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Traslated by John Bell

LET US IMAGINE TWO WORLDS FOR LAGOS*

Arturo Fontaine Talavera

My first intention was to talk and not put pen to paper. But my friend and distinguished colleague at the CEP, Enrique Barros, in a tone which in my opinion brooked no argument, advised me to present you today with a written text. I threw myself into the task yesterday and, after a little while, everything that I was writing turned to red. There was no way of avoiding it: a virus had got into my computer. I obviously tried to wipe it out but red is extremely difficult to erase. Lines suddenly appeared which cut across my words like arrows, while I was trying, like a madman, to erase the red. Collapses followed, changes, invasions of hieroglyphics from unknown languages, sudden grafting on from ancient texts. I am not sure that I know exactly what I am about to read today and so I ask for your forgiveness: it is quite possible that part of this has been written by that restless and verbose virus.....

ARTURO FONTAINE TALAVERA. Degree in Philosophy from the University of Chile, M.Phil. and M.A. in Philosophy at Columbia University. Professor at the Universidad Católica de Chile. Director of the Centro de Estudios Públicos (Centre for Public Studies).

* The words of the Director of CEP (see above) to the President of Chile, Ricardo Lagos, during a private meeting which took place in the CEP on Friday, May 25th 2001.

Uncertainty and lack of confidence

President, your speech on Monday had a mollifying effect on our state of mind¹. Your words produced this effect through what they said, what they did not say, and particularly, through their tone. In one particularly significant moment you issued a call for “de-politicising the economic debate. Our energy is limited”, you went on “and we cannot waste time in recriminations and unproductive debate”.

A little more than a year ago, when you were in this same room with this same group of businessmen, there was a great deal of optimism. Today the situation is different. Different and adverse factors- some of them important, from abroad, others internal- explain the change. I would say that today there is more uncertainty and more lack of confidence in what the future holds. Every certain number of years this country falls into a state of extreme insecurity. The history of the 20th century shows us this time and time again.

This lack of confidence in our institutions and figures, both public and private, is characteristic of Latin American societies. It is borne out by various studies which have been made, including one by the Wall Street Journal in 1998. As Latin Americans we live in a state of general uncertainty. I suspect that if the same study were carried out today, given what is happening in Peru, Venezuela, Colombia, Argentina....it would show that that uncertainty is greater. Recent events point to this general insecurity.

The building of confidence is not an easy or sudden process. And it certainly is not a rectilinear movement. The experience of the Chilean transition to democracy clearly demonstrates this.

To a great extent, it depends on the capacity of each and every one of us to imagine what it is to be the other and to act on that. To put ourselves in the place of another person we have to adopt a different form of conduct, make proposals and implement policies which inspire a sense of reciprocity. John Rawls maintains that this idea of reciprocity forms the basis of a just social order. Within it, people look for their well being understanding that others are free and equal to them as persons: they also look for it as a legitimate right and the fact that it is possible to achieve mutually beneficial agreements. The institutions of democracy and the free market become impossible if this confidence collapses.

What kind of expectations can explain the lack of confidence today of those who, believe it or not, have doubts, postpone decisions regarding investments, vacillate and wait?

¹ This refers to the speech made by the President on the 21st of May 2001.

The negative world

Let us imagine a negative future scenario for the next few years. It is only a possible world but one that could be ours.

The external economic situation does not improve in any dramatic way: we also think that it might get worse. There is not the availability of external resources that there were during the greater part of the previous decade. Macroeconomic policies are very successful, but on the social side things work differently. The search for parity is channelled via mechanisms which are each time less competitive and exclude private administration.

Within the Concertación criticism and internal tensions intensify. There is no concentrated political direction. The socio-economic achievements of the governments of the Concentration itself are not taken into account or appreciated by the leadership. The more powerful unions - the teachers, the doctors and those in transport - intensify their pressure. For the politicians in the Concertación it becomes more profitable to place themselves on one side or the other rather than back the President.

Legislative initiatives are more and more delayed and Constitutional reforms are blocked. The project for labour reform hardens up, i.e. ends up being more expensive and more risky in contracting staff: it finally becomes more damaging to employment. Health reforms, to take an example, result in a tax which strangles private health, turning the fact of belonging to an Isapre (a private health scheme) into a sign of status, inaccessible to the middle class, while the public system maintains the same levels of efficiency (or inefficiency). (From now on, in this world, it is also possible that the doctors union will not be satisfied because fiscal support will seem to be shamefully insufficient). State reforms will turn into a packet of small positive initiatives but basically of a minor character. ANEF will make it non-viable to undertake anything more ambitious. In education- for reasons of "equality"- shared financing will either be eliminated or become inoperable: today it represents 23% of the subsistence which is given to 70% of the parents of students at direct grant schools. For parents, to be able to improve the education of their children with money out of their own pockets, becomes, once again, a privilege which is inaccessible to the middle class. There are no new privatisations and no new areas are really open to open investment. The exceptions, a reform of the capitals market and concessions in the field of infrastructure, do not manage to modify the situation: they are the solitary great stars.

