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Carrera 30 No. 45-03, Edificio 310, primer piso
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Página web: www.ceconomia.unal.edu.co
Teléfono: (571)3165000 ext. 12308, AA. 055051, Bogotá D. C., Colombia

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ARTÍCULO

THE DEVELOPMENT DILEMMA IN CONTEMPORARY CHILE: A HISTORICAL-STRUCTURAL ANALYSIS

Miguel Torres

Torres, M. (2025). The development dilemma in contemporary Chile: A historical-structural analysis. *Cuadernos de Economía, 44*(93), 157-196.

This article examines the main aspects characterising the development process in contemporary Chile through a historical-structural analysis. In doing so, it identifies the current difficulties facing the country, framing them within a structural and cyclical context. Accordingly, it posits Chile's problem as a misalignment between economic and social dynamics and the political sphere's scope of action. To characterise this development dilemma, the article presents an analysis of the country's political evolution over the last twenty years. The analysis is set within a broader historical framework spanning five decades examining the economic situation and social relations, drawing on ad-hoc historiographical sources and presenting a set of stylised facts that trace the principal trends in Chile's development process.

Miguel Torres
Economist at the Economic Commission for Latin America and the Caribbean (ECLAC), Santiago (Chile). Email: miguel.torres@cepal.org, https://orcid.org/0000-0002-9736-5780

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Torres, M. (2025). El dilema del desarrollo en el Chile actual: un análisis histórico estructural. *Cuadernos de Economía, 44*(93), 157-196.

Este artículo examina los principales aspectos que caracterizan el proceso de desarrollo en el Chile contemporáneo a través de un análisis histórico-estructural. Al hacerlo, identifica las dificultades actuales que enfrenta el país, enmarcándolas en un contexto estructural y cíclico. Así, plantea el problema de Chile como un desajuste entre las dinámicas económicas y sociales y el ámbito de acción de la esfera política. Para caracterizar este dilema de desarrollo, el artículo presenta un análisis de la evolución política del país en los últimos veinte años. El análisis se inscribe en un marco histórico más amplio que abarca cinco décadas y examina la situación económica y las relaciones sociales, recurriendo a fuentes historiográficas *ad hoc* y presentando un conjunto de hechos estilizados que trazan las principales tendencias del proceso de desarrollo de Chile.

Palabras clave: Chile; economía política; desarrollo; subdesarrollo; crisis; transformación.
JEL: D31, E00, N56, O54.

INTRODUCTION

Faced with an apparent process of deglobalisation and a trend towards regional productive integration, the role being played today by Latin America within global value chains does not appear to have changed in recent years. Rather, it continues to exhibit a high degree of primary and tertiary production in its economic structures, except for some countries like Brazil (Peres & Primi, 2024), which are attempting to join the reindustrialisation processes being pursued by other countries and regions around the world, such as the United States, Europe and Asia. In this context, the global environment accentuates and perpetuates a long-standing productive stagnation (Bárcena & Cimoli, 2020) observed since 2014, with the end of the expansive growth cycle in the region driven by the commodities price boom that began in 2003. Consistent with these observations, ECLAC (2022) argues that Latin America is suffering from a low-growth syndrome that constitutes a new lost decade, alongside a stagnation of productivity, which in turn significantly impacts distributive dynamics and other social indicators such as poverty and marginalisation.[1]

These structural fragilities that are emerging in the economic and social spheres are, in turn, reinforced by democratic weaknesses and political crises characterised by institutional difficulties that leave only a narrow margin for crisis management, insufficient to overcome these fragilities. There is also limited space for undertaking profound structural reforms appropriate to the circumstances of each country that would allow for peripheral or semi-peripheral conditions to be resolved.[2] Instead, this situation facilitates the reproduction of various forms of rent-seeking and concentration that characterise the centre-periphery relations of Latin America in the 21st century (Torres & Ahumada, 2022). Despite this, and as the most unequal region in the world, Latin America is not unfamiliar with the long history of struggles and rebellions against inequitable regimes that Piketty (2021) has described as the path to equality, forged through institutional, legal, social, fiscal, and educational policies. The events in Chile, Colombia, and Ecuador at the end of 2019 are clear examples of this quest, which, in Arboleda's (2021) terms, translated into a broad set of demands aimed at the redistribution of wealth and the democratisation of political and economic power.

[1] Although this statement is correct in that it describes an aggregate regional trend, it is important to qualify this stylised fact in sub-regional terms. During the commodity price boom cycle the countries in the region that benefited most in terms of growth were the South American economies. The bonanza was less marked in Mexico and Central America, whose productive structures have a greater focus on 'maquilas' and to some extent compete with Chinese exports (ECLAC, 2007). In contrast, the economies of South America have suffered more significantly in terms of economic stagnation following the exhaustion of the cycle, while several Central American and Caribbean economies have steadily increased their growth rates.

[2] López and Noguera (2020) analyse the degree of dependence of 41 countries, categorising them as central, peripheral, or semi-peripheral. Of the 16 Latin American countries included in the sample, Argentina, Brazil, Chile, and Mexico would be classified as semi-peripheral due to their relative levels of development.

These and other earlier expressions of discontent in the region facilitated the election of progressive and left-wing governments in a majority of countries at the end of the 2010s and the early 2020s. These included Mexico in 2018, Argentina in 2019, Chile and Peru in 2021 and Colombia and Brazil in 2022, in addition to Bolivia and Venezuela, which have retained governments consisting of the parties and coalitions that formed the 'Pink Tide' of the 2000s[3]. The trajectories of this second generation of left-wing and centre-left governments in the region have varied in terms of concrete progress towards the structural transformations demanded of them. However, they have faced some common obstacles, including limited space for fiscal manoeuvre, insufficient parliamentary numbers to establish broad agreements, and a lack of the productive and institutional capacities required to mobilise the resources necessary for effective investment policies and the progressive redistribution of income and wealth.

However, according to Kulfas (2023), this new cycle of governments does not represent the genuinely ideological shift towards the left and centre-left that the pink tide did. Instead, it 'appears to be a different phenomenon, characterised by the predominance of social unrest…, which has led to alternation: where there were governments positioned further to the right of the political spectrum, opportunities have arisen for more left-leaning experiences, and vice versa' (Kulfas, 2023, p. 1).

Similarly, during the first half of the 2020s, Latin America has not been immune to the debates and efforts surrounding reindustrialisation occurring in other regions of the world (DESA, 2023; Peres & Primi, 2024). The advantages possessed by the region's economies in terms of natural resources, such as lithium and other critical minerals, as well as the potential of green hydrogen and other elements required for the energy transition and electromobility, provide concrete opportunities for a new wave of industrialisation in Latin America. However, the limited endogenous technological capacities and the weak institutional frameworks that characterise the baseline economic capacity (Portes & Nava, 2017) to address these challenges present complex national and international political economy puzzles where economic, social, and environmental development based on these potential areas could once again be thwarted.

Chile is by no means absent from these debates, nor is it exempt from the productive stagnation that the region has exhibited since 2014, or from the political conflicts and tensions that have shaped the South American landscape in particular. The main objective of this essay is to analyse the crossroads the country faces in advancing towards the structural economic, social, and political reforms that have been called for insistently by broad sectors of the population since the mid-2000s, when powerful social movements emerged in a context characterised by Madariaga (2020) as 'neoliberal resilience'. Consistent with this objective, the article is

[3] In Peru, it is important to note the removal of President Castillo in 2023, while in Argentina the right returned to power that same year with the election of Javier Milei. In contrast, Mexico has maintained progressive continuity with the recent election of Claudia Sheinbaum to replace López Obrador.

structured into five parts in addition to this introduction. The second section provides an overview of the most relevant aspects of Chilean politics over the last 20 years. Following this comes a brief description of the country's recent economic dynamics before turning to a historical-structural analysis to characterise what I refer to as the Chilean paradox (namely, the cyclical mismatch between political developments and the goals of structural reforms within Chilean society, which should take into account the transformative forces guided by high-intensity progressivism). Subsequently, the discussion presents a set of stylised facts that reflect this issue. The essay concludes with some final reflections.

THE RISE AND DECLINE OF SOCIAL MOVEMENTS AND THE STATUS QUO OF THE CONSTITUTIONAL ORDER

For a number of years, Chile has been facing a prolonged crisis of political representation, which found concrete expression in popular discontent during the so-called social uprising, which lasted from 18 October 2019 (the '18-O') until mid-March 2020, when the COVID-19 lockdown began, paving the way for a constitutional reform process without precedent in the country's political history (Fuentes, 2023). Despite the public health measures adopted in 2020 and 2021, social mobilisation and the re-politicisation of vast segments of the citizenry, revitalised by the uprising, did not cease under the new circumstances. Social mobilisation took on creative forms of expression that strengthened during the lockdown (GPM, 2021), while re-politicisation revived a civic spirit inspired by the need for political, social, and economic reforms, which had not been manifested in such a way since the mid-1980s, at the end of the dictatorship.

The political crisis and the prospect of constitutional change that it enabled had a long gestation period (Fuentes, 2023). Its origins can be traced back to isolated moments in the late 1990s, which early on reflected criticism of the transition process and the increasingly neoliberal orientation that the Concertación governments[4] gave their public policies (see Fazio, 1996; Moulian, 1997). Despite this, it was with the 2006 'Penguin Revolution'[5] that the country witnessed the beginning of an escalating cycle of social movements articulating a wide range of demands. Later, with the 2011 student movement, which united high school and university students under the banner of 'an end to profiteering and free, quality, publicly-funded education' and kept the sector mobilised for more than eight months (see Figueroa, 2013), a set of social mobilisation expressions began to emerge. These movements, though diverse in origin, shared common factors: (i) the discontent provoked by policies

[4] These governments were those of Aylwin, 1990-1994; Frei Ruiz-Tagle, 1994-2000; Lagos, 2000-2006; Bachelet I, 2006-2010; and Bachelet II, 2014-2018.

[5] A cycle of mobilisations by high school students advocating for improvements in the quality of publicly-funded education.

implemented by the dictatorship and deepened during the transition[6] and (ii) the political impossibility of reversing these situations due to the complex reform mechanisms and quorums established by the 1980 Constitution.

