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Social Welfare Policy in Post-Transition Chile: Social Democratic or Neoliberal?

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Abstract

Chile's massive 2019 protests indicate a pronounced discrepancy between the country's alleged establishment of social democracy and the public's perception of pervasive inequity. To understand this discrepancy, this analysis evaluates the extent to which Chilean social welfare policy conforms to social democratic norms of promoting solidarity, equity and universalism. Analysis of poverty reduction, pension, health care and education policy demonstrates that Chile's center-left governments succeeded in mitigating some of the more extreme elements of the social welfare policies inherited from the Pinochet regime. However, they failed to reverse their underlying logic, which reinforces stratification and inequity and undermines incentives for the cultivation of solidarity among the working and middle classes. As a result, social welfare policy in Chile continues to resemble the neoliberal welfare regime implemented by the Pinochet dictatorship while the establishment of a social democratic welfare regime remains an aspiration for present and future leftist governments to realize.

Keywords

Chile, Social Welfare Policy, Social Democracy, Neoliberalism

Introduction

For nearly three decades after its 1990 redemocratization, Chile enjoyed a level of economic dynamism and political stability unrivaled among its Latin American neighbors. Its sustained economic growth coupled with strong liberal democratic institutions – a rare achievement in Latin America – led political pundits and technocrats to advocate emulation of Chile's development model regionally and in developing countries across the globe. In light of Chile's success in alleviating poverty and expanding state provision of social welfare resources, a number of scholars identified the Chilean regime as a successful case of social democracy in Latin America (Casteñeda 2006, Lagos 2011, Lanzaro 2011, Walker 2008). Socialist president Ricardo Lagos, reflecting on the Concertación's two decades of continuous rule (1990-2010), observed that, "Chile has established a successful social democracy in which public policies complement and temper market forces" (2011: 17). In making this assessment, President Lagos emphasized the importance of promoting solidarity for achieving equity (Lagos, 2011: 21). Similarly, Ignacio Walker, Minister of Foreign Affairs under Lagos (2004-2006), asserted that Chile's center-left governments promoted "social democratization" through a simultaneous commitment to political democracy, economic growth and social equity (Walker, 2008: 11-12). This social democratic path to development, Walker asserted, "guarantees that it will be the people, democratic citizens, through deliberation, negotiation, compromise and consensus-building, who will have the final say in the public realm" (Walker, 2008: 12).

The massive social protests that erupted in October 2019 across the country challenge the validity of this depiction of post-transition Chile. If center-left governments, and in particular the Socialist governments of Lagos (2000-2006) and Michelle Bachelet (2006-2010, 2014-2018) promoted social equity consistent with Lagos' and Walker's characterizations, why then did millions of Chileans take to the streets in months' long protests against the regime? While a modest metro fare increase ignited the protests, widespread dissatisfaction with inequity in

Chilean society sustained them for months, despite significant repression inflicted against the protesters by the government of President Sebastian Piñera. A common refrain chanted at demonstrations throughout the country captured the public's sentiment well: "No Son 30 Pesos, Son 30 Años" (It's not about the 30 pesos, it's about the 30 years). Given the apparent discrepancy between the alleged establishment of social democracy in Chile and the public's perception of pervasive inequity in the country, it seems appropriate to evaluate the extent to which Chilean social welfare policy conforms to social democratic norms of promoting solidarity, equity and universalism.

To do this, the paper first develops a conceptual understanding of the fundamental differences between social democratic and liberal welfare regimes. Subsequently, the analysis applies this conceptual framework to an examination of social welfare policy in Chile in four policy areas: poverty reduction, pension, health care and education policy. Through this examination the analysis demonstrates that while center-left governments, including those of Socialist presidents Ricardo Lagos and Michelle Bachelet, succeeded in significantly reducing poverty in Chile, they failed to advance essential elements of social democratic social welfare policy – universalism, social solidarity and equity. Instead of promoting a social welfare system based on universalism, equity and solidarity, these center-left governments largely maintained the dualistic, liberal welfare regime instituted by the military dictatorship. As a result, social welfare policy in contemporary Chile perpetuates inequality and stratification. When viewed through this lens, the recent massive explosion of public discontent over pervasive inequity in Chile appears entirely understandable.

Conceptualizing Social Democratic Social Welfare Policy

Expansive social welfare provision characteristic of social democratic regimes is properly understood as essential not only to improving human wellbeing but also to promoting decommodification,¹ political mobilization and class solidarity. As Gøsta Esping-Andersen explains, "social citizenship does not constitute an end goal but is a means by which social democracy can surmount obstacles to its own formation; namely, the problem of resource weakness among workers and the problem of internal differentiation and stratification in its natural political base" (1985: 34). Put differently, structural conditions do not by themselves create working class majorities. As a result, social democratic parties must attempt to create electoral majorities through promotion of policies that empower the working class to resist market forces, unify it internally, and unite it with strategic allies who will help advance the social democratic cause. Thus, social democratic parties and governments promote social policies designed to promote decommodification, class solidarity and universalism. "By eradicating poverty, unemployment, and complete wage dependency, the welfare state increases political capacities and diminishes social divisions that are barriers to political unity among workers" (Esping-Andersen, 1990: 12).

