

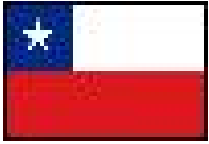


Miraculous Metamorphosis? The Dynamics of Entrepreneurship in Chile

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Jornada Chilena – University of St. Gallen – May 6th 2011



Overview



- Chilean Miracles?
- Socio-Economic Changes
- Explanations
- Central Hypotheses
- Search for Answers
- Results
- Conclusions
- Literature



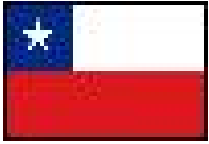


Chilean Miracles?



- How to explain the transition from a traditional oriented country to a modern nation?
- What are the reasons for the radical social change and modernization processes?
- Where do those dynamic economic elites come from in such a short time?

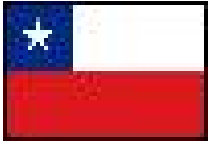




Chile has changed...



- Former Situation (pre-1970's)
 - Long socio-economic stagnation period due to market situation and lack of entrepreneurial spirit
 - High protection of markets
 - Prominent role of an „Entrepreneurial State“
 - Long-term political radicalization process in society and politics
 - Business class in defensive (total loss of control)
- Actual Situation (post-1990's)
 - Renewal of a dynamic capitalism
 - Liberal market regime and subsidiary State
 - Recomposition of economic elites
 - Business ethos and business culture dominant
 - Cultural hegemony of business groups despite severe inequalities
 - Ascription to be „model“



... a lot



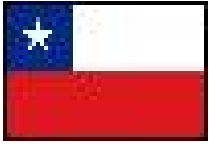
• Until the 1970s

- High inflation
- Economic orientation to internal markets with few expectations to compete successfully on external markets
- Copper main export product
- Weak industrial sector
- Traditional agrarian sector („latifundium“)
- Modest growth rates

• After the 1990s

- Low inflation
- More diversified structure of exports and dynamic export led growth
- Considerable growth rates
- High per capita income in Latin American context
- High rank in Democracy Index
- Index of Economic Freedom high
- Upper rank in HDI



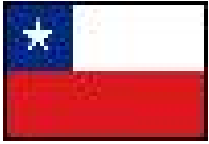


How to Explain the Changes?



- Believing in miracles no longer timely
- Three types of possible explanations:
 - Pinochet regime in general responsible for salvation and restoration of traditional power relations
 - Radical change in economic doctrines main reason to liberalize economy, free minds and produce entrepreneurial spirit
 - Complex mix of factors, at its core an authoritarian „development state“ creating favorable political and economic conditions for business
- Central task: Making visible the „invisible hand“ of the market



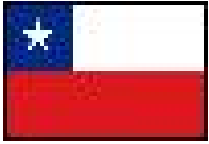


Central Hypotheses



- Constitution of markets and creation of dynamic entrepreneurs as a result of a violent development project
- Renewal of capitalism accompanied by a reproduction and recomposition of economic elites
- „Revolución empresarial“ not due to ultra-orthodox economic policies but to a complex mix of economic measures, interventions and developments





Catalytic Conditions



- Augmentation of idle productive potentials and commodification of natural resources and locational advantages
- Economic policies of the State favorable to business activities and better conditions of capital accumulation
- Strong ties between business groups and the State
- A new discourse of the State with regard to the central role of markets and entrepreneurs
- Oppression and disarticulation of all counter-vailing powers



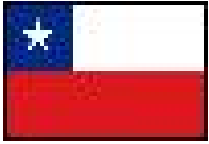


Major Intervening Factors



- Agrarian Reform: starting in the 1960's, intensified by Allende government, „contrarreforma agraria“ of Pinochet regime
- Nationalization of banks and large industrial and commercial enterprises between 1970-1973, restitution policies of military regime, and first round of privatizations between 1974-1978
- Changes in property generated by liberalization and deregulation policies (1975-1981) of „Chicago Boys“
- Financial crisis and breakdown of economy during 1982/83 with intervention of banks and financial institutions
- Re-regulation of capitalist mode of production and second round of privatizations (1985-1988)
- Deepening of capitalist relations by governments of „Concertación“ (1990-2010) and growing importance of oligopolies





