

There is a new pragmatism in the thinking of the opposition parties, Stephany Griffith-Jones reports

# Planning Chile's economic future

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IF RIP VAN WINKLE had gone to sleep in Chile in the 1970s and woken up today, he would have some difficulty in recognising the country.

Chile suffered particularly badly during the early years of the debt crisis. But the economy is now in its sixth year of consecutive growth and, on many measures, outperforming the rest of Latin America.

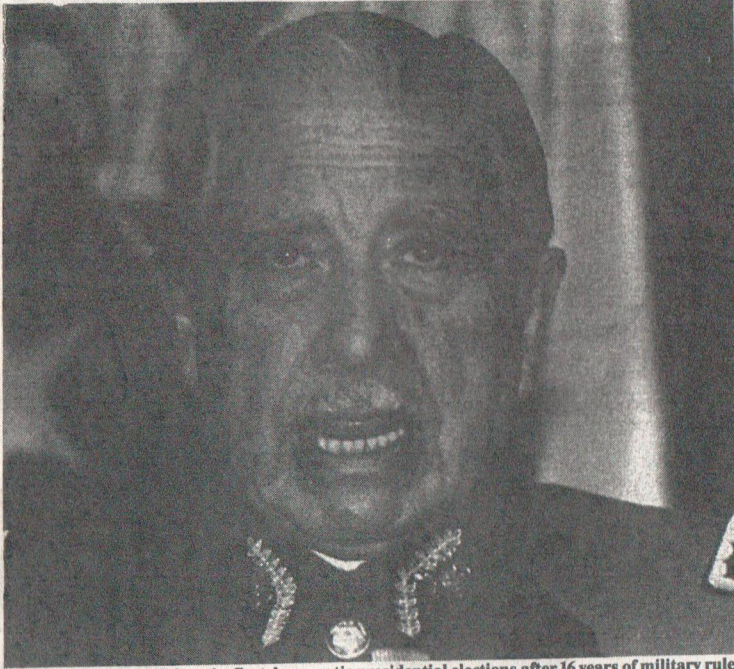
One particularly striking aspect of change is the new pragmatism in the economic thinking of the opposition parties, grouped together in a broad coalition — the Concertacion Democratica — that unanimously supported Patricio Aylwin as candidate to the presidency.

The opposition's views on economic policy were recently formalised in a detailed public document. They are of particular interest as the polls indicate that a majority of Chileans are likely to vote for Mr Aylwin in the December presidential elections. These will be the first democratic elections after 16 years of General Pinochet's military rule.

Opposition economists are self-confident enough to accept the positive aspects of recent economic performance. Last year's GDP growth was an impressive 7.49 per cent. Inflation of 12 per cent was below the Latin American average of 470 per cent.

However, they are also clear about the limitations. Ricardo Ffrench-Davis, a leading opposition economist, points out in a recent study that 1988 GDP per capita was still 1 per cent below the level achieved in 1981, while 1988 investment per capita was 14 per cent below the 1981 level.

Chile's low investment rate (averaging less than 15 per cent for the 1982-1988 period), as well as low levels of social spending and investment in human resources are among the problems which the coalition opposition parties hope to start overcoming if elected in December.



General Pinochet will face the first democratic presidential elections after 16 years of military rule

The economic programme of the Concertacion Democratica highlights the need to create pre-conditions for sustained growth and increased national savings and investment. To achieve this, it stresses both its commitment to clear rules about the role of market forces and the State, as well as the need to maintain macro-economic balances. The aim is to avoid the high inflation and balance of payment crises, which have characterised Chile in the past and so many of its neighbours at present.

In the past, much political de-

bate has focused on changes to property rights, and policies have veered between nationalisation and privatisation. The Concertacion's programme stresses "the need for stability of property rights, whether they be private or public" so that efforts can be concentrated on broadening the productive capacity of the economy.

There is a commitment to increase minimum real wages and salaries, as well as family allowances, but no detailed figures are given. The precise rises and their timing will be agreed jointly by the government, the trade union

organisations and the entrepreneurs' associations after the election, and in accordance with available resources.

This is a refreshing change from past excessive promises in Chile during electoral campaigns, which led to unrealistic expectations.

Restraint in real wage increases would be combined with increases in social spending, partly to offset the negative affects of past decline in health, education and low-income housing standards, and partly to offer workers — and poor people generally — an in-

centive to accept wage restraint.

The creation of a Solidarity and Social Investment Fund is proposed, that would be financed by existing fiscal income, by some increases in taxation and by additional funds from international donors and agencies. Again, the commitment to increase social spending is combined with concern for its funding, so as to avoid inflationary pressures arising from an excessive budget deficit.

The programme is also modern in its explicit concern with environmental issues, and the priority it gives to equal opportunities for women and young people.

There are detailed proposals for the different economic sectors and on international economic relations, it stresses "continued integration into the international economy". The emphasis is on relations that particularly benefit the Chilean economy.

Foreign direct investment will be welcomed, especially where it will generate foreign exchange earnings and help give access to new technologies and markets. Debt-equity swap operations, in which Chile has been a leader, will continue, but with greater selectivity to achieve these aims. The purchase through debt-equity swaps of existing companies is likely to be discouraged.

Chile has in the past suffered badly from being a laboratory for ideological experiment. The fresh, business-like approach of the democratic oppositions' speeches and programmes may make Chile less exciting as a case study, but more stable and peaceful. The challenges and difficulties posed by democratisation are enormous. But it seems likely that — if elected — the Concertacion Democratica will tackle them thoughtfully and prudently.

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