Dualistic, or liberal, welfare regimes impede class solidarity by thwarting the convergence of middle- and working-class support for a more comprehensive welfare regime. Liberal welfare regimes accomplish this objective by establishing competing economic interests between those who are more and those who are less successful in the private market. To the extent that economically privileged citizens are able to provide for their own needs in the private sector, they are likely to be reluctant to subsidize those who have been less successful in the

marketplace. Moreover, liberal welfare regimes subject citizens whose precarious economic circumstances compel them to request public assistance to stigmatizing means testing as a prerequisite for obtaining benefits. Through the employ of these administrative mechanisms, liberal welfare regimes are able to significantly limit access to, as well as inhibit demand for, benefits. Finally, liberal regimes often compound the effects of the foregoing administrative arrangements by implementing complex sets of differentiated programs, which by creating diverse, sometimes competing constituencies subvert working class unity.

In stark contrast to liberal welfare regimes, social democratic welfare regimes promote a strong alliance between the working and middle classes. To achieve this objective, such regimes attempt to cancel out status differentials among workers by offering entitlements and services that are “universal, generous, and attractive; otherwise, there will be incentives for the better-off to seek private market solutions” (Esping-Andersen, 1985: 33). Thus, social democratic class formation depends upon the promotion of solidarity through the adoption of policies that eliminate stratification and competing constituencies. Accordingly, such policies must be universalistic and eschew “differentiated entitlements, means-tested and targeted benefits, individualistic insurance schemes, and ‘self-help’ principles” (Esping-Andersen, 1985: 33). Universalistic programs can support solidarity by subverting individualism and narrow group identities.

Admittedly, the realization of these standards is imperfect even in the most advanced social democratic regimes such as found in the Nordic countries. This imperfect realization is due, in part, to the dual balancing acts that social democratic governments must perform. Such governments must reconcile the necessity of promoting economic growth under capitalism while pursuing policies that distribute that growth consistent with the principles of social equity, not market competition and stratification. In addition, social democratic governments confront the dilemma of broadening their electoral appeal beyond the working class without alienating their working-class adherents (Przeworski and Sprague, 1986: 55-56).

As Francisco Panizza (2005a, 2005b) has noted, such dilemmas are particularly acute for left-of-center governments in Latin America. These governments must reconcile macroeconomic stability with demands for increased public investment and social spending while confronting resource constraints decidedly more severe than those confronted by social democratic governments in more economically advanced countries. Moreover, efforts by leftist governments in Latin America to broaden their electoral appeal by moderating their policies and forming alliances with centrist, and in some cases right-wing, forces have alienated their traditional bases of support. These dilemmas notwithstanding, if we are to assess the extent to which the Chilean welfare regime has approximated social democracy, we need to consider the degree to which it has promoted universalism, solidarity and equity or reinforced inequality and stratification, as is the case with liberal welfare regimes. As the following analysis of poverty reduction, pension, health care and education policy demonstrates, Chile’s center-left governments succeeded in mitigating some of the more extreme elements of the social welfare policies inherited from the Pinochet regime. However, they failed to reverse their underlying logic, which reinforces stratification and inequity and undermines incentives for the cultivation of solidarity among the working and middle classes.

Assessment of Social Welfare Policies

Poverty Reduction

To address the social debt created by the dictatorship, the first Concertación government, led by President Patricio Aylwin (1990-94), proclaimed as one of its primary objectives the achievement of “growth with equity.”² In other words, the Concertación would preserve the neoliberal model’s emphasis on economic growth but would also emphasize the promotion of greater economic and social equality by adopting social policies aimed at improving conditions for Chile’s poorest citizens. This strategy produced tangible achievements. Between 1990 and 2009 poverty was reduced by more than half, from 38.4 percent of the population to 15.1 percent. Such dramatic results were achieved through greatly expanded access to social goods and services (Martin Munchmeyer, 2016: 200). Nonetheless, Chile continued to possess one of the highest rates of inequality in the world, reflected not only in extreme income inequities but also in severe disparities in social services. “Health and social insurance reforms did not incorporate redistributive and solidaristic components, thereby maintaining a dual and highly unequal social services system, with a low amount of [social assistance] transfers” (Martin Munchmeyer, 2016: 205). Even worse, a 1999 Planning Ministry report revealed that households classified as extremely poor not only had lower incomes but also received lower levels of State cash subsidies than non-indigent households (Palma and Urzúa, 2005: 17).

In response to these circumstances, the center-left governments of Ricardo Lagos and Michelle Bachelet pursued a new strategy to reduce extreme poverty, Chile Solidario (Chile Solidarity). The Lagos and Bachelet governments constructed this program on the understanding that extreme poverty is a multidimensional problem, resulting from not only a lack of income but also the scarcity of human and social capital and the family’s vulnerability to sickness, accidents and unemployment. These center-left governments designed the program to address these problems through a focus on three requirements: (1) to offer services to the poor proactively, rather than waiting for demand; (2) to coordinate the delivery of social welfare resources and services to increase efficiency and efficacy; (3) and to focus on the family as the focal unit (Palma and Urzúa, 2005: 17). The program was fundamentally one of “psychosocial” support for indigent families based on the key assumption that people in extreme poverty can achieve an adequate quality of life by developing a series of social skills (Palma and Urzúa, 2005: 18). The government selected families based on means testing and their agreement to sign a “family contract,” in which they pledged to follow a plan of action to overcome areas of their lives where they were most needy in exchange for a range of social support services and resources from the government. Professional or technical staff employed by the municipal government made periodic visits to indigent homes to provide guidance on how to access public and private resources for social skills development (Palma and Urzúa, 2005: 21).

