

## AGRARIAN ENTREPRENEURS AND THE STATE DURING THE CHILEAN DEMOCRATIC TRANSITION

*Patricio Silva*

### I. INTRODUCTION

This article focuses on the strategic position adopted by Chilean agrarian entrepreneurs since the mid-1980s when it became evident that the military regime led by General Pinochet was nearing its end.<sup>1</sup> The process of democratic transition in Chile began to take shape following the economic crisis of the years 1981-1983 and reached its historical landmarks in the 1988 plebiscite, the December 1989 general elections and the reestablishment of democratic rule in March 1990. Until now most transition studies on Chile have emphasized the role played by the military, political parties, the Catholic Church, and various social movements in the process of bringing about the restoration of democratic rule. Less attention though has been given to the postures adopted by entrepreneurial elite and their associations towards the restoration of democracy. This is particularly the case with respect to the agrarian entrepreneurs. During this transitional period the landowners showed strong apprehension, skepticism, and distrust towards the democratic opposition forces and to the very idea of the restoration of democracy. In fact the landed interests represented one of the most loyal and committed sectors to the military government, maintaining their support for Pinochet until the very last day of his regime.

The purpose of this article is threefold. First, it aims to integrate the entrepreneurial groups into the ongoing transition debate as in my opinion they played an important role in the process which eventually led to the democratic transition in the country. Second, it seeks to provide some light in explaining the landowners' full identification with the Pinochet regime and their negative attitude towards the democratization process. For this purpose, I will briefly stress the main political consequences of the land reform implemented by the governments of Eduardo Frei (1964-1970) and

---

<sup>1</sup> I want to thank the anonymous referees for their useful comments to an earlier version of this article. I am also grateful to the Netherlands Institute for Advanced Study (NIAS) at Wassenaar which provided me assistance and a magnificent academic environment to work on the final version of this essay

Salvador Allende (1970-1973). In addition, I will focus on the main aspects of the agrarian policy of the military government, and the relationship between the landowners organization and the authoritarian state. The final goal of this essay is to describe the specific ways in which the landowners organizations approached the forces opposed to Pinochet during the 1980s and the new democratic authorities following the installation of president Patricio Aylwin in March 1990.

## II. THE ROLE OF POLITICAL AND ECONOMIC ELITE IN THE TRANSITION PROCESS

The wave of democratization moving across Latin America since the mid-1980s generated a vigorous debate about its causes and the prospects for democratic consolidation in the continent (cf. O'Donnell *et al.*, 1986; Malloy and Seligson, 1987; Mainwaring *et al.*, 1992; Peeler, 1998).

The seminal work by O'Donnell *et al.* (1986) has been particularly influential in the further development of the transition debate. These scholars managed to place the elite back in the center of the political analysis, after more than a decade in which only the study of social movements and the popular sectors under the authoritarian regimes had captivated the attention of most scholars. In the final volume (*Tentative Conclusions about Uncertain Democracies*), O'Donnell and Schmitter strongly emphasize the extraordinary degree of uncertainty characterizing the transition process. In a context of rapid changing situations, a set of specific actors take crucial decisions without having a full understanding of their future significance for the very nature of the new political regime. In this way these scholars stress

“the high degree of indeterminacy embedded in situations where unexpected events (*fortuna*), insufficient information, hurried and audacious choices, confusion about motives and interests, plasticity, and even indefiniteness of political identities, as well as the talents of specific individuals (*virtù*) are frequently decisive in determining outcomes” (1986[4]: 5).

In other words, what actors do and do not do during the ‘abnormal’ period of transition seems to be much less determined by macro structural factors such as political structures and social constraints as is usually the case under more stable political situations. David Potter summarizes this elite-oriented approach towards transitions in the following words: ‘democratization is largely contingent on what elite and individuals do when, where and how (...). The historical route to liberal democracy is determined fundamentally by the agency of elite initiatives and actions, not by changing structures (Potter, 1997:17-18). Indeed, as John Peeler has recently shown, in most of the Latin American cases, the process of

democratic transition was facilitated by some sort of pact or pacts (or even clear cut elite settlements such as in the cases of Uruguay and El Salvador) that served to regulate competition and conflict between competing political elite. He recognizes the important role played by successful mass mobilization of opposition elite, as their credibility as potential negotiators with the government depends substantially on their ability to mobilize and guide a mass of their followers. This is especially important at the beginning of the transition process, but once political parties retake their pivotal position in national politics, much less room is left for social movements and other autonomous political manifestations (Peeler, 1998:83-88, 193).

This process of negotiation between regime and opposition elite can evolve into what Higley and Gunther have called *elite convergence*, representing a series of deliberate, tactical decisions by rival elite that have the cumulative effect of creating elite consensual unity. As they point out, the opposition elite can arrive at the conclusion that there is no way to challenge their rivals' hegemonic position except to beat them at their own game. Thus, 'they decide to compete according to the regime's rules of the game, implicitly or explicitly acknowledging the legitimacy of its institutions' (Higley and Gunther, 1992:xi-xii, 24-30). This is precisely what happened in Chile as the democratic opposition to Pinochet implicitly accepted the rule of the game imposed by the authoritarian regime by deciding to challenge the government by using the few legal mechanisms allowed by the 1980 constitution (particularly the 1988 plebiscite and the subsequent 1989 general elections).

It is important to stress here that in almost all the studies mentioned above the use of the concept elite explicitly or implicitly refers to *political* elite, *i.e.* representatives of the regimes (both military and civilians) and leaders of the opposition political parties. Time and again, the role played by *economic* elite and their associations in the course of the transition process is generally neglected (Cardoso, 1986 and Campero, 1991 being the few exceptions).

