

The Enactment of Private Health Insurance in Chile

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Declaration

I certify that the thesis entitled *The Enactment of Private Health Insurance in Chile* is, except where otherwise indicated, the candidate's own work.

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Abstract

This research focuses on the case of private health insurance in Chile. This system was created during Pinochet's military dictatorship in the context of the economic reforms led by a group of economists known as the 'Chicago Boys'. Two main elements distinguish the approach developed in this work. First, it applies new developments in the social studies of markets, or what is currently known as 'cultural economy', in analyzing a case that has not been seen from this point of view. This research does not just aim to study the 'social' factors that explain the evolution of private health insurance, nor its social consequence. This work is interested in understanding the insurance itself. Using Anne Marie Mol's notion, what is studied here, is the 'enactment' of new 'market things'. This work has been focused in four main questions, the enactment of four different but connected 'market things' in private health insurance: the private health insurance's product, good, property, and commodity. In general, studies in current 'cultural economy' have been carried out in the context of developed countries, and without producing a clear view on neo-liberalization. This research started from the assumption that producing such an exercise would expand the area of empirical research of current conceptual trends in the social sciences, but it would also give new ways of understanding the recent historical evolution in Chile and Latin America. Therefore this thesis aims to produce an innovative conceptual framework in order to understanding neo-liberalization. It is argued that to make health insurance private, to privatize, is not merely the transference of a public good to a private administrator, but a much more complex process. The development of the studied case shows, that it is not just about enacting new market things, but many new actors, borders and collectives. The current work aims to illuminate such processes.

To Pedro Valdés Schlotfeldt, Mario Ossandón Sánchez, and Pedro Valdés Eguiguren. They all were here when this research started but are not anymore.

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Preface and Acknowledgments

2008 has been a strange year. 2008 was the year when very complicated financial products moved from the business sections to the front pages of newspapers, the year when the former chairman of the Federal Reserve, Alan Greenspan, consented to an increase in government action towards financial markets, and, the year that marked the start of previously unexpected movements in social policy, such as the current discussion about the de-privatization of retirement funds in Argentina. Of course, it is not possible to know what will happen in the time ahead, but it seems like some of the most important transformations of the last thirty years, such as the financialization of the economy, the stretching of the part played by the government in markets, and the influence of neo-classical economics, are currently being questioned. There is a mood of change, for some it is the end of what has been known as neo-liberalism.

The case studied in this thesis is deeply connected with all of these transformations, but, like them, it does not refer to a process that started in 2008 but at least 30 years earlier. This research focuses on the case of private health insurance in Chile. This system was created during Pinochet's military dictatorship and more specifically, in the context of the economic reforms led by a group of economists known as the 'Chicago Boys'. These reforms were divided into two stages: 'stabilization' of the Chilean economy, and 'modernization' of strategic areas. It was in this last category where the development of a new private health system was included. 'Modernization' here meant the introduction of private capital, market incentives, competition and free choice, in services normally administrated by the state. Specifically, the system here studied was created in 1981 after the privatization of pension funds, which were sanctioned by the new political constitution of the country. However, health insurance was not completely privatized as were pension funds; it became a dual system, where users that could pay the premium claimed by private firms could choose between being part of the private health system or of its public counterpart. After difficult early years, mainly during the financial crisis of 1982 in Chile, private health insurance grew importantly, reaching its peak in 1997 when it covered a population of 3,708,876 corresponding to 25% of the country, decreasing after the Asiatic Crisis in 1998, administrating today compulsory health withholding of 15% of the population which corresponds to more than £975 million per year.

Of course, the current work is not the first research that is interested in analysing the effects of the reforms carried out by the 'Chicago Boys' in Chile. In fact, these transformations have become a kind of classical example in any account about neo-liberalism (Harvey 2005, Klein 2007, Fourcade-Gourinchas & Babb 2002, Dezalay 2008). These works generally focus on the complex institutional and ideological struggles that allowed a relatively marginal branch within economics to become such a hegemonic influence. Another important type of work has been orientated to analysing the multiple consequences of these reforms in traditional forms of solidarity and the way in which people face their future (PNUD 1998, Moulian 1997, Tironi 2008). In simple terms these works have been mainly interested in studying the social dimensions (like professions struggles, institutional conflicts, and ideologies) that made neo-liberal hegemony possible, and analysing the 'social consequences' of such transformations. Without denying the relevance of many of these analyses, the current work follows a different path.

This research has been inspired by the work developed in probably one of the most active areas within the social sciences in the last 30 years, namely, the social studies of markets, or what is currently known as 'cultural economy'. In very simple terms, it could be said that there have been two main turns in this field. Firstly, perhaps since Harrison White's 1981 paper, markets stopped being appreciated as non social areas that could be influenced by social elements, and started being understood as particular structures to be faced directly by using elements of social theory. Second, mainly after certain developments in economic anthropology and science studies, market things, such as goods, commodities and prices, ceased to be assumed as technical objects that are of interest merely to economists and other experts that directly work with them, and were gradually seen as things that can be analysed in the way in which other objects such as gifts had been previously studied. Particularly in the last eight years, the most productive field for this type of work has been the analysis of financial markets. Of course, this is not just a random circumstance. Finance is certainly at the core of today's economy. However, perhaps in a similar manner to the studied laboratories of the early eighties (Latour & Woolgar 1986), the specific characteristic of this area claimed the development of many new methods and concepts in order to understand their particular interactions. Works by authors like Michel Callon, Karin Knorr-Cetina, or Donald Mackenzie have shown that a social study of finance cannot be limited to studying the 'social' aspects that explain these markets. Moreover, they reveal that such studies should not be solely a

critique of abstract knowledge, but it should take into account the complex interactions between multiple actors and framings devices taking place within these markets.

Our case is also part of the financial world, in fact, like the most complex derivatives, it works in a very particular temporal tension with events that have not yet happened: is a technology of risk (Ewald 1991). However, our case is insurance, and insurance, as shown by various works developed by authors such as Francois Ewald, Pat O'Malley, Viviana Zelizer, and Richard Ericson, operates by connecting multiple areas and actors such as medicine, bodies, family values, regulation agencies, actuaries, statistics, among others. Therefore, a first element that distinguishes the current research is the application of new developments in the social studies of markets in analysing a case that has not been seen from this point of view. In other words, this research does not just want to study the 'social' factors that explain the development of private health insurance, nor its social consequence. This work is interested in understanding the insurance itself. The specific focus of this work is, following Anne Marie Mol's concept, the 'enactment' of private health insurance. Particularly, this work has been focused into four main questions, or the enactment of four different, but connected, 'market things' in private health insurance: its product, good, property, and commodity.

It is also important to consider that, in general, the aforementioned trends in the social studies of markets, or what is known today as 'cultural economy' have been carried out in the context of developed countries, and without producing a clear view on processes of neo-liberalization in Latin America. This research departs from the assumption that producing such an exercise would expand the area of empirical research of current conceptual trends in social sciences, in addition to furnishing new forms of understanding the recent historical evolution in Chile and Latin America. In more practical terms, this research gives new information to consider current discussions about undoing neo-liberal reforms. To understand, for example, the meaning and implications of the nationalization of pensions funds –as it is discussed in Argentina today-, or other future transformations in Chile's health insurance, it is important to start understanding better the transformations of the past. To make health insurance private, to privatize, is not merely the transference of a public good to a private administrator, it is a much more complex process. In other words, the current research attempts a double movement, to add a new case to current discussions in the social studies of markets, and to produce new conceptual tools for understanding neo-liberalization.

Finally it is important to add some methodological remarks. In an early stage, this work was regarded as a research organized in classical stages: bibliographic review, hypothesis, and empirical work. In fact, I spent four months in Chile between December 2005 and April 2006, interviewing experts and other participants in private health insurance. At that stage, the plan was to develop an empirical work that focused not in the users but in understanding the system itself. Partially, it was done, and later this information was complemented with information from multiple secondary sources (mainly newspapers, parliamentary discussions, and other documents relevant to this system). However, during the analysis of the information, I realized that I did not have enough data for an ethnographic account, and that I was more interested in developing a wider picture of this case. At the same time, in order to do that, it was necessary to connect multiple conceptual elements that had been developed in the last ten years and to connect them in the way which interested me, something that has not been done. In other words, the current research could be defined as an empirically inspired conceptual work. It uses empirical data, but the information presented here should be read as a set of hypotheses to be further developed in future research. In a conceptual level, this work aims to organize a new framework that opens an innovative way of studying financialization.

It will become clearer in the following pages how the approaches developed here have been strongly influenced by social theory, in particular sociology. This is not rare considering that my undergraduate and MA training were both in sociology. However, it is very important to consider that this work does not attempt to develop a new sociological approach, but it tries to work in a space of encounter between many different disciplinary streams, which are interested in understanding contemporary economies. This work has not been developed in a sociology department, but at a centre for cultural studies. After four years at the Centre, I think that this work represents well what I understand by 'cultural studies', a field where it is possible to make innovative connections between different disciplines, without being limited by some of methodological rules that patrol their borders. In this context, the support of my two supervisors has been essential. I have had the good fortune of working with two very creative scholars who have shown me, both in very different directions, how understanding the very complex processes we are studying is sometimes more relevant than respecting disciplinary borders. On the one hand, Keith Hart, has been incredibly important in helping me to model sophisticated theory into a story that has to be told, and, his teachings

have shown me how my interests are not necessarily new, but already very present in the classics of the social sciences. I am very thankful to Keith for giving me the opportunity to assist him in his Introduction to Social Thought course at Goldsmiths' Anthropology Department. On the other hand, Scott Lash has encouraged me, since our very first meeting, to experiment with new concepts. In fact, his first advice was that I should stop reading his texts, which I had mentioned in my PhD application proposal. I am very grateful to Scott for his supervisions, which were not always easy to follow but were always very productive, and for the trust he has invested in my work.

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I have been fortunate enough to present parts of this research in many different instances and I am very thankful to all the people who taught me a lot and helped me to find many limitations in my work. Of course, the current problems in this work, which are not few, are my own responsibility. I am grateful for the comments I received at the different conferences where I presented previous versions of the current chapters of this work¹, and I am happy to have had the opportunity to be critiqued by member of the academic staff and by PhD students from CCS in many seminars and yearly panels. It was also very productive to participate in many reading groups at Goldsmiths.

¹ *III Jornadas de Estudios Sociales de la Economía*, IDAES, Buenos Aires (October 2008); Pre-ALAS Universidad de Chile, Santiago (October 2008); *Rethinking Economic Anthropology*, London School of Economics – SOAS (January 2008); *Rethinking Cultural Economy*, University of Manchester (September 2007); *Risk and Rationalities*, Queen's College, University of Cambridge (March 2007); *Markets, Economics, Culture and Performativity*, Goldsmiths University of London (March 2007); *Health, Risk and Society The British Sociological Association - Risk and Society Study Group - Annual Conference*, University of Kent (September 2006); *Fifth Annual Research Student Conference*, Centre for Analysis of Risk & Regulation, London School of Economics (September 2006).

I am particularly thankful to the many years of discussions with my former sociology classmates in Chile, who are grouped today in the *Margen* mailing list: it has been great to learn together. Especially I want to thank to Ignacio Farías and Tomás Ariztía for their careful reading of previous version of this work and other uncountable discussions.

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I. 'A Cultural Economy': enacting insurance

This chapter introduces the specific approach, main concepts and empirical questions of the present thesis, and is composed of two main parts. Part 1 explains how the research that forms the body of the thesis can be seen as a "cultural economy" and that, in such a context, the main aim of the thesis is to analyse the "enactment of private health insurance in Chile". The central objective of this section then, is to delimit the key characteristics of this approach and the consequences of this question. Part 2 clarifies that the main question of this research has been divided into four specific questions, and each question is linked to four different modes of addressing the same problem. This thesis is about the enactment of the product, the good, the property, and the commodity in private health insurance in Chile. These four terms will be fundamental concepts in this research, and each one unfolds different empirical questions. Each of the main empirical chapters of this research focuses on one of these concepts. In Part 2 then these four concepts and four empirical questions are outlined. Finally, part 3 delineates some of the conclusions of this research, which are developed in depth in chapter VI.

1. Approaching

The current thesis is an exploration into the creation, evolution and the current state of Private Health Insurance in Chile. More specifically, the present work can be understood as a 'cultural economy' of the enactment of Private Health Insurance in Chile. Explaining the different elements that compose the previous sentence is a good way to introduce this work.

a. Cultural economy

Anthropologist Keith Hart has claimed that social scientific approaches to the market –more specifically anthropology and sociology of money- have been almost exclusively interested in unveiling the ways in which abstractions such as currencies are meaningfully appropriated by people in their everyday use (Hart 2007a). From a sociological point of view, David Stark recently suggested that in the mid XX century the social sciences (as represented by Parsons) signed a contract that delimited the different aspects of the markets

that should correspond to the disciplines involved in their study (Stark forthcoming). Accordingly, economists would study 'value' (price) and the way it evolves (assuming an oversimplified notion of the economic actor), while sociology and anthropology would be concerned with 'values', or that which surrounds the market, explaining the ways in which the economy is organized in different social contexts. Even if Hart and Stark are not referring to the same phenomenon, their comments are complementary. For Hart's anthropologists and sociologists the object of study is how markets are appropriated or the way the 'economy' is made cultural. For the followers of Parsons' pact, the main question is to understand the ways in which markets are socially produced, namely, how society explains the economy. Both, Hart and Stark, assume a critical position towards the division of labour they are describing. On the one hand, Hart claims that anthropologists should not limit themselves to the analysis of the cultural appropriation of abstractions like money, but should expand their interests in order to understand them also as complex abstractions (Hart 2007a). On the other hand, Stark has argued for a sociology that is not limited to the analysis of 'values' but interested in how 'value' is created, or what he calls a 'Sociology of Worth' (Stark forthcoming). Despite their differences, both scholars are criticizing the assumption that there are different realms (economy and culture; or market and society) that should be studied by different specialists; and claiming the relevance of producing a wider picture that is not limited to one of these sides.

The present study agrees with Hart's and Stark's views on the matter, and it does not assume that market and society should be necessarily studied by different specialists. However, this does not imply that certain differences such as value and values, economy and politics, or price and priceless are inexistent or irrelevant, on the contrary, analysing the production of these differences is one of the main concerns of this research. In the last years, more than a few authors have been expanding the approaches to studying the co-production of markets and society. In fact, different instances such as conferences², handbooks (Amin & Thrift 2004), edited books (Dugay & Pryke 2002), and journals (Bennet et al 2008) have brought people from different fields including anthropology, sociology, geography, history, science studies and cultural theory, so as to discuss the economy together. At least within British Academia this movement has been labelled 'cultural economy'. However it has not necessarily amounted to the initiation of a new discipline, rather, 'cultural economy' has been used to denominate the place of encounter between different approaches to the study of the market. The

² *Rethinking Cultural Economy*, University of Manchester (September 2007)

present research is a 'cultural economy' in the sense that it is not situated in one specific disciplinary tradition, but it uses elements developed in different fields to understand its specific object. At least five different disciplinary streams have been particularly influential to this work.

One of the most important and strong approaches to the study of the market in the last 25 years is that of economic sociology, in particular what has been labelled 'new economic sociology' (Smelser & Swedberg 2004). Generally this tradition is associated with the concept of 'embeddedness' as developed by Granovetter in his very influential 1985 paper; and further expanded well beyond its original focus on interpersonal networks, to cognition, politics and culture (Zukin & Di Maggio 1990). However, in this particular work I have mainly used the work of American 'economic sociologists' who are not exactly part of this tradition. In this sense, two 'outsiders'—but who are, interestingly enough, at the core of today's discussion on these topics—have been very relevant to this work: Viviana Zelizer and Harrison White. Zelizer is an obvious reference to any social study about insurance, as her early and influential work focuses specifically on that industry (Zelizer 1985, 1992). It is mainly this early work (which represents only a fraction of Zelizer's economic sociology) on the dynamic inter-connection between cultural value (priceless) and insurance pricing, what has been considered here. Harrison White is normally (and correctly) seen as a network theorist and the main inspiration to the generation of economic sociologists led by Granovetter (see White's interview in Swedberg 1990). However, here I have considered mainly his theoretical insights that explicitly depart from the 'embeddedness' tradition; specifically the way he understands the production of identities within spaces of comparison, and the role of a relational production of quality in building interfaces or markets. Finally, also within the tradition of American economic sociology, the historical work of younger scholars such as Marion Fourcade and Sarah Babb on the process of neo-liberalization and the role of economic knowledge in Latin America have been also considered (Fourcade-Gourinchas & Babb 2002; Babb 2001).

Economic anthropology has also been connected with the notion of 'embeddedness', as coined by Polanyi, being then central in the further split between substantivist and formalist approaches within this discipline (Polanyi 1992³). However, current anthropological discussion about the economy has

³ For a history of economic anthropology since Polanyi see: Hart & Hann (2006). Likewise, to delve further into the connection between the use of embeddedness in economic sociology and economic anthropology see: Callon & Caliskan (2008); Beckert (forthcoming), Krippner & Alvarez (2007).

evolved toward different and very productive questions⁴. Three main contemporary developments within this discipline have influenced the present research. First, new modes of understanding property as redefined by authors who are interested in post-socialist transformation (Hann 1998, 2007; Verdery & Humphrey 2004) and new forms of property such as 'cultural goods', 'university intellectual rights', and 'bio-property' (as developed mainly by Strathern 1999) have all been very inspiring. Second, different ethnographic studies of finance and the way risk and calculation are produced in this context (Zaloom 2006) have also been influential. Finally, theoretical re-definitions of classic concepts such as value, exchange and commodity furnished by contemporary anthropologists have been useful as well (Graeber 2001, Hart 1982, Lee & LiPuma 2002, Thomas 1991).

A third source is a sub-field which groups different approaches to science and technologies, and is generally referred to as 'science studies'; but more specifically, it pertains to the increasing interest in the application of elements, developed in the context of science studies, to the study of finance. Three main elements that arose from this context have been very influential to this work. First, the relevance assigned to 'heterogenous assemblages', including different kinds of actors and devices (human / non humans; but also 'virtual objects' and 'boundary objects') in the production of contemporary markets (Callon & Muniesa 2005; Callon et al 2007; Knorr-Cetina & Brugger 2002; Millo & Mackenzie 2007). The second, which originates in particular from one of the main streams within this field, namely, Actor-Network theory, is the understanding of these assemblages as 'translation networks', which opens up a particular method that focuses on the study of 'controversies' (Latour 2005) and on the political consequences of new socio-technical arrangements (Latour 2004; also expanded to post-colonial issues by Mitchell 2005a). Finally, the relevance assigned in this context to 'economics' as a performative tool in framing the market, as originally developed by Callon (1998a) and further expanded in the articles collected in Mackenzie (et al 2007) has also been utterly relevant.

The fourth conceptual stream that has been influential to this work is a rather specific area of research which has reached increasing systematization in the last five years, and could be referred to as 'insurance studies' (see the collected books: Baker & Simon 2002; Ericson & Doyle 2003). Within this tradition, two main types of works have been particularly relevant. First, Richard Ericson and his colleagues (Ericson et al 2003; Ericson & Doyle

⁴ For an overview of current economic anthropology see the handbook edited by Carrier (2005).

2004a, 2004b) developed an impressive empirical study of the insurance market today, which had tested (and contested) important theses about the way risk is processed by this industry at present explaining also how the economy, politics and knowledge are interwoven in this sector. A second tradition within 'insurance studies' is connected with a series of empirical and theoretical volumes that expand on the late Foucault's work on 'governmentality'. In this context, different authors have studied the way insurance, statistics and risks are modern '*dispositif*' that produce population and new abstract notions of justice and responsibility. Within this framework two works have been particularly relevant to this research: Francois Ewald's historical account of the relationship between solidarity and insurance (Ewald 1991, 2002); and Pat O'Malley's (1996) descriptions of the specific character of neo-liberal risk.

Finally, concepts developed by various cultural theorists have been useful tools in this research. Briefly, there could be some mention of the different uses of the notion of *agencement* and the virtual as originally suggested by Deleuze (Deleuze 2004; Shields 2003; Phillips 2006); Michel Serres' notion of 'folded time' and the parasite (Serres 1982, 1995); the work of different contemporary authors who are concerned with understanding the elements that characterize current capitalism (Lash 2007; Thrift 2005, 2006; Lury 2004); and those whose work explore the complex ontology of risk, such as Luhmann (1992); Van Loon (2002a); and Jakob Arndt (2004).

In this sense, and to summarize, the present research is a 'cultural economy' because it plays in the space located in between different approaches to the market, trying to connect available concepts and disciplinary streams to the understanding of its object. Of course this kind of effort is not just a new project associated with current 'cultural economy' and contemporary theory but, it was already present in classic works such as Marx's *Capital*. In no certain way do we want to imply that this thesis is comparable to such giant enterprises, but rather that it is inspired by their attempt to understand economic issues in a comprehensive way that transcends the limits of partial expertise. Moreover, we are aware that such an exercise risks to be dissolved by generalities, or to be transformed into a series of naïve affirmations that are not proficient enough to be considered seriously, for instance, by any of the aforementioned disciplinary streams. Readers of this thesis will have the last word on this respect.

b. Enacting the Insurance

The word 'cultural' may be seen as an adjective that describes an 'economy', for example, in terms of characterizing a specific realm of the market where 'cultural goods' are exchanged (cinema, art, cultural heritage, etc.). In a more general sense, this adjective may also refer to the current stage of the 'economy', describing a process that carries on from a moment that concentrates on the production of 'solid goods', to one where different kinds of 'immaterial' commodities play a central role (Lash & Urry 1994). Here, 'cultural' can refer to markets that work on the basis of trading goods such as cinema or art, but it can also be seen as including activities such as 'city branding', 'finances' or 'tourism' (see the works collected in: Amin & Thrift 2004; Dugay & Pryke 2002; and Producta50 2007). In an even wider sense, production itself can be assumed as a 'cultural process' where goods are not seen any longer as a pre-defined being, but as objects that are constantly being enacted.

'Enactment' is an important concept. We want to stress here the usage that has been developed by Annemarie Mol (Mol 2002, and discussed as well by Law & Urry 2004, Callon 2007a). In her work, 'enactment' is understood in a particular way, and it is important to explain it thoroughly. However, this term has been used in different contexts in the last few years⁵. For instance, in a recent article about the evolution of the insurance industry, 'enactment' is used to label a way of modelling risk that is not based on actuarial statistics but on acting out future scenarios (Collier 2008). Some years earlier, organization scholar Wanda Orlikowski suggested that technologies do not 'embody' social structures, but are part of creative interactions with other technologies, human actors, and social actions. In this context, she suggests, users do not 'appropriate' technologies, but in their interaction, their uses are enacted (Orlikowski 2000). Orlikowski refers specifically to two different dictionaries: in one of them 'enact' is defined as: "to constitute, actuate, perform" while in the other as: "to represent in or translate into action" (Orlikowski 2000: 425). Cognitive sciences are a third relevant field where this term has been mentioned. Specifically, Varela (et al 1999) refer to 'enactment' as a concept that transcends both "subjectivism" and "realism". Objects, they argue, are not a projection of our minds, they are not out there.

⁵ I am grateful to Jorge Armanet who advised me about other uses of the term 'enactment' besides that of Mol. For his own account see his very interesting dissertation (Armanet 2007).

Identities such as a “table” or a colour (like “red”) emerge out of the interaction between system and environment. Despite their differences, the three connotations of ‘enactment’ share, first and foremost, a ‘relational’ view of things, whereby structures or objects are brought forth in interactions. In the first case, risk is not just “past information” projected onto the future, but the potential consequences of the action of different actors reacting to a particular event (like a terrorist act). In the second, technologies are not an object to be appropriated by particular subjects, but something that is co-created in interactions. The same can be said about the third case where identities are forged from a history of interactions between system and environment. Furthermore, that last two definitions show a second important element that is present in this term: ‘enactment’ cannot be solely about heterogeneous interaction, but about the emergence or production of new beings out of these interactions.

Annemarie Mol’s use of ‘enactment’ shares the aforementioned properties. However, she introduces this term in a more specific way; concretely she uses ‘enactment’ in opposition to the notion of ‘performance’ (Mol 2002). As she explains, ‘performance’ has had a long and important history within the social sciences, being central to an understanding of the ‘social’ (constructed) character of categories such as: “gender” or “self”. These would not represent the ‘natural’ world but, as in a play, are ‘performed’. In the work of Erving Goffman (1990) this operates in a constant tension with a ‘backstage’ (social structure, or authentic self), while in Judith Butler’s gender theory it is seen as pure practice (Butler 1999). Without denying the relevance of these works, Mol claims that they have been excessively orientated towards understanding the production of the ‘subject’ while forgetting how ‘objects’ are also produced, and how the division subject-object itself is made possible after the enactment of new beings. For instance, Mol suggests, a woman is not solely about performing gender, but the ways in which the body is technically built cannot be ignored. In fact those approaches that stress the ‘social production’ of these categories, have been equally relevant in splitting the world into subjects and objects, the former are studied by the social sciences while the latter by the natural sciences. Mol claims to revisit an understanding of how new beings are produced, and, in order to avoid the semantic charge associated with such an important notion, she suggests the use of the notion of ‘enactment’ instead of ‘performance’ for such an enterprise. In other words, new beings are enacted. In this sense, she argues, we should shift from an ‘epistemological’ to an ‘ontological’ approach.

The notion of 'ontology' is not simple. In Mol's work (as in that of other authors such as Law & Urry 2004), 'ontologies' emerge out of sociotechnical assemblages. In this context, an ontological question has to do with studying the emergence of new beings, as opposed to analysing how 'objects' are reflections or projections of other social or psychological structures. This is not 'social constructionism' but a particular type of realism. However, Mol's ontologies are not stable; in fact they are not so different to subjects (or 'social identities'). Like subjects, new beings are not easily stabilised. Here Mol refers to Latour's work, which has shown the very complex processes associated with the stabilization of a new thing. Objects are not closed, but have to be driven to a close, which is the output of multiple interactions and translations. And this is why Latour, following Serres, prefers to talk about "quasi-objects" or "things" (Latour 1993)⁶. However, Mol argues, what is difficult is not just establishing a new thing, but coping with that they are never stable, that they are continuously enacted.

Apart from their instability, a second very important element in Mol's approach is the notion that knowledge is not independent but pivotal in producing thing and making the whole distinction subject-object possible (Law & Urry 2004). It is in this context, where the notion of 'performativity', as used by Callon, becomes enormously relevant. As he has suggested market things (like any 'good' or 'commodity') do not just emerge out of socio-technical interactions (or assemblages) but the knowledge that tries to understand them is also relevant in making them possible. A new insurance is not just made but it needs a lot of expert knowledge in creating the milieu where it can be made plausible: in this case the economy (Callon 2007a, Callon & Caliskan 2008).

In this context, an 'ontological research' has to do with studying the relational emergence of new things. In this sense, it is not strictly 'positivism', but neither is it 'phenomenology'⁷. As it is widely known, a phenomenological

⁶ "In all the languages of Europe, north and south alike, the word 'thing', whatever its form, has as its root or origin the work 'cause', taken from the realm of law, politics, or criticism generally speaking. As if objects themselves existed only according to the debates of an assembly or after a decision issued by a jury [...] Thus in Latin the word for 'thing' is *res*, from which we get reality, the object of judicial procedure or the cause itself [...] Here we shall see the miracle and find the solution to the ultimate enigma. The word 'cause' designates the root or origin of the word 'thing': *causa, cosa, chose, or Ding*" (Latour quoting Serres, Latour 1993: 83)

⁷ Phenomenology of course started from a critique of positivism, which was considered as an ingenuous science because its assumed objects, and even 'minds', as external things, not considering the ways in which they are experienced. In phenomenology, an ontological research has to do with studying the manner in which we (our intentional conscience, our body, or our community) apprehend things. In the phenomenological social sciences this has leaned towards a focus in the understanding of common sense and everyday life. In this context, positivistic ways of approaching things are opposed to their experience; positivist measurements are ingenuous because they do not see the wider range of elements involved in how things are apprehended.

research cannot be limited to measuring objective objects, but must also study the way in which we intentionally approach these objects. For instance, risk as seen by 'scientific' approaches is contrasted to the feeling of uncertainty, or seen as a plurality of risk cultures (Douglas 1994, Lash 2000). In positivism, risk is understood as a category that can be measured, while phenomenology tries to describe how risk is embedded in our life (Lash 1999). Mol's starting point is different. Here, an abstraction such as 'risk' or 'commodity' is not less real than its everyday experience. The point is to understand how these 'risks' or 'commodities' are enacted as new things. An ontological research would thus comprise an analysis of the manner in which they are brought forward. Perhaps this split between two different ways of making a non positivistic ontology has to do with the tensions present in some of the most pre-eminent philosophical work of the XX century⁸. The limits of the present research clearly impede the possibility of clarifying these tensions, however, it is important to keep in mind that here we are following Mol's approach. In fact, perhaps in the same way in which she abandoned the notion of 'performance' in order to avoid the charge of a concept that has been overused during the last 50 years, we could also avoid the term 'ontology' in order to skip the semantic weight of a concept that has been harnessed to the utmost degree for the past hundreds years (Luhmann 2007: 708-723). The central point here is that we are trying to understand the ways in which private health insurance in Chile has been enacted, that is, this is not a positivist research that wishes to approach risk and/or the measure of its price, nor the process by which it is socially produced, and/or the deeply cultural meaning of insecurity.

Of course this is not the first work that seeks to effectuate such a turn. However, it is original in that it attempts to clarify an important point regarding the position of some of the works developed in the recent past, in particular the increasing amount of research emerging from science studies, respect to previous economic anthropology and sociology. Recent research on economics and heterogeneous assemblage has been mainly regarded as part of a '*performative turn*' in this field. In other words, the work of people like Callon would just add a new dimension (knowledge and other representations) to previous work that addresses notions such as networks, institutions and culture in order to study markets (Fligstein & Dauter 2007, Fourcade 2007). However, if we see these authors' work together with recent

⁸ For instance Harman (2005) suggests that there is a tension within Heidegger's understanding of objects: as mere 'objects' and 'things', as opposed to Whitehead who does not believe that certain things (for instance, technologies) have a lower ontological weight.

developments in similar fields- such as the work of Karin Knorr-Cetina, Harrison White, and Marilyn Strathern- we can assimilate it as part of a wider transformation. All of these authors are interested in the 'relational production' of new identities, understood as the outcome of interactive processes. In this sense, the approaches followed here (as it will be discussed further in chapter VI) depart from traditional economic anthropology and sociology. In these disciplines the notion of 'economy' is seen as 'embedded' and the attention focuses on unveiling the strategies by which 'apparently' self-regulated markets are socially produced. Here we do not start from the assumption that private health insurance is socially produced, but we are trying to understand the way in which new things are enacted.

It is important, nevertheless, to clarify that an interest in the enactment of private health insurance does not imply forgetting about 'the social'. This work is interested in how the enactment of new things opens the possibility for the production of the economy as opposed to other fields (political, public, regulations, priceless). In this sense, it could be productive to include the current work in the research agenda that Callon and Caliskan recently called the study of 'economization' (Callon & Caliskan 2008). However, this is not only about producing market, it is also about how an entire market environment is transformed as a consequence of its production. In fact, this thesis is interested in showing, first, the ways in which different actors participate in enacting market things and second, how the production of these things may provoke new 'social forms' into existence. In other words, by enacting market things economic objects and subjects are co-produced, and in the process, the economy and its accompanying milieu (culture, society) are also transformed into something different. Likewise, by enacting a 'market thing', society is also performed. It is in this context that Callon's *performativity* is central. Performativity is not only related to the manner in which the discipline of economics performs its object, but it is also about how this knowledge opens up new social worlds, or what he calls 'overflowing' (Callon 1998b, 2007b).

In this context, 'cultural economy' can be understood in a more specific way. It is not about studying the ways in which the economy is culturally produced, instead it is concerned with empirical research about the enactment of market things, and by doing that how the 'economy' and its environment ('society', 'culture') emerges out of this process. But it is important to mention that, similar to the other meaning of 'cultural economy' addressed at the beginning of this chapter, this type of research is not new at all. In fact, it is possible to

find traces of this kind of approach in works such as Simmel's *Philosophy of Money* (Simmel 1990, Cantó Milla 2005). Simmel was not interested in expounding the process by which market value is culturally produced, rather, he was interested in how object, subject, and comparability itself all emerge together out of empirical interactions. In the terms introduced early, we could see his work as a study about the 'enactment' of money, and the ways in which, during this process, economic objects and subjects are distinguished⁹.

To summarize, this research can be seen as a 'cultural economy' at least in two senses. First, because it situates itself in a space that is located between different disciplinary approaches to the study of markets. Second, it is not interested in the 'cultural' side, but in studying the emergence of new market things, and how the economy and its environment are co-produced. This particular research studies the enactment of 'private health insurance in Chile'. However, this is not comprised by only one question but by several questions. In fact, we have split it into four different elements: insurance as product, as good, as property and as commodity. In the next section these questions will be addressed and their dimensions will be explained further by outlining the main empirical issues developed in each of the four main chapters of this work.

2. Questions

The four main chapters that compose the current work can be seen as four different ways of answering a basic question: what has been enacted with the production and evolution of private health insurance in Chile¹⁰. The main distinction that organizes the chapters is between: product, good, property, and commodity. Such a distinction amplifies the difference between 'good' and 'product' suggested by Callon and colleagues in their *Economies of Qualities* (Callon et al 2002). Clearly these categories are both very relevant here, but they do not suffice. After analysing the different empirical sources considered in this work, it is clear that, at least, two other dimensions should be considered: property and commodity. Even though, these two dimensions

⁹ Which can be also connected with pragmatist social sciences, see the very interesting review of *The Philosophy of Money* made by George Herbert Mead (Mead 1900-1901).

¹⁰ Splitting an ontological question into four main possible answers is not original at all. Famously, Aristotle differentiated ontology into four main methods or causes (material, formal, efficient, final); categories that have been updated so as to understand the essence of technology (Heidegger 1977) and explain the specificity of contemporary commodities (Lash 2007). Even though the four main chapters of this thesis could be connected with Aristotle's questions, they do not correspond exactly with them (and probably all chapters include something about each cause).

are in some way present in analysing the product and the good, in the studied case, 'property' and 'commodity' correspond to topics of their own, expanding at the same time the conceptual framework to other very important sources. In the following paragraphs, these dimensions will be explained. It is possible that such a brief conceptual introduction will not be enough to clarify their difference and the relevance of keeping them separated. Hopefully the outline of empirical questions developed in each chapter and presented in part b of this section will be illuminating.

a. Four things

As Callon and colleagues explain, products are not the monopoly of factories, but the outcome of 'distributed' processes¹¹ (Callon et al 2002). These processes would have to do, as Arjun Appadurai (1986) famously proposed, with the continuous and creative 're-evaluation' that goods suffer during their lifetime; but also, with current extended factories, where production is outsourced and consumers play an active role reshaping what is finally sold. In other words, the product has to do with the process of bringing something new forth; and the complex network of agencies involved in doing that. On the other hand, a 'good' would be a moment in the life of the product, or the product seen from the point of view of interaction with other products. Callon and Muniesa have suggested that goods are related mainly to a process of 'singularization'; to all the arrangements needed in order to make a good connect with others in a space of comparison, making it at the same time singular (Callon & Muniesa 2005). As different authors, influenced by the economist E. Chamberlin, have stressed, goods have to do with 'quality', with the production of qualitative difference between things. This process is connected with the continuous attachment of properties (i.e. Marketing, Cochoy 1998); but also with the redefinition of the horizon of comparison (de-coupling White 2002) or markets. Although markets and goods are not equivalent, by re-defining goods the borders of markets are also recreated. In other words, here competition is not just about the singularization of a good, but also about redefining the frame that is utilized to compare them (Slater 2002a). However, especially in the case of complex services such as our case, delimiting the thing is not an easy task. An analysis from the point of view of the 'good' has to do with questioning the different forms of product

¹¹ For more information about the notion of 'distributed' see Callon (2007a); and Stark (forthcoming).

differentiation involved in a specific market, and how they dynamically interact.

If a good has to do with the relational delimitation of a specific thing, connected to others goods, and in this way with re-defining a market: property is connected with the delimitation of the elements that participate in a specific exchange. As anthropological analyses have highlighted since Mauss, the process of delimitation of the particular actors and elements that are to participate in any exchange is not a very simple operation. For instance, one of the most important controversies about the 'gift' is to define what has exactly been given and who is, precisely, the donor¹². But more relevant to this specific research is the approach been taken by contemporary anthropologists, who have expanded some of these Maussian elements in order to understand property¹³. As authors such as Marilyn Strathern have suggested, the definition of property has not just to do with establishing the particular rights of a person (including collective persons) over a thing, but by defining the right, the thing and the person are also created. All of these aspects are particularly relevant in the case of insurance where the delimitations and the elements involved in the exchange are particularly messy.

Some authors tend to coalesce the notions of good and commodity (Muniesa 2006), which is not strange assuming that at the end they are not so different concepts¹⁴. However, at least since Marx, asking questions about the nature of the commodity opens a very specific agenda. As I have mentioned before, the question concerning the 'good' is about things connected to other things and the creation of spaces of comparison, which is not very different to what Marx understood as 'exchange value'. Nevertheless, Marx claims, a second level is needed: the question about the origin of price. In other words, the specific price of the good cannot be just explained by the interaction of goods, but by what he calls 'use value'. Without having to engage with the deep realm of this term, it is worth noting that Marx's point is very helpful to our

¹² In Mauss's account, gifts do not just include a specific individual, but the whole community is represented, and the object and the spirit of the donor would move together. Since then anthropologists like Mary Douglas, Levi-Strauss, Sahlins, and Bourdieu have been discussing this theory. Today authors are still engaged in big controversies about what is included or not in everyday life exchanges (see for instance the discussion between Daniel Miller and Michel Callon: Miller 2002, 2005, Callon 2005, Slater 2002b).

¹³ For a survey about recent anthropology of property see Hann (2007).

¹⁴ As explained in The Oxford English Dictionary: commodity comes from the French word *commodité* which would have its origin in the Latin *commoditas*; and it is associated with a useful or convenient object; while 'good' can correspond to a "desirable individual or object; a thing worth attaining". However, and this is the distinction that needs to be stressed here: 'good' implies a qualitative comparison between things; while 'commodity' is connected with the development of a common unity of measure, or price, which implies a process of making things measurable.

study: it can be connected with two questions. What is priced in private health insurance? And, how does this pricing change the environment faced by the actors involved in this process? In other words, what is the commodity in private health insurance in Chile? And, what are the consequences of this system's process of commoditization?

b. Four empirical questions

In the last section, the main concepts of this thesis were introduced. The present section has a more concrete character, specifically, the empirical issues that will be discussed in depth in each chapter will be outlined here. The section is composed of four sub-sections, each corresponding to one of the main questions regarding the organization of this research.

Product

A person who works in one of the main private insurance firms in Chile, explained to me that in this industry "the product is the contract": the insurance policy; but who is the producer here and where is a new policy produced? As it will be expanded in chapter II, these questions can be answered from different perspectives. Firstly, an insurance policy is produced in each firm, through the connection of different departments (marketing, actuaries, underwriters, IT, etc...) coordinated by a committee in charge of this process. This committee receives relevant market information that is then utilized in the process of developing new policies. However, the main information involved in the development of new products is not necessarily what consumers are asking for, but others firms' initiatives. A policy is basically a contract that combines, in a particular way, a group of potential events, future coverage for potential medical provisions, and a premium, which are orientated towards a specific target (i.e. young males). As such, an insurance policy is a legal document that cannot be copyrighted, while it is, in fact, being copied all the time. New products are therefore, the outcome of never ending processes of imitation between insurance firms. In spite of the previous consideration, production does not finish here.

Health insurance in Chile is an –increasingly- regulated market. For example, under the current regulation the health policies that are available to the larger public are increasingly standardized (including a common basic contract,

compulsory coverage with delimited treatment and prices that should include what are deemed to be the 51 most important health events, as well as catastrophic coverage). But it has not been always like this. In fact, when the system began in the early eighties, and following the assumption that free choice and competition would produce a more efficient outcome, the system did not have many regulations. However, between 1981 and 1990, the private health insurance moved from a small new market that was developing with the government's incentive into an important industry in charge of overseeing the health funds of 1/5th of the Chilean population that should be 'regulated'. Meanwhile the main insurance firms in Chile formed the "ISAPRES Association", which had become a very active player in the lobbying that took place in subsequent health reforms. Beyond their success or failure in every specific discussion, the fact is that each new regulatory body had re-shaped the health policy that was actually supplied. In this sense, production is not just a matter of firms and markets, but also a political process, whereby firms themselves have become political actors. But this is still a partial component of the story; there is still another important layer to consider.

As mentioned before, private health insurance was created during the economic reforms that took place under Pinochet's dictatorship. These were the product of a very particular branch of economics, directly influenced by the 'Chicago School', which - after a very complex process - became a core dogma of the Chilean government from the second half of the 1970s onwards. However, this was not just the application of abstract 'economic knowledge', it was also (although in a non-democratic context) a politically negotiated process; and, more fundamentally, it has made Private Health Insurance a 'site of experimentation'. Specifically, this insurance was developed after the creation of a new private pensions system, which assumed the privatization of pension savings as an essential point¹⁵. In creating a system of Private Health Insurance the same principles were assumed: each worker would freely orientate their compulsory health withholding, and the competition would produce better and more efficient health administration. However, after years in existence and the increasing development of a more specific branch of health and insurance economics, these assumptions were not so easily accepted any longer. Currently, experts strongly stress the difference between pension funds and insurance, also in addition to the particularities of health policies within the insurance industry. Even though, market orientated

¹⁵ That is, instead of abstract common savings, each worker is the owner of the part of their salary that is orientated towards their retirement savings, and can actually decide -albeit compulsorily- into which fund administrator to direct this monthly withholding.

reforms have not been deeply questioned, today's economists tend to agree about the relevance of some regulation concerning the product offered (i.e. the relevance of compulsorily including catastrophic coverage) or the applicability of a long-term contract due to the relevance of 'medical pre-existences'. In other words, the actual evolution of insurance, connected with the evolution of the knowledge associated with this kind of service, has changed the way in which the system itself is understood, influencing at the same time the new regulation and reshaping the product that is actually being exchanged.

So, where is the product produced? It is a privatized service, and in a very relevant sense specific policies are the product of market competition; or of the self-referential game between producers who are steering other producers. Moreover, the product is shaped by politics and the evolution of economic knowledge which are, at the same time, fed back into the empirical evolution of the product. A health insurance policy is not just a market thing; it is also a public thing, a space to be regulated, a compulsory social service and a space of economic experimentation. In this sense, seeing it from a wider frame, production is not just a monopoly of firms, but a distributed process, whereby the borders between economics, the political and the economy are continuously reshaped.

