

## HISTORICAL CONSTRAINTS TO PRIVATIZATION: THE CASE OF THE NATIONALIZED CHILEAN COPPER INDUSTRY

*JUAN AGUSTIN ALLENDE*  
*University of Tennessee*

The military regime that came to power in 1973 made no attempt to hide its intentions to drastically restructure the state. Because of Chile's historical economic dependence on its copper industry, which had been nationalized at high political and economic cost, many feared that the nationalization process would be reverted and that the gains won against dependency would be lost. The article examines why the efforts to privatize the Chilean National Copper Corporation (CODELCO) were not successful. This failure must be attributed to the country's long experience with external economic dependence, which produced a deep-seated national awareness of the drawbacks of foreign control, and to the benefits that the industry brings to powerful groups in the regime, above all the Chilean Army.

**I**n September 1973, after three tense years of attempting a democratic transition to socialism, President Salvador Allende was overthrown. The coalition that united against him had no program other than ending an experiment which they viewed as threatening their basic interests. This lack of a common project produced a political vacuum that was rapidly filled by the most conservative and anti-democratic forces within the coalition: the military, headed by General Augusto Pinochet, and an array of right-wing groups and individuals who, until then, had played no significant role in Chilean politics. It soon became evident that under the slogan of "national reconstruction" the military regime was attempting to "refound" the state—i.e. to restructure the foundations of society itself—and not simply reorienting the country's political and economic development (Garretón, 1983). Because of Chile's historical economic dependence on its copper industry, which had led to its nationalization after a long and arduous conflict with the U.S. government and the transnational corporations (TNCs) controlling it, many feared that the nationalization process would be reversed, and that the costly gains won against dependency in this critical economic sector would be lost.

This article examines the early (1974-81) privatization efforts of the Chilean military regime, when groups outside the power coalition seldom could voice their views on economic matters. Specifically, it discusses why efforts to privatize the Chilean National Copper Corporation (CODELCO)—i.e. the nationalized copper sector—were not successful. Given the regime's declared ideological goal of privatizing the state, the fact that CODELCO remains in state hands is a contradiction and an anomaly.

Despite considerable economic benefits accruing to the state from the nationalized copper sector, the policy debate over its privatization quietly survives and re-ignites periodically. However, those favoring privatization have consistently failed to achieve their objective. This repeated failure must be attributed, first, to the country's long experience with external economic dependency which produced a deep-seated national awareness of the drawbacks of foreign control; and, second, to the benefits that the industry brings to powerful groups in the regime. The article illustrates the conflicts among influential sectors of policymakers between emerging neo-liberal economic outlooks and more traditional Latin American views regarding both the role of the state and the always present question of dependency. Moreover, it shows that even under bureaucratic-authoritarian rule, where policy participation is reduced to a few influential individuals, group politics still plays a key role and can derail even obstinate attempts to drastically alter the historical course of the national agenda.

## **HISTORICAL BACKGROUND (1930-1973)**

### *The "Difficult" Economy*

Since the development of the nitrate industry in the latter part of the 19th century the most perdurable characteristic of the Chilean economy has been its dependence on the world economy. This dependence explains, perhaps better than any other variable, the often drastic fluctuations in the type, magnitude, and direction of Chile's economic development in the last decades. Never was this dependence more explicit than after the collapse of international trade in 1929. From a level of 100 in 1928-29, Chile's per capita quantum of exports fell to 40.7 in 1933; the value of exports plunged by 87 percent; and import capacity declined from an index of 138.5 in 1928 to an index of 26.5 in 1932. Nitrate disappeared as the major export product—to be replaced by copper only—and the government defaulted on its foreign obliga-

tions (Allende, 1980:37-55; Mamalakis, 1976:388-90; Pinto, 1962:111; Reynolds, 1965:230-6; Sutulov, 1976:149).

The economic crisis was so profound that it undermined the oligarchical structure of domination. In 1932 the most radicalized sectors of the middle class overthrew the government and installed a "Socialist Republic." They were rapidly isolated, and the traditional oligarchical groups regained power. But by 1937 middle-class sectors, with working-class support, formed the Popular Front, and a year later elected their leader to the presidency. The Radical Party administration that came to power in 1938 reorganized the state and, guided by a developmentalist ideology, implemented for the next 14 years a new political and economic strategy for coping with the country's problems (Drake, 1978; Faletto et al., 1971, Ortíz, 1981:13-20).

The Depression showed the risks of external-oriented or outward development, and the need for a strategy that would free the country from the vicissitudes of the international market. The new strategy, known as import-substitution industrialization (ISI), consisted of enlarging the country's industrial base, even if that implied high levels of protectionism. It required that traditional export sectors, especially copper, continued to play a central role as sources of much needed foreign exchange—despite this sector being controlled by foreign TNCs with global strategies and interests. Moreover, an expanded industrial base meant to redefine the role of the state, especially in the areas of planning, public investment, and creation of "leading-sector" (state) enterprises (Muñoz, 1986; Muñoz et al., 1977; Pinto, 1986:105-48).

Classic forms of ISI policies (i.e. the "easy or horizontal phase") lasted until the middle of the 1950s. By 1955 the imbalances created by this type of industrialization, especially structural inflation, were beginning to take their toll. Moreover, despite many positive effects, overall results were short of expectations: the amount of goods and services available to Chileans in 1950-53 were a mere 10 percent above those in 1925-29, and per capita income grew only 1.1 percent annually between 1945-52—half the Latin American rate (Instituto, 1956; Table A-3; Nolf, 1963:165-70; Pinto, 1962:40, 47, 77-84; Tironi, 1975:90). These low marks were mainly a reflection of deteriorating terms of trade and of modest investment rates. Finally, the horizontal phase proved to be import-intensive, and the pressing need for foreign exchange combined with erratic export (copper) prices led many to see the external sector as the major constraint to further industrialization and a reminder of the country's external dependency.

In 1952 the electorate turned against the Radicals and elected, by a large majority, ex-president Carlos Ibáñez. Ibáñez ran on an independent platform, and was supported by an heterogeneous coalition of parties, groups, factions, and individuals with no common ideology and agenda other than a strong urge for structural reforms and protection of middle-class gains achieved since 1938. The economic program of the coalition called for nationalist and populist policies, and for more state intervention. But the coalition's political fragmentation and total lack of internal cohesion led to economic policy inconsistencies, abrupt shifts, and eventually disastrous results. These were mostly blamed on the foreign controlled external sector which many thought was bleeding the country of needed financial resources (French-Davis, 1973:23-40, 187-99; Moulián, 1982:105-58; Wurth, 1958).

In the presidential election of 1958 Jorge Alessandri came to office as the representative of the Chilean Right and its political organizations: the Conservative and Liberal parties, and the country's leading business peak associations. Alessandri's economic program stressed stabilization and growth, and these goals were to be achieved by lowering wages, deregulating the economy, and reducing state intervention. Central to the program was ending foreign trade controls to attract foreign investments. As anticipated by many, Alessandri's economic program failed to produce the expected results. Domestic private investment never materialized, nor did foreign investment respond to the elimination of trade and capital controls. Moreover, lowering tariffs flooded the market with cheaper imports, and created serious balance of payments problems—which were in part attributed to the TNCs' control over the copper sector (Moulián, 1982; French-Davis, 1973:41-50, 82-96, 128-38, 167-74, 203-10; Stallings, 1978:64-91).

In the closing years of the Alessandri administration economic indicators showed that problems not only persisted but also had become resistant to "classical" remedies, and that the economy exhibited most if not all of the symptoms of quasi-stagflation. This deteriorating economic situation, together with Chileans' conviction that nothing short of sweeping changes would solve the country's ailments, allowed the Christian Democratic Party (PDC) and its candidate, Eduardo Frei, to win the 1964 elections. The PDC, appealing for electoral support across classes and sectors, offered the country a "revolution in liberty." Once in office, the government's main problem became how to retain this multiclass constituency. The PDC failure to satisfy its original supporters led to defections and, eventually, to its electoral defeat. According to the PDC program, Chile was in the midst of an "integral" crisis

whose economic manifestations were insufficient growth, structural inflation, unequal distribution of income and wealth, and external dependency. To overcome this crisis power relationships among social groups and actors needed to be altered, including the state-TNCs relationships. Accordingly, the program called for, among other goals, larger control over primary resources and for the partial nationalization ("Chileanization") of the copper industry (Fleet, 1985; Molina, 1972 and 1984:529-34).