While Chile Solidario made real progress in reaching families in extreme poverty throughout the country, it made much less progress in terms of families exiting the program successfully. There were a number of reasons for this limited success. One glaring shortcoming was that the supply of public goods or services often failed to cover the demand generated by the program or simply did not exist. Compounding this problem, many of the available resources did not appear to address the primary causes of extreme poverty in Chile (Palma and Urzúa, 2005: 27; Larrañaga, Contreras and Ruiz-Tagle, 2012: 369-370). Much like modernization theory in the 1960s and 1970s,³ Chile Solidario bases its understanding of poverty on the presumption that the poor lack the psychosocial skills necessary to compete successfully in the labor market. However, empirical analysis indicates that inadequate employment conditions and prospects, not

the lack of psychosocial skills, are the primary impediments to overcoming poverty for Chile's poor. Finally, though the program claimed to be devoted to promoting solidarity and social capital among the poor, its policies were actually antithetical to achieving these goals.

With respect to employment conditions, rates of labor participation are low among Chile's poor, with the poorest Chileans having the lowest rate of labor participation. For example, the rate of employment among the first (lowest) decile of income in 2015 was 25.1 percent; in 2017 the rate of employment among this demographic was 23.7 percent (Ministerio de Desarrollo Social, 2018: 25). With such low rates of labor participation among Chile's poorest citizens, it is unsurprising that the rate of unemployment among Chile's poorest citizens has been exceptionally high throughout the post-transition period, ranging from just over 20 percent to nearly 40 percent (Ministerio de Desarrollo Social, 2018: 38; Posner, 2018: 50). Thus, the poorest Chileans are the least active in the labor market and experience the highest rates of unemployment. Moreover, the poorest Chileans tend to work in types of employment that offer the lowest wages, the least security and little to no benefits. In this regard, we find the highest rates of self-employment among the poorest Chileans.

These patterns are particularly notable among poor women in Chile. Among the women poor enough to qualify for participation in Chile Solidario, a third were self-employed. Among poor women not poor enough to participate in Chile Solidario the rate of self-employment was 27 percent, while among non-poor women it was 16 percent (Riquelme and Valenzuela, 2005: 192). The significance of the economic status of poor women is compounded by the fact that a third of households participating in Chile Solidario were headed by women. Given that Chilean women continue to have primary responsibility for childcare, not having childcare alternatives impedes poor women, and in particular, poor female heads of households, from participating in the labor market. The absence or loss of women's contribution to family income is highly detrimental to efforts to help families overcome indigence given that a greater percentage of income earned by women is dedicated to family well-being, including health, education and nutrition for children, than income earned by men (Valenzuela 2003).

In short, decent employment opportunities, which include adequate remuneration, the possibility of collective organization among workers and respect for workers' rights are the essential means for empowering the poor and enabling them to overcome poverty. Nonetheless, Chile Solidario operates under the assumption that the primary problem for the poor is not the lack of adequate employment opportunities but the poor's lack of psychosocial skills, which impedes their ability to gain employment. Dagmar Raczynski characterizes these contradictions well: "in an unequal society such as Chile's, the advances achieved by families [who participate in Chile Solidario] collide with and are limited by the scarce opportunities of satisfactory employment, by discriminatory recruitment practices, by the failure to fulfill labor laws, etc., situations that affect in great measure the most precarious strata..." (2008: 40).

Moreover, while Chile Solidario emphasized the importance of promoting social capital to facilitate overcoming poverty, in practice its policies and institutional practices inhibited the development of social capital among the poor. This contradiction between rhetoric and reality is evident in Chile Solidario's emphasis on the family as the unit of action. The program worked with families in isolation from one another, did not include community and associative links in its work and did not promote the creation of social linkages among those in similar situations. It promoted a top-down, technocratic approach to poverty reduction in which public officials did not consult the poor regarding what they perceived to be their most pressing needs. In this regard, Cecilia Osorio and German Puentes note that policymakers responsible for the program's

design and implementation employed the concept of social capital to justify the program to technocrats at the World Bank. However, in practice the notion that guided their work was one not of social, but rather individual, capital (Osorio and Puentes, 2017: 274-275). Dagmar Raczynski elaborates on the contradiction between Chile Solidario's rhetorical commitment to promoting social solidarity and its focus, in practice, on individual families in isolation from one another:

One does not detect a communitarian component in the program, not even a suggestion, for example, of bringing together groups of beneficiaries in order to share or support or display actions that seek to integrate the beneficiary families in the neighborhoods or localities in which they reside. This absence of a communitarian component is surprising when we remember that: (1) the diagnosis of poverty upon which Chile Solidario was founded identified the lack of social ties and social capital as primary causes; and (2) one of the desired results of the program is that [beneficiaries] participate in practices of mutual support and become integrated in the localities in which they reside.

Given that the program does not promote activities that strengthen ties or bonds of trust and collaboration among neighbors, it is difficult to expect that Chile Solidario will facilitate the development among families and/or some of their members loyalty and ties with the locality in which they reside... (Raczynski 2008: 39; author's translation).