If we look at the Chilean case, the negotiations between some civilian officials of the military government (led by Sergio Onofre Jarpa) and the *Concertación* coalition, certainly was a decisive step towards the restoration of democratic rule in the country (cf. Cavarozzi, 1992). However, the strategic position adopted by entrepreneurial groups towards the democratic opposition during the transition process became also dramatically important. We should remember that the so-called *grupos económicos*, representing the large national business conglomerates, had

emerged as one of the dominant actors in the developmental process in Chile following the application of neo-liberal economic policies since the mid-1970s. In addition, the regime systematically encouraged the image of the Schumpeterian Chilean entrepreneur as the main architect of the country's growing economic prosperity. In sharp contrast to the pivotal position obtained by the Business elite, the political right (represented by the National party and other minor political organizations) had voluntarily dissolved itself following the 1973 coup, while the military authorities had systematically discouraged the establishment of any organized political platform in support of the regime. So when the military government lost the 1988 plebiscite (an event which suddenly paved the way for the 1989 general elections and the eventual restoration of democratic rule), the economic elite could not count on the solid protection and support of powerful rightwing political parties as they had done in the past. As I will show later in section 3, this particular situation forced the entrepreneurial associations to adopt a more active position in defense of their corporate interests. So for instance they initiated direct talks with representatives of the opposition in an attempt to ensure the maintenance of the main features of the neo-liberal economic model after the expected restoration of democratic rule. As said before, the fate of transition processes often seems to be determined by the agency of elite initiatives, as well as by the talents and actions of specific individuals. As we will see later in this essay, the actions undertaken by Manuel Feliú, leader of the *Confederación de la Producción y Comercio* (CPC), in order to achieve some minimum agreements with the representatives of the opposition parties and labor unions represented a crucial step to ensure a consensual and peaceful democratic transition. The same is valid for opposition leaders such as Alejandro Foxley and Ricardo Lagos who deployed enormous efforts in order to eradicate the fears existing at that time among business circles about the possible abandonment of the market economy by the future democratic authorities.

In contrast to the pragmatic attitude adopted by the majority of the country's entrepreneurial groups, agrarian entrepreneurs proved to be very reluctant to accept the end of the Pinochet era and the installation of a government coalition led by Christian Democrats and Socialists. In order to understand this stance it is necessary to go back in time and to look at the traumatic impact of the land reform process of the period 1964-1973 on the political attitudes adopted later by the Chilean agrarian entrepreneurs at the prospect of the imminent restoration of democratic rule in Chile.

### III. LANDOWNERS, LAND REFORM, AND THE MILITARY REGIME

This is not the place to make a thorough historical analysis of the relations between landowners and the state in Chile since the late 1930s (cf. Kay and Silva, 1992). However, in order to understand the background of the landowners' support for the military government and their negative attitude towards the democratization process during the 1980s, at least some important historical issues must be mentioned.

Since the early 1960s the issue of land reform has certainly determined the confrontational nature of the relationship between landowners and the state. Already in the late 1950s it had become clear that Chilean agriculture had failed to expand or modernize to the extent required by the increasing urbanization and industrialization processes. Consequently there was considerable support among state officials, politicians and experts for the idea that only land reform could reactivate the Chilean economy in general and industrial production in particular. Accordingly, the existence of the latifundium and the traditional *hacienda* system began to be seen as a serious obstacle to the global development of the country.

In addition, at the end of the 1950s there was a decisive political shift towards those reformist and left wing forces who favored the incorporation of the rural population into national politics, and the implementation of land reform. With the victory of the Christian Democrats in the presidential elections of 1964, a new political situation arose in which reformist forces obtained clear supremacy in the country. In this political scenario, landowners could no longer prevent the realization of land reform and the unionization of the peasantry.

Nevertheless, as the process of land expropriation advanced, landowners developed a high level of organization and militancy, adopting a very confrontational stance against the state (see Gómez, 1972; Kaufman, 1972). In response to the explosive process of peasant unionization after 1967, and the subsequent wave of strikes and land occupations (*tomas*) by peasants, landowners' organizations created a common action front against the further extension of the land reform process, leading to violent clashes between peasants and landowners (Kay, 1978).

The confrontation between landowners' organizations and the state reached its climax during the Unidad Popular government from 1970-1973. The main landowners organization, the Sociedad Nacional de Agricultura (SNA) initially adopted a cautious but not openly hostile attitude towards the new authorities, in an attempt to prevent the land reform process could acquire a clear-cut anti-bourgeois orientation

(Hernández, 1972:52). This attitude, however, was soon abandoned as it became clear that the government intended to put the elimination of the latifundium at the top of its political agenda. From mid-1971 landowners' organizations conducted an open offensive against the Unidad Popular, joining with right - wing political forces in their objective of overthrowing the government.

The SNA became one of the leading actors in the attempts to bring down the Unidad Popular government and openly used its influential radio station 'Radio Agricultura' to encourage the armed forces to intervene. Landowners' organizations also actively participated in the national strikes organized by the opposition in October 1972 and August 1973 to destabilize commerce and disrupt the transport of food and other agricultural products. The link between the SNA leadership and the coup organizers was evident. Suffice it to say that the August 1973 issue of *El Campesino* (i.e. prior to the military take-over), the official organ of the SNA, included an alternative agrarian program for an incoming military government.

The landowners celebrated the military coup of 11 September 1973 as a day of national liberation. Shortly after the military take-over, the SNA declared: 'September 11 marks a memorable date for our country (...). The Sociedad Nacional de Agricultura maintained a tough stance in the battle [against the Allende government - PS]. The Nation has conquered. Great joy invades the hearts of all free and democratic Chileans.' (*El Campesino*, October 1973: 7). These words were printed at the time that the military government had initiated harsh repression and disarticulation of all political and labor organizations which had actively supported the Allende government. This wave of repression was particularly severe in the countryside where armed landowners shielded behind the military and police forces and massacred hundreds of peasants who had actively supported the land reform (Barrera, 1980). In addition, the military government initiated a process to return a considerable proportion of land which had been expropriated by the two previous governments to the former owners.