Thus, the most significant social movements since the 2011 student movement include 'Ni Una Menos' in 2016, as a result of which the Chilean feminist movement emerged as the main social force articulating the wave of general discontent leading up to the 18-O; 'No + AFP', also in 2016, which denounced the social protection crisis in Chile resulting from the still prevailing system of Pension Fund Administrators (AFP); and various movements that arose in response to specific regional issues, such as increased petrol prices in Magallanes, the mobilisations against the HidroAysén hydroelectric scheme in the Aysén Region, and the Socio-Environmental Movement of the Huasco Valley, which stemmed from the conflict between the Freirina Community and the Agrosuper company in northern Chile in 2012 (Jiménez-Yáñez, 2020; CNN Chile, 2018). Other movements were also significant, including those advocating for the rights of indigenous peoples, sexual diversity, and—linked to all these movements—a more cross-cutting and political movement organised through the citizen initiative 'Marca AC,' whose central objective was to propose a constituent assembly mechanism to replace the 1980 Constitution.[7] As these social movements developed and gained widespread public support, the country also began to incubate a growing distrust of political and business elites, in a context of serious corruption scandals that implicated representatives of both the political and private sectors, primarily in tax evasion. These events contributed to the crisis of representation that was expressed in the social uprising.

Thus, in this context of escalating social mobilisation, the most significant expression of popular discontent against the prevailing political system and economic model since 1990 erupted in 2019, revealing the exhaustion with the abuses committed by the elites and the inequalities resulting from the policies implemented during the democratic transition. The epitome of this discontent was encapsulated in the slogan 'It's not 30 pesos, it's 30 years,' which began to appear on banners and social networks as other citizen groups spontaneously took to the streets of Santiago and other cities in Chile on the afternoon of 18 October 2019. These protests emerged following acts of civil disobedience by a group of high school students organised under ASES in the preceding days in protest against the metro fare increase of 30 pesos announced by the Ministry of Transport and Communications. The severe repressive response faced by the students, along with the unfor-

[6] There is a broad consensus among historians that during the democratic governments that succeeded the dictatorship, far from being dismantled, the policies through which the privatisation and commodification of social rights such as education, health and social protection had been achieved were intensified. Among other aspects, co-payment schemes in the provision of health services, the significant involvement of private banks in financing state-backed university loans and markedly insufficient pensions, together with the weakening of publicly-funded social services were the main sources of citizen unrest that germinated the escalation of social movements in the 2010s.

[7] This movement also coincides with the efforts undertaken by Bachelet's second administration, aimed at developing a dialogue process for constitutional change.

tunate explanations given by various ministers of the Piñera administration in an attempt to justify the events to the media, exceeded the tolerance of the broader public, who ultimately joined the students' protest that October afternoon, while representatives of the political and business classes looked on in disbelief at the unfolding events as the social uprising gained momentum.

The events of October 18 and those that followed with great intensity during the months of November and December, and with slightly reduced force during the summer of 2020 (see the chronology outlined by Ruiz [2020]), revealed the emergence of an organic crisis. The movement quickly materialised into a call to replace the constitution through the formation of various citizen assemblies that sought to overcome the sociopolitical crisis by proposing a constituent assembly to establish a new social contract for the country by replacing the 1980 Constitution. By this point in the conflict, the Constitution had been widely recognised within the movement as the principal political instrument for controlling and perpetuating the 'subsidiary state'[8] that upheld the neoliberal order. This constitutional replacement movement developed amid the daily mobilisations occurring throughout the country, despite the imposition of a state of emergency and the intensification of repression by the security forces—including the deployment of the military on the streets, an occurrence not seen since the 1980s—which resulted in grave human rights violations for a democracy, as documented in reports by the United Nations, Amnesty International, and Human Rights Watch.

Landaeta and Herrero (2021) provide a detailed journalistic account, based on exclusive testimonies, government sources from the period and previously unpublished data, in which they describe the dramatic political events during the 2019 uprising. One such event occurred at around 8:30 pm on the night of 24 October, when the special forces of the Chilean Carabineros might have lost control of the Casa de Moneda, which they were seeking to protect from the protesters gathered in Plaza de la Constitución, a situation that might have led to the occupation of the building by the military in order to protect it (Landaeta & Herrero, 2021, pp. 17-19 and 216-217). Subsequent events, including the historic demonstration held on October 25 in the Plaza Dignidad (as the movement re-christened the Plaza Baquedano), and which involved nearly 2 million people, forced the government—albeit belatedly—to steer its efforts towards an institutional resolution of the conflict through dialogue with the political forces represented in Congress. This shift was prompted by clear signals from the military high command that it was unwilling to intervene in resolving the crisis because of its political nature. Thus, in the early hours of November 15 (15-N), after a long and uncertain wait, the government, the ruling parties and much of the opposition, signed the 'Agree-

[8] The 'subsidiary state', enshrined in the Pinochet constitution, assigned the state a secondary role, limiting it to providing services only when the private sector fails to do so. In a more general formulation, such a state is based on the principle of 'subsidiarity', according to which it is not up to the state to intervene in or develop activities that, it is assumed, are more efficiently carried out by private actors.

ment for Social Peace and a New Constitution', which stipulated that a Constitutional Convention process would be initiated in 2020 to propose a new constitution for the country. This marked the beginning of a new political cycle in the country, characterised by intense electoral activity and introducing new complexities into the turbulent political trajectory Chile has experienced over the last decade.

Following the political route established by the 15-N agreement, the electorate has voted at least once a year since 2020, participating in various plebiscites on constitutional change and in elections for popular office. The first of these votes, a plebiscite on the drafting of a new political constitution and the type of body that should be responsible for drafting it, took place on 25 October 2020. According to official data reported by the Chilean Electoral Service, 78.27% of voters supported the 'Approve' option, favouring the drafting of a new Constitution, against 21.73% who opted for 'Reject'. Regarding the body responsible for drafting the new text, the option to establish a Constitutional Convention, composed entirely of civil society representatives, received 78.99% of the vote, while the Mixed Constitutional Convention option received 21.01%. The electoral cycle continued with the vote on 11 April 2021, to elect Regional Governors, mayors, and municipal councillors, as well as the Constitutional Convention members tasked with drafting the proposed new constitution.

On 4 July of that year, the various coalitions of political parties that had reorganised following the social uprising contested primary elections to define their presidential candidates for the November election. In these primaries, the coalition formed by the Frente Amplio (FA) and the Communist Party, in alliance with other leftist movements and parties grouped in the Chile Digno movement (such as the Popular Victory Movement, the Libertarian Left and the Social Green Regionalist Federation), elected Gabriel Boric as its candidate. Boric then defeated the Chile Digno pre-candidate, Daniel Jadue by a wide margin. Following Boric's victory, the FA and Chile Digno campaign teams merged their proposals into a single government program, the Apruebo Dignidad, achieving a high degree of convergence, as the existing diagnoses and proposals of both groups were already substantially aligned, particularly on essential structural reforms such as a progressive tax reform aimed at reducing evasion and capturing more revenue from the country's wealthiest sectors; pension system reform; health reforms and policies aimed at changing the productive structure in order to address the stagnation of economic growth that the country had been experiencing for the past decade (see Ffrench-Davis & Díaz, 2019).

In the 21 November presidential election, Boric faced off against right-wing candidates José Antonio Kast of the Republican Party, Franco Parisi of the People's Party, Sebastián Sichel of Chile Podemos Más; the Christian Democratic Party candidate Yasna Provoste and the candidates of the Progressive Party Marco Enríquez-Ominami and Eduardo Artés of the Patriotic Union, representing the centre-left and left, respectively. In this election Kast, who is aligned with other conservative world leaders such as Trump, Bolsonaro, and Milei, led with 27.91% of

the votes, while Boric garnered 25.83%. Faced with the imminent runoff, Boric's campaign made a drastic shift in electoral strategy, securing the support of Provoste and incorporating the Democratic Socialism movement into the campaign—a coalition consisting of the Socialist and the Party for Democracy, both of which were closely associated with the Concertación governments of the past. This alliance was formed to prevent the advance of Kast, despite the political differences the FA had expressed concerning these groups since its foundation in 2016.

As a result, and following an intense campaign effort, Boric reversed the previous result in the runoff on 19 December 2021, securing 55.87% of votes cast compared to Kast's 44.13%. The Chilean and international press highlighted this milestone, noting that Boric was the youngest president-elect in the country's history. Some enthusiastic political commentators, particularly from younger generations, equated these percentages with the emergence of a new political alternative that, once in power, might effect a leftward shift, whilst others with a more realistic perspective pointed out that the result reflected the public's fear of an autocratic and conservative regression had Kast won.

Chile's recent political history culminated in two fundamental events: (i) the failed conclusion of the constitutional process, and (ii) the difficulties faced by the government in implementing its program of transformation. Regarding the first aspect, the constitutional process consisted of two political phases, the first of which began in July 2021 when the Constitutional Convention commenced its functions and ended with the referendum held in September 2022, when the proposal drafted by the Constitutional Convention was rejected by 62% of voters against 38%. This significant setback led to a new constitutional process, which was conducted in 2023 and involved three specially created bodies: the Expert Commission, responsible for drafting a preliminary constitutional text; the Constitutional Council, with authority to approve and amend the text and the Technical Admissibility Committee, which would act as an arbiter if proposed norms were challenged on the grounds they might infringe constitutional principles. Unlike the first process, which was dominated by the left and social movements, right-wing forces preponderated in the second, in particular the Republican Party. The referendum for this second constitutional process was held on 17 December 2023, resulting in victory for the 'Against' option. As a result, the constitutional question in Chile was effectively closed, with the current 1980 'Pinochet Constitution' remaining in force. Moreover, different political currents decided collectively not to return to this issue, at least during the current government. Nevertheless, the possibility of future constitutional change has not been ruled out by the institutions as, in July 2022 Congress approved a law reducing the majorities required for amendments to the current constitution to four sevenths in each chamber, eliminating the supermajority requirements of two thirds and three fifths in the chambers of deputies and senators, respectively.

Regarding the second aspect, the political difficulties faced by the current government are related to the fact it does not enjoy a parliamentary majority, which hin-

ders its ability to reach agreements on the structural transformations outlined in its program. It has also fallen victim to the political strategies of the opposition, which has systematically blocked legislation proposed by the executive, particularly concerning reforms to the tax and pension systems. In this context, the long electoral cycle that began in 2020 is nearing its end with the municipal elections carried out in October 2024 and the parliamentary and presidential elections in December 2025. The triumph obtained by the right wing in the October municipal elections and the polls on next year's presidential elections suggest that the country may once again opt for alternation rather than political continuity.