Thus, close examination of the center-left's poverty reduction program, Chile Solidario, reveals that its design and function were inconsistent with social democratic principles of equity, universalism and solidarity. The program neither remedied nor ameliorated the stratification and inequities pervasive in Chile's labor market nor did it facilitate the growth of solidarity among program participants. Instead, Chile Solidario targeted inadequate resources to individual families, selected by state officials in top-down fashion, to develop their "psychosocial skills" in isolation from other families in similarly impoverished circumstances. As such, Chile Solidario provided no decommodifying or unifying impact. Instead, it epitomized social policy designed to maintain the primacy of the market.

Pension Reform

We see similar dynamics at play in the pension reforms adopted by *Concertación* governments, in particular the Socialist governments of Presidents Ricardo Lagos and Michelle Bachelet. Both Lagos and Bachelet recognized the deficiencies of the private pension system. Yet neither was willing to challenge the system's fundamental structure. Thus, they adopted reforms that involved state intervention – not to replace the market model – but to compensate for its deficiencies. This approach to pension reform preserved the private market model and reinforced rent seeking by the *Administradores de Fondos de Pensiones* (AFPs, Administrators of Pension Funds). The AFPs utilized their structural and political clout to preempt reforms that would have weakened the private pension model in favor of public options. Those options promised to promote the social democratic principles of social solidarity and equity. Ultimately, however, neither Lagos nor Bachelet significantly reformed the private pension system; as a

result, its intrinsic stratification and inequity remained largely intact. In response, the NO+AFP movement emerged and attempted to exert pressure from outside the established party system for fundamental reform of Chile's private pension scheme.

In a book launched during the 1999 presidential campaign, Lagos decried the deficiencies of the Pinochet regime's private pension system: "Almost half of the workers in the privately run pension system will not even receive a minimal pension [upon retirement....This] is a time bomb both for families and for [public] finances" (Lagos, 1999: 64). Empirical analysis of Chile's pension system substantiates Lagos' critique. According to this analysis, by 2008 only a quarter of workers with private pension fund accounts were able to obtain a pension above the state-designated minimum. Another quarter was unable to meet this minimum level of assets but had made sufficient contributions to qualify for a means-tested state pension. Thus, approximately half of pension plan participants "failed to meet either condition and were condemned to poverty after retirement, reinforcing and expanding the large income inequities that exist among active workers" (Borzutzky and Hyde, 2015: 8). To make matters worse, the state's obligation to finance the transfer of workers from the old system to the new as well as its obligation to provide a minimum pension for workers who make the requisite twenty years of contributions but whose personal funds nonetheless fall below the legally-specified minimum saddles it with an enormous fiscal burden. Between 1981 and 2000 fiscal costs related to these state obligations increased from 3.8 to 6.1 percent of GDP. Though fiscal costs are expected to decline over time, they were calculated to still consume 3.3 percent of GDP in 2040, six decades after the reform was initiated (Mesa-Lago, 2002: 1318). On the other hand, the private sector conglomerates that control the private pension system have accumulated vast resources. In 1990, when the *Concertación* took power, they controlled assets equaling 23 percent of GDP; by 2018, that figure had increased to 71.5 percent (Borzutzky, 2019: 226).

Despite recognition of these profound defects of Chile's private pension system, the Lagos administration's reform proposals failed to challenge its fundamental features. To make matters worse, the AFPs' strong opposition against even modest reforms thwarted their adoption (Bril-Mascarenhas and Maillet, 2019: 111). Reform efforts under Socialist president Michelle Bachelet followed a similar pattern. During her 2005 presidential campaign, Bachelet made pension reform a top priority, asserting that "This time the AFPs will not define the reforms that need to be made" (2005: 27). Yet, while Bachelet enjoyed high approval ratings and a congressional majority in her first term, she nonetheless pursued highly restricted pension reform. The instructions she gave the Marcel Commission, the commission she created upon taking office to develop pension reform proposals, reflect the restrictive nature of the reforms Bachelet sought. As committee member Jaime Ruiz-Tagle revealed, "the mission we received from President Bachelet...was to present reform proposals within [the limits] of [Pinochet's] Decree-Law 3,500, because going beyond those limits was not perceived as possible" (Mostrador 2016).

As a result of this circumscribed approach, Bachelet's 2008 pension reform was limited to the creation of a state-financed "solidarity pillar," which extended coverage to lower-income individuals and increased the minimum pension. Though this reform expanded coverage to vulnerable segments of the population, the state assumed fiscal responsibility for the inequities produced by the market model without addressing the causes of those inequities (Borzutzky, 2019: 214). As a result, the reform facilitated and encouraged the AFPs' continued rent seeking behavior since the state became the default insurer for workers unable to accumulate sufficient resources for a minimum pension.

While Bachelet initially appeared more willing to advance fundamental pension reforms in her second administration (2014-2018), she was ultimately less successful in implementing reform than in her first. The commission she established to develop new pension reform proposals in her second term, the Bravo Commission, proposed reform options that included a hybrid pension system in which a segment of the Chilean workers would contribute to a state-run Solidarity Fund. As was to be expected, the AFPs mounted significant opposition to the bill that would have created a state-run AFP. Without active support from the Bachelet administration, the bill failed to advance in Congress (Bril-Mascarenhas and Maillet, 2019: 115). The Bachelet administration's failure to implement pension reform sparked the emergence of a new social movement, the "NO+AFPs" movement, which launched massive protests, involving hundreds of thousands of Chileans across the country beginning in July 2016. In response to these protests, President Bachelet sent three bills to Congress in August 2017. Though the bills proposed relatively modest reforms, the AFPs mounted aggressive opposition and were able to run out the clock, preventing their passage before the end of Bachelet's second term (Bril-Mascarenhas and Maillet, 2019: 117). Thus, ultimately, both Socialist presidents, Lagos and Bachelet, failed to adopt pension reform that addressed the profound inequities in Chile's private pension system or curtailed the enormous economic clout of the AFPs.