During the first few months of the military government, there was indeed a general sense of delight amongst landowners' organizations. Even the official announcement of the application of a tough economic policy, severe credit restrictions, and the elimination of state support for the productive sectors, did not initially constitute a major deterrent to continued support for the new authorities (Campero, 1984).

Actually, landowners constituted one of the entrepreneurial groups most disposed to accepting the sacrifices demanded by the reorientation of productive sectors to the new economic guidelines. For landowners, regaining security over their property and the dismantling of the peasant movement constituted sufficient guarantees to enable them to express their trust in, and optimism about, all the measures adopted by the government. In this way, and notwithstanding the evident risks of the new economic policy, agrarian entrepreneurs initially accepted the new economic model without reservation.

Together with this, an increasing depoliticization of relations between the agrarian entrepreneurs and the state also took place after the coup. The politico-ideological battle which had accompanied the land reform had come to an end, and the new military government aimed to demobilize its supporters by stressing that the 'battle against Marxism' had to be replaced by a 'battle for production'.

### **The Chicago Boys and Neo-liberalism**

By the beginning of 1975 the landowners' initial euphoria began to turn into growing skepticism, as many among them had already begun to feel the negative effects of the economic policy adopted, such as very high interest rates and bankruptcies. At this point, the unconditional withdrawal of the entrepreneurial class from the political and economic management of the country - made as a gesture, had led to the unexpected formation of a new structure of decision making centered around a civil neo-liberal technocracy (the so-called 'Chicago Boys'). This team of young economists not only planned to introduce radical changes in the functioning of the economy, but also to transform the entire Chilean society (O'Brien, 1981).

The introduction of an orthodox stabilization policy (the so-called 'shock treatment') in April 1975 resulted in severe economic depression. This produced a marked split in the entrepreneurial consensus which had crystallized around the slogan of 'national reconstruction' espoused by the government. The policies pursued by the neo-liberal technocracy could not count on the general support of the entrepreneurs' organizations. Nevertheless, the military government was able for a time to dampen down emerging dissent within certain entrepreneurial circles, by stressing the temporality of the economic difficulties. The stabilization program was presented as a painful but necessary step, after which entrepreneurs could count on better times.

At first the landowners' concerns about the impact of the shock treatment were only expressed within their own organizations. From 1976, however, many landowners' organizations began to express publicly their doubts about the economic path followed by the neo-liberal technocracy. There was growing mobilization of those agrarian entrepreneurs who were negatively affected by foreign competition and the lack of state support. This mobilization exhibited two particular features.

Firstly, it was not endorsed by all landowners' organizations. The differentiated impact of economic policy on agrarian producers created a serious division in the traditional unity of their organizations. Although the majority experienced marked economic deterioration, there were also many agrarian producers who successfully adapted to the new rules of the game and who became firm supporters of neo-liberal policies.

Secondly, the protest against the economic policy had no clear political character. Despite their criticisms of the economic model, the political loyalty of landowners' organizations to the military government remained intact. Landowners demanded the adoption of what they called 'corrective measures', such as a reduction in interest rates which were seen as a serious obstacle to investment in agriculture.

The landowners' complaints, however, were not acted upon by the economic authorities who maintained their rigid stance towards sectoral demands. The neo-liberal economic team argued that the technocratization of the decision-making process ensured the adoption of rational and impersonal economic policies. They argued that behind sectoral pressures lay particular interests which were detrimental to the overriding national interest (O'Brien, 1981; Vergara, 1985). The neo-liberal technocracy also attempted to mobilize public opinion against landowners' demands by using the official press, by accusing them of pining for old socialist practices such as state protection and the easy availability of subsidized credits (see e.g. *El Mercurio*, 12 December 1976).

In criticizing economic policy, landowners' organizations tried to retain to the distinction between the civil neo-liberal technocracy and the military rulers. Each time that they protested against some aspect of economic policy, they explicitly directed their criticism to the Chicago Boys whilst simultaneously expressing their support for the 'government of the Armed Forces'. This dualism in their discourse, however, did not yield results. The alliance between the military and the neo-liberal technocrats at that time was very close, and the former displayed at that point no inclination to interfere in the formulation and implementation of economic policy. This was particularly the case since 1978 when the

Chilean economy began to show a strong improvement. In the period 1978-1981 the economy as a whole showed unprecedented dynamism at the time that both local and foreign economists began to talk about the 'Chilean *wirtschaftswunder*'. In a climate of total triumphalism, the Chicago Boys initiated a series of profound structural reforms in almost all policy areas (education, health care, social security system, etc.) with the goal of establishing the rules of neo-liberalism in all spheres of society.

### **The Crisis of the Neo-liberal Model**

Neo-liberal triumphalism, however, proved to be ephemeral. The collapse in March 1981 of a leading financial group resulted in a speculative wave which provoked, in its turn, general panic among entrepreneurial circles. Many financial institutions and companies became bankrupt, global production decreased dramatically and under-employment jumped to critical levels. At the end of that year the Gross National Product had decreased by 14 percent. Despite the intensity of the crisis, the Chicago Boys continued to argue that the economic difficulties were only temporary, and that the 'market mechanisms' would produce an 'automatic adjustment', to restore the economic equilibrium. However, the economic situation became even worse as a result of the decision of the international banks to cut down the streams of loans to Chile.

As already mentioned, the application of the neo-liberal economic model had clearly weakened the traditional unity among landowners' organizations as a result of its differentiated impact on the different producers. However, when the neo-liberal model fell into crisis, an increasing rapprochement among landowners' organization took place. At first, the SNA supported the official thesis about the temporality of the crisis but as the economic situation continued to deteriorate it was forced to recognize the structural nature of the depression. Since late 1981, the SNA also began to demand a reformulation of agrarian policy. In order to gain public support for this position, in 1981 the landowners contracted Clifford M. Hardin, former secretary of agriculture of the United States, to make an independent diagnosis of the problems facing Chilean agriculture and suggest possible solutions. In his final report delivered at the beginning of 1982, Hardin recommended a major relaxation of neo-liberal policies and the adoption of a series of fiscal and financial measures in support of agrarian producers. At that time, most landowners were unable to meet their financial commitments, being indebted to private financial institutions and the state to the sum of US\$ 2,600 million (*El Campesino*, March 1982). The government could no longer ignore the fact that

agriculture was indeed in crisis. Agricultural production experienced a real fall of 2.1 percent in 1982 and 3.6 percent in 1983. The total cultivated area also decreased to 860,000 hectares while its historical average amounted to 1,200,000 hectares (*Revista del Campo*, 12 March 1990).

