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# Inequality in Twentieth-Century Latin America: Path Dependence, Countermovements, and Reactive Sequences

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*Most recent explanations of social welfare and development outcomes have focused on the role and impact of formal institutional arrangements, particularly the state. The institutional legacies of colonial rule and the role of democratic institutions have been common explanatory variables. This article focuses on the historical origins, persistence, and increases in inequality in Mexico and Chile during the twentieth century. It argues that despite important historical economic and political institutional differences, similar processes account for the unequal distributional outcomes that characterize the two cases. Critical conjunctures involved bitter struggle between social groups. While popularly based countermovements (along the lines predicted by Karl Polanyi) arose periodically and struggled to improve social conditions, these movements were unable to alter the underlying sources of inequality. By mid-twentieth century, popular pressure had been able to exact only an unequal form of embeddedness (or social protection from the market) that contributed to inequality. Further, waves of popular mobilization linked to critical conjunctures produced reactive historical sequences involving fierce resistance from propertied elites and their middle-class allies. This resistance inevitably gave rise to new conjunctures ushering in new institutional arrangements that entrenched or increased inequality. The absence of a distributive settlement between propertied classes and popular groups was at the heart of the mobilization and countermobilization cycles in both cases; indeed, it was the depth of this disagreement, particularly the disagreement over private property, that fueled reactive sequences and their unequalizing outcomes.*

## Introduction

Explaining social welfare outcomes, a preoccupation of economics for some time, has been taken up by an increasing number of social scientists. For much of the twentieth century, Latin America has not only been plagued by poverty and deprivation among a significant proportion of its population, but the region has also been characterized by high levels of inequality – indeed historically higher levels than in other parts of the world (Cornia et al. 2004: 32). Although Latin American countries experienced a decline in historically high levels of inequality in the 2000s, recent economic difficulties linked to the decline in commodity prices will very likely lead to a rise in inequality.<sup>1</sup> This article explores the roots of Latin America's

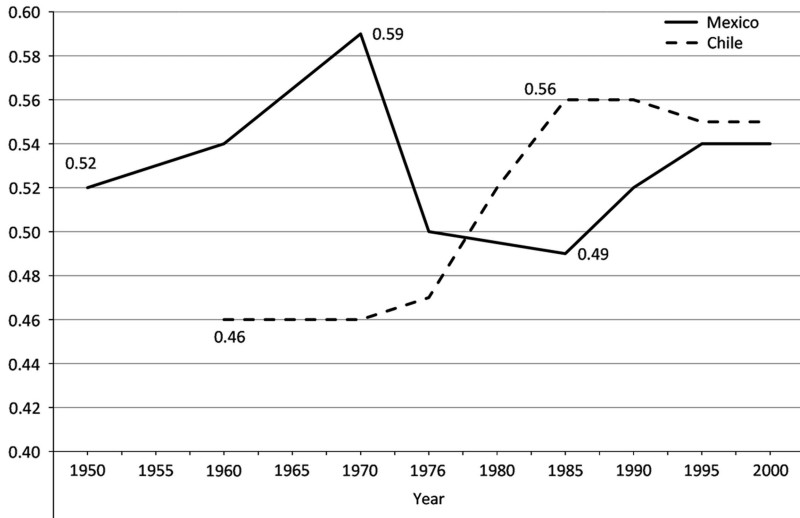
1. It is only recently that inequality in Latin America has begun to decline, but it still remains high by international standards. In 2013 only 3 of 15 Latin American countries for which information was available had Gini coefficients below .47 (ECLAC 2017, table 14). The Gini coefficient is a standard measure of income inequality, which ranges between 0, where there is perfect equality, to 1, where one person has all the income.

high levels of inequality during the twentieth century through a historically grounded in-depth analysis of two cases (Mexico and Chile). This analysis highlights the importance of class conflict within long historical processes in shaping unequal distributional outcomes. It identifies path-dependent self-reinforcing sequences and reactive sequences involving relatively weak countermovements demanding social protection and powerful reactive social forces as the main explanatory variables.

Chile and Mexico share some important similarities but also display widely recognized differences. By the mid-twentieth century, both Mexico and Chile had experienced substantial industrialization, resulting in the emergence of industrial and financial elites, skilled and unskilled working classes, and middle classes. These new groups joined rather than replaced powerful landed interests and impoverished peasants. The differences in the two cases are also substantial. Mexico had a larger indigenous population, a distinct mixed-blood population (constituting the majority of the population), and a ruling political and economic elite who are largely of European extraction. The Chilean population, however, was much more homogeneous, constituted mainly by a mixed-blood population, with the country's small indigenous population largely confined to the south. While Chile encountered stagnant economic growth rates during the 1950s and 1960s, Mexico's comparatively steady economic growth rates, averaging 6 percent per year, caused many observers to refer to the "Mexican miracle." Chile had a pluralist electoral democracy until the military coup in 1973, while Mexico's authoritarian single-party dominant regime held power for 70 years. Chile's level of poverty, by mid-century, was much lower than Mexico's (about half). Finally, Chile's steady economic growth rates and substantial poverty reduction since the late 1980s contrasts sharply with Mexico's stagnant or at times slow economic growth and periodic economic crises. Chile's more homogeneous population and its pluralist electoral democracy (at least during the first three-quarters of the twentieth century and after 1990) might be expected to produce more equitable social outcomes compared with Mexico, a country saddled with sharper racial and ethnic distinctions and a prolonged period of authoritarian rule. Instead, in both cases, inequality, measured by the Gini coefficient (figure 1), has remained high throughout the twentieth century and, in fact, rose in the aftermath of mobilizational attempts to reduce it. Asset inequality has been substantial in both Mexico and Chile<sup>2</sup> as has inequality of access to services such as health care and education, key contributors to socioeconomic inequality.

I argue that despite substantial differences in economic experiences and political institutions, similar underlying historical processes explain persisting high levels of inequality and their increase in the twentieth century. While much of the literature explaining distributional outcomes (discussed in the following text) focuses on formal institutional processes (property rights, the rule of law, formal democratic

2. In 1998, the 10 largest Chilean economic conglomerates controlled 70 percent of total assets (Lefort and Walker 2000: 18) while in Mexico, in 1991, the top nine conglomerates controlled 55.1 percent of the total assets (Garrido 1998: 412).



**FIGURE 1.** *The evolution of inequality (Gini coefficient), Mexico and Chile.*

Source: UN-WIDER Database; ECLAC 2017, table 14.

institutions, particularly elections), this work highlights the underlying processes that shaped formal institutions and the outcome of political struggles, an approach that requires close attention to context. While the *main* actors in these causal sequences are social classes, other social groupings, such as the military, state bureaucrats and technocrats, and social movements, also played important roles in shaping distributional outcomes.