The 1970 Presidential election took place, despite the many achievements of the Frei administration, in an environment of hopelessness and crisis. Economically the country seemed to have made little progress in the last decade. From 1960 to 1970 GNP per capita had only increased by 2 percent, while income distribution remained highly skewed. Moreover, inflation and unemployment, after more than a decade of attempts to bring them down, stayed at unacceptably high levels. Finally, external dependency was still the central feature of the economy: in 1969 the two leading exports (copper and iron) amounted to 85.1 percent of total exports; foreign investors controlled substantial shares of the most dynamic and large industrial firms; and the accumulated foreign debt was \$2.7 billion (Banco, 1981:133-4; DeVyllder, 1976:7, 12-7; PET, 1984:14, 20, 28; UCLA, 1984:22, 413; Valenzuela, 1978:22-49). This situation and the fact that the Right decided to run its own candidate instead of supporting the PDC nominee, as it had done in 1964, gave the triumph to Salvador Allende, the perennial leader of the left.

The Unidad Popular (UP), Allende's power coalition, was a loose alliance of three main political parties and of a number of minor forces (e.g. MAPU, Social Democrats, etc.): the Socialist Party (PS), the Communist Party (PC), and the Radical Party (PR). Both the PS and the PC defined themselves as Marxists. The UP program offered to alter the capitalist mode of production and its accompanying social relationships by ending the domination of imperialism, monopoly capital, and of the landholding oligarchy, and by beginning the construction of socialism in Chile. It called, among other things, for a dominant state sector in the economy (APS); for national planning; and for reducing foreign capital and technological dependence. It included the nationalization of the copper industry in the name of breaking the country's economic dependence and of ending the transfer of surplus abroad—goals that had escaped Frei's "Chileanization" of the copper industry. The major innovation in the program was the essentially political and non-violent strategy to be followed: competitive elections,

institutional reforms, and popular mobilization—while at the same time respecting existing rights and freedoms. The radicalness of the UP program together with the willingness of the government to implement it, unchained a strong and violent reaction, followed by an acute economic crisis, of all those within and outside Chile that were against a transition to socialism. Despite a promising beginning (1971), the UP soon found itself faced with unsurmountable political and economic obstacles. By 1972 the program of structural transformations had become a mere program of permanent crises management. It would not be long before the military would put an end to the UP experiment and to Chilean democracy (DeVylder, 1976; Gil et al., 1977; Valenzuela, 1978).

### *State Intervention*

The new role of the state after 1938 was bound to have significant implications on social stratification. The state became the creator of social classes and groups with discrete and often antagonistic interests. On the one hand, a new industrial bourgeoisie, disconnected from traditional capitalist groups emerged as a direct result of the import-substitution process. Parallel to its emergence, the number of industrial workers more than doubled between 1930 and 1952. Finally, the expansion of the state stimulated the growth of the bureaucratic apparatus and the formation of an “administrative” middle class. It is from their ranks that a group of state technocrats and entrepreneurs came forth. They became the heart and soul of the new government agencies and state enterprises created to promote and advance the process of industrialization. Their dependence on a strong and growing state was unquestionable, and permeated their ideological outlook. One major result was the appearance of a statist and nationalist mentality that reinforced the strong currents of “anti-imperialism” running inside political institutions and parties, especially among those of the Left.

The growth of the Chilean public sector that occurred as a result of the expansion of the economic and social activities of the state did not take place in the central administration, but instead in the so-called decentralized or state enterprise sector. The central instrument to expand the economic role of the state was the creation, in 1939, of CORFO or Chilean Development Corporation. CORFO's first task was to draft a number of “plans of immediate action” whose goals were to overcome the most notorious deficiencies and needs of the productive structure. A direct consequence of those plans was the creation of some

of the largest and most important state enterprises in Chile: *Compañía de Acero del Pacífico* (steel), *Empresa Nacional de Petróleo* (oil), *Empresa Nacional de Electricidad* (electricity), etc. By 1954, 77.5 percent of CORFO's investments had gone to these basic state industries (Instituto, 1956:200; Mamalakis, 1976:296, 309; Poblete, 1976:69, 74). Data on the size of this sector before 1964 is exiguous. What is known is that prior to the coming to power of the Radical administration in 1938 there were no more than seven or eight state enterprises and, with one exception, all had been created during the 1930s. By 1955, when the first predecessor of CODELCO (i.e., the *Departamento del Cobre*) was created, there were more than 66 (Andwanter, 1976; Guerrero, 1966; Hacienda, 1956: Vol. 2; Méndez, 1981; Osorio, 1967; Urzúa, 1970). The outcome was a drastic increase in the growth of public expenditures, gross fixed capital formation, and employment.

During the Ibáñez administration creation of major state enterprises, such as the *Industria Azucarera Nacional S. A.* (sugar refining), the *Corporación de la Vivienda* (housing construction), the *Empresa Nacional de Transportes Colectivos* (public transportation), and the *Empresa Marítima del Estado* (shipping), continued, despite a government mid-turn shift to the Right and a decline in the nationalist mood. This tendency perdured during the conservative Alessandri administration, where 19 state enterprises of all types were created, notwithstanding the administration's explicit goal of curtailing state intervention (Boeninger and Palma, 1978:82-8; Muñoz et al., 1980:52-3; Poblete, 1976:75-6; Stallings, 1978:64-6). The major change was that CORFO, instead of concentrating on the creation of large subsidiaries as in the past, began to operate as a development bank for the private sector. Thus, state intervention endured. This was in line with the long tradition of state economic leadership and with the awareness among political elites that domestic capital was not up to the challenge of leading the country out of dependency and underdevelopment.

With the Frei administration there was a major shift towards increasing state intervention, and 49 state enterprises of different types were created. Among them were some important 100-percent-state-owned enterprises, and a larger number of mixed or partly public and partly private firms. The latter included the "Chileanized" TNCs' copper subsidiaries. In addition, a number of enterprises were transferred, totally or partially, from the private to the public sector, and the development-bank function of a number of existing state enterprises, including CORFO, was expanded considerably. The result was that by 1969 the public sector share of GNP was 60.7 percent, while state

enterprises accounted for 25.2 percent of GNP (Andwanger, 1976:9-10; Boeninger and Palma, 1978:88-94; Chile, 1970:43, 48-50, 54, 61; Méndez, 1981: Tables 1, 2-A, 2-B; Molina, 1969; 29; Muñoz et al., 1980:50-5; Poblete, 1976:88; Sunkel, 1970:47; Urzúa, 1970:202-5).

After the election of Allende there was a quantitative and qualitative change in state intervention. Central to the UP program was the creation of a dominant "area of state property" of APS. Eventually the APS was to include large-scale mining of copper, nitrate, iodine, iron, and coal; the financial system; foreign trade; large-scale enterprises and monopolies in the field of distribution; strategic industrial monopolies; and all activities that conditioned economic and social development. The goal of the APS was to produce a qualitative change in property relations and to redefine production relations. Its formation was justified mainly in terms of reducing external dependency. By the time the Allende government was overthrown in 1973, the APS consisted of some 420 enterprises (as opposed to 30 chartered and 70 mixed state enterprise in 1970) accounting for some 30 percent of national gross value of production (Boeninger and Palma, 1978:10; DeVlyder, 1976:136, 145; Espinosa and Zimbalist, 1978:46-8; Instituto, 1972:435-45 and 1973:93-108, 134-5; Magazine, 1979). But these figures do not convey the intensity and passion of the political debate that the APS generated. At stake was the control of the economic structure, and thus of who—the government or its opponents—would eventually win the political struggle for advancing or obstructing the transition to socialism.

### *The Copper Enclave*

Before the 1929 Crash Chilean elites pursued export-oriented development policies with a stunning degree of self-confidence. This self-confidence was the accumulated result of decades of good life as rentiers of the foreign controlled nitrate wealth. Thus, when at the turn of the century the development of the electrical industry attracted the attention of foreign investors to Chile's undeveloped copper deposits, these rentier elites let this mineral wealth slip away into the hands of two United States TNCs—Anaconda and Kennecott. As a consequence of this "denationalization," Chile's integration into the world economy became firmly entrenched, and the export-oriented character of its economy achieved critical levels, as the Depression years later showed.

After the collapse of the nitrate industry copper was singled out to



provide the much needed foreign exchange required for implementing the ambitious import-substitution program. The page was turned on the previous free-trade and export oriented policies, and an array of new foreign trade regulations was introduced, such as exchange controls, higher taxes, etc. All pursued the central objective of increasing the availability of financial resources. These policy changes marked the beginning of 40 years of confrontation with the copper TNCs over participation in the surplus produced by the industry, and of Chile's active and interventionist state.

