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Lindsay Rose Adams

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**Making Other Economies Possible: Inequality, Consciousness-Raising
and the Solidarity Economy in Chile**

APPROVED BY
SUPERVISING COMMITTEE:

Supervisors:

Bjorn Sletto

James Galbraith

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and the Solidarity Economy in Chile**

by

Lindsay Rose Adams, B.A.

Thesis

Presented to the Faculty of the Graduate School of
The University of Texas at Austin
in Partial Fulfillment
of the Requirements
for the Degree of

Master of Arts

**The University of Texas at Austin
December 2010**

Dedication

I would like to dedicate this thesis to family, friends, and colleagues within and outside of the University for making this thesis possible.

My advisers, Dr. James Galbraith and Dr. Bjorn Sletto, both worked tirelessly to ensure that my ideas were thoughtfully and concisely presented.

My family and friends in Austin, Milwaukee, Chicago and Chile also cannot go unmentioned as they supported my transition to motherhood, and through their encouragement, made the pursuit of my academic and family goals not only conceivable but also pleasurable. My husband also must be specifically thanked here, for prioritizing this thesis in our life and for always listening.

Finally, this study would not be possible without the extraordinary creativity and dedication of those groups who have built the Solidarity Economy. I owe them a profound debt.

Abstract

Making Other Economies Possible: Inequality, Consciousness-Raising and the Solidarity Economy in Chile

Lindsay Rose Adams, M.A.

The University of Texas at Austin, 2010

Supervisor: Bjorn Sletto

Abstract: This study describes how economic policies in Latin America are informed by, and have affected, social norms regarding equality and solidarity. Through the rise and fall of institutions such as cooperatives and unions, and via social policy in education, health, and pensions, one can trace the ebb and flow of social solidarity as a justifiable socioeconomic policy aim in Latin America. As a result of the decrease in the legitimacy of social solidarity and equality that follows the implementation of neoliberalism, a new social movement in the region- the Solidarity Economy- has emerged to reestablish these values. However, it is largely borrowing from a tradition of associativism and other private-sector civil-society initiatives rather than vying directly for State power to institute its goals from within the polity. I provide a case study of the

Santiago Solidarity Economy Network, in which I analyze their strategies of consciousness-raising and participation. The case study also explores generational and institutional differences within the Network that stem from varied political experiences of neoliberal policy. Finally, the case study details the obstacles to growth that this Network encounters, with a particular focus on those challenges that have emerged as a result of neoliberal policy and its' effects on social norms of solidarity.

Table of Contents

| | |
|---|-----------|
| INTRODUCTION: SOCIAL NORMS IN THE MAKING OF AN ECONOMY1 | |
| CHAPTER 1: FROM ISI TO NEOLIBERALISM: SOCIAL SOLIDARITY AND NORMS OF INEQUALITY IN LATIN AMERICA | 4 |
| Neoliberal Social Models and Foreign Influence | 9 |
| Employment Regimes: The Decline of Traditional Worker Collectivities .. | 14 |
| Welfare Regimes: From National Community to Self-Help Community .. | 17 |
| Concentrating Poverty, Increasing Inequality..... | 19 |
| CHAPTER 2: SOCIOECONOMICS AND THE SOLIDARITY ECONOMY IN AN ERA OF THE DOWNSIZED STATE? | 24 |
| Defining the Solidarity Economy: The Social, Popular and Informal | 26 |
| The World Social Forum and the Solidarity Economy: Other Worlds Are Possible, Other Economies Are Happening..... | 35 |
| Neoliberal Victories: Private Solidarity Over Public Solidarity..... | 41 |
| The Solidarity Economy in Latin America: Diverse Practices, Convergent Solutions | 43 |
| CHAPTER 3: NEOLIBERALISM, INEQUALITY AND THE SOLIDARITY ECONOMY IN CHILE | 51 |
| Pinochet and the Implementation of Neoliberalism..... | 52 |
| Mapping Inequality in Santiago | 57 |
| An Introduction to the Solidarity Economy in Chile | 67 |
| CHAPTER 4: THE SANTIAGO SOLIDARITY ECONOMY NETWORK | |
| | 75 |
| "The Whole World Took Refuge in Pastoral Life": The Institutional and Generational Composition of the Network | 89 |
| The Solidarity Economy, State Policy and Autonomy | 93 |
| Philosophical Differences in the Santiago Solidarity Economy Network ... | 96 |

| | |
|--|------------|
| Other Obstacles to Growth: Guaranteed Consumers, the Municipality as State and Neoliberal Spaces..... | 106 |
| CONCLUSION | 110 |
| BIBLIOGRAPHY | 115 |

Introduction: Social Norms in the Making of an Economy

Social norms and types of economic practice mutually inform each respective world of human action. Society is not separate from the economy; what we do for work and how we behave and relate to our families, neighbors, and communities are not discrete phenomena. In fact, the composition and operation of an economy is determined in part by the kinds of social relationships that economic actors value, or devalue; the converse is also true. This study examines social principles and their relationship to the economy, with a particular focus on the norms of fairness embedded in the concept of social solidarity.

This paper begins in Chapter 1 by describing how economic policy in Latin America in the last 50 years has both created, and reinforced, different conceptions of social solidarity. Beginning with Import Substitution Industrialization (ISI), I explore the relative strength of different economic institutions- such as unions and cooperatives- and the social norms promoted by national governments through ISI policy. I compare the social values embedded in this economic policy to the economic philosophy that followed: neoliberalism. Using changing labor regulations, social welfare policy, and the decline of unions, I look at how the value of solidarity is decentered from national economic policy. I trace the effects of these policies on cooperatives, showing how their numbers decrease and then increase in response to changing notions of national solidarity. I also outline the role of international institutions in legitimizing certain social values in national economies.

The following chapter applies the work of social economists, who study the interdependent relationship of societies, their values, and their economic practices. I use their work to briefly trace the history of associativism, and the ways that this European practice merged with the social, informal and popular economies of Latin America. I then explore how the perceived effects of neoliberal economic policy have prompted a new wave of social movements in Latin America, beginning with the World Social Forum (WSF). Next I analyze how these histories of associativism, plural economies, and the WSF have converged to create a social movement, the Solidarity Economy, which is premised on reinserting social solidarity into contemporary economic behavior.

Chapter 3 describes in further detail the trajectory of social solidarity in the context of ISI and neoliberalism in Chile. I show how inequality has increased, taken on spatial elements, and informed the logic of government provision of social services. Then I explore the emergence of the Solidarity Economy Network of Santiago in Chile, connecting their grievances to the effects of the modernizing policies of ISI and neoliberalism described in prior chapters.

In the last chapter I use interviews and participant observation to analyze various dimensions of the Solidarity Economy Network of Santiago as they relate to the implementation of neoliberalism and changes to that system that the Network wants to generate. Therefore I assess participation mechanisms, consciousness-raising strategies, and spatial distribution of Network participants. I explore the relationship of the Network to the State and its policies. I also describe the generational, institutional and philosophical differences informed by Network participant's experience of neoliberal

policy under the dictatorship. Finally, I detail the barriers and opportunities that the Network must confront to grow as an organization and fortify the value of social solidarity in a contemporary market economy.

Chapter 1: From ISI to Neoliberalism: Social Solidarity and Norms of Inequality in Latin America

Import Substitution Industrialization (ISI) policies were an economic paradigm marked by nationalism, egalitarian social policies and redistribution of resources, both material and financial. From the 1930s to the 1980s in Latin America, government intervention in the market was the keystone of policy. Indeed, the government actively promoted economic growth through huge investments in public infrastructure as well as through subsidies if not outright ownership of industry (Massey et. al 2006). This resulted in relatively high rates of growth relative to the later neoliberal period (Walton 2004: 168), and a development path linked to significant government involvement in selecting the types of economic goods to be produced domestically.

ISI was also associated with collectively-oriented institutions of the working class. It “encouraged the growth and consolidation of labor unions and labor backed parties” (Murillo 2005: 972), with these parties reaching the Presidency in Mexico, Argentina, Chile and Venezuela. Land reform was initiated through the reallocation vehicle of the cooperative, and sometimes through nationalization of key industries. Furthermore ISI was also “underwritten by broad politico-ideological projects that encouraged the strengthening of the working class” and the political parties and associations supported by them (Sader 2008: 6). The theme of equality was woven through both rural and urban initiatives to modernize the economy.

This resulted in norms of fairness that tended toward cooperation, solidarity, and a focus on social justice and egalitarianism. The consolidation of collective-oriented

mechanisms of economic negotiation and redistribution such as unions and cooperatives further reinforced an ethic of social solidarity between and within historically marginalized socioeconomic classes. The language of nationalism was intended to further fortify a group identity based on shared citizenship and the realization of the goal of industrialization.

However, this macroeconomic project promoted a model of centralized State planning predicated on decision-making from the ministries to the masses (Taylor 2006: 75); that is, without significant channels for participation from the bottom-up. The working and popular classes were represented through a government that claimed to act in their interests, yet these social classes continued to be limited in their inclusion in processes of deliberation over economic policy. Their voices were represented, but not heard directly.

Furthermore, ISI privileged certain economic sectors over others. While social policies of redistribution were designed to reach even the most impoverished segments of society, economic policies favored union industries and the manufacturing sector in general. There remained a significant emphasis on the “monoeconomics” of Western thought that placed unequivocal value on industrialization. Kuznets proposed that inequality would decrease as countries transitioned from rural agriculture to urban industry (Galbraith 2008: 7) with the help of liberal democratic governments with a penchant for egalitarian resource redistribution. However, these policies were enacted at the expense of more labor-intensive commercial sectors (Hosseini 2003: 90), such as handmade goods and manually produced food products. The value of goods produced by

hand and distributed on a smaller scale is socially defined. Consumers and producers come into closer contact with one another, and thus commerce is predicated on the familiarity of social relationships. Industrialization policies supported associative economic practices, but only insofar as they aided in further modernizing the economy; that is, the social relationships embedded in economic practices were of secondary importance to the goal of industrialization. The result was development that significantly transformed the socio-economic practices and relationships of many Latin Americans and in so doing, relegating the social structures predicated on them to a pre-modern era.

The economic arrangements of pre-industrial Latin America emerged in part to satisfy particular social needs. Indeed, the production of goods in an economy provides both material and social gratification. Universal human needs are often “social by their very nature, and the only means by which people can satisfy most universal needs are social means” (Hunt 2005: 425). Industrialization processes targeted economic inequality without assessing the social function of pre-industrial types of economies. Therefore, to the extent that development is about addressing human need, it would be more effective and indeed, more useful if it took into account the social dimension of producing and using material goods as well as access to goods in and of themselves. Were this the case, alternative socioeconomic practices of many groups in Latin America would be more broadly evaluated according to the extent by which they fulfilled socio-material ends. While some in Latin America beginning in the 1950s indeed rejected the Western monoeconomic rhetoric of “progress” (Hosseini 2003: 101), that focused only

on the path towards producing and consuming certain types of industrial goods, import substitution policies founded on populist rhetoric failed to challenge the dominant narrative that marginalized alternative economic practices.

Regardless, local and international elites in certain economic sectors perceived economic redistribution and government takeover of some industries as a threat. Some of them responded with right-wing military coup d'états. Economically another orthodox paradigm was emerging in Washington D.C. and Europe in the 1980s, one that favored a return to individual responsibility and a small State. These preferences were embodied in the development packages that developed nations pushed through as conditions of loans to Latin America, loans needed to cope with the debt crisis, and were bolstered by their successful execution in the 1970s in Chile (Munoz 2008: x). Moreover, the escalating ideological affinities of those in the North with the emerging dictatorships in the South further permitted the adoption of reforms.

When Margaret Thatcher, the prime minister of England at the time, said “there is no such thing as community” she touched on one of the secondary objectives of reform-national social solidarity (Mkandawire 2007: 306). In declaring that there is no community, Thatcher foreshadowed the world that neoliberal policy aimed to create. This is a world where government no longer embodied or assumed the social responsibilities of a community-oriented welfare state. The economic package of interventions that followed from this belief- this economic “shock therapy” as one of its architects, Milton Friedman, called it (Klein 2008: 2)- would come to be known as neoliberalism. The weakening of norms of solidarity and an orientation to the

community as the result of economic liberalism and political authoritarianism is the focus of this chapter. I will discuss these trends and their socioeconomic and political consequences to illuminate the sources of contention, strategies, and goals of the Solidarity Economy, a social movement arising in response to changing norms of social solidarity.

Social movement theory describes the onset of a movement in part according to the grievances it claims to have against the government. I will focus on neoliberal policy as a governmental course of action that produced shared material and social grievances (Larana et.al 1994: 21). I argue that these grievances are 1) a rupturing of collective institutions, 2) reduced ability to contest economic inequality in traditional ways, including through the State 3) diminished willingness or capacity of the State to provide for the social welfare of its citizens, which all originate from 4) an attack on social solidarity as a legitimate element of economic policy.

The policies that prompted these grievances also condition the way in which social movements can respond to them. The reorganization of unions and cooperatives and thus of oppositional political forces, the redistribution of opponents themselves into peripheral urban spaces, the acceleration and consolidation of economic orthodoxy, and the decentralization of the State precipitating the diffusion of the target of grievances are central to the grievances themselves. This chapter therefore will also focus on the reorganization of social spaces under neoliberalism in an attempt to later explain, in Chapter 2, the new geographic basis of social movements in Latin America, particularly the Solidarity Economy.

Neoliberal Social Models and Foreign Influence

Neoliberalism (or the Washington Consensus) is defined by Massey as a policy of “balanced budgets, reduced taxes, decontrolled interest rates, floating exchange rates, liberalized trade relations, open foreign investment, deregulation and privatization” (Massey et. al 2006: 3). The last of these four policy prescriptions relate directly to social models. Social models are comprised of an employment and a welfare regime, and refer to the structuring and regulation of labor and social services vis-à-vis the market and the State (Fraile 2009: 229). The consequences of deregulation and privatization for the social models of Latin America most directly impacted traditional governmental and private sector institutions of social solidarity. Thus this chapter focuses on the social models, and the social dimensions, of neoliberalism.

Neoliberalism’s economic strength was in its ability to produce macroeconomic stability through fiscal-monetary policy (Walton 2004: 170). The staggering inflation that plagued the region was highly disruptive to all social classes as the purchasing power of their wages fluctuated to extremes. Neoliberal policy in this regard stabilized inflation, and led to “lower volatility of growth” (Walton 2004: 170), though Latin American countries were still then vulnerable to crises exacerbated by increased private financial flows (Walton 2004: 171).

However, the social classes most negatively affected by these policies encountered a new State. Firstly, decentralization fragmented the target of grievances. ISI policies produced a monolithic national government that was replaced by an assortment of public and private institutions operating on a more disperse institutional

and geographic terrain. Therefore, reform-seekers were no longer able to direct their appeals for social or economic change towards a uniform State.

More importantly, the new Latin American State was often no longer a democracy. Privatization and decentralization would not have been possible, given the advances of the previous decades, “without first crushing the people’s ability to defend their interests” (Sader 2008: 7). In Chile, Pinochet was an early adopter of the neoliberal paradigm, beginning in 1973. He enthusiastically embraced these reforms and, under the oft realized threat of political repression, applied them systematically and without the threat of political opposition present in a democratic government. In Mexico and Argentina- considered alongside Chile to be consummate models for economic restructuring- reforms were also applied under undemocratic regimes. Mexico was still under a one-party political system and Argentina, under a military dictatorship some considered to be even more systematically repressive than that of Chile, yet similarly disdainful of the political left and the social classes that supported it. Brazil and Uruguay’s democracies also fell to right-wing military dictatorships reacting to ISI policies and their ideologies (Sader 2008: 6). It was the remarkable mobilization of social solidarity that preceded neoliberalism which this new economic policy took as its political target.

The onset of the debt crisis in the early 1980s required many Latin American governments to seek loans from international financial institutions such as the World Bank and the International Monetary Fund. These institutions employed individuals from the developed world considered to be “market fundamentalists” (Stiglitz 2009: 10), and

whose philosophy justified the conditions of loan dispersal (Massey et. al 2006). This belief system held that freedom from government intervention in the economy- whether through taxes or regulation- and a lean State was the only legitimate course to modernization. In fact, this ideology of austerity signified a “radical shift in the paradigm of development” (Moreno-Brid, et. al 2004: 346). However, the historically unequal relationship between the developed and the developing world was not overturned, but extended through the requirements attached to loans needed due to the early 1980s debt crisis. As Margheritis and Pereira (2007, 32) note, neoliberalism persuaded “subordinate states to accept certain rules of the game, this time reinforced by a new enforcement mechanism (financial conditionality).” This new paradigm of development led to economic liberalization that positioned certain sectors of the local elite, now back in political power, to continue to capitalize on their historically accumulated economic privilege, albeit in a more thoroughly globalized context. In fact, in many cases, neoliberalism has “sometimes succeeded only in transferring public monopolies to private hands” (Margheritis & Pereira 2007: 30). Liberalization did not necessarily liberate resources and capital from elite control.

Neoliberal policy not only required a retreat of the State but the revision of a nationally-based concept of community responsibility. The shift from universal social service provision to selective targeting was a change that “has been conditioned by . . . the unraveling of “social pacts” behind various forms of universalism” (Mkandawire 2007: 306) embodied in populist policies. Collective accountability and shared resources under ISI were founded on an expansive notion of a national community. Thus the

neoliberal preference for individual responsibility and privately-held individual resources also initiated a more restricted definition of national community.

Neoliberal policy ignored important social realities of Latin American economies. Firstly, the “interpretive schema” (Woolsey Biggart and Delbridge 2004: 31) through which economic relationships are understood were diverse and always had been (Braudel 1982 qtd. Massey et. al 2006). That is to say, the way in which economic arrangements were justified was predicated on cultural beliefs regarding the relationship between families, neighbors, communities, outsiders, and the environment. The reciprocal and solidarist systems of the region, culturally bound and rationalized and therefore distinct from Western capitalist systems, were rendered morally wrong (Woolsey Biggart and Delbridge 2004: 35). Their substantive rationality- concerned with the social means of reaching a particular economic end- did not square with the instrumental rationality of neoliberalism. One example of such a system is the agricultural ayllu of Peru, where economic arrangements follow from nuclei of families whose labor with other families produced goods to be distributed equally among all through a democratic political structure (MacLean 1958: 390) that “delegated tasks rather than power” (Aparicio 2008: 68). Another example would be cargo systems of highland Chiapas, Mexico and many Central American countries where men seek voluntary year-long offices in the community to host, at personal expense, important religious celebrations on behalf of all, and whose observance was a mechanism to maintain a local cultural economy (Cancian 1974: 164). A third would be the well-documented social economy of urban areas where non-cash exchanges of often domestic tasks take place

and are premised on social solidarity- helping one another- as opposed to material gain (Gaughan & Ferman 1987: 21).

Secondly, the Consensus failed to take into account the fact that markets are constituted by institutions and a body politic in part conditioned by its relationship to those institutions, and thus that in a context of political repression free markets can never be free. Accordingly in Argentina, as in Mexico, government and the market were similarly corrupt (Massey et. al 2006), and in Chile Pinochet hid millions of dollars stolen from the government in Riggs banks with the assistance of the owners of those establishments (O'Hara and Day 2004: 1). In fact, the very nature of neoliberal policy- adopted as a condition of loans from foreign institutions- makes national governments accountable to exterior bodies rather than their own citizens. Emboldened by dictatorial rule, military dictatorships instituting neoliberal policies were doubly empowered to act with economic and political impunity.