### Distributional Outcomes as Political Struggles

The earliest insight into the way in which political struggles mitigate social hardship is found in Karl Polanyi's *The Great Transformation*, originally published in 1957. Polanyi argues that deep-seated countermovements arose in Europe in the second half of the nineteenth century to resist "the pernicious effects of a market-controlled economy" (2001 [1957]: 80).<sup>3</sup> While the laboring poor formed an important component of such countermovements, these movements consisted of a broad cross-section of society (*ibid.*: 156–57). Countermovements struggled against those who sought to disembed the economy from institutions and social structure. The pressure exerted by the countermovement would produce the re-embedding of the market and thereby protect the vulnerable from its vagaries. Polanyi identified restrictions on democratic politics as one of the key mechanisms by which propertied groups

3. While Polanyi was not specifically concerned about inequality, the processes he described would have important implications for levels of inequality.

attempted to thwart the state intervention needed to protect society from the unfettered operation of the market (ibid: 234).<sup>4</sup>

Much of the recent literature, by contrast, has departed from this explicit focus on political struggle, emphasizing instead formal institutional features as key ingredients in shaping social outcomes. Economists writing on the subject have generally focused on the institutions that ensure functioning markets, such as property rights and the rule of law, as key variables (Acemoglu et al. 2001; Rodrik et al. 2004). Economists, in particular, have debated the extent to which geography shaped colonial institutions that in turn molded postcolonial state institutions. These latter, so the argument goes, have been instrumental in accounting for economic growth and per capita income over the long term. Mahoney (2010) has challenged this perspective, arguing that it was not institutions, shaped by geography, that have determined social outcomes in Latin America, but rather the interactions between the institutions of the colonizing nation (whether mercantilist or liberal) and the institutions of precolonial societies (institutional complexity vs. institutional simplicity) that produced different levels of socioeconomic development. Precolonial societies with less institutional complexity, subject to Spanish mercantilism, were more likely to achieve higher levels of social development in the postcolonial era. Mahoney argues that these arrangements set in motion a heavily path-dependent process from which countries are unlikely to deviate.<sup>5</sup>

Others, however, hold out hope that the institutions of electoral democracy can have positive social outcomes. Pressure exerted by lower-class demands as a consequence of electoral democracy and the expansion of the franchise is believed to have been instrumental in improving educational spending, labor legislation, and social security – all measures that are important in inequality reduction (Acemoglu and Robinson 2006: 26; Rueschemeyer et al. 1992). Rodrik (2000) makes the case that participatory democratic institutions, allowing access to nonelites, will produce better distributional outcomes and are more likely to provide social protection in the face of economic shocks. He cautions, however, against fixating on the necessity of particular set of institutional arrangements.

A growing number of observers (Hickey et al. 2014; Leftwich 2011; Teichman 2016) have challenged the preoccupation with institutions and called attention to the failure to attribute sufficient attention to agency, particularly the role of elites and the nature of the political coalitions (both formal and informal) that key political actors are able to construct. Ideally, an inclusive progrowth coalition would be most likely

4. Until the early 1990s, most economists, however, accepted Kuznets's prediction (1955) that inequality was an integral component of the economic development process and that it would decline (more or less) spontaneously, after rising during the early phase of industrialization, as the growing industrial sector expands to absorb labor from the rural sector.

5. According to Mahoney, the combination of Spanish mercantilism with a low level of precolonial institutional complexity would allow Chile to achieve a higher level of socioeconomic development. This argument seems valid at least until the mid-to-late 1960s. However, it cannot account for the sharp increase in poverty in Chile from the 1970s (when it became comparable to Mexico's). More importantly, Mahoney's analysis does not tackle the inequality issue.

to have the best distributional outcome and could conceivably exist in a number of distinct institutional settings, even in authoritarian ones. If political contestation is central to distributive outcomes, then arriving at a societal consensus (or settlement) among political contenders would seem to be crucial. Indeed, one of the conditions for inequality reduction, identified in much of the literature on Europe, is a societal distributive agreement. Typically, this is described as a “class compromise” in which the contending sides (capital and labor in the case of advanced liberal democracies) make real concessions (e.g., on wages, social protection) with the objective of avoiding mutual damage and achieving social peace within the parameters of the operation of the capitalist system. Where inequality has remained the lowest (in northern Europe), the main social actors (labor and business) became partners in macroeconomic policy making in an ongoing process of bargaining, involving trust and consensus building (Green-Pederson et al. 2001). A class or societal compromise is an essential ingredient in embedding the market because it involves agreement on the institutional and legal arrangements that ensure the desired distributional outcome. However, distributional political settlements are difficult to come by in the Global South (Khan 2010), and particularly in Latin America where political conflicts are sharply polarized.

If we accept that the distribution of political power and political contestation is at the core of distributional outcomes, Polanyian-type countermovements are likely to meet widely differing degrees of opposition and therefore of success – regardless of formal institutional arrangements. As this article will show, the extent to which the market is embedded in social structure and institutions is shaped by a complex process involving path-dependent and reactive political processes. In the Latin American cases, twentieth-century countermovements were only able to achieve limited forms of re-embeddedness. This exclusionary form of embeddedness played an important role in the perpetuation of high levels of inequality.

Latin America’s path-dependent unequal development process has its origins in the Spanish conquest, which established what Charles Tilly (1998) has termed the “categorical” characteristics (ethnic and cultural) that would become the distinguishing features of exclusion from both political influence and improved social welfare. Tilly (1998) focuses on what he calls organized exclusion, arguing the central importance of cumulative, relational organizational processes in the creation of inequality. In particular, he claims that the “politics of inequality concerns the involvement of government in inequality generating social processes” (196). In the Latin American cases, the Spanish Conquest allowed the Spanish elite (and later the American-born Spanish elite) to take control of economic resources, entrench mechanisms of exploitation, and establish the political, social, and cultural mechanisms that would render exclusion enormously resilient into the future. Control of the state emerges as the predominant and essential ingredient in this process. It ensures that exclusion and differential inclusion of social groups is structured into institutional arrangements, both formal and informal, and into public policy.

The analysis in this article adopts and adapts the concept of critical *conjuncture*, which has been characterized as involving the intersection of two distinct sequences, at least one of which is internationally generated. The two sequences connect through a coincidence of timing (Mahoney 2000: 528; Pierson 2000: 87). Critical conjunctures, unlike critical junctures, mold more than political or institutional outcomes.<sup>6</sup> Critical conjunctures result in not only institutional change but also in an alteration in the social class or alliance of social classes in control of the state. Conjunctures are periods of intense economic and political turmoil and, even when they end, the ultimate outcome may be far from clear.

The events that follow critical conjunctures may be self-reinforcing *or* reactive sequences, or a combination of the two. In the two cases discussed in this work, both types of sequences emerge and interact. Self-reinforcing chains involve the persistence or emergence of institutional arrangements and practices that trigger “increasing returns” over time for their supporters, and so these arrangements are resistant to change because the groups benefitting from them act to prevent their dismantling or dilution. Self-reinforcing sequences also generate social understandings and basic outlooks on social and political life, which further contribute to path dependence (Pierson 2000: 79). Reactive sequences, however, involve cycles of mobilization involving, in the case of the Latin American cases discussed here, both Polanyian-type countermovements and elite and middle-class oppositional reactions to these movements. A reactive sequence begins when a growing proportion of the population (or a minority with access to the means of force) acts against existing social, economic, and political arrangements. This sequence may produce, over time, a new critical conjuncture, which, in turn, results in the triumph of the threatened social group or groups and the rise to power of a new coalition. In this process, institutions may be destroyed or altered in fundamental ways. In Chile and Mexico, critical conjunctures ushering in increased levels of inequality involved both self-reinforcing sequences and reactive sequences comprised of intense countermovements and fierce resistance to those movements. Reactive sequences were never powerful enough to alter the path-dependent features responsible for ongoing high levels of inequality, however. Instead, oppositional political forces responding to popular countermovements secured the entrenchment of inequality-enhancing arrangements, or even the institution of new inequality-inducing structures.