Agriculture was not the only sector negatively affected by the crisis; the economic depression had devastating effects on the whole of the Chilean economy. The military government finally decided to adopt a more supportive policy towards producers. From 1983 onwards, the government took a series of measures aimed at reactivating the agricultural sector. Extra commercial and fiscal facilities were granted to stimulate exports and a new line of credits was made available to agrarian entrepreneurs who wanted to modernize their productive units. Moreover, tough antidumping measures were adopted, and many agricultural products (such as wheat and milk) were protected by import tariffs. Even more importantly, the agrarian entrepreneurs' debts with the banks were renegotiated and they were granted special treatment to facilitate repayment (Echenique, 1990:148-9).

The effects of this reformulation in the economic policies quickly became obvious. Since late 1983, the Chilean economy in general and agriculture in particular have made a marked recovery as a result of changes in governmental policies and the improved situation in the international markets. The reactivation of agriculture led to an increasing demobilization of landowners' organizations after their successful opposition to neo-liberal policies. They were clearly satisfied with the new economic measures and the improved economic situation also healed most of the wounds arising from their internal disputes during the pre-crisis period.

#### IV. AGRARIAN ENTREPRENEURS AND THE DEMOCRATIC TRANSITION

The economic crisis had produced the formation of active political opposition to the military government who then had to deal with a major political challenge coming from the center and the left. The outlawed political parties began to operate almost openly, while the military government, showing clear signs of anxiety, searched for an adequate answer to the new political scenario in the country. Agrarian entrepreneurs, who feared the consequences of widespread changes in the political and economic spheres, responded by renewing their political support for Pinochet.

To this end, agrarian entrepreneurs in fact followed the main strategy adopted by all the major national entrepreneurial organizations Sociedad de Fomento Fabril (SFF) and the Confederación de la Producción y el

Comercio (CPC). Their pressures on the government to adopt a 'pragmatic' economic policy in answer to the crisis were directed at defending both their own immediate economic interests and the political regime as well. According to many entrepreneurs, the government's persistence in maintaining neo-liberal policies (as it initially did) would not only continue to destroy hundreds of enterprises, but would also strengthen the radical sectors of the opposition. To strengthen the extreme left could have unforeseeable consequences, putting in danger even the very existence of the free market system in a period of great political uncertainty. Finally, the eventual adoption of a 'pragmatic' economic policy by the military government and the subsequent recuperation of the Chilean economy was presented by the entrepreneurs' organizations as their own triumph as they had initially proposed many of the measures finally adopted (see Abramo, 1991).

The outbreak of the economic crisis brought with it a national political debate on issues of social justice and social inequality in Chile. Indeed, these questions were at the center of political debate, as it had become evident that the neo-liberal model had brought affluence for a few, and poverty for large sections of the Chilean population. In other words, the distribution of the fruits of progress and modernization had taken place in a very unequal manner. Amidst a climate of growing opposition against the military government and its neo-liberal model, entrepreneurial organizations decided to play a more active role in the political discussion by initiating a strong defense of the free market system and its alleged potential to eliminate poverty.

For the first time since the military coup, entrepreneurs felt that they were alone in the defense of a market-oriented society, as both right-wing political parties and the military government itself proved unable to generate a firm ideological answer to the criticism coming from the opposition forces. By entering into debate with the moderate forces in the opposition the entrepreneurs hoped to reduce distances and to prevent their radicalization.

It was in 1985 that the entrepreneurial leaders began with an ideological offensive never displayed before in the history of this social sector. They initiated an aggressive crusade in favor of what they called the New Liberal Order ruling Chilean society. At the same time, however, they stressed the need to strengthen the social dimension of the market economy in order to generate progress for all Chileans. The entrepreneurial organizations made a huge ideological effort directed at the elimination of the entrepreneur's bad image among the population. As Varas pointed out,

the entrepreneurs, both industrial and agricultural, were seen as the main support and beneficiaries of both the military coup and the subsequent economic policy adopted by the authoritarian government (1991:89-91). Showing unequivocal Schumpeterian messianism the main organizations of entrepreneurs presented themselves as the main actors of the social and economic development of the country (cf. Abramo, 1991). As the 1988 plebiscite came closer (by which Pinochet attempted to obtain the population's approval for the continuation of his regime for another eight years) the entrepreneurial organizations intensified their discourse of modernity and social development, by stressing the achievements of the Pinochet regime with respect to economic modernization. The entrepreneurs supposed that the economic theme would prove decisive in that plebiscite, assuring victory for the government because of the strong recovery of the Chilean economy since 1984.

The defeat of Pinochet during the plebiscite of 5 October 1988 produced a veritable earthquake for the government's supporters who had been convinced that Pinochet would receive strong backing from the population. After a short period of confusion and hesitation the Confederación de la Producción y el Comercio (CPC), under the leadership of its president Manuel Feliú, decisively initiated what he called 'the battle of ideas' in defense of the liberal project the future of which had become very uncertain. Pinochet's defeat meant that general elections had to take place in December 1989 which, in its turn, could easily be won by the opposition. The entrepreneurs' conclusion was that both the military government and the civil sectors which supported it would be unlikely to successfully face that electoral contention, in part, as a result of their almost doctrinaire rejection of party politics and electoral processes. Although two important sectors which supported the military regime decided to form political parties (leading to the Unión Democrática Independiente, UDI, and the Renovación Nacional, RN), they in fact had neither the experience nor the ideological conviction that from that moment on they had to dedicate themselves to the party struggle.