From the 1930s until the middle of the 1950s confrontation with the TNCs followed an incremental curve. At issue were a number of real and perceived problems. The undeniable fact was that the TNCs controlled the most profitable sector of the economy. From 1925 to 1970 they contributed (returned value) \$355m annually while pocketing \$164m (non-returned value); paid between 3.6 percent and 20 percent of all taxes, and exported between 27.2 percent and 59.1 percent of Chile's exports (Allende, 1980:189-223). Moreover, the TNCs' local behavior and global strategies were often highly damaging to Chilean interests. For example, accounting books were kept in New York, away from any possible control; market information was considered secret; prices were manipulated, especially during crises (wars), following worldwide strategies that dictated low prices at the production end and higher ones at the manufacturing end (which the TNCs also controlled); integration into the national economy was minimal, and two-thirds of inputs were imported; net investment was so low that between 1930 and 1954 there was a "disinvestment" of \$17m; and, finally, under utilization of installed capacity was pervasive, so much so that during WW II the TNCs increased production by 52 percent without new investment (Allende, 1980:189-223).

Slowly the Chileans began to realize that they had limited control over the copper economy, that the country provided a captive production to a vertically integrated industry controlled by a few oligopolies, and that sovereignty itself was at stake. Increasingly important sectors of society, including many in the Right, began to view the relationship with the TNCs in zero-sum terms, and as a fight against economic dependency. "Closing in" on the industry to capture the rents flowing out, and thus to be able to finance the country's development and industrialization, became the goal of large and powerful political forces. Even so, it took almost two decades, during which a number of unsuccessful attempts at "joint maximization" with the TNCs were attempted, before that occurred.

In 1955, after failing to obtain better prices for the TNCs' output through a state sales monopoly, and deeply concerned with production declines (one third between 1944 and 1954), the Chilean government signed a *Nuevo Trato* or New Deal agreement with the TNCs stipulating new investments to increase production against tax concessions, accelerated depreciations, and an end to exchange controls. Because the agreement did not specify targets or time tables, but instead left production increases to "automatic responses to appropriate stimuli" from the market, the *Nuevo Trato*, in the absence of those ideal conditions, failed to produce the much hoped for results: output rose by only 2.7 percent, while the TNCs profits increased by 58 percent and returned value fell by 2.4 percent. In short, the agreement's promises never materialized, and dependence on the TNCs continued: from 1955 to 1964 TNCs' copper exports represented 7 percent of GDP and 60 percent of total exports, while their annual profits and depreciations amounted to nearly 2 percent of GDP (Allende, 1980:189-223). The disappointment was so pervasive that even the conservative Alessandri administration decided to increase the TNCs' corporate taxes, even though it meant the violation of the letter and the spirit of the agreement.

The only positive outcome of the *Nuevo Trato* was the creation, over the TNCs' vociferous objections, of a copper regulatory agency—i.e., the *Departamento del Cobre* (later on renamed CODELCO). This agency managed in a short time to accumulate a solid record in gathering, processing, and using information on the TNCs and the world copper industry to improve Chile's negotiating position and benefits from the industry, and in forcing the TNCs to increase the use of domestic inputs. By the time Frei was elected, the Department, in spite of Alessandri's efforts to undermine it (Allende, 1985:274-88; Moran, 1974:124), had become a powerful and nationalistic instrument ready to be used to "close in" on the TNCs by whoever came to power.

According to Frei and the PDC, Chile's slow economic growth and external dependence were the result of the inadequate evolution of exports and excessive foreign participation in them. The proposed solution to break that pattern was to sharply increase copper exports. This required not only a massive investment effort but also the redefinition of property relations ("Chileanization") under which the TNCs had operated since 1912. The main goals of "Chileanization" were to double copper production in six years, and to increase state jurisdiction over the sector by acquiring equity control in the TNCs' Chilean subsidiaries, and by broadening the Copper Department's powers. After long and difficult negotiations the Frei administration

convinced the TNCs to sell to the Chilean state a majority interest (51 percent), while at the same time co-financing a major expansion program—the rationale being that an enlarged sector would maximize the interests of all. Mainly because Chilean negotiators failed to anticipate the rise in copper prices resulting from the Vietnam War, the “Chileanization” became a bonanza for the TNCs who, notwithstanding their disinvestment (which they sold at inflated prices), almost doubled their profit remittances: from \$47m in 1955-64 to \$91m in 1965-70 (Allende, 1980:189-223). This one factor overshadowed all other benefits of “Chileanization,” and threw wide open the door for a future total nationalization. Had Frei not “Chileanized” the industry and reorganized the Copper Department, the Allende administration probably would not have been able to take over the TNCs in 1971.

No aspect of the UP program received so much attention as the proposed nationalization of the copper industry. The UP leadership argued the need for a total nationalization of the industry in terms of increasing government revenues and foreign exchange earnings, and of reducing Chile’s dependency. Gone was the emphasis on increasing output via incentives. Instead, all efforts were directed at the surplus produced, but this time the claim was against the entire surplus. In July 1971 Congress enacted the nationalization bill unanimously. This was a clear reflection of the country’s feelings regarding the copper sector, especially given the ongoing political confrontation between the government and the opposition. The nationalization was followed by a bitter confrontation with the TNCs over compensation, which was only resolved after the overthrow of Allende. One important legacy of both the “Chileanization” and total nationalization of the industry was the transformation of CODELCO from a governmental regulatory agency into a veritable state holding company in charge of exploration, development, extraction, production, and marketing of copper, in defiance of all those who for decades had doubted the ability of nationals to undertake such tasks. In many respects, CODELCO represented the total victory of Chile’s more nationalist state entrepreneurs.

In short, Chile’s historical record since the Depression shows some remarkable patterns that changed little in the course of several decades (1930s-70s), and that unavoidably left profound marks in the elusive but nonetheless real national consciousness. Essentially, these included the realization that: (a) economic development was constrained by a production structure dominated by an enclave sector; (b) the fight against dependency was inevitable; (c) growth required “closing in” on TNCs controlling the copper enclave; (d) state intervention, especially

via the creation of state enterprises, was not only a legitimate but often the sole instrument of economic development available; and, (e) the gains obtained under such formidable conditions had to be defended with national ardor. Thus, in a sense, we can speak of a historical legacy of experiences shaping the "long cycle" of the national economic agenda. This legacy, and what it has generated over the years, is what stands in the way of sudden changes in direction, especially when those promoting the changes are not considered minimally legitimate.

## THE PINOCHET REGIME

### *Power Coalition*

In September 1973, days before Allende was to announce a plebiscite to resolve the political crisis, the military overthrew the government. In line with their insistent calls for a military intervention to save Chile from a "Marxist dictatorship," all the forces who opposed Allende gave, with varied degrees of fervor, their initial support to the military and its self-proclaimed task of "national reconstruction." What forced some groups to qualify their support was the unusual and unnecessary degree of violence used by the military, a feature they soon understood pointed to a longer than foreseen period of repression and coercion. Because of its multiclass composition and reformist ideology the PDC was in an especially difficult position. Unwilling to accept challenges to their power, the military interpreted the PDC vacillations as undeserved criticism. Soon the PDC found itself not only excluded from the new power coalition, but also with a large number of militants persecuted.

After the PDC exclusion, the core power coalition of the Pinochet administration took form. This includes: (a) high ranking officers of the Armed Forces, including police services; (b) "old" and "new" economic groups (i.e., the old Alessandrista entrepreneurial groups and new financial groups); and (c) an articulate and highly ideological economic techno-bureaucracy (sometimes referred to as the "Chicago Boys.") Lesser members are nationalist groups—some of them with Ibañista roots; known figures of the traditional Right: business peak associations (*gremios*); representatives of transnational capital; and sectors of the middle- and upper-middle class. The hegemonic sector within the coalition is the Army, which is not only the largest branch of the military, but also counts General Pinochet in its ranks. Then come the remainder of the armed services and the techno-bureaucracy. The

latter has played a key role in the formulation and implementation of policies, and provides General Pinochet not only with a coherent package of policies, but also with the supporting neo-liberal economic ideology (Chaparro and Cumplido, 1980; Fleet, 1985:176-210; Quirós, 1979:241-56).

### *Ideological Tenets*

By mid-1974 it became evident that the military had no intentions of returning to their barracks as originally promised. On the contrary, an alternative model of economic development and political participation began to be implemented from above. The central element of the model was a call for a total departure from the past. Chile's economic and political problems were blamed on both its directed inward economic development (ISI) and its political democracy. It is this drastic departure from Chile's traditions that led many to speak of an authoritarian attempt to restructure the foundations of society. Crucial to this attempt was the need to destroy progressive political forces and working class organizations in order to restart the process of dependent capital accumulation—a process which had run into trouble because of the increasing political power of those forces and organizations (Garretón, 1983:125-62; Miliband, 1977:56, 91, 97; Gil, 1983:11-20; Pinot, 1982; Razeto, 1981).