Good

As discussed in previous sections, the good has to do with the dynamic 'differentiation' between products. Orthodox economics normally assumes that prices are the most important element in differentiating and comparing goods. However, for different reasons, comparison is not a simple business in the current health insurance market in Chile. First, premiums normally correspond to 7% of the salary of each worker¹⁶, which makes prices almost a constant factor. A second source of comparison is the potential coverage given by each policy; however, currently almost all new products in the market offer a similar combination of 70% coverage for inpatient events and 90% for outpatients. A third possible source for differentiating goods is to be found in

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Unless someone wants to withdraw a bigger amount in order to have access to a better policy – or simply to have access to the minimum premium in the case of workers who earn a low income. On the other hand, compulsory withholding cannot exceed 4,2UF. UF (*Unidad de Fomento*) is a monetary measure whose value in Chile's currency changes daily depending on inflation. In general long term contracts (such mortgages) are valued in this unity. Currently 1UF corresponds approximately to £20.

the amounts paid for every specific potential medical provision, or as they are called in insurance language, co-payments. However, there are thousands of different provisions and many different medical providers which encumber all manners of comparison.

On the other hand, it is not so clear which are the goods associated to the policies and what is the basis for comparison. In fact, insurance sellers who were interviewed for this thesis suggest that users, rather than being interested in the quality of each specific policy, are more worried about the place where they would be attended, or concerned to know if they will be able to be treated by a particular physician who they already know. In this sense, rather than price, what would be compared is the ability of the policy to be connected with potential providers. This becomes even more complicated, because, in spite of the fact that horizontal integration (namely, that an insurance company owns a medical provider) is not allowed by the financial regulation of the country, some of the most important insurance companies are part of bigger health holdings. In other words goods offered are attached to bigger brands, and in that way, to a wider range of financial and health services.

At the same time, regulators are also active actors in the way these goods are (or are not) differentiated. At least, four further elements can be cited. First, current regulation does not allow the existence of insurance brokers in this market; in other words, an expert intermediate actor whose business is to rank the available policies does not exist, as would normally occur in the insurance industry. Second, at the present time major health insurance firms are being prosecuted because, by changing their coverage in unison (from a combination of 100% coverage for in-patient medical events and 80% for outpatient, to 90/70), they would have acted as a cartel. Therefore, specific forms of differentiation (or lack thereof) are patrolled and legally contested. Finally, the institutions specifically created to steer health insurance firms (The Health Superintendence) are also engaged in facilitating and clearing the way in which different goods are compared in this market. Specifically they have been working in two lines of action. First, they produce a series of statistics in order to rank insurers' services and, second, they are working together with the ISAPRES Association to reduce and simplify the amount of policies currently available (presently there are more than 16.000 options).

In other words, differentiating health insurance is not just a matter of price, but a complex process where different agents are at work, producing different

axes of comparison. In fact, it fluctuates from a comparison between health insurers to a connection between them and specific health providers, or more specifically each policy and their ability to connect with potential providers, or the potential prices of these provisions. At the same time, regulators are also constantly trying to improve the information available - and thus the competition- by introducing new axes and tools for comparison. However, at the same time that they simplify the situation, their actions make it even more complex; in other words: standardization produces new sources for differentiation. Therefore, what is the 'good' and where is the market delimited? In order to answer this question, this chapter will refer to different contemporary accounts that use a wider notion of qualification in understanding markets. In this context, instead of assuming goods as something externally defined (by utility or use), they will be seen as the outcome of dynamic networks of relations, where different forms of understanding and regulating markets are not external but active agencies.

Property

The creation of private health insurance allowed the introduction of private capital in a previously public field, but at the same time such a decision was based upon the compelling notion of privatization. An informant, who is the president of one of the main health insurance firms and who has participated in this system since it was created, affirmed that "the specification that the health withholding is a property of each worker justified the beginning of the system". What is the meaning of this statement? The issue of the private character of the health withholding was not seriously discussed until the onset of controversy which surrounded the last health reforms that were finally approved in 2004.

The main initiative of these reforms was the introduction of a new health plan that would cover 51 of the most relevant medical events that exist in the current epidemiological pattern of the Chilean population. In order to finance this system and to make it more equal, the government suggested the creation of a 'solidarity fund'. The fund was designed on the basis of a distinction between average expected cost and expected cost calculated when taking into consideration some factors that correlated with health risk such as age and sex. Thus, every insurer would initially receive the average cost that corresponded to each user, with the exception of those insurers whose pool of users had a lower health risk (depending on the considered factors); they

would have to give part of their fund back to the 'solidarity fund' which would then be distributed between those insurers who were covering the riskier population. In practical terms, this would have implied an important circulation of resources from private insurers —those who cover a segment of the population with lower risk— to the public system. The announcement of this plan generated a huge parliamentary discussion, mainly in the high chamber, where the government (social democrats) needed the support of part of the opposition (conservatives) to pass the bill. The opposition was strong, and it was seen not solely as an issue about the design and potential results of the policy, but it was suggested that the development of this fund would violate a constitutional right: the inalienability of private property. Finally, and in order to sanction the rest of the bill, the government found a different way to levy resources (increasing the Chilean VAT or *IVA*). However, a few months later, Congress approved the creation of a very similar fund, but with one important difference. The new fund was delimited to the private companies. In other words, private insurers would create a common pool that would allow the circulation of resources from those firms covering segments of the population with lower health risk to those who covered a riskier pool.

This controversy is very interesting, because it questions one of the main elements that has been a principal component of this system from its conception: the privatization of health withholding. However, the question remains, what exactly has been privatized? What was finally defended from parliamentary opposition? To understand this issue it is pivotal to think about property and the particular characteristic of insurance. Insurance is always a collective; it is based on the production of a population, statistically connected. However, the limits of the collective are variable. In fact, one of the main strategies in this business is to create new pools or new forms of connecting potential events and grouping users. The creation of a private health insurance in Chile did not privatize a public good, but engendered new collectives: differentiating health users between those covered by public insurance and those under the shield of different private insurers. The solidarity fund implied a potential re-arrangement of this order, creating a new collective which would connect the different pools involved. The final fund was not so different, even if it was limited to private firms. In this sense, the discussion was about private and public, but not about individual and collective property; it was about delimiting the form and borders of different collectives.

Commodity

Every time a service or a former public company is privatized, there are claims about commoditization. To commoditize, that is, to transform something into a commodity, is normally associated with making that something which was previously not monetarily exchanged circulate in a market. To do so, the new commodity has to be delimited and priced. In insurance this operation is particularly complicated. This is an industry whose main activity is—in their own language— ‘pricing’, and since its origin has been criticized for valuing in economic terms things that are priceless (Zelizer 1985). But what is effectively priced in this system? The fifth chapter of this thesis is a conceptual reflection around this question.

Long ago Viviana Zelizer suggested that insurance is not necessarily about pricing the priceless (i.e. life) but that it works, instead, in-between this tension. More specifically, insurance would be able to price the monetary consequences associated with the damage or loss of a priceless (or rather expensive) object. However, insurance pricing is not about delimiting the cost of future events (or in this case medical provision), in fact, such events probably already have a price. More importantly, insurance pricing matches potential future events and their potential costs: it is about risk. But not any kind of risk, it is finance risk, and this is a particularly creative translation. As Lee and LiPuma expounded when referring to future orientated commodities, or derivatives, a process of abstraction is needed whereby, through statistical operations, concrete events (such as health) are grouped and valued (Lee & LiPuma 2002, LiPuma & Lee 2005).

The enactment of a new commodity is a process of framing (Callon 1998a) through which risk is objectified and priced, allowing the delimitation of the premium. However, this process does not finish here. As Francois Ewald has pointed out, insurance is a ‘diagram’ that continuously commoditizes its environment, albeit in a very particular way (Ewald 1991). Insurance commoditization is not just about expanding the range of monetary transactions, but about widening the range of all that can be considered financial risk. At least two main areas of transformation can be mentioned. First, as in other processes of ‘securitization’ (Leyshon & Thrift 2007), the creation of a compulsory private insurance market guarantees recently secured future cash flows. And those flows allow the development of future businesses, allowing for instance an investment in health infrastructure, expanding in this sense the amount of health provisions available in the

market. Secondly, as in other areas dealing with risk, insurance lives in a continuous process of visualization, signification and valorisation of risk (Van Loon 2002a). In fact, insurance does not just face a fixed potential future, but actively participates in making it. This works by reflexively identifying sources of risk that eventually could be reduced, by controlling the events (for instance, fraud), and by 'sharing risk' with the other agents involved in this process (that is, reducing 'moral hazard' by introducing co-payments and giving incentives to the medical provider that is able and willing to reduce their costs).

In this sense, commoditization is not just about expanding the extent of commercial exchange. It is a creative process of pricing where financial risk is continuously enacted. However, risk is not just a horizon against which actual costs are contrasted, but it becomes an object that can be transformed and exchanged (shared) by itself. In this sense, even though insurance does not price everything, it is heavily involved in making financial risk, transforming the possibilities faced by the different actors involved in this process.

3. Conclusions

In the same fashion as the present chapter, the conclusions presented in chapter VI will be developed from a more general point of view than those in the rest of this thesis. Specifically, it will come back to the two main issues outlined in the preface. First, this research is about 'finance'. It has endeavoured to understand the enactment of specific insurance, and in this sense, it can be connected to the increasing amount of research in the field of "social studies of finance" (Pryke & Du Gay 2007). In this context, the strategy based on four main concepts strived to explain the multiple ontology of a specific finance object. The conclusion will discuss how segmenting the object into product, good, property, and commodity has helped to expand our knowledge about this specific thing.

However, as it was mentioned before, this work does not merely aim to understand the enactment of new market things, but it is also about the form; at the same time that such things are enacted new social forms are made possible. This kind of approach departs from the traditional way in which the social sciences have tried to understand markets (mainly from the two main 'embeddedness' traditions in Anthropology and Sociology). The conclusions will explain further the elements that distinguish the approach followed here.

However, such an approach does not just imply introducing a difference within the social sciences, but it changes the manner in which some empirical processes such as “the privatization of public services” are understood. This thesis will finish with a brief discussion on the ways in which it opens new avenues to the study of neo-liberalization.

II. The Product: Enacting the Insurance Policy

In the first chapter we explained how the organization of this thesis follows one main conceptual distinction that opens four different research strategies: the product, the good, the property, and the commodity. This categorization enlarges the difference between good and product, as developed by Callon and colleagues in their *The Economies of Qualities*, by introducing two further levels: commodity and property. The discussion presented in the current chapter will concentrate on the first of these dimensions: the product.

The notion of product developed by Callon (et al 2002) resembles a discussion settled by anthropologist Arjun Appadurai in his important introduction to *The Social Life of Things* (Appadurai 1986). In this work, Appadurai proposes a new way of understanding commodities. Distancing his understanding of this concept from the tradition started by Marx, he suggests that commodities are a state in the circulation of things, a particular kind of exchange rather than the product of a particular mode of production. In this context, manufacture is no longer seen as the only creative part in the life of economics things, but activities such as consumption or second hand exchange, can be equally productive. This type of approach can be connected to several highly relevant lines of research such as Daniel Miller's studies on 'material culture' (Miller 2004) and Viviana Zelizer's analyses of 'multiples monies' (Zelizer 1998). In general, the focus in these works is orientated towards continuous processes of commoditisation and de-commoditisation which have a longer tradition within anthropology (Kopytoff 1986, Hart 1987), where things and their values are understood as culturally produced phenomena (see also: Thomas 1991, Weiner 1992, Graeber 2001).

In *the Economies of Qualities* a slightly different approach is proposed. Similar to Appadurai's work, the interest focuses on a series of transformations in the life of things. However, this theory is not about the dialectic relationship between commodity and non-commodity¹⁷, but about the way in which production transcends the factory. As the authors suggest:

¹⁷ But in another work (co- written with John Law) Callon discusses the continuous switches from calculative to non-calculative spaces (Callon & Law 2005), elements that are also mentioned in Callon's introduction to "The laws of the Markets" (1998a).

The concept (*producere*: to bring forward) shows that it consists of a sequence of actions, a series of operations that transform it, move it and cause it to change hands, to cross a series of metamorphoses that end up putting it into a form judged useful by an economic agent who pays for it. During these transformations its characteristics change. The product is thus a process, whereas the good corresponds to a state, to a result or, more precisely, to a moment in that never-ending process [...] The product (considered as a sequence of transformations) describes, in both senses of the term, the different networks co-ordinating the actors involved in its design, production, distribution and consumption. The product singles out the agents and binds them together and, reciprocally, it is the agents that, by adjustment, iteration and transformation, define its characteristics (Callon et al 2002: 197-198)

Certainly examples of this distributed production can be found in multiple contemporary industries where manufacture is outsourced to different countries, new technologies, like Radio Frequency Identification, allow almost immediate information to be retrieved from consumers, while the coordination of multiple heterogeneous actors (logistic) becomes the core management ability. Here commodities are continuously redesigned and the borders between production and consumption are relentlessly blurred. In a more historical fashion, authors such as Nigel Thrift and Maurizio Lazzarato have found in the distribution of production the distinctive characteristics of current capitalism. Thrift has stressed that current networks of co-creation of commodities, while re-enacting social inequalities, expand production into new and unknown possibilities (Thrift 2006). For Lazzarato, it is this *production of possible* in fact what characterises contemporary processes of production. Here new connections open new possible worlds, being these possible worlds what is actually produced, and the different attempts to delimit and control these processes (such as copyright) are the contemporary equivalent to surplus expropriation in Marx's industrial class conflicts (Lazzarato 2004).

Although this framework is kept in the background, the question of the present chapter has a more empirical substance. Here we will try to understand the process of production of private health insurance in Chile. Or more specifically, where is this product produced and by whom? As the next sections will show, the answers to these questions are not simple. Based on fieldwork material (mainly interviews with both experts and people who work in these companies and other related institutions as well as the analysis of secondary sources) at least three different approaches to answering this

question should be considered. The first account has to do with insurance firms, and the ways in which a new product is enacted within these organizations. Under consideration are the parts played by consumers, and principally, the way in which the products of other companies become the main input in this process. The second account shows how the product is not just the outcome of a market's process, but it is also continuously transformed by political decisions. As it will be shown, politics is not solely a regulative framework, but insurance companies have become active political actors in their own right. Finally, the third section explores the role played by a particular kind of expertise in building and developing the product of private health insurance in Chile: economics. It is argued that economists have been a core political actor in creating this system, but also, that the system and its product have become a field of economic experimentation on their own.

Each part is connected with different conceptual frameworks, specifically, the first discusses Harrison White's theory of markets, the second is inspired mainly by the work of Richard Ericson and colleagues on markets and politics in the insurance sector, and the last will discuss Michel Callon's understanding of the performativity of economics. These accounts can be seen as different methods of researching the production of 'privatized' services. However, as it will be argued in the last section, taken together, they suggest new configurations of production, opening, in this way, new possibilities of understanding how different agents interact in producing privatized finance services today, and how the borders and the shape of the various levels involved (market, regulation...) are transformed as well.

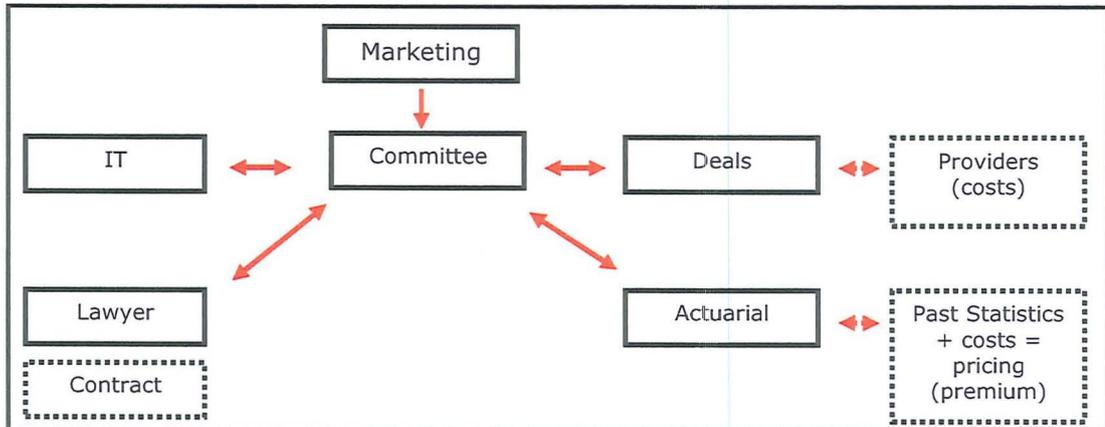
1. Producers mirroring producers

a. The life of the 'Model'

An engineer who works coordinating the elaboration of new policies in one of the four biggest insurance firms in Chile explained to me that the production process within these organizations can be visualized by using the following figure (in fact, during the interview, she drew a similar scheme to explain this to me). The figure shows the different departments within one of the companies that are involved in producing a new insurance policy. The Committee, that is, an inter-sector instance where managers from different departments meet and decide future products, is at the centre. The

Committee receives information from 'Marketing', and these data are utilised to decide which kind of policy is needed to improve the company's competitive position.

Figure 1. Manufacturing the Insurance Policy



A health policy is a contract, which establishes a premium (monthly payment), potential coverage for different kinds of medical events, and, in some cases, a range of pre-determined deals (prices or coverage) with specific medical providers. At the same time, policies are also generally differentiated between socio-economic targets. Designing a new policy has to do with producing a new combination of these elements, for example: a product oriented towards young, single male which boasts 70% coverage for outpatient events and 90% for inpatients, and a pre-limited price per event if these are attended in a clinic with a pre-established deal. These kinds of orientations are suggested by the committee; and this is the beginning of the production process. The planned policy is known as '*la maqueta*' ("the model").

Once the main characteristics of the planned policy have been settled, the model goes from the Committee to a department named 'Deals' (*Convenios*). As its name suggests, 'Deals' is the department in charge of executing negotiations with medical providers. Providers can be private hospitals, specific practitioners, or outpatient medical centres. Health insurance companies are the most important buyers of private health provisions in Chile. In this context, these firms do both: reducing prices by offering a large amount of potential users, and sharing risk by establishing fixed prices for future provisions¹⁸. When a new policy is suggested, the members of the 'Deals' department have to check if there is any previous agreement, and, if

¹⁸ See chapter V for further discussion on these strategies.

one does not exist, they expeditiously draft a new deal in accordance with the requirements of the model. Once potential prices are defined, the planned policy is ready to pass to the next department: actuaries.

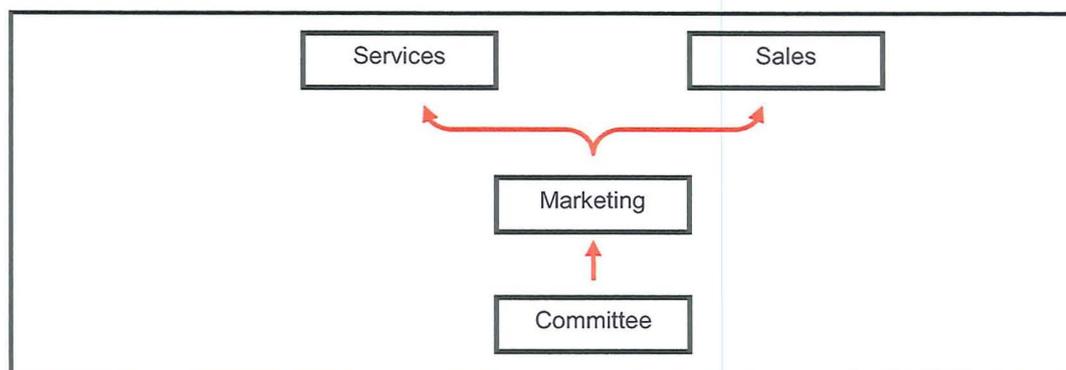
Actuaries are very important in any insurance firm; the object of their work is risk. By combining the different elements that compose a policy (target population; coverage; and potential prices) and statistical information they can determinate the potential expenditures associated with the planned new policy. With this data, they establish the premium, or the actuarial price of a policy considering its potential costs, in order to face a reasonable risk in its commercialization. The premium is informed to the Committee, which now, considering other companies' premiums for a similar policy, decides whether the projected price is (or is not) competitive. As some of the interviewees explained to me, generally actuarial projections are 'conservative', as they commonly estimate safe but not competitive premiums. If this is the case, the process starts again, going from Committee to Deals in order to find a better agreement, or modifying some of the characteristics of this policy in order to reduce potential costs and make the policy premium competitive.

Finally, when the planned policy has acceptable risk levels and a competitive price, it is ready to move forward to a new department that is mainly formed of lawyers. Remarkably, the name of this department is: "*planes y productos*" (policies and products). One informant said: "if we have to specify what the proper product is: the product is the contract; and it is in the 'production' area where the contract is produced". The lawyers' job is to write the new contract, checking the fulfilment of the present regulation and covering potential threats. Once the contract has been drafted, the policy is ready for its last transformation, its digitalization. We could say that a policy is real when it is made "virtual", and the sector in charge of accomplishing this operation is the IT department. IT develops and maintains the company's technological platform. It is this network that allows sellers from offices in different parts of the country to read, print and sign new contracts, in other words: contracts can now be traded.

When the new policy has been uploaded into the organization's IT network, the process comes back to Marketing. This department will promote the new product to the people who actually interact with users and potential buyers. Such people (as the next figure illustrates) are grouped in two main departments: 'services' and 'sales'. 'Services' is mainly a call-centre that answers queries and claims raised by users or people interested in learning

about new products. 'Sales' obviously corresponds to the army of sellers in charge of finding new clients. 'Marketing' spreads the new policies by designing and promoting explicative leaflets and organizing training sessions with the sales personnel.

Figure 2. Sources of Information production



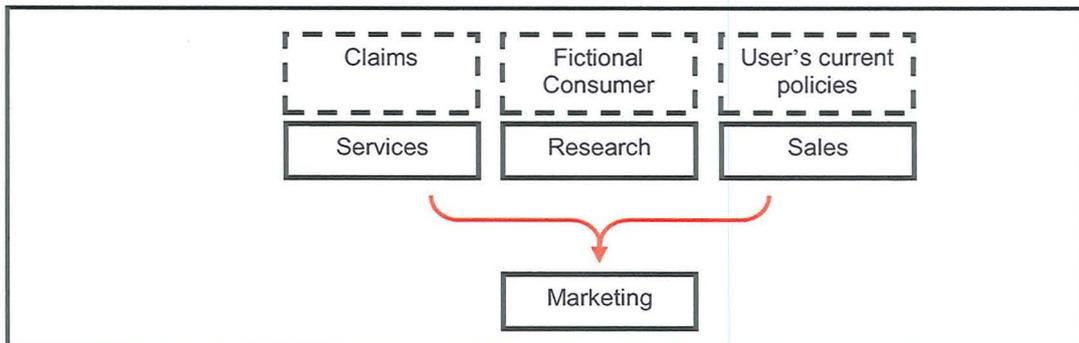
b. From input-output to mirrors

Up until this moment, we have presented the production cycle as a kind of cybernetic mechanism, where there is an input—data supplied by marketing, which is processed by the different departments of the company, producing a final output: the new insurance policy. But to what kind of information does this circuit react? From where does the new product appear? In order to answer these questions, more attention has to be given to the sources of information considered by the marketing department.

As figure 3 depicts, three departments provide useful information for the creation of new products: the previously mentioned 'services' and 'sales', and also the 'research' department. Each of these departments produces information of varied type. 'Services' receives phone calls from actual and potential costumers; the former generally complaining about problems with their policy or asking about some information that concerns them, while the latter are looking for and comparing possible policies. 'Research' is in charge of collecting 'market information'. One of the main techniques utilized here is called 'fictional consumers' and it involves sending a paid employee to pretend to be a potential customer, interested in contracting a new policy from a different insurance firm. Finally, sellers receive information from potential users. The sellers that I interviewed explained to me that when they are offering their policies to new clients, they always use their current policy as a

main point of comparison (to offer them something better¹⁹). If, in fact, they do not have a better option to offer, they will give this information as feedback to the marketing process, information that could be eventually considered at a later date.

Figure 3. Marketing Department's sources of information



The scheme presented in the last figure resembles, in some sense, the “distributed production” used to characterize current capitalism by the authors named in the introduction of the present chapter. Insurance is a service, a policy is a contract, and it is not difficult to draw up new contracts. If consumers prefer a different option, a new contract could be easily produced considering this feedback. In this sense, as a kind of ‘flexible manufacture’, new products are continuously enacted. In fact, this is one of the main factors that explain why today there are more than 16.000 different policies in the private health insurance market in Chile.

But are consumers really the most relevant source of information here? As several interviewees told me, there is another very relevant element to consider. As stated before, new insurance policies are very easy to create, but even more importantly, they are very easy to be copied. A policy is a contract, a piece of legal paper, and a contract does not have attached copyrights. The different methods of collecting information are mostly not trying to gain a better understanding of consumer preference; in fact, they want to ascertain what other companies are offering and they are not providing. Interviewees from different companies pointed out that this is a market where copying, even contracts with almost identical phrasing, is an everyday issue. In this sense, rather than with a distributed network, the way policies are produced can be associated better with sociologist Harrison White’s “networks of producers”.

¹⁹ More about sales practices in Chapter III.

White has developed a highly abstract theory of markets. However, its main principles are simple, and they are already present in a very influential paper published in 1981, where White says:

Markets are self-reproducing social structures among specific cliques of firms and other actors who evolve roles from observations of each other's behaviour. I argue that the key fact is that producers watch each other within a market [...] Markets are not defined as a set of buyers, as some of our habits of speech suggest, nor are the producers obsessed with speculation on an amorphous demand. I insist that what a firm does in a market is to watch the competition in term of observables (White 1981: 518)

In other words, producers mirror other producers, and what is actually produced is an output of this interaction. As White has suggested elsewhere:

The term 'product', whether light aircraft or frozen pizzas (Leiffe 1985), has no independent reality as a technical or engineering matter. Its reality is induced only through the commitment of producing firms into being peers in a differentiated set which organize terms of trade around and induced orders of quality among producers [...] This social process is what induces a definition of a 'product' from the common properties of this flow (White 1992: 42)

However, the way private health insurers see each other has an important difference with White's basic model. As White suggests in his first quotation, firms steer each others positions in terms of 'observables'. At least in White's basic model (see also White 2002), networks of producer becomes market organized in arrays of quality. Here, quality is understood as an emergent property in a two dimensional space with revenue and volume as axes. Those categories are the observables that allow firms to understand their position and, in this sense, organize their uncertainty. But, as we have said, what companies are trying to observe here is not just the revenue and costs of other firms, but their specific products, and by imitating these products, they insure themselves against the potential volatility of this market. It seems that because products are easily copied, the way companies organize their uncertainty is by copying the products of other firms, and in this sense spontaneously homogenising the consumers' options²⁰.

²⁰ I am grateful to Philippe Steiner who suggested the difference between this case and White's basic model. White's work is of course more complex, his networks are not just about producers steering each others revenues and costs, but also finding quality niches in their relationship with users, notions that will be discussed further in chapter III. In some sense the difference between

This section followed a first approach to understanding the way private health insurance is produced in Chile. Production is a process particularly organized within each company, but it is also connected with other companies' products. As we have explained, this is just one way of narrating this account; in the next section a second narrative will be explored.

2. Politics producing insurance; insurance producing politics

The previous section analysed production as the outcome of networks of producers, furthermore this section will illustrate how these networks are also entangled in other processes. The production of private health insurance policy is not exclusively about markets, but is also connected with regulation and politics. In fact, private health insurance in Chile has always been strongly associated with political activity. First of all, the system was made possible by a law included in the Chilean constitution enacted in 1980, during Pinochet's dictatorship, and then actually instituted by Law Decree Number 3, established in 1981. Since then the system has suffered three main reforms. Each of these reforms has changed, among other elements, the product that is actually being offered. This section is divided into three parts. The first one introduces the main reforms and the way they have changed the product offered. The second discusses the manner in which insurance companies have become relevant political actors themselves. Finally, in the third part, concepts developed by Ericson, Doyle and Barry are introduced in order to frame the previous description.

a. Regulations

The legal regulation that created private health insurance in Chile established, as a basic principle, that each worker could choose where to direct their compulsory salary withholding, either to the public system or to any of the private insurers. The basic and compulsory withholding was 4% of each worker's salary. Health insurers could, on the other hand, select their potential users by risk and give limited coverage in case they found a pre-existent medical problem and there was no other kind of guarantee. Users of the private system—unless there was no other available alternative—could not

'good' and 'product' considered here could be seen as another form of naming White's upstream (product) and downstream (good) sides in his producers' networks.

have access to public hospitals. The original insurance policy also covered salary in the case of medical leaves. Finally, no special regulatory agency was created, the supervision of private health insurers being the sole responsibility of the public National Health Fund (FONASA).

The new type of insurance had very unique characteristics, as suggested by authors who have historically and comparatively studied this case. For instance, Scarpaci points out, its creation was a radical gesture, as: "Authoritarian Chile (1973-present) represents one of the most radical attempts to dismantle an extensive public health care system" (Scarpaci 1991: 220). In fact, the same author maintains, "attempts to cut back state-funded health care are unprecedented in the history of Chile as it was the first country in the Western hemisphere to develop national health insurance for targeted members of the (nonmilitary) labor force" (Scarpaci 1991: 224)²¹. On the other hand, in comparative terms, Sojo has said:

The duality of the Chilean health system was crowned by the health reform during the 80's, whose radicalism – made possible within the authoritarian context – has had no comparison in the world. In contrast, the British conservatives who radically fought the financing methods, the range of services and the public-private mix of the British National Health Service (NHS) could not put their plan into action due to various political circumstances (Porter, 1999: 236-59). While the growth rate of spending was reduced, the NHS did not undergo a thorough reform under the administrations of Thatcher or Major, but rather it experienced a deeper separation of functions to encourage competition. Compulsory insurance is characteristic of the social insurances, public or national, that seek a stable risk diversification in the context of varied public-private mixes (Sojo 2006: 16).

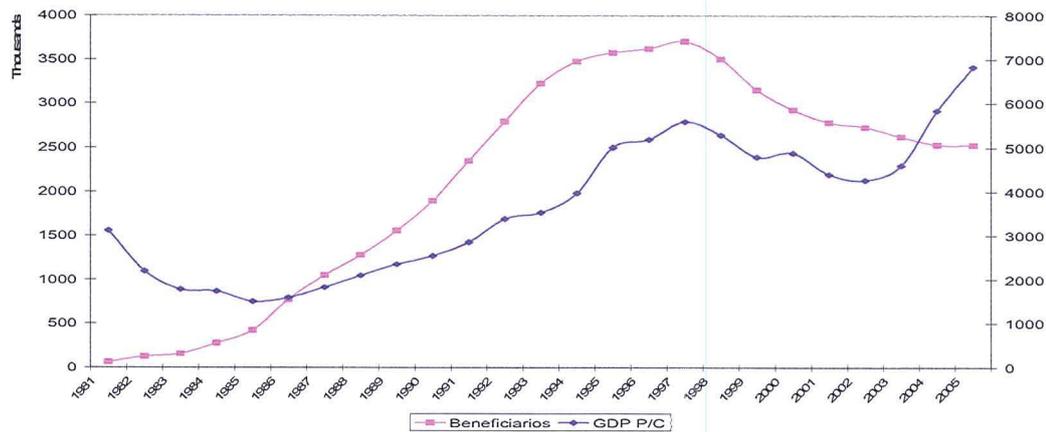
The first regulatory body was characterized by its loose control, which, according to González-Rossetti (et al 2000), can be associated with the neo-liberal discourse that framed this reform (that will be discussed further in next section), but it also can be seen as a way of stimulating private companies' interest in the new market. As Raczynski, analysing the press of the time, explains:

²¹ Historically state railroad workers began receiving free or low-cost medical care in 1918, then several programs were developed for specific blue and white collar workers; and finally, in 1952, a National Health system was created (Scarpaci 1991: 224, Illanes 1989). It is important to remember that the British NHS was created in 1948.

the new system is orientated to: make the principle of free choice real; to decrease the state's load; to incentive the development of a private health infrastructure; to make real the subsidiary role of the state by making it to be in charge of the health of those Chileans that do not have the possibilities to solve their problems by themselves (1983: 35).

The first years of the system were difficult. Scarpaci suggests that: issues like wrongly orientated marketing (based on the HMO system from USA, where private values were stressed, going against the traditional solidarity associated with public health); expensive premiums and restrictive coverage, with policies mainly conceived for young male professionals (making it difficult for, or explicitly excluding housewives of a fertile age); and fundamentally the economic crisis of 1982, made the expansion of this market very difficult (Scarpaci (1991). In this context, the first wave of reforms introduced in this market was mainly formulated to save this new industry (Scarpaci 1991, González-Rossetti et al 2000). Five main actions can be mentioned. First, a new law (18.186) allowed retired people who were under the coverage of the old public pension system, to use their retirement funds in order to have access to private health insurance. Second, as a way of facilitating the inclusion of women, who up to this moment had been considered exceedingly risky by some of the insurers, maternity leaves were financed again with public funds but administered by private insurers. Third, in 1983 mandatory withholding was expanded from 4% to 6%, and in 1986 to 7%, changing dramatically the number of people who are able to afford minimum premiums. And finally, in 1986 a 2% subsidy was instituted, which targeted those people with low income but who are close to being able to afford the private health insurance premium. In other words, changes introduced between 1983 and 1986 dramatically expanded the potential scope of the new market. As the next graph shows, these actions seem to have helped expand the system even during years when the economy was not increasing (1981 – 1986).

Figure 4. Evolution number of users ISAPRES and GDP per Capita (1981-2005, US\$)



Source: Own elaboration with information from SUPERSALUD (2001, 2007)

The second main wave of reforms of Private Health Insurance in Chile began during the last months of Pinochet's dictatorship, but in agreement with the future democratic government, which procured power in March 1990. The context here was very different to that of the first reforms. The industry was much bigger now, having more than 2 million users, with US\$ 37 millions in revenue during 1989 (Caviedes 2000: 371). In fact, the 1990 reforms did not aim to expand this market, but to regulate a big industry that seemed to be having some problems with legitimacy²². In other words, the government's position turned from aggressive promoters into a regulatory body.

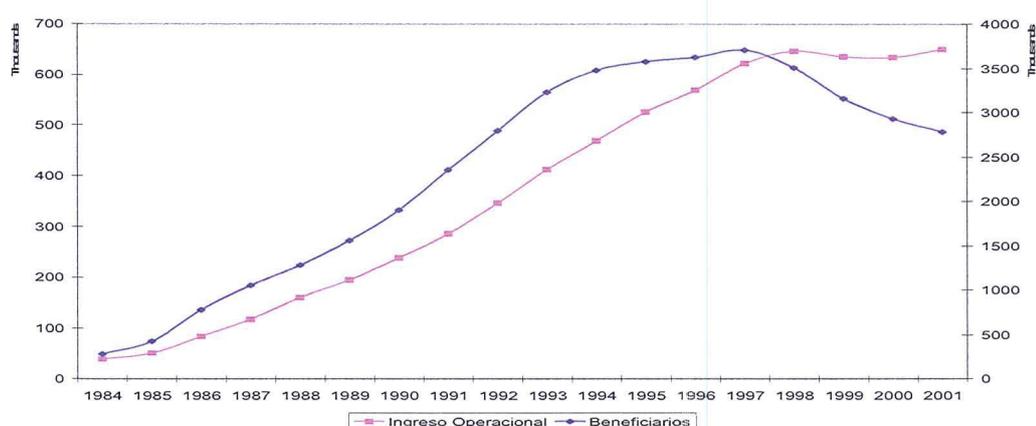
One of the main transformations introduced in this context was the redefinition of the characteristics of the insurance contract. Up to this point, a health policy could be finished unilaterally by the insurers after one year, and users could end it by giving just one month's notice. The reform established that health policies would exist under a permanent contract, but that such a contract could be revised yearly, and that it could not be terminated unless some of the obligations are not carried out (Quesney 2000)²³. A second main change was the creation of a special regulatory agency in charge of steering the private health insurance market: "*La Superintendencia de ISAPRES*". This institution had, as its main responsibilities, developing specific regulations (from general laws); producing statistics and rankings about the function of the market and the different firms involved; and mediating conflicts between

²² More about the problems of legitimacy of the system mainly associated with their inability to cover expensive health events and dubious sales strategies in next section in this chapter, and in Chapter III.

²³ As González-Rossetti and colleagues suggest, "according to one interview, this [a guaranteed contract] was required by The World Bank after one of its functionaries had a bad experience with the system and find echo at the Bank" (2000: 56).

insurers and users (something which had been resolved privately or judicially in the past). The reforms of the early nineties were continued and expanded in 1995, when a "standard table" was made public and compulsory, in order to compare the prices of medical provisions which would be potentially covered by the different insurance policies; the reduced coverage of pre-existences was limited (at least 25% must be covered); and the premiums charged to senior citizens were regulated in order to avoid their exclusion (Celedón & Oyarzo 1998). Moreover, it established as a minimum that any private policy should guarantee at least the coverage given by public insurance, and new regulations on the ways in which the surplus—the difference between the premium and the 7% compulsory withholding—can be used are implemented²⁴ (Quesney 2000). In 1999, Law 19.650 suspended the subsidy created in 1986 to widen the range of users with low incomes, and complementarily, since 1999, the main firms and the regulatory agency agreed to introduce a catastrophic insurance in their new policies (Salazar 2000).

Figure 5. Evolution number of users and operational revenue ISAPRES (1981-2001, CH\$ Millions)



Source: Own elaboration with information from SUPERSALUD (2001)

The last big reform in this sector was approved by the Chilean parliament in 2005 (for different accounts of this process see Sanchez & Labbe 2005). This reform had three main outcomes. First, a new regulatory agency was created, "La Superintendencia de Salud" which is in charge of steering both private and public health insurance (including and expanding the responsibilities of

²⁴ An important technical particularity of this system is that sometimes the compulsory withholding is higher than the price of the premium. The reform regulates the use of this difference; specifically it establishes that insurance companies have to create special savings accounts that could be used as complementary insurance in case of expensive medical events, for those cases.

the agency created in 1990). Second, the insurance contract is made more homogeneous, following all the policies of a basic document called "general conditions of the contract". Third, risk selection is limited, that is, the price of the premium can now be differentiated only by sex and age, and the exclusion of women in fertile age ("policies without womb") is explicitly banned. Fourth and this was the most discussed of the reforms, a list of basic medical events is forthwith guaranteed for the whole population ("Regime of Universal Guarantees"). In other words, public and private policies have to cover them, and their basic standard treatment will have a pre-determined price (more on the discussion about these guarantees in Chapter IV).

Currently, two main topics are being discussed. First, the Government has suggested reducing and simplifying the variety of policies. As it has been said, today there are more than 16.000 different policies in the market. The plan is to establish a reduced number (i.e. 10) of standard policies (i.e. one for families), allowing users to choose the companies they think will provide them with a better service (more on the discussion about these measures in Chapter III).. Secondly, representatives of private health insurance firms and right wing members of the parliament have suggested the implementation of a portable voucher, that is, a demand subsidy, which would allow the use of public funding to capitalize private insurers.

As it should be quite clear now, private health insurance is not only a market issue but it is also connected with political processes. Since the Law that created the system was promulgated, each new regulation has modified it in at least three different levels. First, by increasing the percentage of compulsory withholding; creating and eliminating subsidies; and regulating exclusions, the potential population that can be attended by this industry has changed. Second, with the creation of regulatory agencies that steer insurers and mediate conflict between these firms and users, and the development of new norms to regulate the available information, the conditions of the market competition in this industry have been modified as well. Finally and most importantly in the context of the question of this chapter, the product itself has been transformed, going from one which was very loosely regulated, whereby practically every new contract could create a different insurance policy, to an increasingly regulated product, where basic characteristics are common to all policies.

b. Political actors

In the context just described, ISAPRES (“health insurance companies”) had become active political actors. In 1984 the main firms in this market grouped together in a gremial association “*La Asociación de ISAPRES*”. An interviewee, who participated in this system since its start, explained to me that at the beginning, the directors of the different companies did not know each other, but after the association was created, they have developed long lasting links (he said “nowadays, we are all friends”). At the same time, this organization transformed such companies into organized political actors that actively lobby when new regulations are being discussed.

It is important to remember that the ISAPRES system was created during Pinochet’s dictatorship. This fact has strongly marked (and in some sense stigmatised) the political characteristics of this industry. Different accounts of the origin of the system stress that this industry is the direct product of certain public policies that sought to find a solution to poverty and development, through issues associated with the application of technical knowledge, specifically neo-classical economics. The ISAPRES Association has assumed since its creation this legacy, defining themselves as public representatives of the role of private initiative. Next quotation, taken from the webpage of the Association, is a clear example of their public discourse:

ISAPRES, under the rules of free market and free initiative, give the highest benefits in order to offer the best alternative in health service to the population. The state should orientate its action to coordinating tasks of promoting, protecting and allowing access to health for the most needed people, and to watch that these actions are developed in agreement with the highest levels of efficiency and available technologies. Free initiative in health contributes, without doubt, to the development of new investments and the improvement of the services in order to satisfy the increasing demand -in quantity and quality- of medical provisions. From this point of view, ISAPRES fulfil an important social role, which has being perfecting thanks to the entrepreneur’s [*empresarial*] effort and initiative and to the motivation that healthy competition produces²⁵

²⁵ “Las Instituciones de Salud Previsional, por tanto, sujetas a las reglas de libertad de mercado y a la libre iniciativa en salud, entregan el máximo de beneficios para ofrecer la mejor alternativa de servicios de salud a la población. El Estado, en cambio debe centrar su acción en coordinar las tareas de promover, proteger y permitir el acceso a la salud de las personas más necesitadas, así como velar porque estas acciones se desarrollen de acuerdo al nivel de eficiencia conforme a los avances científicos y tecnológicos disponibles. La libre iniciativa en salud contribuye, sin duda al desarrollo de nuevas inversiones y a mejorar los servicios para satisfacer la demanda creciente en cantidad y calidad de las prestaciones médicas. Desde esta perspectiva, las ISAPRES cumplen un rol social muy importante, el que se ha ido perfeccionando gracias al esfuerzo e iniciativa

The fact that the original industry was relatively close to Pinochet's government can be associated with the aforementioned 'ideological' affinity, but also with a simpler element. During those years, it was quite improbable for people who openly opposed the Government to be able to participate in the creation and development of new companies in a market that had been recently created. In other words, the founders of new firms were not only 'technocrats', but they had to be supporters of the Government as well. The next quotation shows this clearly; it has been taken from an article that details the history of the Chilean health system during the last 30 years, written by a former executive director of the "ISAPRES Association".