However, the Consensus theorists in Washington did not merely overlook the political authoritarian tradition in the region but in fact had long ago collaborated with local militaries to protect what it viewed as American economic interests. The Alliance for Progress of the United States in the 1960s “strove to maintain military resources” in the region to protect against progressive policies of the left (DeRouen Jr, and Heo 2001: 476). In Latin America, more often than not, this military presence trained Latin American officers to target perceived domestic threats rather than foreign ones. U.S. aid to the military was thus a tacit funding of State repression of the local population cloaked in the language of economic development (Michaels 1976: 76). This policy of

conveniently overlooking authoritarianism in favor of economic liberalism would not be overturned in the neoliberal era.

Employment Regimes: The Decline of Traditional Worker Collectivities

Sanctioned authoritarianism of the political elite, coupled with reforms, led to a radical restructuring of labor that sharply departed from prior mobilizing efforts of the working classes. Skilled workers and public servants significantly lost position in the neoliberal period and turned to micro-entrepreneurship as the only formal employment available (Portes & Hoffman 2003: 44). Also at considerable disadvantage post-reforms were the formal workers who reduced their share of employment from 60 to 20 percent (Portes and Hoffman 2003: 49). The informal sector, already large in Latin America, absorbed these new micro-entrepreneurs as it ballooned during the neoliberal period and, as of 1998, came to include almost 50% of the working population (ILO/ LIMA 2000 qtd. Portes & Hoffman 2003: 50).

The changing composition of various socioeconomic classes is emblematic of the effects that reforms had on urban unions and their allied political parties. Including de facto transformations of labor policy, the restructuring of labor would affect Brazil, Colombia, Ecuador, Panama, Chile, the Dominican Republic, Guatemala, Nicaragua and Venezuela; in Argentina, Brazil, Bolivia, Chile, Mexico and Uruguay collective bargaining was completely decentralized (Fraile 2009: 220). In Chile, unions were outlawed following Pinochet's assumption of power, and when they were legalized later in the 1970s, were only able to bargain collectively at the company-level. In Argentina, collective bargaining was similarly outlawed, then decentralized (Maceira & Murillo

2001: 4), and in Mexico unions also experienced a decline. From the late 1960s to the early 1970s unionization rates of the non-agricultural sector reached 29 percent in Chile, 42 percent in Mexico, and 43 percent in Argentina (Maceira & Murillo 2001: 24). In Mexico this level dropped to 20 percent by 2000, and in Argentina to 25 percent as of 1995 (Rodrik 2001: 11). In Chile the unionization rate has dropped to 11% as of this year (Sepúlveda 2010: 1).

Neoliberal policies negatively affected unions in a number of ways. The rise in informal work and the decrease in manufacturing also produced a sizable reduction in the number of workers eligible to unionize (Maceira & Murillo 2001: 23). In industries of previously high union participation reforms provoked conflict between workers in the same sectors and significantly challenged efforts to maintain unions, and build them horizontally (Murillo 2001: 4). Bargaining power was also significantly reduced, both explicitly, through changes in policies regarding the terms of collective bargaining, and implicitly, due to increased rates of job instability and unemployment (Murillo 2001: 5). Politically, diminished power of labor parties meant less representation in institutions that regulate issues relating to social services (Murillo 2001: 5) and thus restricted their ability to deliver enhanced wages and improved working conditions (Maceira & Murillo 2001: 16). The only progressive labor reforms to be made in the region affected individual components of labor regulation, such as working conditions, and even these often went unenforced (Murillo & Schrank 2005: 992).

In turn, the material gains of solidarity declined, as did the institutions charged with obtaining the rewards of union action through collective struggles. As a result,

norms of fairness and distribution were generally superseded by an ethic of individualism and survival strategies limited to individual-level circumstances and capacities.

Furthermore, these strategies left individuals without “participation in decision making in the workplace” (Rodrik 2001: 1) that trade unions offered. Neoliberalism restructured economies, but also options for collective action and the framing strategies that accompany them, as economic collectivities based on class and the values of cooperation and solidarity that provided their foundation dissolved.

Cooperative enterprises experienced major changes as well. As cooperatives were associated with projects of land reform, neoliberal policies that halted redistribution of land and privatized it also led to the dissolution of cooperatives through revoking funds previously extended by the State. In Chile, government banks withdrew credit to cooperatives, and the Ley General de Cooperativas of 1978 required religious and political neutrality of cooperatives, thus illegalizing links to labor parties (Article 1, Ministerio de Economía, Chile). Cooperatives were also faced with an influx of competition from international imports as many Latin American economies liberalized (Izquierdo Albert 2007: 47). For example, as Colombia implemented neoliberal policy reform, the cooperative sector lost 37 percent of its employees and 36 percent of its membership (Fajardo Rojas 2003: 129).

Yet perhaps the most significant challenge to cooperatives of neoliberal policy was the increasing reliance on narrow economic criteria for calculating and quantifying the success of a business. A healthy financial balance sheet became the exclusive tool for approximating the value of a company. Thus cooperatives struggled to legitimize their

existence through refocusing their efforts disproportionately on enhancing profitability (Izquierdo Albert 2007: 48) at the expense of social investment and equitable participation from which they derive their meaning. Dedication to community solidarity not only diminished in importance, it was eclipsed by an ethic of individual responsibility that has produced an “identity crisis” for cooperatives worldwide (Izquierdo Albert 2007: 48).

In conclusion, while economic crisis tends to increase the number of cooperatives, the character of that crisis matters in terms of what types of cooperatives will persist, and to what extent they are faithful to those precepts that distinguish cooperatives from other types of businesses. In the neoliberal period, cooperatives with previous State support closed down, but others opened as a survival strategy for the under-and-unemployed. Still other cooperatives were successful at competing in the marketplace, but at the expense of the social investments that form the basis of an authentic cooperative sector.

Welfare Regimes: From National Community to Self-Help Community

Pensions, health care, and education were all restructured under neoliberal policy. The predominant welfare regime in the region had, generally speaking, focused on universal coverage, publicly financed and managed. Effectively this meant policies tended towards a redistributive orientation realized through the nexus of the national government. Reforms both changed the nature and the content of welfare policies. Privatization and decentralization altered the mechanism through which pensions, health care and education were provided to the public. Changes in pension policy were paradigmatic of the preference of neoliberal proponents for “increased individual as

opposed to collective responsibility” (Niggle 2003: 54). Obligatory contributions to private companies in Chile, Mexico and Bolivia, and a mix of private systems with public pay-as-you-go systems in Argentina and Uruguay (Fraile 2009: 221) differed from previous systems that relied exclusively on a public schema. Unfortunately, an average of almost 20% of contributions goes to administrative fees to private companies as of 1997 (Madrid 2002: 161)

Other development initiatives included privatization and decentralization of social services such as health and education. Health care was subcontracted to the private sector and decentralized in Argentina, Bolivia, Chile, Mexico and Brazil so that health systems were often managed and funded by municipalities (Fraile 2009: 222). Education was similarly decentralized in these countries, and in Chile was partially privatized (Fraile 2009: 222). Furthermore, social assistance programs changed from a universal orientation to one targeting only the extreme poor in Argentina, Bolivia, Brazil, Chile, Mexico and Uruguay. Chile, Mexico, Bolivia and El Salvador completely privatized their pension systems (Madrid 2002: 160). As could be expected, this led to separate, and unequal, systems both in terms of funding and quality (Fraile 2009: 222).

The material effects on the poor and working classes were significant. The number of workers contributing to pensions fell and has left these pensions exposed to the ups and downs of the financial market (Fraile 2009: 226), leaving the most vulnerable at a greater disadvantage than under the previous system. The territoriality of education and health care provision, coupled with the increased concentration of the poor and working classes in particular neighborhoods, led to unequal systems of provision (Fraile

2009: 227) just by geography of residence, either through a lack of services or as a result of their poor quality (Maceira & Murillo 2001: 5). While some of the programs targeted at the poor have been successful, high unemployment and job insecurity have meant that there are fewer avenues through which these classes are able to supplement or replace subsidies with earned wages.

Concentrating Poverty, Increasing Inequality

Unemployment increased in the 1990s in Latin America by over 4 points, in part due to 1) labor markets made more flexible through deregulation of wages, working conditions, and contracts, and 2) more complete integration of Latin American economies and financial markets into the global marketplace and its boom and bust cycles (ILO 2008 qtd. Fraile 2009: 219). At the same time participation in the informal sector, defined by its low wages and lack of access to minimal workplace protections, either remained at the same level as prior to reforms or increased (Fraile 2009: 223). This increase is socially significant because “under and unemployment restricts participation in social institutions that improve working conditions, such as unions” (Gandelman & Ripani 2007: 8) both because informal work is not unionized and because poverty is defined by uncertainty. The precariousness of informal work often focuses people’s resources and time on survival strategies with short time horizons- although the following chapter will show how this very uncertainty also laid the foundation for the resurgence of alternative economic practices that go beyond mere survival.

Socioeconomic segregation and rising inequality resulted from the uneven impacts of the reforms as outlined above, and from the creation of parallel but inequitable

private and public social service provision systems. In fact, the region would come out of reforms with some of the highest inequality in the world (Sader 2008: 6). In some countries, such as Chile, this took the form of a “concentration at the top” (Spagnolo et. al 2008: 2), and a much more condensed middle and lower class. It also created “pockets of poverty” (Raczynski & Romaguera 1995: 289). In the region as a whole income concentration was consolidated to such an extent that in Brazil, Chile, Mexico, Argentina, and other large economies, the richest decile owned roughly half of the country’s wealth (Moreno-Brid et. al 2004: 354). Inequality was partially tolerated because neoliberal market reforms redefine “citizenship as market participation” (Stahler-Sholk et.al. 2007: 8). By deferring government services to the free market, the only way to voice an opinion with regards to those services is as a consumer. Thus purchasing power becomes voting power. For those with little capital, their inability to signal their preferences through consumption renders them invisible, non-citizens, except through traditional clientelist networks that provide token material benefits in exchange for votes. This lack of voice accelerates inequality as it detaches the poor from decision-making processes.

Inequality of the new welfare regime mirrors inequity produced in the employment regime. Social segmentation has resulted, and social distancing has grown, as classes with access to private health care and education increasingly function within a separate social sphere from those who can only afford public services. With neighborhoods also increasingly homogeneous in their socioeconomic characteristics, the opportunities for meaningful inter-class contact on a regular basis are sharply reduced. This distance is only encouraged by the increase in the relative importance of “resonance

boxes” (Gandelman & Ripani 2007: 19), where inequality in one sphere is echoed in another. Waning social safety nets and declining employment opportunities mutually reinforce the negative impacts of poverty.

A survey of industrial earnings inequality in the region from import substitution through neoliberalism demonstrates the progression of inequality under reforms. Using yearly industrial earnings data published by CEPAL, Galbraith and Garza Cantu have compiled a data set that covers 85% of the Latin America’s population and 91.2% of the region’s total GDP (Galbraith & Garza Cantu 1999: 2). Brazil, Chile, Mexico, Peru, Uruguay and Venezuela all show increases in inequality when GDP growth did not exceed population growth, and when countries are led by military governments enacting policies of market liberalization (Galbraith & Garza Cantu 1999: 11). The authors show that when reductions in inequality were the explicit goal of a government that they were successful, and that when growth was favored over equity, inequality increased (Galbraith & Garza Cantu 1999: 13).

Economic inequality would also come to be geographically inscribed, and therefore would also become spatially rendered social inequality. Decentralization of social services tied health and education to a new territoriality and free market policies unbound the political and economic system from concerns of equity. Poverty was concentrated into singular geographic units. Thus favelas in Rio swelled to become “complexes” (Massey et al. 2006: 9), and in Chile the poor were forcibly resettled from areas of Santiago that had a “middle or upper class character” (Rodriguez & Icaza 1998: 1) to southern peripheries. The effect in both of these areas, decades later, is a profound

sense of disempowerment and pessimism about economic opportunities, even where housing and services have been improved (Rodriguez & Icaza 1998; Massey et. al 2006). Urban disempowerment is generated by a disruption of social ties following relocation, social distancing between classes as a result of segregation, and profound cynicism regarding employment where those facing unemployment reside in the same geographic space. Methods of analyzing economic performance are typically macro-level, and therefore these effects can be glossed over when the evidence is evaluated on a city-wide basis rather than at the level of the municipality.

Yet neoliberalism was never concerned with distribution, but focused its sights purely on efficiency, thereby commodifying labor as just another input in production (Polyani qtd. Margheritis & Pereira 2007: 27). However, unlike tin or flowers, this input demands dignity, recognition, and some form of equity (Margheritis & Pereira 2007: 28). Therefore, policies with the sole intent of liberalizing the economy will neglect the distributional inequities that result, and be unprepared to deal with the social unrest, alienation, and pessimism that accompany them. When the proponents of these policies acknowledge their deleterious social effects, they are only analyzed in a framework of economic growth. Thus we see articles with titles such as “Life is Unfair in Latin America but Does it Matter For Growth?” (Blanco 2010), which concerns itself with a narrowly circumscribed field of development-as- GDP rather than with measures of well-being.

Governments following the neoliberal model and its policy prescriptions were unable, or unwilling, to recognize and respond to the changes in norms of fairness,

distribution, and solidarity that stemmed from changes in class structure and their geographic distribution in urban spaces. However, it is in this sense that neoliberalism was as much a social project as an economic strategy. In the analysis that I develop here, I hold that it was neoliberalism's transformations of the social regimes and the values that support them that would produce the most profound changes in social solidarity in Latin America.

The social solidarity that increasingly defined the political and economic projects of the region was replaced with an ethic of separation. Indeed, Touraine (1977, 5) notes that “the mass society has destroyed communities, disrupted social relations and confounded roles and norms”. Furthermore, this separatist tendency only serves to replicate itself, as social distance begets further isolation as opportunities for significant interaction of different classes of the population are diminished. As a result, prospects for the development of alliances and knowledge-building between diverse socioeconomic groups are worsening. Thus mobilization in response to these grievances is greatly transformed. In the next chapter, I will discuss economic heterodoxy as theorized in the literature on social economy, apply it to the recent trends embodied in the Solidarity Economy, give a brief history of the ideologies that have converged in the Solidarity Economy movement, and outline the governmental and non-governmental organizations and institutions that support the movement in Latin America.

Chapter 2: Socioeconomics and the Solidarity Economy: New Freedoms in an Era of the Downsized State?

Responding to the neoliberal assault on social solidarity, the Solidarity Economy's primary message is that solidarity between people and communities for social and economic ends exists, deserves recognition, and has a priori value *as a type of economy*. Therefore, it is not an imperfect knockoff of a marketplace operating for purely monetary purposes. This chapter will apply the work of social economists, who attempt to validate alternatives to the neoclassical model of economic behavior, to describe the historical and philosophical importance of solidarity in the private and public sector as they pertain to the Solidarity Economy in Latin America. Through socioeconomic theories, academics have catalogued the historical precedents from which the Solidarity Economy derives its' logic. A discussion of these theories substantiates the Solidarity Economy movement's claim that solidarity is not an irrational value alien to economic practices. It once was, and can continue to be, central to a type of economy oriented to the community that is also capable of producing economic progress, although measured and defined according to social, as well as economic, criteria.

The associative foundations of the social economy have existed everywhere, including pre-Columbian Latin America (Defourny & Develetere 1999: 4), but in Europe would “defend [the] market economy based on non-capitalist principles of cooperation and mutuality, and critique [. . .] the centralized state” (De Sousa Santos 2006: xxvii). Associative movements supported “pluralist and federalist forms of political organization assigning civil society a lead role” (De Sousa Santos 2006: xxvii) Associative socialism,

founded on the creation of producer cooperatives, was popularized in the late 1800s in Europe with associative theories like those of Robert Owen in England (De Sousa Santos 2006: xxvii), and the work of Charles Fourier, Pierre Proudhon, Laski, Tawney and Cole that led to the first worker coops in England and France (xxvii) but which would be eclipsed by collectivist Marxism (Defourny & Develtere 1999: 6). Beyond Marxism, associative movements have drawn from diverse ideologies, including social Christianity, whose work in protecting the personhood of individuals and the realization of human potential through community would lead to the rule of subsidiarity. This rule states that “a higher authority should not take over any functions that a lower authority- that is, one closer to the user-was able to assume”, and led to the first rural savings and credit union in Germany (Defourny & Develtere 1999: 6).

The thinking of the Christian church and latent strains of associative Marxism were brought over to Latin America by immigrants and Latin American intellectuals who studied in or were exiled by dictatorships to Europe. Their thinking would mix with the communalism of indigenous and Afro-descendant groups whose cultural legacies were predicated on similar notions- although radically different political structures- and whose treatment by greater society demanded the sustained development of self-help initiatives (for example, the run-away slave communities of Brazil known as quilombos) (Singer 2006: 55). Peruvian Jose Carlos Mariategui was the first Latin American to wed Socialist associative thought with indigenous communal practice in his work The Seven Interpretive Essays on Peruvian Reality, written at the beginning of the 19th century (Quijano 2006: 419). Later, the Latin American populism of the 1960s and 70s used the

cooperative structure, a hallmark of associative thought, as an “essential ingredient” in its projects, and led to an increase in the number of cooperatives from 7,500 to 25,700, and from a membership of 2 million to 10 million (Defourny & Develtere 1999: 27). Grassroots ecclesiastical communities, often Catholic, who resisted the later dictatorships of the region through their social justice work in the economic sphere, also relied on a cooperative structure to empower the poor (Defourny & Develtere 1999: 7).

Defining the Solidarity Economy: The Social, Popular and Informal

Social solidarity has taken the greatest hit under neoliberal policy because it precipitates the “failure on the part of the state to respond to the physical need that is unmet by the private sector” (Boyle 2005: 492). This failure has “profound implications for the social values of freedom, equality, and community and thus for the personhood of those in need” (Boyle 2005: 492). The fundamental underpinnings of neoliberal policies err in that they assume that the majority of needs should be met by the private sector—including the human need for dignity through employment; that every individual is capable of meeting those needs that do go unmet without any aid on the part of their national community, embodied in the State; or that the right of one individual to live with their basic needs met is trumped by a system where no one is responsible for anyone else and thus that there is no “moral claim on economic resources that derives from personhood” (Boyle 2005: 488). For supporters of neoliberalism, individual economic freedom from State interference is the most important liberty, because it will supposedly result in a more efficient distribution of resources. This position displaces the need for collective responsibility, which may better ensure that *social groups* are equally free to

pursue their economic goals. Collective responsibility was a premise of the previous model of the State. However, under neoliberalism, the premise of the State's role is to secure the individual's ability to use private resources and capital according to personal criteria.

The economics of solidarity suggest a more equitable distribution of freedoms than that under the neoliberal and the ISI models. Instead of freedom for individuals to pursue personally defined goals in the absence of State intervention, an economics of solidarity seeks to create an environment based on freedom of groups to self-manage and self-actualize according to an ethic of cooperation. Humans are individuals but they are also members of social groups, and their ability to pursue economic goals is conditioned on their membership in those groups. These identities can be gender-based, ethnic, racial, or class, but they prefigure individual capacities and opportunities vis-à-vis the greater community. As a result, governmental policies must recognize and work to correct inequalities based on group membership. An economics of solidarity is then premised not on control by the State, but on its ability to produce an economic environment that equally distributes freedoms to historically marginalized social groups. Support of an associative movement based on democratic ownership and decision-making aids structural changes of power, and therefore of freedom, realized through the private sector and according to each group's self-defined criteria. Versus the anti-policy of neoliberalism, economic solidarism seeks government policies that invest in associations such as cooperatives and their attendant social goals, such as cooperative management

education, as well as a legal structure that reflects and supports the associations that make up this sector of the economy.