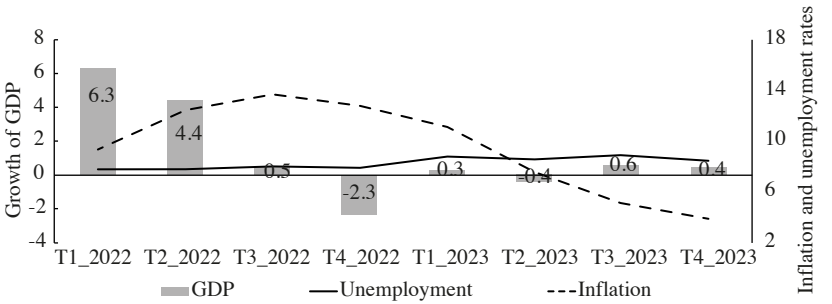
RECENT MACROECONOMIC TRENDS AND SOCIOECONOMIC AND POLITICAL PERSPECTIVES

The macroeconomic situation has been challenging throughout the administration's first two years, as a result of national and international factors. Domestically, the government was forced to begin its term with a budget 25% lower than that inherited from the previous administration and with a still unstable situation in terms of economic activity, unemployment, and wages, despite the fact the economy grew by 11.3% in 2021 following a sharp decline of 6.1% in 2020, the first year of the pandemic (see Table A.1 in the statistical annex). Externally, following the outbreak of the war between Russia and Ukraine, international prices of grains and energy products surged, causing inflationary pressures and surges on a global scale. This had two notable effects in Chile: (i) a sharp 7.2% real depreciation of the exchange rate between the first and third quarters of 2022 (Figure 2); and (ii) an acceleration of the inflation rate which had already been rising since the third quarter of 2021, when the Consumer Price Index (CPI) variation began to exceed the 4% ceiling (Figure 1) set by the Central Bank for the annual inflation target (which aims for around 3% with a minimum of 2%). Consequently, inflation rose from 9.4% in the first quarter of 2022 to a peak of 13.7% in the third quarter, ending the year with an annual CPI variation of 12.8%, Gross Domestic Product (GDP) growth of 2.1%, and an unemployment rate of 8%.

The fiscal and monetary policy authorities argued that the inflationary pressures were unleashed primarily as a result of the substantial liquidity injection from pension fund withdrawals and fiscal support provided by the Piñera administration to mitigate the effects of the pandemic rather than external and exchange rate factors. In this regard, López and Sepúlveda (2022) challenged the government's interpretation in a study in which they concluded that between 2000 and 2021, in normal periods, domestic demand accounted for less than 25% of monthly inflation, a finding consistent with the characteristics of a small and open economy like Chile's, in which inflationary sources tend to be concentrated in external factors and propagated through the exchange rate channel. Regardless of this debate, the fact remains that, based on the interpretation of the macroeconomic authorities,

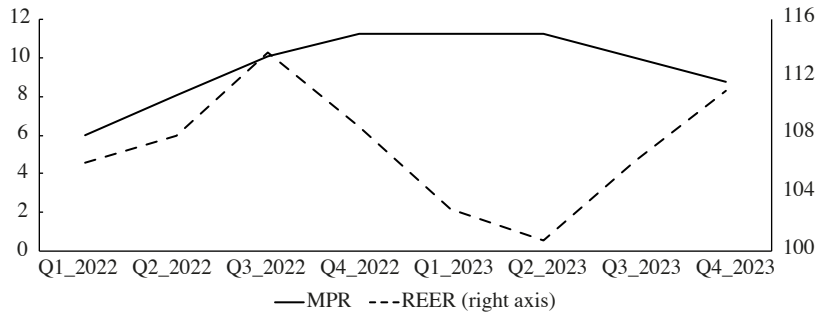
the approach required to curb inflation involved a recessionary adjustment to contain the expansion of aggregate demand. To achieve this, sustained and accelerated increases in the monetary policy rate were implemented, rising from 8.1% in the second quarter of 2022 to 11.3% in the fourth quarter, a level at which it remained until December 2023, when inflation began to converge towards its target range (see Figures 1 and 2). This contractionary monetary policy was also complemented by a strong fiscal adjustment, which was reflected in a fall in spending as a percentage of GDP equivalent to 7 percentage points over 2022 (see Table A.1).

Figure 1.
Chile, 2022 and 2023: Growth, inflation, and unemployment (quarterly figures in percentages)



Source: The author, based on ECLAC data[9].

Figure 2.
Chile, 2022 and 2023: Monetary Policy Rate (MPR) and Real Effective Exchange Rate (REER) evolution (quarterly figures, MPR in percentages and REER as index 2005 = 100)



Source: The author, based on ECLAC data[10].

[9] https://statistics.cepal.org/portal/cepalstat/index.html?lang=es

[10] https://statistics.cepal.org/portal/cepalstat/index.html?lang=es

The consequences of this recessionary adjustment have been as expected; by the end of 2023, GDP growth was virtually 0%, the unemployment rate remained above 8% and close to 9%, and investment had decreased at a rate of 5.3% (Table A.1). For 2024 and 2025, ECLAC has projected GDP growth of 2.6%, and 2.3% respectively,[11] while the Central Bank of Chile forecasts annual inflation of 4.2% in 2024 and 3.6% in 2025. The open question remains whether these recoveries will be sustainable and whether they will be accompanied by increased contributions from investment and employment, or whether they will be driven by external impulses, such as an increase in export demand, as was the case until 2014. In this regard, some policies implemented by the government are encouraging, such as: the reduction of the working week to 40 hours, which, along with complementary labour policies, could increase the productivity growth rate; an increase of the minimum monthly wage to CLP 500,000 (USD 530); and reductions in underemployment and informality levels. The increase to the minimum wage has significant redistributive effects for households and potential to stimulate aggregate demand, conditional on improved employability conditions, including higher participation rates (especially among women). Additionally, institutional progress to encourage the development of cooperatives is also positive, as it has potential distributive and economic democracy benefits, increasing the diversification of social entrepreneurs.

From a longer-term perspective, several issues remain open, including whether the TPP11,[12] which was finally approved during the current administration, will reinvigorate export dynamism and economic growth as expected; the way in which the National Lithium Strategy might constitute a new industrialisation process for Chile (see Silva, 2024); and whether a plan for productive and labour reconversion can be adequately implemented following the recent announcement of the closure of the Huachipato steel plant. Outcomes in these and other strategic sectors will be crucial for initiating a virtuous cycle of structural change to accelerate economic growth, provided that the appropriate developmental and institutional policies are adopted. Finally, it should be noted that the failure to reach agreement with the opposition to advance the tax reform originally included in the government's program, and its subsequent conversion into a fiscal pact that is still under negotiation, have complicated the goal of achieving a progressive tax policy. Tax reform of this nature has long been required to implement the structural socio-economic reforms that are so desired by the population and which lay at the heart of the demands of the social movements of the 2010s.

[11] While these projections are encouraging in a short-term perspective, the take-off of the Chilean economy along a new growth path is not fully assured. In the September edition of its Monetary Policy Report, the Central Bank of Chile (2024) projected an average annual growth rate of 1.8% for the period 2025-2034. If this projection of mediocre long-term growth materialises, Chile could complete 20 years of economic stagnation, considering that between 2014 and 2023 the economy grew at an average of 1.9% per year.

[12] Trans-Pacific Partnership. The '11' refers to the number of countries involved following US withdrawal.

THE CHILEAN PARADOX FROM A HISTORICAL-STRUCTURAL PERSPECTIVE

In this section, I propose and go on to analyse the concept that I refer to as the 'Chilean paradox', which must be understood in its proper context to overcome the country's semi-peripheral economic condition and to advance democratically in the social sphere and is described below. It is a contingent problem, shaped by the political evolution and productive stagnation analysed in earlier sections. However, it is also a historically cyclical issue.

Over sixty years ago, Aníbal Pinto, one of Chile's most influential political economists and historians, published *Chile: un caso de desarrollo frustrado* (Pinto, 1959).[13] His main theses are two-fold. The first, based on an analysis of the period from 1830 to 1930, argues that—despite Chile having enjoyed every opportunity to grow within the framework of the classical-liberal model during the silver and nitrate extractive-export cycles[14]—the country failed to modify the essential characteristics of its underdeveloped structure. This suggests a first historical frustration of development, associated with the inability to carry out a process of productive diversification and technical progress. According to Pinto, this was due to: (i) the deepening of the pattern of dependence (both internal and external) on primary-export activities; (ii) the inadequate use of rents, in a manner consistent with the previous point; and (iii) the misalignment between political-institutional structures and the objectives of economic and social development. Pinto's second thesis, which refers to the period after 1930—when the country had shifted to an inward-oriented growth model and developed a social structure that had given rise to the emergence of middle and working classes—contends that as a result of the dynamics of the country's development process, the contradiction between its slow economic expansion and the rapid political advancement of these new social actors became increasingly acute. This contradiction originated in the long-standing inflationary process, which triggered a 'social deadlock' between the three political forces representing their respective social class interests and causes.[15]

Years later, Pinto (1964) revisited the idea of the misalignment between the political process, economic dynamics, and social demands for greater inclusion. This expanded analysis was presented in his book *Chile: una economía difícil*[16] where he argued that this particular characteristic of the country could be attributed to two causes. The first relates to the exhaustion of the 'easy stage' of the import sub-

[13] *Chile: A Case of Frustrated Development.*

[14] Regarding these cycles, Pinto does not overlook the modernisations achieved during these periods and, in some ways, his arguments align with the analysis provided by Cariola and Sunkel (1981).

[15] Namely: the left and the working classes; the right and the rentier capitalist classes; and the centre associated with the interests of the middle sectors. This argument also positions Pinto within the structural approach to inflation developed by Furtado, Noyola Vásquez, and Sunkel in the mid-1950s, and intertwines, in some way, from the perspective of the Global South, with the issue of distributive conflict developed by Kalecki.

[16] *Chile: A Difficult Economy.*

stitution process that the national economy was reaching, and the second to the concrete capacities of its social and political structures to advance towards a more complex stage in its industrialisation process. Understanding the difficulty of the Chilean economy in this way, Pinto highlighted the need to move towards a change in the development model in which: '...the global transformation of its economy, a new type of 'opening' to the outside, the achievement of greater autonomy in its functioning, and... a distribution of resources that incorporates and satisfies the aspirations of that significant part of the population that has so far been left out of the growth process of recent decades' would have to be combined (Pinto, 1964, pp. 13-14).

In both these analyses, Pinto examines Chile's economic, social, and political development with a critical eye, highlighting a fundamental aspect that inevitably links these three essential facets of political economy and providing a precise analytical framework for politically transformative forces: the role played by social relations in the development process. This precise aspect is addressed in his essay "Desarrollo y relaciones sociales en Chile" [17] included in Pinto (1973). In this essay, he explains how the conservative political alliance established around 1830 represented the interests of agrarian and landowning sectors—autarkic in nature—and how this elite coalition expanded with the emergence of national and British mining interests once the country opened up to international trade during the first phase of globalisation (1860-1914).