In March 1999, "*La Concertación por la Democracia*" [Social Democratic political coalition] started governing; after winning the presidential elections called by the Military Government. This was the year of the return of the democracy, which had been suspended since September 11th 1973, year in which the army took over power with the widest civic support, after overthrowing the government of "*La Unidad Popular*", frustrating in this way the attempting to impose Marxism in the country (Caviedes 2000)

Beyond agreeing or not with these words, the point is that (written in 2000) the author explicitly has a positive evaluation of the Military coup, using a language that is quite common in far right discourses in Chile (i.e. "military government" not "dictatorship"; "suspended democracy"...). Originally, as the next quotation from interviews developed by González-Rosseti and colleagues shows, this close connection with the Government facilitated negotiations.

[...] the second year (1982) we broke even, but we also experimented adverse selection with pregnant women. We went to knock the door of the government to have the maternity leave payments funded by the State. The main interlocutors were at the Ministry of Finance. We had access to Kast, Büchi, and De Castro [all 'Chicago Boys']. Also at the seminars we met economists who were part of the team. They were technocrats so they understood the problem immediately. We discussed the issues and arrived at quick solutions (interview quoted by González-Rossetti et al 2000: 54)

However, the original political affiliation had become a difficult stigma to carry from the time when the democratic government took over and onwards. An interviewee who has worked in different sectors of this industry (Regulative

empresarial y la motivación que genera la sana competencia. Actualmente existen 16 instituciones que operan en el mercado."
<http://www.isapre.cl/modulos.php?mod=phtml&fn=eb515415d9b814cfa2e8194d6597aa92>

Agency, consultancy, and currently as director of one of the main private medical outpatient providers) pointed out that there have been three main elements which characterize the political position of private health insurance firms in Chile:

First, ISAPRES were born in the context of the Military Government; therefore, they were born with an original sin, which was not solved until the last reforms. This has generated a big resistance from an important part of the population [...] The second point is that ISAPRES have appeared as private entities that use a public health budget, that compete with the public sector, attracting the population with a higher income. Therefore, resources that used to be for the use of the public sector have been taken by ISAPRES [...] element that "decrease" the quality of the public sector[...] Third, since the eighties up to at least 2000, there was in Chile a confrontation between two main political blocks: a right wing one and a centre-left wing block "La Concertación". And in this confrontation there are some topics that have always been part of the discussion, being some of them ISAPRES and the Pension System, but more clearly in the ISAPRES' case. More importantly, ISAPRES because people have perceived the benefits of private pensions, and second, because there are very active political actors involved in this sector, especially medical practitioners. Therefore, I would say, the discussion concerning this system has been framed as a discussion between government and opposition. And in this context, the ISAPRES Association has made a big mistake, that is, to line up behind the opposition as their only way of defending themselves. This has made them be like the ball in the football match, and every time the government wants to attack the opposition, what is the most used ball? ISAPRES. So, ISAPRES had not known to dissociate themselves from the right wing²⁶

²⁶ "Primero, que las ISAPRES nacen en el contexto del gobierno militar, por lo tanto nacen con un pecado de origen. Y que fundamentalmente no se ha resuelto en los últimos años, yo te diría salvo con la última reforma. Porque eso ha generado una gran resistencia de un sector de la población [...] El segundo tema es que las ISAPRES aparecen como entidades privadas que captan financiamiento de la salud, por lo tanto compiten con el sector público por captación de financiamiento y se empiezan a llevar a la población de mayores ingresos. Por lo tanto los mayores recursos que recibía el sector público se los empieza a llevar las ISAPRES [...] Y eso en teoría "afecta" la calidad de los sistemas de salud público [...] Pero hay una tercera resistencia, que desde el año 80, yo te diría hasta, con mucha fuerza, hasta el 2000, menos desde el 2000 al 2005, hubo en Chile, había en Chile un enfrentamiento entre dos bloques políticos. Un bloque de derecha y un bloque de concertación, de centro izquierda. Y en la confrontación de estos bloques ha habido temas que han estado permanentemente en la discusión. Y uno de los temas que han estado permanentemente en discusión han sido las ISAPRES y las AFP. Más las ISAPRES que las AFP, y han estado las ISAPRES más que las AFP, porque la gente ha percibido menos el beneficio de las ISAPRES que de las AFP y segundo, porque hay actores dentro del país que son muy activos: como es por ejemplo, el colegio médico y como son los médicos. Por lo tanto te diría que este tema ha generado una discusión sobre las ISAPRES en torno al bloque gobierno / oposición. Y en esto las ISAPRES han cometido un error gravísimo que ha sido alinearse, escudarse detrás de la oposición. Como único mecanismo de defensa y con lo cual se transformaron en la pelota del partido de fútbol. Ya, y cada vez que el gobierno le ha querido dar guaraca a la oposición, cual es la pelota más requerida, la que da más bote: las ISAPRES. Entonces, las ISAPRES no han sabido desmarcarse ya de la derecha, sino que se han sentido como muy interpretadas y muy protegidas".

In the last years the situation that was described above has slowly changed. Two further elements are at stake. First, the increasingly relevant part played by regulative agencies had allowed the proliferation of new experts which have been co-opted by the industry. For example, some of the former directors of the public insurance or the public regulative agency currently hold important positions in firms which are involved in this industry²⁷. They do not necessarily work in private insurance companies, but in increasingly relevant (and related) industries such as private ambulatory medical providers. Second, private insurers have changed their strategies, and they have started to negotiate not only with right wing politicians but with a wider spectre of actors. A very clear element in this context has been the hiring of Lobby companies whose main assets are their connections with the current social-democratic government. This transformation became very clear in their last election, when the ISAPRES Association for the first time elected as president, a former budget minister during the second democratic government instead of choosing someone who had a long history in the industry. In other words, they selected an individual who is highly respected by the current government, and can therefore become a core negotiator in further reforms.

At the same time (and of course, related to the elements just mentioned) it is important to say that the social-democratic coalition that had governed Chile since the end of the Dictatorship did not have a homogenous position regarding this system, something which became particularly clear in the last reforms. The main body of the reform was developed by a special commission organized by the social-democratic government and then largely discussed in parliament. According to Boeninger (2005), who directly participated -as a parliamentary representing the Christian Democratic Party, part of the Government coalition- in this process, the level of conflicts within the same coalition was high. He identifies three main positions in this discussion (he supported the third one):

- a 'privatist' view ["una vision privatista"] defended by right wing parties and insurance companies which deemed that, even the ISAPRE [Private Health Insurance] system, the reform should be oriented to health public management, improving its efficiency, softening its management, allowing a wide interaction with the private sector, and establishing a real

²⁷ It is important to consider that with the return to the democracy new experts (previously not considered) started taking decisions concerning this system. Moreover, as part of the different programs orientated to help Chilean transformation, important international funds (from World Bank and BID) sought to analyse the health system in Chile and to discuss possible reforms.

competition between sectors, introducing portable vouchers [...] This vision expresses a deeply negative view of the public sector's efficiency and the fear of an excessive and arbitrary use of power by the State, which can be harmful for private interests and for the functioning of free market [...]

- a model centered in public health that tolerated ISAPRES and the private sector in general but reducing private health to a strictly regulated minimum [...] In the heart of this position it is easy to notice the rejection of private profit in social services and a higher degree of skepticism that an adequate regulation would be able to avoid the consequences to social equity of private action [...]
- an integrated conception of health, based on the cooperation between both sub-sectors, and common rules between them, in order to established an 'equilibrated field' and the optimum use of the available resources, all that points to a deep reform in both public and private health sectors, recognizing that public health will be predominant for a long time, but promoting, at the same time, spaces and stimulating the progressive expansion of private health. (Boeninger 2005: 23-24)

Currently it is possible to say that ISAPRES are still connected to their origins during the times of Pinochet, in terms of both political stigma and as a symbol of privatised social service. In any new political discussion they will be easily associated with right wing politicians and seen as a symbol to contravene by the left side of the current government coalition. However, ISAPRES are increasingly connected with the most moderate sectors of the Government. Here the term 'technical' seems to be crucial, as it is constantly used by the industry spokespersons in opposition to 'ideological' or 'populist' and, generally, within the governmental coalition, its nemesis, 'technocrat' is associated with those who excessively trust in economic knowledge and are mainly interested in maintaining the market equilibrium.

Finally it is important to mention that today, the political role of insurance companies is pivotal in discussing the details of new potential regulations, but also in developing wider political issues; specially establishing the delimitation of the role of public and private actors in health and the limits of regulations. The next quotation, written by the CEO of one of the most important companies in this market, is a very good example:

To legislate implies to 'normativize' the exercise of some activities and to compel to do others, therefore, legislation limits the freedoms of people and organizations [...] Consequently, it is advisable that the legislative process consider what John Stuart Mill (1856) said, in order to avoid excesses in the resulting regulation:

“El único propósito válido para el cual el poder puede ser ejercido, sobre algún miembro de una comunidad civilizada, en contra de su voluntad, es para prevenir daño a otros”, y agrega..., “Su propio bien, tanto físico como moral no es suficiente motivo. Un individuo no puede ser válidamente obligado a realizar o soportar algo porque será mejor para él, porque lo hará más feliz, o porque en opinión de otros, será sabio o incluso bueno”²⁸

[...] Interventions in public health have to be justified, they run over individual right and they have an economic cost. There are three cases in which intervention is justified: in order to eliminate or to minimize risk of the population; in order to protect people who are autonomous: and in order to prevent individual risks” (Kubik 2005)

Of course, this discussion is not always pursued in such academic terms, but it reflects well that lobbying is not only about the content of regulation and its interpretation, but about discussing the scope of regulation itself.

c. “Insurance is the central institution of governance beyond the state” (Ericson et al 2003: 93)

As explained before, health insurance companies are entangled in complex political processes, becoming political actors themselves. This description, although allowing a new kind of organization for the data about the Chilean system, it is not, by any means, a new approach to understanding insurance. The political process associated with private insurance companies has been extensively described in what is probably one of the most important books on this field written by Ericson, Doyle and Barry (2003). Their argument, as the next quotation illustrates, has two sides:

State regulators are involved in a perpetual process of negotiating the political economy with each insurance company and the industry as a whole (142) [...and] insurance companies are not passive recipients of top-down enforcement. Rather they actively shape the state and its forms of legislation and regulation (Ericson et al 2003: 146)

²⁸ The author is quoting Stuart Mill's *On Liberty*. “That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. He cannot rightfully be compelled to do or forbear because it will be better for him to do so, because it will make him happier, because, in the opinions of others, to do so would be wise, or even right” (Mill 1859).

In other words, private insurance is normally a space of continuous political negotiation. However, as these authors point out, the level of government involvement varies depending on the insurance area involved (life, house, etc...); and whether the policies are made compulsory (i.e. car insurance); and in general it tends to increase after public scandals (such as the bankruptcy of a big firm). However, this is not just a one-sided process, insurers tend to become political actors as well, or as the aforementioned authors portray it, these companies "govern the government". In this context, three elements are relevant and worth mentioning. First, Ericson and colleagues highlight the important role played by 'industry associations' in the political economy of insurance. In their own words, these associations:

[...] serve three major functions in corporate governance. First, they provide a systematic means of governing government. Second, they create information systems about insurance consumers and insurable risk. Third, they develop standards, rating, criteria, rules and sanctions (Ericson et al 2003: 151)

As these authors explain, associations also perform power struggles between the involved firms, and, in this sense, they reflect and reinforce their positions within this market. Secondly, they have shown that the movement of executives back and forth from private firms to regulative institutions is a very common phenomenon. Third, they suggest that the insurance industry is not necessarily against regulation; in fact they sometimes even "actively invite it", as regulative agencies can be a relevant source of information to enable better prediction of the future state of the business²⁹.

The work of Ericson (et al) is very relevant not just because it opens important points taken from examples other than the Chilean case, thus allowing comparison, but also because they understand the business of private insurance in the context of a wider political economy. As they suggest, in a neo-liberal context, the political negotiations associated with private insurance is not entirely about where the limits of private and public

²⁹ Ericson and colleagues point to other important elements that could be considered in our case, but we have not developed extensively. First, regulations are often a form "to patrol the border of their industry's position". In the case of health insurance regulation in Chile, for instance, the current regulatory body distinguishes between ISAPRES and other potential health insurers, limiting the reach of non-ISAPRE private health insurance to cover what ISAPRES do not include (Salazar 2000). In this context, a market of complementary health policies has been developed (managed by traditional insurance companies), but it is limited to insuring potential costs associated with the 10% that ISAPRES' policies do not cover (in inpatient events). A second element brought up by these authors, is that generally regulators exclude "actuarial criteria that create a more profitable risk pool" (Ericson et al 2003: 160). Particularly in the Chilean system insurers cannot price their premium based on the health conditions of their users, but they are considered in health pre-existences (see Chapter V).

intervention should be established, but also about the way contemporary governments deal with their own risk. In most cases, if private insurance does not cover enough— or it is simply not trusted —, the state will finally have to take action, reinsuring or backing this industry (as in the case of financial crises). In this sense, even if they are not public institutions, these companies can be understood as a kind of (private) extension of the state³⁰. In this context, the authors quote sociologist Don Slater who propounded:

[..] the free market as an institution is not a sphere of freedom from the state but a mechanism encourage by the state to allow it to manage 'at a distance' complex processes that it cannot directly govern (quoted in Ericson et al 2003: 26³¹)

In this section, the understanding of the production of insurance policies has been expanded. Insurance policies are not just produced by firms or by the way these institutions interact with the signals emitted by other firms, but it is also part of a wider political process, where firms become active political actors. In this process, the different roles and responsibilities are not the only features that are specified, but the main characteristics of the product and the very limits of the scope of intervention are continuously discussed. The next section will show how the political account in which this product is entangled goes beyond the specific discussion concerning its regulation, and the ways in which a particular type of actor, namely economists, and a particular kind of knowledge, economics, have played a core role in yielding the product of private health insurance in Chile.

3. Economics, politics and experiments

Schults (Chairman of the Economics Department at Chicago) and his colleagues at Chicago had developed theories on human capital that demonstrated the benefits of education and training for economic growth and development. Schults wanted to use Chile as laboratory to test his theories (Biglaiser 2002: 147)

³⁰ In another work Ericson and Doyle analysed other forms of state-backed reinsurance connected with cases such as the protection against terrorism after 9/11 (Ericson & Doyle 2004a; 2004b).

³¹ This discussion could be also connected with a rather more general sociological theory: Neil Fligstein's "Markets as Politics" (1996, 2001). Like Harrison White, Fligstein sees firms as actors orientated to control uncertainty, but for him, the production of markets as a stable social field is not primordially enacted out of interactive networks, but from political struggles, point that has been developed in two levels. First, markets are seen as 'fields' where 'incumbents' and 'challengers' are continuously negotiating the way markets are stabilised (Fligstein 2001). Second, firms continuously built their own limits by negotiating the scope and types of regulations with governmental institutions. Fligstein suggests this process would be mainly related to the definition of four elements: "property rights"; "governance structures" (laws, and informal institutional practices); "conceptions of control" (the way markets are understood); and "rules of exchange" ("who can transact with whom and the conditions under which transactions are carried out" (Fligstein 1996: 658).

[...] the election of Salvador Allende continued the sense of Chile as laboratory for social experiment, now open to some of the most radical theories of development that were being nurtured in Santiago's intellectual circles. And, to complete the picture, Allende's overthrow in 1973, and the authoritarian period followed, brought another group of experiments to the fore. In all of these mutations, Chile was serving as test case for variety of social and economic theories; providing material support for a large and cosmopolitan group [...] in the encounter of a multinational group of social theorists and social activists; and providing a sense of the possibility of translating radical theories into policy (Montecinos & Markoff 2001: 12)

Fashionable ideologists imposed the thesis that in economics, a single scientific paradigm could exist at a time: the monetarist approach developed in Chicago. Friedman and Harberger became the Marx and Engels of the agents that controlled the knowledge device that managed the regime of truth (Moulian 1997: 203)

These quotations in different ways point to the connections between: economics, experiments, and politics. Biglaiser stresses the way particular hypotheses developed in certain economics departments were tested in a specific place: Chile. Montecinos and Markoff also see Chile as an experimental site, but in the sense of a particular case of political struggle whose outcome would become an example to be followed by other countries that were undergoing a similar situation. Moulian's point is not so different, but he assigns more relevance to the manner by which one particular way of understanding economics has become hegemonic. Without a doubt, they all stress relevant arguments. However they are unable to visualize very important elements that would boost an empirical understanding of the niche that economics filled in these reforms, and specifically for the case of health. As I will argue at the end of this section, there are other ways of appreciating this case as an economic experiment, and by doing that, we can explore a third account about the production of the policy in Chile's private health insurance. The discipline of Economics and the economists themselves have been exceedingly relevant actors since the (pre) history of Chilean private health insurance. Much can be said, and it has been said, about their participation in these reforms. As a way of organizing this important amount of information, this section will be divided into two parts. The first in some way adds to the discussion presented in section 2 of this chapter, and it will show how a particular group of economists were core political actors in the process of producing private health insurance in Chile. The second section

goes further into the productive character of economists, discussing the ways in which economics — as a discipline (and the different modes that its development can take) — *enacts* the actual product in this system.

a. Economists, cold war, and bricks

In the last few years, the part played by economists in the political life of Latin American countries has been widely studied. This is not a coincidence; economists have become crucial actors in the political decision-making process of the Americas. Generally, two particular turning points are recognized: the first is assumed to start when different dictatorships during the eighties embarked on a campaign to popularize a neo-liberal orientation to their policies, and the second is recognized to be the moment when, *The Washington Consensus* was widely adopted by democratic governments in the region³². In this context, a dominant form of understanding this process has been called the 'technocratization of Latin American politics' (Centeno & Silva 1998), whereby 'experts', mainly economists schooled in prestigious American universities, become crucial actors in formulating and strategizing policies³³. However, historical research has signalled that this process can also be seen as the radicalization of a longer tendency. For example, papers collected by Drake (1994), show that 'Money Doctors' (international economic advisers) have been relevant political actors for a long time, dating at least from "Khemerman's mission" (in the Andean countries during the twenties, Drake 1989) to Jeffrey Sachs in Bolivia in the eighties (Conaghan 1994). At the same time, Montecinos and Markoff have suggested that the increasingly relevant role played by local economists in Latin American governments is not a monopoly of neo-classical economists; in fact, it can be traced likewise to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC³⁴) (Montecinos and Markoff 2001). Marion Fourcade has shown how the scope of influence of Economics departments at American universities became a global industry of political advisors (Fourcade-Gourinchas 2006).

³² For a comparison of the role of economists in different dictatorships in South America see Biglaiser (2002).

³³ For further information about other cases see: Babb for Mexico (Babb 2001); Heredia for Argentina (Heredia 2008).

³⁴ ECLAC professionals were mainly structural economists, whose particular interpretation of Keynes almost monopolized the discussion on development in the southern part of the continent between the fifties and seventies. Silva has expanded this historical review, making a comparison between economists from the Dictatorships and those who lead the economics policies in Chile in the early nineties (Silva 1994).

In the context of this discussion, Chile is seen as a paradigmatic case. Famously, as David Harvey has explained, Pinochet's Chile was the first country in the region, and in certain parts of the world, to adopt neo-liberal reforms³⁵ (Harvey 2005). A particular group of economists, known as the 'Chicago Boys', played a crucial role in this case. The rise and evolution of this group, and the way in which they finally became the main advisory group in Pinochet's government (and ultimately developed Chilean health insurance) is not a simple issue. Based on the available literature, in the next paragraphs a schematic view of this process will be given.

As Valdés explains in his *Pinochet's Economists: the history of the Chicago School in Chile* (1995), the beginning of this story can be traced to the agreement signed between "La Pontificia Universidad Católica de Chile" (PUC) and The University of Chicago in 1956. This was a cooperation agreement which had as a main aim the formation of academic economists through the development of a newly created "Centre of Economic Research"³⁶ and the capitalization of an exchange program that would fund PUC's students to continue their graduate studies in Chicago. Three main Professors from Chicago were particularly relevant in this exchange: the dean of the School T. Shultz, the director of the Money and Banking workshop M. Friedman, and, principally, A. Harberger, who developed a stronger link with the Chilean students and established in 1965 the "Centre for American Studies" in Chicago. This cooperation program was funded by the American International Cooperation Agency, the Organization of American States, and the Ford and Rockefeller Foundations (Biglaiser 2002)³⁷. About 100 Chilean students continued their graduate courses in Chicago (Valdes 1995). Upon their return, these students became important actors in PUC and beyond. In 1965, one of the first students who benefited from this program, Sergio de Castro became head of the Economics Department in PUC, and in 1968 the department developed a course for businessmen that strengthened the prestige of this group and amplified their external links.

³⁵ For a comparative analysis of neo-liberal reforms in Chile, France, Mexico, and UK see Fourcade-Gourinchas & Babb (2002)

³⁶ Up until this moment, PUC's economics department mainly specialized on Accounting and Business (Montecinos & Markoff 2001).

³⁷ It is important to recall that this was not the first time that American foundations and experts trained at American universities become so relevant in framing new health policies in Chile. As Jimenez de la Jara and Bossert explain, in reference to the creation of the National Health Services in the fifties: "In addition to the widening public role in health that was established in the previous period, the principal antecedent of this major reform included the founding of the Chilean School of Public Health by a group of Chilean physicians who had been trained at the Johns Hopkins University and Columbia University. Leaders in public health, including Abraham Hordoniz, who would later become the Director of the Pan American Health Organization, were supported by the Rockefeller Foundation to make the Chilean School of Public Health, an international Center of health research, planning and training. A core group from this school became leaders in health reform in Chile. They also profited from knowledge of the British experience of creating the NHS which they took as a model" (Jimenez de la Jara & Bossert 1995)

The cooperation program PUC-Chicago was not just an academic agreement. It was also explicitly geared towards resisting the almost monopolistic influence of ECLAC's structural economics in Chilean (and Latin American) policies³⁸. In other words, this program was part of a wider plan to oppose the historicists 'developmentalism' [*desarrollismo*] with formal and abstract neo-classical economics. It is important to consider that during these days, Santiago (Chile's capital city) was a strategic point as the site of ECLAC's headquarters and because during the 1960s important scholars from neighbouring countries spent their time in exile (from their homelands' respective dictatorships) there. In this milieu, not only was a neo-classical answer to 'developmentalism' being concocted, but left-wing alternatives were being devised as well (such as Cardoso-Falleto's very influential neo-Marxist "dependence theory") (Montecinos & Markoff 2001). In this context, the different economic alternatives in dispute were all politically engaged, and the PUC-Chicago economists were not an exception.

Differences and rivalries between the different options increased when Allende's socialist government was elected in 1970. In this context, a representative of the main business association (SOFOFA) asked a group of economists lead by De Castro to develop a cluster of analyses of the economic situation that could lead to an alternative economic program (the group would be known as "The Monday Club")³⁹. The group was settled, and the program developed; their final document was known as "*El Ladrillo*" (The Brick). *El Ladrillo* was a condensed program of neo-classical macro economics and orientations for social policies (CEP 1992). By the time the Air Force bombed the Government Palace and Allende was overthrown, this program was ready to be implemented and the next day it was in Pinochet's hands. It is unclear whether all the economists involved knew about the connections that existed between the group of economists and the army, and in fact, this story does not seem to be a simple one either. As Valdés explains:

In late 1972, two of Agustin Edwards⁴⁰ employees, former naval officers Robert Kelly and José Radic were asked by naval sources to obtain an economic program that would ease the way for the military coup [...] Robert Kelly tells that he approached Emilio Sanfuentes [Former Chicago Student]

³⁸ Biglaiser goes further suggesting: "In an effort to stem potential support from communism, the US created economics programs in the third world that promoted economic development, political stability, and strengthened non-communist forces (Biglaiser 2002: 146).

³⁹ In this context, as Valdés explains "the technical ability to foresee events raised its prestige considerably in business circles and among opposition politicians: the importance of the team of economists and their science was recognised" (Valdés 1995: 148).

⁴⁰ Owner of the main -and conservative- Chilean newspaper.

to request the preparation of the plan and that he promised to have it ready in thirty days. The mediator then returned to the naval sources and promised them that the program would be ready in ninety days [...] Emilio Sanfuentes summarized the study in five pages and handed it to Kelly. He, in turn, passed it on to Admiral Troncoso, from then on, the Navy started to receive the program almost page by page as de Castro and Undurraga gave it the finishing touches. On September 11, 1973, the photocopying machines at Editorial Lord Cochrane, chaired by Hernan Cubillos, Agustin Edwards' highest representative and closely connected to several of the plan's economists, worked non-stop to duplicate copies of this long document – known under the pet name of "El Ladrillo" (the brick). Before midday on Wednesday, September 12, 1973, the general officers of the Armed Force who performed governmental duties had the plan on their desk" [Fontaine quoted by Valdes]. The timing of the Chicago Boys' first program with the bombing of 'La Moneda; and the death of the last constitutional president of Chile had thus been perfect (Valdés 1995: 252)

The political process that took place within the Military Government, and the way that the suggested economic program was finally considered has been slowly reconstructed. In general, it is assumed that "the Chicago Boys" initially had an important opposition from the other influential political factions involved in this government: the army leaders who were generally trained in a tradition of strong state intervention and central planning, and the traditional right wing parties, strongly catholic and closer to the Spanish 'corporativism' rather than to any kind of neo-liberal thinking (Gonzales-Rosseti et al 2000). In fact, and still following Valdés:

The ensemble of neo-liberal ideas that evolved in Chile after 1975 had no antecedents in the nation's public life. As is well known, the concepts represented a radical break with the ideas of social change and distributive justice that had won a huge electoral majority in 1970. But, more importantly, they also differed from the ideology that had characterized Chilean capitalist classes and traditional right wing sectors up until the Allende period (Valdés 1995: 13).

The way in which these groups and the Government itself finally accepted the economic program proposed in *El Ladrillo* is not clear. Relevant elements seem to be: the lack of existence of a clear alternative economic project developed by the others factions; the connections between the subsidiary principle (which involved a strongly privatized economy, but with the support of the state when there is no private interest to cover basic needs) "invisible hand economics" and catholic charities (Gonzales-Rosseti et al 2000); and

Milton Friedman's visit to the country in 1975 which would have given international support to a government strongly criticised by human rights organizations (Cárcamo-Huechante 2006).

However it is clear that, in the end, the 'Chicago Boys' lead the economic reforms from the mid seventies until the economic crisis of 1982. This process of transformation, as it was stated in *El Ladrillo* and later on by Pinochet in several speeches (Raczynski 1983), was divided into two main stages: stabilizing the macro-economy ("the national reconstruction"), and a package of reforms known as "7 modernizations". The seven areas to be modernized were: labour policies; social security; education; health; administrative decentralization (new regions); agriculture; and judicial apparatus (Foxley 1988). Before addressing, in the next section, with more detail the content of the health reforms, it is important to pinpoint some additional elements about the role played by economists in these reforms.

Economists in Pinochet's government (and especially during the time of the development of their social reforms) were not just expert advisers, but virtually 'economists in the wild'⁴¹. The centre of their operation was ODEPLAN, an inter-sector office whose main role was the coordination of social policies in different areas. In 1978 Miguel Kast, a PUC economist with an MA from Chicago, became the head of this department. Kast was a crucial figure, as he was not just a 'technocrat' but also a deeply catholic and charismatic leader. He was very important in attracting economists to the poorly paid public sector, giving a mystic motivation to their work. ODEPLAN became the centre from where policies and economists were distributed⁴². This is the context in which the main social reforms were developed (1979-1981). For most of these reforms, 'Chicago Boys' appear to hold the greater responsibility for their design and implementation⁴³, in other words, professionals from a single discipline were developing a coordinated program of state reforms. In the particular case of health, as Raczynski reports (1983), in 1981, for the first time, a non-health professional (an economists) assumed as sub-secretary (the second major responsibility after the Minister) of the

⁴¹ Michel Callon differentiated between 'confined economists' (academic economists) and 'economists in the wild' (including the wide range of activities that make economic knowledge 'flesh') (Callon 2007a).

⁴² It is important to point out that the distribution of 'Chicago Boys' was not just orientated to social policies. This group is also connected with the development of important mass media (including the weekly '*Qué Pasa*' and the 'economy and business' section in '*El Mercurio*'); the transformation of 'heterodox' departments of economics in other universities (for example, Universidad de Concepción); and with some of the most important business groups of the time.

⁴³ Especially in this stage some non-Chicago economists (such as José Pinera who had graduate education in Harvard- and Hernan Buchi - MIT) played a core role. However, as they developed policies of the same type, and were part of the same group of actors they were also labelled as 'Chicago Boys' at that time.

Ministry of Health. The other main actors to be recalled here, after Kast, were Jose Pinera, who was Work Minister and initiated the privatization of the pension system, and Hernan Büchi who, following the pension reform, overlooked the development of private health insurance⁴⁴.

Consequently, it is clear that economists were political actors in a huge political process; however two final elements are worth mentioning. First, it is important to avoid the assumption that the influence held by the Chicago Boys was a kind of direct application of a particular ideology in the practical world. As it was referred to before, during the early stages of the Military Government, they continuously had difficulties applying their policies. It remains a fact that the macro reforms and the '7 modernizations' were applied in an authoritarian context (without strikes, no real political opposition, and even banning certain intellectuals at various universities), but, they were in fact contested. For example, according to Gonzalez- Rossetti et al (2000), in the particular case of the health reform, at some point professional associations were heard (physicians) and more importantly, the army workers were excluded from both pension and health reforms (maintaining their own public system) as a way of avoiding their opposition. In other words, the policies that were finally applied (as discussed in the second section of this chapter) were also the product of a negotiation, which gave them their final shape. Second, the introduction of Chicago-type economic policies was not solely a political event. The special interpretation given to *economics* is also an important consideration. This account is not exclusively a political economy of the role played by economists in building new social policies; it is also about the way economics was turned into a productive agent. In terms of the main question of the present chapter, the point is to emphasize the ways in which the product, namely, the policy in private health insurance, was produced (and is still being produced) by economics. This will be the foremost topic in the next section.

b. Experimenting

⁴⁴ The other main social reform was the introduction of a voucher system in education, which allowed private organizations to administer an increasingly relevant portion of the public funds spent in this field. It is important to consider that after the crisis of 1982 these conditions changed. A prime minister who was closer to the traditional right wing was designated, and most of the 'Chicago Boys' left the Government. However, after some time of uncertainty, neo-liberal reforms were not dramatically changed, and in fact they were consolidated. In this context, the main role was played by the former health sub-secretary Hernan Buchi who became the budget minister and later the right wing candidate for the presidency of the nation (Gonzalez-Rossetti et al 2000).

As Foxley summarizes, the social reforms introduced by the 'Chicago Boys' were guided by some basic principles:

the explicit aim of the economic reforms were therefore to decentralize the public institutions, to transfer the highest number of responsibilities to the private sector, to allow the market to function without interferences, and, in general, to guarantee individual free choice in accessing basic social services (Foxley 1988: 102)

The Health sector was not an exception (Raczynski 1983). In fact even from the times of *El Ladrillo* (printed in 1973) the main targets for reform in this sector were clearly defined. As it states in this document (later published as a book):

To summarize, it should be orientated to decentralized hospital administration, with the participation of users and the community; services will be paid by users, with the exception of those cases where a subsidy is justified, which will be funded by the state. The funding of the expending will be organized in order to work with a pre-payment system with monthly installments, which will allow a high reimbursement of the familiar medical expenses (CEP 1992: 127)

The government will facilitate the formation of new autonomous entities which will be constituted in order to give medical provisions in a decentralized way [...] by means of funds or subsidy [...] the systems of health pre-payments, accident insurance, and unemployment insurance will be able to be administrated (CEP 1992: 132)

Different accounts of the health reforms developed before the creation of private health insurance agree that three tasks were central to this process (Oyarzo et al 1998, Aedo 2000). First, old categories employed to differentiate users were dissolved. The former health service used to be distributed among different institutions in charge of blue and white collar workers; blue collar workers had access to public hospitals without having to pay, while white collar workers could opt between public hospitals and some of the few private institutions if they were willing to pay for their services (Titelman 2001). In 1979 the National Health System (SNS-Blue Collar) and The Medical Service of Employees (SERMENA-White Collar) were fused into a new institution: "The National Health Fund" (FONASA) (Aedo 2000). Second, the administration of health provision was decentralized. Specifically, the administration of public hospitals, previously dependent on a central body, was divided into 27 Health Services ('*Servicios de Salud*') and primary medical

care centres were municipalized, that is, their administration became the responsibility of each municipality (the local authorities in Chilean administration). In other words, the administration of public health was no longer dependent upon a central administration. Third, a functional differentiation was implemented. As Oyarzo and colleagues explain different institutions assumed different roles, specifically: control and regulation was kept in the Ministry of Health; the provision of public health was given to the different health services and to the municipal inpatient centre; and finance administration became FONASA's responsibility (Oyarzo et al 1998).

The creation of private health insurance in 1981 meant the evolution from the first aim identified by Foxley, 'decentralization', to the second: 'transferring the most possible responsibilities to the private sector'. It is important to note that before this reform, certain private institutions acted as a kind of private insurance. These were known as "*Las Cajas*"—institutions that organized employees from particular sectors of the economy (such as bank employees, building industry, etc.). These were non-profit organizations that received part of their funds from workers' salaries and other parts from the employers. The specific characteristic of the benefits in each sector were quite different. So when ISAPRES was created, two main steps transpired. First, the Finance function previously distinguished was divided in two: a public sector administered by the National Fund (FONASA) and a new private sector composed of different private administrators (ISAPRES). Second, private insurance stopped being the responsibility of non-profit organizations ('*cajas*'), becoming a space for competition of for-profit companies specialized in this type of business. Chilean economist Cristián Aedo summarizes the main outcomes of this reform in the next quotation:

With the creation of ISAPRES, important cultural changes are promoted in the country. Firstly, the notion that health is a 'good' that requires payment is introduced. Second, profit in the health sector is recognized as legitimate and needed in order to promote private capital and technology to improve the health of the population. Third, by allowing free choice between both public and the new private system, cross-subsidies, as an important way of financing public health, are in part eliminated (Aedo 2000: 809)

The 1982 health reforms rearranged the Chilean health system. In terms of the present chapter, at least three main points are worth considering. First, there is a shift from a system organized in terms of occupational categories (white collar/blue collar, and between different occupational sectors), to a

system that divided users into two main categories: those who could not be part of the private system and were covered by the subsidiary state (FONASA), and those who could freely choose between public and private, and then between different private companies (ISAPRES). Second, following the aforesaid division of functions, instituted for-profit organizations were allowed in provision and finance, leaving regulation as the main centralized task. In this context, the legality of the business was settled, but still another part was needed: the identification of the thing to be traded in this market. The way this issue was solved is explained in the next comment made by one interviewee who participated in the process of building this system:

[...] in 1981 the law that created the System was established, whose, I'd say, main axis is the conviction that the health withholding is a worker's property, and, since it is their property, workers have the right to orientate it wherever they want: toward the public sector (FONASA) or toward the private one (ISAPRES). The precision, that health contribution is a worker's property, justified the beginning of the system in 1981⁴⁵

In other words, the previous conception of health withholding was transformed. It was no longer seen as 'social contributions' paid by the employer, being instead assumed as part of the salary that workers receive each month. Health withholding was distinguished from other social contributions, becoming an identifiable element in the workers salary. As the next interviewee explains, maybe this process did not change the final cost of work, but it in fact became very important because it created something that could be administered and traded⁴⁶.

Health was for free, the state gave a health insurance, a disability insurance [...] with the transformation in the social provision, this is made transparent. Because, at the end, it was never for free, because you know as I know, that an employer, who is paying at the end, rest [social provision] for the final income. At the end, the final cost of work is the direct cost of each worker, plus his/her social provisions [*leyes sociales*]⁴⁷

⁴⁵ "Así que esto salió de mucha gente que se preocupó del tema y de una ley del año 81 que crea el sistema de ISAPRES, cuyo, yo diría, eje principal es el convencimiento de que la cotización de salud es de propiedad del trabajador y en la medida que es propiedad del trabajador, el trabajador tiene el derecho de derivarla a donde el quiera. Es decir, hacia el sector público, digamos FONASA, o hacia el sector privado, digamos ISAPRES. Esta precisión, de que la cotización de salud es de propiedad del trabajador, justifica el inicio del sistema. Año 81"

⁴⁶ However, the definition of the "thing" to be exchanged had not been absent of controversy, this is the main topic of Chapter IV.

⁴⁷ "La salud era gratis, el estado le daba un seguro de salud, un seguro de invalidez, [...] y con el cambio en la previsión social, se trasparenta. Porque en el fondo, nunca fue gratis, porque tú sabes igual que yo, que cuando el empleador es el que está pagando al final el empleador lo resta igual del sueldo. Y al final, el costo del trabajo es todo el costo directo del trabajador, más sus leyes sociales"

We will pay further attention to the delimitation of the health withholding as private property in chapter IV, but, here our quest is, how does understanding the place of economics in making this market possible help to answer the question of what is its role in producing insurance policy? In order to acquire a tighter grasp on this concept, we can refer to a third theoretical framework. The described process can be connected with probably one of the most complete theories in terms of its explanation of the role of economics in markets, we are referring to the theory developed by Michel Callon. Stated very briefly, Callon has suggested that economics is not just a way of describing and representing markets, but it has a hand in creating them as well; in his terms 'economics is *performative*' (Callon 1998a, 2007a). Specifically, Callon has suggested that the main role played by economics is related to 'framing', that is, with establishing a frame that supports a distinction between what is considered (and not) as part in particular market exchanges (Callon 1998a, Callon et al 2005). It is on account of this frame that different parts of the exchanges (buyer, seller, future possibilities, good) can be enacted. As Callon explains in his introduction of *The Laws of the Markets*:

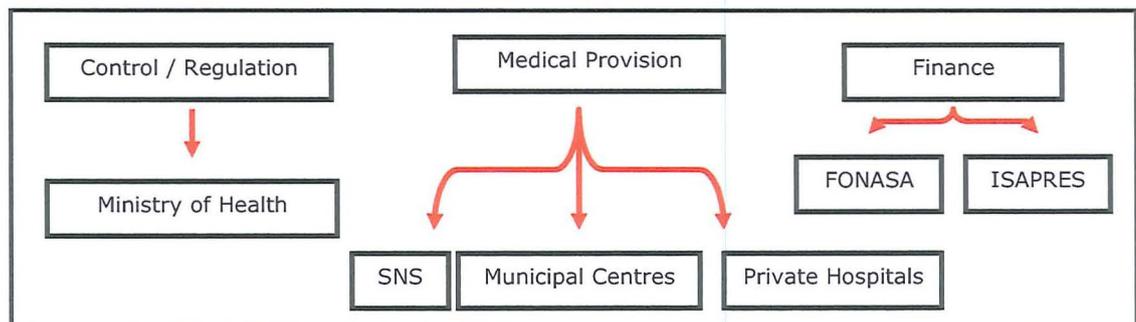
Framing is an operation used to define agents (an individual person or a group of persons) who are clearly distinct and dissociated from one to another. It also allows for the definition of objects, goods and merchandise which are perfectly identifiable and can be separated not only from other goods, but also from the actors involved, for example in their conception, production, circulation or use. It is owing to this framing that the market can exist and that distinct agents and distinct goods can be brought into play. Without this framing the states of the world can not be described and listed and, consequently, the effects of the different conceivable actions can not be anticipated (Callon 1998a: 17)

Clearly, Callon's words describe what has been said before in relation to Chile. The work of the 'Chicago Boys' in the Chilean health system between the late 1970s and early 1980s, not only describe (or discover) a previous market, but, by introducing a new mode of order, they had a core role in creating this market. Of course, to comment on this fact is not particularly original, as the creation of new markets as a way of making social policies was an explicit aim of the described reforms. However, Callon's theses (and the different work developed after them) open both (1) new forms of understanding the political role of economics and the way this discipline experiments (2), opening then a third form of understanding the production of health insurance policy.

A new constitution

In this case, the reforms do not just frame the elements that should be considered in building a market, it is also an important political reconfiguration. The next figure summarizes the situation after the main reforms were developed. As it has been said, the first main point here is that “functions” were differentiated, and specific institutions were assigned to each of them. Secondly, profit-making actors such as private hospitals and private health insurance companies were allowed in medical provision and the administration of finance. As we have explained, this differentiation (plus the definition of a specific thing to be owned, that is, the health withholding) allowed the emergence of a new market. But, at the same time, this process implies an absolutely new way of demarcating the limits of political decisions. By defining three different functions at the same time three kinds of decisions were distinguished: (1) those that create the legal framework of this system (Ministry of Health⁴⁸); (2) medical provision which is decentralized (therefore decisions concerning medical infrastructure and the way hospitals are organized are taken in three further different levels: in each of the 27 National Health Services for the public hospitals; in each municipality for the public primary care attention; and in private hospitals); and finally, (3) finance is also split in two: a public fund and private insurance companies.

Figure 6. Division of function and decisions after the introduction of Private Health Insurance



Of course, this functional separation is not just a matter of planning. It implies a huge material rearrangement: building places, creating new authorities, documents, etc. At the same time, it implies a particular way of establishing who can speak at each of the different levels: regulation is understood as an area for general political discussion; medical provision is considered as a

⁴⁸ As it has been adverted before, the differentiation between control (planning) and regulation was introduced later, with the reforms of 1990.

sector for both health professionals and administrators; and finally, finance is understood as the space for experts in health administration, mainly economists. Of course, as signaled in section 2, the divisions produced had been continuously blurred (i.e. by insurance firms actively participating in regulation). However, two important points have to be mentioned. The new arrangement pre-defines the language and the kind of people who can speak in each of the levels, dividing 'health' into politics, medicine and economy. In this sense, it is not just a market that has been created, but also different fields of knowledge with their own experts; i.e. health economics. Second, it is not merely a reform that can be undone with a subsequent political decision, because the limits of political action have been defined as well. Dividing functions and de-centralizing limits the scope of new governmental or parliamentary decisions: government can no longer make a direct decision on municipal private care or private health insurance, it can only regulate them.

Now we can return to Callon. As this author has argued, the performativity of economics is not exclusively about knowledge that transforms the world it describes, but about making its own description possible (Callon 2007a). As we had explained in the previous sections, economics was crucial in demarcating a new area, where competition, free choice and commodity exchange would be made possible. However, at the same time, here performativity can be connected also with a more political reading, in particular Timothy Mitchell's version⁴⁹. According to Mitchell:

To argue that the power of economics is performative is not to argue that its power necessarily lies in getting people to adopt its (mis) representations; rather, in helping, to constitute the apparent border between the market and the non-market, economics contributes to the work of socio-technical mechanism that reorganize how people live, the political claims they can make, and the assets they can control. Its particular role, I argue, is in formatting a form of exclusion - inclusion (Mitchell 2007:248)

In this context, the described process is not just about mere reforms, but a 'new constitution' in the sense that Latour (1993, 2004) gives to this term. In other words, what we have here is a new heterogeneous rearrangement that does not just regulate but defines different levels of reality and determines who can speak from each of them, producing in some sense its own irreversibility.