The production of a crisis of employment and reduced social services under neoliberalism demanded a forced associativism that has put renewed emphasis on the capacities of local communities to care for their members without intermediation- for better or worse- on the part of a national government. Through decentralization, neoliberalism theoretically allows for smaller units of people and their local governments to produce changes in government systems of allocation and services on a micro level. While populist and State socialist movements of the ISI stripe were concerned with equity, they were not concerned with participatory democracy. Although neoliberal policy does not address specifically, and perhaps never bargained for, the potential for increased participation in economic decisions, this is possibly the most significant and exciting outcome of the application of the Washington Consensus. Increased participation in decentralized social service networks intensifies the inherent tension between political democracy and hierarchical economic systems, a tension from which a movement dedicated to democratizing the economy has developed.

Neoliberal proponents' ability to ignore the negative social consequences of making labor conditions more flexible also meant that those pushed into the informal economy were given space to return to associative economic practices and to revisit the type of economy in which the working and low-income classes wanted to participate. The collapse of centralized socialist economies freed up the left to think of new strategies, rather than remain captured in an authoritarian paradigm (De Sousa Santos

2006: xxi). The failure of the “anonymous” market to meet social and material needs for large parts of the population meant that a third way was not only desired but required. The informality of much of the population also kept that population out of view of an authoritarian and often dictatorial State, and was thus a condition for rediscovering associative practices. These practices reorient the economy, its products, and its producers/consumers according to a social logic. Associative models, where organizations created independently of the State, the Church, and other businesses rotate around the social ties of their members, have returned to the forefront of this process of reconceiving the market.

These diverse philosophies stand in stark contrast to the “I and I alone” foundation of economic liberalism, and respond with a “me and us” message (Arruda 2000: 1) that does not artificially distinguish between individual and community priorities or needs. However, this message is embodied in such a diversity of institutions and practices in the Solidarity Economy that a few definitions are needed in order to delineate its actual and potential borders. The *social economy* in developed countries includes any organizations or associations providing social services, including foundations, NGOs, mutual aid societies, and cooperatives (Defourney & Develtere 1999: 12-13). In Latin America the social economy refers to local activities usually between families and their surrounding communities (Gaughan & Ferman 1987: 21), and emerges from crisis (Fajardo Garcia 2009: 7), which in Latin America was produced by the rapidity of urbanization and later the concerted retreat of the State from social services (Defourney & Develtere 1999: 23-24). It has been inscribed in the laws of Latin America

since the 1980s, and was referred to beginning in 1984 as the Model for the Sector of the Economy of Work (Fajardo Garcia 2009: 20). Legislation aimed at the social and solidarity economy continues to evolve to this day in reflection of the increasing political strength of the Solidarity Economy- notably in Brazil, Colombia, Ecuador, Mexico, Honduras and Venezuela (Fajardo Garcia 2009: 5-35).

The *popular economy* and the *informal economy* are one and the same and refer to those who live in “peripheral urban zones sometimes in precarious conditions” (Nyssens 1997: 65). They also focus on the material and social needs of those who belong to these sectors, but are not limited to associations. Rather they include all informal activities from trade in goods not involving cash, bartering, work for non-reported wages, volunteer and domestic work, and social exchange of services (Gaughan & Ferman 1987: 16). Some have classified all kin-oriented economic activity in the informal sector as associative (see Ric Thompson in Gaughan and Ferman 1987), while others have chosen to label it social economy. Still others (see Razeto “La Economia Popular”) have insisted on maintaining the label of popular economy for those economic practices realized on a small scale in peripheral urban communities.

Latin American theorists working in this field distinguish between two types of “alternative” economies. Some theorists contend that where the Solidarity Economy revolves around the cooperative, (see Singer in Another Production Is Possible) and therefore a “secondary sociality” (Caille 2005: 6) of the broader marketplace, the popular economy is characterized by small scale communities (Razeto et. al 1990) and their “primary sociality” (Caille 2005: 6); thus these two hybrid sectors are not formed by the

same structural mechanisms or oriented to the same goals. In the Solidarity Economy, cooperative structures are more formalized and to some extent ideologically based with explicit social goals and political connections. In what is typically referred to as the “popular economy,” support networks do exist, but are less formalized and more based on need.

However, it is important not to impose strict separation between the two. This is because the ideological commitments of the Solidarity Economy are directly informed by the survival strategies of the popular economy. They are not mutually exclusive categories. As Razeto notes, “while the solidarity economy is in general popular, the popular economy is not necessarily solidary” (Network Meeting 9/9/10). The primary sociality of the popular economy, where family and neighborhood relationships are the bedrock of employment creation and providing mutual aid, is a logic that the Solidarity Economy values and wants to more widely disseminate. One first feels solidarity with those closest- either through blood or geography. The rhetoric of the old Left was forged in class-based solidarity within particular economic sectors (Cohen 1985: 667), and therefore underestimated the importance of solidarities stemming from membership in smaller, and multiple, social units such as families, neighborhoods, and ethnic or racial groups. The Solidarity Economy’s cooperative institutions, in contrast, extend the logic of the popular economy to the Solidarity Economy, itself more ideologically committed and more broadly formed. An example would be the informal recyclers in many urban areas of Latin America that scavenge through garbage to find recyclable materials for which they are then paid. This practice results from a material need for income, not an

ideological commitment to recycling per se or to environmentalism. However, the Solidarity Economy's cooperative structure and ecological concerns overlap with this practice of the informal economy, amplifying a strategy born from need through a movement for democratic ownership, decision-making, and commitment to responsible consumption (and disposal) of goods. This expansion is predicated on the existing methods of the popular economy- thus the two cannot be completely separated.

For the purposes of the Solidarity Economy however, the inward-looking tendency of associations, mutual-help associations, and informal activities is not sufficient. Full democratization of the economy is the goal, and thus internal management premised on democratic principles and distribution of profit as well as a commitment to other cooperatives or associations with similar internal structures is also necessary. The work of the Solidarity Economy could extend the rule of primary sociality- realized in family, neighborhood and other face-to-face relationships- to spheres of “secondary sociality” such as the broader marketplace. The significance of sociality- of work over capital- while stemming from the need for employment and a lack of capital, can continue as a guiding ethic even once micro-enterprise, cooperatives, non-profits, and community associations have capital and no longer operate strictly to provide maximum employment. Therefore the Solidarity Economy does not fetishize poverty but takes the socio-ethical concerns necessary for survival and carries them forward to circumstances of plenty. In doing so, the Solidarity Economy moves beyond the informal and popular economy as so-called “poor people’s economy” and restructures the social economy democratically. One should take care, however, not to produce exclusionary categories for defining the

Solidarity Economy as it is still “negotiating reality and utopia” (De Sousa Santos 2006: xxii). Thus it is decidedly not the purpose of this paper to omit those economic organizations that do not exactly fit these criteria but to nevertheless be attentive to these long-term goals.

The seven guiding principles of cooperatives, written in 1895, enshrine these values and their structural manifestations and deserve mention. They are voluntary and open membership, democratic member control (one person one vote), member economic participation, autonomy and independence (from external funders), education, training and information (of members and the community), cooperation among cooperatives, and concern for community (International Cooperative Alliance). These principles reorient profit towards the community of which the cooperative and its members are a part-usually through a fund dedicated to investment in community associations and projects-and redistribute profits equitably between members regardless of investment.

The Solidarity Economy has conceived of this reorientation in terms of homes. Marcos Arruda (2000, 2) writes, “the economy, in the humanist culture, demands the care and good management of each one of those “homes”. . . .the economy dedicated to social well-being . . . the economy in which I desire the well-being of an Other because the other also lives in the same home”. In this phrase the cross-fertilization of Christian humanism and indigenous communalism in the Solidarity Economy movement is strikingly evident. The axioms of caring for one’s neighbor as oneself and regarding oneself and one’s environment (social or ecological) as indivisible unites the diverse strains of thought that have converged to produce a broad cooperative-based movement in the developing

world. It underscores the historical, geographical persistence of a “spontaneous human disposition toward reciprocity and cooperation” (Gaughan & Ferman 21) originally necessary for human survival. This worldview was so universally common that the arrival of capitalism and its anonymous market model populated by self-interested individuals was taken as a revolution. Where some may consider this way of conceiving the economy as pre-industrial and therefore traditional, the fact that it has persisted in Latin America past the age of industrialization, in rural and urban contexts, also suggests that it is a fitting post-industrial alternative as well (Gaughan & Ferman 1987: 24). In this sense it is neither reactionary nor conservative but borrows from historical models essential in new politico-economic environments such as those produced by neoliberal policy.

As the Solidarity Economy is about ethics and not class, it is inclusive of diverse groups of people. These include informal workers but also lower-middle and middle-class individuals who feel that values of cooperation and solidarity are important to economic exchange. These latter individuals, while not focusing on their workplaces, orient themselves to a more responsible ethic of consumption that privileges the purchase of goods produced sustainably, by those paid fair wages, and with access to democratic participation processes. The various roles of each part of economic activity in the Solidarity Economy- consumption, production, savings, etc.- are illustrated in the following graphic, Figure 2.1, from Ethan Miller at the U.S. Solidarity Economy Network. It displays examples of a solidarity venture or practice in each sphere of the economy, and how they connect to one another.

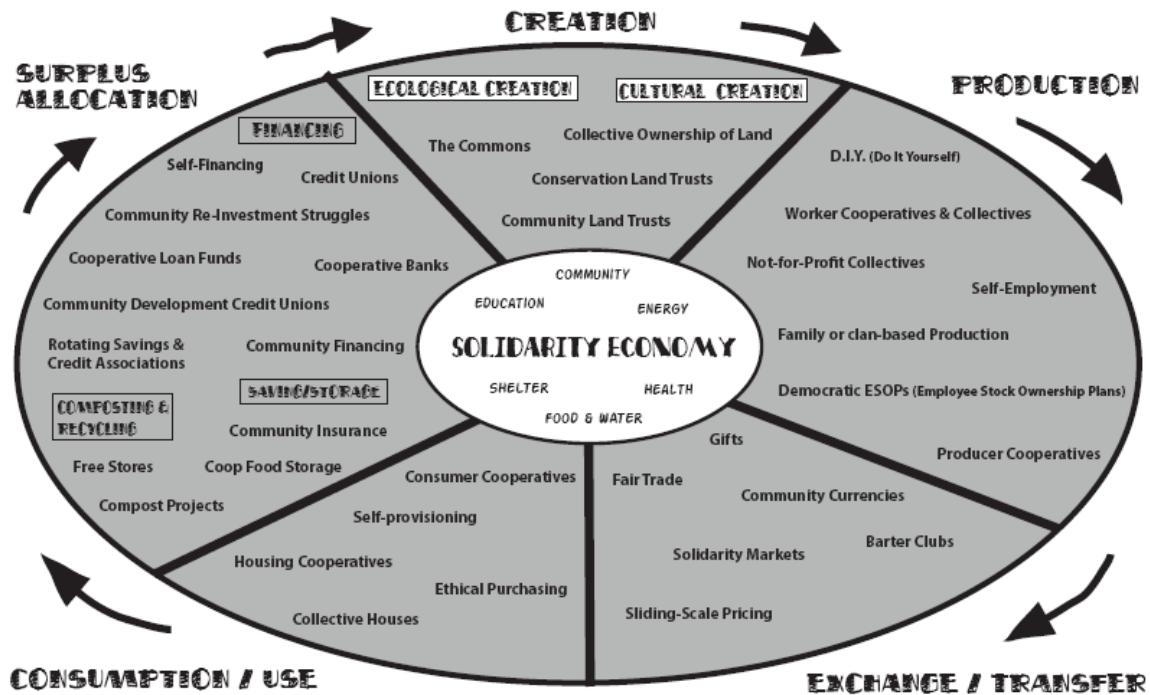


Figure 2.1 Graphic of Economic Sectors of the Solidarity Economy

Source: Ethan Miller, U.S. Solidarity Economy Network

The World Social Forum and the Solidarity Economy: Other Worlds are Possible,

Other Economies are Happening

The Solidarity Economy is first and foremost creating alternatives through a series of locally embedded national civil-society networks developed primarily in Bolivia, Brazil, Chile, Mexico, Peru, Colombia, Argentina, Cuba, Paraguay, Panama, Uruguay and Venezuela. They are loosely organized at regional and international levels and include MEROSUR Solidario, Instituto Politicas para Alternativas para o Cone Sul (PACS), Red Latinoamericana de Socioeconomia Solidaria (REDLASSES), Red Intercontinental de Promoción de la Economia Social Solidaria (RIPESS), and the Red Universitaria en Estudios Cooperativos y Asociativismo (UnirCOOP). The following

table, Figure 2.2, is not exhaustive, but highlights some of the central national and international networks operating in Latin America.

| Civil Society Networks of the Solidarity Economy in Latin America | |
|--|--|
| <u>Name</u> | <u>Member Countries</u> |
| Espacio Mercosur Solidario | Argentina, Brazil, Chile, Paraguay, Uruguay |
| Instituto Politicas para Alternativas para o Cone Sul | Argentina, Brazil, Chile, Uruguay |
| Red Latinoamericana de Socioeconomia Solidaria | Argentina, Brazil, Canada, Chile, Colombia, U.S., Honduras, Paraguay, Peru, Uruguay, Holland |
| Red Intercontinental de Promocion de la Economia Social Solidaria (RIPESS) | Bolivia, Brazil, Chile, Mexico, Peru, Colombia |
| Red Universitaria en Estudios Cooperativos y Asociativismo (UNIRCOOP) | Canada, Mexico, Cuba, Costa Rica, El Salvador, Honduras, Colombia, Ecuador, Venezuela, Chile, Uruguay, Argentina, Brazil |
| Red Latinoamericana de Comercializacion Comunitaria (RELACC) | Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Panama, Colombia, Ecuador, Peru, Bolivia, Brazil, Uruguay, Paraguay, Argentina, Chile |
| Red de Investigadores Latinoamericanos (RILESS) | Argentina, Brazil, Ecuador, Mexico, Peru, Chile, Colombia |
| Alianza Bolivariana para los Pueblos de Nuestra America (ALBA) | Bolivia, Cuba, Ecuador, Nicaragua, Venezuela |
| Red Argentina de Comercio Justo | Argentina |
| Movimiento de Economia Solidaria y Comercio Justo | Bolivia |
| Forum Brasileiro de Economia Solidaria (FBES) | Brazil |
| Red de Economia Solidaria de Santiago | Chile |
| Red de Economia Solidaria Colombia (REDESOL) | Colombia |
| Red Solidaria del Ecuador | Ecuador |
| Consejo Mexicano de Empresas de la Economia Solidaria (CMEES) | Mexico |
| Espacio de Economia Solidaria y Comercio Justo en Paragu | Paraguay |
| Grupo Red de Economia Solidaria de Peru | Peru |
| La Union Nacional de Cooperativas y Organizaciones de la Economia Social, Participativa y Solidaria de Venezuela | Venezuela |
| Coordinadora Nacional de Economia Solidaria (CNES) | Uruguay |

Figure 2.2 Civil Society Organizations of the Solidarity Economy in Latin America
Source: Author's Elaboration

These organizations emerged from and coalesced around the World Social Forum, begun in 2001. While it may seem a peripheral digression, the history of the formation of the World Social Forum (WSF) is relevant to a proper discussion of the Solidarity Economy in a context of neoliberal governance. It is representative of the widespread

associative orientation of leftist social movements to a less unified State (Touraine 1981: 8). The WSF began in Brazil as a reaction to the closed-doors, top-down meetings of the Global North's policy-making elite at the World Economic Forum. As there was no similar space for those in the Global South affected by the policies of the World Economic Forum to come together and discuss their ideas for development, the WSF was organized for that purpose.

Progressive organizations from Brazil decided that the event should be held in Porto Alegre (Teivainen 2010: 623), a city in Brazil with particularly strong historical support for the Worker's Party, whose political base emerged from the strong associative connections between "trade unions, Catholic organisations, women's movements and many other parts of the vibrant Brazilian civil society" (Teivainen 2010: 674). This plurality of groups would go on to organize this annual event beginning in 2001, held in Porto Alegre for many years and once in Mumbai, India. Groups from Latin America went on to develop regional Social Forums- known as the Foro Social de las Americas- beginning in 2004 in Quito, Ecuador, and have been held every two years since in Venezuela, Guatemala, and Paraguay (Foro Social Americas "Que es el Foro Social de las Americas?"").

These civil society organizations went on to lobby their national governments for recognition and policy changes. In the last decade a number of national governments have responded with the development of governmental organs to foment, technically advise, and support the Solidarity Economy initiatives inside their borders. In 1998- notably before the World Social Forum- President Pastrana in Colombia transformed the

National Department of Cooperatives into the Superintendencia de la Economia Solidaria under the auspices of the Ministry of Housing and Public Credit (Superintendencia de la Economia Solidaria de Colombia, “Nuestra Entidad”). In Brazil, President Lula began the Subsecretaria de Economia Solidaria (SENAES) in 2003, housed in the Ministry of Work and Employment. President Correa in Ecuador started the Instituto Nacional de Economia Solidaria in 2010 under the Ministry of Economic and Social Inclusion (MIES, “Institutos”). President Chavez in Venezuela also developed a Ministerio de Economia Popular in 2004 as part of his so-named Bolivarian revolution (MINEP). The missions of other government institutions, such as the Departamento de Cooperativas in Chile or the Ministerio de la Produccion in Peru, deal with aspects of the Solidarity Economy without explicitly functioning as an institution of support. Therefore, while certain countries lack ministries of the Solidarity Economy, their absence should not be taken to mean that there is no interaction between the government and the Solidarity Economy movement.

The associative orientation of the World Social Forum and the Solidarity Economy are best categorized by Jean Cohen (1985) in her article “Strategy or Identity”. In it, she describes what is truly innovative about certain contemporary social movements, highlighting the defining characteristics of the WSF that allowed the Solidarity Economy to materialize, and thus demonstrates a broader trend from which the Solidarity Economy derives some of its unique traits. The WSF’s purpose is to organize a pluralist space of global civil society (Patomäki & Teivainen 2004: 151) that shows the possibilities of “a practical school of democracy” (Teivainen 2010: 629). These goals mirror Cohen’s description (1985, 669) of new social movements as struggling “in the name of

autonomy, plurality, and difference”. The WSF and the Solidarity Economy also exhibit “self-limiting radicalism” (Cohen 66) in their respective rallying cries of “another world is possible” (Patomäki & Teivainen 2004: 145) and “another economy is possible.” In calling for “another globalization” and “another economy” they assert an alternative stance on issues of global trade relations and the democratization of the economy without becoming a space for negative positioning of anti-capitalism and anti-globalization, and without making revolutionary demands on how to change these global systems. By choosing to use the term “another”, they emphasize the self-limiting aspect of plurality that the opening of a space for global civil society is intended to bring into being.

While the WSF and the Solidarity Economy do “interpret [their] actions as attempts to renew a democratic political culture and to reintroduce the normative dimension of social action into political life” (Cohen 1985: 670), they do not do this through producing political positions on issues. Furthermore, the WSF does not even allow political parties to participate in the Forum. Thus the WSF authentically seeks to give space for this new democratic political culture to flourish, through an open exchange of ideas, but protects the social movements and actors producing these ideas from influence and cooptation by those already accepted into the political sphere. This conscious separation of political and civil society also speaks to a shift in focus from seeking power to enter the State government to lobbying the State from the outside.

The primary frame of the WSF is that the most outstanding grievance against marginalized populations is a lack of autonomous space for global civil society to work in concert with its members and to take itself as its own object of action, rather than

exclusively focusing on the State. Teivainen notes (2010, 622), “instead of asking that a particular Third World state be given more decision-making power in global affairs, today’s activists may ask for more power for the civil society groups that confront both governmental and corporate power”. The Solidarity Economy takes up this thread in calling for autonomous space for economic actors to participate in decision-making in the economy, rather than effecting change in the economy through political channels. However, they borrow the political ideal of democratic equality in advancing decision-making power based on notions of personhood, rather than investment.