This long period of capital hegemony in the political arena shaped unequal social relations and the embryonic development of labour movements and centrist and left-wing political parties representing the interests of the emerging middle and working classes. These conditions led to successive distributive conflicts that took place during the 1920s and 1930s. By the mid-1930s, the balance of power shifted with the emergence of the Frente Popular, which united the Radical, Communist, and Socialist Parties, marking its rise to power in 1938 with Pedro Aguirre Cerda, initiating a cycle of governments led by the Radical Party that concluded in 1952 with the government of Gabriel González Videla. During these administrations, Chile consolidated its industrialisation process, with significant political and social advancements for the middle and working classes, balancing the power of traditional conservative forces. With the decline of these governments and in a context of high inflation, the interests of the political and economic sectors of the right were once again represented in the government until 1964, when the Christian Democrat Eduardo Frei Montalva was elected. His government initiated the agrarian reform process, the 'Chileanisation' of copper, and other reforms inclusive of middle class and working sectors. Salvador Allende's government Popular Unity (UP) coalition (1970-1973) primarily represented workers' interests through

[17] "Development and Social Relations in Chile". This work is an expanded and updated version of an article published under the same title in volume 30, number 120(4), corresponding to October-December of *El Trimestre Económico*, pages 641-658. A partial version of the original text was also included as an appendix in Pinto (1964).

the deepening of agrarian reform, the nationalisation of large-scale copper mining and the banking sector, and the state takeover of a wide range of industrial enterprises. The dramatic changes in the social, economic, and political structure from 1930 to the early 1970s intensified the conflicts between capital and labour, culminating in the 1973 civil-military coup.

From this moment on, the country entered a period that Moulian (1997) characterises as a 'capitalist revolution,' which he refers to as 'the current Chile', and Ffrench-Davis (2021) as a 'neoliberal revolution.' The establishment and continuity of neoliberalism until the present day have been extensively studied by these and other authors who, in concrete terms, have argued that there has been a repositioning of the political hegemony of the elites (Solimano, 2018) over the subaltern sectors,[18] exacerbating Chile's distributive conflict as a result of the new pattern of accumulation and concentration.[19] Thus, over the past 50 years, the country has seen the predominance of a technocratic elite (Villegas Plá & Peña, 2024) that directs and defines the boundaries of action in the country's economic management with complete disregard for public sentiment. In this context, Chile's progressive political coalitions since the transition have often chosen to moderate their redistributive programs to avoid disrupting external and internal macroeconomic balances (Bogliaccini & Madariaga, 2024) that define the limits of what is possible within the frameworks of the model implemented since 1973.

Finally, having outlined the principal puzzles that characterise the evolution of Chilean political economy over the past nearly 200 years, the fundamental problem of Chile remains essentially the same as that described by Aníbal Pinto in the 20th century. The issue lies in the dialectic that resiliently reproduces social relations, the productive structure, and the operation of politics. The path of dependency that historically has obstructed the process of inclusive development in Chile, as in other Latin American countries, is accompanied by Buchanan's 'iron law of oligarchies' (Palma, 2021) and is cyclical in nature. That is, it involves a dynamic that begins with the establishment and unfolding of a historical pattern of accumulation by the economic elites, continues with the contradictory advance of subordinate sectors and the consequent gestation and explosion of social conflicts, and concludes with an elite closure of the crisis, leading to the continuity or transformation of the accumulation pattern, repeatedly replicating the same succession of processes.

[18] Gramsci refers to "subaltern sectors" as the social groups that are marginalised or subordinated in relation to hegemonic power. These sectors have little influence over the main institutions of power or the production of dominant culture. However, according to Gramsci, subaltern sectors are in a constant struggle for their emancipation and, eventually, seek to challenge the established hegemony, either by creating a counter-historical bloc or by establishing a new hegemony.

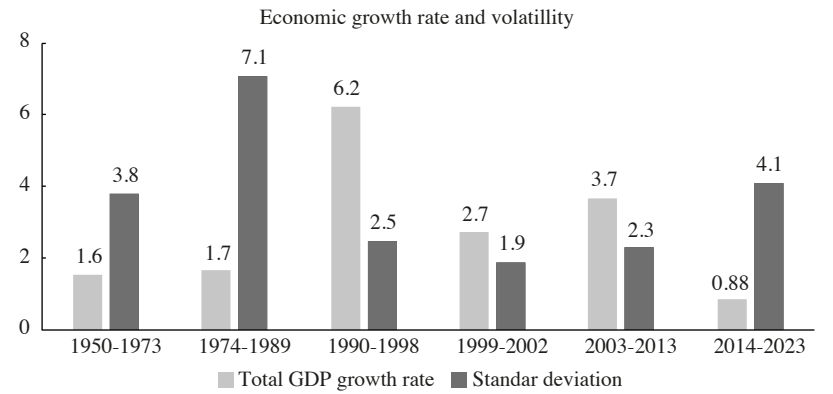
[19] Despite its free-market rhetoric, the Pinochet dictatorship maintained and even strengthened the state's mechanisms of accumulation. A prime example is the use of copper revenues, which were channelled into modernising the armed forces and pursuing other state objectives. These mechanisms were not only used to uphold the regime's power but also to subjugate lower-income sectors, reinforcing existing hierarchies and preventing social mobility. This concentration of economic resources by the state contradicts the neoliberal image often associated with the regime.

STYLISED FACTS

Economic growth since 1950

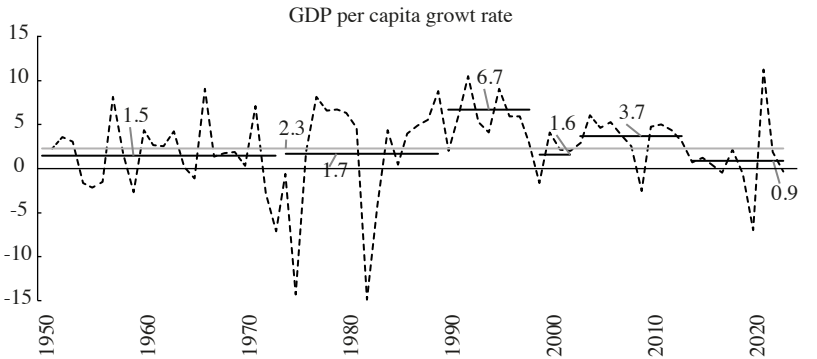
Figure 3.A shows the evolution of real economic growth in Chile from 1950 to 2023. The first notable element is the high volatility experienced by the GDP growth rate during the period. However, it is worthwhile to analyse economic growth by dividing the period into appropriate subperiods. From 1950 to 1973, during the developmental period, the country maintained an average growth rate of 3.6%, which decreased to 3.2% during the dictatorship (1974-1989), a period characterised by the establishment of the neoliberal model. In the early years of the transition, the country experienced an exceptional expansion cycle, with an average annual growth rate of 7.8%. In the brief period from 1998 to 2002, amid a succession of international crises, growth declined to 3.9%, a trend that reversed during the commodity price boom cycle (particularly as a result of the significant increase in the international copper price), with growth reaching 4.7%. After the end of this cycle, the pace of Chile's economic growth has stagnated at an average of around 2% per year, the lowest recorded during the period under study.

Figure 3A.
Chile, 1950-2023: Trends in economic growth (percentage)



In per capita terms, the Chilean economy grew at an average annual rate of 2.3% during the period from 1950 to 2023 (See Figure 3.B). While during the periods 1950-1973 and 1974-1989 GDP was above 3%, and the population increased at rates of 2.1% and 1.5% respectively, translating into per capita growth of 1.5% and 1.7 for the two periods. Since the 1990s, population growth has stabilised to around 1% per year on average. Consistent with this, and alongside the stagnation of productivity that has affected the country and shadowed the commodities price cycle, per capita economic growth has shown a steadily declining trend over the past 30 years (see figure 3.B).

Figure 3B.
Chile, 1950-2023: Trends in economic growth (percentage)



Source: The author, based on data from ECLAC[20].

Comparative dynamics of per capita GDP and labour productivity

Over the last seven decades, the national economy has experienced mixed growth patterns relative to other economies worldwide. Figure 4 illustrates the trajectory of GDP per capita for a diverse set of countries at different levels of development, expressed as percentages of the per capita GDP of the United States.

The trajectory of Chile (Figure 4a) shows a marked divergence in per capita terms between 1950 and 1985, a period during which per capita GDP as a proportion of that of the United States decreased from 34% to 21%. This sharp decline, however, exhibits differentiated trajectories according to three key moments in Chilean economic history. The first of these corresponds to the years from 1950 to 1973, during which Chile experienced a significant widening of the gap relative to the United States, with per capita GDP averaging 31.7% of US levels, in a context of the development and industrialisation boom. The second moment, situated in the early years of the dictatorship (1974-1979), saw relative per capita GDP drop to 23.8% of US levels as a result of: the macroeconomic imbalances and political conflicts that marked the end of the UP government; the failed adjustment policies implemented by the economic authorities of the time (Ffrench-Davis, 2018; Caputo and Ordóñez, 2024) and external factors associated with the oil shocks of 1973 and 1979, as well as the external over-indebtedness that preceded the crisis that Latin America faced during the third phase, during the 1980s (Ocampo et al., 2013) a decade that saw a widening of the gap to 23.1%.

Despite the economic and social effects of the crisis and after the failed adjustment experiments implemented by the Chicago Boys during the early years of the dictatorship, the economy managed to stabilise, adopting a growth strategy