The tactics followed by the entrepreneurs were directed at obtaining the largest number of concessions from the moderate opposition parties and even from the labor movement. Already in October 1988 the CPC had initiated talks with the Central Unitaria de Trabajadores (CUT) and the Central Democrática de Trabajadores (CDT) to discuss future social and labor agreements. At the same time, the CPC began talks with representatives of the 'Coalición de Partidos por el NO', the coalition which united all the political forces which fought Pinochet during the 1988

plebiscite (which later became the 'Concertación de Partidos por la Democracia' during the December 1989 general elections). These rapprochements of CPC towards the opposition were not trusted by other entrepreneurial organizations, particularly among agrarian entrepreneurs, both as a result of their loyalty towards Pinochet but also because they were afraid that this could lead to unacceptable labor and salary concessions in favor of the workers (Rabkin, 1993:14-15).

It is important to stress here that within the major opposition parties (the Christian Democratic Party, PDC, and the Socialist Party, PS), as well as in the labor movement, there was a positive disposition to negotiate with both the military government and the entrepreneurial organizations. This was the result of a large process of ideological reconversion experienced by the PDC and the moderate socialists during the military dictatorship (cf. Silva, 1993b). For this purpose, the opposition forces had to reduce or eliminate the profound distrust existing within entrepreneurial circles about their economic plans for the near future. The greatest fear among the entrepreneurs was the possible dismantling of the neo-liberal economic model by the future democratic authorities, and the re-adoption of a statist and dirigistic economic model. The entrepreneurs also feared the generation of a confrontational climate in the country as a result of the re-establishment of democratic rule and the subsequent overflow of political and social claims from radical sectors. This 'rain of claims' that they visualized could also be the product of the populist stance the future democratic authorities might adopt in order to maintain the political support of the masses. This possible scenario increased the sense of threat among the entrepreneurs who feared that the securities they had obtained from the military regime on private property protection could be in danger. But this was not their only fear. They had also serious apprehensions about the negative effects such politico-social instability could have on the economic stability achieved by the country under Pinochet.

During 1989 there were numerous contacts between the Concertación parties, the labor unions and the entrepreneurial organizations. What did become clear was that none of the country's major actors was interested in polarizing the political situation and creating a climate of political instability. The political forces participating in the Concertación were convinced that it should be possible to achieve consensus on a large number of issues and that the return to democracy did not have to mean a reversal in terms of economic development and social stability.

The consensual spirit of the Concertación coalition became evident again during the electoral campaign in the months prior to the December 1989 general elections. Instead of directing its focus on a criticism of the past, the Concertación's campaign brought a positive and optimistic message directed to the country's future, stressing the objectives of national reconciliation, modernization with equity and national unity. In the Concertación's government program entrepreneurs were invited to join the task of democratizing the country. In that document was stated: 'we recognize private enterprise, both traditional and non-traditional, as a fundamental productive agent' (Concertación, 1989: 16).

The victory of the Concertación coalition in the general elections of 14 December 1989 marked the beginning of a new chapter in Chile's political history. For the entrepreneurs, a new political scene was inaugurated, full of uncertainties about the real objectives of the new government, and above all, about President Patricio Aylwin's authority being able to prevent a polarization of the political process.

### **Landowners under Democratic Rule**

Since the restoration of democratic rule in March 1990, the Concertación has proved to constitute a powerful governmental coalition as for the second time in a row it convincingly won the general elections of December 1993 which brought Eduardo Frei Jr. to power.

The Aylwin administration attempted to reach broad consensus amongst leading social and political forces on such key issues as taxation and labor legislation. The Aylwin government was well aware of the fact that a situation of open confrontation could easily jeopardize its efforts to consolidate a democratic political system in the country.

Given that the *Concertación* is composed of the Christian Democrats and the Socialists, the two main political forces responsible for carrying out the land reform from 1964-1973, the Aylwin government was also conscious of the need to dispel agrarian entrepreneurs' distrust towards the new political forces in power. As Gómez and Echenique already anticipated in 1988, 'to solve the existing problems of Chilean agriculture and gain the support of agrarian entrepreneurs for the goal of increasing production and exports, a broad political pact is needed in which all parties will have to make concessions. Failure to resolve these apparent contradictions by democratic negotiation will lead either to a process of violent transformations or to an equally violent return to authoritarianism' (1988:274).

In fact the conflicts between the state and agrarian entrepreneurs from the land reform years are unlikely to be re-enacted. The *Concertación* made clear in its election campaign that land reform was not on the political agenda, and its own assessment of the earlier land reform experience was certainly not uncritical. The government's program categorically stated that the democratic state would not discriminate against any economic activity and that private property rights would be fully guaranteed. The agrarian policy outlined in the program proposed to continue the policy applied during the last years of the military government and was formulated in cautious technocratic and even agro-economic terms, avoiding any mention of the social and political dimensions of the agrarian problem or of the past land reform (*Concertación*, 1989:20-1).

The new government has also displayed great caution in the appointment of high-ranking officials in the Ministry of Agriculture. None of the new appointees played a prominent role during the land reform process. Moreover, they have been mainly recruited from the most moderate sectors of the government coalition and some are independents. Finally, almost none are *políticos* but rather highly specialized technocrats and experts in the specific fields of which they are in charge. For instance, key ministerial institutions such as INIA, INDAP, CONAF, and SAG, are directed by two agricultural engineers, a forestry engineer and a veterinarian respectively (*El Mercurio*, 12 March 1990). In particular, the appointment of Juan Agustín Figueroa as Minister of Agriculture appears to reflect the government's intention of keeping open a channel of communication with agrarian entrepreneurs. This lawyer, member of the moderate radical party, was not even known to those social scientists addressing agrarian reality. The reason for this unexpected nomination seems to lie in the fact that he is a landowner who has the right connections and the political and social skills needed to conduct negotiations with landowners' organizations in a congenial way.