Adopting notions of democratic equality from the political sphere to the private sphere is a “specific response[s] to the advance of neoliberal globalization within the process of nominal democratization” (Stahler-Sholk 2007: 5). The World Economic Forum that the WSF responded to was a private, elite event that made decisions, often in concert with local dictatorships, about the economic lives of billions of people without ever consulting them. The repercussions that flowed from these decisions also decisively marked the economy with their autocratic origins. Furthermore, even the now established contemporary democracies of Latin America are limited in their ability to produce equality when they are embedded in a context of globalized capital and the undemocratic international institutions that (de)regulate it. Perhaps unknowingly, the WSF and the Solidarity Economy also indicted modernization projects of the left and centralized, planned economies in their call for autonomy. Through interaction between civil society groups at the WSF, participants found that political and socioeconomic grievances stemmed from the same root. Indeed, the political and socioeconomic are so intertwined

that the WSF saw the need for a genuinely global, pluralistic political space as a precondition for the resolution of socioeconomic grievances. A “crisis of representation” - political and economic- is at the heart of the projects of both the WSF and the Solidarity Economy.

The Solidarity Economy emerges from the WSF as one particular route that many participants saw that they could take to enact changes in the economic sphere. It opposes the foci of traditional neoliberal development, with its “marked emphasis on macroeconomic results” and corresponding lack of attention to “democratic decision-making processes, the equitable distribution of the fruits of development, and the protection of the environment” (De Sousa Santos 2006: xxiii). It democratizes market-based citizenship, in part through public campaigns that seek to change the values of the general public with regard to consumption, and works to support and develop democratically owned and managed businesses. As Touraine (1977, 22) writes, “self-management [. . .] is important because it stipulates that social movements are capable of directing their own action [. . .] instead of being merely a transmission or relay station in the service of political forces.” It is, like the WSF, a practical school of democracy and is a demand for “collective citizenship rights, not just the individualism and formal equality promised by the marketplace that in practice leaves so many destitute and disempowered” (Stahler-Sholk 2007: 8).

Neoliberal Victories: Private Solidarity Over Public Solidarity

The *lien solidaire* that the Solidarity Economy wants to reawaken has emerged, and reemerged, when formal mechanisms of equality fail (Moulaert & Ailenei 2005: 2041).

Thus it responds to periodic crises of a capitalist marketplace, and in particular the conceptual and material tension that arises from increasing inequality in a context of democracy (Moulaert & Ailenei 2005: 2041). As Luis Razeto, a Chilean academic working with the Solidarity Economy in that country writes, it “is a real response to the large and growing social injustices and inequalities that the economic system generates, that translates into processes of disintegration of social coexistence”(Que es La Economia Solidaria?) Perhaps contradictorily, the neoliberal reforms that have most recently prompted the Solidarity Economy movement both attack solidarity through public mechanisms while demanding it of those who suffer under restructuring and must employ social solidarity to survive.

The praxis of solidarity came to be understood as the science of social justice, not social utility (Moulaert & Ailenei 2005: 2040), or as Razeto suggests, putting the economy into solidarity and solidarity into the economy (La Economia Solidaria: Concepto, Realidad y Proyecto). It broadens the definition of the economy to include private redistribution and reciprocity as well as the market (Moulaert & Ailenei 2005: 2044) and from this definition contextualizes the economy according to locally-defined hierarchies of needs (Moulaert & Nussbaumer 2005: 2072). Thus it privileges the social actor before the product, the community before the good, and needs before wants. Its grounding in the social also lends a local, and therefore distinctive, quality to its goods, a characteristic which stands in sharp relief to the practices of multinational corporations that increasingly remake economies into generic and anonymous bodies of like products and standardized workers.

The Solidarity Economy in Latin America: Diverse Practices, Convergent Solutions

The successes of the Solidarity Economy so far in Latin America are varied, and are predicated on the ability of the social movements that met at the WSF to organize themselves and to pressure the government for recognition in the form of supportive regulation, subsidies, and technical advice. The existing legal framework for cooperatives in particular leaves much to be desired. For example, the issue of subcontracting non-members highlights the type of legal recognition and regulation that the Solidarity Economy attempts to negotiate with the State. Sub-contracting non-members, particularly when it occurs in unlimited numbers, is mutually detrimental to both members and non-members. Non-members do not enjoy the same avenues for participation or systems of remuneration as members. Cooperatives can also be functionally dominated by non-members with no commitment to reproducing equal relationships of power or distribution of resources. In Argentina this practice is only allowed under specific circumstances, and for which the law requires a separate fiscal account (Camilletti et al. 2005: 38). In Chile sub-contracting is unlimited, and payment for sub-contracted workers is pro-rated by participation, while in Uruguay this situation is not legally defined (Camilletti et al. 2005: 39).

In Brazil, the currently ruling Partido dos Trabalhadores (PT) has long been engaged in the work of cooperative building. The Brazilian Forum on the Solidarity Economy (FBES) and SENAES, the secretariat created by PT member President Lula, have assisted hundreds of thousands of participants. They have performed two censuses of the Solidarity Economy to date (neither of which have been published), and even developed

their own system of certification known as “Made Without Bosses”. It is both a rural and urban movement, with rural participants such as the Movement for Landless Workers often focusing on issues of land reform, and urban participants organized around producer cooperatives in industrial and social service sectors. The Secretariat has actively promoted the Solidarity Economy through organizing meetings between civil society organizations, universities and other public organs of support and promotion, and State representatives (SENAES 2003: 98) including meetings with the quilombo ex-runaway slave communities. Additionally the assistance of technology incubators created by state universities has served to guide cooperative formation through a curriculum that teaches management, participation, and finance (SENAES 2004: 68).

The history of the development of SENAES in Brazil is well-known, but those of other ministries have yet to be recorded in the academic literature or disseminated to a greater public. It would appear that leftist governments are those most inclined to take a concerted and sustained interest in the Solidarity Economy. However, a leftist government is not a sufficient condition for the development of a governmental organ exclusively dedicated to support and promote the Solidarity Economy. In Chile, where a left of center government held the presidency from 1991 to 2006, no ministry or sub-ministry has been created and, indeed, there are few agencies that have funded Solidarity Economy initiatives. In Argentina, there are numerous existing agencies that engage with the Solidarity Economy, such as the Instituto Nacional de Asociativismo y Economía Social, whose mission is to legislate, control and promote the social economy through cooperatives and mutual aid societies (INAES). The strong existing tradition of producer

cooperatives, their civil society organizations and their continued political power may explain the existence of this institute.

In Venezuela, government contribution is more hands-on and comes accompanied with the populist rhetoric and what some see as heavy-handed intervention of Chavez's regime. As an associative movement is premised on freedom of association, the civic repression that has accompanied Chavez's presidency calls into question the independence of the Solidarity Economy from State control. Regardless, a widespread cooperative movement has been documented in that country. In Argentina, the Solidarity Economy is much less formally consolidated yet hews closer to the ethic of the movement than others nominally more organized. The last two decades of recuperating factories set to go bankrupt and remaking them as successful cooperatives illustrates both the extreme levels of unemployment that Argentina experienced- 40% as of 2002- as well as the remarkable capacity of Argentinians for democratizing the economy as a response (Di Marco & Moro 2004: 118). One hundred and thirty businesses have been recuperated as of 2003, with a full 75 percent organized as producer cooperatives (Di Marco & Moro 2004: 123) with the support of the long-standing private sector Institute for Mobilizing Cooperative Funds (IMFC) (Di Marco & Moro 2004: 126). In addition, in Argentina the practice of subcontracting non-members for wage work is harshly discouraged (Camilletti et al. 2005: 38) and thus cooperatives tend to function closer to the seven guiding principles than in other countries where this is not the case.

In Ecuador, President Correa has had a continued interest in giving voice within the national government to indigenous peoples, evidenced by the constitutional changes he

enacted in 2008 to give rights to nature and declaring Ecuador a plurinational state. His orientation to the demands of indigenous groups for a policy framework that privileges “me and us” relationships between individuals in communities and communities with nature is in concert with the momentum of the Solidarity Economy (Tygel 2008: 1) The Solidarity Economy and the Sub-secretary of the Solidarity Economy have a decidedly rural, indigenous focus. Given the ethnic make-up of that country, this is a policy proportional to the concerns of a majority of citizens, and yet sets a historical precedent nonetheless. In staunch opposition to modernizing precepts, the president of the Solidarity Economy organization in Ecuador (FENOCIN) has said that the new financial support for associative practices in rural areas substantiates FENOCIN’s belief that “it is still much more than possible for rural communities to live in rural areas, when one thinks of fomenting policies that support the indigenous and the campesino” (REL-UITA 1). Thus economic development is decentered from the city and manufacturing, and redirects resources and planning back into rural areas where many live and from which traditional indigenous ways of life derive their spiritual meaning.

In Bolivia the role of indigenous groups is also central to the development of the Solidarity Economy. Through the government of President Evo Morales, a new Ministry of Productive Development and Plural Economy was opened in June of 2010 (REAS). The recognition of a plurality of economies, and of a plurinational state within Bolivia, is directly connected to the struggles by indigenous peoples for recognition of the diverse political and economic bodies that have operated and continue to exist in that country. The Movement for a Solidarity Economy and Fair Trade of Bolivia- the non-

governmental organization representing the Solidarity Economy- was one of many groups instrumental in establishing that ministry and in directing its goals towards alternative economic development initiatives (REAS).

In Mexico, the Solidarity Economy is both rural and urban. FONAES (National Fund for Social Businesses) extended financial support to 5,620 businesses employing mostly marginal community members in rural and urban areas in 2008, doubling the previous year's numbers (FONAES 3), although its focus is not on cooperatives per se but micro-businesses of the popular economy. In rural areas the Mexican Network of Ecotourism (RME) has focused on what Barkin and Pailles have called "ecological economics", or what is more typically called sustainable development. There has been a decided focus on community-based eco and social tourism, particularly in Oaxaca (Barkin & Pailles 1999: 1), as economic growth through tourism is of unmistakable importance for the national government in rural, often indigenous areas (CESTUR 5). However, only fifteen of the more than 400 ecotourist businesses registered with FONAES are community-based (CESTUR 6). As such the Mexican Solidarity Economy's focus on ecological matters- preservation as well as promotion of the environment through tourism- represents a unique challenge to consolidating material, social, and cultural concerns of local people in contact with international companies on the one hand, and international visitors on the other. Traditional methods of agriculture- such as allowing certain lands to lay fallow for years in order for the soil to regenerate- are undermined by the development of businesses that obtain what appears to be unused land for tourist use. Thus the Solidarity Economy in Mexico is seeking to develop

tourism that respects the local uses of ecological systems. Through ecological protection, more equitable distribution of profits derived from that tourism, and increased participation of local constituents in deciding how economic development through tourism comes about (Barkin 2000: 1), the Mexican Solidarity Economy is applying local priorities, concepts of well-being, and development to a sector fundamental to the Mexican economy.

In Peru the Aymara concept of three communities- the divine, humans, and nature- is the foundation for the rural approximation of the Solidarity Economy (Munoz & Solano 2009: 132). Respect for these three communities in the mode of production- communal agriculture- is seen as imperative for the reproduction of a “good life”. The fruits of individual labor are private to the extent that they do not impede on another’s ability to meet their material needs, which are, as defined above, also ecological and spiritual (Munoz & Solano 2009: 133). The Grupo Red de Economia Solidaria de Peru (GRESP) links rural production of agricultural and artisanal products with urban markets, teaching consumers about the particular values of the community from which the good originates. (GRESP “Quienes Somos”).

In Chile the Solidarity Economy is supported principally by Christian and Catholic organizations, which reflects the historical support of the Solidarity Economy by the church as an alternative to State socialism (Moulaert & Ailenei 2005: 2042) as well as the mobilization of religious institutions against the authoritarianism of the Pinochet years. Where the Solidarity Economy in other countries has broad political support from progressive parties, in Chile traditional institutions like the Catholic and Christian

churches have most actively involved themselves in this alternative paradigm. The Church in an urban context- particularly in Santiago- is responsible to urban, mestizo constituents, whereas the Christian NGOs operating in the South are largely working with Mapuche women on traditional artisanal work through cooperatives.

As is evident from this brief review, ethnic, religious, cultural, gender and class identities do not preclude collective action under the banner of the Solidarity Economy. Furthermore, the Solidarity Economy, in its call for economic plurality, recognizes that individuals belong to multiple categories at once, freeing up individuals and institutions- across and within groups- to partake in collective socioeconomic projects according to diverse situations, criteria and ideology. This allows the Catholic Church and Christian organizations, as well as indigenous groups, to construct radical economic initiatives from which Marxists of the old Left once excluded them, and in so doing, broadens the potential base of supporters.

The list provided of governmental and non-governmental organizations is not comprehensive but does provide a sample of the geographical, cultural, and institutional diversity at work beneath the Solidarity Economy name. However, there are few reliable numbers quantifying the presence of the Solidarity Economy. This is due to a variety of factors including the lack of legal recognition of their structures (such as the case of subcontracting wage workers), the relative newness of the movement, and the very diversity of initiatives under the Solidarity Economy umbrella. It should still be evident that some countries have experienced greater success than others in strengthening the Solidarity Economy through cooperative-building, public-private partnerships,

institutional recognition, legal support, and consumer education. The following chapter further describes the implementation and effects of neoliberal policy under dictatorial regime in Chile, the history of associativism and cooperatives in that country, and an introduction to the organization of the Solidarity Economy Network in Santiago. This background chapter further grounds my case study of the Network and thus gives context to the form and actions of the Network that will be described and analyzed in Chapter Four.

Chapter 3: Neoliberalism, Inequality and the Solidarity Economy in Chile

To better explain the emergence of the Solidarity Economy in Chile, it is necessary to further describe the implementation and effects of neoliberalism in that country. Social regime change began earlier in Chile than in other Latin American countries. The successful democratic election of socialist Salvador Allende in 1970 precipitated a violent right-wing military coup by Augusto Pinochet in 1973. As in other Latin American nations, this dictatorship was repressive, disappearing and torturing thousands perceived as threats to the establishment of a right-wing authoritarian government. A brief discussion of the reforms under Allende is needed to understand Pinochet's agenda as well as the particular political and social transformations that precluded something like a solidarity economy from taking root under Allende's presidency.

Salvador Allende, the first democratically elected Marxist president in the world (Munoz 2008: 1), nationalized key industries such as “mining conglomerates, large companies, banks, and latifundia (large agricultural estates)” (Munoz 2008: 5), rationed food (which the US also did at the time) (Codevilla 1993: 137), and invested in what would be considered the most advanced universally-oriented social welfare systems in the Western Hemisphere (Mesa Lago 1978 qtd. Schild 2000: 278). Through these policies he attempted to create a “social property” sector that would coexist with a mixed and a private sector of the economy (Munoz 2008: 5). In so doing, he greatly polarized the country, from which he had received only 34% of the vote. Relationships between certain sectors of the economy grew more antagonistic, as his policies pitted “capitalists,

landowners, the middle class and their political allies against labor, peasants, and leftist parties” (Silva 1993: 535).

. The State’s role was to redistribute and/or seize wealth and land from individual private owners for transfer to State-run ministries, and in some cases to cooperatives of the working class. While this politically emboldened unions and cooperatives to a certain degree, it also failed to include the diversity of the popular classes and their existing social organization, falsely identifying them with the socioeconomic and political priorities of industrial workers (Nyssens 1997: 67). The work of Catholic groups in concert with the Christian Democratic party in the early 1960s was premised on locally oriented, neighborhood participatory development projects (Schild 2000: 291) and cooperatives, whose numbers increased by 70% in the last half of the decade (Contreras et al. 2005: 71). However, Allende’s policies artificially forced the existing mutualist tradition of the informal economy into a model premised on State control. Furthermore, the priorities of the industrial working class, and means of reaching those goals, differed from those who belonged to the popular and/or social economy in urban areas.

Pinochet and the Implementation of Neoliberalism

In 1973, Pinochet instituted what has been characterized as “perhaps the most thoroughly militarized regime in the history of South American authoritarian governments” (Arriagada Herrera 171), a government composed of “a united, obedient, hierarchical and non-deliberative military” (Arriagada Herrera 1988: 170). For example, almost half of the 118 cabinet ministers from 1973-1985 were members of the Armed Forces (Arriagada Herrera 1988: 171). Forty two of the fifty governors of the fifty

Chilean provinces were active duty military officers in 1986, and 64% of university rectors from the time of the coup to 1986 were retired military officers and 23% were active duty officers (Arriagada Herrera 171). Relationships with foreign countries were almost militarized, as 33% of heads of diplomatic missions were military officers in 1986. The military also extended its political hand into the economy, with fifteen of the eighteen presidents of economic development agencies under CORFO (the state development agency) being military officers (Arriagada Herrera 1988: 172).

To the extent that the informal economy's institutions of participation were associated with Allende's projects, under Pinochet's military rule they also became a target of attack (Nyssens 1997: 68). Political parties, cooperatives, neighborhood associations and other organizations in popular neighborhoods and identified with a left-wing political consciousness were all actively repressed as they were at odds with the economic policies that Pinochet was to put in place. His reforms were the beginning of "a prolonged association between military dictatorships and authoritarianism" (Quijano 2006: 429). From September through December of 1973 an average of 119 people were killed every week (Munoz 2008: 21). His economic policy, known as "the brick" (Codevilla 1993: 134) began a process of "withering away of the state" (Codevilla 1993: 139) that sharply lessened trade and capital barriers, privatized state-owned enterprises (except copper), and deregulated labor. Unionization levels declined rapidly, from 33 percent in 1960 to 19 percent at the end of the 1980s (Marshall 2005: 25), and unions, collective-bargaining and strikes were made illegal from 1973-1979 (Raczynski & Romaguera 1995: 278). Cooperatives, into which large numbers of the rural and urban

poor were organized, were dissolved and government credit previously extended to them was summarily revoked, lowering their numbers by a fifth from 1973-1982 in rural areas (Departamento de Cooperativas). 1,258 cooperatives were dissolved from 1975-1989 (Contreras et al. 2005: 72). The informal economy came to comprise 20% of the Chilean population by 1980 (Nyssens 1997: 68). In many cases permanent full time employees, now lacking the privileges of a formal contract, were let go and then subcontracted without benefits or regulation, a process referred to now as the “Chileanization” of labor (Schild 2000: 283).

The welfare state was quantitatively altered- decentralized and privatized- as well as qualitatively changed through Pinochet’s Plan de Modernizaciones (Schild 2000: 282). Redistribution and universal coverage, a hallmark of the pre-dictator years, was replaced by targeted efforts that reflected the belief that equity should flow from market mechanisms and not from concerted planning on the part of the State (Schild 2000: 282). An example of targeting is unemployment benefits directed only at the elderly and disabled, where before this benefit was extended regardless of age or disability. Social services in the form of health care, education and pensions, was assumed by the private sphere and managed by municipalities instead of a central national government. Citizens became consumers purportedly free to choose social services according to their own individual preferences- thus marking the beginning of “market citizens” whose rights are in part conditioned on their ability to pay (Schild 2000: 276). The change in welfare regime, coupled with precarious employment, undoubtedly contributed to the increase in

the informal economy as a survival strategy as well as a return to reciprocal practices of the past (Nyssens 1997: 68).

