing power. After 12 years in office, Chávez has presided over a democratic system that is much

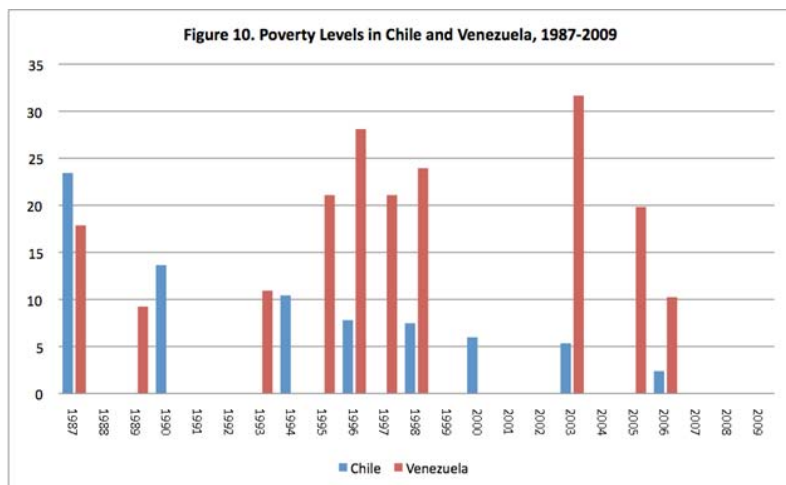
weaker than it was when he came into office. As democratic institutions have consolidated in Chile, in Venezuela we have observed a pattern of institutional weakening and the replacing of checks-and-balances provisions with an institutional structure that concentrates power in the hands of the executive.



Source: Author's with data from World Development Indicators, World Bank, 2010.

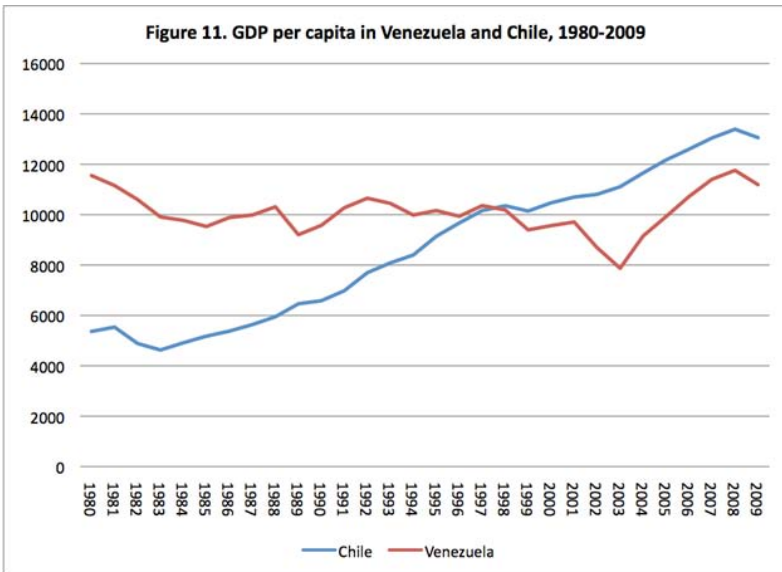
Figure 10 shows poverty levels in Venezuela and Chile. Using the World Bank standard indicator of the percentage of people living below US\$2 per day, Chile has made more progress in reducing poverty since the late 1980s. In fact, less than 4 percent of Chileans live below poverty today. The percentage of Venezuelans living below poverty has fluctuated dramatically in the last 20 years, reaching a maximum of 30 percent in 2003 and a minimum of 9 percent in 1989. In recent years, and as a result of high oil prices, the percentage of Venezuelans living in poverty has decreased. Yet, the level of poverty is mostly explained by the price of oil—and the corresponding ability of the government to provide social services to the poor—rather than stable

economic growth. When the economic cycles turns unfavorable to Venezuelan exports, the number of Venezuelans who live below poverty will increase again.



Source: Author's and World Bank Development Indicators (2010) of % of people living under \$2 per day.

Figure 11 shows the GDP per capita evolution in Venezuela and Chile since 1980. There are two notable observations. First, in real terms, Venezuela's economy is actually worse now than it was in the 1980s. Controlling for inflation, the per capita GDP of Venezuela is lower today than in 2010. In contrast, Chile's per capita GDP almost tripled in the same time period. In 1998, Chile's per capita GDP surpassed that of Venezuela. Since then, the Chilean economy has continued to grow steadily while the Venezuelan economy has suffered fluctuations. Figure 11 shows data up to 2009, with both countries suffering setbacks in their per capita GDP as a result of the 2008 international economic crisis. Since then, the Chilean economy has grown again (5 percent in 2010) while the Venezuelan economy shrunk by -1.3 percent in 2010.



Source: World Development Indicators, World Bank. *GDP per capita, PPP (constant 2005 international \$)

The divergent pattern of democratic consolidation and economic development experienced by Chile and Venezuela since the late 1990 is especially notorious. Both countries are subject to similar shocks produced by the international economic cycle. As Venezuela exports oil and Chile exports copper, both countries benefit when commodity prices increase. Thus, one would expect the economic cycle in Chile and Venezuela to be similar. Yet, the political evolution of both countries has been markedly different. That has resulted in different economic policies implemented by their respective governments, with Chile experiencing better results in terms of GDP growth and poverty reductions than Venezuela.

The most striking difference in the political evolution of both countries has to do with the balance between individual leadership and institutional strength. While Chile has consolidated a democracy of institutions, where individual leaders are regularly replaced by other democratically elected authorities, Venezuela has seen its democracy evolve

around the controversial leadership of Hugo Chávez. Regardless of the validity of the accusations against him of being an authoritarian leader or increasingly less democratic, the fact of the matter is that Chávez has unquestionably remained as the most important figure in Venezuelan politics. In Chile, institutions have consolidated beyond individual leaders. Presidents have come and gone, but the political process has remained firmly in place. That, in and of itself, constitutes a dramatic contrast with the evolution of politics in Venezuela.

CONCLUSION

While Chile was able to build and consolidate democracy after a painful and divisive authoritarian period, Venezuela has seen its democracy deteriorate. Chile today is more democratic and has stronger institutions than it did in 1990. Conversely, Venezuela has seen its democratic institutions weaken since the end of the Cold War. In Chile, democracy has been consolidated and poverty reduced. In the late 1980s, Venezuela had a higher GDP per capita than Chile and fewer people living under the poverty line. Twenty years later, Chile has developed more than Venezuela. In Venezuela poverty has fluctuated depending on the price of its most important export commodity, oil. Although positive, Chilean democracy has some flaws that need to be addressed. The political system is insufficiently competitive, with the number of those choosing not to participate in the political process increasing. Moreover, despite sustained economic growth and reductions in poverty, high inequality remains an issue and threatens long-term stability. Venezuela was considered a stable democracy—with high levels of income inequality in the 1970s. Chile seems to be doing much more to address challenges than Venezuela did in the 1970s. While Chileans can look forward to a future with a stronger and more consolidated democracy, with accompanying economic development, Venezuela will need to change its roadmap to find a sustainable path to economic development and democratic consolidation. Chileans have consistently voted

for continuity in economic policies and social policies, and have peacefully experienced the transfer of power from a center-left to a center-right government, while Venezuelans cannot be certain that the 2012 presidential elections will be free, fair, and involve all parties and express the popular will.

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