In the Araucanía the take over of property becomes the only way of obtaining land, subsidies and political weight. Violence increases in the

countryside. Property rights are renegotiated under pressure (as an aside: I have been teaching Macchiavelli at University this term and it has made it difficult for me to imagine politics without seeing them through his eyes. I cannot help but make various allusions to him. And here is the first: according to Macchiavelli, agrarian reform divided Rome to the point of destroying the Republic. It led to Caesar's dictatorship, the rupture of the Republican order, his assassination and finally the power of Augustus). The Mapuche question establishes itself as an ethnic project with connotations of autonomy and a subsequent deterioration in forestry investment.

The country continues growing, it is true, but modestly. The economic situation of the poorest sectors of society comes nowhere near the growth levels which characterised the period from 1987 to 1998, almost every year a year of government by the Concertación. Extreme poverty fell in this period from 16.8% to 5.6% and the poverty line from 44.8% to 22.2%: this is data from the CASEN poll.

Unemployment in this possible world is high. Inequality of income does not improve. In fact, because of the prolonged unemployment rate, it actually gets worse. The government does not seem to have achieved more equity.

On the political scene, the Concertación is seen as more and more divided. One wing, in a pact with the Communist Party, becomes Maximalist, but not with a Maximalist ideology but rather a corporative one. The bulk of the Christian Democrats feel disaffected and believe it to be more convenient to distance themselves from the President.

For its part, the opposition understands that it is convenient for them if the government collapses. It divides into two groups with dissimilar but convergent strategies. On the one hand are the hard liners: they deny the government both bread and water. There is a frontal assault from Congress and via the media... you can either ignore it or minimise it. The differences within the Concertación increase. The package begins to blow up, unleashing violent passions. On the other hand, the candidate Joaquín Lavín cultivates a suave populism, lower key and with a smooth and mediatory tone. He easily avoids the conflicts, does "his own thing", and fixes his position on labour and health, for example, via the polls. In other words, as far as politics is concerned, he is leading the people but following what they want.

In the midst of this situation the President tries to mediate and negotiate. What else can he do? But the transactions are both lengthy and costly. In this world whoever tries to be an arbitrator or a moderator is either ingenuous or a traitor. Arguments drown in the swamp of mistrust. Tenden-

tious interpretations are supreme. In this world the politics of La Moneda are seen as both irresolute and zigzagging.

What is occurring is what Macchiavelli - who was a resolute Republican - would define as being one of the greatest dangers to the Republic - vagueness. It has produced a power vacuum. Ambiguous and vacillating politics have the same effect as Macchiavelli attributed to neutrality: you neither defeat your enemies nor win friends. And, again according to Macchiavelli, this terrain of irresolution becomes, unconsciously, a slope which leads to evils that are worse than the ones you are trying to avoid, namely polarisation.

At the end of its term the Concertación is dead. It has split into three. But one of the three- the Left- is profoundly divided and lacks common ground. Very possibly Joaquín Lavín wins. The Left joins itself to the same pressure groups which made life so difficult for President Lagos: the doctors, teachers, public employees, students. Union pressure intensifies. Labour relations within industry are now more bitter and less accommodating.... in conclusion the country has entered into a spiral of demagoguery and a no win game.

The opposition denies the government bread and water. People are mainly seen as members or representatives of some collective group, be it class, union or faction. Society expects nothing from its elites except conflict. There is no confidence, there can't be. Do more radical ideologies come back? Basically the answer is no. The exceptions are fundamentalist ecology and ethnic nationalism, which appear to be the only current ideologies. What takes its place is corruption- the despoiling of the state- and various levels of delinquency. They are miserable substitutes, in touch with the vulgar hedonism of the times.

The positive world

Once again, the world above is only a possible world, an imaginary one. A world which we don't want and which we can avoid. To do this we have to make sacrifices.

Before anything else we must understand that our proposals, intentions and projects have to find a place in a world of free people, who, like ourselves, have their own history, their own wounds and scars and their own life projects within society.

I imagine this possible positive world as being sustained by a certain communal ground. For the effects of the conversation this morning, centred

on the strategy of development, I should like to suggest that this should be dealt with based on three or four fundamental recognitions:

Firstly, a recognition of history. We are united by a history that divides us. But the republic has resurged from the experience of the effects of that division. And this has given strength and vitality to our civil and democratic institutions.