While the consequences of the interplay between self-reinforcing and reactive sequences operated to keep inequality high, there were important moments of equality-enhancing distributive triumphs. Power was not consistently monopolized by the ultimate victors in redistributive struggles. At these times, struggles against inequality posed the possibility of redistributive justice. In the end, however, redistributive justice faltered. Reactive sequences reflected the fact that distributional conflict was intense and a long-term distributive settlement unachievable. An

6. Much historical comparative work, especially that primarily concerned with explaining political outcomes, employs the concept of *critical juncture* as the starting point from which key explanatory processes flow. See, e.g., Collier and Collier 1991.

important aspect of the process was the fact that critical conjunctures and the processes arising out of them did not destroy past inequality-enhancing arrangements and norms and gave rise to new ones. Indeed, as we shall see, what is cast away and what is kept during a critical conjuncture is crucial in shaping distributive outcomes. Even the Mexican Revolution, part of a much more transformative critical conjuncture than that which occurred in Chile, did not sweep away important inequality-maintaining features (such as concentration in landownership) and the powerful interests that supported them.

### **Mexico and Chile: Initial Critical Conjunctures and the Redistributive Struggles**

Sharp social compartmentalization (rigid boundaries between social groups), the consequence of the Spanish conquest and the long period of Spanish colonial rule, was a key preexisting feature of both societies (figure 2). In the case of Chile, racial intermingling gave rise to a social hierarchy involving a small, white, wealthy oligarchy of landed, financial and industrial interests in charge of the state, and a mass of mixed-blood (mestizo) rural dwellers. As the country modernized, this mixed-blood population also came to comprise the urban working and middle class. Mexico, unlike Chile, began its modern history with a substantial indigenous population, which by the middle of the twentieth century accounted for between 28 percent and 37 percent of the total population (Lambert 1967: 42). Concentrated in south central rural Mexico, these were the country's poorest citizens. Mestizos generally occupied an intermediate level in the social, economic, and political hierarchy. A small, white population of around 10 percent occupied the highest levels of economic and political power. In both cases, colonial rule established extreme inequalities in assets. Especially notable was concentrated landownership, widely recognized as one of the most important roots of sustained high levels of inequality (Kay 2006; Sen 2000: 45). The descendants of Spanish conquerors remained as the new ruling classes when independence from Spain was achieved and continued to monopolize economic wealth and political power. These were all-powerful self-reinforcing path-dependent realities that critical conjunctures would never transform.

Mexico's first critical conjuncture comprised the period from 1890 to 1925 (figure 2). This period included a rising level of worker and peasant mobilization, the Mexican Revolution, and the rise to predominance of a new agricultural commercial class of big landowners. The dynamic expansion of the US economy and the increase of US trade and investment in Mexico constituted the international component of this conjuncture and was one that stimulated the emergence of a new Mexican agricultural and industrial class. The government of Porfirio Díaz (1876–1911), bent on modernizing the Mexican economy, granted economic privileges and monopolies to foreign and domestic entrepreneurs. Foreign investment, particularly American investment, became the most important driving force behind this economic modernization (Haber 1989). Industrialization, linked to the commercialization of agriculture and mining

MEXICO	CHILE
Self-reinforcing impact of colonial rule	
<p style="text-align: center;"><b>First Critical Conjuncture</b></p> <p>1890-1925</p> <ul style="list-style-type: none"> <li>-increasing social hardship;</li> <li>-Mexican Revolution, 1910-1917</li> <li>--new commercial agricultural class</li> </ul> <p>resists redistribution; redistribution stalls</p> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Reactive Sequence</b></p> <p>1925-1930</p> <ul style="list-style-type: none"> <li>-Countermovement mobilizes</li> <li>-in response post-revolutionary leadership</li> </ul> <p>resists and moves right.</p> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Second Critical Conjuncture</b></p> <p style="text-align: center;">1930-1938</p> <ul style="list-style-type: none"> <li>-Great Depression</li> <li>-Intense mobilization of popular classes</li> <li>-Cárdenas Presidency, 1934-38</li> <li>-Radical redistributive reforms</li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;">Reactive Response</p> <p style="text-align: center;">1938-40</p> <ul style="list-style-type: none"> <li>- reactive resistance on the part of wealthy</li> </ul> <p>and middle class</p> <p style="text-align: center;">↓</p>	<p style="text-align: center;"><b>First Critical Conjuncture</b></p> <p>1925-1938</p> <ul style="list-style-type: none"> <li>-rising working class militancy &amp; growing</li> </ul> <p>political instability</p> <ul style="list-style-type: none"> <li>-Great Depression</li> <li>-Popular Front Government, new ruling</li> </ul> <p>coalition, 1938; some limited</p> <p>redistributive reforms</p> <ul style="list-style-type: none"> <li>-land reform blocked</li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Reactive Sequence</b></p> <p>1941-1973</p> <ul style="list-style-type: none"> <li>-Redistributive mobilization led by</li> </ul> <p>left/center parties produces growing fear</p> <p>and resistance from elite and middle class</p> <ul style="list-style-type: none"> <li>-social compartmentalization deepens</li> <li>-opposition from propertied and middle</li> </ul> <p>classes gathers momentum</p> <ul style="list-style-type: none"> <li>-reaches its height with election of UP</li> </ul> <p>government</p> <ul style="list-style-type: none"> <li>-propertied class plots overthrow of the</li> </ul> <p>government by 1973</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Military Coup</p> <p style="text-align: center;">↓</p>

**FIGURE 2.** Mexico and Chile, critical conjunctures, and cycles of mobilization and opposition.



<p>1940-late 1960s</p> <ul style="list-style-type: none"> <li>-New ruling group makes (<b>self-reinforcing</b>) institutional changes to PRI to quell redistributive pressures.</li> <li>-Rise in inequality, with steady economic growth; benefits to the middle class and propertied interests</li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Reactive Sequence:</b></p> <p>Mid 1960s-1976:</p> <ul style="list-style-type: none"> <li>- mobilization, produces some redistributive measures but reactive resistance ends the reform program</li> <li>-U.S. policies and oil crisis contribute to end of reform program</li> </ul> <p style="text-align: center;"><b>Third Critical Conjuncture</b></p> <p style="text-align: center;">1980-1995</p> <ul style="list-style-type: none"> <li>-Drop in petroleum prices</li> <li>-International debt crisis</li> <li>-institution of neoliberal reform</li> <li>-rise to power of alliance of technocrats and conglomerate executives</li> <li>-1995 peso crisis</li> <li>-Rise in inequality</li> </ul> <p style="text-align: center;">↓</p> <p>1996-2000</p>	<p style="text-align: center;"><b>Second Critical Conjuncture</b></p> <p style="text-align: center;">1973-1985</p> <ul style="list-style-type: none"> <li>-Decline in copper prices</li> <li>-New ruling alliance of business, technocrats, military</li> <li>-U.S. actions supporting the coup</li> <li>-International debt crisis triggers more pragmatic neoliberal model due to financial collapse arising from debt crisis</li> <li>-Sharp increase in inequality</li> <li>-New institutional arrangements block redistributive alterations to the model</li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Reactive Sequence</b></p> <p>1983-1990</p> <ul style="list-style-type: none"> <li>-Opposition protests demanding return to civilian rule</li> <li>-Rising level of state repression in response</li> <li>-Political parties negotiate transition</li> <li>-constitutional restrictions on new civilian government</li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Political Transition with Self-reinforcing Features</b></p>
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<p>-Rising opposition to the regime</p> <p>-political liberalization, democratic transition</p>	<p>1990-2000</p> <p>-Military constitutional legacy shapes distributive possibilities for many years</p> <p>-By 2006, emerging redistributive mobilization</p>
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exports to the US market, began and expanded rapidly in the northern city of Monterrey (Camp 1989: 209).