[20] https://statistics.cepal.org/portal/cepalstat/index.html?lang=es

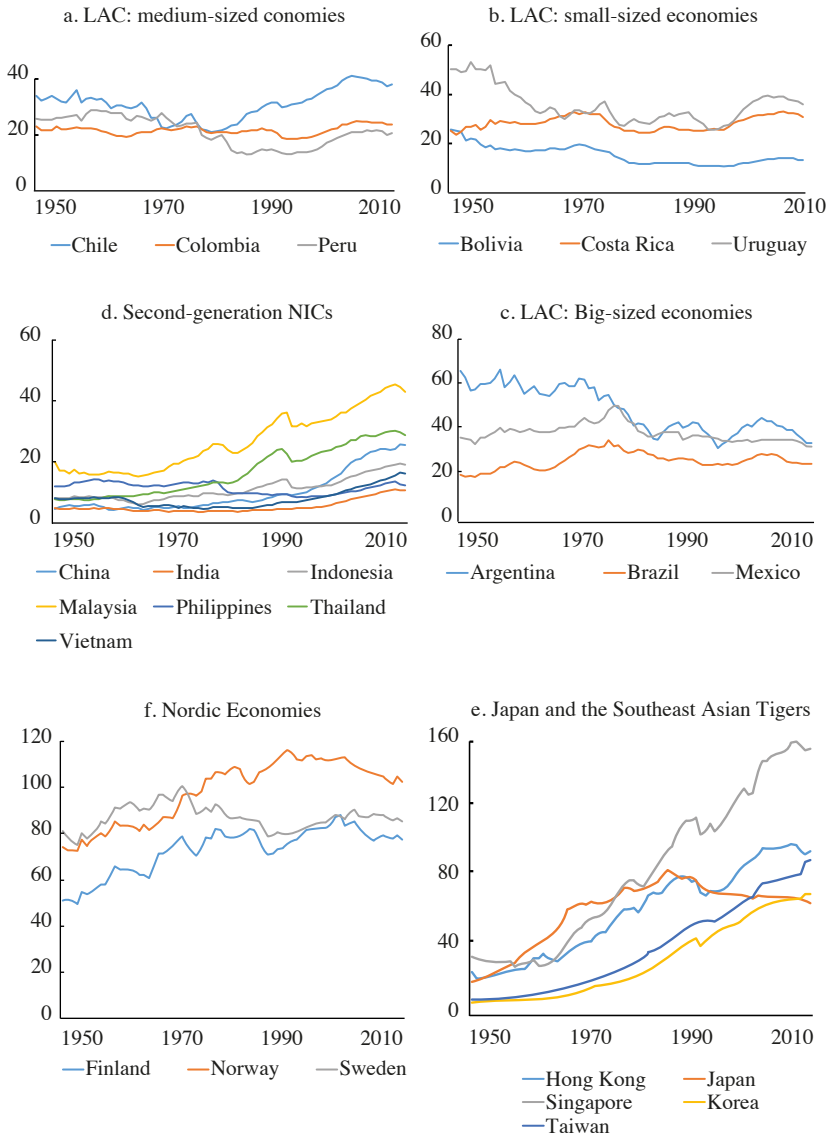
in mid-decade driven by exports not only of copper but also of non-traditional goods such as forestry products, aquaculture, and fruits, sectors that were promoted through developmental policies by the Fundación Chile (Agosin, 2023). This led to a significant narrowing of the gap, especially following the democratic transition, with per capita GDP rising from 23.8% of US levels in 1990 to 38% in 2021.

Compared to other medium-sized economies in the region, this trajectory of convergence is similar to those experienced by Colombia and Peru, although much more pronounced (Figure 4a), and contrasts with the smaller economies (with the exception of Costa Rica: Figure 4b), and especially with the larger ones (Argentina, Brazil, and Mexico), whose trajectories instead represent stories of divergence (Figure 4c). However, in relation to developing and developed Asian economies, Chile maintains a significant growth gap in per capita terms, particularly with the second-generation NICs and the Southeast Asian tigers, which display a continuously convergent trajectory in per capita terms relative to the United States (Figures 4d and 4e)[21]. A similar divergence is observed between Chile and the economies of Finland, Norway, and Sweden (Figure 4f).

It is therefore necessary to identify the factors that explain these differences. To this end, the comparative analysis is focused on the cases of Finland and South Korea, economies that are frequently mentioned as benchmarks in growth and development debates in Chile due to their similar structural characteristics when they began their processes of convergence with advanced capitalist economies (Ahumada, Wirth, and Sossdorf, 2021; Chang, 1996). The case of Malaysia is also included: a late-decolonising economy (1957) that experienced rapid growth starting in the 1970s, combining primary production with increasing specialisation in electronics through the successful attraction of foreign direct investment (FDI) during the 1980s and 1990s (Runde, Rice, and Yayboke, 2017). Additionally, it is an economy that has rapidly converged with Chile's per capita product but with a more dynamic productive structure. Furthermore, from a focus on the absolute growth of total GDP, it may be observed that all four economies have experienced episodes of high and sustained growth over the past 70 years, such as South Korea from 1950-1979; Chile from 1990-1997; Finland from 1950-1973 and Malaysia from 1990-1997 (see Figure 5).

[21] Figure 4e includes the trajectory of Japan, an economy that, although it experienced a significant narrowing of the gap for decades from 1950 onwards, with a per capita GDP that reached 81% of that of the United States in 1996, subsequently saw a drastic widening of the gap following the Asian crisis, placing it at around 34% by 2021.

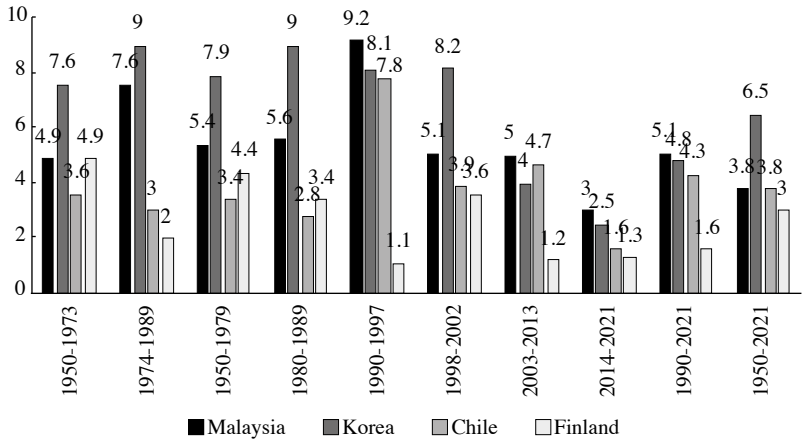
Figure 4.
Economic growth trajectories of selected countries, 1950-2021 (per capita GDP Relative to the United States, percentages)



Source: The author, based on figures from The Conference Board[22].

[22] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

Figure 5.
Chile, South Korea, Finland, and Malaysia, 1950-2021: Average annual GDP growth rate (percentages)



Source: The author, based on figures from The Conference Board[23].

However, growth dynamics show significant differences when the dynamics of two of the basic driving forces of the process are taken into account, namely labour productivity and employment. Table 1 shows that between 1950 and 2021, Chile, South Korea and Finland had an identical decomposition of economic growth: for every 1% of growth in these countries, six-tenths corresponded to productivity growth and four-tenths to employment growth. In contrast, in Malaysia, each percentage point of GDP growth was due to an increase of 1.5 points in productivity and a decline of half a point in employment. These differences in growth modes explain why these three economies have managed consistently and rapidly to close their productivity gap relative to the United States, when Chile has not. This is evidenced in Figure 6, which shows that in 1950, labour productivity in Chile represented 41% of that of the United States, exceeding the figure for Finland by 3 points, doubling that of Malaysia and quadrupling South Korea's. Over time, South Korea and Finland converged rapidly, and by 2021, their productivities represented 62% and 75% of that of the United States, respectively. Meanwhile, Malaysia has also converged rapidly, though at a slower pace than South Korea, reaching and slightly surpassing Chile, whose relative productivity over the entire period (1950-2021) has I relative terms remained stagnant, in the range of 33% to 44%.

However, if this breakdown is analysed in specific sub-periods, important changes can be observed. For example, in Chile, from 1950 to 1979, for each point of GDP growth, 9 tenths were contributed by productivity and 1 tenth by employment,

[23] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

while from 1990 to 2021, 7 tenths were due to employment and 3 tenths to productivity. Korea and Malaysia, on the other hand, in the same periods, have been harmoniously and gradually maintaining higher productivity contributions than those of employment for every 1% of growth in their products, while in Finland, productivity growth has been losing weight in relation to the contribution of employment.

The most relevant fact that emerges from this comparative analysis is that although Chile grew at a higher rate during the neoliberal deepening (from 1990 onwards) relative to the developmentalist period (1950-1979), it did so with a decreasing contribution of productivity, and between 2014 and 2021 with a negative contribution. In contrast, Korea, Malaysia and Finland have been able to sustain periods of high economic growth through continuous productivity increases.

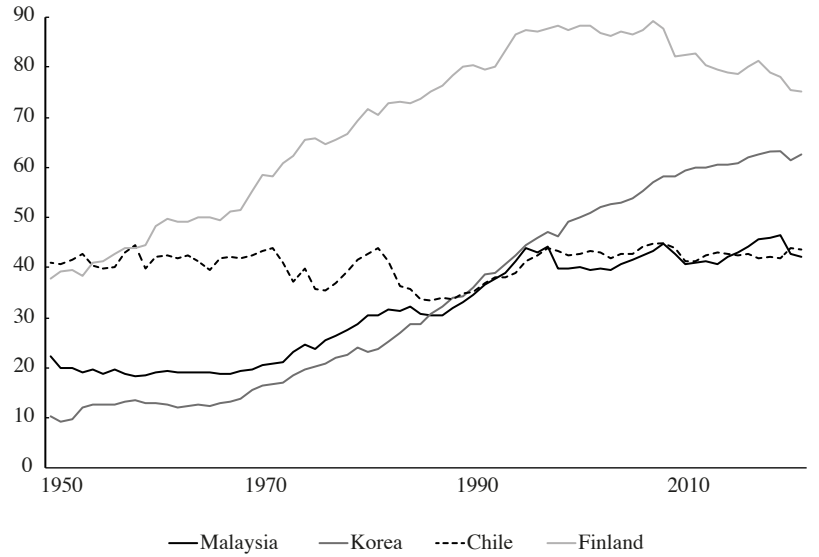
Table 1.
Chile, South Korea, Finland, and Malaysia, 1950-2021: Contribution of employment and labour productivity per 1% of total GDP growth (percentage points)

		Periods									
Country	Rates of growth and sectoral contributions (percentage points)	1950-1973	1974-1979	1950-1979	1980-1989	1990-1997	1998-2002	2003-2013	2014-2021	1990-2021	1950-2021
Malaysia	Employment	3.6	0.9	3.1	0.4	0.4	0.8	0.4	0.4	0.4	1.5
	Labor productivity	-2.6	0.1	-2.1	0.6	0.6	0.2	0.6	0.6	0.6	-0.5
	GDP	1.0	1.0	1.0	1.0	1.0	1.00	1.0	1.0	1.0	1.0
Korea	Employment	0.5	0.4	0.5	0.3	0.3	0.5	0.3	0.4	0.4	0.4
	Labor productivity	0.5	0.6	0.5	0.7	0.7	0.5	0.7	0.6	0.6	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Chile	Employment	0.1	-0.2	0.1	0.5	0.4	0.9	0.7	1.1	0.7	0.4
	Labor productivity	0.9	1.2	0.9	0.5	0.6	0.1	0.3	-0.1	0.3	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finland	Employment	0.0	-0.8	-0.2	0.3	2.5	0.5	0.5	0.8	1.1	0.4
	Labor productivity	1.0	1.8	1.2	0.7	-1.5	0.5	0.5	0.2	-0.1	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Source: The author, based on figures from The Conference Board[24].

[24] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

Figure 6.
Selected Countries, 1950-2021: Labour productivity trajectories (GDP per worker relative to the United States, percentages)



Source: The author, based on figures from The Conference Board[25].