What we can never again erase from our memory is a resounding “no” to violence as a means for political action. What we must never erase from this, our collective memory and from the memory of our children, is the preaching of violence as a procedure to get power, violence as a means of political pressure, violence as a practice for exercising power, which is strictly tied to whichever group that takes power. That power like this tends to commit serious arbitrary acts, it is uncontrollable and manipulates the trust of its own supporters. That its abuses and crimes cause indescribable and long lasting suffering. That the cure for it, which we are experiencing after many initiatives and changes of fortune, is difficult, uncertain and painful. That, as a consequence of this, it is necessary that a democratic regime takes severe and exemplary measures to make people respect the law and to punish - even if we are talking about the Mapuches, about businessmen, about powerful people in uniform -ant attempts which are made to override the law and legitimise the use of violence as a means of pressure.

Secondly, Chile is a country of inequalities. This is the recognition of a situation which is neither reasonable nor doubtful and should not be omitted. For example, let us look at the relationship between the highest and lowest income groups (these statistics are from the World Bank): in Spain it is 6, in South Korea 5.2, in Turkey 8.2, in Uruguay 9 and in the United States 9.3. In Chile it is 15.5%: Brazil, for example, exceeds us with 25.

Failing to take advantage of intelligence

But maybe this is too abstract a way at looking at things. Let us look at the points in the PAA for 2001 and examine the averages for each educational institution. We know that that the Universidad Católica and the Universidad de Chile are the most in demand for students. Both of them only admit students with more than 600 points. 75,520 students took the PAA. There were 185 educational establishments where the average was 66.81 points or above. Out of these only 12 are Direct Grant schools or state schools and they represent 2,070 students. All the others are private

and represent 10,322 students. This means that only 20% come from Direct Grant or State schools. These are the averages.

If we now consider the relevant data regarding the admission of each individual into the Universidad Católica, we find that between 1996 and 2001 no more than 35% of the students who were accepted came from the Direct Grant or State sectors: all others came from private schools. And yet in Chile 89% of students are educated in Direct grant or State schools. Which means that this 89% does not manage to prepare more than 35% of its students for places and an 11% (the private sector) takes from between 65% to 69% of them. I believe that this makes a young person from the state or subsidised sector believe that he or she has very little possibility of getting a first class higher education. I am referring to a problem of academic achievement, in this case, rather than a lack of resources to pay for their education.

How can one feel content with such a horizon of possibilities that from the beginning is so unequal? Can anyone defend a situation like that or at least not worry about it, which comes to the same thing? It has an ethical dimension. But it also has an economic one. Intelligence is distributed throughout the length and breadth of the population. Therefore these results are heavily indicative of the fact that the country is failing to take advantage of the possibility of shaping the intelligence of its population in an adequate manner.

This, in effect, is what is demonstrated by an analysis of the TIMSS results which we have made here, at the CEP. In these international examinations, in Mathematics, for example, Chile is one of the countries which has the worst results in relation to students from homes with poor educational resources. On the other hand, in Hong Kong, in the same Maths test, the performance of the average student with the same background is the equivalent to 92.5% of a student from a wealthier one. What this shows is that the educational system in Hong Kong manages, to a great extent, to educate and to alleviate the lack of culture in the home background while our educational system does not.

There is no doubt in my mind that whoever tries to seriously take on the task of correcting these inequalities in income must deal, above all, with education. This is what Courcelle-Seneuil said about Chile in the 19th century. And our system is highly deficient. It is deficient everywhere, including among the groups who can pay for the best schools. In Mathematics 5% of the best of our students would be average ones in Slovakia or Belgium and be 25% worse than those in Singapore or South Korea.

International examinations demonstrate that efficiency in education has nothing to do with either the state or private sectors. In fact, the countries with the best results tend to have state systems. This is the case of the Asian countries, such as Singapore, South Korea, Japan and others and also of Slovakia, Hungary and Russia for example. The United States, which has a greater percentage of private schools, is below Malaysia, Bulgaria.....

With all this, in my opinion, Chile has to strengthen the mechanisms for subsidizing students, both in state and private schools. Firstly because it has proved to be a good system for improving class attendance. The school has an incentive to make the students attend, otherwise they would lose money. Secondly it is a reason for tolerance and pluralism. From the 19th century, our society has fought to look for ways where lay and religious education could co-exist. The subsidy system for a child is a reasonable way to surmount this dispute and assign resources. Thirdly, because the system brings the parents closer to the school and as far as the results are concerned, gives them, the parents, a weapon. They can take their children out and this would penalise the institution economically. And, fourthly, because our polls indicate that nearly 60% of people prefer a private or Direct Grant school to a state one. And this is something that a politician has to bear in mind. Obviously it would be convenient to put these subsidies towards the poorer schools: they are the ones that need better teachers and more resources.