Peasant unionization is also no longer a major source of conflict between the state and landowners' organizations. Under the military government, state repression, high rates of unemployment and the introduction of new labor legislation almost completely destroyed the bargaining capacity of peasant organizations. This situation encouraged many agrarian entrepreneurs to invest in their land and to modernize their productive units (Silva, 1988). The new authorities have shown no intention of re-politicizing the peasant movement or of intervening directly in labor conflicts between agricultural workers and their employers. There are also signs that agrarian entrepreneurs have begun to shed their old

conviction that the state constitutes their 'natural enemy', always ready to attack their sectoral interests. The Aylwin government regards the difficulties facing agrarian entrepreneurs as national problems, rather than private or sectoral ones. For example, in August 1990 after closely consulting representatives of the agrarian entrepreneurs, the Aylwin government came out in firm defense of the fruit producers against the protectionist measures adopted by the United States which negatively affected Chilean agricultural exports to that market. This official involvement is reinforced by the increased economic importance of agricultural and forestry exports (i.e. from USD 62 million in 1973 to USD 1,360 million in 1988).

Furthermore, the current continuity in economic policy has eliminated the agrarian entrepreneur's fears (e.g. over state intervention, price fixing). As president Aylwin categorically stated in a speech given to a seminar on foreign investment: 'the democratic government does not intend but also does not want to go back to a state-based pattern of development. On the contrary, the government will stimulate private initiative, interfering as little as possible with market decisions (...). Fortunately, the ideologization and polarization which existed in the past in Chile on this subject has been overcome' (*El Mercurio*, 23 May 1990). In April 1990 the leader of the Sociedad Nacional de Agricultura (SNA), Jorge Prado, publicly expressed his satisfaction at the continuation of free market policies and stressed the 'mutual understanding' which existed between landowners' organizations and the government on this point. He also expressed the SNA's intention of loyally supporting the agrarian policies pursued (*El Mercurio*, 22 April 1990).

However, landowners' organizations have also made public their disagreement with the government's decision to reform tax and labor legislation, measures which were finally approved by Parliament in August 1990. As result of this legislation, agrarian entrepreneurs must pay tax on the basis of real rather than anticipated profits. In addition, the government introduced new redundancy regulations to protect rural workers from unfair dismissal. Nevertheless, landowners' criticisms have been muted and the leadership has been careful to avoid open confrontation with the government. This was evident during a general meeting of agrarian entrepreneurs [ENAGRO '90] held in Santiago in June 1990. Attended by more than 400 delegates representing almost all the existing landowners' organizations, this was the largest entrepreneurial meeting held in the country since 1980. The Ministers of Agriculture and Labor, who had been invited to talk about the new agrarian policy and the proposed reforms, did

not bring 'good news' for the agrarian entrepreneurs. Nevertheless, they received a warm and polite reception from the audience (see *Revista del Campo*, 2 July 1990).

How can this cautious reaction of landowners be explained? They realize that these reforms are not aimed at agriculture alone but apply to all branches of the economy. The agrarian entrepreneurs are also aware of the fact that the new labor regulations - despite their costs - can contribute to social stability in the countryside by preventing labor disputes from erupting and jeopardizing their long-term economic and political interests. Furthermore, they cannot ignore the fact that these reforms enjoy widespread support amongst the major political forces and the population as a whole. In a post-authoritarian period, in which democratic practices are conscientiously followed and defended, everybody is careful to avoid being labeled anti-democratic by not adopting positions which clearly antagonize the majority. Finally, landowners' organizations are also aware that too much criticism of the labor reforms would revive their old public image of being 'regressive and reactionary'.

## V. PERSPECTIVES

The landowners' public image has experienced a dramatic change over the past decade. The revolutionary structural transformations which occurred in the Chilean countryside in the late 1970s and 1980s have been accompanied by the adoption of very sophisticated technology. Agrarian entrepreneurs have also improved their managerial capability and modernized the marketing of their products. This, together with the boom in agricultural exports, has helped to improve their national image substantially.

In sharp contrast to the past, agricultural entrepreneurs now represent a symbol of modernization and economic dynamism for many Chileans. It is clear that the agrarian producers' enhanced public prestige and their increased economic importance, together with the disappearance of the threat of land reform and discriminatory agricultural policies, forms the basis of a more stable and consensual relationship between agrarian entrepreneurs and the state in the 1990s.

The agrarian policy applied by the military government eliminated the main traditional sources of conflict between landowners' organizations and the state which had existed during the previous democratic period: the price fixing and the discriminatory policies pursued from 1938-1973 and peasant mobilization and insecurity of land tenure from 1964-1973. The decision of the new democratic government to continue applying the

previous neo-liberal agrarian policy almost unchanged led towards a significant reduction in the tensions between the landowners' organizations and the democratic authorities and, at the same time, it shaped the possibility to initiate a relatively consensual relationship between landowners' organizations and the state under democratic rule.

Both landowners and the state in Chile have undergone profound changes over the past two decades, which make a repetition of the clashes of the past very unlikely. Neither the center-left political forces, which presently control the state apparatus, nor the landowners are the same actors as they were in the land reform period of 1964-1973.

The continuation of earlier agrarian policies by the *Concertación* governments of Patricio Aylwin (1990-1994) and Eduardo Frei (1994-2000) are a reflection of the radical shift in economic thinking which has taken place within Chilean center-left sectors. During the past decade these have definitively broken away from their adherence to *statism* in favor of free market policies and a subsidiary role for the state. On their part, landowners have undergone a marked process of modernization. The old-fashioned *latifundista* has disappeared from the Chilean landscape and the dominant sectors within Chilean agriculture are now *modern agrarian entrepreneurs* who are mainly oriented towards competitive foreign markets. Nonetheless, there is still a large group of agrarian entrepreneurs (particularly producers of cereals from the Southern regions) who have been less successful in adapting themselves to the rules of the game dictated by the market. So the further opening of the Chilean agrarian markets to foreign competition almost led in August 1998 to an institutional breakdown within the Sociedad Nacional de Agricultura (SNA), Chile's oldest and most powerful association of agrarian entrepreneurs. While the SNA president Ricardo Aristía (representative of the successful export-oriented agrarian producers) fully supported the government's plan to reduce the tariff barriers from 11 to 6 percent in the next five years, the representatives of the Southern producers strongly criticized this stance, and threatened to leave the SNA and mobilize their members to publicly protest against this plan (*La Tercera*, 27 August 1998).