Nowhere are the elements of this alternative model more manifest than in the political and economic ideology of the regime. The former is a blend of national security, corporativism, and a Catholic conservatism alien to Chile's progressive Church. It emphasizes tradition, nationalism (elimination of foreign ideologies and cultural influences), patriotism, and political exclusion. Moreover, it defines itself as anti-politics, anti-statist, anti-liberal democracy, and anti-communist (rejection of all class conflicts). The state is viewed as independent of and separated from civil society, and policies are meant to be "technical" and free from interest groups pressures. Because the state is neutral it can pursue "national goals," which supposedly also are neutral (Chile, 1979; Comblin, 1979:9-191; Quirós, 1979:248-52; Sigmund, 1977:262-64).

The economic ideology, often referred to as neo-liberalism or Chicago monetarism, is built upon the three interrelated concepts of individualism, private property, and free enterprise. The latter is understood as absence of regulation, and is interpreted in the restrictive sense—for Latin America's economic tradition—of keeping the state

out of the economy, and of disarticulating trade unions to lower the cost of labor. From this follows a strong bias against state intervention and in favor of the need to privatize the economy. This new role for the state is called the "subsidiarity principle." Complementing these tenets, neo-liberalism stresses the importance of the theory of comparative advantage; the need for integration into the world capitalist economy; inducements for TNCs to attract direct foreign investments; and the creation of an active capital market. The central policies are tariff reductions, ending price controls, privatizations of state enterprises and services, generous terms and guarantees for foreign investors, reduction of public expenditures, and ending exchange controls (Bitar, 1983:640-43; Méndez, 1979; Muñoz, 1980; O'Brien, 1981:38-50).

What is interesting to note are the obvious contradictions between some of these politico-economic precepts, especially between the national security canons and the calls for a scaled-down state. Often, the military has opposed, on grounds of the close relationship between national security and economic development, the privatization efforts of the techno-bureaucracy. This cleavage eventually developed into an estrangement within the power coalition between the techno-bureaucracy (pro-Chicago) and military and pro-military elements (nationalists). Hidden behind this division is a deeper disagreement between civilians within the government and the military over how and at what speed to proceed with the institutionalization of the regime.

### *The "Subsidiarity Principle" in Action*

The dismantling of Allende's APS, together with reducing the size of the state, was essential to the neo-liberal model of capital accumulation. The regime invoked principles of economic rationality for the drastic change in direction, even though politico-ideological objectives were its real substratum. The government justified its action in the name of the "subsidiarity principle" and its declared goals in growth, decentralization, and national security. According to this principle the state should only assume direct responsibility for those functions which intermediate (private) organizations are unable to deal with. To implement this principle, the Ministry of Finances issued a list of rules for all state enterprises. These rules dictated: (a) that all state enterprises must be profitable, i.e., they must be able to finance their operations without subsidies; (b) that private enterprise standards to judge efficiency, profitability, and return on investments must be used; (c) that no state enterprise can be a legal monopoly; and (d) that all must pay the same

tax and tariff rates applicable to the private sector. Moreover, constraints on personnel matters, financial commitments, and utilization of surpluses were established with the intent of transferring to the central government state enterprises' strategic decision-making process (Chile, 1979:16-8; ODEPLAN, 1978:18-9, 38, 60-1; Pacheco, 1975:71-9; Sapag, 1979:39-46).

Together with issuing these rules the government began a so-called "normalization" process to launch the privatization effort. The first step was to return to the owners all the "intervened" or simply "seized" enterprises in state hands. These consisted of some 260 firms. Second, the government appointed "delegates" (state managers) in the remaining enterprises pending a final decision regarding whether they would be privatized or not. Third, the government decided to sell to the private sector, with the exception of a small number of enterprises that were declared of strategic importance, all the enterprises (or their assets) in the process of "normalization." The bulk of these sales, which were done through public tenders, took place between 1975 and 1977. By the early 1980s some 130 enterprises, including several banks, had been sold for U.S. \$770m. Favorable sales conditions allowed a small number of entrepreneurs with foreign financial ties to acquire sizable state assets. This not only further increased the concentration of property, but also was the origin of the so-called *grupos financieros* (financial groups) which eventually would become (1981) the larger destabilizers of the regime. What is interesting to note is that even though assets for U.S. \$770m were sold to the private sector, the 1981 net worth of the three largest state enterprises (CORFO, CODELCO, and ENAMI) was U.S. \$7.7 billion—i.e., 10 times larger. This was a clear indication that the privatizing effort was encountering strong resistance among some members of the regime's power coalition (Dahse, 1979; Danús, 1977; Magazine, 1979:14-20, and 1982; Sanfuentes, 1984:131-70; Vera, 1982:48-51).

The effect of the "normalization" process on the size of the state was considerable but not devastating. Indeed, despite the privatization effort, employment in the state enterprise sector as a percentage of national employment only changed from 5.6 percent in 1973 to 4.3 percent in 1978, while the participation of the sector in GNP remained stable at around 19 percent during the same years. The impact is much larger in relation to the sector's deficit as a percentage of GNP: from 1971 to 1973 it averaged 6.7 percent, while from 1974 to 1979 it averaged only 3.4 percent. Where the anti-state tendencies of the neo-liberal model were really felt was in the size of the central government.

This decreased its participation in GNP from 34.5 percent during 1971-73 to 21.8 percent during 1974-79, and suffered the bulk of the public employment reduction, which dwindled from 359,000 in 1974 to 163,000 in 1981. Again, what this indicates is that for the technobureaucracy it was much easier to apply the neo-liberal model to the centralized sector, that had few defenders, than to the state enterprise sector which, from the beginning, received preferential attention from civil and military nationalist groups (Méndez, 1981: Tables, 1, 2-A, 2-B, 3, 4; Vergara, 1986:85-116).

### NEO-PRIVATIZATION IN THE COPPER SECTOR

The copper policy of the Pinochet regime mirrors the neo-liberal model, especially the stress on comparative advantage, integration in the world capitalist economy, open policies for foreign investment, and a subsidiary role for the state. The fact that the nationalized industry remains in state hands is a contradiction and an anomaly. The new policy represents a major break with the past, and its impact has not been larger only because of the actions of powerful sectors within the power coalition to mitigate its more radical and anti-statist components.

The first major change was the decision to settle with the TNCs and the United States government the compensation issue. The reasons were to attract direct foreign investment to the Chilean economy in general, and to the copper sector in particular, and to regain the United State government and international financial institutions' support (IMF, World Bank, IDB, etc.). According to the final agreement reached in 1974 in New York, Chile agreed to pay U.S. \$532m in compensation, even though the Chilean Comptroller General said the net book value of nationalized assets was only \$414m. In other words, the Pinochet government overpaid the TNCs \$118m or over 28 percent more than required. Overnight the country recovered the "confidence" of the international financial community—and once again loans began to flow to Chile (Chile, 1974; CODELCO, 1974 and 1975:108-10; Estévez, 1975:25-32; Fortín, 1975:23-9; PET, 1984:28; U.S., 1977:246-8).

The other major policy change was the decision to open the copper sector, with the exception of CODELCO, which had too much public and political support, to direct foreign investment. This represented a complete turnabout with respect to the policy followed during the Allende administration, where most of the large copper deposits and companies were taken over by the state (Ffrench-Davis, 1978:55; Her-



ra and Vignolo, 1981:140-56). To encourage these investments a very generous foreign investment statute was enacted. Among other things the statute stipulates flat (49.5 percent) and non-discriminatory taxes, no restrictions on repatriation of profits, and accelerated depreciations. Moreover, the government decided to allow foreign investors to acquire exploration and exploitation rights over mineral deposits not yet developed, and to sell to TNCs national mining companies already in operation (Mikesell, 1983:223-28; Tironi and Barría, 1978:491-97; Yrarrázabal, 1984). The outcome of these inducements was that by 1981 almost \$5.5 billion in foreign investments had been "authorized," even though only 10 percent of that sum (\$560m) had been actually invested or "materialized." Partly as a result of this failure and partly for politico-ideological reasons, the government decided in 1981, following the persistent suggestions of the pro-Chicago techno-bureaucracy, to revise the mining code. Against a centuries-old legal tradition, the revisions gave investors property rights over mineral deposits, and established that in case of expropriation the state must pay the "market" value of the investment—i.e., of the ore body and plants. The latter clause makes expropriations nearly impossible since the market value is assumed to be the "present value" of the future earning potential of the investment (Gutiérrez, 1985; Magazine, 1980a, 1980b, 1981a, 1981c, 1981d, 1983; Piñera, 1982:7-16).