Labour productivity growth and productive structure, 1990-2018

The trajectories of GDP growth and productivity in Chile are closely related to the dynamics of diversification in its productive structure and technological content. Starting in 1990, with the beginning of the transition, labour productivity showed a downward trend. During the period 1990-1997, when Chile experienced growth rates comparable to those of the most dynamic Asian economies, productivity consistently increased at a rate of 4.5% per annum, according to Table 2. Between 1998 and 2002, as a virtuous investment cycle came to an end (Moguillansky, 1999), within a national context of expanded financial and trade openness and a global context characterised by a series of financial crises, the country's growth rate fell (Figure 3), which had the additional result of causing a productivity slowdown equivalent to 1.3%. During the commodity price cycle, this situation reversed, but the growth rate observed during the early 1990s was not fully regained: productivity grew at an average annual rate of 1.9% during the decade 2003-2013. Between 2014 and 2018, following this cycle and preceding the shocks generated by the social unrest and the pandemic, productivity growth failed

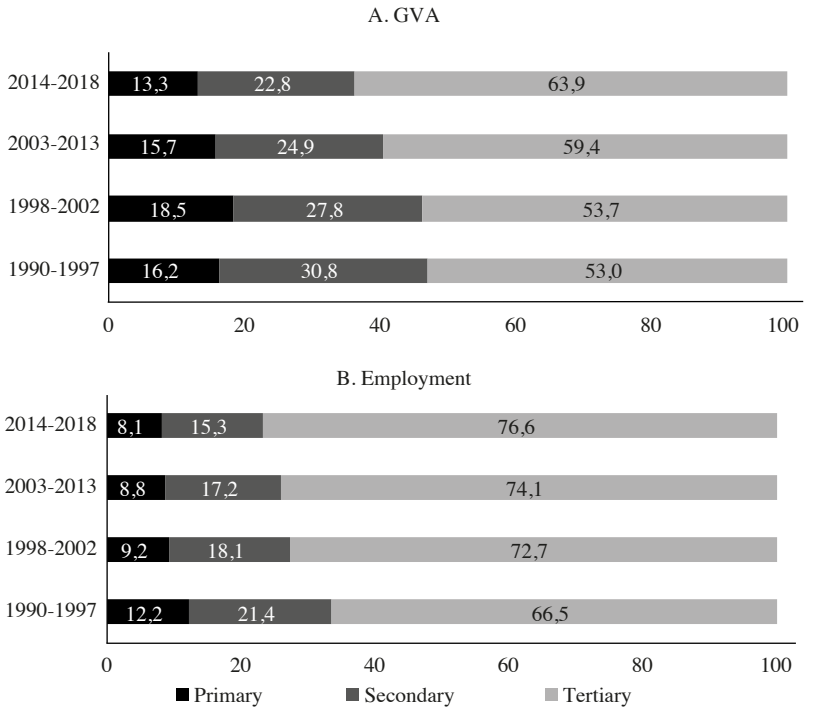
[25] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

to rise above 0.9% annually, confirming the symptoms of productive stagnation noted by Ffrench-Davis and Díaz (2019).

In relation to the country's productive structure, it is observed that, both in terms of total gross value added (GVA) and employment, the Chilean economy has undergone a strong process of tertiarisation, where the share of service activities increased from 63% of GVA in the period 1990-1997 to 64% between 2014 and 2018. Meanwhile, secondary activities (manufacturing, construction, and electricity, gas and water supply, EGW) lost 8 percentage points of participation in the same period, while the share of primary activities, although still significant, fell from 16% to 13%. In terms of employment, tertiarisation is even more pronounced. Indeed, service activities went from representing 67% of total employment to 77% between the periods 1990-1997 and 2014-2018, while secondary activities decreased from 21% to 15%, and primary activities from 12% to 8% (see Figure 7).

Figure 7.

Chile, 1990-2018: Productive and labour structure by principal economic sector (percentages of total gross value added and employment)



Source: The author, based on data from the Economic Transformation Database, ETD 2023, U NU-WIDER, and Groningen Growth and Development Centre[26].

[26] https://www.wider.unu.edu/database/etd-economic-transformation-database

While agricultural and mining activities retain significant weight in the national productive structure, especially in terms of GVA, tertiarisation has led to a more pronounced decline in the role of secondary activities in the economy, particularly due to the continuation of the early deindustrialisation process that began in the 1980s (Fajnzylber, 1983; Muñoz, 1986). Figure 8 illustrates this trend, based on GVA and employment in the manufacturing sector. In general terms, the share of these activities in GVA decreased from 18% to 12.5% between 1990-1997 and 2014-2018, while the share of manufacturing in total employment fell from 12.7% to 6.6% over the same period. In this context, the service sectors that have gained the most weight in the sectoral structure of GVA and employment (transportation, commerce, business services, finance and the property sector, characterised by strong vertical integration) increased from representing 31% to 46% of GVA and from 30% to 39% of the labour force.

Figure 8.
Chile, 1990-2018: Shares of the Manufacturing Sector in GVA and Total Employment (percentages)

Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre[27].

Given these evolutionary dynamics of aggregate labour productivity and the sectoral structure of GVA, Table 2 should again be referred to in order to identify the relationships that connect them. Thus, the strong increase in productivity between 1990 and 1997 was due to the contributions of mining and manufacturing (1% each sector), followed by the property and agricultural sectors (0.8% and 0.7%, respectively). In subsequent periods, as the growth of labour productivity for the

[27] https://www.wider.unu.edu/database/etd-economic-transformation-database

economy as a whole began to stagnate, the contributions of manufacturing and primary activities were reduced virtually to zero. In the case of mining and manufacturing, their reduced share in the sectoral matrix and their diminished contributions to productivity are factors that largely explain the stagnation to which the Chilean economy has experienced, given that these are sectors with great potential due to their technological intensities. According to Ffrench-Davis and Díaz (2019), the potential of these sectors has been hindered by insufficient productive investment that has characterised the country over the past two decades. On the other hand, the wide range of services that have concentrated the most weight in the productive matrix lacks the productive and labour incentives that could enhance its potential through development policies, including the diversification of businesses, technology, training, and improvements in the quality of education.

Table 2.
Productivity growth and sectoral contributions per workera, 1990-2018 (percentages)

Sectors	1990-1997	1998-2002	2003-2013	2014-2018
Agriculture	0.7	0.0	0.2	0.1
Mining	1.0	0.8	-0.1	0.2
Manufacturing	1.0	0.6	0.3	0.2
EGW	0.4	0.0	0.1	0.1
Construction	0.2	-0.1	0.1	0.1
Trade	0.2	-0.4	0.1	-0.1
Transport	0.2	0.2	0.1	0.3
Business services	0.0	0.3	0.8	-0.1
Financial services	0.1	0.1	0.3	0.2
Real state	0.8	0.2	0.3	0.3
Public services	-0.2	-0.2	-0.3	-0.2
Other services	0.1	-0.3	0.0	-0.1
Total	4.5	1.3	1.9	0.9

Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre. [a] Total Value Added per worker[28].

Structural heterogeneity

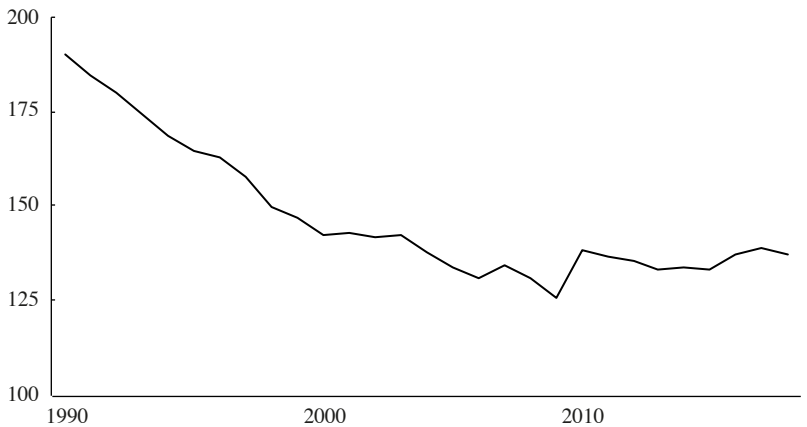
All the aspects discussed thus far lead to the conclusion, from a structuralist perspective, that the prolonged stagnation of present-day Chile is directly linked to an endemic factor common to Latin American economies, namely structural heterogeneity (Pinto, 1970; Sunkel, 1978; Infante and Sunkel, 2010). As will be analysed further, this issue is interconnected with other aspects that characterise Chile's

[28] https://www.wider.unu.edu/database/etd-economic-transformation-database

problem, including its high levels of inequality across various dimensions (UNDP, 2017) and a significant degree of economic concentration (Fazio, 2023).

Regarding the productive structure, the structural heterogeneity that characterises the Chilean economy corresponds to relatively significant intersectoral labour productivity differentials. Figure 9 illustrates the heterogeneity of the productive structure, measured as the annual coefficient of variation according to the productivity levels of the 13 sectors presented in Table 2. The first observation from the figure is that the dispersion of sectoral productivities relative to their average exceeded 125% throughout the entire period from 1990 to 2018, indicating a very high level of structural heterogeneity. Secondly, it is notable that while productive heterogeneity decreased systematically between 1990 and 2009, it slowly began to rise again from 2009 onwards, reaching a coefficient of variation of 138% by 2018, in a context marked by the aftermath of the 2008 global financial crisis and internal economic dynamics.

Figure 9.
Chile, 1990-2018: Degree of heterogeneity in the productive structure (annual coefficient of variation of sectoral productivity levels, in percentages)



Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre[29].

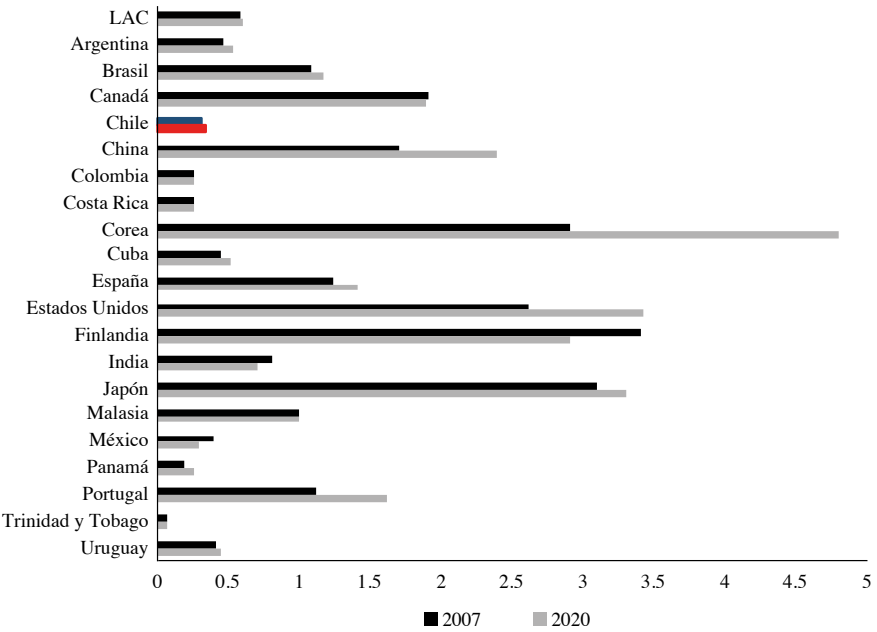
Technical progress

The basic indicator for assessing the degree of technological development in an economy is expenditure on research and development (R&D) as a percentage of GDP. In this regard, Chile exhibited an average index of 0.32% between 2007 and 2020, lower than the average for Latin America and the Caribbean (0.6%), and also lower than the indices for Argentina and Cuba (0.5% each), Costa Rica and

[29] https://www.wider.unu.edu/database/etd-economic-transformation-database

Uruguay (0.4% each), and Brazil (1.1%), which is the leader among Latin American countries in terms of R&D. Thus, both Chile and the region as a whole face a significant technological gap compared to developed economies such as Canada, the United States, Finland, and Japan, which have figures exceeding 2%. In Asia, China has emerged as a major player in technological competition, increasing its R&D expenditure from 1.4% to 2.4% over nearly 15 years, while South Korea is indisputably the global technological leader, with R&D efforts accounting for 4.8% of GDP in 2020 (see Figure 10).