⁴⁹ Mitchell's work is a very interesting combination of science studies, post-colonial issues and wider foucoultian ways of understanding the co-creation of the economy and the liberal political economy (See also: Mitchell 2002, 2005a, 2005b).

Experimental production

The process that has been described reports the beginning of the system of private health insurance, and the way in which the conditions of the emergence of the original product were settled. When private health insurance started, shaping the specific characteristics of the product was left to be defined by free choice and competition. Compulsory withholding and the border of the markets were fixed, but any exchange could eventually define a different insurance policy. However, as it was articulated in the second section of this chapter, what insurance policies actually exchanged in this market has varied since then in a very important manner. We have already described the political reshaping of the product, but, as I will suggest in the coming paragraphs, this was also related to economics.

As different authors suggest, the knowledge used in the reforms that created private health insurance had some particularities. First, the changes in the epidemiological pattern of the population, which were the main source of information in previous health reforms, were not particularly considered (Jimenez de la Jara & Bossert 1995). As Foxley suggests, it is possible to argue that the creation of private health insurance was based on a series of general principles, common to all seven modernizations (decentralization, privatization, free choice, competition) (Foxley 1988). Oyarzo and colleagues go further and suggest that these reforms did not even consider technical evidence about the way health insurance works, but just what they considered to be "general 'ideological' conceptions"⁵⁰ (Oyarzo et al 1998). In the same line, Gonzalez-Rosetti and colleagues call attention to the fact that there are no antecedents of an idea of private health insurance in early documents such as *El Ladrillo* (Gonzalez-Rosetti et al 2000). Specifically *El Ladrillo* as observed earlier, was limited to suggesting the decentralization of health provision and the development of institutions to administrate health co-payments, in other words, it was particularly a system that would increase private participation in health but not necessarily the development of an insurance system.

⁵⁰ "A general initial observation is that we did not find evidence to suggest that the technical design of the process used a conceptual framework that was specific to the health sector such as the one used here. The model that was finally implemented originated in the general ideological conceptions utilized by the government for all social sectors" (Oyarzo et al 1998: 232)

In this context, it is important to remember that the creation of private health insurance was legally connected to the social security reform of 1980. The main modification introduced by this reform was the creation of a Private Pension system, where each worker had to compulsorily withdraw a percentage of his/her salary for a retirement fund that was managed by private investment firms. This reform allowed the creation of the private health insurance system at least in two senses: first, it facilitated the delimitation of previously undifferentiated social contributions. An interviewee who had spent a considerable amount of time working in health administration told me:

Let me tell you this story and then I will explain to you what is important there [...] ISAPRES were born in 1980, as a consequence of the provisional reforms that created the Pension Funds (AFP), that is, as an appendix of this reform driven by the Military Government. In fact, when the decree that shaped the AFP law was passed, in one of them there is a sentence out of which the ISAPRES were born. The sentence says something like: 'persons will be allowed to orientate their health compulsory contribution to private health provisional institutions'. And this is how ISAPRES were born⁵¹.

This connection is very important, because it establishes what is probably the main 'particularity' of Chilean private health insurance: that it is based in a compulsory and fixed income withholding. At the same time, it is possible to think that both systems, that is, private health insurance and private pension accounts, were conceptually connected, and in some sense, understood in a similar way. There is not enough evidence to suggest that the reformer did not see clearly the difference between both systems. In fact, interviewees today claim this confusion, between private health insurance and pensions, has been one of the most characteristic problems in the evolution of private health insurance:

Therefore it appeared as if now Chileans were paying for their social security. And this is the main difference with the AFPs. AFP started evidencing every month – for instance by sending you a monthly balance – that the money you are paying 'is here', and the people were seeing this as a savings, but ISAPRES did not send them anything. Obviously, because it is

⁵¹ "Yo creo, déjame contarte un poco la historia y de ahí te voy armando porque creo que es importante [...] Las isapres nacen hacia el año 1980, como una consecuencia de las reformas provisionales de las administradoras de fondos de pensión. O sea, son un apéndice de la reforma previsional impulsada por el gobierno militar. Tanto es así que cuando se dicta varios decretos que conforman la ley de AFP, en uno de esos decretos se deduce una frase que da el nacimiento a las ISAPRES, y esa frase es una cosa como la siguiente: dice "que las personas podrán destinar su cotización obligatoria para la salud en instituciones privadas de salud, instituciones provisionales de salud de carácter privado. Y así nacen las ISAPRES"

insurance, and insurance does not give its premium back, but people asked “what am I spending this money for?”⁵²

In fact, economists, experts in private health insurance suggest -as the next quotation expands— that the blurred difference between pension and insurance drove the design of the health policies that were actually sold:

[...] regulators didn’t realize that they were obliging people to buy something they wouldn’t buy following their own initiative. To give you an example, imagine that I force you to buy car insurance; I think you need it but I don’t believe you will buy it (not against thirds but against your own damages). And suppose that you believe you don’t need it, and that I don’t say anything in the regulation about the specific form this insurance should take. Then, this is going to happen –and I think this happened with health insurance: you will go to the insurance sellers and you’ll say: ‘look, you are selling this insurance that I think I don’t need, hence, I don’t want the traditional product you offer, I want an insurance that protects me against the risk of running out of gasoline, the risk my car gets dirty [...] and these kinds of stuff’. These are not insurable events, for this kind of events you don’t need protection. And then, you will finish undoing the original obligation; you will define the insurance, as a ‘safe events’ insurance where risk has nothing to do! And the insurance will become a sort of bank account, in which you deposit money every month, and the bank, this account, gives you money back every time you have to fill the gas tank, change the oil or wash the car. They charge you for doing that, but it is all a fake, because you knew this stuff would happen and you could have saved money for that, therefore you don’t need this insurance, there is no risk and you have undone the insurance order. You will receive a relevant percentage of money every month, however in case of some low probability event –as a car crash- nobody will respond to you for your own damages [...]

In it is in this way how a lot of people understand insurance, even some economists! People don’t understand insurance and think they are places for saving money and if you don’t use it you should have more money [...] In the same sense, once the year finishes they say: ‘I bought this insurance for nothing, because I didn’t get sick’. They don’t understand they buy an insurance to protect themselves against a risk, if it didn’t happen: fine. It didn’t happen to me, it happened to others, and the money I gave worked for other people, which is the solidarity side of all insurance. So, the point is:

⁵² “Entonces, empieza a aparecer que los chilenos comienzan a pagar por salud y empiezan a pagar por seguridad social. Y cual es la gran diferencia con las AFP que las AFP todos los meses, le empiezan a mostrar a los trabajadores, la plata que usted me está pagando, ‘aquí va’, mandan una cartola. Y la gente iba viendo que era un ahorro el que estaban haciendo, pero veían que la ISAPRE nos les mandaba nada. Obvio, porque es un seguro. Entonces, y el seguro va consumiendo la prima que te va cobrando. ... ‘estoy gastando pa’que”

if I leave you to design the insurance, you will stress the coverage of relatively safe events and not low probability ones [...] and working in that way [the insurance] becomes a saving account [...] When the year begins, I have to think: my kids will get sick three or four times; I am getting ill twice or I will have a problem that requires medical advice; then I sum and multiply the price of one medical attention and I say: 'this is the money I have to keep for that if I don't have an insurance'. Considering the possibility you are not protected, against safe expenditures the correct instrument is saving, the insurance doesn't apply [...] Well, I think much of the problems that originally appeared with the ISAPRES' system were connected with that. And then it happened that this guy (who asked for this kind of insurance or who has been tempted because ISAPRE ended up stressing these aspects) [...] suffers a low probability event, and suddenly he realizes he is unprotected (or he realizes that until that point he was unprotected). Then this happens: first, the attack against the insurance company and then the claims for a political solution. This problem was finally solved not long ago, with the introduction of catastrophic insurance⁵³

⁵³ El regulador no se puso en la composición del lugar que estaba obligando a la gente comprar algo que no habría comprado de motus propio. Para poner un ejemplo, ponte que yo te obligaré a comprar cualquier seguro que yo creo que tú necesitas pero que no habrías comprado, un seguro automotriz, no contra terceros sino contra daño propio, suponte que tú no crees que lo necesitas, yo sólo te digo te obligo a comprar el seguro, y no digo nada en la regulación de cómo debe ser el seguro. Entonces, lo que va a pasar es que, y es lo que creo yo pasó con el sistema de seguro de salud, es que tú te vas a acercar a las que venden seguros de auto y vas a decir "mire, usted está vendiendo este seguro, pero yo no creo que lo necesite, así que yo no quiero el seguro tradicional que usted ofrece, yo lo que quiero es un seguro que me proteja contra el riesgo de que me quede sin gasolina, el riesgo que quede sin aceite, el riesgo que el auto se me ensucie". y ese tipo de cosas. Eso no es para un seguro, para eso no necesitas protegerte. Y lo que terminas haciendo es deshaciendo el mandato. Entonces al final terminas definiendo al seguro, como un seguro contra eventos seguros, por lo tanto no hay riesgo, el riesgo no tiene nada que ver, el seguro se termina haciendo una especie de cuenta bancaria en que tú depositas plata cuando pagas la cuota, y el banco, esa cuenta, te devuelve plata cada vez que tienes que llenar el estanque, cambiar el aceite o lavar el auto. Por eso yo te cobro un porcentaje por supuesto, pero obviamente todo esto es una farsa porque en realidad tú sabías que hizo iba a pasar, tú ibas a ahorrar para poder pagar estas cuestiones, ibas a apartar dinero de tu sueldo para esto, por lo tanto no necesitas un seguro, no hay riesgo. Pero los hechos, has conseguido deshacer el seguro, es decir de la plata que pusiste vas a recibir un porcentaje importante de vuelta todos los meses. Sin embargo, si ocurre algún evento de baja probabilidad, como es un choque, entonces nadie responde por el daño propio. Si llevamos esto a la salud, el tema es que - bueno esta es la forma que mucha gente se plantea el tema del seguro, me ha pasado de tener discusiones con profesores hasta dentro del departamento de economía, la gente no entiende lo de los seguros y piensa que son lugares donde uno acumula plata y por lo tanto, si uno no los usa por un montón de años debería haber más plata acumulada [...] Entonces, de la misma manera, una vez que termina el año y dice "compré el seguro para nada, porque no me enfermó", entonces no entiende que compro el seguro es para protegerlo de un riesgo, de una cosa eventual, sino sucedió, bueno. No le sucedió a uno, le sucedió a otra gente, y lo que aportó uno le sirvió a otra gente que es la parte solidaria de todos los seguros. Bueno entonces frente a ese tipo de visión lo que pasa es que si yo te dejo diseñar el seguro... tú lo que vas a hacer es poner énfasis en la cobertura de eventos relativamente seguros, a costa de elementos de baja probabilidad [...]Funcionando de esa forma vuelve a ser una cuenta de ahorro [...]Cuando parte el año tengo que pensar que mis cabros se van a enfermar 3, 4 veces, yo me voy a enfermar un par de veces, o voy a tener un problema por el cual voy a tener que consultar, sumo, o multiplico por lo que vale una consulta y digo, esta plata la tengo que tener reservada para esto, si es que no tengo un seguro. Pensando en la eventualidad que estés desprotegido, este, entonces contra gasto seguro el instrumento correcto es el ahorro, el seguro no corresponde [...] Bueno, entonces yo creo que mucho de los problemas que surgieron inicialmente con el sistema de ISAPRES se derivaban de eso. Este señor que compró este seguro fijandose en la cobertura contra eventos con alta probabilidad de ocurrencia le ocurre un evento de baja probabilidad, y ahí se entera que está desprotegido. O se da cuenta hasta que punto estaba desprotegido, más probablemente es lo que pasa. Y ahí surge, primero el ataque al seguro, y luego el pedido de una solución política. Este tema se resuelve hace relativamente poco, con el seguro catastrófico.

As the previous quotation suggests, in practical terms, what was being traded was not a proper insurance but a kind of savings account. As the same interviewee argues, it is principally this fact that then produced some controversies with the system. A person, who has a high-probability but low-cost event coverage, then suffered a low-probability but economically catastrophic event only to discover that it is not really covered. The occurrence of these types of events and the subsequent scandals (associated with a health system that was not really covering its population) in the end induced the introduction of catastrophic coverage in all new insurance policies.

However, the confusions did not end with a widening of the coverage, new problems were found later. For example, the following quote from a different interviewee shows another chronic problem in the Chilean system, the temporality of the contracts. But in this case, difficulties are not associated with the problem that it is not clear what insurance is, but with the particular characteristics of health insurance as opposed to others types of insurance:

I think the issue of term is critical, and today it has been widely studied. And this had made the system very different with AFP which is practically a savings account. Short term insurance are useful for all these products whereby once the sinister has happened the product can recover its initial value, and be able to insure again. In this case it is not very relevant if you are insuring stock or flow. When you insure your car, you insure stock, if you have an accident, it is supposed to be repaired and be in a condition of being insured again. Health insurance, especially in the case of chronic events, suffers a problem: the crashed car cannot be insured, that is, if you suffered a sickness your insurance cannot be short term, otherwise you will have a cost that will follow you always. Therefore, if you are insured, technically the ISAPRE should cover you after the event. This problem was not clear at all in the terms of ISAPRES. In fact, the absence of conscience of this problem was so high that what was promoted was the value of free choice, and economic competition. Therefore competition was "you can change your insurance when you want", "contracts last one month", "if you are not satisfied go to the next door", this system was chaotic. Chaotic because there was not a comprehension about what a short term insurance was [...] I think they did not realize, but it was not because they were ignorant, but because there was a lack of experience in the world. There was no literature; this discussion can be read in papers written in the last three years. But 10 years ago a sharp understanding of that did not exist. And also because of the ideological logic of the military government, the

competition was something to venerate. And at the end of the day, when you realize that the good functioning of this system has to do with long term, which can perhaps decrease competition, it produces a vital contradiction [...] because the free mobility paradise produces more costs than benefits⁵⁴.

Stated in a brief way, the original reform distinguished between public and private insurance, but it did not make a clear difference between private pension and private health insurance. The resulting product of this confusion (and the practical problems and legitimacy deficit it created) was later confronted with what economists defined as a proper insurance, changing regulations, and establishing a new product: including catastrophic coverage in all policies. In this context insurance and pension were clearly differentiated. Current problems have to do with a new level of confusion: this system is not just private insurance, but 'health' insurance, which have their own particularities and difficulties that should be considered by regulators and companies. In this process, new expertise had appeared: economists who are experts in insurance and then particularly health economists. And depending on the way a health insurance is understood new regulation, and finally, new products are being produced and traded.

In fact, if you see the insurance that used to be traded in Chile, they were far away from an ideal insurance [...] then, this has happened, there has been much more regulation about what the insurance should cover or not. AUGE [the last health reform, discussed in Chapter V] is exactly that. In

⁵⁴ "Creo que el tema del plazo es un tema crítica y hoy día se ha estudiado mucho más en la literatura. De que, y esto también lo hace muy distinto de las AFP prácticamente es una cuenta de ahorro, los seguros de corto plazo sirven básicamente para todos aquellos productos que tienen la característica de que una vez que se ha producido el siniestro puedan recuperar su valor inicial, y volver a ser asegurados. En ese tipo de seguro no importa tanto si tú estás asegurando el flujo o el stock. Cuando tu aseguras el auto, aseguras el stock, si te lo chocan, se supone que te lo reparan y vuelve a quedar en condiciones de ser asegurado. Los seguros de salud, a lo mejor te estoy explicando cosas que tú conoces tu me cortas, los seguros de salud, particularmente en el caso de los crónicos sufren de un problema: el auto chocado no puede ser asegurado, de tal manera que de si tu sufriste una enfermedad, tu seguro no puede tener cobertura de corto plazo, si no quedaste con un costo que te sigue para toda la vida. Por lo tanto, técnicamente si tu estuvieses asegurado, tu stock cuando te ocurrió el evento la ISAPRE debería hacerse cargo de ahí para adelante. Esa cuestión no estaba conceptualizada para na' en el mundo de las ISAPRES. O sea, era tan obvio la falta de esa conciencia, que lo que se promovía era el valor de la libre elección, y de la competencia en términos económicos, entonces la competencia era "oiga usted se puede cambiar de ISAPRE cuando quiera" "los contratos duran un mes" "si esto no le gusta, váyase al de al lado", ese sistema fue caótico. Caótico, porque no había comprensión de lo que significaba lo que es un seguro de corto plazo [...] Yo creo que no se dieron cuenta, y creo que además no era por ignorancia, no había experiencia en el mundo, y no había literatura en el mundo. Esta discusión hoy día, los fracasos del de corto plazo, lo podemos leer en paper de los últimos 3 años y están super claros. Pero hace 10 años no había donde ilustrarse, no había un concepto tan fino tan claro, del problema que significaba el plazo. Y ojo, pa' la lógica ideológica del gobierno militar que lleva adelante este proceso el tema de la competencia era un elemento venerado. Era uno de los dioses a venerar. Y cuando tu te das cuenta de que al final del día, el buen funcionamiento de este sistema requiere largo plazo lo que haces es vas reduciendo la competencia. Se te produce una contradicción vital entre el paradigma privado competitivo, con toda esta cuestión que surge: restricciones [...] porque el paraíso de la libre movilidad genera más costos que beneficios".

order to begin fulfilling the aims that the founders of this system had in their heads, or at least what they should have had [...] Now the legislator tells you: 'Mr. you are obliged to buy an insurance, but this insurance has to have this coverage for that illness, and this for this other, you cannot mix any combination that you want'. I think that a lot of years are still required to solve these problems of origin, which are inconsistent with the basic reason, the only justification, to have an insurance system⁵⁵

Now, we can return to Callon's performativity but in a different sense. As it was previously discussed, economics is performative not just because it makes the world look like its description of it, but because it makes an 'economic' world possible (Callon & Caliskan 2008). In the particular case of private health insurance in Chile, this was made possible by allowing the introduction of private capital in health and demarcating an area in some sense 'free' of direct political 'intervention'. However, Callon has also suggested performativity is about opening new unexpected formations. Economics and its world is not seen as an 'idea' becoming 'real' but as an *agencement* that opens new arrays of potential development (Muniesa et al 2007⁵⁶). In our particular case, economics itself seems to have been surprised by the empirical evolution of private health insurance, producing new expert knowledge and then new regulation and products. In this context, we could say that the reforms that created this system - at the same time opened a new experimental site, where political and other 'imperfections' could be controlled- it is a real scale experiment with firms, compulsory withholding, and 'free choice' users (Muniesa & Callon 2007). However, the experience made the model more complex: introducing new elements such as bad contracts and the problems associated with their specific temporality. In Callon's language we could argue that the original reform has been continuously overflowed, making possible new unforeseen difficulties, which economists have then tried to 'internalize' creating a new frame and opening new possibilities of overflowing (Callon 1998b, Callon 2007b). In this context, the notion of experiment that was utilized at the opening of this section is expanded. It is not solely about applying academic knowledge; it is neither

⁵⁵ "[...] entonces lo que ha tenido que ir pasando es que ha tenido que haber mucho más regulación en torno a que es lo que el seguro cubre o no cubre. El AUGE es exactamente eso. Para que el sistema empiece a cumplir lo que los fundadores del sistema tienen que haber tenido en su cabeza. Por lo menos, lo que hubiera tenido sentido que tuvieran en su cabeza. De que si tú te encuentras en una situación donde se presentan una serie de enfermedades... deberías tener cobertura...ahora lo que pasa a decirte el legislador ahora es "señor usted está obligado a comprar un seguro, pero ese seguro tiene que tener tal cobertura para tal enfermedad, tal cobertura para otra, usted no me puede armar el seguro que usted quiera". Yo creo que van a pasar un montón de años para resolver ese problema de nacimiento que ha tenido el seguro, producto de lo que yo te digo es la inconsistencia con lo que es la razón básica de tener el seguro, que tiene que ser, es la única justificación"

⁵⁶ For more information about the notion of *agencement* see: Phillips (2006).

about Chile as an experimental site to test foreign ideologies, nor is it about economists building institutions. It is about trial and error, about a continuous process where both experiment and object are observed and fabricated (Muniesa & Callon 2007). Experimenting is about expanding knowledge, about the behavior of newly created things, where the thing itself –the insurance policy-, is also transformed, which signifies of course, as Stengers has pronounced, that it becomes a continuous source of concern (Stengers 2008)⁵⁷.

4. Unfolding Production

This chapter commenced with a reference to the current discussion about production in 'cultural economy'. Here, we explained, production is not exclusively understood as the outcome of a factory, but as the enactment of wider socio-technical processes. In this context, the specific question of this chapter was: where, how and by whom is the product of private health insurance, the insurance policy, produced? Three different answers have been developed.

The first account was about a firm, its own organization, and the way in which feedback is produced with information about consumers, but especially about other producers – in this case, other insurance firms. The elaboration of a new insurance policy has to do with an 'internal' process where the 'deal' and 'actuaries' department determine a reasonable price for a 'plan' which is later developed by the commercial area. However, this process needed information about users, not necessarily about their preferences but by way of them, about the products offered by other firms. In this sense and following White, we suggested that the product can be understood as the outcome of a mirroring process between firms. Stated a different way and paraphrasing a slightly different theoretical language, we could say that here the sources of innovation are in imitation (Barry & Thrift 2007).

The second account started in a different level; it shows how this market, and finally the specific characteristic of the product are deeply connected with the political process. Private health insurance was created and strongly stimulated

⁵⁷ "If the experimental sciences do not have an interesting relation with the production of 'conceptions of the world', or with an adequacy to some 'pre-existing matters of fact', it is because the production of the matter of fact that could operate as a reliable witness for the 'adequacy' of an interpretation is always an experimental achievement. As long as this achievement remains a matter of controversy, the putative matter of fact will remain a matter of collective, demanding, concern" (Stengers 2008: 94).

by the government during Pinochet's dictatorship, under the assumption that free choice and competition would create the best product. However, after some years of slow growth this system became a big industry, administering the health of 20% of Chile's population who, at the time, did not seem very satisfied with the service. This situation changed in the early nineties when this industry became increasingly regulated, developing a public agency which was only focused to steering health insurers, producing an increasingly homogenous product. However, as we explained, this was a phenomenon occurring beyond the environment of this business, as insurance firms themselves became political actors. Especially since the return to democracy, ISAPRES have been very active in lobbying, developing seminars, and pursuing other forms of communication oriented towards influencing political decision-making that concerns the insurance business. In fact, ISAPRES have not limited themselves to discussing the content of regulation, but the scope of regulation itself. Due to its origin, this industry has the particularity that it is also connected to political issues, as the system and their actors are still associated with the dictatorship. However, in later years these issues have changed due to the increasing amount of experts that emerged from regulation agencies, and because actors in this industry have attempted to widen their political connections. To understand this second account we referred to the work developed by Richard Ericson and his colleagues, who analyzed the manner in which market and politics are interwoven in the insurance industry. This, at the same time, opened a second possibility for understanding the production of insurance policy. Firms are not just steering each other but in their political struggles the product keeps being transformed. Current insurance policies have little to do with the policies that were exchanged at the beginning of this system. In other words, the product is not enacted by just imitative networks of firms, but it also emerges out of regulations and the negotiations of the borders between politics and markets.

Finally, the third account went even further past these limits. This account depicted the very important role played by a particular type of expertise, namely economics, in making the private health insurance policy possible. In this context, it was outlined first, how after very complex historical developments, economists in the style of the Chicago School ended up controlling the social reforms developed in the context of Pinochet's dictatorship. Specifically "health" was part of the second wave of reforms, known as the "seven modernizations", and it was mainly characterized by a strong administrative decentralization, and a separation between regulation,

health provision, and finance administration. In the later two functions, private actors and capital were highly appreciated. More specifically the creation of health insurance seems to have been more influenced by the model of the Private Pension and general principles, rather than by specific knowledge about the behavior of this type of service. In fact, a lot of the problems and controversies during the development of this service are associated – by the experts on this system – to an incomplete understanding of the specific characteristics of health insurance. In this context, today it is assumed that the contract cannot be defined by an exchange in itself, but rather, that some basic characteristics had to be compulsory and that contracts should be long-term. In fact, some of the basic principles considered when this system was created – such as free choice and strong competition – are not so relevant anymore. In other words, this third account has shown that health insurance as a product was made possible by a particular type of knowledge, that is, economics; however, the policy had its own agency, producing the need for more specific expertise.

Together, the three accounts that compose this chapter can be understood as a multilayered version of the enactment of a particular thing: the private health insurance policy in Chile. As in Annemarie Mol's objects, we have shown how the insurance policy is not a stable but evolving and multiple object. However, and to conclude, it is important to further elaborate on the ontology of this multiple thing. Specifically, we are finishing this chapter with three further points.

First, it is important to consider that here we are not discussing a 'manufactured' object, but a 'contract'. Contracts, as legal scholar Gunter Teubner has explained, are normally seen solely as legal papers, but they are rather 'policontextural' things (Teubner 2006). In other words, they are produced and used in and by multiple worlds; they are at the same time: exchange, regulation, and politics. In this sense, if the product in the insurance industry, that is, the policy, is understood as a type of contract, then its multiplicity is not so strange anymore. Secondly, Frank Cochoy has suggested that instead of studying the ways in which conflicts between different social forces are reflected in economic things, we should study how these things are themselves the conflict (Cochoy 2008). In more concrete terms, he argues that, for instance, politics, regulation and ethics are not behind the things we exchange every day, but they are there: in their price, package, and finally in its own form. We could say something similar about our policy. As the reproduction of the paper that summarizes these contracts

included in Annex 1 shows, the policy itself is composed and shaped out of multiple struggles: a political history, different types of regulations, firms steering each others, and economic knowledge.

Finally, it is important to clarify that the order of our presentation has been decided so as to produce a more organized tale, but there is not a causal assumption about their relevance. In other words, we are not assuming that the first account is embedded in the second and the second in the third. In fact, it would be possible to find potential causal relationships in many ways among these three accounts. Indeed, we could assume that the private health insurance policy is a kind of 'folded thing', that could be unfolded in many ways⁵⁸. The actual insurance policy is not just produced today, but keeps unfolding events that occurred years ago. Therefore, the past is not just a fixed set of events, but is continuously transformed in the present. However, it does not mean that the product could be transformed in any way in which we want, in fact, as we have explained, there seems to be some moments that have made themselves irreversible. In particular, the administrative division between finance, regulation and health provision, which have limited the scope of political decisions (and potential actors) in this field, are pivotal to the evolution of this policy. However, the evolution of the policy has transformed, at the same time, the borders between economic, provision and regulation. In other words, "producing" the insurance policy is not limited to competition, and not even, to the reflex of wider social processes, but is also the production of political actors and economic knowledge.

⁵⁸ We are referring here to Serres' discussion on "folding" in his Atlas (Serres 1995).

III. Enacting goods: quality, singularization, and concealment in Chilean private health insurance

I think it is possible to characterize ISAPRES' [private health insurance] business in terms of three products. Within these, the actual product that they sell is a mixture between the three and most of the time, people perceive just one of these products. The first one is the thing that you can obviously call: insurance. And what is insurance? it is, before anything else, a space in which a person who has aversion to risk can find, through someone who organizes a pool, a more convenient solution to face his/her risk problem [...] The second product ISAPRES sell, since they do not provide 'indemnity insurance', but mostly 'buyer insurance' is a good medical service with competitive prices, in case they do what they have to do - if your alternative scenario is being an individual consumer in a market with asymmetrical information, where providers can take advantage of their information, giving you an inconvenient price/quality product [...] These institutions are a privileged space for organizing institutional buyers, levelling out information asymmetries, and by doing that, they are able to attain better deals, which will be later transferred to the consumers [...] The third product, which is linked to insurance action (but I am distinguishing for the sake of conceptual clarity), is one that we can label "intermediation". If we look at it not from the buyer's point of view, but from the point of view of all the administrative processes between [medical] providers and consumers [...] this part is the most similar to other services firms. In this context, I evaluate my ISAPRE [insurance] according to "if it takes me forty five minutes to buy the voucher", or "if it is difficult to find their selling points", "if the insurance seller informs me and calls me". This is the service's function⁵⁹.

⁵⁹ "Yo creo que uno puede caracterizar el negocio de las ISAPRES en términos de tres productos. Y dentro de esos tres productos, lo que venden es una mezcla de los tres y lo que percibe la gente es muchas veces uno. El primero es lo que uno podría llamar obviamente un seguro, y que es un seguro, es ante todo un espacio en la cual una persona que tiene aversión al riesgo puede encontrar, a través de juntarse con otros, de que alguien organice un pool, una solución más conveniente para enfrentar su problema de riesgo [...].El segundo producto que venden las ISAPRES, al tener una estructura no de seguro de *indemnity*, sino de seguros compradores, lo que pueden agregar como valor es calidad de servicio médico a mejores precios, si hicieran bien su pega. Si tu escenario alternativo es ser un consumidor individual en un mercado de información asimétrica en la cual los prestadores pueden aprovechar sus ventajas de información para entregarte un producto de relación precio calidad inconveniente para ti que eres un consumidor menos dotado de información [...]Y el tercer producto que está vinculado a la acción del seguro, yo lo separa para destacarlo conceptualmente, es lo que uno llama la intermediación ya no desde el punto de vista de compra, sino desde el punto de vista de todos los procesos administrativos entre el prestador y las personas. Donde ahí es muy importante...te describo por ejemplo un caso típico llamada de bono papel, yo pagué a un doctor, tengo que ir a la ISAPRE, comprar un bono, llevar el bono donde el doctor, el doctor tiene que cobrarlo, o sea, entre en el proceso operativo de la relación médico paciente generando servicios. Ese es el servicio más parecido con lo que tú podrías verlo con otros mundos de empresas de servicio. O sea, yo evaluó a mi ISAPRE si es que me demoro 45 minutos en comprar el bono, nunca encuentro puntos de venta...claro. Evaluó también que la vendedora del plan me informe, me mantenga,

The problem is serious and very complex, for example, when you buy a photographic camera, there are thousands of sellers from whom you can buy it –inside or outside of Chile-. At the same time, there are many organizations that are determining the quality of the machine. There are also other organizations competing to create a similar product. Furthermore, you are under no obligation to buy: if you do not want a camera, you will not buy one. In the case of ISAPRES you are under the obligation to buy the product- whether going to FONASA or not, but you cannot avoid being insured. Secondly, you have very few opportunities to compare, because every ISAPRE displays, in some sense, very different insurance policies. Finally, the patterns of comparison are so wide and so diverse that it is very difficult to make a comparison. How can I compare policy A with policy B? They may be compared in terms of the money that each policy will cost me, but there are four thousand medical provisions, each of them with a specific price and coverage. Therefore, you have $4.000 * 4 = 16.000$ options. Facing 16.000 options, the feasibility of comparison is minimal. Then you can see the articles that you deem more important than others (such as bed/day, etc.) and compare from that point of view, but there are thousands of other things: medical fees, price for emergency treatments, medicines [...] I think this is an important point: you choose, first because you are required to choose, and once you are left with no other option, I believe that the methodology is not very rational, you begin by asking your acquaintances and then seeing a plan that you think can be interesting and cheap⁶⁰.

It is important to note that the Chilean population does not have a clear view of what could be the benefits of health insurance [...] this has to do with culture and a far-reaching ignorance about insurance, because a tradition of private insurance does not exist in this country! ISAPRES have not been able to transmit the concept of health insurance to the population [...] There are the sellers who persuade people to change [from one insurer to another]. People do not necessarily conceive that there is a pressing need

me llame cada cierto tiempo, me diga como esta. Eso podría hacerlo similar, por la función de servicios por lo cual también son evaluadas”

⁶⁰ Acá el problema es muy grave y muy complejo, porque cuando tú compras una maquina fotográfica, hay miles de compradores que la compran dentro y fuera de chile. A su vez hay muchas instituciones que están determinando la calidad de la maquina. Y hay otras instituciones que están compitiendo por hacer un producto similar. Además tú no estás obligado a comprar, si no quieres, no compras ni una maquina. En el caso de las ISAPRES estás obligado a comprar este seguro, o irte a FONASA, no puedes no hacerlo. En segundo lugar, tienes muy poca posibilidad de competencia porque cada ISAPRE te plantea planes en alguna medida distintos. Por último, los patrones para comparar los planes son tan amplios y diversos que es muy difícil hacer la comparación. ¿Cómo yo puedo comparar el plan A y B? Puede ser en la base a lo que pago en cada una, pero hay 4000 prestaciones, cada una de éstas, está sujeta a un precio y también a un tope. Por lo tanto tienes $4000 * 4$, son 16000 opciones. Frente a 16000 opciones, no tienes ninguna posibilidad de comparar. Entonces uno puede ver aquello que uno cree es lo más importante – como son los días camas, etc. – y comparar por eso. Pero además hay miles de cosas: una son los días camas, otra cuanto te cobran los médicos, la UTI, los medicamentos [...] Yo creo que ahí hay un punto importante, tú eliges, primero porque estás obligado a elegir, y una vez que estás obligado, yo creo que el método es bastante poco racional, tú empiezas a preguntar a tus conocidos y empiezas a ver un plan que tu crees puede ser interesante y que te salga barato.

to change insurance companies. They are not thinking about that. A seller comes to your office, if you are man a woman with pretty legs, if you are a woman a handsome guy and then this guy changes you! [...] However, today this situation seems to be changing, as women are taking more decisions. Because, women are much more rational in this kind of stuff....but in the past... I remember that the most successful companies were these with a 'better shaped sales body' [*cuerpo de venta*]⁶¹.

The last quotations are taken from interviews with experts in Chilean health insurance, the first is an economist, former director of public insurance, and currently the CEO of a chain of private outpatient health centres, the second is a Professor in Health Economics at a prestigious Chilean University who holds an MA from the University of Chicago, and the third, is taken from an interview with a Physician who is a former Superintendent of Health, and currently the Head of a University Centre for Public Policy and Health Management. These quotations show issues about the health insurance market in Chile that have been widely discussed by the experts in the field. The first explains what insurers are 'really' offering, analytically divided into three different goods: (i) they organize a pool that makes individual's health finance risks manageable; (ii) by using their ability to move large groups of users they negotiate better quality/price rate in medical provisions with private providers; and (iii) they supply a series of related services associated with the medical process. On the other hand, the second and third quotations show that on the side of the demand these goods are not so clearly perceived. In fact, there seems to be some serious limitations. Specifically, (i) users in Chile lack a culture of insurance, and they do not understand the way these products work; (ii) the way the system is organized complicates a possible comparison between different goods; and finally (iii) other factors, such as particular sales' strategies, makes the purchase of this service a somewhat irrational decision.

The comments grouped in these quotations are doubly relevant. First, they are important because they suggest that a crucial market is not operating in a very efficient manner. In other words, there are "market imperfections" in a

⁶¹ No ven el beneficio del seguro, pero este es un tema estrictamente [...] Y es un tema que tiene que ver con la cultura y el desconocimiento del seguro. Porque no existe cultura de seguro privado en este país, todavía no. Y ese ha sido el otro problema es que la ISAPRES no han sido capaces de comunicacionalmente transmitirle a la población, cual es el concepto de seguro en salud [...] Son los vendedores los que cambian a la gente. O sea, no es la gente la que se cambia. No es la gente la que dice, "ah, me voy a cambiar de ISAPRE", No la gente no está pensando en eso. Llega un vendedor a tu oficina, si eres hombre una mujer con piernas muy lindas, y si eres mujer te mandan un vendedor estupendo, y a continuación ese hueón te cambia. O sea, hay un cambio que en definitiva, ahora que las mujeres están tomando muchas más decisiones, estoy hablando de la última década, han ido cambiando en eso. Porque la mujer es mucho más racional en esta naturaleza que el hombre. Pero en el pasado, yo recuerdo como las ISAPRES más exitosas en ventas eran las que tenían el cuerpo de venta mejor formado, digamos.

system that has been developed as a way of improving the limitations associated with public health. In fact this is a public issue, due to the fact that, as we have explained in the previous chapters, private health insurance in Chile does not only complement public insurance, but its users can choose between both public and private insurance, with approximately 20% of the population being fully covered by the latter. Second, what these interviewees express is relevant because they are expert participants in the discussion about how the system can be improved and they have even been directly involved in different sectors of the industry and regulatory agencies.

On the other hand, the way these informants talk about the system is a particular way of understanding markets. They are talking from the point of view of economics, particularly focused on the way information is available and rational actions are either taken and facilitated or avoided. However this is not the only path available for the study of markets. Recently and inspired by the work of Edward Chamberlin (developed in the thirties), authors such as Harrison White and Michel Callon have developed different forms of understanding market. These works, rather than being based on a comparison of actual and ideal markets, are mainly concerned with the way “quality” (and hence goods and markets) are produced⁶². The main argument in the present chapter is that these perspectives open new ways to understand “market imperfections” in the case of private health insurance in Chile. This matter, as it will be developed further in the next sections, does not attempt to exclude the approaches that economists have taken in the study of private health insurance, but will include these approaches as creative vectors in the evolution of this market. The first section incorporates the works developed by White, Callon and other authors—such as Cochoy, Thevenot and Lury — presented as a new framework to understand the enactment of “goods”. The second develops the empirical case, which is also divided into three levels: insurance policies, firms and brands, and regulation. Finally, in the third section a more general discussion is presented.

⁶² Of course, there are other approaches to similar issues. For example, concepts developed within the ‘new economic sociology’ would allow a different starting point. As Granovetter explained in his seminal 1985 paper, rationality can be understood as an embedded property. In this context, the main issue is not to establish whether actors make decisions in a rational manner, but to understand the context where their action is made meaningful. ‘New economic sociology’ appears, then, as an alternative (or complement) to contemporary branches of economics, such as new institutionalism and information economics, and the way issues like transaction cost or limited information are understood by them. For a wider critical discussion about “new economic sociology” and its difference with the conceptual framework followed in this thesis see chapter VI.

1. Goods, markets and information: a cultural economy approach

The connection between three elements—utility, good and price—is the main interest in the approaches of neo classical economics to the study of goods. In this context, goods are seen as a function of their utility, which is reflected in their price, and studies are mainly interested in the way various kinds of goods have different price behaviour (for example: with the notion of elasticity)⁶³. As the quotations of the first section reveal, economic analyses show that sometimes there is not enough information to see the alternatives to a particular good, decreasing the prices' ability to match marginal cost and utility and therefore producing a 'market imperfection'.

In a second level, an increasing amount of research is interested in those kinds of goods where the price does not reflect the moment before the good has been exchanged and not its current utility. In insurance economics, these are central elements, understood as "moral hazard" and "adverse selection" (more about them in chapter V). Laurent Thevenot has suggested that these two levels can be seen as two different kinds of uncertainty: natural and critical (Thevenot 2002). In the former, elements external to the good's nature are assumed as contingent (for example the consumer's ability to understand the properties of the thing that is being traded); while in the latter, the ability of prices to reflect the good's utility is doubted. As Thevenot explains, generally the solution given by economists to these problems are associated with valuing, or with reaffirming the prices' ability to reflect the utility of goods. Thevenot suggests a different alternative, specifically saying that in cases of critical uncertainty what has been questioned is the price's ability to qualify, and consequently the market as an order of worth. However, understanding goods as a function of their utility, and price as the essential

⁶³ Generally, non-economists simplify far too much the work of economists. For instance, sociologists Don Slater has argued that economists tend to assume the quality of a good as an external element, pretty constant, and that price would be the only important thing that they could observe (Slater 2002a). However, there are much more sophisticated developments. For instance, Veblen developed his famous notion of "conspicuous price" to show how price in itself can change the quality of a good, or, much later, information economics, studied the ways in which movement in wages are perceived as a transformation in the quality of work, or even in producing the worker's worth. More specifically, Olav Velthuis has shown there are very significant differences in the approaches taken by some of the main schools of contemporary economics (neo-classical, Austrian, Information) to understand the communicative character of price. Price is not just seen as an allocative factor, but also as a "communication device", especially in cases where quality is difficult to determine (Information Economics), or when there is not market equilibrium (Austrian School). Velthuis himself suggests that these lines of work could be productively combined with elements of social theory to understand, for instance, how prices are not just connected with defining the quality of a good, but also with producing differences of status among the actors involved in a specific market (Velthuis 2004). The current chapter attempts an exercise similar to the one carried out by Velthuis, but instead of being about the "communicative character of price", it tries to understand the enactment of a "good" as a thing, and the role played by quality in this enactment.

medium of their differentiation is not the only way to study markets. Following Aspers, it is possible to distinguish between markets where goods are standardised and easily compared by price, and those where the quality of the good continuously changes (Aspers 2007). As this author suggests, neo-classical economics would be useful for the first case, but not for the second type of markets. However, there is a different tradition of thought that perceives the nature of goods as fundamentally contingent and the production of qualitative differences as a process in their enactment. In this context, the way issues such as a blurred good, and then markets with no clear boundaries, are understood change radically. In the next paragraphs I will briefly explain some elements developed in this direction that will become the main conceptual tools to be utilized in order to understand better the problems that have been outlined in the previous section.

In a book published in 1933 economist E. Chamberlin developed an influential theory centred on two concepts: "product differentiation" and "monopolistic competition". The main idea is that price is not the only factor that determines market information, but that goods themselves also communicate. Different elements like packaging, colour, the reputation of producers, etc., are attached to particular goods and increasingly, more effort is directed to increasing the semantic charge of objects. Most important is the argument that if the differentiation is successful, it changes the very nature of the goods involved. For example, Coca-Cola is such a differentiated product that it is difficult to maintain that it participates in the market of soft drinks, or that its revenues are directly dependent on the prices of other soft drinks (the Ipod is another example of this). In this sense goods are not just competing in a specific market, but by differentiating themselves they are also contesting (and creating) the market's borders. In this context, the classic opposition between monopoly and competition is blurred, introducing then the notion of 'monopolistic competition'. Chamberlin's thesis stimulated important questions about how to understand the nature of goods and, in this way, to stop assuming the definition of markets as an exogenous operation. These issues have been recently developed by authors such as Harrison White and Michel Callon who were not directly trained as economists, but have generated a very important body of work in this field. Consequently, authors such as Franck Cochoy, Celia Lury, and economists of the "Convention School" have complemented these theories.