In its efforts to modernize, the administration of Porfirio Díaz (1876–1911) produced a sharp deterioration in the conditions of workers and peasants – an almost classic example of the severely adverse social consequences of an attempt to disembed the market. Measures encouraging the construction of railways combined with land grants to survey companies produced a massive loss of land on the part of the peasantry. By 1910, 96 percent of the agricultural population was landless and less than 3 percent of the population owned land while wages and working conditions deteriorated (King 1970: 5; Tannenbaum 1968: 140). Life expectancy and infant mortality rates, already poor to begin with, deteriorated in the last decades of the Porfiriato (Cumberland 1968: 192).

The exclusion of the indigenous and mixed-blood population from development by the country's white-skinned oligarchy gave rise to the Mexican Revolution, involving mobilization on the part of peasants and workers; both groups espoused a radical ideology, demanding land redistribution and workers' rights. Workers' and peasants' rejection of the inviolability of private property would render a redistributive settlement difficult in the future. Indeed, the 1917 Constitution enshrined this ongoing tension between social rights and liberal economic values; it granted peasants official recognition of their communal landholdings and established private landownership as a privilege, not a right. Workers obtained guarantees for workers' rights such as the right to organize, the right to strike, and the eight-hour day (Cockcroft 1968).

The redistributive demands of workers and peasants would soon confront resistance from the country's new postrevolutionary leadership, comprised of the middle-class supporters of the revolution – people from the legal professions, teachers, and small or medium landowners, many of whom were from northern Mexico – and the remnants of the propertied classes that had survived the revolution. The new post-revolutionary political leadership almost immediately incorporated the Porfirian banking sector needed in the reconstruction of the banking system (Maxfield 1990: 59) and the northern industrialists. Control of the state enabled this new leadership to transform itself into a powerful new class of commercial agriculturalists based in northern Mexico (Cockcroft 1983: 128; Hansen 1980: 119). The new agrarian commercial class, which opposed land redistribution and labor rights, was successful in pushing the presidency and the political leadership to the political right through

the 1920s. Hence, relatively little land redistribution occurred before 1930 and most of the land that was given out was not arable (Sanderson 1981: 17). Labor was increasingly repressed and failed to make important gains.

Therefore, Mexico's first critical conjuncture, despite the fact that it involved large-scale mobilization from below, failed to usher in a redistributive settlement capable of mitigating distributive tensions. While big landowners were weakened, important prerevolutionary propertied groups survived – and the process had given rise to a new commercial agricultural class that now held the reins of power. As a result, uprisings and political instability remained the order of the day through the 1920s, especially in light of the expectations raised by both the revolution and the new constitution. A confluence of circumstances would soon present a new opportunity for redistributive gains.

While Mexico struggled with the throes of revolutionary upheaval and its aftermath, Chile's more dynamic agricultural and mineral export economy provided both economic growth and greater (comparative) political stability. In the decades prior to the onset of Chile's critical conjuncture in 1925, the country's pluralist electoral system provided increased representation to the middle and working classes as the reformist Radical and Democratic parties gained seats in Congress. At the same time, however, the political leadership, controlled by a Congress dominated by the parties of the propertied classes (largely big landowners and mine owners), repressed working-class strikes and protests demanding improved wages and working conditions.<sup>7</sup> While the entry of reformist parties into the political system led to increased educational spending and improved literacy rates, access to basic education bypassed rural dwellers. Most rural people, accounting for about 38 percent of the labor force, could not obtain even a minimum of education (Loveman 1988: 139). The rural poor labored under harsh working conditions, with ever-increasing workloads and ever-smaller land allotments (Bauer 1975: 162).

As in Mexico, Chilean elites' perception of the country's racially mixed rural labor force as inherently backward, lazy, and unmotivated by wages fostered a lack of concern for improved rural welfare (*ibid.*: 142). Even more negative attitudes were directed against the country's indigenous population, who remained the most deprived (Merino and Quilagueo 2003). Meanwhile, shared and deep hardship in the mines in northern and southern Chile nourished a radical class ideology that, in its rejection of private property, would ultimately prove to be an obstacle to a redistributive settlement with capitalists. The political right in Congress, backed by the wealthy elite, blocked mildly reformist social legislation in 1920 (Borzutzky 2002: 11–12). It required a reformist military coup to finally get the legislation through Congress in 1925. This act initiated Chile's first critical conjuncture that lasted until 1938 (figure 2).

7. The most notable case of state repression was the 1907 state massacre of some 1,000 nitrate workers and family members in Iquique during a protest demanding higher wages and better working conditions (Loveman 1988: 202).

The Great Depression of the early 1930s, which hit Chile harder than any other Latin American country, constituted the international element of this critical conjuncture. Exports of copper and nitrate plummeted by 88 percent, the steepest decline in exports experienced by any country, and more than 50,000 workers lost their jobs (Loveman 1988: 230–31). Political unrest was widespread, ushering in a succession of civilian and military governments, some of which did not last more than a few days. As popular demands for social improvement persisted, Arturo Alessandri, elected to the presidency in 1932 with support from the working class, met rising worker unrest with sharp repression.

Chile's initial critical conjuncture ended with the election of a new coalition, the Popular Front, in 1938. The Front, led by the middle class-backed Radical Party and supported by the Socialist and Communist parties, finally offered the possibility of substantial redistributive change. Although the regime implemented some additional improvements for the working class, in the end it failed to address the country's most severe distributive challenge – the plight of rural dwellers – despite the desire of its Socialist and Communist coalition partners that it do so. This failure was related to a deal struck with the political right for the purpose of supporting the country's new industrialization drive, widely seen as necessary given the dislocations caused by the Depression. The agreement saw the Front effectively agree to the abandonment of any possibility of social improvements in the countryside.<sup>8</sup> The failure of the Popular Front regime to produce more substantial reform resulted in the exit of the Socialist Party from the Front in 1941 and prompted its move toward revolutionary Marxism and the abandonment of its personalistic and clientelistic features (Drake 1978: 39). As the Communist and Socialist party activists continued their attempts to organize the countryside, however, big landowners became increasingly resentful, pressuring the new government for restrictions on rural labor rights (Loveman 1976: 143–65).

In Chile, severe hardship in the countryside and in the mines did not produce a revolutionary upheaval as it did in Mexico. Nevertheless, there was rising unrest and political instability within an electoral system. As in Mexico, powerful propertied interests successfully resisted meeting the redistributive demands (particularly land redistribution) that would have had the most favorable impact on inequality reduction. The electoral process allowed the possibility of distributive reform to present itself, but the opportunity was fleeting given the power of propertied interests. This intransience would trigger further mobilization and reactive responses.