### *CODELCO's "Normalization"*

The normalization frenzies that swept through the state enterprise sector did not spare CODELCO. Not only was there the perception of UP "mismanagement," but also the question of what to do with a state enterprise that was too big, too centralized, too monopolistic, and too nationalistic for the new times. The answer was a two-track reorganization effort called "normalization" and "rationalization."

The first priority for the government was to increase production and reestablish technical efficiency in mines and plants—which had suffered as a result of the country's polarization under Allende (Allende, 1985:110-31; Arrate, 1972 and 1973:145-50; Martner, 1975). First, the government appointed a highly respected engineer with an impressive list of technical achievements as CODELCO's new Chief Executive Officer (CEO). In addition, the government appointed a military "delegate" to act as a silent supervisor of the "normalization" effort, who was basically responsible for reestablishing "law and order" in mines and plants, and weeding out "marxists." Investigations of irregularities

in “all order of things,” and massive firings and reclassifications of employees followed. The anti-communist furor achieved such an intensity that the former UP management was accused of having implemented a centralized organization “copied from the programs of the U.S.S.R.,” and a list of employees who had passed information on the copper industry to the Soviets was given to the military authorities (AD, 1974:#1; CE, 1975:#8 and #16; CODELCO, 1973 and 1975b).<sup>1</sup>

The other aspect of “normalization” was to loosen CODELCO’s centralized structure, and to move the enterprise closer to the new administration’s economic policy centers—especially to the Ministries of Economics and Finances where nationalists were the exception. The centralized structure was not dismantled, but CODELCO’s divisions were given “maximum” autonomy, especially regarding production decisions. The belief was that a holding company structure would save CODELCO from the failures of the past. That decision eventually would cost the new CEO and a large number of CODELCO’s managers their jobs.<sup>2</sup>

### *Reorganization Politics*

“Normalization” was the short term answer to CODELCO’s perceived shortcomings. But for the pro-Chicago techno-bureaucracy the question of state intervention in the copper sector required a much more drastic answer, and especially one that would bring the “gigantic” CODELCO in line with the neo-liberal model and would make it vulnerable to privatization. In other words, what was needed was a long term reorganization effort to adapt the nationalized copper sector to the exigencies of the new rules of accumulation. It is this long term effort, which began immediately after the coup, that was euphemistically called the “rationalization” of CODELCO.

Specifically, “rationalization” was the answer to the dilemma that CODELCO was simultaneously a copper producer (the largest but not the only) and the regulator for the whole industry. This created two problems: (a) CODELCO was regulating itself and (b) it was in the way of foreign investments in a sector singled out by the techno-bureaucracy, because of its comparative advantage, as the most attractive one. No investor would agree to be monitored by an institution with which it would have to compete later on in the international market.<sup>3</sup> Thus, CODELCO’s production and regulating functions had to be separated to attract the foreign investments called for by the model (AD, 1974:#1 and #2).

Regarding this issue there were two positions. One side wanted to maintain CODELCO's monitoring functions, whereas the other argued that these functions should revert to the technical agencies of the central government—e.g., Central Bank, etc.<sup>4</sup> The techno-bureaucracy wanted to abolish CODELCO's monitoring structure, while the more statist old guard, together with important nationalist groups, preferred to retain a specialized monitoring agency. Among the latter were people like the new CEO and important sectors of the military (AD, 1974:#2, and 1975:#5 and #6).

In addition, "rationalization" was an answer to the need to find the optimal organizational structure for CODELCO. Here also there were two positions. On the one hand, there were those who wanted a decentralized structure, with CODELCO as a holding company and the existing production divisions receiving full autonomy. Since they recognized that the sales function could not be decentralized, they argued the need to create a separate copper marketing and selling government agency. With some variations, this was the position of the techno-bureaucracy, the Minister of Mining, CODELCO's supervisors, and many experts. On the other hand, there were those who strongly argued, on technical and managerial grounds, for the need to consolidate the divisions and centralize in CODELCO the production, marketing, and administrative functions. Again, the supporters of the latter position were nationalist groups, a reduced number of CODELCO's supervisors connected to them, and high officers of the Army with support of the Junta—i.e., the commanders in chief of the four branches of the military who, since the coup, were acting as the legislative power. The military interest in both retaining CODELCO's monitoring function and centralization of the nationalized copper sector in one state enterprise was based on national security concerns and particularistic or corporatist interests—especially because according to Law 13,196 passed during the Frei Administration, 10 percent of the copper revenues (or some \$1.4b between 1976 and 1985) was allocated for material purchases (CODELCO, 1976-85).

The complexity of the issues and power capabilities of the two main contenders—i.e., the techno-bureaucracy and the Army—kept the question of CODELCO's "rationalization" on the boiler from October 1973 to mid-1975. During these months both sides tried to improve their bargaining positions—the Army moving into CODELCO and the techno-bureaucracy consolidating its hold on the Ministries of Economics and Finances.

Meanwhile, pressures on Pinochet to resolve the issue grew daily,

especially because the stalemate was creating some confusion in the international market and among CODELCO customers. Finally, in May 1975, Pinochet appointed his ex-minister of economics, Fernando Léniz, as associate CEO of CODELCO with the special mission of preparing a bill to reorganize the agency. Léniz was not a member of the neo-liberal techno-bureaucracy, but his business background and political connections inclined him towards them. At the same time, Pinochet replaced the minister of mining with one more pro-Army to placate the nationalist lobby. Léniz solicited advice from conservative and pro-business groups (even among ex-managers of old TNCs), and two months later presented Pinochet and the Junta a plan to restructure CODELCO (AD, 1975:#6; Chile, 1975).

Léniz's plan was a clever balance between the two positions. The plan seemed to give the Army what it wanted, while simultaneously decentralizing CODELCO's operations and reducing its size and power. The plan called for one enterprise organized as a private corporation (which he would head), four "highly decentralized" divisions, a small central office in Santiago (200-250 employees), and a board of directors, whose chairman would be the minister of finances, and which would be the sole controller of the new enterprise. Sales would be centralized, but sales policies would be set in conjunction with the Central Bank—CODELCO's traditional arch-competitor. Purchasing of inputs would be left to the divisions. Finally, the plan created a National Institute of Copper to take over CODELCO's monitoring functions (AD, 1975:#9).

The plan was coldly received by both the Junta and Army. Together with their supporters, they flooded Pinochet and his close advisors with criticisms and alternative plans. Realizing the strength of the Army feelings, Pinochet replaced Léniz with Army General Orlando Urbina who, for all practical purposes, became CODELCO's CEO. Thus, the Army, the hegemonic sector of the power coalition and Pinochet's strongest supporter, had clearly won the day. A few months later General Urbina, with the help of then Colonel Gastón Frez, completed a new and final reorganization plan for CODELCO (Decree Law 1,350).

The Army plan was essentially Léniz's plan, but in a "centralized" version and retaining in CODELCO the power and decision-making mechanisms needed for efficient management. It included the creation of a Comisión Nacional del Cobre or COCHICO to take over the monitoring functions. But it was also a compromise between the Army and techno-bureaucracy positions, especially because it gave the Ministry of Finances, the power center of the pro-Chicago techno-bu-

reaucracy, the authority to approve CODELCO's annual budget. This authority would be fully used in the coming years by the techno-bureaucracy to ensure that CODELCO did not grow in size and power. Moreover, in stating the goals for the new CODELCO, the Army agreed to run it as a private corporation, to maximize profitability, to coordinate policies with governmental economic centers, and not to diversify into non-copper areas (AD, 1974:#1, CE, 1975:#8 and #16; CODELCO, 1976).

What this basically showed was the Army's clever prioritization of goals after their sour encounter with the techno-bureaucracy. Indeed, the main concern of the Army was that the next step after decentralizing and reducing CODELCO's power would be its privatization, which eventually could lead to its denationalization or even its bankruptcy. In both scenarios the country's national security and pride and the military self-interest would be at stake.

With the signing of the Decree Law 1350, CODELCO became an autonomous Chilean state enterprise in charge of producing and selling a nationalized output. It is undoubtedly a paradox that this happened under Pinochet, by far Chile's most right wing administration in this century. But the paradox is only apparent. Indeed, the social forces behind a national and autonomous industry had been too long at work, and created too large a consciousness, for one man or one general to reverse an outcome that to most seemed preordained.