Pinochet believed that “regulation was inherently partisan” (Codevilla 1993: 13), and thus deregulated the economy. In accordance with this ostensibly neutral position, he also enacted a new constitution that “made it as difficult as possible for laws to benefit or disadvantage specific sectors, activities or geographic zones” (Codevilla 1993: 133), so that regional or sectoral redistribution along with income redistribution was purportedly halted. However, non-regulation is also a partisan position. Pinochet’s evolving relationship with different economic coalitions of the elite, who benefited by varying degrees of economic liberalism, directed the extent to which neoliberalism was instituted and unravels the position that deregulation was an impartial policy.

Eduardo Silva is an author who has traced each phase of neoliberal implementation under Pinochet- from gradual (1973-1975) to radical (1975-1982) to pragmatic (1983-1988)- with the economic interests of different economic sectors and their appointments in Pinochet’s government. Thus the gradual phase of implementation was spearheaded by businessmen in favored economic sectors such as industry, mining, the large scale commercial sector and landowners who were rebuffed under Allende. They preferred gradual reforms because their production was domestically-oriented but internationally competitive; thus a more measured reform tactic eased these industries into international competition (Silva 1993: 356-7). The radical phase was initiated by those business interests who had liquid assets in finance and therefore who were already internationally competitive, and had access to what were at that time scarce financial

resources (Silva 1993: 544). These businessmen were then appointed to ministries to work closely with economists trained under the aforementioned Milton Friedman (Silva 1993: 547). The pragmatic phase was in part a reaction to the global recession and debt crisis of the early 1980s, under which banks, mutual funds and many businesses failed, many of the middle class lost their entire savings, GDP dropped 14 percent, and a quarter of the labor force faced unemployment (Codevilla 1993: 138). Real wages would not recover until 1986 (Codevilla 1993: 138). The angered middle class, in concert with the Christian Democratic party and economic groups owning fixed, internationally competitive assets, demanded a revision of policy that would reinstate certain sectoral and industrial advantages to key constituents (Silva 1993: 553-555). Intermittent deregulation only favored certain groups over others rather than purportedly extracting the State from the economy.

These shifting preferences further perpetuated income concentration in the top decile of the population, which receives 42.3% of total national income (Spagnolo et. al 2008: 2). Without the most minimal redistribution of the growing wealth of the country, and lacking politico-economic institutions of the working class and those in the informal economy to collectively challenge this new state of affairs, norms of fairness began a rapid transformation. The spread of norms of equality through the rise of unions, collectives, and progressive political leadership was halted, and replaced by political institutions apparently much more tolerant of economic and social inequality.

In the mid-1970s Pinochet instituted a “revitalization” and resettlement of the capital that directly and indirectly affected 65,000 families. From the informal housing

areas known as *campamentos* and the older central housing units, or *cités*, Pinochet summarily removed 35,000 families and relocated them to the southern periphery of the city (Rodriguez & Icaza 1998: 1). This resettlement was carried out not only to improve housing conditions but according to “other criteria [that] included the image of the municipality, especially in the case of the central municipality and municipalities where upper-and-middle-income sectors resided” (Rodriguez & Icaza 1998: 1). For the resettled, this resulted in “a significant loss in terms of social networks and family relationships” (Rodriguez & Icaza 1998: 1), and created profound pessimism regarding the ability of those moved to find employment. Municipalities were created and restructured to produce socioeconomic homogeneity, ostensibly for the purpose of increasing the capabilities of the government to efficiently target social services. These twin trends- resettlement and rezoning- led to deep segregation of the metropolis, both in residential and commercial character. As a result, “pockets of poverty” (Raczynski & Romaguera 1995: 289) were created alongside “concentration [of great wealth] at the top” (Spagnolo et. al 2008: 2), and therefore urban inequality became geographically and materially more conspicuous. The earnings increase of the poor from 1970-73 under Allende was undone by the elimination of a minimum wage in 1973 and earnings inequality continued to increase until 1982, when it rapidly worsened until the return of civil government (Galbraith & Garza Cantu 1999: 5).

Mapping Inequality in Santiago

Neoliberalism's capacity for reorganizing "resources of actual (and potential) political opposition" (Peck & Tickell 2002: 399) was spatially rendered in the appropriately named urban periphery. This reorganization, and its inadequate if not

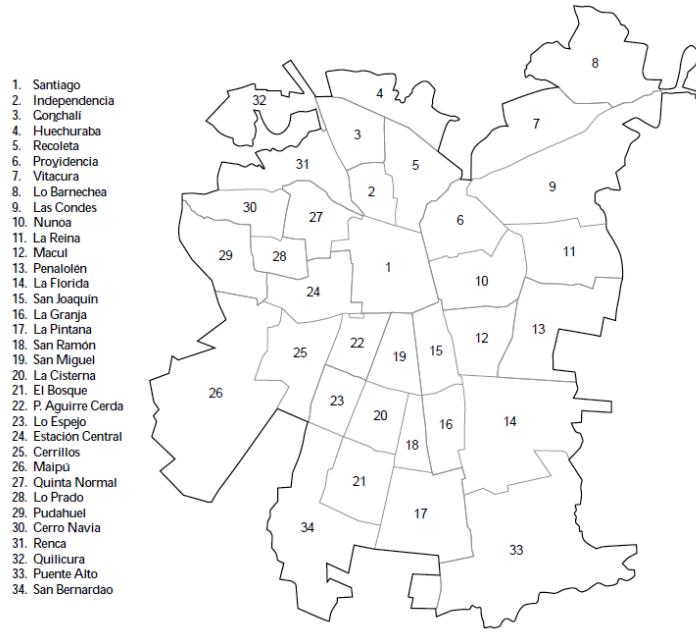


Figure 3.1 *Comunas* of Greater Santiago
Source: Santiago de Chile: Metropolization, Globalization and Inequity

explicit lack of focus on equity has not precluded the proclamation of a "Chilean miracle", as the results of Pinochet's reforms have been dubbed. In part the institution of new poverty measures, named the Ficha CAS, have obscured the actual poverty that exists in the country. The Ficha CAS categorizes the poor, non-poor, and indigent according to education and income but also through itemizing ownership of household goods like appliances and furniture (Schild 2000: 286). Thus indicators of decreasing poverty paint a more optimistic picture of the poor's living standards than the reality behind the indicators would suggest. For example, one of the four components of

poverty as defined by the Chilean government is ownership of durable goods. Where poverty declined from 21 percent in 1970 to 13 percent in 1987, 4/5ths of that decline are accounted for from 1970-1982 primarily by ownership of televisions (Raczynski & Romaguera 1995:288). Of the three other indicators of poverty- housing, crowding, and ability to dispose of human excrement- ownership of durable goods says the least about improved quality of life. While it may indicate access to credit (and therefore debt), it remains to be seen how ownership of a television reflects basic living standards such as sanitation.

The unequal distribution of improved standards of living and the nature of socioeconomic spatial segregation in the capital are revealed through a disaggregation of macro indicators. Test scores for middle school and high school children in mathematics and Spanish, average size of houses, and total approved office space all serve as indicators of this phenomenon. Below three maps, Figures 2.1, 2.2, and 2.3 are reproduced showing these indicators. Through them we see that the best test scores, most office space, and largest homes are all clustered in a small number of *comunas*.

The best test scores come from Vitacura, Las Condes, and Providencia. The largest homes were built in Vitacura and Lo Barnechea, and 96 percent of total new office space built from 1990-1998 was constructed in Huenchuraba, Santiago, Providencia, Vitacura and Las Condes. All of these *comunas* lay adjacent to one another, constructing a block of wealth whose advantages are evidenced by the successful educational performance of the children who live in it. Santiago, which contains many of the central government's buildings, could be taken as an anomaly in terms of office

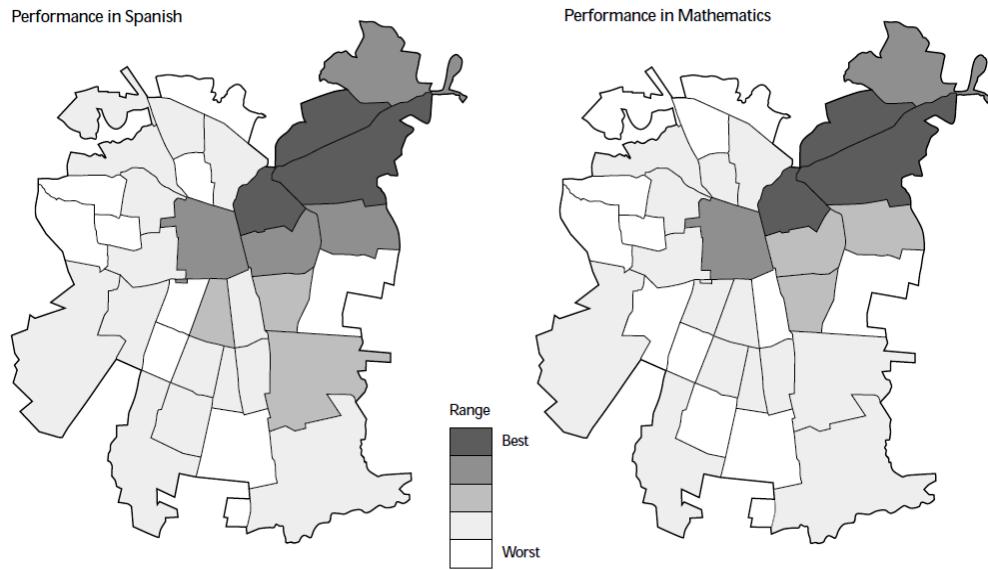


Figure 3.2 Test scores by *comuna*, 1997
Source: Santiago de Chile: Metropolization, Globalization and Inequity

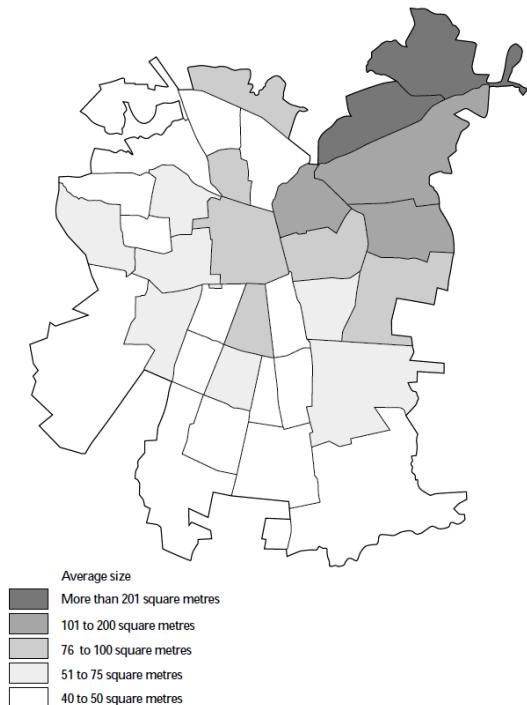


Figure 2.2 Average size of approved houses, 1990-1998
Source: Santiago de Chile: Metropolization, Globalization and Inequity

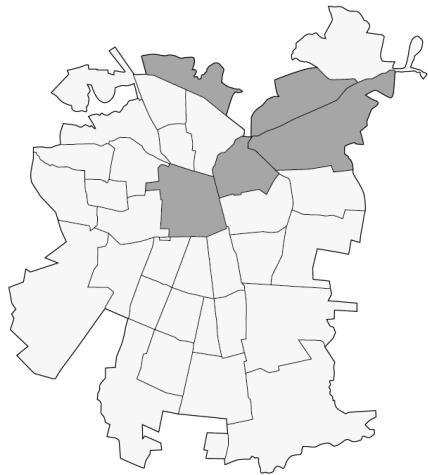


Figure 3.3 *Comunas* that contain 96 percent of total office space built between 1990 and 1998
 Source: Santiago de Chile: Metropolization, Globalization and Inequity

construction. Regardless, not only are the largest homes built in this small number of *comunas*, but white-collar office work is also concentrated in the same area. Not coincidentally, the financial services sector is also located in these *comunas*, of which more than a third of the city's GDP is comprised (CASEN 2006: 18).

Conversely, poverty levels are also much higher in the other *comunas*, mostly located in the southern half of the city. As of 2006, La Pintana had a poverty rate of 17.2 percent, whereas Las Condes's poverty rate was 2.3 (CASEN 2006)- a full 14 times less! In fact in only five *comunas* 20-30 percent of the population lives below the poverty line (Dockendorff et al. 2000: 174). Living below the poverty line means, among other things, no regular access to disposal of human waste, a condition that 31,750 families find themselves in, with the most vulnerable *comunas*, Maipú and Peñalolen, located in the south of the city.

Even while the extremely poor experience almost four times the rate of unemployment than the non-poor (CASEN 2006), many of those who do find work are not able to earn enough to support themselves. Almost a tenth of Santiago's GDP is produced by small businesses (CASEN 2006), yet three quarters of the poor are employed by these same businesses (Dockendorff et al. 2000: 174-5). While some would say that the existence of these jobs proves neoliberalism a success because they alleviate poverty through markets, I would argue that this reflects the systemic failure of the market to provide survival-level pay as a significant portion of the capital's GDP is produced by those working for poverty wages. These socioeconomic groups contribute taxes to the same municipalities whose health and educational services are determined by the income of their constituents. Even with vouchers for private schools and a semi-public health system parallel to the private one, this has meant that alternative opportunities for improvement in health and education are blocked. By tying health and education to income, the effects of poverty are multiplied; by concentrating people by socioeconomic group, the effects of poverty are geographically contained.

If we know that the end result of this process of restructuring is great spatial inequality, one way to represent these transformations over time is by population changes in the *comunas* that represent the poorer and the wealthier sectors. We would hope to see more population growth in wealthier *comunas*, and population decreases in poorer *comunas*. Figure 3.1 represents population changes for six *comunas*.

| | Population Change in Percent | |
|-------------------------------|------------------------------|-----------|
| | 1992-2002 | 2002-2009 |
| Las Condes | 21.2 | 9.2 |
| Providencia | 10.3 | 3.5 |
| Vitacura | 3.9 | -1.7 |
| Maipu | 79.3 | 42.8 |
| Peñalolen | 21.1 | 7.8 |
| La Pintana | 13.2 | 2.5 |
| Net Total in Greater Santiago | 10.4 | 4.3 |

Figure 3.4 Population Changes in Select *Comunas* Compared to Overall Net Increase of Greater Santiago

Source: Author's elaboration from CASEN Household Survey 2006

From 1992, which roughly coincides with the nation's return to democracy, to 2002, we see increases in population greater than the net overall increase in wealthy and poor comunas. These include Las Condes, Maipú, Peñalolen and La Pintana, even though Maipú demonstrates population growth almost four times greater than the largest increase in Las Condes. This trend continues for two of the three poorer *comunas* and one of the wealthier ones. However, Vitacura, the *comuna* that consistently appeared in indicators of wealth, begins to show a decline in population. Taken together, after three decades of neoliberal reforms the poor *comunas* grow disproportionately faster than the wealthy ones in terms of population, even while all grow in population. Therefore, more and more people belong to both the wealthy and the poorer populations and inequality grows exponentially.

Neoliberal policy instituted in this context of extreme inequality exacerbated inequities, favoring one type of collectivity (businesses with access to large capital reserves) at the expense of others (unions, small cooperatives, family businesses) as the former is already positioned to compete on the global marketplace through its ownership of and access to economic resources. The traditional recourse of unions and cooperatives

for challenging concentration of economic resources and access to them was never restored; indeed, the economic policies of the Concertación barely differ from those of its' predecessor (Taylor 2006: 81). Rather, participation in the management of social services by their recipients has replaced involvement in institutions targeting economic inequity. (Taylor 2006: 81)

The maintenance of neoliberal economic policies suggests that there is little political recourse of collective institutions of the poor and working classes. The purportedly left-wing Concertación has yet to reform key laws concerning these labor organizations even while governing from a political position that rhetorically claims to represent the interests of the working class. The fragmentation of unions and their low membership numbers- 11% as of 2010 (Sepulveda 2010: 1)- illustrates this structural and normative shift brought about by trade liberalization in Chilean society. Cooperative-political linkages were similarly severed through the General Law of Cooperatives, enacted by Pinochet in 1973, which states that cooperatives must “maintain political and religious neutrality”(Departamento de Cooperativas). As unions were tied to political parties, collective political action of economically marginalized classes is threatened. Pinochet also outlawed the simultaneous holding of officer-ship in political parties and labor or professional organizations (Codevilla 1993: 133)- a law that was enforced only for those labor organizations and political parties representing the working and informal class. This means that even where collective economic institution building in certain sectors is allowed it cannot have any political character.

Trends in inequality are often measured using the GINI coefficient. However, recent research has shown that calculations of the GINI coefficient produce different numbers; some report stability, some decreases, and some increases (Spagnolo et. al 2008: 1). Therefore others have begun to calculate inequality based on pay, and using an alternative measure called the Theil Statistic that more clearly demonstrates fluctuations in inequality as well as who or what contributes positively and negatively to those changes (Spagnolo et al 2008: 2). Therefore I use inequality as calculated using the Theil. While inequality declined under the civilian government of the Concertación, it would not return to levels reported under Allende (Galbraith & Garza Cantu 1999: 5) in part due to this severance of institutions committed to economic equity and political parties that represent them from political power.

Indeed the center-left coalition that has governed Chile since the return of democracy “lacks the redistributionist commitments of [its] democratic predecessors” (Galbraith & Garza Cantu 1999: 28) even though a center-left government in theory would be more attuned to the values of egalitarianism, equality and redistribution of wealth. However the Concertación has decisively distanced itself from the legacy of Allende’s socioeconomic policies. Although some significant policy changes were made regarding conditions of dismissals from jobs under the Concertación, the impacts of economic and social restructuring under Pinochet have yet to be adequately remedied as the ideological predisposition for a small State and for individual responsibility remains.

An example of this categorical policy shift- from State led redistribution to laissez faire mechanisms- is the further emphasis on the production of high value added

industrial and technological exports whose comparative advantage is in part premised on lowering of tariffs from 15 to 5 percent as of 1998 (Spagnolo et al. 2008: 7).

Government revenue lost to these tariffs was made up for through increases in the taxes of goods consumed domestically- thus the competitiveness of one sector of the economy, oriented towards foreign markets, comes at the expense of Chilean citizens forced into a regressive tax regime. Many measures designed to make trade more flexible make inflexible the ability of many Chilean citizens to meet basic needs.

While the onset of the Solidarity Economy predates the Bachelet presidency, which began in 2006, her reforms have been more aggressive than her predecessors in expanding the social services and safety net. Therefore, while not relevant to an analysis of why the Solidarity Economy emerged when it did, a brief description of her reforms will be useful as they pertain to activities and challenges of the Solidarity Economy in its current form. Bachelet has made it her explicit goal to expand the welfare state (Ross 2006: 731). She has focused on giving women access to the labor force through free public day care centers (Ross 2006: 30), tripling their number (Barriouevo 2009: 1). As Chile has the lowest percentage of women active in the workforce in Latin America (Ross 2006: 730), this policy is significant. She passed a law to give everyone over 60 free health care in public hospitals (Ross 2006: 731), and provided housing grants to 600,000 families living in informal conditions (The Economist 2010). The poor conditions of public education were challenged in 2006 by 70,000 students dubbed “the Penguins” for their school uniforms, who protested and took over their schools to draw attention to the precarious physical infrastructure of many public schools (Fabrega 2010:

1). In a show of solidarity, many private school students also protested, draping their school's fences with signs such as "Private, But Not Silent" (Fabrega 2010: 1). Their protests won them almost 200 million dollars in increased investment in schools, free public transportation passes for students, and 200,000 more free meals (Desde Abajo 2006). Overall, Bachelet's investments in social services are a fundamental departure from neoliberal orthodoxy, but may not be continued by her successor, the right wing president Sebastian Pinera.