Out of the aforementioned authors, Harrison White has developed the most ambitious body of work. White's social theory can be understood as a

'relational sociology' (Azarian 2000). His main interest is to understand how identities (such as: persons, firms, or markets) are built⁶⁴. Here, and quoting White, identities are understood as:

any source of action not explicable from biophysical regularities, and to which observers can attribute meaning. An employer, community, a crowd, oneself, all may be identities [...] identity is observed by others as having an unproblematic continuity. Identities add through contention to the contingencies faced by other identities. Social organization comes as a by-product of the accumulation of these processes (White 1992: 6)

Identities are not pre-existent entities, but the outcome of relations, where de-coupling processes, defined "as attempts by identities to establish comparability", are essential (White 1992: 13). In other words, by comparing different identities are connected, and, at the same time and in an emergent level, new entities are brought forward. In this context the study of markets is centred "around differentiation in product and relative standing among producers, as Chamberlin (1962) argued seventy years ago" (White 2002: 32). White has mainly written about production markets, which would emerge from the processes of decoupling and embedding. Producers keep observing other producers, and by doing that they are decoupled from their local context, and, at the same time, embedded in new networks of comparability. Also within markets, different niches are established, and the way they are differentiated has to do with a relational definition of quality (see also: Baecker 2006)⁶⁵. In fact, as White suggests, the assumptions of neo-classical economics are only useful for some of them (White 2002). In other words, different qualities establish different market niches, and these niches become different spaces of comparison.

It is important to stress here that White's interest in 'quality' does not imply a mere movement out of 'quantity'. In fact, he suggests that both quantity and quality work together, and that the way both elements interact is central in defining the 'quality niches'⁶⁶. These points in particular have been creatively expanded by authors working in the context of the French 'Economy of Conventions'. Here, markets are seen not as based on single frames of

⁶⁴ For an outline of his work see White (2007).

⁶⁵ For example in the case of the theatre market in New York, different niches are built (Broadway Drama, Broadway Musical, off Broadway, dinner theatre, and league of residents theatre) and each of these niches refer to different types of quality, producing markets that work in different ways (White 1988, 2005).

⁶⁶ The recent work of Scott Lash on 'intensive capitalism' can be understood as the analysis of a historical transition from a capitalism that based value on quantity to a new state, which would be founded on qualitative difference (Lash 2007).

quality, but as spaces of interactions of multiple 'quality conventions'. Favereau and colleagues identify different 'quality conventions', each producing a different relationship between price and quality: 'merchant' with a decreasing return to scales, where quality is compared to other reference groups; 'industrial' where quality is defined by an external authority and normally follows 'technical' standards; and 'domestic', where quality is attached to the process of production and higher quality is less costly (Favereau et al 2002). In this context, quality is seen as a specific technique for connecting objects:

Quality is to manufactured objects what is justice to human beings – or, more precisely, quality concerns interrelations between human beings with respect to manufactured objects, whereas justice concerns direct relations between human beings (Favereau et al 2002: 240).

The work developed by Michel Callon and his colleagues also envisions markets as spaces of comparison and is interested in studying how these spaces are built. In this context, comparison has been associated with the notion of 'qualculation' developed by Frank Cochoy. This neologism was introduced in order to include both quantitative and qualitative elements in the same word. As Callon and Muniesa explain:

With this broad definition of calculation, the most appropriate dividing line is no longer between judgement and calculation, but between arrangements that allow calculation (either quantitative or qualitative) and those that make it impossible (Callon & Muniesa 2005: 1232).

Schematically said, 'qualculation' is described as a process composed of three main stages: detachment, singularization and attachment. The first of these stages is concerned with the way in which a frame of potential connections is established, or, with the delimitations of what is considered (or not) in a specific calculation. In this context, the decoupling of markets is not just the outcome of social interactions, as is the case in White's theory, but markets are the outcome of socio-technical process: they can be understood as 'calculative collective devices' (Callon & Muniesa 2005)⁶⁷. As explained in the previous chapter, Callon has argued that economics is not just a way of describing markets, but a performative frame that creates them (Callon 1998a, 2007a). At the same time, different studies of finance have shown

⁶⁷ Interestingly, Kennedy has expanded White's theory, introducing mass media as a form of refraction in the production of quality, not limited in this sense to a purely social interaction, but as a hybrid encounter (2005).

that other aspects, such as devices of calculation like the trigger (Preda 2006), specific algorithms (Muniesa 2007) as well as law and politics (Mackenzie and Millo 2003⁶⁸) are very relevant tools in framing markets⁶⁹.

Detachment implies selection, selection implies connections, and to be connected things have to be delimited. As Callon and Muniesa explain, once things have been "arranged in a single place [...] the entities considered (taken 'into account') are associated with one another and subjected to manipulations and transformation" (Callon & Muniesa 2005: 1231), and then, goods can be singularized. In this context, let us quote at length:

The process of singularization consists of a series of operations resulting in the calculability of the good. Profiling a product consists in establishing a calculative space in which it can be connected and compared to a finite list of other products [...] Singularizing a product also means linking it to other products in the same space or on the same list. This is a process of classifications, clustering and sorting that makes products both comparable and different. The consumer can make choices only if the goods have been endowed with properties that produce distinctions (Callon & Muniesa 2005: 1235)

A good can be defined by a combination of characteristics that establish its singularity. This singularity, because it stems from a combination, is relational. In fact, the selected characteristics can be used to describe other goods, with which relations of similitude or proximity are likely to be established. Defining a good means positioning it in a space of goods, in a system of differences and similarities, of distinct yet connected categories (Callon et al 2004: 198)

Finally, singularization always implies attachment, at least in two senses. As Chamberlin suggests, different properties are continuously attached to goods, or in the words of Callon and colleagues, things are continuously 'qualified' (Callon et al 2002). Characteristics are sustainedly contested, tested, and goods keep changing. Furthermore, in order to be singularized, things are attached to the buyers' world. To trigger a decision between different goods,

⁶⁸ For a more expansive view of this see the different articles included in Callon et al (2007)

⁶⁹ Of course, these authors are not the first to consider markets as self-referential spaces institutionally delimited. In fact, these issues have been widely analysed by 'fields' theorists such as Bourdieu (2001) and Fligstein (2001). However it is important to consider that the notion of 'field', assumes a clearer difference between component and structure in contrast to the concept of 'frame' used by Callon (and borrowed from a long tradition that comes from Goffman and Bateson) (Callon 1998a). There are different fields, but they are all competitive spaces, in frames, or conventions, the forms of comparing and evaluating is also variable. For a different comparison between networks, fields and performativity in economic sociology see Fourcade (2007).

some connection with the consumer has to be produced. In this context, knowledge such as market research and advertisement are deployed (Slater 2002a). In other words, detachment and attachments are both part of the same process. To summarize, Callon explains:

That is why I prefer to talk of qualities and of a (continuous) process of qualification-requalification, for they are simply two sides of the same coin. All quality is obtained at the end of a process of qualification, and all qualification aims to establish a constellation of characteristics, stabilized at least for a while, which are attached to the product and transform it temporarily into a tradable good in the market (Callon et al 2002: 199)

However, qualification is not just about different products and markets, 'brands' are another relevant object to consider. Celia Lury has proposed the interpolation of concepts taken from media theory, namely the notion that brands are both a "dynamic interface" and a "complex object" (Lury 2004, 2005). The foremost idea is that brands, at the same time, (i) open production to potential buyers thus connecting production and consumption, and (ii) by selecting determined elements, they hide others (for example style and technical characteristics or vice versa), acting in this sense, in a similar fashion to computer interfaces (Lury 2007). Second, brands can be seen as "complex object" because they are single and multiple at the same time. Brands connect different products under a same name or logo, representing the unity of this multiplicity. In this way goods are not just connected to other goods in a similar market, but also to other kinds of goods and markets (i.e. Virgin). Therefore comparison is not just about particular products, but also about these objects, which are able to transcend specific markets.

In this context, the way competition and innovation are understood varies. Competition here can be seen as an encounter between different ways of framing the relationship that exists among goods, hence producing markets, a process which is also reflexive⁷⁰. As Slater argues:

Marketing strategy is not – in the first instance – a matter of competition *within* market structures; rather it is a matter of competition *over* the structure of the markets. Markets cannot be defined – as in neo-classicism – as given structures within which we can analyse competitive behaviour. This would be to assume that actors treat product definitions as a given. Yet, as we have seen, the entire aim of marketing strategy is to redefine products –

⁷⁰ As Fligstein and Dauter have recently emphasized, connecting competition with product differentiation is also stressed by other sociological traditions such as 'population ecology' and 'fields' or 'institutional theory' (Fligstein & Dauter 2007).

and to treat these redefinitions as operational strategies – in order to alter the terms of competition (Slater 2002a: 68).

That is to say, different agencies try to organize the field of comparability in different ways. Primarily, marketing and branding have become the main tool in this context (Cochoy 1998), but they are not the only one; regulation agencies, as it will be shown later, are also very active producers of mechanisms of comparison. Innovation, on the other hand and as David Stark has suggested, can be understood as a form of creatively bridging different “orders of worth” (Stark Forthcoming). In other words, Stark complements the concepts of Thevenot and the Convention School, not only by stressing the multiplicity of form of qualification involved in markets, but also the creative process of connecting them.

The concepts presented in this section give us new approaches to the understanding of good, information and markets. To sum them up, they can be organized into some basic elements. First, goods and markets are seen as relational identities, which are continuously co-produced. In this context, quality is an emergent identity that allows differentiating the niches of goods and markets. However, quality cannot be easily changed, it is always related to other identities, and its differentiation requires expensive investment (packaging, design, measurements, etc.). Qualification (and re-qualification) refers to connection and processes of de-coupling and coupling. In other words, in order to be qualified, new horizons of comparison are built where goods are both, connected to other goods, but also made singular. Second, ‘goods’ are not just associated to other goods, but so as to be singularized they are continuously attached to the worlds of consumers. In both processes different kinds of knowledge are very relevant, for example, economics is quite important for the disentanglement of markets and advertisement for the purpose of attaching goods and potential buyers. Third, brands neither belong to the market nor to goods. As markets they connect goods, but in an orthogonal way, not as competing goods but as products under the same logo. At the same time, in the same way as goods, brands are differentiated from other brands. Brands as interface expose and hide, opening particular elements and obscuring others. Fourth, in this context, competition can be seen as the encounter between different approaches to framing the relationship between goods, hence producing markets.

The previous elements considerably alter the problems presented by the interviewees in the first section of this chapter. The problem is no longer

necessarily about the way conceptually pre-defined markets and goods are (or not) properly understood by poorly informed consumers, but it becomes about the way in which goods and markets are continuously co-created. In the next sections, the conceptual frame proposed here will be utilized to re-organize our empirical case.

2. Goods in Action

It has been explained at length in Chapter I how private health insurance in Chile was introduced in the context of the reforms developed in the early eighties by Pinochet's economic team. Since its legal creation, the limits and characteristics of insurance policies have been transformed several times. There are some elements of the current regulation that are important to consider in the present chapter. First, as we have already mentioned, the main particularity of this type of insurance is that it does not complement the public system, but it is its alternative. In other words, users that can afford it can choose between a public and a private health policy, but it is compulsory to be covered by an insurance policy of some kind. Second, there are complementary insurance policies, but they are limited by the coverage of both public and private insurance. In other words, they try to compete in those aspects that are not covered by the compulsory insurance (i.e. the co-payments, or the part of the medical bills not covered by the basic insurance). A third important peculiarity is that insurance brokers are not allowed in this system, that is, only these companies' salespeople are allowed to sell private health insurance policies. Fourth, horizontal integration—that is, for health insurance firms to own medical providers—is not legally allowed either, but this has been realized in a somewhat different way: an insurer cannot share the same directory board with a private medical provider, but it can be indirectly part of the same firm holding. Finally, it is important to consider that the system, since 1990 has been regulated by a special agency, currently referred to as 'The Health Superintendence'.

The elements that have just been described seem to define a clear delimitation of this specific market. There is a product: health insurance policy, which has two kinds of providers: public and private, and within the private there are competing firms. At the same time, the borders are legally patrolled, making it very difficult for new actors to be introduced, either by the insertion of complementary insurance or by the apparition of some disruptive force, such as a strong broker. But is this so simple? Is the good an

insurance and this a normal private insurance market? The answer seems to be a complicated one. To understand these issues better, we will focus our attention on three different levels: policies, firms and regulation. Each of these will correspond to each of the next three sections.

a. “Planes” (Policies)

Health insurance policies in Chile are named “*planes*”. It has been estimated that there are currently approximately 16.000 different policies in the market. How can 16.000 goods be differentiated? Annex 1 shows an example of the figure that summarizes a specific policy. There, it is possible to appreciate that different things are incorporated within a single policy. Firstly, it includes elements that are common to all kinds of insurance, specifically: coverage, co-payments and yearly limits. Second, there are some characteristic aspects of a health policy such as various kinds of medical events (inpatient and outpatient), and different relations with providers (in the example: free choice and preferential—previously delimited—providers). Fourth, there are also some services not considered in the minimum coverage defined by the current regulation but included in this specific policy, such as optical protection and international coverage.

At the same time, this policy is part of a “family” (a group of “planes”), in this case “Everest”. In this particular firm there are two types of families⁷¹, some labeled with the names of mountains (Everest, Andes, Cordillera and Himalaya) and a second main category called: ‘*Vida Integra*’ [Integral Life]⁷². The predominant difference between both groups is that in the former the potential medical providers are open, while the latter corresponds to ‘administrated’ policies, that is, “planes” that just merely cover events treated in a closed list of providers. Within the first category there are different families that correspond to different combinations of free choice/preferential provider and coverage, the most expensive being those that privilege free choice and high coverage (Everest). The next table shows some potential options⁷³. As the reader can see, depending on the amount withheld the potential user is drawn towards different ‘families’. For example, if the 7%

⁷¹ <http://www.isaprebanmedica.cl/home/> [14 / 08/ 2007]

⁷² See Annex 2 for examples from different firms.

⁷³ Based on the quote simulator in the web page in one of the private insurance firm’s web page (www.isaprebanmedica.cl) [14/08/2007]

income withholding of a 30 year old, single female increased from 4 to 8 UF⁷⁴ her potential policy moves from "Andes" to "Cordillera". The situation changes if the potential user is a young single man. As it is possible to appreciate there is a special family of policies for those cases (Himalaya), and young, single men would have to pay a considerable lower premium than a woman of the same age. At the same time, both cases would have a lower premium if the interested parties sign up for a "closed plan" where the potential medical providers are limited a priori. Of course, the different types of policies and premiums are connected to risk segmentation (an issue that will be discussed at length in chapters IV and V).

Figure 7. Quotes Insurance Policies⁷⁵

Withholding (UF)	Coverage		Withholding ⁷⁶		Dependents ⁷⁷	Policy	Price (UF)
	Free election	Vida Integra	Female	Male			
4	X		X			Andes 550	4.15
8	X		X			Cordillera Pro 4	8.12
4		X	X			VI 14	3.82
4	X			X		Himalaya Gold 16	4.15
8	X			X		Himalaya Gold 18	4.62
4		X		X		VI 14	1.24
4			X	X	X	Andes 330	4.49
8			X	X	X	Cordillera 440	8.57
8			X	X	X	VI 17	5.38

Otherwise stated, a first approximation at simplifying the numerous options at hand has to do with the fact that each consumer does not face, at one time, the whole range of insurance policies available, but only those policies associated with their own risk pattern. However the issue is still quite complex. Within each family, users could opt between different options, and then between eight different insurers. It is also important to remember that the relevance of the premium is relative in this case. Users have to compulsorily contribute 7% of their salary – with a maximum of 4,2UF per person-, producing then two different quantities: the risk premium and the

⁷⁴ UF (*Unidad de Fomento*) is a monetary measure whose value in Chilean currency changes daily depending on the inflation. In general long term contracts (such mortgages) are valued in this unity.

⁷⁵ Own elaboration, based on Quote on www.isaprebanmedica.cl 14 – 08 – 2007.

⁷⁶ Female and male assuming they are both 30 years old.

⁷⁷ Dependents, refers to the inclusion of other people, different than the one who contracts the policy, under the same "plan", for instance, children. In this particular quote a 5 year old male.

compulsory withholding. In case the premium is higher, users would have to contribute a bigger percentage of their salary, and if it is lower, the difference would be retained by the insurer as a fund that can be used to cover the future expenses of users.

How then are these policies differentiated? It is quite difficult, especially considering, as we have explained, that brokers are not allowed to get involved in this market. Sales people from some of the biggest insurers in Chile, when interviewed for this research, gave some important clues in order to start answering some of these issues.

It is common knowledge that sellers are pivotal to the success of any insurance firm, and health insurance in Chile is not an exception. Various interviewees conveyed that the real competition between the firms that constitute this industry takes place mainly at this level. There is not a great amount of public advertisement for such an influential industry but each company has a huge commercial department. It is important to signal that under current regulation health policies are indefinite contracts, but they are reviewed once a year, when firms have the right to actualize their pool premium and users are able to change their policy. In this sense, competition is constantly open within current users⁷⁸. As an interviewee explains:

There is a huge rotation in the ISAPRES's market, which has to do with the way this system has been conceived. Each year, users receive a 'renovation letter' informing them the actualized premium and asking if they would like to maintain their policy. This mechanism makes people have to choose and look for other alternatives. On the other hand, ISAPRES grow because of their sales force. Each ISAPRE has more than 500 sellers in the street, which makes 'stealing' of affiliated people a normal affair.

In the same manner in which it occurs with other services, the work condition of sellers is highly competitive as they earn a relatively low basic salary, the most important part of their income is dependent upon their sales. At the same time, the system is full of incentives for successful sellers (such as paid holidays to a Caribbean Resort). The sellers to whom I spoke explained to me that their job is mostly dependent upon their ability to produce trust. In other words, they are continuously striving towards creating a relationship of trust

⁷⁸ Of course, there are some important limits to this flow, principally related with pre-existent medical events. Pre-existences can be excluded from a new policy limiting the possible movements of users with a strong medical history (for more on pre-existences see chapters II and V).

with their clients so as to make a current client recommend him and the company to the next client. In this sense, sellers aim to build a kind of portfolio of connections. These networks can be based on different kinds of ties. For example, as one interviewee told me, her last sales were all connected with a particular place, a school, and they will call her every time they hire a new worker that does not yet have any health protection. Another interviewee pronounced that he found his main path in family connections, specifically when sons stop being dependent on their parents and needs their own policy (the same within friends)⁷⁹.

Q: Then when buying, do people know the alternatives they are facing?

A: NO, they don't, and this is why they trust you a bit. It is like with the mechanic, you can bring your car to any *garage*, but if someone makes a recommendation, you will go with your eyes closed to that one, because it was recommended. ISAPRES started by recommendation, it is very different when someone that does not know you [has not been recommended], then you have to meet them two or three times⁸⁰

In fact the sellers' portfolios are so relevant in this industry that the firms have agreed on having some rules in order to control their movement. For example, one seller explained to me that around the time when the interview took place, the main companies had informally agreed that if any of their sellers resigned, they could not be incorporated by any of the other main firms in a period shorter than one year.

But the main question abides: What kinds of comparison do the sellers bring forth? What is considered, at the moment of promoting a sale, in order to compare different policies and companies? At least those sellers who were interviewed agreed that their work is not about informing clients of all possible options, neither the ones available in the market nor within their firm. What sellers do is compare the potential client's current policy with one of the options put forth by their firm looking for ways to improve the client's current policy. At most they show two or three options, as illustrated by the next quotation from an interview with a seller from a different firm than the seller from the previous quote:

⁷⁹ Using concepts from new economic sociology, we could say that the seller's behaviour could be seen as a strategic use of the role of embedded networks in those decisions made by consumers which are related to complex goods (see: DiMaggio and Louch 1998).

⁸⁰ - Q: La gente al comprar sabe las alternativas que tiene?

- A: No, no sabe, y por eso que confían en ti, es igual que con el mecánico. Tu podés llevar el auto a cualquier garaje, pero te van recomendar uno y tú vas a partir a ojos cerrados a ese, porque te lo recomendaron! Entonces, la ISAPRE parte por la recomendación, es muy distinto cuando entras con alguien que no te conoce, [entonces] hay que hacer dos o tres entrevistas"

For me there are always two alternatives, I don't show them many insurance policies, because otherwise my customer will get dizzy or will like all of them [...] then with two alternatives, and sometimes even one. If the client wants some specific provisions or to be able to go to specific hospitals/clinics, you will just offer them what they are asking for. You have to know how to listen to what the customer wants, not what you want to sell⁸¹

Furthermore, it is important to consider that the policy is a complex contract. It is composed of seven different documents: (a) a document called 'general conditions of the contract'; (b) a list entitled 'health explicit guarantees'; (c) the specific form for the complementary health plan; (d) another list called 'list of valorised provisions', (e) the subscriber's past health declaration; (f) a document which specifies additional benefits included in the plan, and (g) a form entitled 'unique form of notification'. Of course, a lot of the information contained in these documents is common to all the policies, but considering the elements that make them different, several criteria could be used so as to compare them. For example: (a) different prices charged by each company for the inclusion of minimum guarantees⁸²; (b) the level of coverage for different kind of events (inpatient / outpatients and other cases); (c) the different limits of yearly spending; (d) the providers included by the policy in case the client is treated in preferential hospitals; (e) the potential prices that the client would be charged with those providers (if any special price is considered); (f) other events included in the policy and its conditions. The last quotations shows how sellers try to avoid making their customer 'dizzy' with too many options and a multitude of information, in this sense they refer to those details which they consider most important for the purpose of convincing their customers.

An interviewee who works designing new policies explained to me that there seem to be different rationalities within different groups of potential users: she distinguished between those that are grouped as— consumer target groups—C3 and D (lower middle class and working class), and the rest ABC1, C2, differences that would be mainly related to the fact that the alternatives faced by these groups are in fact very different.

⁸¹ "Son siempre para mí dos alternativas, no es mucho el muestreo de planes, porque sino mi cliente se va a marear o le va a gustar todo [...] Entonces, con dos alternativas y a veces hasta una. Si el cliente me informa que quiere ciertas clínicas, uno va directo, a saber escuchar lo que el cliente quiere, no lo que yo quiero vender".

⁸² "Minimum Guarantees" is a list of medical events that has to be covered by all insurance policies; it was instituted after that last health reform, which is discussed in chapter IV.

As this [groups C3, D] is a less informed group, the people in this group are much less worried about these things, they tend to have the sensation that FONASA [public insurance] is cheaper [...] in the higher segments the differentiation is effectively related to the benefits of the plan itself [...] coverage, limits, and the providers you offer them. Therefore, within the higher segments "La Clinica Alemana", "La Clinica Las Condes" and "El Pensionado de la UC" [exclusive private hospitals], and maybe "La Clinica Santa María" but not too many other options [are considered]. And then, the policies are differentiated by their benefits... these people are worried about the "plan" itself, they read this document, and are worried that what seems too complicated was effectively good⁸³

In next sections, differentiation of goods in both "levels" will be seen with more detention.

Low income 'goods'

It is important to remember that the premium in Chilean private health insurance is dependant upon a compulsory withholding of 7% of the salary of each worker. In this sense, workers with lower incomes have a lower premium. However, private health insurance is concentrated, for the most part, in the population with higher salaries (20% of the most affluent sector of the population) (see next figure). However, after more than 25 years of the system, this group seems to be already covered by private insurance; and the growth of the population that can afford to pay the minimum premium seems to depend mainly in the economic growth of the country.

Figure 8. Users ISAPRES and Public health insurance by income quintile

Home income quintile	ISAPRES		Public System	
	n	%	n	%
I	81.325	3,7	3.358.879	27,1
II	141.536	6,5	3.142.641	25,4
III	256.471	11,8	2.625.654	21,2
IV	517.081	23,8	2.106.199	17,0
V	1.177.788	54,2	1.149.270	9,3
	2.174.201	100	12.382.643	100

Source: Own elaboration with information from the Socio-economic national Survey, www.mideplan.cl/casen/

⁸³ "Además, como es un sector menos informado, que se preocupa menos de esto, tiene la sensación que al final igual Fonasa es más barato [...] en los segmentos más altos la diferenciación va efectivamente por los beneficios del plan en sí, por las coberturas y topes que tenga el plan y los prestadores que puedas ofrecer. Entonces, en los segmentos altos el valorado es la Clínica Alemana, la Clínica Las Condes, el Pensionado de la UC y sería, la Clínica Santa María a lo más. Y ahí uno se diferencia por el beneficio, además que las personas ahí si se preocupan del plan en sí, de la lectura de esto que parece un 'corcho' se efectivamente bueno".

In this context, the main firms have increasingly developed insurance policies that are designed for a population with lower incomes. As explained before, in general these products are based on pre-delimited or closed providers. In other words, the potential costs are reduced by controlling the administration of the user's health. An interviewee recounted how the introduction of these new policies has been laden with a great number of difficulties. For example, insurance companies have had problems with 'wrong targets', such as people with irregular jobs who, at the beginning of the contract seemed to fulfill the prerequisites for a prospective client, but in fact had a financial situation that changed radically in the short term. In this sense, insurance firms have had to develop their own particular methods to measure economic risk within this new population. Another important limitation was labeled 'cultural problems'. Specifically in Chilean health, it is quite common to be cared for primarily by a specialist, and these 'closed systems' have tried to introduce a 'family doctor' [similar to the GP in Great Britain] as the main entrée into their system. Namely, these general practitioners make a decision about whether it is necessary to refer the patient to a specialist.

CMF –closed policies- have been a product very difficult to pose [...] they are not yet well-valued by the customer, this notion of having a "family doctor", and this [general practitioner] is not a very well known medical specialization here, it can only be studied in "La Universidad de Chile". In fact, I think nowadays there are one or two generations of family practitioners in the market [...] To say it in a different way, these doctors are very young, and then it happens that you normally expect an old guy, the wisest, and the person you trust the most, specially if you are entrusting him with the health of your family. Therefore, this has been the most difficult issue [...] furthermore, in some way, it is a bit absurd to know that my gynecologist will also be my son's pediatrician.⁸⁴

A third and probably more important difficulty associated with the introduction of administrative health is defining the specific characteristics of the competition to the targeted population. Different to the cases of families with higher incomes where acceding to the private system is almost a given,

⁸⁴ "CMF ha sido un producto que ha costado mucho posicionarlo, mucho, mucho [...] Todavía no es muy valorado por el cliente, esto de tener un médico de familia, por que en general es una especialización poco conocida, es una especialización que se está dando hoy en día sólo en la universidad de Chile. Por lo tanto hay creo que una o dos generaciones de médicos de familias que están en el mercado, por decirlo de alguna forma y son súper jóvenes ahí pasa que uno cree que el médico debe ser siempre el viejito, el más seco y es en el que uno más confía, sobre todo si le vas a confiar la salud de tú familia. Por lo tanto, eso es lo que más ha costado...además que en cierto modo, resulta un poco absurdo saber que como ginecólogo va a ser el pediatra de mi hijo, entonces produce esas dualidades que la gente tampoco las toma tan cercanas [...] por lo tanto ha costado...".

lower-income families are accustomed to public health. In other words, the competition is not just between each of the private companies, but also between the companies themselves and the public system, and this is a critical issue. The image associated with both sectors has been continuously challenged. Most interviewees perceive this as a particularly important topic, because the private sector's image is not the best. If public opinion surveys about the health system are considered, in general the private sector seems to be associated with more advanced technologies, better facilities, but also with higher prices and questionable ethics.

The problem for private companies is that people tend not to place enough trust in them. The low image is associated with different issues. Interviewees recognized at least three. First, with a history of dubious sales strategies, as illustrated by the third quotation in the introduction of this chapter, which exemplifies how insurers have exaggeratedly used tools such as 'sexy sellers'. Moreover, some interviewees point out that sometimes sellers are too eager to secure the sale without clarifying the limits and obligations attached to these contracts, upsetting users when certain events are not covered by the policy they purchased. Second, as explained to me by a person who worked in different sectors of this industry, these problems can be associated with the communication strategies of these companies. In general, they have been very keen to report their economic efficiency and increasing revenues, but have sidelined the issue of their role in providing health security or expending seriously in health prevention. A third explanation is more structural and claims that in those groups that are used to public health, private companies will always be valued worse, even if they are less expensive.

The tension between the public and private sectors is very interesting. In some way it can be understood as an issue associated with "brands". As proposed before, both types of insurance seem to have different qualities attached to them: private insurers are associated with efficiency and business interests, while public insurance is linked to slowness and solidarity. However, this issue does not solely concern the competition of two different firms, but also different strategies for pricing, evaluating risk, establishing groups, etc. (Aedo & Sapelli 1999). In Thevenot's terms we could say that this is both: economic competition and a clash between two orders of worth: market and civic (Thevenot 2002, 2001). In this context, it is important to state that representatives of the ISAPRES Association have in fact claimed that these issues would indicate unfair competition. In other words, for those users whose income allows them to choose, the public sector would offer them a

premium that has not been established following the criteria of markets. Economists and other experts in this sector have suggested that the solution to these issues would be connected with making the price of public insurance similar to that of private insurance (Aedo & Sapelli 1999, Valdes 2000). In other words, and following Thevenot, according to these authors, the solution for the ambiguity brought about by different forms of valuation acting together would be solved by homogenizing them⁸⁵.

Higher income policies

The situation seems to be different within the products targeted at users with higher salaries. As explained before, it is generally assumed that this population would be almost by default in the private system. This is seen as a kind of “cultural phenomena” (to be insured in order to get access to the same places where friends and family have been treated), but it is also associated with the aforementioned different pricing system between public and private insurance. In the public sector, if you have a higher salary your premium is high but you have access to the same policy, in the private system, on the other hand, higher salaries indicate insurance policies with different benefits (Aedo & Sapelli 1999).

In this context, as proposed by one of the interviewees who opened this section, the criteria for comparison seem to be wider. In fact one of the main particularities here seems to be that the quality of these goods is strongly attached to potential medical providers. This connection with providers can be firstly associated with the fact that some insurers, even if not ‘horizontally integrated’, are part of the holdings of bigger firms, including medical providers (we will explore this with more detail in the next section). But the connection with providers can also be related to the particularities of the health provision industry. At least in major cities, for certain groups of the population there are indispensable elements concerning private clinics. In other words, for some people, especially those with higher salaries, the potential medical institutions where they can be treated for their health problems are reduced to very prestigious hospitals. To be clear, this comparison is not necessarily just about quality but it is not about price either, but about prices. As a sales person explains: “What people want is:

⁸⁵ A different way of approaching the tensions between public and private in Chilean health insurance is developed in chapter IV.

good coverage, access to good quality care, private rooms in hospitals, and coverage of the doctors' fees"⁸⁶.

In other words, customers would consider: future co-payments (price paid after each event not covered by the insurance), the cost of different clinics, and medical expenses. In this sense, what seems to be evaluated is not the insurance's ability to cover, but if —and how— they are connected to a particular medical provider. In this context, to determine the best combination is not an easy task. For instance, how can I know what provision I should consider, if there are many and I certainly do not know my future health?

In this context, insurance goods seem to be strongly associated with the medical provider's own quality. The reason behind this is, in fact, not too complicated. In the end, users are not concerned with the insurance per se, but with the hospitals: the building, doctors, nurses, exams, etc. At the same time, apart from the institution that provides health, another relevant factor is the prestige of specific doctors, in particular —as suggested by an interviewee— those connected with more "personal" events such as gynecologists and podiatrists. Here it is important to consider that the insurance coverage of the cost of a specific doctor's appointment will depend on whether the doctor has or not an agreement with the insurance company. In other words, users that have always been treated by a specific doctor will try to be covered by an insurance that has an agreement with their doctor. Therefore, the quality of a particular insurance seems to be hidden behind medical providers and doctors; does this mean that insurance companies do not produce their own quality differentiation? This is the main problem that will be addressed in the next section. This section will not tackle the differentiation between policies, but how insurance firms are singularized.

b. Insurance firms and Brands

Private health insurance firms are associated with different qualities and brands. At least from the information compiled in the interviews, it is possible to differentiate between two levels: insurance companies and the conglomerates to which they belong.

⁸⁶ "La gente quiere buena cobertura, irse a habitaciones de buena calidad, individuales, y con honorarios médicos facturados con el mismo porcentaje".

Insurance firms

The following quote is from a health insurance executive who explains how

ISAPRES are in some way segmented. It is clear that COLMENA and VIDA 3 are orientated to a higher population (ABC1), and us, as CONSALUD are orientated to the lower, closer to FONASA. And this can be a variable considered in choice, and then BANMEDICA and ING are more in between⁸⁷.

Figure 9. Users and Income Withholding ISAPRES, 2006

OPEN ISAPRES	Users			Income Withholding		
	Users	Users %	Sum	Ch\$	%	% Add
Isapre Banmédica	626013	24,6	24,6	\$ 198.332.054	23,1	23,1
Consalud S.A.	574669	22,6	47,2	\$ 154.501.050	18,0	41,1
ING Salud S.A.	525526	20,7	67,9	\$ 182.152.635	21,2	62,3
Colmena Golden Cross	382854	15,1	83,0	\$ 161.708.510	18,8	81,2
Mas Vida	214910	8,5	91,4	\$ 74.608.748	8,7	89,9
Vida Tres	140378	5,5	97,0	\$ 70.472.843	8,2	98,1
Normédica	50364	2,0	98,9	\$ 12.737.715	1,5	99,6
Sfera	26886	1,1	100,0	\$ 3.591.060	0,4	100,0
Total	2541600	100		\$ 858.104.615	100	

Own elaboration, source: Superintendencia de Salud (SUPERSALUD 2006, 2007)

As the previous figures show, the market share is mainly concentrated in six firms which sum up 97% of the users. They can be reduced to five if we consider that 'Vida Tres' is part of the same conglomerate as Banmedica. In other words, four companies concentrate 89% of the market share. At the same time, as last quotation explains, the main companies are associated with different groups of beneficiaries. Specifically, they could be divided into three main categories.

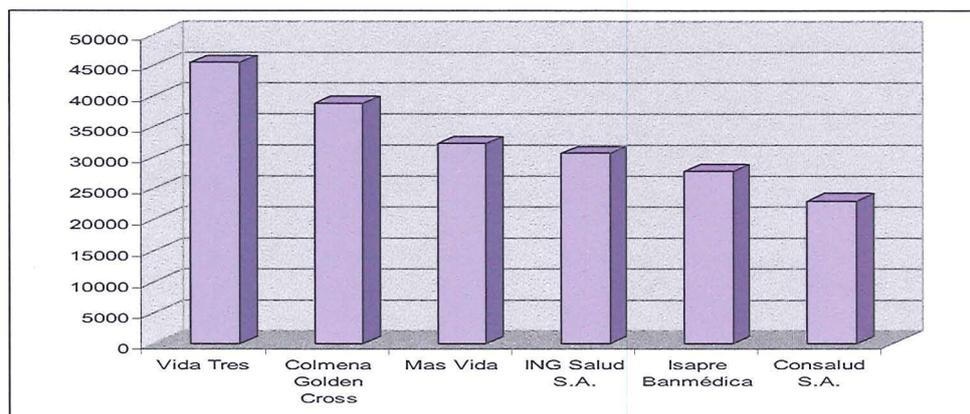
- 'Colmena Golden Cross' (and also but in a smaller scale 'Vida Tres') is seen as an 'exclusive' service, that is, it has a customer portfolio that specializes in high-income population and it is associated with a luxury service (i.e. sellers are also account executives who keep contact with clients after the sale– while this figure does not exist in other firms). In fact, at least for the interviewees who work in this firm, this company has a 'niche' of its own. As a saleswoman from Colmena explains: "what people award is the service, because in general the insurance policies provided by the different firms are the same".

⁸⁷ "Las ISAPRES están en alguna forma segmentada. Está claro que COLMENA y VIDA3 está apuntando a un segmento un poco más alto y ABC1 y nosotros como CONSALUD somos los que estamos en el segmento más bajos, más limitando con FONASA. Y eso puede ser una clara variable de elección. Y ahí BANMEDICA e ING están un poco al medio".

- The opposite case is 'Consalud', which is seen within the ISAPRES market (always within high and medium-income population) as the company that specializes in people with lower salaries (this is why, with 22% of the users, it only receives 18% of the withheld income).
- Finally, 'Banmedica' and 'ING' are seen as transversal firms, that is, they are orientated to users distributed throughout the entire income spectrum: competing against each other, but also upstream with 'Colmena' and downstream with 'Consalud'.

In this sense, it is possible to say, that after more than 25 years of the market, there seems to be a differentiation of quality associated with the type of public which each insurance company is targeting, reducing in some sense, the range of options faced by the average user.

Figure 10. Average Income withholding per ISAPRES user, Ch\$, 2006



Holdings' brands

It is important to understand that the horizon of comparison is not limited to the different insurance policies; insurers are also part of bigger conglomerates of firms, which are connected through strong brands. To understand this point, we should detail the trajectories of the main companies⁸⁸.

Banmedica, Consalud and Colmena are the oldest of the current health insurance firms in Chile, and there are certain similarities in their origin. Both Banmedica and Consalud were part of the previous social protection system,

⁸⁸ With information from 2007.

based on the social net of different gremial sectors: respectively "La Caja Bancaria de Pensiones" [Bank Employees Fund] and "La Cámara Chilena de la Construcción" [Construction Chamber]. Both institutions were transformed during the social care reforms applied in the early eighties (described in Chapter II) but their posterior trajectories have been different. Consalud is still part of the social net of the Construction Chamber, but their users include far more than the building sector. At the same time, this company is not the only instance of participation that this Chamber has had in the health sector; they also own 'Megasalud', a network of 30 ambulatory inpatient health centres. As explained before, in legal terms insurance and provider cannot be part of the same company, but they can be part of the same holding. And this association is obviously exploited in the branding of the product: in this case with a similar name, but also with the use of colours associated with both firms: green and white.

Banmedica was made a public limited company in 1987, and it is currently part of the biggest health holding in Chile: Banmedica SA (see organizational chart in annex 3). This includes two ISAPRES (Banmedica and Vida 3), several health providers, including the ownership of some of the most important private clinics (Clínica Santa María and Clínica Dávila), a 10% share of the most exclusive clinic in Chile (Las Condes), and insurance companies in Argentina and Colombia. In the same fashion as Consalud, ISAPRE Banmedica and its providers (principally Clínica Dávila and Clínica Santa María) are not legally the same company but they clearly share the same institutional colours: in this case a combination of red and white.

The history of Vida 3, currently also part of Banmedica SA, is slightly different. Vida 3 was created in 1986 as a joint venture of three of the most important private clinics in Santiago: 'Las Condes', 'Alemana' and 'Indisa'. From this connection, Vida 3 became a small but exclusive insurance firm, which even today preserves the higher-income users. Subsequently, it was bought by Banmedica, and currently they commercialize practically the same policies. However, they maintain different names, probably as a way of highlighting 'Vida 3's 'exclusive' client portfolio.

Colmena Golden Cross was also one of the first insurance firms to be created in this market. Specifically, it was developed by 'El Banco de Concepción', one of the banks interested in diversifying their financial products after the privatization of social care in the early eighties. However, after the financial crisis of 1982 a new regulation established that in order to protect the

financial system from future financial crises, banks could not participate in other business ventures such as pension funds and health insurance⁸⁹. After that, a group of Colmena executives (including its current president) bought the company. Colmena is the only one of the biggest health insurance companies that is neither associated with private providers nor with other financial companies.

Finally, ING is the newcomer in this industry. ING arrived in Chile in 1997 buying an existing life insurance company (Cruz Blanca) and participating for the first time in the health insurance market in 2000 with the purchase of AETNA (including ISAPRE, pension funds, and mortgage). ING's history obviously goes beyond the Chilean markets. This holding started in Amsterdam but its current headquarters are in Atlanta USA, recently expanding into Latin America. ING's brand does not concentrate on health but on financial services. Particularly in Chile, besides ISAPRE, they offer: life insurance, mortgages, pension funds and annuities. ING is more open about their connection with other services; in fact, its web page can be seen as a portal to all the different financial services offered by this company (or what they call a 'multiproduct').

The information presented until this moment can be summarized into the following points. First, it is important to stress that we are talking about a product whose contract includes multiple and detailed information, involving five different documents. Second, distinct prices are involved: the premium, but also the coverage, every potential co-payment to each medical provider, and in some cases, the medical expenses. Third, health insurance firms are associated with different targets or quality niches. Fourth, the quality projected by health providers is attached to the insurance quality. This fact is particularly clear in those companies that form part of bigger health holdings that include medical providers: such as Consalud and Banmedica. However, the relation with providers is also crucial for other firms, which have to continuously show their ability to be efficiently connected with them. Fifth, participation in bigger holdings opens the horizon of comparison to multiple related goods: including other health insurance, medical providers, other financial services, etc. In other words, we are talking about a complex good with multiple forms of potential comparison.

⁸⁹ Today this issue is being discussed again. Banks' representatives argue that allowing their participation could increase competition in both pension and health insurance sectors. The connection between health insurance and other financial firms will be considered from a different angle in chapter V.

In this context, as explained by the sellers, reducing information is not a choice, but a necessity. Obviously, choosing what to reveal implies concealing information, which is certainly a common issue with technical goods (i.e. only certain technical characteristics of a car are informed in the exchange). In other words, the differentiation of a good is not just about, to use Callon's terms, detachment/singularization/attachment, but also about concealing and unveiling. In terms of Callon's concepts, it is possible to see a socio-technical process whereby this market is separated from other markets (which as we have suggested, is closely related to its political constitution, and to the regulations that limit potential newcomers); there is singularization of different companies and a creation of quality niches between them; and finally, sellers (and the commercial strategies involved) attempt to connect policies with the meaningful connections of potential buyers. On the other hand, we have seen that this is not just an issue of a single kind of product but, in fact, different levels of comparisons are involved. According to Celia Lury, brands are objects that connect different scales. In these particular markets, both the brand of the conglomerate and the quality associated with the different providers seem to be central. This fact multiplies the potential options for comparison: it is not just one level (health insurance) but multiples levels (health provision, financial products), which can be connected in different ways. In this sense, marketing (and competition) can be understood as a struggle of orderings, whose selections do not only seek to detach and singularize themselves from other goods, but also conceal (and reveal) different levels. In other words, this process has to do with the connections considered in the differentiation of goods in a multiple layer field.

However, this process does not finish here, there is at least one more relevant layer to consider. Possible strategies of connections are not merely contested between companies, but they are also regulated. The role played by regulative agencies in organizing criteria of comparison is central, and this is the concern that will be expounded in the following section.

c. "La Superintendencia de Salud"

Much has been already discussed, about the "*Superintendencia de ISAPRES*", a special institution in charge of steering private health insurance companies and one of the main innovations of the health reforms of 1990. After the health reforms that were approved in 2005, the functions of this regulative

agency were expanded to include not only private insurers but the public system as well, and its name was changed to: "*Superintendencia de Salud*" [Health Superintendence]. The functions of this institution can be summarized in three main elements: transforming new health laws into norms and overseeing their application; refereeing conflicts between firms and users; and informing users about insurers. In the context of the present discussion the last role is been particularly relevant.