Figure 10.
R&D Efforts (as a percentage of GDP)



Source: The author, based on data from RICYT and UNESCO[30].

In the case of Chile, the goal of accelerating technical progress is complicated by several factors. The first relates to the number of researchers relative to the population. According to data from the Network for Science and Technology Indicators–Ibero-American and Inter-American (RICYT) and the World Bank, Chile has a workforce of 427 research professionals per million inhabitants. In Latin America, Brazil more than doubles this figure, and Argentina nearly triples it, although these are larger economies than Chile's. However, in smaller countries such as Uruguay and Costa Rica,

[30] https://www.ricyt.org/en/category/indicators/ and https://uis.unesco.org/en/topic/research-and-development

respectively, the number of researchers is 1.5 and 1.3 times greater than in Chile. Outside the region, the disparities are even more pronounced: 16 times greater in the case of South Korea, an average 15 times greater in the Nordic countries, 8.6 times greater in Portugal, 6.1 times greater in Spain, and 2.6 times greater in China.

A second, more encouraging aspect related to output indicators concerns scientific production. In this area, Chile has experienced a significant increase over the past two decades, particularly in the publication of articles in indexed academic journals. According to data from the SCOPUS bibliometric index, it has also seen a rise in its rate of international collaboration. However, a more detailed analysis reveals that the dominant discipline in this production is the physical sciences, accounting for 40%, while health, biological and social sciences each contribute 20%. Given this structure, it is evident that the knowledge generated in the physical sciences in these publications is not being absorbed by the local productive system, partly because the manufacturing and other potential technological sectors are not sufficiently developed to assimilate this knowledge and transform it into technological progress. On the other hand, it is clear that scientific production in the medical and biological fields has room for growth, which could be achieved by linking these research areas with the country's rich biodiversity and public health situation. Finally, scientific production is highly concentrated in three regions of Chile: the Santiago Metropolitan Region, Valparaíso, and Bío-Bío, which together account for 78% of production, with Santiago alone representing 54%.

The third aspect concerns the number of patents registered annually by national intellectual property offices, filed either by national residents or foreign agents. According to the RICYT, 80% of patent applications in Latin America and the Caribbean are filed by foreign companies seeking to protect their products and innovation processes in regional markets. In Chile, this figure reaches 87%, surpassed only by Argentina (88%) and Mexico (91%). Furthermore, the dependency rate (i.e., the ratio of patents filed by foreign agents to those filed by their national counterparts) is extremely high in Chile, standing at 664%. Meanwhile, the self-sufficiency rate (patents filed by national agents as a percentage of the total patents filed) is a mere 13%. In summary, both product indicators (dependency and self-sufficiency rates) underscore Chile's disadvantages in R&D, science and technology and technology transfer, which hinder endogenous technical progress and exacerbate the dependence imposed by large global technological platforms on local innovation efforts through monopolistic practices and rent-seeking behaviours (Rikap, 2021).

Degree of diversification and technological intensity of exports

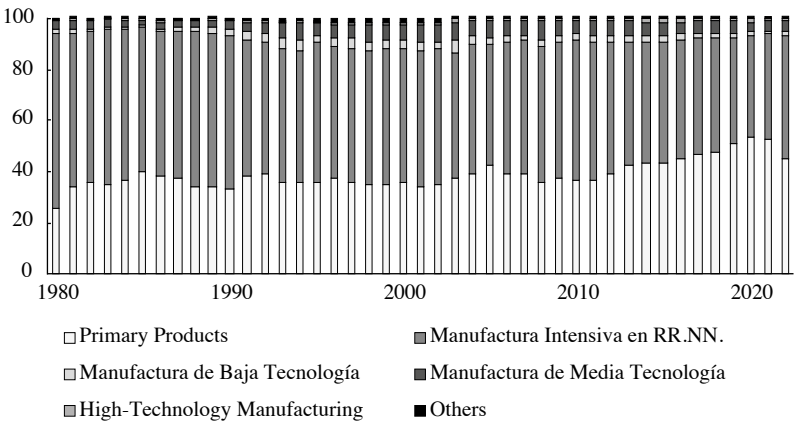
In a highly influential essay from the 1960s the Chilean economist Jorge Ahumada noted that, 'Churchill's statement at the end of the war that England must export or die applies to Chile' (Ahumada, 1958, p. 132). According to Ahumada, a greater export effort could help stabilise the domestic economy by reducing the high levels of inflation, which increased domestic production costs and consequently heightened levels of concentration in favour of certain business sectors.

He also argued that exports needed to increase and diversify, asserting that: 'the important role that exports play in instability depends on the structure of the economy and the type of export' (Ahumada, 1958, p. 122). Moreover, Ahumada contended that increasing and diversifying exports was not incompatible with opening the domestic market up to import flows, as tariff protection for certain domestically produced goods had reached excessive levels, directly impacting inflationary dynamics and concentration.

In the mid-1980s, Chile embarked on a process of trade liberalisation that spurred greater economic expansion, accompanied by significant growth in traditional and non-traditional exports. From the 2000s onward, Chile entered into numerous trade agreements with the United States, the European Union, China, and other Asian economies. While these agreements successfully expanded national exports, particularly during the commodity price boom, Ahumada (2019) contends that the outcome has been a re-primarisation of the export basket and that the provisions regarding the treatment of FDI inflows have limited the country's policy space for development.

Consistent with the above, the imbalance in Chile's productive structure—dominated by the primary and tertiary sectors, with limited incorporation of technological progress—is also reflected in the low diversification and insufficient technological content of its export basket. As Figure 11 shows, Chile has spent nearly 45 years following the same path regarding productive and technological development, particularly in relation to its trade strategy. This is evident in the fact that the combined share of primary products and resource-based manufactures in total exports has consistently exceeded 80% between 1980 and the present.

Figure 11. Chile, 1980-2022: Structure of the Export Basket by Technological Content (percentage)



Source: The author, based on data from UN-COMTRADE[31].

[31] https://comtradeplus.un.org/

Income inequality and wealth concentration

The high levels of inequality in Chile are an underlying factor of its socio-economic structure, rooted in history, and closely linked to the political economy that has shaped its semi-peripheral condition. Numerous studies on socio-economic inequality in Chile have analysed the phenomenon both in terms of distributive dynamics and its underlying causes. These include works by Fazio (2023), Flores et al. (2020), Rodríguez Weber (2017), UNDP (2017), Ruiz-Tagle (1998), alongside earlier contributions such as that of Jorge Ahumada, who argued in the 1960s that '[a] country is experiencing an economic crisis if income distribution is excessively unequal' (Ahumada, 1966, p. 16). The effects of inequality are far from neutral in the socio-political arena; indeed, the high levels of inequality and wealth concentration have intensified distributive conflict at various points in Chile's history, leading to episodes of organic crisis, the most recent being the social unrest of 2019.

In Latin American structuralist political economy, inequality is understood as intrinsically linked to structural heterogeneity (Pinto, 1970), which shapes both economic dynamics and the productive and labour structure of developing economies. In this regard, Rodríguez (1998) defines the concept by stating that the pronounced labour productivity differentials between economic sectors correspond to significant wage gaps between those sectors and that this interrelation generates increasing inequality in income distribution. Consistent with this phenomenon, it is reasonable to make the assertion, examined in previous sections, that one of the causes of inequality in Chile can be found in the disparities that characterise its productive structure. In sum, Chile exhibits a similar trend to that of other Latin American countries, where growth is insufficient and income is concentrated in the wealthier segments of society. This fits Fajnzylber's (1990) 'empty box' thesis, which showed that no Latin American country had achieved the combination of high, sustained growth and distributive equity.

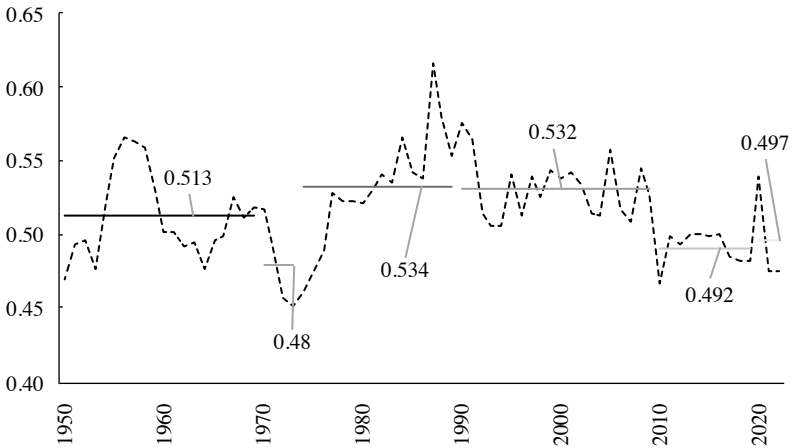
(i) General Trends in Income Distribution. Ruiz-Tagle (1998) examines the trajectory of the Gini coefficient in terms of per capita income between 1957 and 1997, using data from the University of Chile's Employment and Unemployment Data (EOD) Survey. His findings indicate that income distribution remained stable and moderately unequal until 1966, with a Gini index fluctuating around 0.45. It then increased to an average value of 0.49 during the second half of the 1960s, while under the UP government, it returned to its initial levels. However, starting with the dictatorship, inequality rapidly increased, with the Gini index surpassing the 0.5 threshold and reaching a historical maximum of 0.6 in 1987. According to Ruiz-Tagle (1998) and Ffrench-Davis (2018), during the early years of the transition, the Gini coefficient gradually declined and stabilised around 0.52, eventually decreasing further to 0.47 during Bachelet's second government (Ffrench-Davis, 2018).