In both Mexico and Chile, initial critical conjunctures left in place sharp inequalities in wealth and status inherited from colonial rule. While conjunctures involved intense levels of popular mobilization (particularly in the case of Mexico) and produced the ascent to power of new groups, powerful propertied interests of the

8. The Popular Front dropped legislation allowing rural unionization to get the congressional political right to approve the establishment of a new state industrial development bank: CORFO (Chilean Production Development Corporation) (Fáunderz 1988: 44).

past remained key participants in the new ruling coalitions. In neither case was a redistributive settlement forthcoming, while ongoing demands for social improvements were met with repression. The failure to reach a mutually satisfactory redistributive settlement, a product of the intransience of propertied interests, and the high level of threat posed by the popular classes combined with their rejection of private property rights fueled political polarization and exacerbated conflict. This process hardened the rigidity of divisions among social classes.

### **Mexico: Cycles of Mobilization and Reaction**

As illustrated in figure 2, the period between 1930 and 1938 marked Mexico's second critical conjuncture, characterized by continued propertied group and middle-class opposition to redistributive measures and further compounded by the devastating impact of an external international shock: the Great Depression. As in Chile, the Depression generated a sharp deterioration in living standards and an upsurge in popular mobilization, aggravating the already high level of dissatisfaction stemming from peasants' unfulfilled expectations of land reform and workers' hope for improved wages and working conditions. As a younger generation of revolutionaries gained ground within the ruling party, by 1934 radical social reform, including agrarian reform, was firmly on the agenda.

General Lázaro Cárdenas became president in 1934 with support from the political left of his party and with a strong social base in the mobilized peasantry and the labor movement. His administration offered the possibility of a radical redistribution that would rectify the country's searing inequalities. Rejecting his predecessors' emphasis on big commercial agriculture, his government distributed 44 million acres of land, more than two times the land distributed by all the previous governments combined (Parkes 1962: 343). Most of the new rural holdings were *ejidos*, a communal type of landholding demanded by the rural poor, especially the indigenous peasantry – these came to account for more than one-half of total cropland (Hewitt de Alcántara 1976: 5). Cárdenas also significantly increased public investment in roads, irrigation works, schools, and medical services for rural areas and increased credit (through the creation of a special bank) to the *ejido* sector. He addressed many of the workers' demands, increasing wages and social expenditures. This latter increased from 20 percent to 26 percent of total expenditures, reaching the highest point in Mexican history in 1938 (Wilkie 1967: 158).

Cárdenas's redistributive reforms, however, almost immediately triggered a fierce reactive oppositional response on the part of the landowners, industrialists, and financial elites and their middle-class allies. Cárdenas's adversaries among the business class opposed land redistribution, the nationalizations of foreign companies, and the increase in government expenditures that had occurred during his administration (Meyer and Sherman 1979: 179). They were also alarmed by strikes and other forms of labor unrest, which had accelerated during the last two years of the administration. They registered their opposition to the regime by sending capital

(an estimated 938 million pesos) out of the country, a common tactic used by Mexican business to discipline the state by creating economic instability (Martínez Nava 1984: 103–6). The middle class, fearful of the rising level of popular mobilization and profoundly distrustful of the high level of state intervention, was fully supportive of the anti-Cardenista protests (Loaeza 1983: 433). As the country's economic difficulties mounted, Cardenas's radical redistributive experiment ended with his departure from power and the ascent to power of conservative President Manuel Ávila in 1940.

Fearful of the radical nature of the Cardenista social project, beginning in 1940 Mexico's political leadership adapted the ruling party's institutional framework in a way that would contain redistributive pressure. Cárdenas had incorporated new organizations representing workers, peasants, and the "popular sector" (middle-class groups, especially teachers) into the dominant party (renamed the PRI, or Institutional Revolutionary Party, in 1946). After 1940, the country's presidents controlled workers and peasant organizations (and their demands) by handpicking peasant and worker leaders and by replacing combative worker and peasant leaders with acquiescent ones (Hansen 1980: 113–19). The leadership also afforded opportunities for the personal enrichment of labor and peasant leaders in exchange for their willingness to quell dissent and ensure membership vote for the PRI at election time. Of course, regime legitimacy also drew from the reputation the PRI had garnered as the party of workers and peasants as a consequence of the very popular redistributive reforms of the Cárdenas years (Hellman 1983: 141–42, 238).

From 1940, the country's ethnic and class compartmentalization became structured into the hierarchical operation of the party/state apparatus. The peasant sector (the CNC, National Confederation of Peasants), which incorporated the poorest indigenous people of southern Mexico, was the weakest sectoral organization within the PRI, the most subject to various forms of clientelistic manipulation, and the most likely to experience state repression (*ibid.*: 44, 171). Meanwhile, agricultural policy became hostile to *ejidal* and small farmer agriculturalists and favored big northern agriculturalists. Governments halted the creation of new *ejidos*, reduced the loans available to poor peasant producers in south and central Mexico, tightened the terms of repayment, and made it difficult for small and *ejidal* farmers to obtain fertilizer (Hewitt de Alcántara 1976: 193, 63). By the late 1960s, significant land reconcentration had occurred: Two percent of farm families owned 76 percent of all farmland while 51 percent of farms, with less than 5 hectares per family, accounted for only 6 percent of all farmland (Cockcroft 1983: 177). Half the rural labor force, who worked as day laborers, saw their wages decline between 1950 and 1967 (Aguilar and Carmona 1972). As big farms mechanized, rural unemployment grew. Nor did the urban poor, their numbers swollen by recent rural migrants, benefit from economic growth although, unlike poor rural dwellers, they usually had considerably greater access to subsidized basic necessities. According to one estimate, the underemployed (those without formal stable employment) accounted for between 40 and 60 percent of the economically active population by the late 1960s (Tello 1979: 76). Those without formal employment (and even many with it) lacked

social security protection, a reality that meant they lacked access to health care and pensions.<sup>9</sup>

However, a significant portion of the population did benefit from the economic growth experienced between 1940 and the mid-1960s – mobilization had proven effective in extracting improved levels of social protection for some groups. The organized middle and working classes, especially state employees and workers in trade unions in the strategic mineral and petroleum sectors, received the best wages, acquired the most generous benefits, and were less subject to repression. While the proportion of state spending on education began to rise by the late 1970s, it remained unequalizing due to the fact that it went mostly to urban areas and to postsecondary education, used mainly by the children of the middle and upper class. By 1970, rural illiteracy stood at 40 percent and urban illiteracy at 26 percent (Wilkie 1999: 214). While poverty declined during Mexico's miracle years (1940 to the mid-1960s), this reduction occurred mainly in the urban sector and inequality increased significantly (figure 1). While the top 20 percent of households increased their share of national income from 60 percent to 65 percent, the bottom 20 percent saw their share drop from 6 percent to 3 percent (UNU-WIDER Database).