Ideological Aspects



- Traumatic experiences through expropriation policies of Allende government lead to a strengthening of business community
- Surprising experiences through orthodoxies of Pinochet regime lead to a reflection on corporate force
- Proclaimed renewal of entrepreneurial spirit and reconstitution of a business culture („mantra“ of free markets)
- Efforts of business elites to win „Battle of Ideas“ as an ideological offensive
- Elitist vision of society and politics
- Public discourse on leadership, entrepreneurial attitude, innovation, important role of business, etc.
- Public visibility through newspapers (Mercurio), business meetings (ENADE), think tanks (CEP, Libertad y Desarrollo), right wing parties (UDI, RN)
- Claim to be the most important social group



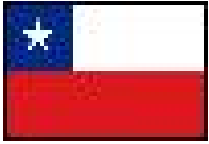


Results (1)



- Changes lead to a significant rearticulation of economic elites: a) internal composition, b) ideological configuration
- Successive rearrangements of power relations within business and between business sector and government administrations
- Three business groups can be differentiated:
 - „grupos tradicionales“ > formation prior to 1980, many with roots in industrialization
 - „grupos tecnoburocráticos“ > new enterprises as a result of the second privatization round led by former public executives of the military regime
 - „grupos emergentes“ > new enterprises in emerging markets, often by members of the middle class

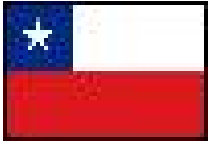




Results (2)



Grupos tradicionales	Grupos tecnoburocráticos	Grupos emergentes
Matte, Angelini, Luksic, Cruzat-Larraín, B.H.C. (Vial) Yarur Banna, Yarur Lolas, Hochschild, Sumar, Hirmas, Pollak, etc.	Holding Enersis (Endesa generación, Endesa distribución, Chilectra), CAP, Soquimich, Banco de Chile	Errázuriz, Said, Bonfill, del Río, Boher, Gili-sasti, Sigdo Koppers, Pathfinder, Pizarreño, Cueto-Piñera, Carozzi, CCT, Penta, Besalco, Fe Grande, Coloso, Enagas, Ripley, Fala-bella, Telex, Fernández-Larraín, Banco Sud-americano, Claro, Ergas, Fernando Larraín, Yarus, Hurtado-Vicuña, de Castro-Latorre, Fernández Larraín

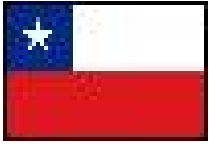


Results (3)



- General modernization of entrepreneurship in Chile
- Strong conservative identity of business groups
- Professionalization of business conduct
- Hegemony of business culture and corporate values
- Strengthening of corporate forces vis-a-vis other actors in society
- President Piñera and his staff as most prominent expression of the new corporate culture in politics



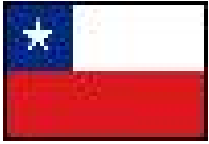


Conclusions



- Chilean economic model has serious structural shortcomings because disembodied market forces produce socially and ecologically harmful results
- Despite the high appreciation of self-regulating market forces and contrary to the assumptions of the „neoliberal“ credo, the dynamics of entrepreneurship had genuine political preconditions
- Chilean economic success as well as the ideological promotion of private enterprise gave a new political status to the business class
- Despite frequent talk of „social market economy“ and „corporate social responsibility“ there is a serious neglect of social issues
- With the presidency of Sebastian Piñera, corporate values and an entrepreneurial culture gained more importance in politics than ever before

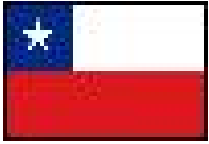




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Thank you for your attention!

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