### *Budgetary Asphyxiation*

Notwithstanding the military-nationalist faction's political victory over the privatizers, CODELCO's interactions with its political and task environments during the past decade have been highly conflictive. One area in particular—CODELCO's investments—has been a permanent source of concern and friction.<sup>5</sup> Indeed, since the 1973 Coup CODELCO has been facing the problem of having its annual investment budget reduced or modified by the Ministry of Finances and/or by ODEPLAN, the government planning office. The ability to carry out new investments is crucial for CODELCO's survival, especially because the copper content in the minerals is slowly falling, and the rockbed is becoming harder. Without new investments, which for the period 1981-85 were estimated at only \$1.8 billion, CODELCO's production will eventually decrease, and the financial viability of the state enterprise will be at risk (AD, 1974:#3, #7; AD, 1975: #1, #10; AD, 1976:#1; Magazine, 1981d; O'Brien, 1982:18-27).

Despite these facts and the high rate of return of its investment projects (well over 16 percent), the economic policy centers of the administration—most of them dominated by the pro-privatization pro-Chicago technocrats—have refused to provide CODELCO with full authorization to proceed with the required investments.<sup>6</sup> Thus, from 1974 to 1977 investment authorizations were on average cut by 41 percent annually. Moreover, some important projects, such as a molybdenum plant, were delayed for years. These annual encounters with the economic techno-bureaucracy, as it might be expected, have not been helpful for CODELCO's strategic planning and organizational development (Magazine, 1981d; O'Brien, 1982).

The root of the conflict surrounding CODELCO's investment budget is the implementation of the neo-liberal economic model itself. This model, as already mentioned, calls for, among other things, foreign investments, private control of exports, and a reduction in the size of the state. These tenets explain why the privatization of CODELCO was from the beginning a central goal of the techno-bureaucracy, which only saw in CODELCO a useful tool to attract foreign investors and privatize the accumulation process. The techno-bureaucracy justified its position by arguing that foreign investment in the copper sector was crucial for international financial solvency; that Chile could not afford the financial burden of expanding production; that no large-scale investment would go to Chile as long as the industry was dominated by a state enterprise; and that, anyway, CODELCO was inefficient and stagnant (Frez, 1981:12-4; Magazine 1981b, 1981c, 1981e; Silva, 1979).

In the "rationalization" process the techno-bureaucracy saw a unique opportunity to quietly dismantle the highly popular nationalized copper sector—a goal they had been working on since the day they came to power. Unfortunately for their plans, the nationalist-military elements in the coalition were not only able to stall their designs, but also to take control of CODELCO. This defeat did not end their efforts to see this "gigantic" state enterprise fall in line with the model, and they continued to use the less controversial but efficacious mechanism of budgetary asphyxiation. Thus, from 1974 to 1982 net investment in the nationalized sector totaled only \$660m or \$73m annually. To have an idea of what this amount represents, one can mention studies which argue that only to "maintain" the existing plant production capacity CODELCO needs between \$140 and 180m annually. In other words, during all these years CODELCO barely received enough funds to maintain its existing production capacity. Through a combination of technical expertise, cooptation of kin agen-

cies, and secrecy, CODELCO fought hard against this situation, and by the early 1980s began to reverse the trend; net investments in 1980 were \$142m against \$5.5m in 1976. The key to CODELCO's success was its outstanding performance after the 1976 reorganization (Table 1), which robbed the privatizers of their central argument (CODELCO, 1976-85; Magazine, 1981g).

In 1981—and especially after 1982—the first serious cracks in the implementation of the neo-liberal model became evident, and the regime, with General Pinochet first, had no alternative but to close ranks behind the techno-bureaucracy and IMF retrenchment policies. Overnight the debate over the future of the nationalized copper industry reignited, this time in the shape of revisions to the mining code in order to make the copper sector even more attractive for potential investors. The new plan called for the establishment of a new, private, nationalization-proof copper mining sector that would surpass CODELCO's production. Thus, it would take from CODELCO its leading economic role, and eventually make its privatization politically possible. Pinochet accepted the plan since it did not call for a frontal attack on the nationalized sector and its lobby, while at the same time it opened politico-economic spaces for the long term financial survival of the regime. Pressured by Pinochet, the economic groups, and the deteriorating situation, the Junta caved in and approved the mining code modifications (Hales, 1984:34-35; Magazine, 1981a; Monckeberg and Paulsen, 1981; Piñera, 1982:7-16; Tomic, 1983).

But before the dust could settle down the international price of commodities, copper included, collapsed due to factors beyond Chile's control—e.g., U.S. interest rates and OECD countries' slower than expected rates of economic growth. From the consternation that the international market behavior produced CODELCO reemerged as a solid guaranty for sustained economic development, and as a reminder that past errors were not to be repeated. Moreover, the collapse of the

**Table 1** Selected Indicators of the Nationalized Copper Sector—CODELCO

	<u>1971-73</u>	<u>1974-75</u>	<u>1976-82</u>
Copper Production (MT)	593.1	722.6	909.2
Prod. as % of World Prod. (%)	10.3	11.6	11.4
Net Operating Costs (c/lb)	74.6	53.1	39.5
Productivity (MT/Labor Force)	20.1	22.5	30.5
Income Before Taxes (\$ m)	433.2	320.3	681.2
State Participation (\$ m)	N.A.	949.4	739.8
Copper Price (c/lb, effect.)	143.9	139.6	104.3

Source: Comisión Chilena del Cobre-COCHICO.

neo-liberal economic model in 1982 ended the exclusion of public opinion from the debate regarding the direction of the national economic agenda. To the surprise of more ideological pro-Chicago technocrats, public opinion voiced a categorical support for a state-owned copper sector.

## CONCLUSIONS

To understand the privatization dynamics taking place in democratic or non-democratic social formations one must look at the historical record within which that process is unfolding. It is the accumulation of past experiences at attempting economic development in the context of an active state that sets the parameters for privatization. This is related to the simple fact that the present is always built upon the shoulders of the past. Decades of state intervention in the economy produces outcomes that go far beyond the economic arena. By enlarging the economy the state becomes a consolidator and manipulator of social classes, especially of middle-class strata. These classes, in turn, become dependent upon the state for their further advancement and survival. In the process, a reacting structure of ideological mechanisms (i.e. nationalism, statism, etc.) is created to legitimize the continuation of state intervention. Thus, when sudden deviations from the historical record are attempted as a result of changes in the correlation of political forces, it is the social structure itself that comes under attack. The reaction of potential losers is always swift and determined, and in most instances successful; drastic alterations are obstructed or slowed down to fit the historical pattern, often at high political costs.

The Chilean case is an accurate illustration of this dialectical process. Economic dependence on a foreign-controlled export sector and on the whims of the international market resulted in a 40-year-long struggle to find an adequate formula for economic growth. With limited success most if not all of the political and economic alternatives were tried. Even though agreements on how to proceed were elusive, at least in two areas, a national consensus, both at the policy and ideology levels, emerged: (a) on "closing in" on the foreign controlled copper sector and (b) on giving the state a key role in developing the economic structure. The outcome was the creation of a large and important state enterprise sector and the eventual nationalization of the transnational corporations controlling the export sector.

After the overthrow of Chile's democracy in 1973, economic policy came for more than 10 years under the control of a highly ideological



and unresponsive techno-bureaucracy. A concerted effort was made to drastically change the “long cycle” of the national economic agenda, including a redefinition of the role of the state and denationalizing the copper sector. Opposition was mild while the techno-bureaucracy rolled back changes made during the Allende administration which many considered out of line with Chile’s capitalist development. But when this techno-bureaucracy attempted to dismantle CODELCO—Chile’s key economic actor and largest state enterprise—the nationalist sectors’ reaction was expeditious and resolute. At stake was not the privatization of yet another state enterprise, but a reorientation of the accumulation process itself. That the Army embodied the nationalist sectors must be understood not only in terms of their corporatist interests, but also in terms of their ideology and middle-class background.

But the fact that the techno-bureaucracy has suffered repeated setbacks in their attempts to radically alter the national agenda cannot be interpreted as a complete defeat. Although in the case of CODELCO the military-nationalist sector within Pinochet’s coalition managed to block the privatization attempts, they were unable to eradicate them. Gradually and through a myriad of mechanisms the techno-bureaucracy kept up the pressure, especially by going after other large and similar state enterprises. If Pinochet remains in power until 1997, as he hopes, neo-liberal technocrats could finally succeed in redefining future economic options and strategies. But by then, after a quarter of a century in power, they would have become history!