Health Care Reform

We see similar shortcomings in health care reform. In the 1999 election campaign, Socialist Ricardo Lagos vowed to address glaring inequities in the health care system that had persisted since the democratic transition, despite significant funding increases under his Concertación predecessors, Presidents Aylwin and Frei. As with pension reform proposals under President Bachelet, Lagos's proposed health care reforms included the creation of solidarity funds to provide resources for those segments of the population most in need of additional support. However, as with pension reform, the Socialist administration sidelined popular organizations from participating in policy formulation and prioritized fiscal concerns over the promotion of solidarity or equity. These choices strengthened the relative position of corporate interests and their allies in Congress, who were able to defeat the solidarity measures. In this way, the corporations that control the private insurance market were able to protect their economic privilege at the expense of reduced inequity and greater solidarity in the Chilean health care system. While the Lagos government succeeded in expanding access, it failed to mitigate the health care system's inequity, stratification and lack of universalism. Thus, rather than restructuring access to health care based on social democratic norms, the Lagos reforms expanded access for some Chileans while leaving intact the dualistic, stratifying character of Chile's neoliberal health care system.

The inequities of the current system originate from reforms imposed by the military regime. As with the retirement system, the military regime created a private health care system, the for-profit Institutions of Provisional Health (Instituciones de Salud Previsional or ISAPREs), which exist alongside the public system, the National Health Fund (Fondo Nacional de Salud, FONASA). This system creates and aggravates inequity in numerous ways. In 1981, the military eliminated employer contributions for health care and mandated employee contributions, thereby shifting the burden for financing health care from employers to workers. The ISAPREs are only open to those workers whose incomes are high enough to afford private coverage, a restriction

that reproduces and reinforces inequities in the labor market. The policy of allowing workers with higher incomes to divert to the private system contributions that would have previously gone to the public system exacerbates these inequities. This problem is compounded by the fact that since there are no restrictions on people reverting to the public system, many do so to avoid paying substantially higher premiums for health care problems related to childbearing and old age. As a result, the public system operates as an insurer of last resort, absorbing cases that the ISAPREs prefer not to insure and thereby subsidizing the private health sector's profits (Taylor, 2006: 185).

While the Lagos government recognized these problems, its primary motivation for pursuing reform of the health care system was not reduction of inequity but concern regarding the mounting fiscal pressures the system imposed on the public sector. In addition, it recognized the electoral advantages of promoting "guaranteed care." Despite its concern with public opinion over health care reform, it excluded social organizations in the development of policy. Rather than engaging the public in discussion or consideration of policy ideas, Lagos gave exclusive responsibility for policy development to a small team of policy experts from the Ministries of Health, Labor, Finance and the Presidency, who developed policy in a top-down manner (Pribble, 2013: 48-49).

The plan produced by this group of technocrats, *Acceso Universal de Garantías Explícitas* (Explicit Guarantees of Universal Access, Plan AUGE), guarantees coverage for a delimited set of health conditions within a specified amount of time. It is important to emphasize that universal access only applies to those who suffer from one of the predefined pathologies. In this sense, the Plan's claim to provide universal access is misleading. While the number of pathologies covered has increased from the original fifty-six to eighty-seven (Ministerio de Salud), those who suffer from diseases not covered by AUGE have no guaranteed right to access to care. In this sense, the program rests not on the social democratic principles of solidarity and equity but the neoliberal logic of allocating resources most efficiently. In the words of right-wing senator Evelyn Matthei, "In the end, the aspiration of the AUGE Plan is to invest resources where they will produce a return in healthcare" (as quoted in Castiglioni, 2018: 65).

The Lagos government did propose the creation of solidarity and maternity funds, which if enacted would have promoted solidarity among beneficiaries of the public and private systems and reduced inequities of access and quality. To accomplish these goals, the funds would have pooled a portion of contributions made to FONASA and the ISAPREs into a consolidated national account that would defray the cost of covering high-risk individuals. The solidarity fund would have subsidized care for the sick and elderly while the maternity fund would have financed maternity leave as well as extended leave for mothers of severely ill children under the age of one (Pribble, 2013: 50). This strategy was consistent with the promotion of solidarity in Western European social democratic health care systems, which enable those with lower risk to finance coverage for those with higher risk, through cross-subsidies from the healthy to the ill, the young to the elderly, from men to women, and from individuals to families (Zúñiga Fajuri, 2014: 379).

Despite the potential of the solidarity and maternity funds to promote solidarity and equity, the Senate Health Committee removed the funds from the health care reform legislation. Opposition to these funds fell across party lines and included some members of the Socialist Party. As Jennifer Pribble observed, "commitment to the solidarity and maternity fund was based on a concern about public finances and fiscal discipline, and once it became clear that the reform could be financed without the funds, there was little interest in defending the mechanisms,

despite their potential to enhance equity in the system” (Pribble, 2013: 52). Since the Lagos administration had pursued a top-down path to reform, excluding social organizations such as the *Colegio Médico* (doctors union) and other health sector organizations from participating in development of reform policy, it could not draw upon their support in defending its legislation against attacks from the right and private insurance companies. Moreover, without a broad-based coalition supporting reform, Lagos was unable to create the fiscal pact necessary to fund the move toward full universalism (Pribble, 2013: 54).