The director of the private insurance section at this institution explained to me that they understand information in a particular way. Specifically, he stresses the necessity of a private sector in the domain of health in Chile, although they see the health market as a very particular market, with important imperfections that have to be regulated. Similar to the quotations that open this chapter, he argues that these imperfections are mostly related to information problems. In other words, there is a market of health insurance at work, but consumers do not have enough information to choose in an informed way between the options they are offered. In practical terms, this diagnosis has concluded into two different kinds of actions.

First, the Superintendence is leading a long process aimed at simplifying the available options within this market. Specifically, during 2005-06 they negotiated with the insurance companies the application of a standard contract. In other words, the information and small clauses associated to the policies were made homogeneous (and reflected in the document currently known as "General Conditions of the Contract"). The discussion today, in this context, has to do with the range of policies available. Concretely, the Superintendence is trying to reduce the number of options offered to a simple amount of "plans" (for example: all the companies would have policies directed at particular characteristics such as young families, older families, single males, etc., and would include no more than two options per category).

The second types of activities currently developed by the Superintendence are connected to the development of statistics that allow clients to make an informed decision out of all the available choices. Currently⁹⁰, the Superintendence produces eight different rankings that can be summarized in three categories: (i) those that compare the number of days each company takes to reimburse payments; (ii) those that rate the amount of rejection of sick leaves (which, as it has been stated before are covered by health insurers, and will be discussed further in chapter V); and (iii) those that

⁹⁰ Following information from www.supersalud.cl

recount the number of claims, warnings and fines applied to each firm per year.

Considering the discussion presented in the first section, the action of regulatory agency can be understood in a novel way. Specifically, if goods and markets are regarded as involved in different forms of comparison, the diagnoses presented in the introduction and the actions consequently developed by the regulative agencies are not just a way of informing but of creating the market. This is done, crucially, by directly transforming the products offered (standardization), as well as by developing rankings that compare the companies involved. In fact, these rankings are not just published by the Superintendence but are also increasingly considered by the firms' sellers and by the firms themselves in their web pages. In other words, the Superintendence is actively creating categories that can be attached as signs of quality, changing the way insurance companies are ordered⁹¹.

Finally, in this context it is also important to mention a regulation made by a different institution, but that concerns the private health insurance sector as well. As it has been explained, health insurance policies have a specific combination of inpatient and outpatient coverage. Some years ago, most policies used to have a combination of 80% coverage for outpatient events, and 100% for those medical problems that required an overnight stay. However, in the last years, almost all new policies offered have a new combination of 70% and 90%. In other words, the newly insured would always co-pay in case they need to use their policy, a 30% in case of inpatient events and 10% if an overnight stay is needed. This movement has been steered by a different regulatory agency, one in charge of patrolling fair competition in Chile. In fact, they sued the companies that changed their coverage arguing that it caused a reduction in the quality of the product that was being offered, without decreasing its price or giving better options; in other words, they would be acting as a 'cartel' (Agostini et al 2008). In the context of the current chapter, this process is relevant because insurers have been sued not because they open too many options and make comparison impossible, but because they impede an important way of differentiating their goods.

⁹¹ About the creative character of rankings see: Nelson and Sauder (2007).

3. Discussion

In the previous sections we have strived to understand how the 'good' is enacted in Chile's private health insurance. In order to do this we have followed a conceptual tradition that begins with Chamberlain and has been further developed by contemporary authors such as Harrison White, Michel Callon, and others. In this tradition, the 'good' has been understood as an 'identity', a type of thing that reaches its own value through a relational process. Specifically, White understands identities as the outcome of interactions that are de-coupled from previous (local) networks. In this context 'markets' are not embedded in previous social norms, nor are they regulated by a single economic 'rationality'. Different interactions would allow for the existence of different quality niches, where diverse tactics may be used for the purposes of comparing goods. We explained that "quality" is not necessarily the opposite of quantity, but a particular method of connecting price and quality. To overcome this type of confusion Cochoy introduced the neologism "quaculation". The authors that adhere to the tenets of the Convention School have suggested that the study of quality in markets concerns the various frames, or conventions, that connect things in different senses. 'Markets' then, are not a 'field' where different goods are differentiated under a common competitive logic, but also a place where the frame through which goods are connected is always being contested. Callon and his colleagues have suggested that the process of making goods comparable can be understood as a triple process of: detachment, singularization, and attachment. They have also explained that the whole qualification process is not just about 'meaning' but it needs —as Chamberlain observed some time ago— multiple actors and activities such as packing, sales, advertisement, statistics, etc. Markets, they suggest, can be understood then as: 'collective calculative devices'.

In the following sections we studied the enactment of the good in the case of Chilean health insurance by following the aforementioned analytical framework. Consequently we did not compare an actual market with an ideal state such as 'perfect competition', but we tried to describe the different axes that comprise the connection and comparison of goods, which are nowadays being played out in Chile's private health insurance market. We distinguish two main scales: insurance policies and firms.

With respect to the policy, as Annex 1 shows, it is easy to see that there are multiple elements to be compared: co-payments, potential medical expenses, types of coverage, complementary services, and so on. However, the range of options that consumers face is not so wide. Insurance policies are differentiated in two further levels. First, depending on the risk pattern of the consumer, there are very different options. For instance, we explained how a 30 year old single male and a woman who is also single and in the same age group, are allowed access to absolutely different types of policies. On the other hand, depending on your income, the type of contract available is also very different. For users of a lower income bracket, the options are mainly known as 'closed plans', that is, insurance policies that reduce their risk by delegating the health administration of the user to a doctor who is dependent on the insurance company. On the other end, users in higher income brackets have access to a wide range of options, where the potential axes of comparing goods are much wider. In fact, different actors suggest in both levels that the forms of qualifying goods are very different.

For those policies targeted towards lower-income users who can still access the private insurance premium, private insurance policies are not just measured against those offered by other firms, but they are mainly compared with public insurance. In fact, the types of policies offered to this particular public are not so different to the ones made readily available by a publicly administrated health system in other countries (for instance, the GP system in the UK). However, different interviewees argued that what is in fact being compared is not the policy, but the qualities associated with both, public and private forms of health administration. The situation with potential users in the higher-income bracket is different. Here, public insurance is less relevant as an alternative, but the range of different types of insurance policies available is much wider. However, the options do not only have to do with a single element, for instance the premium, but with multiple elements which may include the medical providers that could be used in case of an accident, the costs of these providers as well as potential medical expenses. In this context, one important element in differentiating insurance policies seems to be their ability to attach themselves to the quality of other health actors, such as private hospitals, inpatient medical chains and prestigious doctors. However, this is not just a qualitative issue, but one that involves offering good deals to each of these health actors.

Sales people are very relevant to this industry. As we have explained, insurance brokers are not allowed in this market, thus the main form of

comparison is made through the insurance sales people. However, according to sellers, the manner in which customers choose does not necessarily include a comparison of all potential options. It is a very complicated contract, and they do not necessarily try to understand it. Some central elements seem to be trust and interpersonal networks. On the other hand, sales people avoid displaying too many options. They assume that their role is to understand what people want and are able to afford, thus they reduce the information to a couple of alternatives that can suit each particular client. In other words, singularization in this exchange seems to involve both consumers and sellers in reducing the complexity of a situation with too many options and too many things that could be potentially compared.

At the level of firms, we can distinguish further axes of comparison, some related to the strong brand identity that main insurers in this market have developed. There are three types of firms: (i) those associated with a premium service, (ii) the 'economic' firms, and (iii) those that are more transversal. In other words, depending on their resources, consumers face different options, something which also change the elements that will be compared. What we have tried to show is that, in the case of premium insurers, policies are not particularly different to those offered by other firms, but they try to stress their 'special' service, while the more 'economical' insurers are mostly concerned with demonstrating their lower costs. On the other hand, insurers are also connected with bigger brands. Even though 'horizontal integration' is not allowed, they can be part of wider conglomerates. This context introduces another element of qualification, namely the connection with these brands, which occurs mainly through name and colour resemblance, and attaches insurance policies not only to medical providers but also to a wide range of other services such as pension funds, mortgages, professional chambers, banks, etc.

In this context, the notion of qualification developed by Callon and colleagues needs to be complemented. There is not just a single process of detachment, singularization, and attachment, but a multiple array of potential ways to connect things. This is related to different "orders of worth", such as that associated with public and private insurance, but also with the multiplicity of forms of connecting private policies. Competition, then, seems to entail something more than different actors dealing within a single niche, but it also pertains to creatively connecting these various levels. In this context, marketing seems to be about the implementation of assorted strategies of concealing and unveiling. However, this does not happen in a single direction,

but different actors involved develop their own way of reducing complexity and comparing goods. In this sense, the goods of private health insurance are not single at all, but can be understood as multiple identities enacted in these multiple processes of qualification and concealment.

After everything that has been considered, we can understand with a different outlook the quotes that opened this chapter. The economists who were interviewed for this study seem to assume that if we start from the point of view of rational actors trying to maximize their utility, comparison in the private health insurance market should be organized around three main axes: 'pooling', 'improving health costs', and 'service'. Problems with competition in this market are then assumed as the consequence of a lack of 'insurance culture' or arising from the way in which insurers exploit multiplicity in order to make an informed rational choice less informed. It is in this direction, in fact, towards which the action of the Health Superintendence has been directed. They are working in two types of actions: developing rankings and standardizing. To conclude, we will give them further attention.

Primordially, statistics and ranking produced in this context exist in order to allow for an informed decision. The current statistics produced by the Health Superintendence do not compare insurance policies to each other, but instead compare insurers. In other words, these rankings introduce a quantitative form to compare insurers that, if we consider the situation that has just been described, produce a new layer of potential comparison, increasing the amount of available potential information in an already complex landscape.

Standardization, on the other hand, is probably better connected to our discussion in chapter II but nevertheless, it is still worth mentioning here. What the Superintendence is currently negotiating with the insurers is not just a mere regulation, but a further transformation of the product. However, in the context of the present chapter, it can be seen as a potential change in the type of market that is being built. As we mentioned earlier, Patrick Aspers distinguishes between markets where the quality of the good is variable and those where it is made standard in order to facilitate comparison by price. Using concepts from the Convention School we could say that the Superintendence is attempting a movement from a "merchant" type of qualification, to an "industrial" type, with an externally defined standardized insurance policy and insurers trying to produce the cheaper option. However, considering the information presented, it is possible to expect that the 'good' will not be easily made standard and the comparison so simple. In fact,

interviewees suggest that in an increasingly regulated environment, they are constantly looking for new sources of differentiation. For example, for one of the firms, their current strategy is to make health insurance work as the interface of the whole health system (becoming the gate behind medical provision) while another firm is introducing new deals with banks as a way of simplifying (and potentially introducing credits) the payment of future co-payments. Beyond the success of these strategies, they are relevant because they show new potential connections, and, in this way, new forms of differentiating insurance goods and their horizon of comparison. Of course, it is not the role of regulators to foresee all potential changes that could take place because of their actions, and the intention of this chapter is not to orientate future regulations either. However, the elements discussed here denote two important points: the relevance of further exploring the way goods and markets are empirically differentiated, and more specifically, the need to improve the way in which the interaction of regulation, information and market in privatized services is understood.

IV. Assembling Private Property in Chile's health

insurance

In chapter II we described how private health insurance in Chile was created following the development of a private pension fund system, which was sanctioned by a new political constitution that was, in turn, ratified in 1980. The new Constitution established that the specific part of each worker's salary that should be destined to a pension was a private thing, giving the worker the right to turn over this owned thing to a privately administered fund of the worker's preference. The creation of a new pension system opened the way for health reform. In a similar fashion (González Rossetti et al 2000), the statute that created health insurance set out to prescribe that the percentage of each worker's salary destined to health was also something private, and these resources would be more efficiently spent if they were marshalled by competitive choice. In other words, after this reform took place, what was originally known as '*leyes sociales*' [social laws] (the part of the worker's salary that was withheld by the pension system, accident, and health insurance), which used to be paid directly by the employers to the respective security institutions, was transferred to the workers' salary and it was now her decision to which privately administered fund this money should go. However, this does not mean that they could freely spend these resources, but instead, that a compulsory percentage had to be spent in each of these provisional systems. Currently, 7% of each worker's income is compulsorily withdrawn for the health insurance system.

However, both Pensions and Health reforms have important variations. The most important one being the compulsory private system in the Pensions reform while in the case of the Health reform, users can choose between public insurance (FONASA – National Health Fund) and different private firms (ISAPRES – Health Previsions Institutions). Currently the majority of Chilean workers are covered by the Private Pension Fund, while close to 20% of the working population partakes in Private Health Insurance. The clients of private insurers are predominantly concentrated within the most affluent sectors of the population, and mainly in those groups with a lower health risk. This is not only related to the existence of public insurance in the health system, but to the different ways in which these systems price their services (as discussed in chapter III). For instance, to be included in the private pensions system a

person only needs to have a regular salary regardless of the amount of money earned, whereas to be considered eligible by private health insurers, the worker's salary has to be enough to cover a private health insurance premium. ISAPRES work as private insurers, taking into consideration the potential costs associated with each user's medical risk when pricing their policies, in contrast to the public health insurance premium which is solely dependent on the worker's salary (Aedo & Sapelli 1999).

The common origin shared by the private pensions system and health insurance has produced some important controversies (See chapter II). One of the main issues in this context, and the main object of this chapter, concerns the manner in which private property is delimited in private health insurance. As it was described before, the creation of the system was based on the 'privatization' of the health withholding. But what is owned? How can this property be understood? This is not just an academic issue, in fact it was probably the most controversial topic during the parliamentary discussion about the last important reform in the Chilean Health system at the beginning of the current decade. Specifically, one of the main points proposed in this context was the introduction of a Solidarity Compensation Fund, which would channel part of each worker's 7% into a common pool in order to guarantee a minimum health provision for the poorest and most high-risk population. This initiative questioned for the first time the private character of the health withholding, generating an important debate. The discussion that ensued will be the main empirical source of the current chapter⁹².

At the same time, the tension between public and private in the economy has been a classical issue in the social sciences. Probably one of the most important sources of this discussion are the famous "non-contractual elements of the contract" highlighted by Durkheim in his 'Division of Labour' (Durkheim 1984). There are innumerable other books and articles which address this controversy, generally as a contraposition between an utilitarian point of view (mainly from economists or rational choice sociologists) whereby society is understood as a collection of private (maximizing) individuals, and a 'social' perspective which understands individual interactions as framed by social rules. Normally the latter outlook is more appealing to those reforms that increase social cohesion through public 'solidarity' institutions while the former attracts reformers that promote individual responsibility and market

⁹² Specifically, the information presented here is based on the discussion developed in the high chamber of the Chilean parliament (Senado 2004); newspapers that covered this discussion; interviews with people involved in this process developed between December 2005 and April 2006 are also considered.

competition. The discussion presented here also represents these two positions. In fact, some of the comments registered in the parliamentary act could have been expressed by social scientists such as Mauss or Polanyi and others could be easily associated with "Durkheim's enemy" in his *Division of Labour*, with British evolutionary sociologist Herbert Spencer, or also with more contemporary authors such as Milton Friedman (just to mention a very influential name within the Chilean elite). However, the current chapter assumes that not much would be added to the discussion if this chapter was written from one of these two main perspectives. We are talking about professional politicians, and they do not need the help of an amateur. However, I will argue that by embarking on this project with Durkheim's classical questions in mind, we can still find productive and creative forms of understanding the aforementioned controversy. However, in order to do this we must reformulate some of Durkheim's assumptions in the light of contemporary social research.

This chapter is composed of three sections. The first examines the parliamentary discussion that surrounded the development of the Solidarity Fund in 2004. The second part reviews certain conceptual elements, specifically the work of Durkheim and his nephew Marcel Mauss, which is contrasted to the current critique of this type of social science developed by Bruno Latour in his *'Reassembling The Social'*. Latour's critique enables an important movement, from studying how society frames the economy to the ways in which society is performed in the economy, in his words, a movement from 'the sociology of the social' to 'sociology of associations' (Latour 2005). However, this movement does not trivialize the questions posed by Durkheim and Mauss, but expands the manner in which they can be approached. In fact, we will argue that this is what economic anthropologists are doing in their current discourse on property, and what is happening too, in current analyses of insurance influenced by Foucault's late work. Finally, section three expounds how the developed conceptual framework helps us in reaching a new interpretation of the 'Solidarity Fund' controversy.

1. The Controversy

In chapter II it was explained that Chile's private health insurance was born in 1981 as a consequence of the provisional reforms developed in 1980. In one of the decrees that created the new pensions system, it is stated that health withholding could eventually be administrated by private institutions. An

interviewee who actively participated in the early discussions about the Private Health Insurance explains:

I would say that the main idea in this reform is that the health withholding [the portion of the salary compulsorily oriented to health insurance] is a workers' property, and then, each worker has the right to derive this to the direction he prefers, that is, to either the public or the private sector. The specification that the health withholding is a property of each worker justified the beginning of the system⁹³

Since the origination of Private Health Insurance, several reforms and important regulatory elements— some of them significantly transforming the very product supplied as discussed in chapters II— have been introduced. However the private character of each worker's withholding was not properly contested until the discussion concerning the reform proposed by Ricardo Lagos's government in the early 2000s, and finally approved in 2004. The main aim of this initiative was the creation of a system named 'Regimen of Health Explicit Guarantees' [*Regimen de Garantias Explicitas de Salud, - AUGE*]. The AUGE's main aims were: first, to make explicit the basic standard treatment and pre-define co-payments for a list of the most important (51) medical events, and, second, to guarantee the access to this coverage even to those people who cannot afford co-payments (the amount not covered by Public or Private insurers) in their health provisions. In other words, beyond the specific characteristics of each insurance policy, the whole population would know in advance the potential cost and treatment for these main events, reducing financial uncertainty and also reassuring clients that they have access to these provisions even if they cannot afford their costs.

We have already explored the dual nature of the Chilean health system. Every worker has to compulsorily withdraw 7% of her salary to cover health insurance policy, and in case this amount is enough to cover the premiums of the private system the worker could choose between both systems, and between different private insurers. In case the 7% is insufficient, she will be covered by the public system. Private insurers are fully funded by the premiums paid by their users. Public insurance is financed by its users' income withholdings, but also by indirect taxes, which are mainly directed

⁹³ "Así que esto salió de mucha gente que se preocupó del tema y de una ley del año 81 que crea el sistema de ISAPRES, cuyo, yo diría, eje principal es el convencimiento de que la cotización de salud es de propiedad del trabajador y en la medida que es propiedad del trabajador, el trabajador tiene el derecho de derivarla a donde el quiera. Es decir, hacia el sector público, digamos FONASA, o hacia el sector privado, digamos ISAPRES. Esta precisión, de que la cotización de salud es de propiedad del trabajador, justifica el inicio del sistema. Año 81"

towards covering those users who do not receive any salaries or whose income is not high enough to cover their health expenses. Before the reform was discussed, health provisions were already free for the poorest population, but the available provisions were not guaranteed and were mainly dependent on the medical resources available. In fact, probably the main critique to the Public Health System was the long waiting lists for gaining access to important and emergency medical attention. In this context, the proposed reform aimed at an important improvement in terms of guarantees to the whole population, especially to those unable to pay for health provision. However, in order to do this, a considerable increment in the public health budget was needed. Therefore, one of the main issues to be discussed was to define the source of these new resources.

In this context one of the main ideas suggested by President Lagos' Social Democratic government was the creation of a 'Solidarity Compensation Fund'. This Fund would redirect part of the compulsory withholding paid by every health user to a common pool, compensating then two main sources of inequality: medical risk and access to medical resources. During the preliminary discussions of this reform, President Lagos announced that the 43% of each worker's health withholding would be allocated to fund this Compensation Pool. Such an initiative would have radically changed the whole health system, significantly decreasing the amount of resources managed by private insurers. However, the initiative was quickly abandoned, mainly because in order to be approved these reforms needed to gain a majority of votes in both chambers of the parliament ('*diputados*' and '*senadores*'), and such a transformation would have faced opposition not only by the right wing members of parliament but also by an important sector of government supporters who were convinced of the relevance of maintaining a strong private health system (Boeninger 2005). In this context, the government decided to consider two further sources of funding: increasing the VAT – *Impuesto al Valor Agregado* – (from 18% to 19% of each commercial transaction), and establishing a Compensation Pool funded by a smaller proportion of the worker's health provision. The first point did not encounter a particularly difficult consensus, and the Compensation Fund was approved by the lower chamber, where the Government had stronger support. There, as it is registered in the Parliament archives, it was established that the main aim of this fund will be:

to share [*solidarizar*] health risks within the beneficiaries of the Health National Fund [FONASA] and those covered by the Health Insurers

[ISAPRES], concerning the guaranteed medical provisions⁹⁴ (Senado 2004: 61)

However, the discussion that ensued at the next level, the high chamber, where support from the right-wing members of parliament was needed, was hugely controversial. To understand the extent of this discussion is important to review with more detail the characteristics of the project. Specifically, the proposed fund sought to introduce one main distinction: between 'universal premium' and 'risk premium'. The former corresponded to the total of potential health expenses of the population covered within the new system, divided by the number of individuals in this population, while the latter equalled the expected expenses per case depending on factors correlated with health events (such as age or sex⁹⁵). In other words: this is not an average but a risk-based premium. The rate between both premiums (UP/RP) would allow comparing different insurance pools (covered population). For instance, if a specific health insurer's pool were composed of a particularly risky population, its risk premium would be bigger than its universal premium. In the opposite case— if the covered population was less risky, the plan involving the Compensation Fund would then provide that those insurers with a higher-risk pool would be compensated with resources from those with a lower-risk population. In other words, the Fund would be an incentive to cover a higher-risk population, or a way to compensate those insurers that cover a more expensive population, avoiding then increasing premiums for users with riskier characteristics.

The discussion in the high chamber focused on three main issues. The first was known as the issue of "bi-directionality", and it started after the lower chamber decided that in case that a net difference in favour of private insurers occurred, the public system would not give their resources back, because this would imply an illegitimate subsidy to private insurers out of public funds. Subsequently, this view was strongly opposed by right-wing members of parliament who argued that, if this point was approved, private insurance firms would not be competing under equal conditions with the public fund, making those users who could barely afford private insurance policy premiums to be obligated to leave to public insurance. After this discussion, and in order to gain stronger support for the project, the government announced that the discussed Fund would accept bi-

⁹⁴ "Solidarizar riesgos de salud entre los beneficiarios del Fondo Nacional de Salud y de las Instituciones de Salud Previsional, respecto de las prestaciones explícitamente garantizadas" (61)

⁹⁵ In this context, as the Parliament Archive shows, there was an interesting secondary discussion about the inclusion of other variables (such as epidemiology, socio-demographics, and so on) that could affect the health risk.

directionality, but that the “essence of the reform proposed”, namely risk solidarity, would not be negotiated. Indeed, it was argued that considering the actual situation, where private insurers concentrated the most affluent and lower-risk population, net circulation after the introduction of the Solidarity Fund would still be more profuse from the private to the public sector, and not the other way around (Senado 2004: 73). More specifically, research presented in Parliament as relevant antecedent by the ISAPRES Association estimated that 84% of their users would be less risky than the average, eventually producing an important transference of resources from the private to the public system if the fund was approved.

Secondly, members of the opposition announced that they would support the suggested reform if its introduction was complemented with the creation of a “portable voucher”. In other words, and similar to the way in which other social reforms were introduced during the Military Dictatorship, it was suggested that public funding should be directly targeted to the final users instead of given to public institutions. Consequently, users could opt between spending their vouchers in public or private institutions, increasing potential competition and free choice while conceivably decreasing the role of non-private organizations in administering health. This initiative was not supported by the government and its supporters in the parliament.

The third main issue and the most controversial in the end was based on legal research developed by one of the dominant conservative think tanks; members of the opposition suggested that if the compensation fund was approved they would appeal to the Constitutional Tribunal. This Tribunal is a special institution in charge of overseeing the fulfilment of Constitutional Rights in new norms. In other words, it is an institution independent from the government and from the parliament that can declare a new norm approved against the basic rights, banning its application. The main argument in this sense is summarized by the next quotation, taken from the act of the higher chamber commission that was discussing this bill:

He [a member of the higher chamber] stated that their claim will be funded because of the fact that the fund is financed by health withholdings, which are each user’s property. To orientate part of them to the Compensation Fund implies creating a concealed tax, affected to a specific aim, and it

constitutes a flagrant violation of each user's property right concerning their own health withholding⁹⁶ (Senado 2004: 74)

In other words, it is assumed that the 7% of health withholding that each worker in Chile has to direct to public or any of the private insurers is a thing that is owned by its user: it is private property. Therefore, instituting a Compensation Fund would imply an illegitimate expropriation of this property, an action that is against the Constitutional Right that guarantees Private Property.

This point produced an important confrontation. Three main arguments were used to confront it. First, it was said – as the next quote shows- that defending the right to private property would imply a conflict with another Constitutional Right, the “equalitarian access to health”, creating a clash of rights:

The Constitution guarantees to all the people equalitarian access to health, and in order to fulfil that end, a compulsory withholding can be imposed, allowing the access through mechanisms such as Solidarity Compensation Funds, which allow compensating the inherently higher risk associated with sex and age⁹⁷ (Senado 2004: 74)

Second, the impossibility of a health withholding being an owned thing was suggested, mainly for two reasons. First, a health withholding cannot be accumulated, and second, the amount spent is dependent on the health events of each user and is not connected with the amount withdrawn. In other words, and resembling the confusion discussed in chapter I, a health withholding does not work as a savings account, like in the Pensions System, but it acts as insurance.

Finally, a third line of argumentation suggested that this discussion was associated with a basic misconception that predated this whole controversy: the introduction of a “market logic” in a field that should be motivated by other principles. Specifically, as the next quotation shows, it was argued that

⁹⁶ “Hizo presente que fundarán su reclamación en el hecho de que el fondo se financia con las cotizaciones de salud, las que pertenecen al respectivo afiliado. Destinar una parte de las mismas a integrar el Fondo de Compensación Solidario implica el establecimiento de un impuesto encubierto, afecto a un fin específico, y constituye una flagrante violación del derecho de propiedad de cada afiliado respecto de sus propias cotizaciones de salud” (74)

⁹⁷ “Constitución asegura a todas las personas el acceso igualitario a la salud, y para este fin, se puede imponer cotizaciones obligatorias, asegurando la igualdad en el acceso con mecanismos tales como el Fondo de Compensación Solidario, que permite redistribuir al compensar los mayores riesgos inherentes al sexo y la edad” (74)

health should be conducted by epidemiological knowledge and solidarity principles, and not by business interest:

health constitutes an area that should escape the application of the same principles applied to the rest of the economy, and he regretted that the current model is not reconciled with a 'solidary' health system inspired by sanitarian criterion and values⁹⁸ (Senado 2004: 75)

Finally, the commission formed by members of parliament where these issues were discussed estimated that very deep value differences, impossible to reconcile in Parliament were involved in this discussion, and the Constitutional Tribunal should take a decision. However, before leaving the bill to be exposed to this institution and in order to approve the rest of the reform as soon as possible, the government decided to abandon the Compensation Fund plan. The funds needed in order to support those users who did not have enough resources to cover the universal premium would now be given by the State. After the Government abandoned the fund, the reform was approved with support from the opposition, whose members claimed that the Constitution was finally being respected.

However, a couple of months later the government suggested the creation of a Solidarity Fund within the private sector which would guarantee that the premium associated with the new regimen of guarantees would not change with the fluctuations in risk associated with each user. In other words, users with a higher risk would not pay a higher premium for the new coverage (maintaining the difference premium in the rest of their policies). In this case, each private firm would fix their own universal premium, but the risk would be compensated between all the private insurers (and producing a circulation from those companies whose pool is less risky than the rest). Paradoxically, as the next quote by one of the strongest opponents to the first fund shows, this initiative was easily supported by the opposition:

we (opposition) are not against it [new fund] because the resource will stay within the ISAPRES, because if well we have all different risk levels, this is variable during our life and in some moment we will all benefit from it⁹⁹ (Matthei 2004)

⁹⁸ "hizo presente que la salud constituye un área que, a su juicio, debe escapar de la aplicación de los mismos criterios que se utilizan en el resto de la economía y lamento que el modelo hasta ahora imperante no se avenga con un sistema de salud solidario e inspirado en criterios y valores sanitarios" (75)

⁹⁹ "nosotros (alianza) no nos oponemos a él porque los recursos quedan en las ISAPRES, ya que si bien todos tenemos distintos niveles de riesgo, éste es variable a lo largo de la vida y en algún momento todos podemos beneficiarnos de él" (Diario Financiero 17/8/2004)

Why was this second fund accepted and not seen as a violation of private property, if both implied sharing the health withholding with higher-risk users? What was this discussion, then, delimiting? The next section will present some conceptual antecedents in order to behold this controversy, in section 3, in a different way.

2. Concepts

For a long time social scientists have worried about the social character of economic matters. Probably one of the most important authors in this context is Emile Durkheim. As it is well known, Durkheim's doctoral dissertation "The Division of Labour in Society" was explicitly written as a polemic with those authors who see society as a product of utilitarian private encounters (Durkheim 1984). Durkheim famously explained that private contracts and exchanges work because of the existence of 'non contractual elements' that stick things together. In other words, activities that are in all appearances private are in fact social.

In Durkheim's view what is understood as 'social' seems to have an evolving meaning. In his early work he sees an evolution from segmentary communities to highly differentiated societies. While in segmentary communities exchanges and other activities seem to include the whole group, in highly differentiated societies these are more specifically located activities. However, and this is probably the main claim in his early work, both states are equally social, in the sense that they are both made possible by patterns of social integration, or what he calls 'solidarity'. So the transformation is not from collective communities to individual societies, but a change in the pattern of solidarity, from societies where integration is based in sameness to those where it is made possible by (labour) differentiation. During his career, the way Durkheim understood social integration changed. In the 'Division of Labour' it is associated with patterns of socio-demographic organization, and he seems to accept that modern solidarity could be almost completely based on 'difference'. However, in his 'Suicide' he explicitly argued that integration would need, even in modern societies, an equilibrium between individualization allowed by social differentiation and the attachment to collective values (Durkheim 1966). Finally, in Durkheim's later works, this attachment seems to be connected with an affective religious experience, where subject and society are ritually merged (Durkheim 1965).

In a footnote of his 'Elementary Forms' Durkheim mentions that a research that studies the religious origin of the economic life is thus far not available (Durkheim 1965: 466). Probably this is one of the main aims of his nephew's book, Marcel Mauss', *The Gift* (1967)¹⁰⁰. In a similar fashion to Durkheim's explanation in the 'Elementary Forms' that science has not always been the rational and differentiated phenomenon moderns know, and its origin could be traced to the religious ways of knowing and explaining the world, *The Gift* shows that exchange has not always been the dis-embedded and utilitarian activity that economists see, but was part of 'total prestations' that connect communities, moral obligations, and specific exchanges. In fact, in one of the most famous passages of his essay, Mauss argues:

It is only our Western societies that quite recently turned man into an economic animal. But we are not yet all animals of the same species. In both lower and upper classes pure irrational expenditure is in current practice: it is still characteristic of some French nobler houses. *Homo economicus* is not behind us, but before, like the moral man. For a long time man was something quite different: and it is not so long now since he became a machine – a calculating machine (Mauss 1967: 74)

Both Durkheim and Mauss were strongly critical of utilitarian social sciences, a critique that was developed at least in two complementary senses. In an empirical way, and as it has been already said, they argued that what were apparently individual or private activities (such as suicide or exchange) are also socially produced. In other words, a social science based just on the assumption of individual rationality would be empirically insufficient. Second, in political terms it is assumed that it is desirable to maintain some level of collective attachment, even in highly differentiated modern societies. The last parts of *The Gift* are very explicit when stressing this latter point:

[...] hence we should return to the old and elemental. Once again we shall discover the motives of action still remembered by many societies and classes: the joy of giving in public, the delight in generous artistic expenditure, the pleasure of hospitality in the public and private feasts. Social insurance, solicitude in mutuality or co-operation, in the professional group and those moral persons called Friendly Societies, are better than the mere personal security guaranteed by the noble man to his tenant, better than the mean life afforded by the daily wage handed out by managements, and better even than the uncertainty of capitalist savings (Mauss 1967: 67)

¹⁰⁰ For more information about the connections between Durkheim and Mauss see Hart (2007b).

Without denying the relevance of these critiques, assuming the anti-utilitarian position defended by Durkheim and Mauss does not seem a very productive point of departure for understanding our case. There are at least two main difficulties. In practical terms, even before starting our analysis, the position that a scholar influenced by Mauss would assume could be easily guessed. In fact, instead of a discussion between left and right-wing politicians, the parliamentary controversy presented in the last section could also be seen as a discussion between utilitarian social scientists (who defend the individual right to choose as a better social policy) and those who think institutions such as health insurance should be directed from a non market logic of solidarity and cooperation. The next quotation is particularly illustrative:

French legislation on social insurance, and accomplished state socialism, are inspired by the principle that the worker gives his life and labour partly to the community and partly to his bosses if the worker has to collaborate in the business of insurance then those who benefit from his service are not square with simply by paying him a wage. The state, representing the community, owes him and his management and fellows workers a certain security in his life against unemployment, sickness, old age and death (Mauss 1967: 65)

It is not clear what would be added if we start today an academic research about the tension between what is private and collective in Chilean Health Insurance from this perspective. In fact there is a high risk of ending up just an amateur defender of professional politicians. However in the last years some important criticisms to Durkheim and Mauss' assumptions have been made, bestowing our research with a more productive starting point. Probably the most visible referent in this context has been the work of French philosopher and anthropologist Bruno Latour. In his 'Reassembling the Social' Latour confronts what he calls 'sociology of the social' with a 'sociology of associations' (Latour 2005). In the first, there is an attempt to explain different phenomena such as 'scientific knowledge', 'religions' and 'economy' by social variables. In other words, here what social scientists study are the 'social' elements that help explain the production of these different fields. Latour associates the 'sociology of the social' with Durkheim and assumes the critique to this point of view developed by Durkheim's contemporary, Gabriel Tarde. In Latour's words:

Tarde always complained that Durkheim had abandoned the task of explaining society by confusing cause and effect, replacing the

understanding of the social link with a political project aimed at social engineering [...] we don't need to accept all of Tardes' idiosyncrasies and there are many – but in the gallery of portraits of eminent predecessors he is one of the very few, along with Harold Garfinkel, who believed sociology could be a science of accounting how society is held together, instead of using society to explain something else or to help to solve one of the political question of their time (Latour 2005: 13)

Instead of looking at the way 'the social' explains other dimensions, a 'sociology of associations' should try to understand how collectives are assembled. Thus, 'the social' is not a cause, but what has to be explained. To say it clear, Latour does not claim to return to an utilitarian social science, but he argues about the relevance of understanding not just the way a particular activity (such as the economy) is produced, but also how collectives are assembled while these activities take place. In other words, society is not seen as a cause but as something that is made and accomplished. We could say that the movement then, is from studying how 'solidarity' explains the economy, to understanding how society is made solid through the economy (more about these issues in chapter VI).

Be that as it may, the practical and conceptual problems that have just been described do not propose to abandon the questions posed by Durkheim and Mauss. But if they are to be considered, these questions would need some corrections. In fact, as I expect to show in the next two sections, there are at least two different traditions that follow the interests of Durkheim and Mauss, albeit not developed from the perspective of the 'sociology of the social'. Specifically, in the next section I will explain some of the economic anthropological discussion about exchange and property and, in section b, the position of authors who have analysed the history of statistic and insurance following Foucault's later work. Respectively, these traditions allow us to understand the concepts of 'moral persons' and 'solidarity' in a way that is less problematic and more useful to our study.

a. Anthropological properties

It is very difficult to say something remotely new about such an important and thoroughly studied text as is Mauss' Gift. This essay has opened numerous research agendas within economic anthropology or over a wider

area in what is currently known as the “The Other Economy” (Hart 2007c)¹⁰¹. In the context of this research, and considering the critique that was referenced in the last section, two elements within the discussion about the Gift are particularly relevant here. First, as Mauss explains, exchanges are not solely performed by individual persons, but they can also be carried out by ‘moral persons’. In this sense, rather than looking at how exchange is reproduced or embedded in previous social rules, it is relevant to ask about the process by which exchange produces new—individual and collective—persons¹⁰².

In the systems of the past we do not find simple exchange of good, wealth and products through markets established among individuals. For it is groups, and not individuals, which carry on exchange, make contracts, and is bound by obligations; the persons represented in the contracts are moral persons – clans, tribes, and families; the groups, or the chiefs are intermediaries for the groups, confronts and oppose each other [...] we are here confronted with total prestations in the sense that the whole clan, through the intermediacy of its chiefs, makes contracts involving all its member and everything it possesses (Mauss 1967: 3-4)

The construction of ‘moral persons’ has been a core issue within economic anthropology as it becomes involved in understanding property. In his introduction to a special volume about this topic, Chris Hann referred to the work of the political theorist C.B. Macpherson (Hann 1998). Macpherson, as next quote illustrates, proposed at least two important points to consider here: first, that property is a right not a thing, and, second, as a right it has to be justified and open to controversies:

property is controversial, I have said, because it subverts some more general purpose of a whole society, the most general point is that the institution – any institution- of property is always though to need justification by some more basic human or social purpose (3) [...] to have a property is to have right in the sense of an enforceable right claim to some common resource or an individual right in some particular things. What distinguishes property from more momentary possession is that property is

¹⁰¹ In his survey on the economic anthropology discussion about the gift, N. Thomas distinguishes three main research streams (Thomas 1991): the use of the difference between commodity and gift as a key to interpret different exchange and societies (Gregory); the question about the inalienability of some kinds of objects within particular exchanges (Weiner); and Appadurai’s focus on the way object circulates moving from commodity to non-commodity and commodity again. In a more sociological context Mauss had obviously influenced the wide net of people interested in studying non-utilitarian action in modern exchange (Caillé, M.A.U.S.S).

¹⁰² For a critical account of the rise of ‘collective persons’ in contemporary capitalism and the ways in which anthropologists study them see Hart (2006).

a claim, that will be enforced by society or the state, by custom or convention or law (Macpherson 1978: 16)

In a more recent review Hann (2007) (discussing Bend-Beckman et al) explains that property comprises three main elements: social units (individual, group lineages, corporations, states) that can hold property rights; the construction of valuables as property objects; and the different sets of rights and obligations such units can hold with respect to such objects. Anthropological understanding of property has been importantly challenged by the study of transformations in former communist economies (Humphrey & Verdery 2004; Verdery 1999). In this context the three elements identified by Hann have to be rethought, as Catherine Alexander argues in an article about transformations in Kazakhstan:

[the] privatization described here problematizes the very definition of 'person', 'thing', and 'relation' bringing to the fore the polyvalent nature of value implicit in any property relation (Alexander 2004: 254)

However, perhaps the deepest theoretical reflection on anthropology of property is not made by an author studying post-socialism, but by one whose relatively recent interest has been the study of what she calls 'potential properties' (Strathern 1999). Marilyn Strathern suggests that occidental thinking has difficulties in understanding current property controversies - for instance: discussions about 'cultural property' (heritage, traditions, practices, tacit knowledge...), 'intellectual property' in universities, or in the discipline of genetics - that are not merely about discussing rights, but at the same time define the type of 'person' involved and the good to be owned. However, and in a similar fashion to the rest of her work, Strathern finds alternative ways of understanding properties in her fieldwork notes, revealing new directions for conceiving property in general. Her arguments are not simple, but they can be summarized in three main points.

First, there is no previous social unit, but the unit itself is performed through the very definition of property. As the author suggests:

a thread running through of decontextualization and de-contextualization involved in the flow of knowledge. *Ownership* re-embeds ideas and products in an organism (whether a corporation, culture or individual) [...] ownership gathers things momentarily to a point by locating them in the owner, halting endless dissemination, effecting an identity. We might even say that emergent forms of property signify new possibilities for corporeality or bodily

integration on lives that observers constantly tell themselves are dispersed
(Strathern 1999: 177)

Second, property is not about differentiating between individual and collective rights, but between different kinds of collectives. In other words, property is always a collective issue, but not because it is embedded in collective norms, but because collectives are produced by defining property. In this context, Strathern's work can be defined as neo-maussian (Graeber 2001), because she has re-thought the ways in which exchanges are connected with the production of collective persons. However, at the same time, they could be considered as a Sociology of Associations, because social units are not necessarily pre-existent but performed.

And third, Strathern suggests, compensation plays a very important role in defining the relation and the collectives involved:

compensation is part of the wider field of transactions of which social units are defined through exchange [...] transactions act as a source of both social continuity (actors coming together for one purpose) and of social discontinuity (actors separated either as contributors towards or as recipients of payments) [...] for it may be given or received by any order of social entity – an individual or a clan or a district. But that is really the wrong way round. Rather collectives differentiate, identify and, in short, *describe themselves by their role in compensation* (Strathern 1999: 191)

To summarize, social units (individual or moral persons) are assembled by defining property. In other words, a controversy concerning property is not just a discussion about distribution but it is a debate about the construction of valuables, the definition of rights and the creation of entities that have the ability of claiming some ownership. In this context, compensation is crucial, because it defines whom, and what is the purpose and meaning of its connectedness. In this sense it is possible to frame our case in a new way. Specifically it could be said that the Solidarity Fund controversy was in fact about establishing who could use the 7% extracted from each worker's salary and directed towards health insurance: (i) those covered by the same insurer; (ii) those covered by any of the private insurers; or (iii) all the beneficiaries of the Chilean health system. In other words, instead of focusing on creating a collective or a private system, the discussion was about defining different kinds of collectives. This does not mean that the difference between what is public and what is private is not relevant; but rather than being presupposed, this difference is being performed.

Now, as a second step, it is important to review some particularities of insurance as an economic contract. Specifically, the next section will focus on a group of scholars that have tried to understand the way insurance assembles collectives, producing modern solidarity.

b. Insurance and collectives

Generally, if Michel Foucault's work is associated with a classic sociologist it is with Max Weber, due to his widely known interest in the development of modern forms of power-knowledge. However, there are also important resemblances with Durkheim and his followers. In fact it is possible to argue that during their respective careers both Durkheim and Foucault tried to answer very similar questions such as: the development of modern categories ('Elementary Forms...' and 'The order of Things'), or the production of normality ('Suicide' and 'Discipline and Punish'), and particularly in his later work on Biopolitics and Governmentality, Foucault, and authors who were influenced by him, tried to understand the ways in which modern solidarity is produced. However, like Strathern, these authors have not assumed solidarity as an independent variable, but something that has to be assembled. In this context, elements such as the development of statistics and insurance have been very relevant.