The process of modernization of Chilean society set in motion by authoritarian means by the military government and continued by the present democratic governments has created a *sui generis* situation which promises to seal a relatively high degree of consensus between agrarian entrepreneurs and the state in the coming years. This does not imply the non-existence of conflicts between landowners and the state. In fact since

the installation in March 1994 of the Frei government it seems that a new phase in the relations between government, entrepreneurs and labor has been initiated. The positions of the different social actors have become tougher. While beginning to demand more active support from the state, peasants and workers alike have re-introduced the instrument of the strike to put pressure on both entrepreneurs and the government in order to meet their demands. This could be just an expression of the fact that democracy has been firmly re-established in the country and hence that the different social actors feel free to struggle in defense of their own sectoral interests. Together with this, there are some economic issues that play a role in the tougher position adopted by some sectors of agrarian entrepreneurs. One of these is the adoption of a series of agreements on economic integration and free trade with neighboring Argentina. Due to the natural comparative advantages of Argentine agrarian producers (particularly in meat and wheat) Chilean agrarian entrepreneurs have been arguing that this could lead to the destruction of an important part of Chilean agriculture. The same objection has been made by agrarian entrepreneurs about the possible negative consequences for Chilean agriculture if the country joins the North American Free Trade Association (NAFTA). So for instance, the signing of the free trade agreement with Canada in 1997 was accompanied by strong protests from milk producers who forecast a total collapse of this sector as a result of the future indiscriminate import of Canadian dairy products. Time and again, Chilean agrarian entrepreneurs seem to have lost considerable political pressure in defending their sectoral interests. This became clear during the first half of 1996 when important sectors of the agrarian entrepreneurs unsuccessfully protested against the Chilean government's decision to enter MERCOSUR. Despite their resistance it became clear that a large majority of public opinion, the political forces, and the main entrepreneurial organizations were in favor of joining this regional market. Particularly the growing food processing industry favored this decision, it being an industry of increasing importance.

The similar situation occurred following the outbreak of the Asian crisis in late 1997, as agrarian entrepreneurs unsuccessfully demanded some kind of support and compensation from the government for the decline of Chile's agricultural exports to that region. As neither the land property question nor the politicization of the countryside are at stake, they have been unable to mobilize support for their claims from other sectors of Chilean society. A series of land seizures by Mapuche peasants in Southern Chile during 1998, however, has produced some tensions between the landowners' organizations and the state, as the landowners

have repeatedly demanded that the state should give a full guarantee for respect for private property in the countryside. Nevertheless, it is clear that neither the government nor the landowners are inclined to polarize the situation today, nor to re-edit a climate of social and political clashes which traumatized rural Chile in the early 1970s.

## References

- Abramo, Laís (1991), 'El empresariado como actor social'. *Proposiciones*, 20: 120-142.
- Barrera, Manuel (1980), 'política liberal y movimiento sindical chileno durante el régimen militar'. Working Paper, No. 66, The Wilson Center. Washington, D.C.
- Campero, Guillermo (1984), *Los gremios empresariales en el período 1970-1983: Comportamiento sociopolítico y orientaciones ideológicas*. Santiago: ILET.
- \_\_\_\_\_ (1991), 'Entrepreneurs under the Military Regime'. In Drake, Paul W. and Iván Jaksic (eds.), *The Struggle for Democracy in Chile, 1982-1990*. Lincoln and London: University of Nebraska Press.
- \_\_\_\_\_ and René Cortázar (1988), 'Actores sociales y la transición a la democracia en Chile'. *Estudios Cieplan*, 25: 115-158.
- Cardoso, Fernando H. (1986), 'Entrepreneurs in the Transition Process: The Brazilian Case'. In O'Donnell, Guillermo, Philippe C. Schmitter, and Laurence Whitehead (eds), *Transitions from Authoritarian Rule: Comparative Perspectives*. Baltimore: The Johns Hopkins University Press.
- Cavarozzi, Marcelo (1992), 'Patterns of elite negotiation and confrontation in Argentina and Chile'. In Higley, John and Richard Gunther (eds), *Elite and Democratic Consolidation in Latin America and Southern Europe*. Cambridge: Cambridge University Press.
- Concertación [Concertación de Partidos por la Democracia] (1989), *Programa de Gobierno*. Santiago: Editora Jurídica Publibley.
- Cortázar, René (1993), *Política laboral en el Chile democrático: Avances y desafíos en los noventa*. Santiago: Ediciones Dolen.
- Cruz, Miguel José (1988), 'La fruticultura de exportación: Una experiencia de desarrollo empresarial'. *Estudios Cieplan*, 25: 79-114.
- Dahse, Fernando (1979), *El mapa de la extrema riqueza: Los grupos económicos y el proceso de concentración de capitales*. Santiago: Editorial Aconcagua.
- Díaz, Alvaro (1990), 'Modernización autoritaria y régimen de empresa en Chile'. *Proposiciones*, 18: 54-69.
- Foxley, Alejandro (1985), *Para una democracia estable*. Santiago: Cieplan.
- \_\_\_\_\_ (1987), *Chile y su futuro: Un país posible*. Santiago: Cieplan.
- \_\_\_\_\_ (1993), *Economía Política de la Transición: El camino del diálogo*. Santiago: Ediciones Dolmen.
- Gómez, Sergio (1970), *Los empresarios agrícolas*. Santiago: ICIRA.
- \_\_\_\_\_ (1988), 'Organizaciones empresariales rurales y políticas estatales en Chile:

- Coyunturas de conflictos y de consensos'. *Documento de Trabajo*, No. 392 (December). Santiago: FLACSO.
- \_\_\_\_\_ (1993a), 'Grupos sociales, organizaciones representativas y movilizaciones políticas: Las dos caras de la modernización de la agricultura chilena'. *Estudios Sociales*, 76(2): 9-59.
- \_\_\_\_\_ (1993b), 'Organizaciones empresariales rurales: Demandas y movilizaciones (Análisis del caso chileno)', *Documento de Trabajo*, No. 46 (July). Santiago: FLACSO.
- \_\_\_\_\_ and Jorge Echenique (1988), *La Agricultura Chilena: Las Dos Caras de la Modernización*. Santiago: FLACSO-Agraria.
- Hernández, Silvia (1972), 'El desarrollo capitalista del campo chileno', *Sociedad y Desarrollo*, No. 3: 25-56.
- Higley, John and Richard Gunther, eds. (1992), *Elite and Democratic Consolidation in Latin America and Southern Europe*. Cambridge: Cambridge University Press.
- Kay, Cristóbal (1978), 'Agrarian Reform and Class Struggle in Chile'. *Latin American Perspectives*, 3(18): 117-140.
- \_\_\_\_\_ (1991), 'Agrarian Policy and Democratic Transition in Chile: Continuity or Change?'. Working Paper Series, No. 101. The Hague: ISS.
- \_\_\_\_\_ (1996), 'The Agrarian Question in Chile since the Democratic Transition'. Working Paper Series, No. 219. The Hague: ISS.
- \_\_\_\_\_ and Patricio Silva, eds. (1992), *Development and Social Change in the Chilean Countryside: From the Pre-Land Reform Period to the Democratic Transition*. Amsterdam: CEDLA.
- Mainwaring, Scott, Guillermo O'Donnell, and Samuel Valenzuela, eds. (1992), *Issues in Democratic Consolidation: The New South American Democracies*. Notre Dame: University of Notre Dame Press.
- Malloy, James and Mitchell Seligson, eds. (1987), *Authoritarians and Democrats: Regime Transition in Latin America*. Pittsburgh: University of Pittsburgh Press.
- Moulian, Tomás and Pilar Vergara (1979), 'Políticas de estabilización y comportamientos sociales: la experiencia chilena, 1973-1978'. *Apuntes Cieplan*, No. 22, noviembre. Cieplan (mimeo).
- \_\_\_\_\_ and Pilar Vergara (1980), 'Estado, ideología y políticas económicas en Chile, 1973-1978'. *Colección Estudios CIEPLAN*, 3: 5-120.
- Muñoz, Oscar (1990), 'El Estado y los empresarios: Experiencias comparadas y sus implicancias para Chile'. *Estudios Cieplan*, 25: 5-53.
- O'Brien, Phil (1981), 'The New Leviathan: The Chicago Boys and the Chilean Regime'. *IDS Bulletin*, 13 (1): 38-50.
- O'Donnell, Guillermo, Philippe C. Schmitter and Laurence Whitehead, eds. (1986), *Transitions from Authoritarian Rule*. Baltimore: The Johns Hopkins University Press. (4 volumes).
- Peeler, John (1998), *Building Democracy in Latin America*. Boulder: Lynne Rienner.
- Potter, David (1997), 'Explaining democratization'. In David Potter et al. (eds.), *Democratization*. Cambridge: Polity Press.
- Rabkin, Rhoda (1993), 'How Ideas Become Influential: Ideological Foundations of Export-Led Growth in Chile (1973-1990)'. *World Affairs*, 156 (1): 14-15.

- Rivera, Eugenio (1990), 'El debate en torno a la concertación social y económica'. *Proposiciones* 18: 85-110.
- Silva, Eduardo (1991), 'The Political Economy of Chile's Regime Transition: From Radical to "Pragmatic" Neo-liberal Policies'. In Drake, Paul W. and Iván Jaksic (eds.), *The Struggle for Democracy in Chile, 1982-1990*. Lincoln and London: University of Nebraska Press.
- Silva, Patricio (1988), 'The State, Politics and Peasant Unions in Chile'. *Journal of Latin American Studies*, 20(2): 433-52.
- \_\_\_\_\_ (1991), 'Technocrats and Politics in Chile: From the Chicago Boys to the Cieplan Monks'. *Journal of Latin American Studies*, 23: 385-410.
- \_\_\_\_\_ (1992), 'Landowners and the State: From Confrontation to Cooperation?'. In Kay, Cristobal and P. Silva (eds.), *Development and Social Change in the Chilean Countryside: From the Pre-Land Reform Period to the Democratic Transition*. Amsterdam: CEDLA.
- \_\_\_\_\_ (1993a), 'Landowners and the State: Beyond Agrarian Reform and Counter-Reform'. In Hojman, D.E. (ed.), *Change in the Chilean Countryside: From Pinochet to Aylwin and Beyond*. London: MacMillan.
- \_\_\_\_\_ (1993b), 'Social Democracy, Neoliberalism and Ideological Change in the Chilean Socialist Movement, 1973-1993'. *Nordic Journal of Latin American Studies*, Vol. XXIII: 1-2: 89-110.
- \_\_\_\_\_ (1995), 'Empresarios, neoliberalismo y transición democrática en Chile', *Revista Mexicana de Sociología*, 57(4): 3-25.
- Varas, Augusto (1991), 'The Crisis of Legitimacy of Military Rule in the 1980s'. In Drake, Paul W. and Iván Jaksic (eds.), *The Struggle for Democracy in Chile, 1982-1990*. Lincoln and London: University of Nebraska Press.
- Vergara, Pilar (1985), *Auge y caída del neoliberalismo en Chile*. Santiago: CIEPLAN.