The exclusion of the lower classes from the benefits of economic growth gave rise to another cycle of mobilization from the mid-1960s to the mid-1970s. The PRI's co-optative/clientelistic mechanisms of political containment were, however, proving less and less effective. This increased popular pressure was met, once again, by the resistance of the propertied and middle classes (figure 2). Independent trade unionism increased, as did peasant uprisings. Guerrilla movements, demanding social justice, especially land redistribution emerged in south and central rural Mexico. Although much of this unrest was met with state repression, the administration of Luis Echeverría (1970–76) did take some measures to accommodate popular redistributive demands: his government increased spending on small and *ejidal* agriculture, expanded rural credit and agricultural schools, and expanded social welfare programs (Gribomont and Rimez 1977: 786). Faced with peasant land invasions, the government also expropriated and redistributed land to individual peasants and *ejidos*.

Once again, however, business put up strong opposition to these measures and helped to secure their abandonment by destabilizing the economy by sending more than a half billion US dollars out of the country over the winter of 1976 (Gereffi and Evans 1981: 51). Business also blocked most of the tax reforms needed to increase government revenues. Echeverría's successor, President López Portillo (1976–80), abandoned Echeverría's social reform programs and strove to regain business support through developing and exporting the country's petroleum resources. While inequality declined during the first half of the 1970s, when new redistributive measures took hold, it would be forced upward with the market reform measures that ensued following the debt crisis (figure 1).

9. By 1967, only 22 percent of Mexican workers had social security benefits; the figure was still less than 40 percent by 1980 (Ward 1986: 112).



Hence, in Mexico, two periods of mobilization by those who were benefitting the least from Mexican development arose and were defeated between 1930 and the mid-1970s. The construction of clientelistic/corporatist political arrangements of political control involving the PRI, which emerged following the 1930–38 critical conjuncture, were instrumental in containing redistributive pressures and contributed to the worsening of inequality. At times of popular mobilization in support of redistributive measures, business and its middle-class allies were effectively able to veto redistributive initiatives.

### **Chile: Mobilization and Opposition**

As industrialization progressed through the 1940s and 1950s, Chile's propertied elite became ever more cohesive; a few families, closely tied to the landowning class, came to control companies spanning banking and industry. Big landowners controlled 86 percent of arable land (Zeitlin and Ratcliff 1988: 169), a situation that rendered a redistributive settlement involving the sacrifice of these landowners very unlikely. The failure of the Popular Front government in Chile (1938–41) to deliver substantive redistributive reform produced increasingly intense mobilization on the part of left and center political parties, which organized workers during the 1940s and 1950s. Organization of the peasantry began in the 1960s, initially led by the Christian Democratic Party (figure 2).

An important feature of the period was the fact that there were significant social improvements – indeed, poverty in Chile was one-half that of Mexico's (Wilkie 1999: 428) and social security did come to cover 68 percent of the economically active population by 1964. However, benefits were distributed highly unequally: The embedding of the market arising from the countermovement mobilization of the 1920s to the 1940s was unequal in its distribution of benefits and social protection. By the late 1960s, white-collar workers earned more than four times the average blue-collar wage (Boyle and Hojman 1985: 18, 21). While a portion of the working class (the best organized workers in transportation and mining) was able to secure generous social security benefits, the provisions for less powerful union members involved meager services (Borzutzky 2002: 16). By the late 1940s, repression had pushed left rural labor organizers underground and, by 1952, agricultural wages were 300 percent less than industrial wages (Mamalakis 1976: 102). Given the neglect of spending on social services in the rural areas, rural illiteracy, at 25 percent, continued to be considerably higher than national levels (at 11 percent) (Wilkie 1999: 214).

With the erosion of their rural support base, the parties of the old elite (the Liberals and Conservatives) began to see a drop in their seats in Congress (Loveman 1988: 265). As the centrist Christian Democratic Party moved leftward to compete with the left parties by mobilizing the rural and urban poor, the wealthy and middle class, frightened by the extent of political mobilization from below, began to withdraw support from Christian Democratic President Eduardo Frei (1964–70).



Given the exclusionary nature of embeddedness and the intransience of the political right, by the mid-1960s, an even more radicalized countermovement was gaining momentum, propelled by a coalition of left parties, known as Popular Unity (UP). The rhetoric of the most radical UP leaders identified landed and business elites as the class enemy. Indeed, UP's most radical elements took the position that there was no place for the capitalist class in an economic order that was truly just and redistributive.<sup>10</sup> The UP government, which came to power in 1970, promised to correct the long-standing distributive injustice that had plagued the country for so long. In attempting to do so, however, its policies appeared to challenge the sanctity of private property. The government not only carried out the most extensive land reform ever but also took over a large number of firms in a wide range of financial and industrial areas (Foxley et al. 1979: 204–5).<sup>11</sup> These measures aroused intense anger on the part of the country's business and landed class and frightened the middle class – these groups would join together in an intense reactive mobilization.

This reactive response to the high level of popular mobilization and redistributive demands reached its climax with the 1973 military coup, and a profound critical conjuncture, spanning the years 1973 to 1985, followed. Domestically, this was a period of radical market reform that intersected with a devastating international crisis – the debt crisis of early 1980s. The years ahead would see increased social hardship and a sharp rise in inequality (figure 1). While the country's most powerful conglomerate executives were instrumental in the 1973 military coup (O'Brien and Roddick 1983: 71), small and medium business people, who faced particularly acute conflicts over wages and working conditions, and members of the middle class also supported it (Martínez and Díaz 1996: 77). International pressures, particularly from the United States, played an important destabilizing role (Kornbluh NA).

A new ruling coalition of the military, conglomerate executives, and technocrats (the Chicago boys) rose to power with the military takeover in 1973; these latter two groups, however, would lose power with the international debt crisis of the early 1980s. By 1983, with the neoliberal program in jeopardy, the Chicago technocrats were removed from power, the cozy alliance with a few conglomerates abandoned, and a broader cross-section of business interests incorporated (Silva 1996: 177). A more pragmatic neoliberal program (following a brief expansionary interlude in 1984) was adopted with the appointment of Hernán Büchi as minister of finance in 1985.<sup>12</sup> Before these events, between 1975 and 1979, the Chicago technocrats instituted an economic reform program that was arguably one of the most concerted efforts ever to disembed the economy. It involved a sudden and dramatic reduction

10. The official UP position was that the socialization of production would not occur until the constitution was reformed to provide an appropriate institutional framework. Hence the transformation to socialism was to be a two-stage process (Allende 1971: 11). However, the UP was unable to control its more radical elements as workers took over factories and peasants occupied large landholdings.

11. By 1973, about 60 percent of Chile's irrigated land and 50 percent of total agricultural land was under the control of the public sector (Hudson 1994).

12. This program involved the promotion of nontraditional exports and a renewal of the privatization of public enterprises. I elaborate in the following section.

in trade protection, the sale of public companies, the transfer of land redistributed during the Allende years to new commercial agriculturalists, and financial deregulation. The military regime also outlawed political parties and trade unions, closed Congress, and imprisoned and executed political opponents.

The failure of the country's first critical conjuncture (1925–38) to usher in a distributive settlement had triggered a cycle of mobilization from the early 1940s, leading to a brief period of radical redistribution. The fierce reactive opposition this generated ended the redistributive experiment and transformed the political system. It also ushered in a sharp rise in inequality. Indeed, inequality in Chile rose to unprecedented levels in the wake of the military dictatorship (figure 1).