The shortcomings of the AUGE reform go beyond failure to achieve full universalism or to enhance equity through creation of the solidarity funds. As Christina Ewig and Gastón Palmucci demonstrate, the reforms appear to have had little, if any, effect in reducing stratification. For example, their research reveals that after implementation of the reforms, health plans for women – and thus disparities with men – actually increased (2012: 2498 -2499). In addition, they note that insurance companies have circumvented AUGE’s goal of increasing reimbursement rates and thereby reducing costs to beneficiaries by reimbursing less for non-AUGE services (Ewig and Palmucci, 2012: 2500). This tactic has helped to maintain insurance company profits while exacerbating inequity. Thus, it is evident that while AUGE expanded access to health care coverage for Chileans suffering from diseases covered by the program, it has fallen well short of the social democratic norms of universalism, solidarity and equity.

Education Reform

As with health care, the military regime adopted education reforms that severely weakened the public system and transferred substantial resources to a vastly expanded private system. The Pinochet regime weakened Chile’s well-established public education system by shifting responsibility for primary and secondary education from the Ministry of Education to municipalities without providing them additional resources or policymaking prerogatives and forcing the public system to compete with the private system for resources and students. In higher education, the regime cut funding for public universities and allowed the establishment of for-profit, private universities. These reforms greatly exacerbated inequality and facilitated the military regime’s project of shifting responsibility for education from the state to the private market and individual families.

Center-left governments attempted to address the negative effects of the military regime’s education reforms in much the same way that they did with health care and pensions. As with these social welfare reforms, Concertación governments prioritized economic efficiency over social equity, pursued top-down education reform that left intact Pinochet-era institutional structures and privileged the role of policy experts and accommodation with right-wing politicians over consultation with popular organizations and constituencies. The center-left’s elitist policy-making approach produced widespread disenchantment, leading civil society organizations to shift their support to the extra-parliamentary left and culminating in massive student protests. These protests pushed the two Bachelet governments (2006-2010, 2014-2018) to adopt significant education reforms. Nonetheless, President Bachelet’s reforms fall well short of universalism and do not address primary sources of stratification and inequity in the education system. Thus, ultimately, Chile’s reformed education system continues to conform to a liberal, rather than a social democratic, social welfare model.

The Pinochet Constitution’s reform of education represented a profound reversal of Chile’s *Estado Docente* (teaching state), the centralized national education system developed

during the 19th and early 20th centuries, founded on a strong consensus among elites that Chilean development depended on education. Institutional reforms the military regime implemented in the 1980s, and institutionalized in the 1990 *Ley Orgánica Constitucional de Educación* (Organic Constitutional Education Law, LOCE), transformed the *estado docente* into the *estado subsidiario* (subsidiary state), drastically reducing the state's role in funding and administering education. Under the *estado docente*, the majority of Chile's school-age children attended public schools run by the Education Ministry. Beginning in 1980, the military regime transferred responsibility for administration of primary and secondary schools to municipal governments, though the national government retained control over curriculum and evaluation. Subsequently, the regime promoted competition among state-funded public and private non-profit and for-profit schools through the creation of a voucher system. This system provided a state subsidy to both municipal and private schools for each student that they enrolled. The LOCE, which stipulated that parents – not the state – held primary responsibility for educating their children, locked in these reforms (Kubal and Fisher, 2016: 221).

Pinochet's voucher system greatly exacerbated social and academic stratification: poorer students typically attend municipal public schools while students from more affluent backgrounds attend independent and state-subsidized private schools. The policy produced a precipitous decline in the number of students attending municipal public schools and a steep increase in students attending state-subsidized private schools, a trend which continued after the 1990 transition. By 2013, subsidized private schools enrolled fifteen percent more students than municipal public schools (Kubal and Fisher, 2016: 222). The division between municipal schools and state-subsidized private schools undermines the potential for solidarity among families with school-age children, impeding the creation of a broad coalition in support of strengthening public education. Decentralization exacerbates these problems by producing significant disparities in public school quality across municipalities (Pribble, 2013: 93).

Until passage of reforms in 2015, private subsidized schools could select students, allowing them to “skim” the more talented and affluent students and avoid serving poorer, more challenging student populations in more remote areas. In addition, existing statute allowed private subsidized schools to charge fees, which gave them more resources than municipal public schools and made them inaccessible to poor families. The combined impact of these trends significantly exacerbated class and spatial segregation in education (Burton, 2012: 37; Kubal and Fisher, 2016: 223). Class disparities in high school graduation rates reflected this segregation. In 2006, the year of the so-called “Penguin Revolution” protests, only 62 percent of students from the bottom fifth of family income graduated high school while the graduation rate for students in the upper quintile was 96 percent (OECD, 2009: 28).

As with its reform of primary and secondary education, the Pinochet regime restructured higher education in line with neoliberal principles. This neoliberal restructuring produced inequities at the university level comparable to disparities among primary and secondary school populations. Two primary factors involved in the military regime's higher education reforms have produced severe inequity in higher education – drastically reduced public funding and the state-sanctioned creation of private, tuition-dependent universities. Before 1980, university students in Chile paid no tuition. However, once the military regime cut funding for higher education, universities were forced to charge students tuition to cover the lost revenue from the state. The combined impact of these reforms dramatically increased the cost of higher education as well as social class segregation.