The data presented in Figure 12, showing the evolution of the Gini coefficient for the period 1950-2017, appear to confirm these findings. It has been constructed using the author's own estimates based on EOD data and historical projections by

Rodríguez-Weber (2017). The data confirms the broad trends in inequality in Chile previously highlighted: 1) high inequality during the 1950s, 2) moderately high inequality during the 1960s, 3) a reduction to historic lows during the UP government (1970-1973) with an average Gini of 0.48, 4) an increase in inequality to extreme levels starting from the military dictatorship, 5) a marginal reduction and stabilisation of inequality in the 1990s and 2000s with an average Gini of 0.53, and 6) a nascent reduction in inequality to slightly below 0.5 during the 2010s and 2020s.

(ii) Wealth Concentration. Despite the nascent improvements in income distribution towards the end of the 2010s, a significant and enduring feature of inequality in Chile has been the high concentration of wealth since the beginning of the transition. Figure 13 shows that the share of wealth controlled by the top 1% increased steadily from 44% in 1998 to 56% in 2011, after which it declined slightly and stabilised around 50% up to the present day. This outcome aligns with the recent update on the map of extreme wealth (Fazio, 2023) and highlights a pronounced pattern of patrimonial capitalism (in the same sense developed by Thomas Piketty))in Chile, marked by the significant influence of both domestic and transnational economic groups in the ownership and operation of extractive, industrial, financial, and other private and public services sectors in the country, including water and energy supplies, mass media, health, education, and pensions (Solimano, 2018). The market power of these elites is further reinforced by their strong resistance to tax reforms intended to redistribute resources to the poorest and most vulnerable sectors.

Figure 12.
Chile, 1995-2022: Gini Coefficient based on per capita income



Source: The author, based on Chile's Employment and Unemployment Data (EOD) Survey and Rodríguez-Weber (2017)[32].

[32] https://www.microdatos.cl/projects/encuesta-ocupaci%C3%B3n-y-desocupaci%C3%B3n-gran-santiago

Figure 13.
Chile, 1995-2022: Share of the Wealthiest 1% in Total Pre-Tax Wealth (percentage)

Source: The author, based on World Inequality Database (WID) data[33].

SUMMARY REFLECTIONS

This essay has analysed the political evolution and productive stagnation that have characterised Chile over the past two decades. It has argued that the current state of affairs bears a significant resemblance to previous episodes in the country's history. The challenges faced by contemporary Chile[1] are part of a more long-standing historical phenomenon that I refer to as 'the Chilean paradox'[34]. The formulation of the problem closely follows the arguments of Pinto (1959, 1964, and 1973), in the sense that the inability to transform the main features that shape the country's semi-peripheral structure (low long-term growth, lagging productivity, concentration of productive and export matrices, limited technological content aggregation, high structural heterogeneity, and persistent inequality in the distribution of income and wealth) finds its roots in the mismatch observed between the workings of the political system, sluggish economic dynamics, and the rapid

[33] https://wid.world/data/

[34] Note that Moulian (1997) defines contemporary Chile as the country that has been dealing with, and continues to respond to the effects of the implementation and continuity of the neoliberal model first imposed in 1973.

cultural and material transformations that Chilean society has experienced during different stages of its history as an independent state. Furthermore, the essay has identified and explained why this problem is cyclical. Based on the above, the intention is to provide an appropriate theoretical framework to understand the structural and political-economic factors that should be considered in a strategy for structural change, a fundamental exercise that precedes the specific actions and methods of carrying out such transformations in peripheral and semi-peripheral societies.

Palma (2020) has characterised the emergence of social uprisings in Chile and other Latin American countries during 2019 as a 'Gramscian moment', in the sense that the organic crises represented by these movements consist—to cite Antonio Gramsci directly—'precisely in the fact that the old is dying and the new cannot be born' and that 'in this interregnum, a great variety of morbid symptoms appear' (Gramsci, 1999, p. 37). In light of the five years that have passed since Chile's 18-O social outbreak and the constitutional process it initiated, it has become reasonably clear that the 'hegemony' and the 'cultural battle' contested during that political cycle have repositioned the 'historic bloc' that established the neoliberal model in Chile. However, this is not the final lesson for sectors committed to achieving social transformation. Rather, it lies—to continue in Gramsci's vein—in understanding one of this theorist's interpretations that has been recurrently employed in various contexts and has been systematised by Portantiero (1977) to argue that the politics pursued by transformative political forces requires 'a specific tactic that addresses the concrete problems of national life and operates based on popular forces as they are historically determined' (Gramsci, 1926). Thus, the solution to the Chilean problem necessarily involves a clear understanding of the current social dynamics of those majoritarian sectors that have been mobilising since 2019 for profound changes in socioeconomic structures and a deeper, more participatory democracy.

Regarding this approach, the challenges Chile is currently facing, and the dilemmas arising from its development, find a persistent and highly resonant echo in the arguments presented by Osvaldo Sunkel 25 years ago, and which also serve as the conclusion to this essay. According to Sunkel (1999, pp. 79-80):

> Perhaps the common thread associated with the concerns and proposals around these issues is the search for a more radical conception of democracy. [This would involve a] more structured and broader participation of a strengthened civil society: less bureaucratic gigantism in both state and business, and tighter social control over both, exercised through a reinforced chain and denser network of citizen organizations to fulfil public functions and to represent, in particular, the weaker groups and sectors of society.

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STATISTICAL ANNEX

Table A.1.
Chile, 2014-2023: Main Macroeconomic Indicators

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Gross Domestic Product (GDP) Total a	1,8	2,2	1,8	1,4	4,0	0,6	-6,1	11,3	2,1	0,2
Final consumption expenditure a	2,7	2,9	4,1	3,8	3,6	0,7	-6,6	19,5	2,6	-3,9
Government consumption a	4,1	5,0	7,6	4,7	3,1	0,6	-3,5	14,1	6,5	1,7
Private consumption a	2,4	2,4	3,3	3,6	3,8	0,7	-7,4	21,0	1,6	-5,2
Gross capital formation a	-9,1	2,1	-4,5	0,0	9,7	1,3	-17,8	27,8	1,4	-5,3
Exports of goods and services a	0,5	-2,3	0,6	-1,0	4,9	-2,5	-0,9	-1,5	0,8	-0,3
Imports of goods and services a	-6,6	-0,9	1,2	4,5	8,6	-1,7	-12,3	31,9	1,5	-12,0
Investment rate (percentage of GDP) b	25,2	25,6	23,7	22,6	24,2	24,9	21,1	24,1	25,6	23,0
National savings	21,7	22,8	21,1	19,9	19,6	19,7	19,1	16,6	16,9	19,4
External savings	3,4	2,8	2,6	2,8	4,6	5,2	1,9	7,4	8,7	3,6
Macroeconomic Prices										
Consumer Price Index	4,6	4,4	2,7	2,3	2,6	3,0	3,0	7,2	12,8	3,9
Nominal exchange rate a	16,5	14,6	3,4	-4,1	-1,0	9,5	12,6	-4,0	14,9	-3,8
Real effective exchange rate (index 2015=100)	92,9	100,0	99,0	95,3	92,3	98,6	106,3	101,8	109,1	105,2
Employment Indicators										
Average real wages a	…	0,3	1,4	2,4	1,9	2,1	0,5	1,1	-1,8	1,9
Labor participation rate a	61,9	62,0	62,1	62,7	63,0	62,8	56,1	57,0	59,8	61,1
Unemployment rate a	6,5	6,3	6,7	7,0	7,4	7,2	10,8	8,9	7,9	8,7

(*Continued*)

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Visible underemployment rate a	9,5	9,0	9,6	9,5	9,4	9,5	7,2	5,9	5,0	…
Balance of Payments (Millions of dollars)										
Current account balance	-8.982	-6.631	-6.534	-7.616	-13.265	-14.505	-4.952	-22.962	-26.162	-11.899
Goods balance	6.731	3.576	4.951	7.490	4.409	3.016	18.917	10.305	3.729	15.323
FOB exports	75.324	62.120	60.769	68.904	74.838	68.792	74.024	94.604	98.557	94.557
FOB imports	68.594	58.544	55.819	61.414	70.430	65.776	55.108	84.299	94.827	79.234
Services balance	-5.656	-5.571	-5.479	-5.611	-7.341	-8.085	-7.472	-12.494	-15.599	-10.782
Income balance	-11.575	-5.984	-6.936	-10.756	-12.162	-10.411	-15.865	-17.947	-14.224	-17.009
Current transfers balance	1.519	1.348	929	1.260	1.829	974	-532	-2.827	-69	568
Capital and financial accounts d/	9.704	1.203	1.928	4.700	9.412	7.074	10.482	27.428	29.701	8.792
Net foreign direct investment	-15.448	-1.915	-3.487	-2.702	-6.096	-3.234	-5.049	-604	-5.030	-15.460
Other capital movements	5.049	-2.213	-2.549	-706	-6.639	-7.403	227	-36.803	-13.700	-1.673
Global balance	1.057	211	1.805	-2.750	1.397	-152	-2.895	12.211	-9.201	6.788
Change in reserve assets e/	-1.057	-211	-1.805	2.750	-1.397	152	2.895	-12.211	9.201	-6.788
Central Government (percentages of GDP)										
Total revenue	20,6	21,0	20,7	20,9	22,0	21,6	19,8	24,0	25,8	22,7
Tax revenue	16,5	17,4	17,2	17,2	18,1	17,7	16,1	18,9	21,0	17,6
Total expenditure	22,2	23,2	23,5	23,7	23,7	24,5	27,1	31,7	24,7	25,1
Current expenditure	18,1	18,8	19,4	19,9	20,0	20,7	23,7	28,4	21,2	21,7
Interest	0,6	0,7	0,7	0,8	0,9	0,9	1,0	0,9	1,0	1,1
Capital expenditure	4,1	4,3	4,0	3,8	3,7	3,8	3,4	3,3	3,5	3,5
Primary balance	-1,0	-1,5	-2,0	-1,9	-0,8	-1,9	-6,3	-6,8	2,1	-1,6

(*Continued*)

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Overall balance	-1,6	-2,2	-2,7	-2,8	-1,7	-2,9	-7,3	-7,7	1,1	-2,4
Central government debt	15,0	17,3	21,0	23,6	25,6	28,3	32,5	36,3	38,0	39,4
Domestic	12,3	13,9	17,3	19,2	20,3	22,3	25,0	23,5	24,5	25,3
External	2,7	3,4	3,7	4,4	5,3	6,0	7,5	12,8	13,5	14,1

Source: The author, based on data from ECLAC.a: annual variation rates.

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