### Market Reform and Inequality

The decline of commodity prices and the international debt crisis of the early 1980s were integral to the critical conjunctures faced by Chile from 1973 to 1985 and by Mexico from 1980 to 1994. Both countries embarked on market liberalization during these conjunctures, and in both cases market reform policies, implemented not only with relatively little attention to social well-being but also with policies geared to disembedding already existing protections from the market, were important ingredients in rises in inequality (figure 1). During the 1980s, both countries fell under the auspices of the International Monetary Fund and the World Bank and were heavily engaged in policy discussions that involved pressures for market liberalization (Teichman 2001: 79–81, 136–43). At the same time, the historical inability to reach a redistributive compromise shaped the way in which the market reform process unfolded. Preexisting high levels of inequality meant that those with assets (material, human, and political) were in a far better position to survive, or even prosper, during the difficult economic times of the 1980s, than those with fewer of these asset types.

Mexico's third critical conjuncture (1980–95) occurred in the wake of a mounting reactive sequence that had involved another round of countermovement mobilization during the late 1960s, an attempt at redistributive reform, and a reactive response from business. This third conjuncture entailed continued business unrest; economic shocks stemming from the drop in prices and demand for petroleum in the late 1970s; the international debt crisis and its aftershocks; the introduction of market reform; the signing of the North American Free Trade Agreement (NAFTA); and the 1995 economic crisis (figure 2). The period witnessed the transformation of the Mexican economy as tariffs were reduced, quantitative protection eliminated, and large-scale privatization and deregulation instituted. A new alliance of technocrats and conglomerate executives rose to power. While the debt crisis did not have an immediate impact on inequality (although poverty increased), inequality climbed during the first half of the 1990s as the differential impact of market reforms made itself felt on distinct social groups (figure 1). Between 1989 and 1994, the top 20 percent of Mexican households increased their share of national income, while the

bottom 40 percent lost theirs – with the greatest losses occurring among the bottom 10 percent of households (UNU-WIDER Database).

Trade liberalization triggered bankruptcies and layoffs in the private sector while layoffs in the public sector rose due to the need to reduce public spending and make public companies attractive for sale by streamlining their labor forces. The sharp duality of Mexico's social welfare protection (unequal embeddedness arising from an earlier round of countermovement mobilization), even more marked than in the Chilean case, was exacerbated by the economic crisis of the mid-1990s as workers in the formal labor force lost their jobs and therefore their social security protection. The percentage of workers covered by social security declined from 49.8 percent to 43.2 percent during the period (Segura-Ubiergo 2007: 98). Those who lost their jobs then joined the ranks of the informal sector that swelled during the difficult years of the 1980s (Lustig 1998: 78).

Poverty in the already poor parts of southern Mexico, where the indigenous population was located, deepened with market liberalizing reforms, which included the withdrawal of technical assistance, marketing boards (such as the state coffee marketing board, INMECAFE), and guaranteed farm prices (Martínez and Fárber 1994). Poverty in the south and southeast of the country rose during the late 1980s and early 1990s even as it briefly declined elsewhere in the country (Lustig 1998: 205). The percentage of the rural indigenous population considered malnourished rose from 66 percent in 1979 to 71 percent in 1989 (Fox 1994). Poor farmers were especially hard hit by the signing of NAFTA when the government decided to accelerate the timetable for the removal of tariffs and import quotas for maize and beans (produced by indigenous peasants in south central Mexico). The rapid rise in the importation of much cheaper maize and bean products from the United States produced a dramatic drop in farm employment, with the rural job losses estimated at two million (Fox and Haight 2010: 29).

Mexico's highly effective mechanisms of co-optation and control, described earlier, continued to play an important role in facilitating the implementation of market liberalizing reforms, even as those mechanism began to unravel in the face of rising popular unrest (Middlebrook 1995: 277). Union elections were manipulated and compliant labor leaders installed in the once-powerful Petroleum Workers, National Education Workers, and the National Federation of State Workers trade unions, for example. New clientelist mechanisms appeared in the form of a new social program, the National Solidarity Program (PRONASOL), which funnelled funds to regions of opposition strength, establishing matching funding for locally generated projects. In the rural sector, PRONASOL became a new mechanism of clientelistic control, replacing the *ejido* as the major distributor of credit to peasants (Fox 1994).

Although temporarily weakened by the government takeover of the banks in 1982, the country's economic groups were the big winners in the market liberalization process. A small number of conglomerates acquired most public companies while a few powerful large firms came to dominate in export activities (Cypher and

Wise 2010: 26). The executives of these conglomerates were closely integrated with the president and the cabinet and had ongoing direct input into economic policy, with an especially important impact on the negotiation of NAFTA with the United States and Canada (Thacker 2000: 162). Furthermore, the big conglomerates received preferential treatment in credit and tax relief. The 1995 peso crisis, which saw a substantial drop in living standards and spike in inequality, precipitated the next phase of mobilization from below.

By the second half of the 1990s, rising political opposition would secure a transition to electoral democracy in the year 2000 when the PRI presidential candidate was defeated. Neglect of rural indigenous welfare was reflected in the rise of guerrilla activity: Indeed, the Zapatista rebels demanded “jobs, land, housing, food, health, education, independence, liberty, democracy, justice and peace” (Russell 1995: 38). The Zapatista’s declaration was a testament to the failure of Mexican development to provide for the welfare of the southern indigenous population. In the year 2000, inequality remained above its pre-1980 level (figure 1). By this time, Mexico was showing signs of growing social dislocation and political turmoil in the form of continued guerrilla activity and rising criminal violence linked to the drug trade.

The impact of the debt crisis and market reform had a similar deleterious social impact in Chile. Inequality increased sharply (figure 1) as did poverty, especially in rural areas where it reached 45 percent of households (Wilkie 1999: 428). The dramatic drop in trade protection (initiated in 1975) and ensuing bankruptcies, the dismantling of trade unions, and the consequent inability of workers to protect their interests resulted in a sharp decline in real wages (by 40 percent) and record levels of unemployment, the latter reaching 26 percent by 1982 (Foxley 1987: 16). Other reforms, such as those in education, health care, and pensions, which involved privatization, created dual systems providing much better services to the middle and upper classes. The establishment of a two-tier system in health care quickly produced a sharp deterioration of public health services, used by 75 percent of the population, as both government and upper-class financial contributions to public health care declined (Borzutzky 2006: 151). The creation of a three-tier educational system, with an increasingly underfunded lowest tier providing low-quality education to the least well off, also contributed to the resiliency of inequality (Taylor 2003: 36).

The immediate impact of the economic crisis of the early 1980s was to give rise to increasing popular mobilization. However, as the military regime responded with harsh repression, popular mobilization declined and played a diminishing role in the transition to electoral democracy (Puryear 1994: 78, 80, 105). At the same time, as noted earlier, the period between 1985 and 1989 marked a new policy direction. A variety of state incentives, such as subsidized loans, tax exemptions, and duty reductions, in combination with labor repression (which kept the cost of labor low), stimulated the emergence of new entrepreneurs and supported the expansion of old ones into nontraditional export products in forestry, fishing, fruits, and vegetables. By 1980s, these policies had transformed Chile from primarily an exporter of

minerals to a country where economic growth was led by the expansion of non-traditional agricultural exports. This economic growth contributed to the reduction in poverty through employment expansion during the 1990s (Meller 2000).<sup>13</sup> Following the transition from military rule in 1990, these jobs, while providing the poor with some income, continued to be poorly paid and often temporary.<sup>14</sup> Hence while poverty declined, inequality remained high (figure 1).

