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Introduction to the Special Issue

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SEBASTIAN EDWARDS**

The articles in this special issue of *Estudios de Economía* were presented at a conference held in Santiago, Chile, in August 2023, to celebrate the 50th anniversary of the journal. When planning the conference, we decided that the papers should cover the most important policy issues faced by Chile since the early 1970s. We wanted to have a “one stop” publication where most problems addressed by economists during this period could be found.

The fifty years between 1973 and 2023 were very significant for Chile. Possibly the most important half century in the country’s history. In 1973, President Salvador Allende was overthrown in a coup d’état led by General Augusto Pinochet. A 17-year dictatorship followed. During this period human rights were violated systematically. Also, these were the years when deep market-oriented economic reforms conceived by a group of economists known as the Chicago Boys were put in place. These reforms opened the economy to international trade, privatized scores of state-owned enterprises, created a capital market, introduced a pension system based on individual savings accounts, and introduced market elements in the education and health sectors. In 1989, towards the end of the dictatorship, the central bank was granted independence. This period has generally been known as Chile’s “neoliberal experiment.”

The dictatorship came to an end in 1989, when Patricio Aylwin was elected president. During the years that followed further market liberalization reforms were undertaken by successive democratic governments, and a sturdy social safety net was put in place. During the 1990s Chile grew at an average rate of almost 7% per year, the incidence of poverty was reduced from 50 to 8 percent, and inflation declined to the 3% annual mark. These were the years of the “Chilean miracle.”

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In the early 2010's the economy slowed down and social protests sprang up. Students and pensioners demonstrated and demanded changes in economic policy. Many called for ending "neoliberalism." In October 2019 the country went through a popular and violent uprising. This was considered by international observers as a major paradox. Why was the most successful country in Latin America subject to such violent protests? This question has become an area of research for economists, sociologists, cultural anthropologists, political scientists and other scholars.

In this issue of the journal the papers are presented by themes. The opening paper by Luigi Zingales was the keynote lecture at the conference and deals with market structures and competition. Comments on Zingales by Kevin Cowan and Alejandro Micco follow. The next two papers by Gonzalo Salinas and by Roberto Alvarez and Eugenia Andreasen focus on international trade and the effects of Chile's liberalization policies. Elías Albagli, Agustín Arias and Markus Kirchner deal with Chile's unique pension system based on individual savings accounts. Sebastian Edwards provides a historical analysis on initial conditions in the half century under study. He analyzes the inflationary dynamics during Salvador Allende's government (1970-1973). Andrés Velasco and Robert Funk develop a model of social unrest in Chile to explain the 2019 revolt. The three papers that follow – by Richard Blundell, Vicente Corral and Andrés Gómez-Lobo; José De Gregorio and Manuel Taboada; and by Catalina Morales, Cristina Riquelme and Sergio Urzúa – deal with labor markets, labor income and income distribution. The final piece by Rafael Novella and Andrea Repetto analyzes economic behavior and decision making by Chile's younger generations. Every one of the papers published went through the journal's customary refereeing process. We thank the referees and the discussants during the conference.

Of course, we are aware that despite our efforts not every topic of importance was covered. For instance, key issues such as the environment, mining, innovation and trade in services, just to mention a few, are missing. We are already planning a conference for the journal's 75th anniversary when we promise that those topics will be tackled in great detail.

Finally, we want to thank the journal's editor Professor Rómulo Chumacero for his support and, especially, for his patience.

September 2024