## NOTES

1. The abbreviation AD stands for *Actas del Directorio* or Board of Directors Minutes of CODELCO; CE refers to the *Actas del Comité Ejecutivo* or Executive Committee Minutes, also of CODELCO.
2. Interviews with two Managers of the Sales Office of CODELCO, August 11 and 24, 1982. More than 60 interviews with former and current executives of CODELCO and the Comision Chilena del Cobre (COCHICO), CODELCO’s legal regulator, were conducted from May to December 1982. Without exception all asked to remain anonymous. This and the following sections rely considerably on these interviews.
3. Interviews with former senior attorney who was deeply involved in the legal aspects of the “rationalization” (November 19), and with a senior executive vicepresident (May 13), both of CODELCO. Also, interviews with two senior managers of COCHICO (August 18 and 27).
4. Interviews with a current attorney (August 2), former sales manager (July 19), and former economist (May 5) of CODELCO. Also, interview with former undersecretary for economics still very active on copper matters (August 4).
5. Interview with a manager of CODELCO (August 4).
6. Interview with the former director of the Technical Division of COCHICO (September 13).

## REFERENCES

- AD (ACTAS DEL DIRECTORIO DE CODELCO)  
1974 #1 (August 27).

- 1974 #2 (September 13).  
 1974 #3 (October 17).  
 1974 #7 (December 11).  
 1975 #1 (January 24).  
 1975 #5 (April 9).  
 1975 #6 (May 14).  
 1975 #9 (September 12).  
 1975 #10 (August 14).  
 1975 #12 (September 30).  
 1975 #14 (November 13).  
 1976 #1 (January 15).  
 1976 #2 (March 12).
- ALLENDE, J.  
 1980 "The Chilean Gran Minería del Cobre and External Dependence: 1912-1978." M.A. Thesis, University of North Carolina.  
 1985 "State Enterprises and Political Environments. Chile's National Copper Corporation." Ph.D. Dissertation, University of North Carolina.
- ARRATE, J.  
 1972 "Conferencia de prensa con periodistas extranjeros sobre organización, relaciones laborales y problemas de dependencia en CODELCO," in *Análisis y Diagnósticos* 336 (June 12).  
 1973 "The Nationalization of Copper," pp. 45-50 in J.A. Zammit (ed.) *The Chilean Road to Socialism*. Brighton: Kensington.
- ANDWANTER, M.C.  
 1976 *Cambios institucionales del sector público frente a los distintos roles del estado chileno*. Santiago: Universidad de Chile.
- BANCO (BANCO CENTRAL)  
 1981 *Indicadores económicos, 1960-1980*. Santiago.
- BITAR, S.  
 1983 "Ultraliberalismo y dictadura," pp. 640-43 in *Mensaje* 324 (November).
- BOENINGER, E. and E. PALMA  
 1978 *Empresas estatales: El caso chileno y un análisis general*. Santiago: United Nations.
- CE (ACTAS DEL COMITE EJECUTIVO DE CODELCO)  
 1975 #8 (July 18).  
 1975 #16 (November 27).
- CEPAL (COMISION ECONOMICA PARA AMERICA LATINA)  
 1954 *Antecedentes sobre el desarrollo de la economía chilena*. Santiago: Editorial del Pacífico.
- CHAPARRO, P. and F. CUMPLIDO  
 1980 "El proceso de toma de decisiones en el contexto político militar-autoritario chileno: un estudio de dos casos," presented at the Wilson Center, Washington, D.C.
- CHILE (PRESIDENCIA DE LA REPUBLICA)  
 1970 *Mensaje Presidencial*. Santiago.  
 1974 DL 601 (July 23) and DL 710 (Oct. 22).  
 1975 DL 1005 (May 2).  
 1979 *Declaración de Principios del Gobierno de Chile*.
- CODELCO (CORPORACION DEL COBRE)  
 1973 "Resoluciones Vicepresidente, por Comité Ejecutivo, de acuerdo a facultades otorgadas por DL 45 de Oct. 1973."  
 1974 "Acuerdos de compensación con Anaconda Co., Kennecott Copper Corporation y Cerro Corporation."  
 1975 *El cobre chileno*. Santiago: Editorial Universitaria.  
 1975b "Informe al Directorio de la Corporación del Cobre con motivo de los dos años de nuestra administración."  
 1976 *La racionalización del cobre*. Santiago: Codelco.  
 1976- Annual Reports  
 1985

- COMBLIN, J.  
1979 *Dos ensayos sobre seguridad nacional*. Santiago: Arzobispado and Vicaría de la Solidaridad.
- DAHSE, F.  
1979 *Mapa de la extrema riqueza*. Santiago: Aconcagua.
- DANUS, L.  
1977 "Estado actual de la adjudicación de empresas CORFO," interview reproduced in *Análisis y Diagnósticos* 601 (July 18).
- DeVYLDER, S.  
1976 *Allende's Chile: The Political Economy of the Rise and Fall of the Unidad Popular*. Cambridge: University Press.
- DRAKE, P.W.  
1978 *Socialism and Populism in Chile*. Urbana: University of Illinois.
- ESPINOSA, J. and A. ZIMBALIST  
1978 *Economic Democracy*. New York: Academic Press.
- ESTEVEZ, J.  
1977 "La nacionalización del cobre, una experiencia positiva," pp. 43-54 in *Chile-América* 37-8 (Nov.-Dec.).
- FALETTO, E., E. RUIZ, and H. ZEMELMAN  
1971 *Génesis histórica del proceso político chileno*. Santiago: Quimantú.
- FFRENCH-DAVIS, R.  
1973 *Políticas económicas en Chile, 1952-1970*. Santiago: Ediciones Nueva Universidad.  
1978 "La política de comercio exterior en 1974-1977: Sus rasgos principales," pp. 49-56 in *Mensaje* 226 (Jan.-Feb.).
- FLEET, M.  
1985 *The Rise and Fall of Chilean Christian Democracy*. Princeton: University Press.
- FORTIN, C.  
1975 "Compensating the Multinationals: Chile and the United States Copper Companies," pp. 23-29 in *IDS Bulletin* 1 (April).
- FREZ, G.  
1981 "Mientras el sector privado no demuestre ineficiencia, el cobre no será vendido," pp. 12-14 in *Cosas* 110 (December).
- GARRETON, M.A.  
1983 *El proceso político chileno*. Santiago: Flasco.
- GIL, F.  
1983 "Chile: the Background to Authoritarianism," ILAS Occasional Papers Series, Chapel Hill.
- GIL, F., R. LAGO, and H.A. LANDSBERGER  
1977 *Chile 1970-1973. Lecciones de una experiencia*. Madrid: Editorial Tecnos.
- GUERRIDO, R.  
1966 *Las empresas estatales*. Santiago: Editorial Jurídica.
- GUTIERREZ, A.  
1985 "Inversión extranjera en la minería del cobre en Chile, 1974-1984," in *Notas Técnicas Cieplán* 72 (June).
- HACIENDA (MINISTERIO DE HACIENDA)  
1955 *Organización institucional de Chile*. Santiago.
- HALES, A.  
1984 "Cobre: una ley bien preparada," pp. 34-35 in *Mensaje* 326 (Jan.-Feb.).
- HERRERA, J.E. and C. VIGNOLO  
1981 *El desarrollo de la industria del cobre y las empresas transnacionales: La experiencia de Chile*. Santiago: United Nations.
- INSTITUTO (INSTITUTO DE ECONOMIA DE LA UNIVERSIDAD DE CHILE)  
1956 *Desarrollo económico de Chile, 1940-1956*. Santiago: Editorial Universitaria.  
1972 *La economía chilena en 1971*. Santiago: Universidad de Chile.  
1973 *La economía chilena en 1972*. Santiago: Universidad de Chile.
- MAGAZINE ARTICLES  
1979 "Traspaso de las empresas al sector privado," in *Estrategia* 29 (Aug. 14-20).  
1980a "Materias primas: Atracción para inversionistas," in *Minería Chilena* 5 (Año 1).