One of the most important and lasting legacies of Chile's 1973–85 critical conjuncture was the constitutional arrangements that helped to lock in the new neoliberal economic model after the transition to civilian rule in 1990.<sup>15</sup> Among other things, the 1980 Constitution (amended in 1988) provided for nine appointed senators, who, because they were appointed by Pinochet, helped to guarantee right-wing strength in Congress. Social spending, for example, was in part constrained by the difficulty in securing tax increases due to the opposition from the political right in Congress, bolstered by the presence of the appointed senators. The consequence was a tax reform that did not give the government the increase it had asked for (Boylan 1996: 9). The political right's control of Congress also played a role in the defeat of the various government proposals for reform of the labor code during the 1990s in a way that would give labor the ability to improve social well-being (Haagh 2002).<sup>16</sup> The labor movement, weakened by many years of repression, and weak civil society organizations, many of which became dependent on government financial support for survival, were not able to muster sufficient political pressure to secure distributive improvements in the first decade of electoral democracy (Rindeljäll, 2005: 104–6, 125, 133; Taylor 1998: 122). In 2000, Chile's level of inequality was still higher than it was in the 1960s (figure 1) and remains higher than Mexico's.

In both Mexico and Chile, inequality had become structured into political institutions and public policy. While critical conjunctures of the 1970s and 1980s involved an upsurge of popular mobilization and redistributive demands, these movements were unable to mitigate the regressive impact of the debt crisis and adjustment policies. They confronted stiff resistance from powerful economic interests that had become even more powerful with market liberalization. Inequality increased during this period as institutional legacies shaped the unequal outcomes of adjustment processes.

13. Between 1990 and 1992, poverty in Chile declined from 37 percent of the population to 33 percent and then to 20 percent by the year 2000 (ECLAC 2017: table 4).

14. Due to the political right's control of Congress (an institutional legacy of military rule explained in the following text), the civilian government was unable to modify the labor code to improve the working conditions of rural workers. For more details on the plight of rural labor, see Berg 2004.

15. Only with the 2005 constitutional reform were most of the constitutional institutional impediments to policy change, put in place by the military, eliminated.

16. The ruling Concertación's (the party coalition ruling Chile from 1990 to 2010) caution in addressing inequality also arose from its wish to maintain business confidence in addition to the fact that many among the Concertación leadership had become supporters of the new neoliberal model due to experiences they had had in exile (Silva 1991). Now known as the New Majority, this center left coalition of parties is currently in power.

## Conclusions and Implications for Twenty-First Century Distributive Outcomes

Much of the recent literature explaining improved social welfare has focused on the impact of formal institutional arrangements. One popular focus has been to examine the path-dependent legacy of colonial institutions; others have identified the operation of democracy as offering the opportunity for lower classes to exact protection from the market. This analysis has focused specifically on the issue of inequality (rather than on per capita income or social welfare in general) and the role of social conflict (mobilization and countermobilization) in shaping distributive outcomes. Inequality is a particularly intractable problem in Latin America and one with long-term negative implications for economic growth, poverty reduction, political instability, and criminal activity (Cornia et al. 2004: 26, 42–43; De Ferranti et al. 2004: 25).

I have argued that high levels of inequality and periodic increases through the twentieth century have their historical origins in the path-dependent legacy triggered by colonial conquest. At the root of this legacy were unequal power relations that shaped the operation of political institutions and inequality-enhancing policies into the future. One of the key features of critical conjunctures, in these deeply divided societies, is their failure, despite their depth, to transform important unequalizing features, while contributing to the creation of new unequalizing arrangements. The sharp distinctions in the socioeconomic conditions faced by peasants and most workers, on the one hand, and middle and upper classes, on the other, survived critical conjunctures, becoming ever more entrenched as mobilization gained momentum and as propertied and middle classes reacted.

Despite very different political institutional histories and development trajectories, therefore, similar underlying historical processes were present in the two cases. Propertied and middle-class intransience on distributive measures generated mobilization on the part of the popular classes. This mobilization, in turn, brought about reactive opposition movements that were able to overturn or stymie improvement in distributive outcomes. The fallout in both cases involved the emergence of institutional arrangements (the PRIs authoritarian arrangements in Mexico and a military regime and constitutional changes in Chile) that stifled or oppressed popular demands and contributed to increases in inequality.

Because critical conjunctures involving popular mobilization (or countermovements) gave rise to intense reactive opposition, their achievements in terms of social improvements were necessarily limited even in the first half of the twentieth century prior to profoundly unequalizing impact of the debt crisis and market reform of the early 1980s. In both Chile and Mexico, only highly unequal forms of embeddedness were achieved by the 1960s. Critical conjunctures from the mid-1970s to the mid-1980s gave rise to market liberalization agendas, involving concerted efforts to disembed markets. This new policy direction, supported by political and economic elites and their middle-class allies, was responsible for sharp rises in inequality. Inequality as a defining feature of earliest history meant that the trauma

of the debt crisis and its aftermath would be unequalizing in its consequence as those with economic resources and political clout were in a much better position to shape and benefit from any new opportunities.

While critical conjunctures brought distributive conflicts to a head, they did not resolve distributional conflicts. Hence, my analysis points to the importance of the interaction between self-reinforcing sequences (that both predate and arise from critical conjunctures) and reactive sequences (Polyanian countermovements and oppositional resistance to popular demands) in accounting for high levels in and increases of inequality over time. The absence of a distributive settlement between propertied classes and popular groups, however, was at the heart of the mobilization and counter-mobilization cycles in both cases; indeed, it was the depth of this disagreement that fueled reactive sequences and their unequalizing outcomes. In particular, the fact that calls for redistributive measures persisted in rejecting the inviolability of private property was a potent obstacle to any sort of reconciliation with the propertied and middle classes.

Whether the advent of electoral democracy and popular mobilization in the twenty-first century will produce sustained and substantial reductions in inequality in Mexico and Chile will likely depend on the achievement of redistributive settlements that include the middle classes and at least some members of the propertied classes. In Chile, widespread popular mobilization demanding an end to unequal service provision in health and education has been on the rise since 2006. Much of this mobilization, especially in education, has involved the middle classes. Recent reforms in social service provision, particularly in education, may well lead to long-term substantial reduction in equality. However, the enormous relative power of propertied interests and the institutional arrangements constructed to bolster their power has been a key determinant of policy and distributional outcomes.

Most Latin American countries, as in the case of Chile, experienced substantial reductions in poverty and even some reduction in inequality from 2000. With steady economic growth from the late 1990s, social spending, particularly targeted anti-poverty programs, mitigated poverty, but relatively high levels of inequality persisted. In 2013 and 2014, the proportion of the population living below the poverty line in Chile was 7.8 percent and in Mexico, 42.2 percent, but their levels of inequality (measured by the Gini coefficient) were similarly high at .51 and .49, respectively (ECLAC 2017: tables 4 and 14). Overall, inequality remains high in the region. This analysis may go some way toward illuminating the reasons for the sluggishness of inequality reduction, including cases in which social mobilization has been substantial. It suggests the importance of considering the impact of self-reinforcing arrangements that survived tumultuous critical conjunctures, absence of redistributive settlements, and resistance to vigorous redistributive measures on the part of propertied and middle classes.

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