

BY ROBERT J. BARRO

ONE PINOCHET LEGACY THAT DESERVES TO LIVE



KEY CHOICE
As Chile's vibrant economy sinks into recession, a candidate aims to revive the dictator's successful economic reforms

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Unlike many presidential elections, the upcoming second round in Chile on Jan. 16 offers a serious choice of economic and social policies. Ricardo Lagos, the candidate of the ruling coalition, Concertación, promises a continuation of the center-left policies of the last 10 years. In contrast, the center-right candidate, Joaquín Lavín, would extend the promarket reforms of the 1970s and 1980s.

Despite the current recession, Chile has been one of the world's fastest-growing countries. The growth rate of per-capita gross domestic product since 1985—5% per year—ranks among the top half-dozen countries in the world. Although income inequality is high in Chile, as in most of Latin America, the strong growth benefited the poor as well as the rich. In particular, the fraction of the population living in poverty has fallen substantially, even though indexes of the distribution of income have not changed much. In addition, infant mortality fell from around 80 per thousand in the early 1970s to about 11 today, whereas life expectancy climbed from 64 to 75 years. Undoubtedly, this outstanding performance derived from the free-market reforms instituted by the administration of General Augusto Pinochet from 1973 to 1989.

MIXED RECORD. Despite these contributions to economic and social conditions, Pinochet remains as one of the most hated targets of the world's leftists. Some of this antipathy derives from the general's poor human rights record, especially in 1974-76 after the coup against President Salvador Allende. The crimes of these years did not seem necessary for maintaining power or making essential legal changes and therefore cannot be justified on these grounds. However, the abuses do not stand out among those of other dictators, and Pinochet ought to receive credit for peacefully relinquishing most of his authority in 1989. I think that the extent and durability of the animosity reflects the very economic success—no one has done more than Pinochet and his economic teams to demonstrate the superiority of free-market capitalism over socialism.

Chile has dealt reasonably well with the conflict between Pinochet's human rights failures and his economic successes. A legal amnesty allowed the country to achieve sufficient consensus to consolidate democracy without destroying the pro-market economic

system. This consensus has been disturbed by the propensity of the current administration, led by President Eduardo Frei, to prosecute retired generals for crimes of the 1970s. Further trouble came in London in October, 1998, when Pinochet was arrested on the request of an out-of-control Spanish judge, who was tacitly supported by British Prime Minister Tony Blair. The Frei government should have regarded this detention as a warlike act that threatened the sovereignty of Chile. Instead, the Chilean government responded only with mild objections.

WHITTLED DOWN. The irony is that Pinochet's absence from Chile now seems to be benefiting the opposition candidate, Lavín, in his quest for the presidency. Lagos' economic program is summarized by his motto "growth with equality," a phrase that unfortunately reminds me of George W. Bush's "compassionate conservatism." The basic idea is to maintain—and, hence, get a free ride on—the basic economic reforms that were accomplished under Pinochet while chipping away with added labor-market regulations and mild social-welfare programs.

This approach would probably be more popular today in Chile if the country were not experiencing a substantial recession, with the unemployment rate rising above 11%. Lavín's idea is to resume economic growth by finishing the job of reform. One possibility, which Lavín promises not to pursue without labor's support, is to begin the last major remaining privatization project, the massive state-owned copper company, Codelco. But the most exciting possibilities involve dramatic expansions of the use of the market in the health and education sectors. Somehow, it seems appropriate that Chile, the country that led the way in privatization of social security under Pinochet, would also show the world how to use markets to improve the quality of health care and of primary and secondary schooling.

Maybe Chileans should make their choice in the upcoming presidential contest solely on the basis of the candidates' educational backgrounds. In Lagos, they can get a PhD in economics from Duke University, whereas in Lavín, they can get a master's degree in economics from the University of Chicago. So, the question is, what's better, a PhD from Duke or a master's from Chicago? Personally, I think the choice is pretty obvious.

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