- 1980b "Concesiones vs. propiedad absoluta. Para quién legislará la Comisión?" in *Minería Chilena* 8 (Año 1).
- 1981a "El nuevo código de minería: discrepancias y expectativas," in *Análisis y Diagnósticos* 811 (Aug. 24).
- 1981b "La modernización minera: trascendental debate en sordina," in *Análisis y Diagnósticos* 814 (Sept. 14).
- 1981c "Nueva política minera," in *Hoy* 216 (Sept. 9-15).
- 1981d "Minería: un modesto desarrollo," in *Hoy* 220 (Oct. 7-13).
- 1981e "Rival Groups Clash Over Copper," in *LAWR* (April 10).
- 1981f "Indemnización por minas expropiadas incluirá valor de explotación futura," in *Minería Chilena* 13 (Año 2).
- 1981g "Restricción presupuestaria en Codelco-Chila," in *Reverbero* 47 (Año 4).
- 1982 "Pasado, presente y futuro de las doce filiales básicas de CORFO," in *Análisis y Diagnósticos* 833 (Jan. 15).
- 1983 "Codelco aumentará su producción a 1.2m tons.," in *Minería Chilena* 32 (July).
- MAMALAKIS, M.**
- 1971 *Contribution of Copper to Chilean Economic Development, 1920-1967: A Profile of a Foreign-Owned Export Sector*. Milwaukee: University of Wisconsin.
- 1976 *The Growth and Structure of the Chilean Economy: From Independence to Allende*. New Haven: Yale University Press.
- MARTNER, G.**
- 1975 *Chile. Los mil días de una economía sitiada*. Caracas: Talleres Avila.
- MENDEZ, J.C.**
- 1979 *Chilean Economic Policy* (ed.). Santiago: Imprenta Calderón.
- 1981 "Un intento de medición del tamaño del sector público y de la presencia empresarial del estado en Chile." Santiago: Ministerio de Hacienda, internal report.
- MIKESELL, R.**
- 1983 *Foreign Investment in Mining Projects. Case Studies in Recent Experiences*. Cambridge: Oelgeschlager, Gunn & Hain.
- MILIBAND, R.**
- 1977 *Marxism and Politics*. Oxford: University Press.
- MOLINA, S.**
- 1969 "Estrategia industrial para el próximo decenio," pp. 24-33 in *Panorama Económico* 244 (May).
- 1972 *El proceso de cambio en Chile. La experiencia 1965-1970*. Santiago: Editorial Universitaria.
- 1984 "A veinte años del inicio del gobierno del Presidente Frei," pp. 529-34 in *Mensaje* 334 (November).
- MONCKEBERG, M.O. and F. PAULSEN**
- 1981 "Qué culpa tiene el cobre?" pp. 4-11 in *Análisis* 39 (October).
- MORAN, T.H.**
- 1974 *Multinational Corporations and the Politics of Dependence. Copper in Chile*. Princeton: University Press.
- MOULIAN, T.**
- 1982 "Desarrollo político y estado de compromiso. Desajustes y crisis estatal en Chile," pp. 105-58 in *Colección Estudios Cieplán* 8 (July).
- MUÑOZ, O.**
- 1980 "El modelo económico chileno," in *Apuntes Cieplán* 27 (December).
- 1986 *Chile y su industrialización*. Santiago: Cieplán.
- MUÑOZ, O. AND A.M. ARRIAGADA**
- 1977 "Orígenes políticos y económicos del estado empresarial en Chile," *Estudios Cieplán* 16 (September).
- MUÑOZ, O., J. GATICA, and P. ROMAGUERA**
- 1980 "Crecimiento y estructura del empleo estatal en Chile, 1940-1970," *Notas Técnicas Cieplán* 22 (January).
- NARANJO, M.V.**
- 1975 "Estudio sobre el área mixta de la economía en Chile," Memoria de Prueba, Universidad de Chile.

- NOLFF, M.  
1963 "Una interpretación sobre el proceso de industrialización chileno," pp. 165-70 in *Panorama Económico* 239 (Sept.-Oct.).
- O'BRIEN, J.  
1982 "Las tribulaciones del cobre," pp. 18-27 in *Negocios* 36 (April).
- O'BRIEN, P.  
1981 "The New Leviathan: the Chicago School and the Chilean Regime, 1973-1980," pp. 38-50 in *IDS Bulletin* 1 (December).
- ODEPLAN (OFICINA DE PLANIFICACION NACIONAL)  
1978 *Plan nacional indicativo de desarrollo, 1979-1984*. Santiago: Editorial Universitaria.
- ORTIZ, E.  
1981 "Hace medio siglo, la caída del General Ibáñez," pp. 13-20 in *APSI* 132 (June-July).
- OSORIO, D.  
1967 "La empresa pública en Chile," *Memoria de Prueba*, Universidad de Chile.
- PACHECO, L.  
1975 "Empresas públicas y política de descentralización económica," pp. 71-79 in *Informe Géminis* (1st Quarter).
- PET (PROGRAMA DE ECONOMÍA DEL TRABAJO)  
1984 *Indicadores económicos y sociales. Series Anuales, 1960-1980*. Santiago: Academia de Humanismo Cristiano.
- PINTO, A.  
1962 *Chile. Un caso de desarrollo frustrado*. Santiago: Editorial Universitaria.  
1982 "Refundación capitalista: proyecto y fracaso," in *APSI* 113 (Aug. 17-30).  
1986 "Estado y empresa privada: Una visión retrospectiva de la experiencia chilena," pp. 105-48 in *Trimestre Económico* 209 (Jan.-March).
- PIÑERA, J.  
1982 "Ley minera: llave para el desarrollo," pp. 7-16 in *Economía y Sociedad* (May).
- POBLETE, FE.  
1976 "Empresas públicas chilenas. Aspectos teóricos, históricos y problemas actuales." *Memoria de Prueba*, Universidad de Chile.
- QUIROS, L.  
1979 "Agrarian Policies in Chile: Stagnation, Reform and Counter-Reform in the Countryside," Ph.D. Dissertation, University of North Carolina.
- RAZETO, L.  
1981 "Reestructuración de la sociedad y de las instituciones en Chile después de Allende," pp. 60-4 in *Chile-América* 70-71 (April-June).
- REYNOLDS, C.W.  
1965 "Development Problems of an Export Economy: The Case of Chile and Copper," in M. Mamalakis and C.W. Reynolds (eds.), *Essays on the Chilean Economy*. Homewood: Irwin.
- SANFUENTES, A.  
1984 "Los grupos económicos: Control y políticas," pp. 131-40 in *Colección Estudios Cieplán* 15 (December).
- SAPAG, N.  
1979 *La administración de inversiones de capital de trabajo de las empresas estatales*. Santiago: Universidad de Chile.
- SIGMUND, P.E.  
1977 *The Overthrow of Allende and the Politics of Chile, 1964-1976*. Pittsburgh: University Press.
- SILVA, E.  
1979 "La propiedad en la minería del cobre," in *Estrategia* 27 (July 31-Aug. 6).
- STALLINGS, B.  
1978 *Class Conflict and Economic Development in Chile, 1958-1973*. Stanford: University Press.
- SUNKEL, O.  
1970 "Cambios estructurales, estrategias de desarrollo y planificación en Chile, 1938-1969," pp. 31-49 in *CEREN* 4 (June).

- SUTULOV, A.  
1976 *Minería chilena*. Santiago: CIMM.
- TIRONI, E. and J. BARRIA  
1978 "La Disputada: de la Enami a la Exxon," pp. 491-97 in *Mensaje* 271 (August).
- TIRONI, E.  
1979 "El comercio exterior en el desarrollo chileno: Una interpretación," pp. 73-116 in Roberto Zahler et al. *Chile 1940-1975: Treinta y cinco años de discontinuidad económica*. Santiago: ICHEH.
- TOMIC, R.  
1983 "Porqué es inaceptable le nueva ley minera?" in *CED* (August).
- UCLA (UNIVERSITY OF CALIFORNIA LOS ANGELES)  
1984 *Statistical Abstract of Latin America*. Vol. 23. Los Angeles: University Press.
- URZUA, G.  
1970 *Evolución de la administración pública chilena, 1818-1968*. Santiago: Editorial Jurídica.
- U.S. (DEPARTMENT OF THE INTERIOR)  
1977 *1974 Mineral Yearbook*. Washington, D.C.
- VALENZUELA, A.  
1978 *Chile. The Breakdown of Democratic Regimes*. Baltimore: Johns Hopkins.
- VERA, R.  
1982 "Apretando clavijas: Empresas del estado," pp. 48-51 in *Negocios* 36.
- VERGARA, P.  
1986 "Changes in the Economic Functions of the Chilean State under the Military Regime," pp. 85-116 in J.S. and A. Valenzuela (eds.) *Military Rule in Chile*. Baltimore: Johns Hopkins.
- WURTH, E.  
1958 *Ibáñez. Caudillo enigmático*. Santiago: Editorial del Pacifico.
- YRARRAZAVAL, A.  
1984 "Chile. Foreign Investment Statute," pp. 203-15 in D. Campbell (Ed.) *Deventer* (Netherlands): Kluwer.