Foucault's later work focused mainly on the development of a different kind of power, one that was not discursive or associated with discipline, but with the development of a new scale of government: population (Foucault 1991, 2007). This is linked to the identification of a new level of reality, 'the economy' based on the emergence of a new collective subject: the population. Population is concomitant to the recognition of supra-individual regularities, made possible by the calculus of probabilities and a new use of statistics, which "now becomes the major factor of this new technology" (Foucault 1991: 99). As Foucault explains:

the word 'economy', which in the seventeenth century signified a form of government, comes in the eighteenth century to designate a level of reality, a field of intervention, through a series of complex processes that I regard as absolutely fundamental to our history (Foucault 1991: 93)

Statistics played a core role in the emergence of population, and then a particular institution (*dispositif* in Foucault's terms), becomes especially relevant: insurance. However, insurance is not just related to the creation of the 'economy' as the space for the development of liberal government, but as Francois Ewald explains, it is also related to the creation of society (Ewald 1991). Insurance is based on a very real abstraction: risk (see chapter V). Risk calculus allows the transformation of individual accidents into group regularities producing, at the same time, a new sense of responsibility. If we are able to measure the probability of an accident that is yet to happen, the factors that increase the odds of the event can then be identified. Once the factors have been identified, risks can be managed. As Ewald explains:

Strictly speaking there is no such thing as an individual risk; otherwise insurance would be no more than a wager. Risk only becomes something calculable when it is spread over a population. The work of the insurer is, precisely, to constitute that population by selecting and dividing risks. Insurance can only cover groups; it works by socializing risks. It makes each person a part of the whole. Risk itself only exists as an entity, a certainty, in the whole, so that each person insured represents only a fraction of it. Insurance's characteristic operation is the constitution of mutualities: conscious ones, in the case of the mutualist associations; unconscious ones, in the case of the premium companies [...] risk defines the whole, but each individual is distinguished by the probability of risk which falls to his or her share. Insurance individualizes, it defines each person as a risk, but the individuality it confers no longer correlates with an abstract, invariant norm such as that of the responsible juridical subject: it is an individuality relative to that of other members of the insured population, an average sociological individuality (Ewald 1991: 203)¹⁰³

As Ewald argues, insurance thus implies a new form of making collectives, where risk management is associated with 'prevention' —or attempting to reduce a population risk— and the developing of new forms of responsibility. If risk is characteristic of a population, a specific individual is no longer completely responsible for her accidents (Ewald 2002). In this context, risks that cannot be prevented should be compensated. In other words, the age of statistics and prevention becomes the age of social insurance based on solidarity and compensation.

¹⁰³ Ewald follows: "insurance is the mechanism through which this sharing is operated. It modified the incidence of loss, diverting it from the individual to the community. It substitutes a relation of extension for a relation of intensity" (Ewald 1991: 205)

As explained by Ewald, statistics and insurance are not just reflecting a previous change in the shape of social solidarity, but by means of establishing new abstract relationships between individuals, they actually creates modern solidarity. In fact, we could say that studies such as Durkheim's 'Suicide' were not just observing social laws, but by identifying statistic regularities they were also creating modern solidarity. As a quote from 1884 illustrates:

insurance creates a new grouping of human interests. Men are not longer juxtaposed alongside one another in society. Reciprocal penetration of souls and interests establishes a close solidarity among them. Insurance contributes substantially towards the solidarization of interests (Ewald 1991: 207, quoting Chauffon [1884])

In addition to Ewald, another important author who was influenced by Foucault developed an original research on insurance is Pat O'Malley. As O'Malley suggests, it is important to understand that statistics and actuarial techniques do not just produce the type of solidarity associated with social insurance. However, similar actuarial techniques have been also used in neo-liberal risk management, proliferating in services such as private annuities and private health insurance. O'Malley calls this new stage *prudentialism*, whereby instead of "regulating individual by collectivist risk management, [...it] throws back upon the individual the responsibility for managing risk" (O'Malley 1996: 197). In this context there is a retraction of 'socialized' risk-based techniques and an expansion of those techniques that emphasize the creation of '*embracing risk*' individuals (Baker & Simon 2002). Following Foucault's concepts, we could say that nowadays risk is not just relevant in making population possible, but also in constructing modern self (Rose 1992). Nevertheless, this last point does not invalidate the fact that insurance cannot be strictly individual. Even today, famous mortgage-based derivatives are made possible by connecting previously unconnected events (see chapter V). In this sense, both public and private insurance, rather than opposing individual and collective, can be seen as different forms of assembling population through risk calculation. As Knights and Vurdubakis have summarized:

subjects are, therefore, represented actuarially as instances of a population. Only a population can provide the constancy within which the objectivity of risk can manage itself [...] the calculation of risk is then at once individualizing and the producer of a kind of collective order. A collective order in the sense that the security of any single individual is contingent on the premium contributions of all, but individualized in so far as individual

premium reflects the objective probability (risk) of an individual making demands upon the fund. The insurer's task is therefore to assign risk class memberships (Knights & Vurdubakis 2005:06)

3. Assembling the private

The current chapter has focused on the controversy that emerged after the plan envisaged by the Socio-democrat government of Chile to introduce a 'Solidarity Compensation Fund' in order to finance the Regimen of Health Guarantee that was being created. This fund would allow the circulation of resources from those populations with higher income and lower health risk, to those with higher health risk and lower income, without discriminating between those individuals covered by any of the private insurers and those covered by the public system. Assuming the current characteristics of both, public and private, the establishment of this fund would have implied important monetary transferences from private health insurers to the public system. The initiative produced a huge parliamentary debate because, for those who opposed it, the initiative would change the fundament of the health system created by the 1980 Political Constitution: namely, the private character of each worker's health withholding. In fact, it was argued that this reform would be against the protection of private property understood as a guaranteed Constitutional Right. On the other hand, those who defended the government's initiative followed three different lines: (a) there is a clash between the right to private property and the right to health; (b) the health withholding cannot be seen as a 'thing' that can be owned because it cannot be accumulated and the actual expenses are not dependent on the amount withdrawn; (c) and, finally, it was argued that this controversy would reflect a deeper misconception, the belief that health is a field that can be organized within a market logic. Finally, in order to approve the rest of the reform, and to avoid the Constitutional Tribunal, the Government eliminated the 'Compensation Fund' plan, finding alternative and less controversial sources of funding. However, a couple of months later, the opposition easily accepted the creation of a 'Common Fund' that would enable resources to circulate between users who were covered by different private insurers in order to avoid increasing individual premiums with the new Regimen of Health Guarantees.

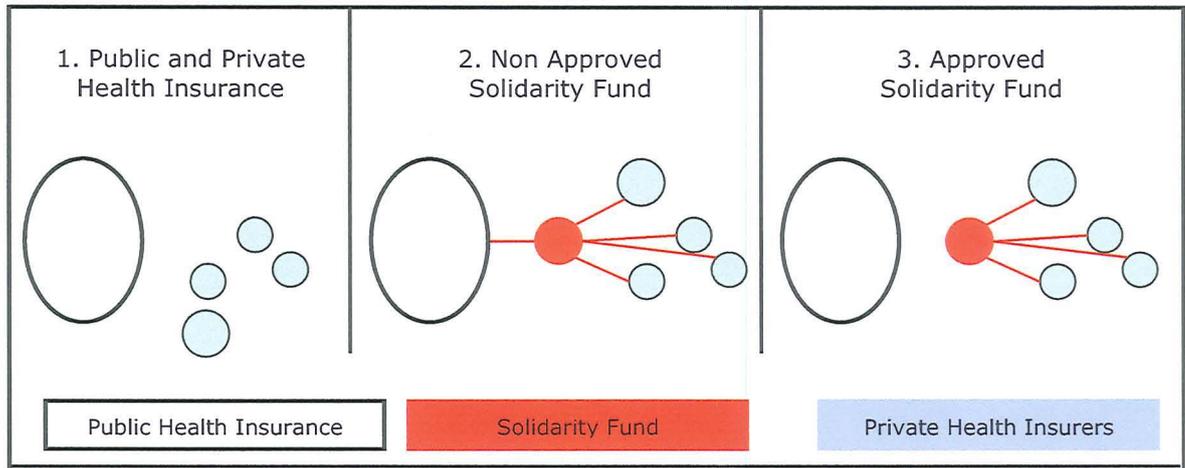
The conceptual review started from the classics, specifically from the question posed by Durkheim and Mauss about the solidary character of the economy

and the role played by 'moral persons' in exchange. However, we decided not to consider the way 'moral rules' frame apparently individual exchanges, but instead to emphasize how solidarity and collective social units are performed. Specifically, we referred to two different traditions of thought which are useful in order to reformulate Durkheim and Mauss's question in a novel way: the economic anthropological discussion on property and social studies of insurance as influenced by Foucault's late work. Current anthropology has rethought the classic notion of property as the connection between persons and things through a bundle of rights. Authors such as Strathern have shown that defining property is not only a matter of rights but it also about establishing the thing to be owned and assembling the 'person' that owns it. In this sense, controversies relevant to property are not just about compensation but about assembling collectives. On the other hand, the literature on insurance demonstrates that these institutions are also a particular producer of collectives. Insurance is never individual; by calculating risk these institutions connect people, produce a 'pool'. However, this connectivity is not always associated with a 'collectivistic' logic; in fact, similar actuarial techniques have been used in both the production of social insurance, generally associated with strong welfare states, as well as with current private methods of managing risk, such as private annuities and health insurance.

In this sense, why was the first fund strongly contested while the second was finally accepted? Both were 'solidarity funds' that were created in order to move part of each worker's withholdings to that of other users, and not just within the same insurance company but also to consumers that had opted for other firms. In other words, both funds were about making health withholding collective. In spite of this, the discussion was framed as an issue concerning private property, albeit if understood at a deeper level, it could have been about something different. Perhaps, and considering the discussion presented here, it was about compensation, and how to establish the limit of potential claimants (including those claimants covered by the same insurers, those covered by private sectors and those covered by the public sector). Insurance is always collective, but there are different types of pools. Classic social welfare is, for instance, ordinarily national, while private insurance is delimited to those people that contracted an insurance policy with a specific firm. The original Solidarity Fund would have reformulated this latter form of making collectives. In other words, what was being discussed was the extent of the insurance: who is connected with whom, how big is the collective that is being assembled, and not, whether a collective exists or not. This is all

tightly connected to public and private, not from the standpoint of more or less collective attachment, but from the delimitations of two different collectives —the public and the private. The following figure illustrates this last point.

Figure 11. Illustration, Solidarity Fund and Connecting Pools



In this context, it is important to make some remarks. First, it is worth noting that there are other forms of blurring the individual character of private policies. In fact, there are policies known as ‘collective plans’ that correspond to those cases where members of a particular organization decide to agree to join together the same health insurance firm. Here, policies are still individual contracts but risk is shared between the members of an organization, making it possible for those people who earn a lower income to have access to insurance policies that they would not be able to pay without this type of collective plan. On the other hand those people with higher income will probably have access to less benefits than they would have if they had contracted a policy independently. We interviewed some individuals involved in sales who argued that these types of policies are not very popular today because they are attacked by aggressive sales strategies geared towards seizing those users with less risk and high income while dismantling the whole collective plan. Secondly, users of private health insurance have always circulated part of their resources to public health insurance users. It is important to remember that the population covered by private health insurance corresponds to those with higher income and that public insurance, in spite of income deductions, is funded by general taxes. At the same time, as it was mentioned in chapter II, users of private health insurance have been subsidized with public funds. This was the case during the existence of a 2% subsidy which aimed to increase the amount of potential users of private

health insurance during the 1980s. In fact, even today the maternity leaves (issue that will be discussed further in chapter V) carried out by users of private health insurance are still funded with public resources. In other words, it is important to note that private and public are not just both collective, but are connected in varying ways, and the introduction of the Solidarity Fund was a new form of connection, rather than the only way of connecting the private and the public.

On the other hand, the information presented in this chapter can be associated with wider debates about privatization. As it was mentioned in the discussion on economic anthropology, post-socialist transformations have been a very relevant field where what was understood as private property has been contested. In this context, the work of sociologist David Stark is also relevant. Following his work in Hungary, Stark has suggested that privatization, rather than a mere movement in a continuum from public to private ownership, has made possible the apparition of new forms of ownership, for instance, what he calls 'recombinant property' (Stark 1996). In this sense, 'private health insurance' is not merely a way of making individual a thing that was previously owned by the state. In fact, as we have explained, to talk about "private insurance" is almost a contradiction, however, it does exist. But, to understand it, it is important to be open to the idea of assuming the private as a type of collective. In other words, the discussion presented was not about a contradiction between solidarity and egotism, but about different approaches to making new solid ties.

Before finishing it is important to address two last points. It is interesting to remember that during the discussion about the Solidarity Fund, two other controversies came to light: the criticism about a potential bi-directionality or the public funding of private firms, and the possibility of introducing portable vouchers or allowing public funds to circulate widely. If we consider these elements, we could perhaps say that the discussion surrounding the Solidarity Fund was not just about the limits between two types of collectives, but also about delimiting the ways in which resources and people can circulate from one side to the other. In this context, perhaps the points developed here can be connected with wider discussions about the ways in which social stratification is currently being assembled in contemporary Chile (Aritzia 2007). Secondly, it is also important to consider that the division between two types of assembling collectives in health is a quite recent configuration. As historian M. Illanes has shown, there is a long tradition in Chile that goes from religious *caritas*, early workers organizations or 'mutuals', and later

centralized through a National Insurance complemented with mutuality (Illanes 1989). In this context, perhaps it is also possible to understand 'privatization' as part of a long process of 'exclusion' of multiple ways of creating health collectives. In other words, the current situation could also be evaluated from the perspective of its absent collectives.

V. The commodity: Pricing time in Chile's private health insurance

A commodity appears at first sight an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties (Marx 1981: 163)

When former public institutions are made private, there are always claims of 'commoditization'. Diagnoses of commoditization are not new at all. In fact, already at the beginning of the XX century Georg Simmel pointed out that one of the main features of money is its ability to detach objects from social obligations, making circulation more dependent on the objects' monetary valuation and individualistic impulses, rather than on traditions or community values (Simmel 1990). Later in the same century Karl Polanyi criticized self-regulated economies, because they would produce 'fictitious commodities', that is, they would cause the flotation of things that are not meant to be exchanged on markets (such as land and labour) under the self-regulated supply and demand. In recently authored work (Muniesa 2006), good and commodity are seen as synonymous; however it is still very important to distinguish them. It is important because the notion of 'commodity' and its process version, 'commoditisation', open important elements that are not included in discussions about the differentiation of goods (discussed in chapter III). The concept of commodity, at least since Marx's famous passages (Marx 1981: chapter 1), is associated with the relation between the traded thing and its price, and commoditization, with the transformation that being priced implies for the elements involved in this transformation.

In the insurance sector these issues are not simple. What is the insurance's commodity? What has been transformed when things are priced in this industry? It is not strange to hear that health has become a commodity in Chile, but is this right? Or, even further, what does this mean? Up until now, it has been that a market exchange has been produced: there are users that, in case they opt for the private system, can decide into which company to direct their 7% health withholding; and there are private firms offering a range of insurance policies as well. But, what is the origin of the prices—or the premium—that these policies set? What is being priced? And what happens to the elements involved in this process after they have been priced? Of course, someone who is familiar with the way insurance works could

quickly respond with something like: “an insurance policy is a contract that establishes the conditions when (and how) future medical events will be financially covered, and, the price is defined considering actuarial information as a function of the risk associated with the characteristic of this particular contract”. But, what does this mean? In the present chapter we aim to explore these issues in depth.

The organization of the chapter will follow an important article written by Francois Ewald and published in 1991. In this article Ewald discusses very similar issues to those posed here, but in the context of a wider attempt to understand the nature of insurance and the way in which these institutions are central—together with sociology—to the production of modern societies (see chapter IV). This chapter is neither a straight critique nor is it merely an abbreviation of Ewald’s ideas. His article is very condensed, and as such it could be understood in different senses. The current chapter tries to unfold its main affirmations, but it also fills the gaps with ideas taken from other authors who have researched similar issues from different theoretical perspectives and disciplines. More specifically I have split Ewald’s essay into three main points; each of these points corresponds to each of the following sections, closing with a more general discussion at the end.

1. Insurance, price and the priceless

What is insured is not the injury that is actually lived, suffered and resented by the person it happens to, but a capital against whose loss the insure offers a guarantee. The lived injury is irreparable: afterwards it can never be the same as before. One does not replace a father or mother, any more than one replace an impairment of one’s bodily integrity. Considered as suffering, all of this is beyond price, and it is the nature of insurance to offer financial compensation for it (Ewald 1991: 204)

The previous quote highlights a core element in health and life insurance very relevant to our question. To be insured does not stop the covered event from happening (death; sickness; accident); but the coverage is used just in case some of these events happen, and more importantly, health and life insurance do not compensate the actual loss but the financial consequences of an unexpected event. In order to understand better the relevance of these tensions, the early work of cultural sociologist Viviana Zelizer is particularly helpful.

Zelizer developed a historical approach to the insurance industry in the United States, specifically to the 'Life' and 'Child' insurance of the XIX century (Zelizer 1981, 1983, 1985, 1992). In these studies, Zelizer considers how these systems were originally criticized by introducing 'profane' monetary calculation into 'sacred' spaces, and the way in which, in both cases, and in order to succeed, the commodity ended up being made sacred in one sense or another. For example, insuring children's life in the United States started as a service offered to working class families, which would pay relatively low weekly premiums, eventually receiving a compensation that was large enough to cover the expenses of the child's burial. This system was quickly successful, but, at the same time it was heavily criticized, even legally prosecuted in some states. Critics claimed that these policies were pricing the life of the involved children, which, considering the poverty of the families targeted by these policies could even incentive their murder. These claims, Zelizer explains (1981, 1985), make sense in the context of a cultural process of 'de-commoditisation' of children happening in the XIX century. From a situation where an important proportion of children were contributing to the reproduction of the domestic economy with their own wage, they were increasingly seen as the economically useless but emotionally priceless modern figure that is now very familiar. In this context, children were envisioned as existing outside of monetary transactions and any attempt to price them was considered an almost sinful act. Critics mostly aimed to defend this priceless status, which, they thought, was being questioned by the introduction of insurance services. However, the insurance industry, and this is mainly why these policies were not banned, defended this service not as a utilitarian act of saving, but as a gesture of affection and reciprocity. In other words, the insurers' campaigns stressed that by contracting these insurance policies, and then potentially claiming the compensation, parents would not receive anything comparable to the 'priceless' loss, but they could, in some sense, return some of their love by giving these kids a proper funeral.

Similar claims are not infrequent in Chile. In fact, as it was referenced in chapter IV, like the children in Zelizer's case, health is also seen as an ultimate value that has been subordinated to the logic of the market, imposing business rationality in a field that would work under a different logic¹⁰⁴. Of course, these are not necessarily wrong statements (as it will be discussed in the conclusion to this chapter), however, Zelizer's work allows an

¹⁰⁴ Elements that were even discussed in classic work in health economics by Kenneth Arrow (1963).

expansion of Ewald's affirmation giving two important insights that spur a more comprehensive understanding of this process. First, as Ewald suggests, insurance does not give you back what you lose (life, child, health or even your family property), it can only help in covering the potential financial consequences associated with these particular events. In strict rigor, what is priced is not health but the cost of the financial consequences of a health event. In this context, and secondly, insurance does not price everything, on the contrary, it seems to need a priceless environment. And that is very present in Zelizer's work, as she shows that insurance does not just actively produce markets, but it seems to reinforce the de-commoditisation of its object. In other words, at least in the cases of life and child insurance which Zelizer studied, in order to be insurable the price of the covered event has to go far beyond the potential compensation. In fact, and paradoxically, the insurance business seems to work better when the potential loss is priceless because it is so emotionally loaded or it is considered sacred ¹⁰⁵. In other words, insurance seems to produce a duality, on the one hand the 'good' to be protected and on the other the financial compensation after an accident. In cases such as health or life insurance, the protected thing and the financial compensation do not match. As Zelizer reveals, insurers used this difference to defend themselves against the critics of child and life commoditisation; they were not pricing the child, but the cost of a burial. In Zelizer's examples, affection is what allows these different sides to be connected. This affective link is also relevant in our case, as it will be discussed in section 3-d, however, before that, it is important to explore an element which Zelizer has not discussed in depth, but is central to any insurance, namely, risk.

2. Risk

Insurance can be defined as a technology of risk. Risk is a neologism of insurance [...] The notion of risk is likewise central to the juridical definition of insurance: 'risk is the fundamental element of insurance, since it is the very object of this type of contract (198-199) [...] Insurance, the risk-treatment of injury works through a dualization of the lived and the indemnified. One and the same event requires a dual status, on the one hand, a happening with the uniqueness of the irreparable; on the other, an indemnifiable risk. Hence it is a major problem here to know how to

¹⁰⁵ In terms of insurance economics, for the 'insurance' market to work, it is vital that the events that are being covered are random events, or that the protected users cannot affect the probability of their occurrence (Chiappori & Gollier 2006). In this sense, health can be assumed as a good that people cannot harm, or that its value is so high that it is almost incomparable with the potential claim, however the amount of medical attention can be affected, producing a risk that is known as 'moral hazard'. More about these issues in Section 3 of the present chapter.

establish a relation between the unique event and its financial compensation
(Ewald 1991: 204)

The previous quotation stresses a central element which is not discernible enough in Zelizer's work, and that is, insurance functions in a very specific temporality: it is a technology of risk. This fact opens several elements that expand the question posed in this chapter, addressing the parts played by time and risk; the way in which risk is made an object and priced; and then the connections between risk as an objective abstraction and as subjective feeling. These elements will be developed in the next four sections. Finally, section five will try to illustrate the previous discussion in more practical terms and delve into the ways that these elements work together.

a. Time

Probably one of the deepest understandings of risk currently available in the social sciences is the sociological theory developed by Niklas Luhmann (Luhmann 2006)¹⁰⁶. His work can be seen as a 'phenomenology of communication', where communications are events that produce meaning by producing and re-producing particular forms (Lash 2002)¹⁰⁷. Here, technical risk assessments are a very particular form of communication: they deal with a temporal tense (future), which of course has not yet happened. As an author who will be discussed with more detail in the following section has observed: "risks are events in becoming" (Van Loon 2002a) or "the essence of risk is not that is happening, but that it might be happening" (Adam & Van Loon 2000).

As Luhmann suggests, in modernity, the future is no longer appreciated as the direct continuation of the past; and it is assumed as contingent and changeable (Luhmann 1996). The spreading of technologies of calculation

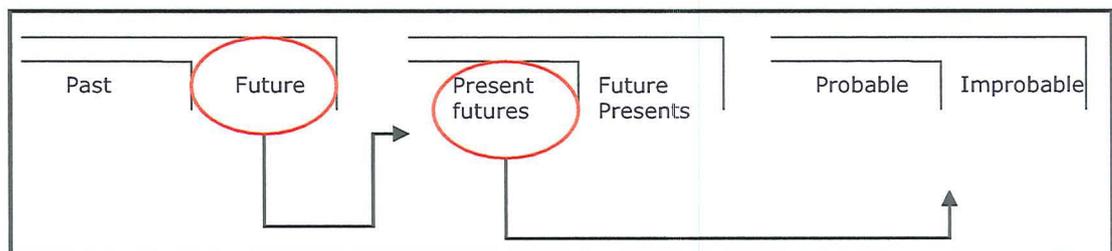
¹⁰⁶ As anthropologist of finance Zaloom has suggested: "Luhmann focuses attention on the problem of making decision at the border between present and future, a problem central to economic action. Even though Luhmann's conceptual approach does not incorporate the *work* of risk-taking, his framework can help us to understand the practices of risk" (Zaloom 2006: 194).

¹⁰⁷ That is the study of the production of meaningful communication. What is understood by *meaningful* not necessarily the correspondence of these communications and previous categories, but the continuous production of forms: or the distinction between marked and un-marked states. With 'form' Luhmann refers to the logic developed by mathematician Spencer-Brown, used in this context to explain how meaning is not socially produced but enacted by the production of differences. As the author states: "Meaning is the continual actualization of potentialities. But because meaning can be meaning only as the difference between what is actual at any moment and a horizon of possibilities, every actualization always also leads to a virtualization of the potentialities that could be connected up with it [...] Meaning is the unity of actualization and virtualization, of re-actualization and re-virtualization, as a self-propelling process (which can be conditioned by systems)" (Luhmann 1995: 65, see also White et al (2008)).

such as statistics allows the visualization of more possible futures in the present, expanding the horizon of possibilities faced by organizations and other systems. They transform future presents into “a string of anticipated presents” (Luhmann 1982). In this context, it is not just that past and future are detached, but communications about the future performed in the present (“present futures”) and the future that will actually be (“future present”) are also sharply distinguished (Luhmann 2000: 95). Furthermore, in a context of calculations of probability, the difference between probable and improbable events is made central. As the author explains (and illustrated in the next figure with a notation in the style of Spencer-Brown):

In the dimension of time, the present refers to a future that only exists as what is probable or improbable. Said another way, the form of the future is the form of probability that directs a two-sided observation as something more or less probable or more or less improbable, with a distribution of these modalities across everything that is possible [...] This assumes that we can distinguish between the future (or the future horizon), the present as the realm of the probable and improbable, and the future presents that will always be exactly what this will be and never otherwise (Luhmann 1998: 69 - 70)

Figure 12. Time differentiation in Luhmann's theory



However, even with the most accurate measurement, risk implies uncertainty, at least in two senses: in the sense of the Knightian distinction where calculated futures (risks) are different than non-calculated ones (uncertainty); but also, in the sense that the limit itself between calculable and non-calculable can be inaccurate. In other words, risks are inevitably linked with a future that cannot be known, a tension that is expressed in the present as communication. Or, as Ulrich Beck has said in a more creative way, “Socrates has left us to make sense of the puzzling sentence: I know that I know nothing. The fatal irony, into which scientific-technical society plunges us is, as a consequence of its perfection, much more radical: we do not know what it is we don’t know” (Beck 2006: 329) ¹⁰⁸.

¹⁰⁸ It is here where the main difference between Luhmann’s account and Ulrich Beck work is located. Beck’s “Risk Society” claims that contemporary risks – or what he calls ‘manufactured

Therefore, and this is one of the elements that have made risk so relevant: despite its endogenous uncertainty, risk produces action. In other words, even knowing that predictions can be mistaken or that the frame used to measure them itself can be inaccurate, transforming an open future into risk allows acting as if the possibilities of an unknown future were known. In this sense, what risk does is transform 'danger', a non-calculated future, into something which can be acted upon. Even, if the decision is to place your trust (or not) in a particular prediction. As Luhmann suggests:

Risk is therefore a form of present description of the future under the viewpoint that one can decide, with regard to risk, on the one or other alternative [...] risks concern possible but not yet determined, or improbable, losses that result from a decision (71) [...] The economy offers the opportunity to insure ourselves. But we still must make a decision. All dangers against which we could insure ourselves are thereby transformed into risks. The risk lies in the decision to insure or not to insure (Luhmann 1998: 77).

Insurers, as the previous quotation shows, inhabit the present making futures present. In this sense, they live in a continuous tension: between improving their way of visualizing an unknown future and the way the future will be realized. In other words, risks are not mere 'possibilities' but something that orientates future communications and actions, transforming the world where they are enacted. In this sense, risk is not just possible but a real abstraction, it is virtual. As Jakob Arnoldi has said:

Focusing on virtuality means that a temporal development is impossible to determine or predict. But this does not mean that it is contingent or fully indeterminable, as the conditions of possibility (the virtual singularities) can be 'determined/predicted'. It is precisely this that renders the possible no longer mere possibility but something that can be known (albeit in an indeterminist form). It is this that transforms possibility into virtuality

uncertainties'- would go beyond the principle of insurability. In other words, rationalized modern institutions based on statistics and expert knowledge, could not deal with these types of uncertainty, opening up new areas of political deliberation (see for instance, Beck 1996). However, Beck is not seriously considering that 'risk' has always implied uncertainty, and that insurance, if needed could develop non-statistical ways of assessing risk (Ericson & Doyle 2004b, Collier 2008). Following Scott Lash's terms, we could say that assessing risk is not just an act of 'determinate judgement' but also involves other forms of 'framing' an open future, where categories are found in practices and not derived necessarily from previous general knowledge (Lash 2000, in this sense Lash has tried to understand modern derivatives – Lash 2007). Perhaps it is possible to find in the notion of 'frame' - originally discussed by Bateson and Goffman and then reintroduced to economic sociology by Callon (see Callon 1998b) – an interesting point that allows connecting different accounts that are more interested in the creative character of expert risk assessment, such as those of Luhmann, Lash and current finance studies (for a interesting attempt in this direction see: Arnoldi 2006).

b. An object

Although important, Luhmann's work does not say much about the way in which risk is made into a commodity¹⁰⁹, but cultural theorist Joost Van Loon has sought to address this issue. In fact, Van Loon has suggested that risks can be seen as *virtual objects* that are enacted by heterogeneous assemblages (Van Loon 2002a). The notion of 'virtual object' is borrowed from science studies scholar John Law, who in a paper about accounting (1996), and following Donna Haraway, proposes that:

a notion such as 'real costs' works as a *virtual object*. That is, it is an object that appears to be real, to be solid, and to be out there. But is, in fact, something that has been created in the process of representation and accounting. An object that is both created, and at the same time warrants the process of representation within it is created (Law 1996: 298)¹¹⁰.

In general terms, Van Loon is taking insights from early Actor-Network thinking, where the principal concern was both studying the formation and the stabilization of heterogeneous networks and the interaction between the new beings produced by them and the world where they appear (Callon 1986, 1991; Latour 1983). In this context, the strength manifested by the new beings is connected with their ability to hold together the involved heterogeneous elements. The essence of these new entities "is bound up with the logic of their construction (de Lauretis 1989) but cannot be modified at will, because their existence is fully integrated with the rules through which they have come into being" (Van Loon 2002a: 51). Once, new entities (even immaterial or imaginary) are produced, they conceal the instability of their own production. However, the notion of "virtual object" goes further in the sense that it implies an absence. Like Arnoldi, Van Loon denotes something real but not concrete when he refers to 'virtual'. As Van Loon explains:

the virtual object is not a hypothetical entity; it is real in the sense that it engenders reality; yet at the same time it is not 'material' in the empiricist-materialist metaphysical sense of directly observable matter (2002a: 54).

¹⁰⁹ The problems that Luhmann's theory has in accounting the ways in which abstractions are made objects are discussed in Farias & Ossandon (forthcoming).

¹¹⁰ For other uses of the notion of 'virtual object' see: Brigham (2003); Brown & Middleton (2005).

At the same time, another notion, developed by Bowker and Leigh Star, has been used more recently to understand risk's objectivity. As Millo and Mackenzie have recently suggested, risk can be understood as a 'boundary object'¹¹¹. In other words, risks are an encounter of multiple frames; they are the product of interminable translations¹¹² that acquire their ontological actuality because of their ability to act like a joker, a card that can be read in multiple ways, but that once it is played is bound to the rest of the game. In other words, risk is both non-material and multiple, but it is, as well, a thing that can hold heterogeneous elements together.

Van Loon proposes that the sociotechnical construction of risk can be understood as a triple process of visualisation, signification, and valorisation (Van Loon 2002a). Visualization is related to framing, with the technical delimitation and representation of a specific threat. In this process, scientific methodologies and technological tools play a core role by generating data that "enable the visualization of latent and extrasensory pathologies" (Van Loon 2002a: 92). In other words, as a result of these technologies, an unspecified event ("belly pain" or "Monet's mist") becomes a delimited threat (gastroenteritis, air pollution). These technologies operate by 'presenting' and 'disclosing', which means that every time new risks are visualised new areas of possible but yet unknown risks are opened¹¹³. But once this representation is delimited, the visualised event becomes a connectable *object* that can be "incorporated into flows of symbolic exchanges and circulate freely in the world of ideas" (Van Loon 2002b:119). In other words, the visualized thing becomes a stable representation accepted and used in other (and different) contexts. On the other hand, signification is about connecting multiple elements. As Van Loon proposes, visualized events are installed "into the 'present form' strings of symbolic associations which allow people not only to 'come to terms' with the new insights granted by technologies of visualization, but also to encounter them properly, both in syntagmatic and paradigmatic terms." (Van Loon 2002b: 113). This process is framed by experimental and statistic methodologies. Experiments permit the

¹¹¹ "Using detailed case studies, Bowker and Leigh Star describes how the networks of connection both within organizations and among them created and legitimized rules and practices; they define a boundary object as an object that can facilitate communication among 'several communities of practices and satisfy the informational requirements of each of them. Boundary objects are both plastic enough to adapt to local needs and constraints, yet robust enough to maintain a common identity across sites" (Millo & Mackenzie 2007, quoting Bowker and Leigh Star 1999).

¹¹² It is important to remember that in this context and following Michel Serres, "translation" always means an active and creative process (Callon 1986). As Callon and Latour explains "by translation we understand all the negotiations, intrigues, calculations, acts of persuasion and violence thank to which an actor or force takes, or cause to be conferred on itself, authority to speak or act on behalf of another actor or force" (Callon & Latour 1981: 279).

¹¹³ For a wider theoretical conceptualization about veiling and unveiling and on Heidegger's thought about technology see Van Loon (2002a: chapter 5).

delimitation of connections (one specific treatment – specific illness – specific outcomes). Statistics allows both the projection of limited cases to wider populations and the specification of an underlying element, namely 'risk factors', that increase or decrease the likelihood of a determined danger.

Finally, in 'valorisation', the connection between future events and present actions are *translated* into a third term. As Michel Callon explains:

This correlation between a risk of death and the activity of a factory, established by means of laboratory experiments and epidemiological research, creates a link between two distinct series of events. But if this relationship (between a discharge and death) becomes calculable by agents, it is not enough merely to prove its existence; it has to be expressed in the same units. This is where money comes in. It provides the currency, the standard, the common language which enables us to reduce heterogeneity, construct an equivalent and to create a translation between molecular or chemical substance and human life. Money comes in last in a process of quantification and production of figures, measurements and correlations of all kinds (Callon 1998b).

The visualized connection between danger, medical treatment, their outcomes, and present actions can be framed in a different language, which allows the comparison of these networks with other chains of connections. As Van Loon points out "in industrialism technological culture, the main force of valorisation comes from capitalism which turns significance into an expression of exchange value" (Van Loon 2002a: 96). And this is the central operation developed by insurance, and the focus of the following section.

c. Money

In the last section we have emphasized the importance of understanding risk not only as a way of unravelling future, but also as an object that produces its own reality. However, this is still not enough; in fact there is a very important transformation to consider further. The commodity of insurance is not risk per se, but financial risk in particular. In order to understand this, concepts developed in recent approaches to finance, particularly to future contracts or 'derivatives', are going to be considered in the next paragraphs¹¹⁴.

¹¹⁴ Derivatives are financial tools to deal with risk in future exchanges. In order to claim an option, or make a future contract, a future price has to be settled. However, the established price is just a present estimation, which, for example due to a variation in exchange rates, can be inaccurate. Derivatives are financial products that detach the asset's future exchange from the

Anthropologists Lee and LiPuma have tried to understand the particularities of the process of commoditization in derivatives markets. Their analysis is analogous with Marx's research on capital, value and commodity. For Marx (Marx 1981: Chapter 1), exchange in capitalism appears as a relation between objects. Value appears to be based on an abstract relation of equivalence (price) between commodities, as if objects themselves had the ability to relate between each other. This situation obscures social relations from where value is really extracted (labour force) making the market appear as an autonomous sphere (Lee and LiPuma 2002). Lee and LiPuma suggest that financial capital is also based on a social process of abstraction. To make derivatives possible, specific situations (for example, a political crisis in Brazil) are detached from the concrete relations where they are produced. This detachment is reached through the representation of these situations in some abstract form (i.e. a risk index). Once specific situations are abstracted, they can be associated and compared with other options, and, by reason of complex mathematical operations, they can be priced (LiPuma and Lee 2005). In this sense, for example, the risks involved with future crop sales can be compared with the future exchange rate between currencies from two emergent economies. The main argument in the work of Lee and LiPuma is that derivatives objectify concrete risks, which have previously been part of a social process of abstraction (LiPuma and Lee 2005). As with the commodity fetishism described by Marx, financial markets seem to be autonomous self-referential entities, forgetting that they are attached to concrete situations. The main difference is that, while in the market described by Marx, the final source of value is labour, here it is concrete risk that has been detached and objectified. In LiPuma and Lee's words:

This is what commentators mean when they say that what characterizes the present financial system is the 'commoditization of risk': namely, that the vast array of social, economic and political relationships that engender specific risks (re) appear as a singular homogeneous object [...] As the analysis has sought to indicate, this commoditization does give the market the tools to unify, quantify and price these forms of risks, but it does this at a great and hidden cost: the manner in which the financial community has chosen to commodify risk makes it impossible to price the socio-historical

potential volatility of its price. In derivatives, the risk associated with the future transaction is assumed by a third party, who bets on the relationship between the estimated price and its volatility over time. For a good and simple explanation of the way derivatives work see Bernstein (1996: Chapter 19); for sciences studies accounts of these products and their history see Mackenzie & Millo (2003); Mackenzie (2006); Mackenzie (2008).

risk that a revolutionary event will occur or to price the systemic risk to the circulatory system as a whole (LiPuma and Lee, 2005: 416)

Lee and LiPuma's work is useful for understanding how insurance is based on a process of abstraction, where the detachment of risk plays a core role. For them this process 'commoditizes' the concrete situations from where they were taken, in the sense that they transform economic and political relationships into singular homogeneous objects. However, it is important to consider that, as Zelizer points out, insurance firms do not try to represent the situation they are covering. The business of insurance is based on a duplication of the world: the specific qualitative situations and the abstract risk that can be priced. Lee and LiPuma seem to consider the qualitative side with a stronger ontological weight, which would be badly mirrored by abstractions such as derivatives. It is beyond doubt that derivatives are 'imaginary objects'¹¹⁵, however, it is not clear why, if risks are always in some extent abstractions, why one of these levels (concrete risk) should have a stronger ontological status. Of course, this does not mean that powerful creations, such as derivatives, cannot be studied in a critical way (an issue that will be reconsidered in the final section of the present chapter), but to base this critique in such an assumption does not seem very solid. It is important then to attempt a better understanding of the particular ontology of risk-based commodities¹¹⁶. Authors interested in social studies of finance had explored further these issues.

As Arnoldi suggests, what derivatives do is make risk a tradeable object; in particular, they allow the enactment of a 'virtual good'¹¹⁷, where technological forms of managing an unknown future are crucial. However, making uncertainty into risk is not the whole process. As Mackenzie and Millo explain with great detail, the explosive growth of future trade evident since the seventies has been allowed by important institutional changes, but mainly by

¹¹⁵ "The process of objectification is central because derivatives are not concrete, but socially imaginary objects that use the classifying powers of language to tie together sets of distinctive and separate relations" (LiPuma and Lee, 2005: 408)

¹¹⁶ In chapter I, we have explained how this work considers a particularly wide notion of ontology, following Mol's work. In this context, technical thing, even if they are abstractions, do not become necessarily less real, because they are less close to subjective or communitarian experience. For a very inspiring discussion about these issues, see the controversy between Callon and Miller (Miller 2002, Miller 2005, Callon 2005).

¹¹⁷ "Derivatives should therefore be conceived as virtual goods. The possible risks (or profits) of future market fluctuations really do not exist (as yet) but are, by means of the technology of derivatives, very much traded 'in practice'. Derivatives, as a financial technology, depend on probabilistic conceptions or knowledge of future uncertainties or future risks. Through these conceptions, future – and thus non-existent – uncertainties come to have virtual existence and thus become information that can be acted upon and ascribed value. Or put differently, derivatives reduce the complexity of probable futures into symbolic units which become meaningful, manageable and indeed tradeable (Aglietta and Breton, 2001: 439). In that process, derivatives create 'goods' out of 'bads'; create assets out of risks" (Arnoldi 2004: 37-38).

the development of mathematical formulas to price derivatives (Mackenzie & Millo 2003). Formulas (and their further applications and devices) allow the delimitation of the price of risk, as associated with a specific future exchange (Mackenzie 2006). In other words, it is not just about making an unknown future an object, but pricing it what makes it a commodity¹¹⁸. In this sense, 'derivatives' are what Lepinay, following Serres, has named a 'parasitic economic activity': where commodities already available are assembled into more abstract ones, creating a double reality that is in some sense dependant upon the underlying assets but is also able to make them work following its own rhythm (Lepinay 2007)¹¹⁹.

Even the most complicated derivatives are a kind of insurance. What they do is insure future trade against potential financial fluctuations; making volatility something that can be traded. Health insurance is also about future events. Specifically, it is about matching epidemiological statistics and the potential price of future medical provisions. In this sense, what is priced is not health, not even future health, but the financial risk associated with the health of a particular statistical population. Moreover, it is this operation what allows the delimitation of insurance policy premiums, an operation that is specifically made by actuaries and their information systems. The topic of actuaries will be expanded in section e, but first, it is important to understand that insurance commodity is not just about making risk 'objective' but about risk as a sensible experience.

d. Utility

Let's see, I think the product ISAPRES [Private Health Insurance] sell is risk reduction, you don't buy medical services from them (even if they have it, this is for cost reduction), and fundamentally eliminate financial risk. When I am insured by an ISAPRE, or another private insurance, I have more security in case I get sick; that this won't become a catastrophic risk for me [...] Risk reduction is not having to sell your house when your daughter gets sick, not having to get deeply into debt and spend twenty years paying that. Remember, if you get into a hospital the bill starts from fifteen million.

¹¹⁸ Operations that, of course, are not simple tasks have been even awarded 'Nobel' prizes (Mackenzie 2006). Recently Mackenzie has gone further, connecting the current credit crisis with problems in producing shared forms of valuation and delimiting commodities in finance markets (Mackenzie 2008).

¹¹⁹ Lepinay distinguishes between two kinds of 'bundled goods'; 'industrial goods' where different parts make sense with respect to the whole (rear window in an assembled car); and 'meta-goods' "that recycle goods and services that were meant to have an entirely different fate" (Lepinay 2007: 262). Most financial products form part of this latter category.

Fifteen million for someone who earns \$300.000 is a world! This is that you are buying: you don't have to pay for fifteen years, just for four. This may be a world as well, but it will be an affordable one, it won't be a catastrophe. This is what you buy, reduction of this possibility once the event happens¹²⁰

This quotation is from an interview with a Chilean economics professor who is an expert in health insurance. He is talking about the same issue discussed in the previous section, but from a different perspective. In conventional terms we could say, if the previous section was about costs, these quotation is about utility. This opens elements that have not been considered here so far, but are important in order to understand the enactment of the commodity in Chilean health insurance.