An Introduction to the Solidarity Economy in Chile

The inception of the Solidarity Economy and its Solidarity Economy Network responds to the realization that political equality was not a sufficient condition for economic equality. The Solidarity Economy and its Santiago Network of the Solidarity Economy are examples of social movements that have reacted to the economic and social transformations previously described. Indeed, the Solidarity Economy Network explains on its website that it emerged as a result of "reflections around the effects of the neoliberal model on the popular sectors" (Red Economia Solidaria "Quienes Somos").

Brought together to form and support democratically-owned and managed businesses, environmentally and socially responsible consumption, and collective savings, this movement takes its base from a local i.e. spatial consciousness rather than one derived solely by class. Portes and Roberts (2005, 76) note this trend when they write "the changing class and spatial structure of Latin American societies during the neoliberal period represents the common underlying matrix for all urban popular movements". Contrary to Allende's projects, the Solidarity Economy movement sustains

itself without centralized political or financial State support. Instead, the Solidarity Economy relies on a grassroots base, which itself is comprised of a multiplicity of actors including domestic and international NGOs, religious organizations and other local third sector institutions, many of whom established themselves within the pro-democracy movement of the 1970s and 1980s at the height of the spatial reorganization of the capital city.

| <u>Organization Name</u> | <u>Geographic Focus</u> | <u>Type</u> |
|------------------------------------|-------------------------|---------------|
| Talleres de Nazareth | Chile | Catholic |
| Centro Ecumenico Diego de Medellin | Chile | Christian |
| Programa Economia del Trabajo | Chile | Secular NGO |
| Espacio y Fomento | Chile | Secular Assc. |
| Vicaria Sur | Chile | Catholic |
| Comparte | International | Secular NGO |
| Misioneros Columbanos | International | Christian |
| World Vision | International | Christian NGO |
| Vicaria de Pastoral Social | Chile | Catholic |
| CONAMARCH | Chile | Secular Assc. |
| Taller Artesanal Casa de la Mujer | Chile | Secular Assc. |

Figure 3.5 Schematic of Founding Organizations of the Solidarity Economy Network of Chile
Source: Author's Elaboration

In 2001, almost a decade after the restoration of democracy, a group of individuals from various institutions founded the Solidarity Economy Network following a seminar organized by the Vicaria de Pastor Social entitled “Building Trust for a Solidarity Economy” (Red Economia Solidaria “Quienes Somos”). This network is composed of representatives from NGOs and faith-based organizations, as well as representatives of typically neighborhood-level producer associations. These groups are tied together with intellectuals active in the movement and networks from other regions of Chile and those of other Latin American countries. It is tasked with supporting communication between all of these different people. In addition it presents the goals and activities of the Solidarity Economy to the greater Chilean public, with the effect of “positioning the Solidarity Economy in the public sphere from an ethical-moral focus” (Red Economia Solidaria “Quienes Somos”).

Whereas prior labor movements were tied to political parties, this collective has not sought, or has been unable to obtain, political representation. It represents a split from the Socialist ideology of the Allende years and labor politics of the Old Left generally for two reasons. Firstly, it democratically reorganizes the social economy- that is, NGOs, foundations, and other groups oriented to social services- because the praxis of participation is means and end. Secondly, by including those from the informal economy who would not belong to unions to begin with, it broadens the base of participants and is inclusive of their existing social structures. Economic autonomy is thus realized through economic practice of the participants- working class or otherwise- as opposed to sought after exclusively through political policies and the parties that advance them.

For the Solidarity Economy in Chile, a person is recognized as having valuable contributions to make in decision-making processes that affect them, which in turn creates a “democratic space that gives a feeling of belonging” (Red Economía Solidaria “Nuestros Principios Orientadores”). This position comes out of the tradition of popular education proposed by Paulo Freire and utilized in the early 1960s in Chile, which advances the claim that education is not about “transferring knowledge” (Freire 2004: 12) from teacher to student but incorporating the sociocultural knowledge of the popular classes into their education through equitable student-student relationships (Freire 2004: 15) (Mies 1973: 1776). It empowers the poor to recognize their own capabilities and enforces parity between expert and local knowledge while also providing a space where individual experiences of poverty and marginalization can be shared and negotiated through a collective experience. If one looks at their individual situation as an isolated phenomenon, the commonalities across individuals are obscured and systemic inequalities are seen as resulting from personal failures or idiosyncrasies. Thus a disadvantaged worker in the informal economy would tend to see his or her struggles as the result of his/her own individual circumstances. Once partnered on equal footing with those of a similar position, this individual is able to see his/her struggles reflected in the lives of others, and attribute them to structural characteristics experienced by many.

This collective dimension of participatory development work is fundamental to the cause of the Solidarity Economy. Government funds exist for economic capacity training with the goal of supporting microbusinesses, particularly from the Fondo Solidaridad y Inversión Social (FOSIS) program, which is ostensibly premised on active

participation of fund recipients. However, these programs target individuals and “teach” them individual responsibility and “self-help” rather than capitalizing on the strong predilection for collective accountability and assistance that has survived the dictatorship. Even though this program also nominally requires individuals to be officially registered with an association, participation in that association is not monitored. The Solidarity Economy is predisposed to a collective orientation- to solidarity- that is built around participation, and therefore fills an important gap in economic policy directed at the poor and working classes.

Solutions to poverty for the Solidarity Economy Network in Chile are advanced through other-oriented values described as the “C Factor” (Red Economia Solidaria “Quienes Somos”) or Confianza, Comunidad, Cooperación y Compartir (Trust, Community, Cooperation and Sharing). The incentive to profit for profit’s sake is critiqued when considered from a more integral vision of humans engaging in economic activity for its sociality, and as both a mechanism for economic exchange and the expression of community ethico-moral concerns. This vision of economic actors stands in sharp relief to the neoclassical construction of economic behavior that sees the core tenet of cooperative building, social solidarity, to be irrational. In one account of rate-busting in the academic literature, a person who is able to produce more but is unwilling to do so out of notions of justice and solidarity with those who cannot is characterized as “nuts” (Elster 1989: 112). That is, solidarity is rendered pathological, as it is at odds with the neoclassical construction of a rationally self-interested individual. The Solidarity

Economy in Chile's C Factor thus repudiates economic theories that render *homus economicus* as a solitary navel-gazer.

Thus the Solidarity Economy represents its own rationality. For these actors, it is rational to act together not merely for practical purposes, but instrumental ones as well. Collectively the disadvantaged are able to have greater petition on the circumstances that control their lives, but solidarity is also about values of cooperation as their own ends. In Chile, the predominance of Catholic institutions in the Network signifies the spiritual dimension of their commitment to “me and us” conceptions of the human economic community. While it is not the scope of this paper, it is important to mention that half of the solidarity economy producers are indigenous cooperatives of women, and thus utilize their own vision of reciprocity and solidarity between land, people, and past and future generations to explain and promote the broader Solidarity Economy agenda in their geographical and cultural context.

These various strains of thought are incorporated into the Network’s purpose, described as “the promotion of the values and rationality of the Solidarity Economy”, which are based on “a way of organizing economic life [. . .] that organizes the productive processes around cooperative and associative relationships.”(Red Economia Solidaria “Quienes Somos”) As such, what has been called community social capital (Durston 103) is as important as financial capital to the well-being and productivity of economic actors. The economy is simply an aggregation of the many types of capital brought to it by its participants, and should be represented as such. Therefore social capital intensive industries provide something more than what they materially produce-

stable relationships- which, in turn, have positive economic and political effects: reduced transaction costs, production of public goods and a sound civil society (Durston 1999: 103).

The following chapter is the case study of the Santiago Network of the Solidarity Economy and its relationship with the producers found in the vicinity of Santiago. Therefore, the case study's focus is on the Solidarity Economy's urban and generally mestizo constituents. It will address how the Network is organized, including its mechanisms of participation, thereby describing both successes and failures of the Network in realizing its goal of participatory democracy. This chapter will also depict the geographical distribution of participants, thus testing the hypothesis that the popular classes who were spatially redistributed under neoliberal reforms are those who join the Solidarity Economy movement. It will also respond to the question of how prior organizational affiliations motivate initial and sustained participation in the Network. Finally, the case study will address strategies for education and consciousness-raising both within and outside of the Network, and any debate that exists around their formation and implementation. Strategies regarding promotion of values speak to the internal coherence (or incoherence) of the SE movement, and perceived receptiveness of the general public, particular targeted civil society constituencies embedded in the neighborhoods of participants, and the local and national government agencies that the SE sees as potential allies. Together the responses to these questions will reveal the response of a national iteration of an international social movement to neoliberal policy,

and from there the potential for the movement to address the social consequences of inequality under a new political-economic paradigm.

Chapter 4: The Santiago Solidarity Economy Network

This chapter will explore my research questions regarding the Santiago Solidarity Economy Network in Chile. During September and October of 2010 I interviewed six of a total of 11 Network representatives, two women and four men. I also interviewed one male Network producer. During some of these interviews I took notes, and during others I recorded audio from the interview. Other producers and Network representatives did not respond to requests for interviews due to the high level of production and activity required of them prior to the Christmas fair, and the short time frame in which I had to carry out my interviews. I was able to interview a significant number of Network representatives, and therefore their insights and commentary can be taken as characteristic of the positions of other Network representatives. However one interview with a single producer cannot similarly represent the opinions of other producers, and therefore it is through participant observation of producers in meetings that I was able to access their perceptions of the Network. I also interviewed one assessor from the capacity building, promotion and education division at the Department of Cooperatives to explore the State's perceptions of its evolving policies towards cooperatives, and their implications for the Solidarity Economy. While this person's interview cannot be expected to represent the totality of State perceptions of cooperative policy, it allowed me to explore further the themes of the interviews and meetings of the Solidarity Economy and connect them to an external framework outside of this small social movement.

I also observed all five Network, commission-level and general meetings held during this time. I was introduced to the group each time, and explained the purpose of my

presence at the meetings. On average, a majority of the organizations officially tied to the Network had representatives present at the meetings. Around a third of the producers expected to participate in the Christmas fair were present at the general meeting. I contributed to the meetings when my opinion was solicited directly, and took notes during discussions. I have used pseudonyms for all interviewee names.

I will begin by describing the structural and normative changes the Santiago Solidarity Economy Network is pursuing through the internal mechanisms of participation in place within the movement itself- the Network's practice of solidarity and democracy. The following section discusses the educational/conscious-raising strategies that the Network employs, and their relationship to the perceived social consequences of neoliberalism. The subsequent section examines the history of the institutions in the Network, the personal histories of the individuals that represent those institutions, and how those personal and institutional histories inform the Network's tactics and capabilities. The final section discusses the barriers to, and opportunities for, developing a Solidarity Economy in Santiago, Chile, integrating the themes of participation, educational strategies and institutional practice and applying them more broadly to the growth potential of an alternative economy in Santiago.

"Development from Below and from Within": Popular Education Strategies,

Participation and Solidarity

The Solidarity Economy movement in Chile proposes two central changes in the way that people engage in the economy in a neoliberal era. First, it aims to empower individuals and restructure institutions so that impoverished people have more voice in

decision-making in the private and third sector. Second, it aims to shape the process and outcome of those decisions towards a collective, rather than individual, unit. These two components- empowerment through democratic deliberation and collective responsibility- are the core from which strategies of education and processes of participation are extended. Popular education models propose increased participation of producers in making decisions as both means and end. Therefore, participation for its own sake and participation as a process of forging collective solidarity are equally significant aims. As this is a movement that is not engaged in politics, their efforts in empowering producers are aimed at increasing their voice in the workplace but firstly within the movement itself. Therefore, the internal practice of participation is critical to realizing the Network's goals.

In a presentation at one Network meeting, a Peruvian economist from the Solidarity Economy in his country suggested that popular education strategies needed to have both micro and meso-economic components (Network Meeting, 9/9/10). The meso-economic foci are those that target social phenomenon. While these include health and education public policy, they also focus on “development from below, development from within”- or, changing individual attitudes, behavior, and beliefs, principally of those in the popular classes (Network Meeting 9/9/10).

One Network institution, the Program of Economy and Work (PET, by its Spanish acronym), applies “development from within” through changing financial habits and consumer behavior of the workers who come to them for technical support and capacity building classes. This institution was begun by the Archbishop of Santiago in an effort to

give a place for those expelled from the social sciences under the dictatorship to continue to pursue academic lines of investigation in areas such as free trade agreements, sustainable development, work education, collective bargaining, and social policy and participation (PETchile.cl “Quienes Somos). These studies evolved into a program of capacity-building and economic advising for the popular classes and their economic organizations.

One of the people I interviewed- a producer- who went to PET to take courses in business administration, came away from these popular education sessions profoundly changed. A middle-aged man who finished 6th grade at the age of 40, he lived in one of the many informal settlements in the southern edge of the city, known as *tomas*. While always an entrepreneurial spirit, he did not feel that he was able to actualize his goals until his attitudes towards consumerism changed. Through courses at PET and reading Luis Razeto, a Chilean academic who coined the term Solidarity Economy, he adopted a practice of responsible consumption. This first implied that he should spend only on what he needed and, in so doing, would be able to save money and avoid “debt, which makes you a slave” (Miguel 9/22/10, interview). He preferred “social interest to financial interest”- that is, the informal obligations of a loan obtained from an acquaintance, friend or family member over a formal agreement with an impersonal institution that would charge him usurious interest rates sometimes as high as 40 percent (Miguel 9/22/10, interview). Instead of being required to pay extra money through high interest rates, he instead, in the instance of the loan his sister gave him to buy a car, felt obligated to loan her the car when she needed it. Through this strategy, and the opportunity to educate

himself through PET classes and through a technical university, he was able to purchase his own home, with no monetary debt, where he now lives in the same municipality where he once lived precariously under zinc and plastic.

This interviewee indicated that reassessing his needs and wants, and the financial sources from which to fund these needs and wants, allowed him to then begin implementing a more responsible, socially oriented consumption strategy. He privileges buying from those who are paid a fair wage and who create products that last and are of good quality, such as buying loafers from the local shoe smith (Miguel 9/22/10, interview). He then is also able to invest in his community- to demonstrate a social solidarity with his neighbors- as opposed to sending the profits from his purchases of imports to factory owners in distant communities or countries. Popular education strategies taught him how to reorder his preferences so that social solidarity takes precedence over price, when possible, in consumption decisions.

However, this interviewee also admitted that changes in the financial priorities of families and broader communities also need to take place for households to see real advances (Miguel 9/22/10, interview). Each individual can act as that external intervention needed to provoke critical thinking. This strategy, he acknowledges, has had limited success. He has encountered resistance from his wife, although more support from his children. “My son is the one who reminds me to turn off the lights to save energy and money,” he told me. So this producer has also formed a group from those who participated in PET classes to intervene in raising the consciousness of their neighbors and within their own households as to the value of reducing unnecessary

consumption and focusing purchases on products that provide a higher wage to their manufacturers (Miguel 9/22/10, interview). The material rewards of reprioritizing consumption and refocusing it towards social well-being are evident- this interviewee owns a home debt-free- yet this interviewee indicated that often instead of stimulating a process of critical reflection in his peers instead he inspired jealousy.

Another challenge he encounters is the effect of living in a neighborhood that is socioeconomically homogenous, a product of the neoliberal restructuring detailed in prior chapters of this study. He said that because there is so much poverty in one area, crime and unemployment are normalized as ordinary, natural (Miguel 9/22/10, interview). Dealing drugs and prostitution are regarded as a conventional economic activity because they are spatially concentrated in particular neighborhoods. Thus alternatives to these activities are also less visible- and less viable- than in neighborhoods where legal activities are the norm.

Even purposefully and consistently acting on the new values one has claimed as important is a challenge. For example, after years of participation in the Solidarity Economy Network, many producers have trouble implementing the values of solidarity during the activities of the Network. At the last Christmas fair in 2008, the first producers to arrive hoarded chairs and tables even though they knew that there were only two per association (General Meeting 10/12/10). They also lied to the Network about how much they had sold. One producer representative told me at the Commercialization commission meeting that when they asked producers how the Fair had gone for them,

“they would say it went terribly, even with an empty table right in front of them”- meaning, all of their goods had been sold (Commission Meeting 10/8/10).

Popular education efforts of the Network have tried to use these anecdotes to remind producers of just how little solidarity- how little trust- there is in the Network itself. At one of the general meetings with the producers one of the Training commission members recapped to the group the anecdote about the chairs and table, and everyone laughed uncomfortably. Another Training commission member then intervened and said to the group “at every step, we need to be asking ourselves, how untrusting am I?” (General Meeting 10/12/10). The Training commission also took the anecdote about falsified profits from the last Fair to explain why they would be requiring all producers, as a condition of participation in this year’s Fair, to share their sales records with the Network.

Another mechanism for promoting group solidarity, and financial transparency, was proposed by one of the Training team’s members. During a visit to a Solidarity Economy function in Uruguay, he witnessed something called the *caja comun*. While every producer receives the money from each sale they make, the consumer pays to a central box where the money is later distributed accordingly. The producer still benefits monetarily from the transaction, and socially from the interaction with the consumer, yet a sense of collectivity is established for producers and the consuming public.

However, the trust needed for a *caja comun* to be implemented is a key obstacle. In the Training team’s discussions at their commission meeting, other members derided the idea, saying that the producers did not have a “sufficient level of consciousness”

(Commission Meeting 9/24/10) to give over control to a central sales station. Others thought that the public would be impatient with the idea and the extra time it would take to purchase their goods (Commission Meeting 9/24/10). They eventually decided to first propose the idea to the rest of the Network. Ironically, it was those Network representatives who were producers themselves who most enthusiastically supported the idea, explaining that in their own neighborhood-level producer associations some of them had even used a *caja comun* themselves. When this idea was proposed to the producers themselves at the meeting for the Fair, producers unequivocally supported the idea, saying that some of them had used a *caja comun*, although in groups with smaller numbers and in which the members were more familiar with one another.

This anecdote demonstrates the strength of an inclusive model of participation that puts decision-making in the hands of those affected by those decisions. Firstly, producers participating directly in the Network were able to act on their experiences and challenge the opinions of others who doubted their commitment to and readiness for a *caja comun*. Secondly, by deciding to also propose the idea, rather than dismissing it from the beginning, the general body of producers was able to reinforce the legitimacy of their representatives and teach others in the Network what they were capable of and interested in undertaking. The process of decision-making- leaving controversial issues open to debate for all involved- legitimizes a course of action through broad participation. Collective responsibility for decisions, whether they fail or succeed, is the outcome. Furthermore, a more diverse spread of options are available when even the most unlikely courses of action are proposed to the group.

In the course of discussing the *caja comun* at the Training commission's meeting, the members debated what popular education and consciousness-raising means. One Network representative in the Training commission meeting said that it does not imply simply allowing people to do what they want, since "they will continue to ask for Las Ultimas Noticias" (referencing a popular but low-brow daily newspaper) (Commission Meeting 9/24/10). This Network representative said that the producers should decide whether to have a *caja comun*, but that popular education is not simply "giving people a space" but about teaching about other possibilities and their merits (Commission Meeting 9/24/10). Another Network representative echoed this sentiment. He said "everyone has their own field of action based on their experience and history, and will continue to repeat the same actions without external intervention" (Commission Meeting 9/24/10). Therefore, while they decided to put the idea to a group decision, the Training team recognized the need to educate producers as to the benefits, and potential challenges, of implementing a "symbolic gesture" (Pancho 9/24/10, Commission Meeting) of solidarity like the *caja comun*.

The Network has been unable, like the PET interviewee, to engender broad internal solidarity, yet interventions such as the *caja comun* are a start. The annual Fair, the Network's largest event, is only in its second year. They hold few such massive events that bring together all producers of the Network and thus have few opportunities to create solidary bonds between networks located in different parts of the city. While within each producer association, most of which are affiliated by *comuna*, producers know one another well and have more regular contact, at the level of the Network

producers are familiar with each other but do not have the sustained contact necessary to build trust.