By 2009, average tuition in Chile equaled 30 percent of per capita income (three times higher than the United States) (OECD, 2009: 43). Chile's high tuition costs mean that it has the highest university costs in Latin America and among OECD members (OECD, 2017). And as we would expect, the social segregation manifest at the primary and secondary education levels persists in higher education. The fact that only about a quarter of first year university students graduate from public schools and low-income students comprise the majority of students at universities with the lowest level of academic rigor indicates the persistence of this social segregation (Torres, 2022: 153).

Despite these inequities, the four Concertación governments never attempted to alter the structure of education policy inherited from the Pinochet regime; when developing education reform, they avoided consulting their base and prioritized fiscal issues over equity (Pribble, 2013: 97-99, 101-102). The Bachelet government's response to the 2006 Penguin Revolution illustrates this point. In March of that year, secondary students across the country launched a wave of intense, well-organized protests. Initially, their demands were relatively modest – unlimited transportation passes and free university exams. However, as the protests intensified, student leaders expanded their demands to include an end to municipal education and government subsidies and a new education law. President Bachelet responded by agreeing to fund the student movement's short-term demands and forming a commission, the Presidential Advisory Council for Quality Education (Consejo Asesor Presidencial para la Calidad de la Educación, CAP) to consider broader, longer-term reforms. Ultimately, however, experts from the Concertación and the right-wing Alianza developed a new education law behind closed doors that largely preserved the status quo and reaffirmed the mixed public/private school choice system instituted by the Pinochet regime (Kubal & Fisher, 2016; Pribble, 2013; Burton, 2012).

Growing frustrations among secondary and university students led them to launch another cycle of protests beginning in late April 2011, dubbed by the media the Chilean Winter. Not surprisingly, President Sebastián Piñera proved equally unwilling as his Concertación predecessors to concede to the students' demands to replace the neoliberal education system with one founded on the principle of education as a public good and a social right. Yet, while his right-wing government resisted fundamental reform and attempted to criminalize the protesters, the students succeeded in gaining substantial public support for their cause, which they pitched in terms of strengthening democracy and promoting social equity. This public support opened a window of opportunity on which President Bachelet appeared eager to capitalize in her second term.

In both her 2013 campaign and her March 2014 inaugural address, President Bachelet declared education to be a social right. In her proposed program for her second term, she stated: "Education is a fundamental social right. Education possesses an undeniable social value and is the basis of a more just, democratic and participatory society. Our society should abandon the practices that have permitted the treatment of education as a consumer good" (Bachelet, 2013: 17). Her most significant proposals for education reform included free university education and ending municipal administration of public schools. Ultimately, though Bachelet succeeded in passing reforms that exceeded significantly what she had achieved in first term or what her Concertación predecessors had accomplished, these reforms fell well short of her original proposals and did not approximate the establishment of a social democratic model in education. With respect to university education, for example, the Free Education Act, passed in December 2015, establishes free university education for students in the five poorest deciles, a major step forward in alleviating student indebtedness and increasing access to higher education.

Nonetheless, the benefit is means-tested, not universalistic, and operates as a voucher paid to participating institutions, which reinforces the disproportionate size of the private sector in higher education (85 percent of enrollment) (Guzman-Concha, 2017: 16-17).

In 2017, the Bachelet government passed the New Public Education Law (La Nueva Educación Pública, NEP), which it intended to strengthen primary and secondary education by ending municipal administration. However, the law did not revert responsibility for public education administration back to the national government as it existed prior to the military regime's market-oriented education reforms. Instead, NEP created 70 Local Educational Services (LES) to replace the existing 345 municipal education departments under mayoral control. The LES are intended to be intermediate, autonomous entities that leverage economies of scale to provide appropriate financial and professional resources for public school administration. They are funded jointly through the national public education budget and student vouchers. Given the retention of the voucher system of financing public and private schools, the importance of student numbers and parental school choice will probably remain (Ávalos and Bellei, 2019: 63). In addition, the law and related reforms do not apply to private sector schools; policies enabling school choice and competition between schools remain in force (Anderson et al., 2023: 486). Thus, even if successful, the NEP and related reforms will reduce, but not end, Chile's market-oriented educational system.

Conclusion

Close examination of four distinct policy areas – poverty reduction, pension, health care and education policy – demonstrates clearly that social welfare policy in contemporary Chile falls well short of the standards for social democracy. As noted above, social democratic welfare regimes promote a strong alliance between the working and middle classes. To achieve this objective, such regimes attempt to cancel out status differentials among workers by offering entitlements and services that are “universal, generous, and attractive; otherwise, there will be incentives for the better-off to seek private market solutions” (Esping-Andersen, 1985: 33). In contrast, liberal, welfare regimes impede class solidarity by establishing competing economic interests between those who are more and those who are less successful in the private market. In each of the policy areas examined, benefits are differentiated based on the income and economic status of the recipients and reinforce stratification rather than solidarity, equity and universalism.

Benefits offered through Chile's poverty reduction program, Chile Solidario, were available only to those in extreme poverty. The benefits were means-tested and targeted, which reinforces stratification between the poor and the extremely poor. Though the program claimed to be devoted to promoting solidarity and social capital among the poor, it did not promote activities that strengthen ties or bonds of trust and collaboration among beneficiaries. In short, Chile Solidario did not promote solidarity but rather individualism and stratification.