Studies at the CEP, based on international evidence, suggest that it is better to introduce external exams which are based, in part at least, on the student's pass mark. Countries with good results have national exams. In Chile we had them in private education up until the end of the 70«s. External examiners make the teacher become a kind of trainer for his pupils and allow him, his colleagues, his Headmaster and the parents, to evaluate his efforts. The results of these marks become the most valuable, objective and relevant information which one can give to parents. The government of President Bush, after the experience of Texas, is moving in this direction.

As far as pedagogical material is concerned, our recommendation is simple: with a few exceptions, avoid the excessive influence of United States pedagogues who have produced very little in common, love to spend and produce bad results. Look towards the pedagogical experience of South Korea, Singapore and even Cuba, which has got the best results in international exams in all Latin America.

In Chile, if there is an experiment to imitate, it is that of the National Institute which year after year is the institution which gets the most students into both the Universidad Católica and the Universidad de Chile, and whose

students achieve excellent performances in both universities. The “Instituto Nacional” is the most successful educational establishment in Chile. Its average in the University admissions tests compares favourably with the great majority of the best of the private schools. On it depends the social mobility between the middle and lower classes and the elite. It is the conduit, there is almost no other. Why can’t Chile have ten Institutos Nacionales instead of one? Why can’t other excellent state schools been able to select their students on the basis of their talent and performance like the Instituto Nacional does? It seems that most experts in the Ministry of Education can find nothing to learn educationally from the experience.

The recipe is growth

The third and last thing to be recognised seems to be the most obvious. To correct inequalities and improve social mobility, and in order to have more resources destined for education and for health to the poorest sectors, we have to make sure that the economy grows rapidly. We know that this pre-supposes open and competitive markets which open new areas for entrepreneurial enterprise. And all of us here know, more or less what these economic policies are. (In the book *¿Qué hacer ahora? (Where do we go from here?)*², proposals are made regarding fiscal policy, anti-monopolistic policy, policy regarding banks, labour, the environment, health, education etc.).

The country, once it has grown, would have managed to improve the relative condition of the poor in a significant manner. This has not been underlined enough. Again, for example, according to polls about family budgets conducted by INE, the consumption of the poorest fifth households grew between the years 1988-1989 and 1999-1997 by 114% which represents an annual growth of 8.7%. During the same period the consumption of the richest fifth increased by 68% which implies a 5.9% growth rate. I persist: these are the years of the Concertación. How many members of the Concertación know this? And if they do know, why don’t they say so?

Reasonable opposition

On the other hand, this requires a recognition from the leadership of the opposition. Instead of avowing confrontation, it is better to adopt a

² Reference to the book, edited by Harald Bayer and Rodrigo Vergara, *¿Qué Hacer Ahora? Propuestas para el Desarrollo (Where do we go from here? Proposals for Development)*, Santiago: Centro de Estudios Públicos, 2001.

more reasonable attitude, objective and, in some way, co-operative. There will be differences but these should be made in good faith. In other words, there should be an opposition but not at a cost to the country or at the cost of truth. This assumes that there will be leaders of a sufficient maturity to recognise that even if the government is going well, their electoral possibilities do not necessarily decrease: there are political cycles and, sooner or late, countries demand a change of government and it then falls to the opposition. Isn't it better to inherit a country which is ordered and has its economy on the march? It is even possible to profit from the sound policies of the previous government. To put oneself in a balanced and constructive position is not good only for the country but also for the political interests of the opposition. This is what Joaquín Lavín seems to be doing these days and the polls seem to agree with him.

When all this happens and the elites lose this spiritual confrontation and look, rather, for understanding, you have the basis of a stable society. Differences are faced with calmness, looked at analytically and there is a concern for concrete and good will. Arguments, truthful information and technical studies are re-evaluated. You can, for example, modernise the state with long term vision. There is predictability and expectations of sensible behaviour and decision-making. Confidence and trust are reborn. So, President Lagos, whether the Concertación wins or loses the next elections, will not only have had a great government but will have left a historic legacy and a lasting one for the Chilean Left.

The greatest problem for making this possible world a real one lies in politics. There is resistance here and there, pecuniary and power interests, prejudices, histories of wounds, fear, factions, scars and jealousy. And it is obvious that one cannot democratically govern outside the margins of what is acceptable. But in the republican tradition a leader is proved when what might be unacceptable to him before becomes acceptable. I am sure that this is what the country is hoping from you, President. ☐