The Network also does not appear to capitalize on the few opportunities it has all of the producers gathered to produce group cohesion. At the meeting for the Christmas fair, the Network did not have nametags so that everyone would know each other's name and affiliation. They did not take the time to do an icebreaker or activities in small groups. The Network members in fact employed a very traditional style of lecturing to the producers, with the speaker standing in the front of a large room and the producers sitting down in rows in front of them. With so few physical meetings of all producers, this was a chance to build a group identity that was lost.

In a survey that the Network conducted of all of the producers who participated in the 2008 Fair, the producers were asked what they would change about the event or Network. 13 of 72 responses were related to the need to have more group activities and create a stronger Network bond between disparate producer associations (Author's Tally, Nomina de Productores). Almost a quarter of the producers feel that there are few opportunities to get to know one another, and that this shortage of opportunity represents the most important area of change in the way the Fair and the Network operate. At the most recent producer meeting, many producers reflected on this limitation, suggesting "let's be friends", "let's have a Facebook page" and "let's get together before the fair to get to know one another and our products" (General Meeting 10/12/10). None of these suggestions were taken up by the Training leaders heading the meeting, and thus the

producers will be responsible for organizing these activities and contacting one another.

However, only one Network member has the full email list of all producers.

Participation in meetings is also conducted in a traditional manner. When the Training team proposed the ideas of the Fair to the group, they wrote the main themes down on a whiteboard. These were predetermined by the commission, and were associativity, trust, and responsible consumption. The first two values were to be internally directed at the Fair's producers, and the last at the consuming public although the first two values would be on display for the public to see. When the commission members asked the producers for ideas regarding how best to physically showcase the first two values in the Fair, people raised their hands and were called on. However, their suggestions were not written on the whiteboard, and the commission members did not show active listening by repeating to the group what the suggestions were. It was unclear how strategies of empowerment were implemented at this meeting except through the symbolic gesture of simply asking for ideas. Furthermore, of the five members of the Training team, only one is actually a producer himself, and he was not at the meeting that decided the themes of the fair, nor standing up at the meeting of the producers to lead the discussion.

Beyond prompting producers for suggestions on pre-determined themes, the Training team had little if any input on the part of the producers and disproportionate input of certain non-producer representatives. This has already proven a challenge for the Network, who would like to see the Fair planned and implemented by the producers themselves as opposed to by the institutions of the Network. However, the Network is

not only heavily populated by non-producers- of which half of the roughly 12 participants are employees of NGOs and faith-based institutions- but also greater de facto power of decision-making of these non-producers by virtue of their higher levels of attendance at meetings. Not only are non-producers more active in making decisions, one individual representing one institution is responsible for the organization and implementation of the economically significant activities that the Network undertakes. In the example of the Fair, one institution contracted the space for the Fair, solicited donations for infrastructure, constructed a budget for needed materials and staff, and took legal responsibility for the space through signing a contract with the venue.

The proportionally large resources of this one institution, in relationship to other NGOs and to the producer associations themselves, have translated into the Network's reliance on those resources in order to carry out its activities. Materially, this organization has a larger budget, staff, and physical space for the Network to draw upon. Meetings are often held in their office. The Network representative from this organization is the contact on the Network's website and is the person most often visited and phoned when producers have questions and concerns (Clara 9/15/10, interview). Socially, this organization has greater public visibility through its connections to the Catholic Church. Its director is a known public figure who has used his social status to obtain discounts and donations on the Network's behalf.

The Network is not an independent organization, and thus must necessarily rely on the resources of its constituents. However, a disproportional contribution of representatives jeopardizes the sustainability of the Network and also threatens the

equitable participation of producers and non-producers alike. Producers do not learn how to plan the Fair, for example, how to deal with complex legal documents such as contracts, or how to solicit large-scale donations of expensive items such as Fair infrastructure. The producers are not empowered as entrepreneurs to develop a more socioeconomically diverse clientele. Non-producer representatives are also not obligated to put demands on their institutions for greater material and social investment in the Network. As one interviewee said to me, “the [organization name] carries the Network” (Clara 9/15/10, interview)- a phrase that conjures up a paternalism that the Network explicitly wants to avoid.

On a personal level, however, the Network representatives have adopted a practice oriented towards group cohesion and sociability. The Network representatives gather periodically for what they call “mitotes” (Mario 9/30/10, interview). They go away for a weekend and share meals, “drink good wine” (Mario 9/30/10, interview) and “put flesh on solidarity” (Mario 9/30/10, interview). In other words, they maintain friendships. As one interviewee told me, a UN report came out recently that Chileans do not trust eight out of ten of their fellow compatriots (Pancho 10/6/10, interview). He joked, “we have two friends per capita” (Pancho 10/6/10, interview). Mitotes are attempts to, as a group, change that statistic. The consensus-building that Network representatives engage in, the fondness with which they all spoke of one another (referring to other Network representatives in interviews as “the kids”), and the candor they employed in dealing with differences of opinion speak to the successful accomplishment of solidary practices that do not preclude disagreement.

Consequently the creation of prefigurative spaces (Breines 1980: 419), where the Network members embody the values they promote in the internal organization of the movement, has had uneven success. Internally, the Network has great personal camaraderie, yet overly relies on the resources and connections of one institution, which then makes many decisions on behalf of the group as a whole. Between the Network and producers, one interviewee said to me in a Commission meeting “the network carries solidarity” (Commission Meeting 9/24/10). Yet it would be more accurate to say that the Network *representatives* carry solidarity, as the producers who also form the Network are not engaged on a routine basis with group bonding exercises or activities- either between groups or between groups and the Network. They are more concerned with processes of commercialization of their products, as the Network’s survey of the last Fair indicated: of 72 responses, a full 51 were in reference to opportunities for reaching new markets and physical design and implementation of the Fair (Author’s Tally, Nomina de Productores). The preoccupation with the commercial aspect of the Solidarity Economy substantiates the claim that one interviewee made when he said “the value in the Network has been in maintaining alive this idea” (Pancho 10/6/10, interview) rather than in generating substantial material benefits. However, in practicing this idea with and for larger groups, even with those formally linked to the Network, this organization has had more uncertain, and perhaps uneven, effects. Preparations for and operation of the Fair, intended both as internal group exercise and “a counterpoint” for the public (Commission Meeting 9/24/10), as a Fair to be “lived differently” (Commision Meeting, 9/24/10), is an

example of the challenges of participation and consciousness-raising that the Network routinely encounters given the limited resources of its members.

“The Whole World Took Refuge in Pastoral Life”: The Institutional and Generational Composition of the Network

The strategies of participation and consciousness-raising, and furthermore the ability of the Network to create a coalition to advance their objectives, is partly conditioned by the history and concerns of the institutions that comprise the Network. This section will focus on those institutions that are faith-based, specifically Christian and Catholic, and on the work that they undertook and the populations they focused on directly prior to and during the dictatorship and the implementation of neoliberal policy. Their activities during this time period greatly inform the shape and content of the Solidarity Economy Network of the present day, and thus are a significant component of an analysis of the effectiveness and future trajectory of this movement.

Of the 11 founding institutions of the Network, six are faith-based. Christian and Catholic groups undertook a new agenda in the 1960s “to build active subjects who could stand on their own two feet” (Pancho 10/6/10, interview). Church policy was to extend egalitarian community structures, such as those found in some monk communities, out into the lay world. At this time Church intellectuals in Latin America were exploring the relationship of theology and economics, looking to their belief systems for guidance in how to embed their spiritual values in the material world of the economy. The German Christian Democratic party sent one Church academic to Chile, Franz Hinkellamert, where he met Brazilian Hugo Assman who was exiled from his country and came to

Chile (Pancho 10/6/10, interview). When they were expelled under Pinochet, two others, other Latin Americans joined them in San Jose, Costa Rica to begin a research institute known as the Ecumenical Department of Research (DEI by its Spanish acronym) (Pancho 10/6/10, interview). Their work inspired others, one a future member of the Network, to continue to explore the actualization of spiritual tenets in economic life.

Church intellectuals and activists then actively applied their theological interpretations of the economy to capacity-building work with marginalized communities, thus shifting their focus from charity to empowerment. Under the dictatorship of Pinochet, churches therefore became active in economically organizing and sheltering the popular classes; in fact, five of the six faith-based institutions in the Network were dedicated to this mission. Some, including the Vicaria de Pastoral Social and Centro Ecumenico de Diego de Medellin, were established in the 1970s as a specific response to the dictatorship and the effects of its economic policies on the popular classes.

As Pinochet's regime left only churches to relative autonomy, pastoral life formed an umbrella for the associative activities previously held by unions, neighborhood associations, and political parties at the level of the popular classes. One interviewee remarked "the whole world took refuge in pastoral life" (Mario, interview). Church organizations became the big tent for all those targeted for repression by the dictatorship and struggling to survive economic reforms. Various interviewees remarked that they became activists in their years as university students not through student groups or political action but through pastoral organizations.

From a need for survival, community kitchens or *comedores* were started, cooperatives known as *bolsas de trabajo* were organized, and other collective economic strategies were employed by church groups in marginal neighborhoods to fill the employment and social services needs generated by neoliberal reforms (Pancho 10/6/10, interview). In addition, the collective dimension of religious communities served to reinforce the economic associativity of the popular classes. As one interviewee said, “religious life is lived in communities” (Pancho 10/6/10, interview); faith is a joint venture. As such, faith and trust are densely woven together. He also observed, “If you do not trust anyone, you cannot trust in God” Pancho 10/6/10, interviewee) Therefore the basis for solidarity and associativity- trust- becomes a spiritual matter. Group economic endeavors grown from religious communities, although predicated first and foremost on survival, also revolved around spirituality as experienced in collectivity.

Churches’ ability to assist the popular classes in *surviving* was significant, yet it remains to be seen whether its interventions into economic activities have been successful in bringing people out of poverty. As faith-based groups have focused on an integral vision of human well-being, they have been limited in their ability to create proactive entrepreneurs who have the vision to search for new markets, become more efficient, and ultimately improve products. They are skilled at fulfilling spiritual needs, yet are constrained by their lack of business knowledge.

Although the Network has three commissions- Training, Promotion, and Commercialization- the institutions that are most active in the Network are those who are experienced in training. This commission creates spaces for reflection on the values of

the Solidarity Economy and collectively exploring how to live these values as a network of producers. However, given the precarious economic situation of many producers, this process is overly time-consuming. As one interviewee indicated, there is “an excess of democracy” in the Network (Joaquin 10/6/10, interview). This interviewee also suggested that those institutions in the Network whose representatives are not producers themselves do not understand the burden of this process of reflection. Three hour meetings on the meaning of solidarity take away time that a producer needs to be generating income. Many Network participants from faith groups recognize that when meetings are required for entrance into the annual Christmas fair, for example, attendance rates improve. That is, the use value of meetings for production ends is increased. In Network meetings this was attributed to the fact that producers are focused on producing, not on reflecting. In my observations of these meetings, no one proposed solutions for resolving this tension. In fact most interviewees from faith-based groups continued to emphasize the need for spaces for reflection, even when the practice of reflection appears to be in direct conflict with the material priorities of the producers the Network represents.

One former member of the Network, the Fundacion Solidaridad, effectively left the Network when it felt that the process of participation was too time consuming (Pancho 10/6/10, interview). This foundation chose to focus exclusively on commercialization processes instead of training processes, which has yielded a number of government contracts, including one making toys that will be Christmas presents that the

state copper company, CODELCO, gives to its employees in December (Pancho 10/6/10, interview).

The Solidarity Economy, State Policy and Autonomy

However, one interviewee also suggested that this organization left the Network because, as it began to receive government contracts, it could no longer be critical of State policy (Pancho 10/6/10, interview). In other words, forsaking training processes and their critique of the status quo jeopardizes the Network's ability to act an autonomous civil society actor. Under the dictatorship church communities grew accustomed to their role as a critical node of resistance against the dictatorship. Those in the Network who worked in opposition groups value their ability to dissent, and thus be autonomous from the State, and therefore remain suspicious of engaging with the State even to increase commercial opportunities for producers.

The connection between the Solidarity Economy network and political parties or the State is virtually nonexistent as a result. While ecumenical and Catholic communities in popular neighborhoods are well-organized and perhaps well-connected to one another, they are not linked to political parties that advance an economic policy agenda. The Network has inherited this schism between the social/spiritual field and the economic field in relationship to public policy and politics. While it has not been an advocate for revision of legislation or a proponent of new legislation that affects the economic lives of its participants, it does not have the contacts with the political world were it to decide to propose an agenda.

One Network representative suggested that this was also due to the belief by the popular classes “that the State is not going to give them anything” (Pancho 10/6/10, interview), and thus have chosen non-political paths for economic change. This conviction, that the State is unresponsive, explains why when FOSIS (Fondo de Solidaridad y Inversion Social) approached the Network to begin a partnership, the Network was slow to respond (Pancho 10/6/10, interview). Network members were surprised that the State would be interested in investing in associative and collective-oriented economic development projects. Regardless, a partnership was established in 2008, but with the election of the right-wing Sebastian Pinera, and thus changing priorities in the government, that alliance has since dissolved.

This same Network representative also suggested that the fight for democracy left everyone “tired of struggling” (Pancho 10/6/10, interview), and therefore unable to confront the Concertación when it became clear that it would continue the neoliberal policies of the Pinochet years. It was also suggested by one Network representative that the Concertación effectively co-opted all of the associative energy created under the dictatorship when it gained political power, redirecting organizing efforts to elections at the expense of economic organizing (Joaquin 10/6/10, meeting). The socioeconomic organizations of the popular classes under Pinochet, whose values were lived “on the flower of the skin” (Pancho 10/6/10, interview), relinquished their power to the political apparatus that they assumed would represent their interests and concerns. One group, the Vicaria de la Solidaridad, whose economic organizing and human rights work most compellingly connected the Catholic church to resistance to the dictatorship, even closed

down once democracy returned, assuming that their work was done (Clara 10/6/10, interview). One network member who worked for them at the time was later hired by the Vicaría de Pastoral Social, which was opened in 1992 to begin again the task of organizing and capacitating the popular classes in the economic sphere given the limitations, if not total absence, of Concertación policy remedies to under and unemployment and perceived lack of commitment to social solidarity.

Current public policies towards associative practices do not generate sustainable associations because they promote collectivities in name only. As one interviewee at the Department of Cooperatives stated “associative policy is not associativism” (Patricia 10/13/10, interview). For example, producer representatives attributed their fluctuating membership to the requirement by FOSIS that producers belong to an association. Once funds were obtained from FOSIS, members left. One interviewee said that then the government declares that associative practices do not work (Patricia 10/13/10, interview), even though participation is central to strong associations, and public policy does not regulate participation. The Department of Cooperatives likewise does not consistently regulate participation, merely requesting basic details of how decisions were made by the cooperative in an annual report called the Ficha de Datos (Patricia 10/13/10, interview).

Public policy priorities with regards to associative activities, and in particular cooperatives, favor supervision and regulation rather than capacity training and promotion. This is in part due to the funding priorities of international agencies like the IDB that have invested almost exclusively in regulation. For example, before the IDB granted the Department of Cooperatives funds, there were only three staff members.

After receiving funds, the Department's staff increased to 35, although only three of those 35 staff works on promotion and training (Patricia 10/13/10, interview). The remaining employees are focused exclusively on regulatory and supervisory activities.

Furthermore, associative practices face an unfair regulatory apparatus. Cooperatives are charged an additional tax to fund the agencies that regulate and supervise them. This practice has prompted a lawsuit against the Department of Cooperatives (Patricia 10/13/10, interview) that has not yet been resolved. These are examples of areas where the Solidarity Economy could promote changes in laws and scope of government agencies to create a more favorable legal environment for the associativism that they endorse.

Philosophical Differences in the Santiago Solidarity Economy Network

Another limit on the organizational strategies of the Network is generational, and thus ideological. Those who worked in resistance movements under the tutelage of faith-based organizations also carry with them into the Network ideological opposition to certain economic sectors. Contrary to Solidarity Economy efforts in other Latin American countries, the Network in Chile has not cemented institutional connections with the cooperative sector, for example. One interviewee indicated that this is because the cooperative sector sees itself as distinct and separate from the Solidarity Economy, a split she also observed in international meetings with other networks of the Solidarity Economy in Medellin, Colombia (Clara 10/6/10, interview). This same participant claimed that the cooperative sector in Chile, in particular in savings and credit, is profoundly conservative, and thus not an ally of the Solidarity Economy.

Another declared that cooperatives were an outmoded form in Chile that had long ago been corrupted by the same social malaise of disengagement that permeates the rest of the country (Mario 9/30/10, interview). He suggested that, in the case of housing cooperatives, while people indeed formed cooperative associations to purchase land and homes together, once that property was obtained no meaningful community participation or communal investment was made. People remained, as one interviewee put it, “closed, shut up, quieted, fearful, and untrusting” (Pancho 10/6/10, interview). He also suggested that cooperatives were coopted by leaders who took over effective control of decision making processes, even leading to cases of corruption such as a truck bought collectively being stolen (Pancho 10/6/10, interview). The lack of genuine participation in cooperatives even leads to instances of systemic fraud, such as the case of the housing cooperative HABITACOOP that eventually went bankrupt in 2001. 13,000 members were affected in 2001, which generated widespread outcry and spurred new laws and regulation of the cooperative sector as a whole (Patricia 10/13/10, interview).

Others in the Network, in particular the younger members, are unconvinced that the model of cooperatives in and of themselves would not provide a fruitful vehicle for socioeconomic change. One Network representative, who is a member of a cooperative that advises other cooperatives on administration, accounting, and capacity-building, said “the Solidarity Economy depends not on the subject, but on how the subject acts” (Joaquin 10/6/10, interview). This statement is not directed at the values actualized by producers- that is, by the enactment of those reflections on the meaning of solidarity- but the structural form that businesses take as practice of those values.

For this same interviewee, the idea of democratic participation in business is what brought him to the Solidarity Economy. His background in business administration brought him into contact with the private sector, a connection virtually non-existent through other institutions in the Network. In particular, his contact with the business world was not limited to those enterprises started by the popular classes. Therefore, for him, the Solidarity Economy is not necessarily nested around the poor. This is why he believes that connections with the cooperative sector are necessary, because “cooperativism does not begin with poverty, it begins with a model”, and therefore is not anti-business or anti-upper classes (Joaquin 106/10, interview). The ideological opposition of an older generation, and institutional focus against, these economic sectors and social classes limits its ability to more expansively conceive of the Solidarity Economy, and to establish the necessary intra-class links needed to grow the Solidarity Economy beyond the peripheral sectors of the economy.

The institutional composition of the Network and generational differences of opinion have had significant negative impacts on previous organizing efforts. A fairly expansive network of Solidarity Economy producers was established in the southern zone of the city in the early 1990s by many who would later formally establish the Solidarity Economy network. One of the main organizers of that venture indicated at a meeting that one of the problems they encountered was that, given the fair, but relatively high, price of the goods being sold, the producers were unable to buy one another's products exclusively, as they had once hoped to do (Network Meeting 9/9/10). This organizer put the question to the group of what could be done about this situation, and no one

responded. It was clear to me, however, that the lack of business contacts and intra-class connections restricted potential consumers with greater material resources from investing in these efforts simply because they did not belong to the popular classes and thus were not connected to markets supported by ecumenical and Catholic churches.