With respect to pensions, both Socialist presidents, Lagos and Bachelet, failed to adopt reforms that addressed the profound inequities in Chile's private pension system or curtailed the enormous economic clout of the AFPs. President Lagos' reforms prioritized fiscal restraint and efficiency over equity and solidarity. Similarly, while President Bachelet enjoyed high approval ratings and a congressional majority in her first term, she nonetheless pursued highly restricted pension reform, consistent with the reforms enacted by the Pinochet regime. Though the pension reforms she proposed in her second term were relatively modest, the AFPs mounted aggressive

opposition and were able to run out the clock, preventing their passage before the end of her term.

In both health care and education reform, the Lagos and Bachelet governments sidelined popular organizations from participating in policy formulation and prioritized fiscal concerns over the promotion of solidarity or equity. The ISAPREs are only open to those workers whose incomes are high enough to afford private coverage, a restriction that reproduces and reinforces inequities in the labor market. The policy of allowing workers with higher incomes to divert to the private system contributions that would have previously gone to the public system exacerbates these inequities. This problem is compounded by the fact that since there are no restrictions on people reverting to the public system, many do so to avoid paying substantially higher premiums for health care problems related to childbearing and old age. As a result, the public system operates as an insurer of last resort, absorbing cases that the ISAPREs prefer not to insure and thereby subsidizing the private health sector's profits.

Plan AUGE seeks to reduce the inequities prevalent in the disparities between coverage in the private ISAPRES and the public health care system, FONASA. Yet, while Plan AUGE has expanded the number of pathologies it covers from the original fifty-six to eighty-five, those who suffer from diseases not covered by AUGE have no guaranteed right to access to care. In this sense, the program rests not on the social democratic principles of solidarity and equity but the neoliberal logic of allocating resources most efficiently. Moreover, the reforms appear to have had little, if any, effect in reducing stratification. For example, research reveals that after implementation of the reforms, health plans for women – and thus disparities with men – actually increased. In addition, insurance companies have circumvented AUGE's goal of increasing reimbursement rates and thereby reducing costs to beneficiaries by reimbursing less for non-AUGE services. This tactic has helped to maintain insurance company profits while exacerbating inequity.

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In the final analysis, it is evident that Chile's center-left governments were successful in mitigating some of the more extreme elements of the social welfare policies they inherited from the Pinochet regime, yet failed to reverse the underlying logic of these policies. This structural logic reinforces stratification and inequity and undermines incentives for the cultivation of

solidarity among the working and middle classes. As a result, social welfare policy in Chile continues to resemble the liberal welfare regime type described by Esping-Andersen, invalidating claims made by various analysts that Chile's center-left coalition governments had established social democracy in Latin America. Such claims could only be made on the basis of conceptual stretching, which, for example, ignores the fundamental distinctions between means testing and targeted assistance on the one hand and universalism, equity and solidarity on the other, and which more broadly does not give sufficient attention to the contradictions between neoliberalism and social democracy.

The stark contrasts between the claims made by former President Ricardo Lagos and others regarding the establishment of Chilean social democracy and the empirical analysis presented here indicates the need to employ a more rigorous conceptualization of social democracy than public officials and analysts in and outside Chile have done to date. This requires returning to social democracy's original purpose – to lessen the commodification of labor inherent in capitalism and to enhance worker welfare by increasing working-class unity and strength.

The failure of Chile's center-left governments to realize these goals does not indicate that social democracy is not possible in Chile or Latin America. The extreme version of neoliberalism adopted under the Pinochet dictatorship and the opposition's acceptance of its Constitution and economic and social welfare models as a precondition to redemocratization made the pursuit of social democracy in Chile exceedingly challenging. Yet the 2019 protests and the related reconfiguration of the Chilean left reflect a more fluid ideological and policy environment that may yet provide the conditions necessary for the realization of social democracy in Chile. At the same time, there are other Latin America countries, such as Uruguay and to a lesser extent Brazil, where the conditions for the establishment for social democracy appear more propitious. For now, however, the establishment of a social democratic welfare regime remains an aspiration for present and future Latin American leftist governments to realize.

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¹ Commodification refers to practice of treating workers like commodities, objects to be bought and sold, without any protections from market forces. To counteract this tendency under capitalism, de-commodifying welfare states provide benefits that enable citizens to “freely, and without potential loss of job, income, or welfare, opt out of work when they themselves consider it necessary” (Esping-Andersen 1990, 23).

² See Edgardo Boeninger (1986) for one of the earliest expressions of this argument. Boeninger served as the Coordinator of Political Relations and Government Programs for the pre-transition Concertación de Partidos por la Democracia (1988–89), Minister Secretary General of the Presidency under President Aylwin (1990–94), and finally as a designated senator in the Chilean Congress.

³ According to the version of modernization theory developed by Roger Vekemans, a Belgian priest who established and directed the Centro para el Desarrollo Económico y Social de América Latina (DESAL) in Santiago in the 1960s, the marginalized lack the psychosocial skills necessary to participate in modern society. The marginalized, in other words, were alleged to be victims of their own backwardness. Since they live outside the margins of modern society and lack the psychosocial capabilities to integrate themselves into the mainstream, they have to be incorporated through a process of *asistencialismo* or the application of social assistance policies (Vekemans et al., 1970).