Other sources of funding have also been regarded with great suspicion, if not total rejection, by some of the older members of the Network representing faith-based institutions. The Interamerican Development Bank has invested millions of dollars through Fundacion AVINA in creating, for example, Mercosur Solidario, a space for the Solidarity Economy in the trade bloc Mercosur. Members of the Network from the southern regions of the country are heavily supported by AVINA, whose sources of financial support are regarded with skepticism by many in the Santiago Network given the history of the IDB in supporting neoliberal policy. Indeed, the IDB's offers for microcredit loans were rejected by President Lula in Brazil specifically because the Solidarity Economy in that country was against financial instruments targeting only individuals and not associations or cooperatives (Pancho 10/6/10, interview). Because the Chilean government has not rejected the microcredit model but has, in fact, enthusiastically embraced it, it seems that the Network has decided that it is their responsibility to reject funding from institutions that have so actively promoted it.

This strategy is seen by a younger Network representative as erroneous. Indeed, his business works with larger, conservative cooperatives and non-cooperatives alike in order to generate funds to support what he views as the central mission of his business: to build a Solidarity Economy and increase worker participation through cooperatives

(Joaquin 10/6/10, interview). He said in an interview, “Who cares where the money comes from?” Furthermore, the deliberation required to tease out the symbolic meaning of accepting funds from questionable sources directly affects the ability of the Network to make decisions quickly. When the Network was offered funds from the IDB, for example, it took them four separate monthly meetings to finally decide whether to accept those funds or reject them (Joaquin 10/6/10, interview).

The Network’s faith-based organizations’ history of working with the popular classes also restricts its connections to union organizations, a coalition member that has proven so fruitful in other countries in which the Solidarity Economy functions, such as Brazil. Because many in the informal sector were not in manufacturing, and were often ex-public employees, they were not connected to unions. Thus the majority of the organizations that represent producers are artisans or produce sellers in the *ferias libres*, not industrial cooperatives or members of other traditionally unionized sectors. Again, a model such as a union that functions around solidarity and collective action is ideologically in line with the ethical and structural changes that the Solidarity Economy seeks to consolidate. However, due to a historical focus of faith groups on non-unionized sectors of the popular classes, the Network’s strategy of network-building has failed to link up with potential allies.

Even the younger generation of the Network is not convinced that union partnerships are a good strategy. One Network representative said that unions, like many groups who were singled out and repressed under the dictatorship, are inherently oppositional in their stance (Joaquin 10/6/10, interview). This interviewee said that he

would sum up the union position as “business bad, unions good”, and this belief limits their ability to build a broad coalition and spur a culture of entrepreneurship (Joaquin 10/6/10, interview).

The generational differences between older and younger members are highly pronounced in other ways as well. Younger participants and non-participants in the cooperative sector also, are more comfortable with professionalization, efficiency concerns, scaling up, and ultimately with competition. As one interviewee at the Department of Cooperatives put it, “our goal is not to increase the number of cooperatives but to increase the number of members in cooperatives”- in other words, to consolidate smaller businesses (Patricia 10/13/10, interview). This same interviewee also indicated that this strategy is something that generates better products and services, and has been adopted by the most successful cooperative sector (and also the most politically conservative), the savings and credit institutions that comprise the majority of the cooperative sector in Santiago. Small in size, in other words, often means inefficient and insignificant. Another Network representative once suggested to an older Network representative from a faith-based institution that the Network should attempt to obtain accounting services for the producers so that they not every person would have to learn the more complicated aspects of running a business (Joaquin 10/6/10, interview). Her response was “we should not underestimate the producers”. While the motivation behind this response- that the popular classes should be taught, rather than have things done for them- is central to popular education strategies employed by church institutions, it also burdens producers with the requirement of becoming professionals in every aspect of

business management, manufacturing the products they will be selling, and also supporting themselves on the profit earned from those products.

Another restriction of Solidarity Economy Network results from his attempts to realize gender equality in the movement. As the Solidarity Economy is a proponent of equity in all dimensions of economic life, it has tried to bring women into economic self-sufficiency through participation in the labor market. Because faith-based groups in the Network worked with women who are part of the popular classes, they continue to focus on the elaboration of products associated with the traditionally domestic sphere, as this is the existing skill set of this particular demographic. These include blankets, tablecloths, and other sewn products such as clothing. As a survival strategy, the extra income from the sale of these goods is successful. As a coalition-building strategy, however, this has led to a Network composition of largely middle-aged and older women with a restricted skill set. Of the 39 attendants to the Christmas fair meeting for producers, only five producers were men, and 29 of the women were middle-aged to elderly (General Meeting 10/12/10). In a Network database of the products that producers make, 40 workshops are registered as working on textiles and 17 on jewelry of a total of 116 (Author's Tally, Nomina de Productores). All 116 workshops are registered as producing artisanal decorations, clothing, jewelry, or food products (author's elaboration, Nomina de Productores). While capitalizing on women's existing skills in the domestic sphere does contribute to economic self-sufficiency, it does not contribute to developing new skills, bringing existing skills to new markets, or even bringing women into higher paying positions in other sectors of the economy.

Given the limited civil society linkages that the Network thus far has formed, it would seem that the Network in Santiago will remain small in its impact. However, a younger generation has begun to take an interest. This is due to the investment that universities have made in studying and promoting the Solidarity Economy and cooperativism. The influence of one individual, Luis Razeto, is significant. Almost every Network member with university-level education quotes from his books and is familiar with his theories, and well as personally connected to him as a student or through the Network's work. At every meeting attended, his name and work came up. His influence on the social sciences, particularly at La Universidad de Chile and the Universidad Pablo Hurtado, led to the later interest of one Network member in reassessing business management from a participatory angle (Joaquin 10/6/10, interview). Students from the University of Chile have recently come to study the Solidarity Economy Network after becoming familiar with his work (Ignacia 9/30/10, conversation), and the Network has expressed an interest in holding more activities in universities so as to include a new generation of Chileans in their activities and solidify academic-civil society connections (Network Meeting 9/30/10). The Network members expressed the need to grow their organization so as not to see "the same people as always" at their events (Network Meeting 9/30/10). Expanding the Network through intergenerational diversity may lead to further variety in the social classes and economic sectors that younger participants belong to heterogeneity of the student body at both public and private institutions. These universities themselves are linked to other

universities in the capital city, and those connections can broaden the Network's impact and pool of adherents.

Other Obstacles to Growth: Guaranteed Consumers, The Municipality as State, and Neoliberal Spaces

In addition to the restrictions of the Solidarity Economy Network inherent in its institutions and the conflict between efficiency and democracy, there are a number of other factors that challenge the Network's goal of growing their coalition and influence. All of these factors are related in some way to the enactment of a neoliberal model of governance and free market finance and to the spatial reordering of the city that took place under Pinochet. These components complicate solidarity, organization, and commercialization processes of the Network.

Firstly, in all of the meetings I attended and in nearly all of the interviews I completed, members mentioned the debilitating effects of increased access to credit on efforts to organize collectivities into economic units. Firstly, credit to individuals releases the broader political and socioeconomic community from responsibility for that individual's failure. One Network representative said, "Now the government and society can say, we gave you the money, and you, you failed, on your own" (Pancho 10/6/10, interview). Secondly, credit becomes a substitution for training and capacity-building, as if the only thing that small producers lack is access to more money for investment. For example, one interviewee spoke of the effect of free-market policies on her family in a rural area in the South. She said that once the economy was so dramatically opened up, rural farmers were largely unable to compete. She said that one government minister, in

response to these complaints, announced “if they don’t know what to do with a cow, then tell them to eat it” (Patricia 10/13/10, interview)- effectively, the government was not responsible for transitioning rural farmers over to a more open economy. The only investment the government made was in extending them credit, with interest. This interviewee said that by and large those who took the credit were worse off than those who did not, as they were still unable to compete and furthermore were faced with mounting debt that they could not pay (Patricia 10/13/10, interview).

Credit also allows an individual to act alone without the social obligations that collective economic organizing requires. It acts as an escape valve on collective action. One effort of certain Network institutions in the 1980s, called “Comprando Juntos” (Buying Together), was quite successful until the arrival of widespread credit availability. Once people did not need to buy products together, they chose not to (Network Meeting 9/24/10), instead preferring to pay high interest rates to finance individual consumption.

The challenge that credit presents for collective economic organizing thus explains why some consciousness-raising strategies are geared towards rethinking consumption practices, both of the general public and of the producers themselves. If people adopt an ethic of reduced consumption- an ethic that has been called *Buen Vivir* (Living Well)- then they are less likely to incur large debt for purchases that they cannot afford on their earnings alone. The ability of the Network to educate their members and the larger public as to the consequences of excessive debt will greatly determine whether producers will be open to working together as associations.

Another challenge that the Network will continue to face are the effects of guaranteed consumers for the development of true entrepreneurs. Where under Allende many cooperatives and associations in the popular classes received contracts and funding for products and services from the government who also then purchased those products, now many NGOs and faith-based institutions are funding the economic ventures of the communities that they work with and buying their products. In essence, certain popular economic ventures have always had guaranteed consumers, and thus a model of state paternalism has been substituted for pastoral or third sector paternalism.

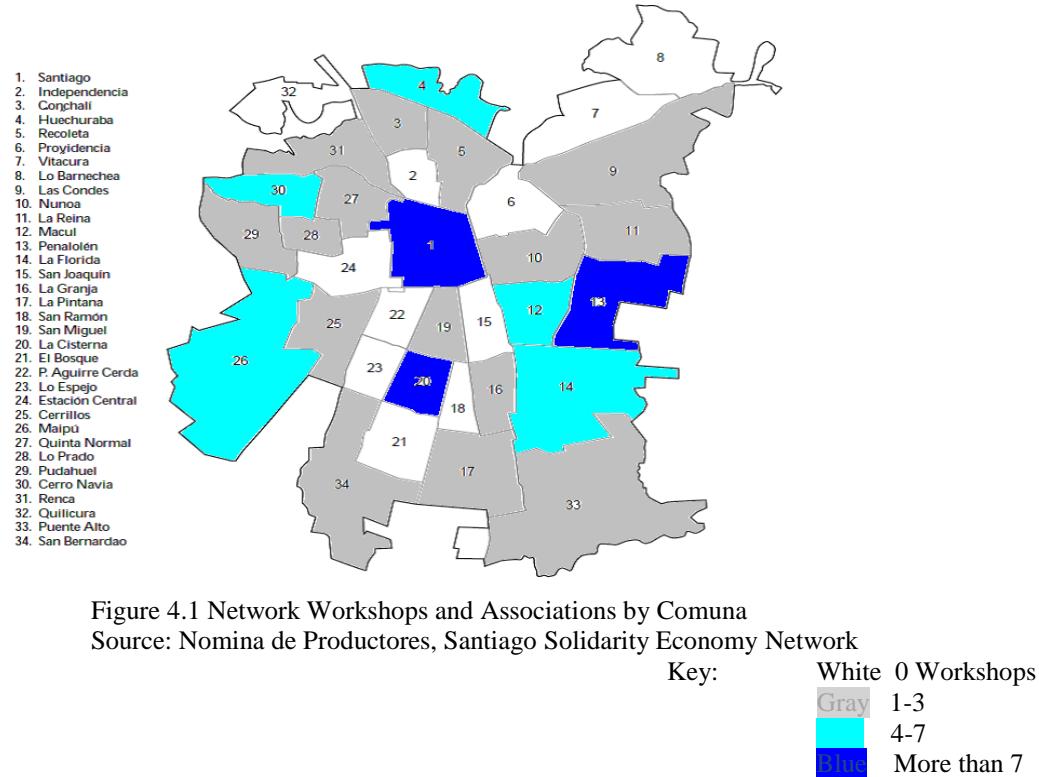
There are multiple problematic effects that this arrangement produces. One, as one Network representative indicated to me, is that producers do not overcome their fear and insecurity as entrepreneurs (Maria 10/8/10, interview). They are not obligated to take the risks inherent in starting a business because they know that the institutions that train them and organize them also secure them a consumer base. In the case of one of the institutions in the network that works with the *poblaciones* of La Reina, Peñalolen and San Bernardo, when the international NGO funding their work began losing money, they were no longer able to buy the producer's products for sale in Europe (Maria 10/8/10, interview). Producers had not diversified their clientele. They also remained too fearful of the potential losses they would incur by paying for a space and the needed infrastructure at a neighborhood fair. Consequently, they were largely obligated to return to selling their products from their homes (Maria 10/8/10, interview). As a number of the international NGOs represented in the Network are predicated on this model of a

guaranteed consumer, it will remain a challenge of the Network to empower producers to take the risks inherent in engaging in the market as a producer, even in a collective.

Another legacy of the neoliberal era that continues to affect the Solidarity Economy is the decentralization of services to the municipal level. This process has created great confusion in the Network members as to who, and what, constitutes the State. While it was repeatedly emphasized to me in interviews and meetings that the State does not support the Solidarity Economy or associative practices, it also emerged that many of the associations in the network indeed receive money from the national government's FOSIS fund through the nexus of the municipality. Network members did not seem to connect the two events as being contradictory.

I argue that this is related to the new geography of decentralized services and a diffused social movement operating firstly at a neighborhood level. As health care and education were decentralized to the municipality level, so were funds geared toward economic development, like those originating from FOSIS. Members are not aware that the money they receive from the municipality is in fact flowing from national initiatives and thus for them the State- that is, national-level politicians and political parties- are still seen as failing to invest in their activities. The municipalities, and their local-level politicians, are viewed as being responsible for obtaining these funds. Thus one group, CONAMARCH, which operates in La Cisterna, lobbied its alderman for two years for funds, and when they were finally granted, it was to his efforts and proclivities that members attributed their new financing (Monica 10/12/10, Commission Meeting). National rhetoric is still based on individuals and a reduced State, and producers thus

attribute their successes in obtaining funds not to political parties and politics at the national level, but to the individual receptiveness of their local representatives.



The geographically scattered nature of the movement, which challenges efforts to create group cohesiveness, is also an obstacle to sharing information and strategies for obtaining funds. Firstly, groups simply do not know what one another have been able to procure in terms of financing. Although many groups are located in the peripheral zones of the city, they are also spread throughout almost the entire metropolis, as Figure 1.1 indicates. The ability of each group to share their strategies, and successes, is challenged by the diffuse geographical nature of the Network. Secondly, were groups to maintain improved communication, their strategies would not necessarily be readily transferable to other municipalities. Each struggle for funds in one neighborhood is not replicable in

another, as the funding priorities and political composition of each municipality is not identical to every other. Decentralization has thus obfuscated the target of collective actions and isolated those actions from one another due to the nature of their irreproducibility.

Conclusion

The communitarian logic of the ISI model was premised on national social solidarity that extended significant social services to underprivileged groups and increased the political leverage and representation of the working classes in industrial sectors. Norms of cooperation and solidarity were strong. Furthermore the material benefits of these norms were highly evident as universalist systems of service provision included everyone in health, education and retirement packages provided by the government.

At the same time, ISI accelerated the marginalization of non-industrial sectors of the economy and perpetuated a development model that ignored the social relationships embedded in certain types of economies. Agricultural communities and economic sectors producing hand-made goods in particular suffered as a result of ISI, which valued industrialization over participation and the machinery of modernization over the primary sociality of pre-industrial markets. While it was a model premised in part on egalitarianism, it was not a vehicle for associationalism.

The application of neoliberal policy in Chile under an authoritarian government also had significant impacts on the social solidarity of Chilean citizens. While solidarity in certain classes increased initially as they faced repression from the government, it also decreased with the increasing social mistrust brought about by the dictatorship's methods of social control and the emphasis of the new economic model on individual actors and accountability. Similarly while the retreat of the State led to an increase in associativity for survival of the popular classes, the decentralization of what remained confuses efforts

to obtain funds and work collectively from associations nested around geographic identities.

Even the return of a civilian center-left government has failed to reinstate a community-oriented, universalist system of social service provision. It has not re-engaged the enfeebled labor movement or the cooperative sector in a meaningful way. Neoliberal economic policy continues even under a progressive government, and the rhetoric of modernization goes largely unquestioned by those in political power.

The Solidarity Economy has emerged to address the failures of these ideologies to account for the social nature and consequences of economic activity, as well as to maximize the opportunity for a broader, more engaged civil society that a smaller State affords. Through democratic production structures, such as cooperatives, a focus on environmentally sustainable initiatives, and promoting responsible consumption, the Solidarity Economy is an umbrella movement that unites disparate societal groups to actualize a pluralistic vision of the economy. As it is a movement that is not seeking political power, it is prefigurative, embodying the values it endorses in its decision-making and management processes.

In Chile this movement has now existed officially for nearly a decade. It is predominantly Christian and Catholic institutions that comprise the Santiago Solidarity Economy Network, and principally female artisanal producers making textiles, jewelry and foodstuffs that constitute the body of the producer population. The majority of Network institutions were active in the resistance movement under the dictatorship, and

the Network representatives from these institutions also belong to the last generation with lasting memories of authoritarian rule.

Neoliberalism in a context of authoritarianism shaped this generation of leftists to be oppositional, suspicious of certain sectors of society and the economy, and the State in general. As a result, the Solidarity Economy and the Network institutions that form the movement's public face are limited in their ability to form new alliances or engage in political organizing or lobbying in support of the Solidarity Economy. In some senses they are trapped in an anachronistic paradigm that has not been well adapted to the new political or economic climate in which they operate, which leads this group to focus on Training processes aimed at consciousness-raising at the expense of preparing the popular classes with whom they work to confront the risks of entrepreneurialism, connect them to new markets or provide them with more diverse private-sector contacts.

The strength of a pluralistic movement built on local identities and associations is also its weakness. Geographic, class and cultural diversity complicate efforts to build a group identity that will sustain the movement beyond the doors of the institutions that have held the movement up for the last ten years. Social solidarity is challenging to foster when producers have little opportunity to forge a collective self because they operate in small, municipal level units.

Furthermore any sense of a common cause is problematic when each association's struggle with the State for funds or space for fairs is decentralized to the municipal level and its particular politicians and that association's relationship to them. There is no shared campaign for obtaining resources from the State that would otherwise unite a

group, even one so dispersed over a large metropolis. Without a unifying spatial identity, or common oppositional target, the Solidarity Economy in Chile has struggled to maintain group cohesion and sustain participation.

Finally, neoliberalism's success at creating a consumerist society, particularly through widespread credit availability, is a significant challenge to social solidarity because it replaces the social obligations and orientation of reciprocal systems with credit from financial institutions. Neoliberal policy has also created a consumerist government in Chile that regards credit as a sufficient substitute for training and education. At many levels it seems that access to capital is deemed as the defining characteristic of economic development, a belief that the Solidarity Economy struggles to deconstruct.

In conclusion, the main barriers to the growth of this movement are related to the demography and ideological disposition of the Network institutions and their representatives, and to the ability of the Network to unite associations in a city of 7 million people to form a cohesive group identity and act as one. The inclusion of university students will change the generational composition of the Network and therefore may resolve obstacles related to the creation of a broader coalition. The Network also will need to make the most of the few occasions when the producers have access to one another and the Network members during general meetings, refocusing their efforts at creating channels of communication between associations and undertaking activities that further familiarize producers with one another and thus fortify a group identity.

For an organization with few resources, these challenges are not minimal, yet efforts to solve one challenge may lead to resolution of others. A broader coalition generated from rising participation of younger university students may increase funding sources as well as alter the tactics of coalition building that the Network thus far has undertaken. Similarly, improved communication between producer associations in diverse neighborhoods may also lead to a more organic process of consciousness-raising and consolidation of group solidarity than even the most well-designed popular education interventions. Regardless, the Solidarity Economy Network will have to modify its approach, searching for new human and financial resources if it wants to become an effective vehicle for solidarity economics and economic plurality.

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Email: lradams9@gmail.com

This thesis (report) was typed by Lindsay Rose Adams.