Up until now, we have referred to this commodity as a virtual entity in two different terms: Van Loon's 'virtual object' and Arnoldi's 'virtual good'. Both refer to the virtual in the sense that risk and derivatives are not concrete abstractions, but real things. Cultural theorist Rob Shields, suggests a third path (Shields 2003, 2006b)¹²¹. Specifically, Shields' has argued that an accurate study of risk cannot be limited to the material (concrete), possible (probability), and abstract (concepts) dimensions; it should also consider the 'virtual', that is, the productive role played by memory, dreams and sensations in risk production¹²². The point here is that even if these elements are not material entities, abstraction or measurements of probabilities, they are real and produce new realities. Of course, this does not mean that risk

¹²⁰ "Haber, yo creo que el producto que vende la ISAPRE es reducción de riesgo, no le compras servicios médicos (aunque pueda tener, pero si lo hace es para eliminar costo). Y fundamentalmente, eliminación de riesgo financiero. Yo al estar asegurado en la ISAPRE o en otro seguro privado, tengo mayor seguridad de que en caso de enfermarme, eso no va a constituir un riesgo catastrófico para mí (o será menos) [...] La reducción de riesgo es no tener que vender tu casa cuando la hija se enferma. No tener que endeudarte hasta la camisa y estar veinte años pagando. Acuérdate, tú entras al hospital y de 15 millones empieza la cuenta para arriba. 15 millones para una persona que gana 300 mil es un mundo y eso estás comprando, no tener que pagar 15 sino 4, también va a ser mucho pero es pagable, no es una catástrofe. Eso es lo que tú compras reducción de esa posibilidad, cuando el evento suceda."

¹²¹ Shields, like both Arnoldi and Van Loon to some extent, refers to the wide discussion about the virtual developed from Deleuze's reading of Bergson. The details of this discussion are beyond the interest of the present chapter. But Shields is following Deleuze who famously states that: "The virtual is opposed not to the real but to the actual. *The virtual is fully real in so far as it is virtual*. Exactly what Proust said of states of resonance must be said of the virtual: 'real without being actual, ideal without being abstract' and symbolic without being fictional" (Deleuze 2004: 260). For further discussion see: Boundas (1996), Hardt (1993), De Landa (1999), Levy (1999), Massumi (2002), Mullarkey (2004), Shields (2006a).

¹²² This classification is Shields' interpretation of Henri Bergson's distinctions between possibility and real, and between virtual and actual. As Boundas summarizes, from this point of view, "in opposition to the virtual the possibility has not reality, whereas the virtual, without being actual is real" (Boundas 1996: 86). The real resembles the possible, while the virtual has its own status, which can be embodied but not merely represented, because the virtual (like a tendency) is immanent of the same actualization (see Levy 1999). Actually, Shields' version is different to Deleuze's himself, who, as De Landa explains: "proposes to get rid of the distinction between the possible and the real, keeping only the later but distinguishing in the real between the virtual and the actual" (De Landa 1999: 39).

should be understood merely as a 'felt experience', as the next quotation illustrates, Shields suggests a multidimensional approach:

Despite the presence of sophisticated attempts to quantify risk in order to develop insurance markets to indemnify against it, the social management or calculated avoidance of risk are closely linked to the development of a sense of security, and of trust in social and technological systems (186) [...] where risk was once merely the likelihood of danger (potential), a possible but not actualized threat, it has a complex relationship to the pursuit of security as a general objective (abstraction) and the sense or feeling of security (virtual) (Shields 2003: 194).

Shields' points allow a better understanding of a further relevant translation in the construction of the insurance's commodity. Insurance, and this is probably its main difference with derivatives, is not just an 'abstraction' traded between experts, but it is a 'good' that has to appeal to potential users. Insurance transforms financial risk into a sensation of security. The following quotation, taken from an interview with another economist expert in this system, expresses this point:

The ideal insurance is that kind of insurance. I think this is what people want to buy: the tranquillity of sleeping every night knowing that in case you have an accident tomorrow, because an idiot didn't stop at the red light, you won't end up selling your house¹²³

This quote is interesting; it shows as if it was almost obvious, that an abstraction such as 'reducing the risk of high future health spending' is something that can be felt. This type of connection seems to be the main difference between insurance and other kinds of risk based commodities. As the following quotation by anthropologist Caitlin Zaloom explains:

One important distinction between insurance and financial trading is the widely different contents engaged by each. Insurance bridge the gap between social and economic domains, importing a logic of risk and financial calculation into spheres less fully penetrated by market logic. The neoliberal subjects forged under these conditions project the odds of harm and financial compensation for into the future, even potentially to the end of their own existence in the case of life insurance (Zaloom 2006: 191).

¹²³ "Y el seguro ideal es ese tipo de seguro. Eso es lo que uno pensaría que la persona quisiera comprar. La tranquilidad de dormir todas las noches con la tranquilidad que mañana tener un accidente se pasó una luz roja, y por los gastos médicos no terminaste por hipotecar la casa".

Zaloom's remarks can be connected with Zelizer's arguments as discussed in section 1 of the present chapter. In Zelizer's account, insurance duplicates the world, between the thing to be protected and the financial consequences of an accident. If we introduce risk, we could say that what is being duplicated are the financial consequences of determined events and the feeling of security of knowing that the event will be covered. In those cases studied by Zelizer the conflicts between both levels were solved by making insurance affective. In the case of Chile's health insurance, this connection seems to have become more difficult to accomplish.

The next pictures are taken from one of the main Chilean health insurers' web page, and they illustrate how one of these firms explicitly attempts to attach their products with (a pale middle class) future security.

Figure 13. Security Making in Health Insurance



However the attempt to make financial risk coverage a felt experience is not always successful. Here we should remember that one of the main particularities of this system is that it is compulsory to be insured (either by public insurance or one of the private insurers), so the decision of whether to insure or not is not particularly relevant; and, as it has been discussed in chapter III, it is very difficult to distinguish what is the good in question. In fact as illustrated by the next two quotations (taken from larger ones used in other contexts in this work) experts in this system seem to assume that the users really do not understand what they are buying; because what this system is doing (or rather, not accomplishing) is creating a culture of private insurance within the Chileans. In this sense (at least for the interviewed experts) to make cost and utility match seems to be a very difficult achievement.

This is the way in which a lot of people understand insurance, even some economists! People don't understand insurance and think that it is a way to

save money and if you don't use it you should have more money [...] In the same sense, once the year finishes they say: 'I bought this insurance for nothing, because I didn't get sick'. They don't understand that they buy an insurance to protect themselves against a risk, if it didn't happen: fine. It didn't happen to me, it happened to others, and the money I gave worked for other people which is the solidarity side of any insurance¹²⁴

I think this is a very important point, the Chilean population doesn't clearly see what the benefits are [...] this has to do with culture and ignorance about insurance, because there is no private insurance culture in this country! Not yet. And this is the other problem: ISAPRES have not been able to transmit the concept of health insurance to the population¹²⁵.

e. Dealing with virtual objects

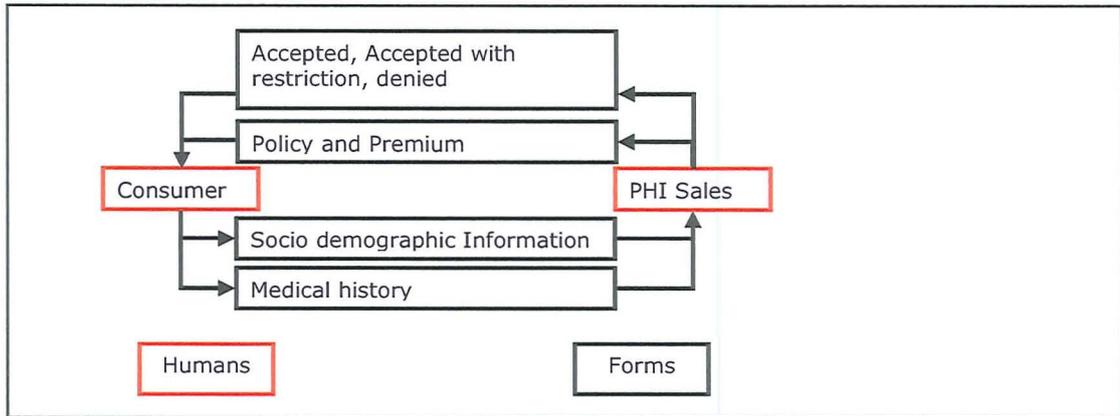
The discussion presented in the previous sections was developed from the point of view of the object and the production of the insurance commodity. In order to create a wider picture, and to illuminate this discussion, the current subsection pursues the topic with a different focus. It will illustrate how 'virtual objects' work in one of the classic exchanges in this industry. The next figure represents an encounter— reconstructed from interviews with salespeople and other individuals working in insurance companies— between a possible user and an insurance seller who works for one of the health insurance firms in Chile¹²⁶.

¹²⁴ "Si llevamos esto a la salud, el tema es que – bueno esta es la forma que mucha gente se plantea el tema del seguro, me ha pasado de tener discusiones con profesores hasta dentro del departamento de economía, la gente no entiende lo de los seguros y piensa que son lugares donde uno acumula plata y por lo tanto, si uno no los usa por un montón de años debería haber más plata acumulada [...] Entonces, de la misma manera, una vez que termina el año y dice "compré el seguro para nada, porque no me enfermé", entonces no entiende que compro el seguro es para protegerlo de un riesgo, de una cosa eventual, sino sucedió, bueno. No le sucedió a uno, le sucedió a otra gente, y lo que aportó uno le sirvió a otra gente que es la parte solidaria de todos los seguros".

¹²⁵ "Y es un tema que tiene que ver con la cultura y el desconocimiento del seguro. Porque no existe cultura de seguro privado en este país, todavía no. Y ese ha sido el otro problema es que la ISAPRES no han sido capaces de comunicacionalmente trasmitirle a la población, cual es el concepto de seguro en salud".

¹²⁶ It is important to mention again that the current regulation in the Private Health Insurance market in Chile does not allow insurance brokers; therefore new users have to rely on the sales personnel from different insurance firms if they want to find a new insurance policy.

Figure 14. A heterogeneous exchange Step 1

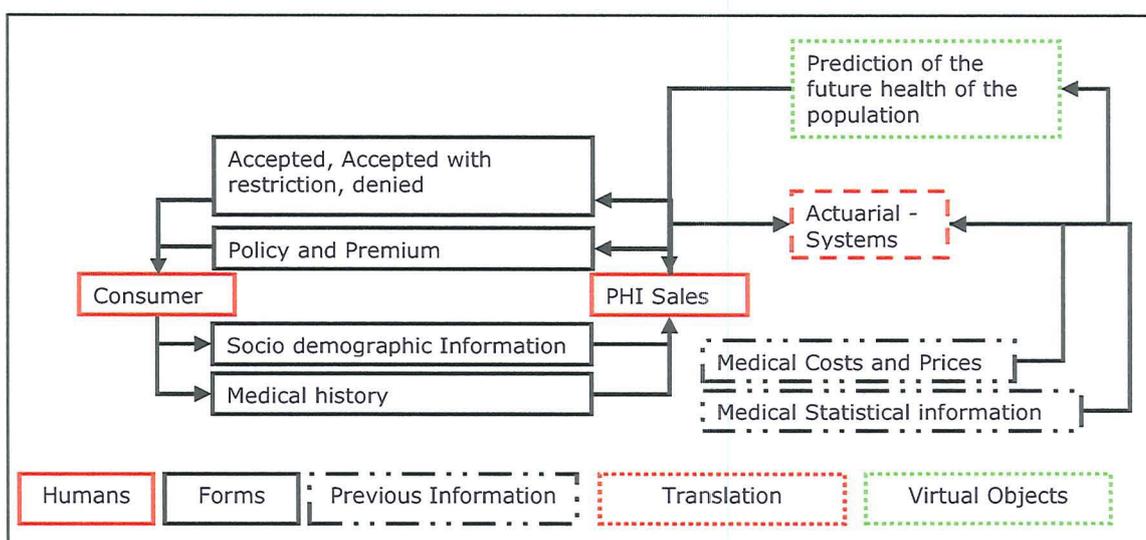


Probably this encounter happens after the sales person, interested in increasing her client portfolio, contacts a possible user who has accepted to have an introductory meeting. When they meet, the seller asks certain socio-demographic information (sex, age, family number, income) from which it is possible to suggest the array of insurance policies available for the group to which this prospective user belongs, and the premiums and coverage in each case. If the potential user is still interested; she will be asked to fill a 'medical declaration' which, for the most part, focuses on her previous medical history. The meeting finishes here. At the next meeting, the salesperson plays a different role; now her work is informing the outcomes of the medical declaration. There are three main options: accepted without restrictions; accepted but with a restricted policy; or not accepted. Restrictions and rejections are connected to the user's medical history, or what is called 'pre-existences', that is, past medical events that suggest potential future medical expenses which insurers are legally allowed to not cover. In case the prospective user does not agree with the outcome of this process, it is possible to appeal, and the controversy will be solved with external medical tests. But what has happened here? For the user this is as mysterious as most of the risk evaluation we face in our every day lives (such those involved in the potential bank account we can access or even the type of deal agreed upon with a cell phone company); in terms of the theoretical standpoint developed in this section, this constitutes a heterogeneous network.

When the seller gathered socio-demographical information and proposed certain policies, she was referring to an already defined process. Here the main actor is a department, which we already described in chapter II, the actuarial section. This department is in charge of developing new information systems by matching the available statistical information and the potential

cost of medical provisions. In order to do that, they produce a virtual object, namely, a population's potential health situation (as defined by sex and age) and their potential costs. These are virtual because they are not material (a tendency in statistical software) yet they are regarded as objects because from the moment they are produced they are assumed as real, and cause a real impact upon the next stages of the network. Using Van Loon's terms there have been processes of visualisation and signification, that sanction the transformation of socio-demographical information into possible future events, and, valorisation, when this is translated into a third element: potential monetary cost.

Figure 15. A heterogeneous exchange Step 2

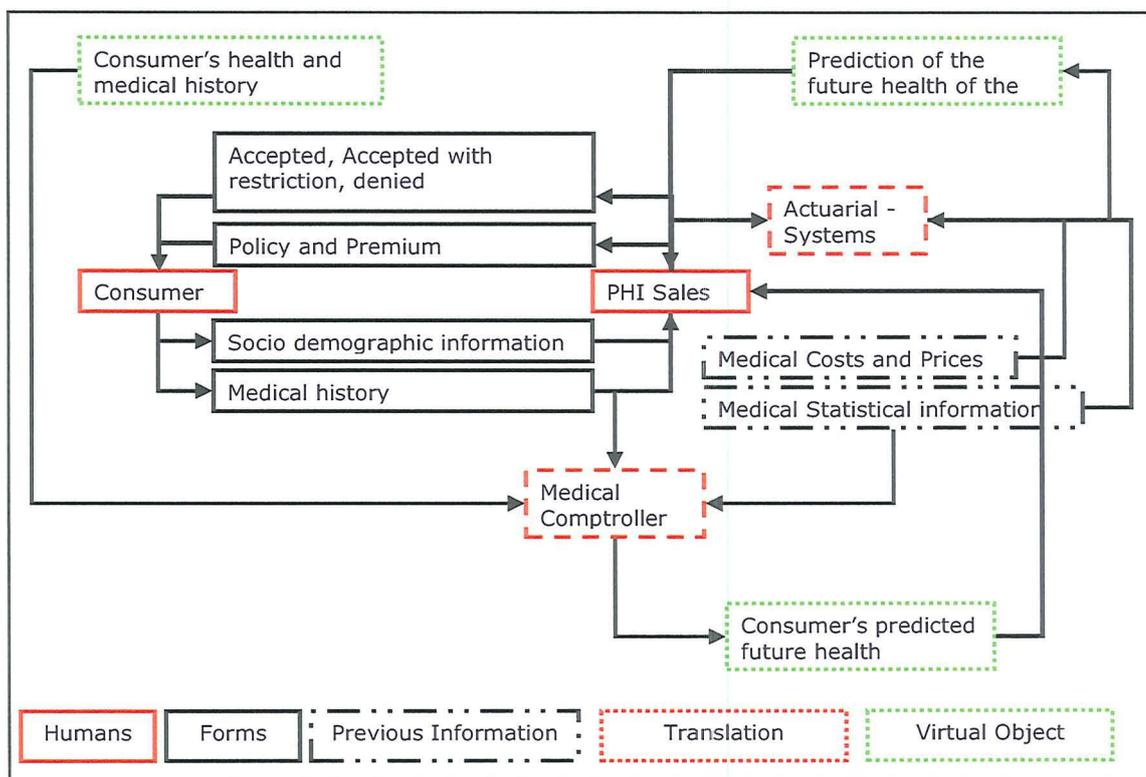


At the same time, there is a second important translation. The medical declaration is evaluated by a different section known as 'medical comptrollers'. By using previous epidemiological information, they can predict the future risk of new users, determining the existence of relevant pre-existences. Here two virtual objects are produced: the past medical history of a potential user and her possible future health. The work of medical comptrollers is signification, the connection between past medical history and possible future health.

Now, it is important to remember that what is produced here is not just virtual but multiple, and that risk can be understood also as a 'boundary object' which is continuously translated at different stages in the heterogeneous network. In the example above, the medical history developed by medical comptrollers is not the same as the medical history presented by the seller or to the way in which past medical events are conceived by the prospective user. At the same time, medical history will change depending on

the kind of systems used to merge medical statistics, on the form that registers this information, or in the event of changes taking place in the statistical information at hand. For example, the director of one of the first private health insurance companies in Chile explained to me that from the beginning of the system in the early eighties, the statistical information that is available (and its ability to predict future events) has dramatically increased, changing the landscape of this industry. At the same time, technology, as another interviewee conveys, has played an opposite role, increasing the cost associated with medical treatments (i.e. by introducing new expensive tests) making specific medical events more risky (at least in financial terms). In fact, this is not just a matter of available technologies, but actuaries themselves have been a very scarce resource. This is not a professional degree offered at Chilean universities; therefore, insurance firms mostly hire experts from Argentina, where this profession is one of the specialisations in schools of business and economics. However, beyond these changes and the ability of a correct or incorrect prediction, the newly assembled virtual objects still help to hold together and connect this heterogeneous network

Figure 16. A heterogeneous exchange Step 3



3. Making risk

The insurer's activity is not just a matter of passively reiterating the existence of risks, and then offering guarantees against them. He produces

risk', he makes risk appear where each person had hitherto felt obliged to submit resignedly to the blows of fortune (Ewald 1991: 199-200).

In the last sections, we have discussed the tension between pricing and affective value, and the role risk plays in building the insurance's commodity. In the quote that opens this section, Ewald highlights an important element that has not been discussed heretofore. As it was discussed in chapter II, insurance scholars have suggested that the increasing impact of private insurance is not solely related to de-regulation but it pertains as well to the creation of new forms of control. Richard Ericson and colleagues have shown how private insurance tends to intensify patrolling and other 'incentives' in order to reduce the number of events that would be covered, and with that, blurring the distinction between accident and fault. As they suggest:

In this respect, every potential victim is also a suspect, suspected of not doing enough to reduce loss. And every actual victim is also an offender, found not to have done enough to reduce loss and therefore subject to insurance sanctioning of higher premiums, higher deductibles, exclusion clauses, and, if there is too much recidivism, no insurance at all (Ericson et al 2000: 551).

This is very relevant to the discussion realized in this chapter. As we have mentioned, in insurance, pricing has to do with turning health risk into financial risk; insurance inhabits a particular temporality, between the expected (future present) and its actualization (present future). By converting health risk into financial risk, premiums can be priced, but the profit in this business is in the difference between the premium and the cost of the actual events to be covered. Where these events are not absolutely independent of the insurance action, there are in fact several areas where insurance actually intervenes, transforming in this sense the potential costs to be covered and thus their financial risk. In the next paragraphs we will briefly discuss two areas of insurance intervention. The first of these areas will be connected with a specific controversy, that is, the issue of 'sick leaves', and the second with a wider discussion about 'securitization'.

a. Sick leaves, and 'moral hazard'

One of the main controversies that has arisen during the evolution of private health insurance is the issue of sick leaves. As it was mentioned in chapter II, when private health insurance was created, it was stipulated that one of their

main responsibilities was administrating and covering the cost (salary) of their users' sick leaves. Originally this included: sick leaves, maternity leave, and the leaves which mother's are entitled to due to medical events suffered by their children during their first year (mother's leave). However, in 1985, in the context of the establishment of reforms to protect the system after the financial crisis, the coverage of the last two was returned to the state. Despite this fact, the coverage of the remaining leaves has not been absent of polemic. The industry speakers manifested their worry, because of the increasing cost of this benefit. In fact, between 1991 and 2005 the cost of sick leaves increased 78.4%, representing in 2005 14% of the expenses undertaken by ISAPRES (Sciaraffia 2007). At the same time, there were increasing complaints about the way in which these benefits were controlled by insurers (considering that ISAPRES' medical comptroller had reduced 12.3% of the sick leaves that had been applied - less days than asked- and simply denied 12% of them (Inostroza 2007)). In this context, one of the biggest discussions is the one that involves these medical events, specially 'mental disorders' (17.9% of the leaves), where it is difficult to determine whether users are actually spending their time off recuperating their health.

Public discussion about this issue has been framed as a dichotomy between bad users (doctors and patients) and the need for reducing their wrong behaviour, and criticism levied upon excessively strict insurers which are more concerned with reducing their costs than with protecting the human right of health (Barria 2007). In fact, an event recently organized by the ISAPRES Association to discuss these problems was named "Sick leaves: ethical and economic dilemmas"¹²⁷. In the texts presented in this event two main types of measures were discussed (see Accorsi 2007; Monasterio 2007; Inostroza 2007; Sepulveda 2007; Sciaraffia 2007). On the one hand, several new forms of surveillance were suggested, such as a clear definition of faults and potential penalizations as well as the creation of a unique electronic system that would make leaves (and their application) standard and easier to control. The rest of the measures were strictly aimed at the involved actors, assuming the actual system does not provide the right incentive for them to act properly. In this context, different authors mentioned the fact that in other countries paid leaves do not correspond to the whole salary but to a particular proportion and they are not totally covered by the insurers but shared with the employers. Without the existence of these kinds of elements,

¹²⁷ "Seminario Licencias Medicas Dilemas Éticos y Económicos"
<http://www.isapre.cl/modulos.php?mod=documentos&fn=5970ce332198baece7cde000c7169bf0&cat=19>

it was argued, employers, employees and physicians would not have the right incentive to use this system properly¹²⁸.

However, this discussion is not just interesting because it gives new details about our case of study, but it introduces a very important concept to understand the nature of the insurance commodity: the notion of 'moral hazard'. In simple terms this concept relates to what is stated in the following quote from one of the papers presented at the aforementioned seminar:

there are cases when the doctor-patient relationships trust is abused, yes abused, why? Because for some patients, due to the relationship they have with their doctors, they ask them to extend medical leaves that they do not really need, because of an inexistent illness, and this many times means holidays for the patient-worker, which not just affect the health system or this ISAPRE, but it also affects the thousand of honest users [*cotizantes*], who will be denied leaves when they are really ill because of other bad-intentioned people that have abused the system (Sepúlveda 2007)¹²⁹.

However in the context of the economics discussion on insurance, the notion of 'moral hazard' has lost part of its ethical character (Baker 2000). 'Moral hazard' is currently associated with the effects of contracting an insurance policy on the future action of the contractors. In other words, in an insured situation the involved actors (in this case: employer, employee and physician) would act in different ways depending on whether there is an insurance at stake or not; changing the initial incentives, and transforming in this way the conditions considered when delimiting the insurance premium (Valdes 2000)¹³⁰. In the case of medical leaves, it has been argued that there is a 'moral hazard' when insured individuals increase their days off, making the coverage of this benefit more expensive and eventually increasing the premium for the whole pool. Furthermore, the increasing cost would force people who are not willing to spend a higher amount of money for their insurance to leave the system, eventually keeping those users who are willing

¹²⁸ In fact there was a third kind of measure discussed. For some of the participants in this event, the whole administration of leaves should be given to a different actor; for instance a new public institution. In terms of the discussion of the present work this would be linked to the ways in which the institutional evolution is connected with conceptual differentiation: in this case between health and leave insurance (See Chapter 1: section 3).

¹²⁹ "Hay ocasiones en que la relación médico-paciente sufre de abusos de confianza, si, abusos de confianza, ¿Por qué? Porque muchos pacientes en virtud de la relación que tienen con su médico le piden a éste que les extienda licencias médicas que en realidad no necesitan, para un enfermedad inexistente, y que muchas veces significan vacaciones para el paciente-trabajador, lo que no sólo afecta al Sistema de Salud o a la ISAPRES, sino a los miles de cotizantes honrados que, cuando están verdaderamente enfermos, a veces sus licencias son rechazadas por otros mal intencionados que han abusado del sistema".

¹³⁰ A classical example would be the case of a doctor who, knowing her patient is insured increases the number of medical tests in order to increase the accuracy of her diagnosis, which in turn makes the normal treatment of the medical event more expensive.

to pay, and these are probably the riskiest users. Strictly speaking, 'moral hazard' does not just refer to illegal actions, but to a form of asymmetric information which is connected to the fact that insurance affects the amount of health care provided¹³¹.

Standard measures to avoid moral hazard have already been mentioned; for example, having the employer pay part of the medical leave or reducing it to a proportion of the salary. In both cases, the actors involved would have to pay every time they are covered. In more general terms, these kinds of measures are known as coinsurance; or forms of risk sharing. In other words, users have to pay their premiums as well as taking on part of the financial risk associated with their health problems. In the case of private health insurance in Chile, apart from the aforementioned measures which relate to the discussion about sick leaves, other kinds of coinsurance have actually been put to work. As referenced in chapter III, currently all the insurance policies offered by the main firms in this market have introduced co-payments for both outpatient and inpatient events. In other words, users always have to pay an extra sum when they use their insurance.

The elements discussed in this subsection open important points to consider. First, and following the quote by Ewald's that opened this section, insurers do not face risk passively, but they actively act upon it. This, as Ericson and colleagues show, has to do with surveilling bad conduct but it also has to do with acting upon potential conduct by introducing incentives that will change the future actions of the actors involved. In this context, it is important to consider that risk is an association between present actions and potential future events, where potentially almost everything that can be statistically associated with future costs can be seen as a source of risk. In fact, risk management is not just addressed as an issue for actuaries, or just connected with health statistics, but as shown through interviews with people who work in 'operational risk departments' at insurance firms, there is a wider perspective whereby every event that can change future cost is considered. Finally, and more in tune with the rest of the chapter, what the discussion on moral hazard and coinsurance shows is that 'financial risk' is not just something that allows a delimitation of the premium, but itself can become an

¹³¹ Together with 'moral hazard' the other classic information problem in this field is known as: 'adverse selection'. 'Adverse selection' happens when, in the context of free choice, the individuals with more risk are the most interested in contracting an insurance policy. Users have more information than insurers about their own health condition, producing a potential 'adverse' population. For more information about 'moral hazard' see the classic work on the subject by Arrow (1963) and about 'adverse selection' see Arkelof (1970). For an actualized explanation of information problems in health economics see Chiappori & Gollier (2006).

'object' that can be divided, negotiated and circulated. As it has been explained in the context of current health economics:

although risk sharing clauses are present in most trades, insurance contracts are the only one for which transfers of risks in the essence of the exchange (Chiappori & Gollier 2006).

b. Securitizing

There is an element that has not been directly studied in this research but which is very relevant to mention if we are considering the ways in which risk businesses actively transform their environment. As Andrew Leyshown and Nigel Thrift have recently explained, there is an aspect of current finance that has not gained enough attention by social scientists (Leyshown & Thrift 2007). As they explain, financial speculation is not just allowed by the development of complex derivatives, but it is inserted into a wider chain of 'securitization'. In this context, so as to speculate, it is necessary at first to identify stable sources of money, on which speculation might be built. What characterizes the current moment is the proliferation of sophisticated products that promote the connection of previously unconnected cash flows, like multiple mortgages. In this context, Leyshown and Thrift suggest that privatization of former 'public' services, or what is known as public-private partnerships, have been very relevant. They mention as an example the externalization of the development of infrastructure (such as highways or hospitals) to private capital. These projects have opened guaranteed streams of resources that can be traded, for instance, for a credit, and then making possible further speculation.

The development of private health insurance in Chile has important similarities to the processes described by Leyshown and Thrift. It is important to remember that 20% of Chilean workers, most of them part of the 20% most affluent sector of society, compulsorily withdraw 7% of their income for this system. Of course, these resources cannot be freely spent, but they can be assumed as a reasonably continuous flow. In this sense, the collective character of insurance discussed in chapter IV acquires a different meaning. In addition to pooling people, insurance pools resources that can be invested.

It is important to recall, again, that in order to protect the economy from systemic crises, after 1982 banks are not allowed to be part of other finance

sectors in Chile. In other words, they cannot invest in private insurance or in developing their own pension funds. However, today some insurance companies have developed their own credit systems or are connected with different finance firms, even with investment banks. Unfortunately, sufficient information is not yet available to allow us to delve deeper into this issue, but there are two further points worth mentioning here. First, the existence of a compulsory health insurance has transformed the entire health sector. The development of such insurance has made possible the existence of an increasingly bigger health industry. Of course there has always been private medicine. However, this used to be the realm of doctors who work privately while today it mainly concerns big outpatient and inpatient health provider firms. Health insurers are the main buyers of health provisions. In this context, as we described in the preceding section, different forms of 'risk sharing' have been developed. However, this is not only the case between insurers and patients, but also between insurers and health providers, giving incentive for the reduction in costs in health provision of the involved population. In this context, and secondly, the work conditions of health professionals have also been radically transformed. Traditionally, doctors in Chile used to share their time between working in public hospitals and some private activity that was relatively autonomous. Today, most of the private activity is mediated by private health insurance and private providers, introducing strict control over their wages. In fact, another very relevant source of controversy in this market exists between insurers and the professionals in health unions. In other words, private health insurance does not just act by changing the potential conduct of users, but it has also radically transformed the practice of medicine in Chile. The next quotation, taken from an interview with a doctor who is also an expert in health administration, illustrates well this process.

Well, the other relevant issue is the doctor/insurer relationship. Before the ISAPRES were born, doctors were in charge of all kinds of medicine and its procedures [...] How? In the morning they worked in the public sector and, in the afternoon, they worked for private institutions. And, the more prestigious you were, the more money you earned in the private sector [...] In the afternoon, doctors used to attend under a basic economic criterion; namely to optimize the consumers' surplus [...] "I charge depending on the user's resources", and this is called maximization of user's surplus. Strictly speaking, they controlled prices in any way in which they wanted, even controlling where and in which case a patient should be referred to another doctor or specialist institution [...] And then insurers appeared, and they said "sorry gentlemen, we are going to define prices. Second, we will establish co-

payments, in order to make users push for cost reduction so that their co-payment is enough to cover the costs. Third, I will compile lists of doctors and preferential providers. Fourth, I will refer patients to those doctors who are registered with me" [...] Therefore, they start intruding in the medicine market, which is how insurance works, however, strictly speaking, doctors lost power¹³².

4. Risk ontology and insurance as a diagram

Tables or scales of compensation rates are fixed in advance so as to define the 'price of the body' in all possible eventualities, and the indemnity entitlement for every form of injury. One can always argue that life and health are things beyond price. But the practice of life, health and accident insurance constantly attest that everything can have a price, that all of us have a price and that this price is not the same for all (Ewald 1991: 204)

Insurance becomes *social*, not just in the sense that new kinds of risks become insurable, but because European societies come to analyse themselves and their problems in terms of the generalized technology of risk. Insurance, at the end of the nineteenth century, signifies at once an ensemble of institutions and the diagram with which industrial societies conceive their principle of organization, functioning and regulation. Societies envisage themselves as a vast system of insurance (Ewald, 1991: 210)

The first of the above quotes summarizes the argument developed by Ewald from the paper that was previously referenced, in order to guide the discussion presented in this chapter. Summarizing it in a few words, Ewald suggests insurance works in a double reality, between what is harmed and capital, and between a unique event and risk. What is really covered by insurance is capital, but by actively making risk, the limits of what can be

¹³² "Bueno, el otro tema que es relevante, es la relación médico – ISAPRE. ¿Cómo se manejaba la medicina?. Primero, la manejaban completamente los médicos, primera cuestión. Segundo, cuando digo la manejaban completamente los médicos, hacían lo siguiente. En la mañana trabajaban completamente en el sector público y en la tarde en el sector privado. Esa era como una norma habitual. Y mientras más prestigio tenían, más plata ganaban en el sector privado [...] Y en la tarde los médicos atendían en su consulta bajo un criterio económico básico: y el criterio económico básico es optimizar los excedentes del consumidor [...] Yo le cobro a la gente en función a su capacidad de pago [...] Y eso se llama maximización de los excedentes del consumidor, en clase 1 de economía. Entonces, en estricto rigor manejaban el precio a su antojo. Ellos manejaban la derivación 100%, ellos decidían que hacer y donde [...] Entonces, de repente aparecen los seguros, y los seguros te dicen momentito señores, vamos a fijar precios, porque vamos a definir un arancel. Segundo, le vamos a definir copagos a la gente, con lo cual la gente va a presionar por precios, para que les alcance su copago. Tercero, voy a formar listas de médicos, o listas de prestadores preferentes. Cuarto voy a derivar pacientes a médicos que están inscritos conmigo, y a los que no están inscritos no les voy a derivar [...] Entonces, empiezan a meterse entremedio de este mercado de medicina, de una manera, como se meten los seguros, que es lo lógico que tienen que hacer. Es normal, es natural, o sea, no era previsible que hicieran esa cosa, era lo que tenían que hacer. Pero los médicos, en estricto rigor, perdieron poder"

priced are expanded. This chapter has developed these ideas and has tried to connect them with a wider question: the issue of commodity and commoditization. As it was explained at the beginning of the chapter, we understand that this is not a new topic at all; in fact it can be seen as one of the classic questions of any 'social study of the market'. In this context, it is possible to say that Simmel and Marx produced two classic frameworks in order to approach this problem, and in some sense the different concepts that have been reviewed in previous sections can be connected with their frameworks. In the following paragraphs the work of these two classical thinkers will be used to organize our question and to discuss the consequences of the second quotation that opens this section.

Simmel's 'Philosophy of Money' can be seen as an ontological research. In this sense he was trying to understand how, from the interaction between people and things, new beings are enacted. As he argues, subjective valorisation makes possible the apparition of abstract forms of valuing (money), which although they are made possible by subjective taste, they are in fact objectified and experienced as an external reality (Simmel 1990; Canto Milla 2005). At the same time, he argues, the development of abstract values changes the way in which we approach the world and objects, making them more impersonal and quantitative. While Simmel was talking mainly about money and his contemporary commodities, it is possible to expand his thinking to financial products, such as insurance, where virtual objects (risks) are priced.

Simmel's sociology is very relevant to Zelizer's early work. Like Simmel rather than being interested in explaining the way in which society makes the economy possible, she produces a relational account of the co-production processes between price and priceless areas¹³³ (see Simmel 1990: Chap 4). As explained before, in her account insurance does not price the thing to be covered but just the financial compensation, which is not equivalent to the original loss; in this sense, insurance would need a non-commodified environment, being even an active agent in its production. However, insurance does not solely work in the tension between the thing to be protected and compensation. In insurance, a unique event is made a

¹³³ It is worth noting that Zelizer's later work has expanded to the analysis of the production of 'bridges' that allow the interaction between personal and impersonal ties, or what she calls 'circuits of commerce' and 'earmarking processes' (Zelizer 2005). In terms of the relation with the classics it is possible to say that her current work has moved from an interest in Simmel to an interest in Weber's, namely, in explaining the evolution between impersonal and private spheres as a form of understanding economic history (for a very interesting research in this sense see: Weber 1988).

statistical regularity, and the compensation a financial risk. In other words, Zelizer's tension is reproduced in another time. But it is not that the future replaces the present, but the whole business works in the tension between these levels. What makes Simmel relevant here is that as he shows, every new duplication is not just a mirror of the previous one but a creative event that brings new things forth. In this context, what Luhmann adds is that these processes do not need to be explained in a dialectical way, but can be seen as internal differentiation; or re-entries. As Luhmann points out, "risk represents a re-entry of the difference between controllable and uncontrollable into the controllable" (Luhmann 2000: 100); and the production of financial risk could be seen as the re-entry of the uncertainty in monetary terms, which at the same time is a new source of risk (Luhmann 2006: Chapter 10).

Marx also saw commodities in a double reality, but with two important differences, in the current context, with Simmel's approach: his critique was realist, and it paid more attention to the relationship between different levels. Using Marx's categories, Lee and LiPuma propound that derivatives are abstractions which veil social processes. Their argument can be divided into two different elements. First, Lee and LiPuma seem to base their critical position on denouncing how abstractions hide other social processes. In saying that, they are not just interested in the dynamics between the different levels involved but it seems that – as in exchange value – abstractions would be 'less real' than the process they represent. As it has been already suggested, what they develop is a critical perspective grounded in an ontological attribution that is difficult to defend. The rest of the authors reviewed follow a different path: for them financial products are abstract, but not less— or more— real, but 'virtual'. However, and this is what brings them closer to Marx than Simmel, instead of just observing the duplication of the world produced by finance (or money), authors such as Van Loon, Millo and Mackenzie, as well as Lepinay, stress the relevance of following the empirical production of these virtual objects. As they have shown, it is not enough to assume dialectics or re-entries, but to follow how virtual realities are enacted out of heterogeneous assemblages¹³⁴.

In addition to following the empirical production of 'virtual objects', works inspired by Marx, such as Lee and LiPuma's, stress a second relevant point: abstractions are not independent from the objects they 'represent' but they

¹³⁴ For a wider discussion about different forms of approaching abstraction in empirical terms in current social theory see Farias & Ossandon (forthcoming).

transform them. In fact, as it has been discussed before, Law's notion of 'virtual objects' implies both the enactment of a new object, but also the veiling of the conditions of its production. Lepinay goes further here by introducing Serres' notion of the 'parasite' to understand financial products. In this sense, it is not just about studying the empirical enactment of objects, but their consequences, something which opens up political questions about transformations after risk is made a commodity. As Lepinay argues:

At the stake are the accounting rules that one should adopt to assess the impact of these goods and markets. As they cross existing markets and by bridging existing processes, parasitic goods disrupt the normative ground upon which their worth is based and call for a political discussion on whether or not and under which conditions we want to live in the wait of their rhythm (Lepinay 2007: 281)

Following the elements discussed in previous sections, there are at least three relevant areas where the insurance system has been disruptive. First, almost everything, as far as can be meaningfully connected to future financial costs, can be made into a financial risk, and insurers are not just passive actors facing given conditions. In this sense, the current and potential conducts of the actors involved can be seen as sources of risk, becoming then areas of insurance action. Insurers are constantly looking for new forms of patrolling, and giving incentive in order to instigate the 'right' conduct from their users. In this sense, these firms are part of a reflexive process of risk management, which, as risk scholars have discussed, is continuously creating new sources of risk (Power 1997, Ericson & Myles 2008). Second, private health insurance does not just change an actor's conduct but the behaviour of the whole industry. Private medicine is not new in Chile, but its magnitude has been radically transformed since the introduction of private health insurance. As in other processes of securitization, the creation of this system has allowed an important and constant cash flow, which enables the development of investment in this sector. At the same time, health insurance firms have become the main buyers of private health and they are connected (even in same conglomerates as discussed in chapter III) to the most important health providers in Chile. In this sense, the traditional relation between doctor and patient has been transformed by introducing a third actor who administrates their exchange. Third, all of this does not only convert a unique event into an object but also makes this unique event subjective. Insurance produces security and an important part of this business is associated with connecting

financial risk and this feeling. However, as it has been discussed if security is understood as utility then this system has not been exceedingly successful.

Now it is possible to understand what Ewald means when he writes about insurance as a 'diagram' and how this allows an understanding of the consequences of this commoditization process. Ewald's affirmation about insurance in the XIX century, about societies that see themselves as a system of insurance, can be exaggerated in our case. The construction of the insurance commodity does not necessarily colonize a non-commodified area (such as health), it does not necessarily abstract value out of social relations that are *more real*. The production of commodity in health insurance is a creative process of 'virtualization' where new 'virtual' entities that connect multiple heterogeneous elements are enacted, but by doing that, the horizon of potentialities encountered by all of the actors and institutions involved are transformed. In this sense, insurance commoditisation produces, as Ewald describes, a 'diagram' or, what Deleuze calls in his book on Foucault an 'abstract machine'.

the *diagram* is no longer an auditory or visual archive but a map, a cartography that is coextensive with the whole social field. It is an abstract machine [...] It is a machine that is almost blind and mute, even though it makes others see and speak (34) [...] The diagram or abstract machine is the map of relations between forces, a map of destiny, or intensity, which proceeds by primary non-localizable relations and at every moment pass through every point (36) [...] the diagram as a non-unifying immanent cause that is coextensive with the whole social field: the abstract machine is like the cause of the concrete assemblage that execute its relations; and these relations between forces takes place 'not above' but within the very tissue of the assemblage they produce (Deleuze 1999: 37)

VI. Enacting market things, markets performing the social

In the previous chapters we have explored the enactment of private health insurance in Chile. Each chapter had focused on different beings —or market things— relevant to this process. However, this research has not solely concentrated on exploring the production of new market things, but there has also been an emphasis on how, in their enactment, new markets and collectives are co-produced. As explained in chapter I, this research does not attempt to show how a market is socially produced. Neither does it portray the creation of a market as the negation of society, but it underscores how new *associations* (to use Latour's term) are performed by enacting private health insurance. Such an interest implies, a different departing point compared with some of the most respected traditions in the 'social studies of markets', specially those associated with the notion of 'embeddedness': represented by the classic figures of K. Polanyi and M. Granovetter. To conclude this work then it is important to organize the differences of the approach developed here with these traditions. In order to do that, it is also important to organize the main conceptual sources considered in this work. Of course, the main influences in this work have been already mentioned, however it is still important to organize them systematically. Specifically, we will argue that authors such as Callon, White, Strathern, and Zelizer share important elements, linked to a strong relational view that ensures the development of new metaphors from where the social studies of markets can be built upon. At the same time, it is important to consider that abandoning the 'embeddedness' tradition does not just mean leaving behind an epistemological position, but also, certain forms of criticality. As it is well known, the tradition associated with Polanyi's work is connected to a critical use of the notion of 'dis-embedded', and the new economic sociology with an attack of the atomistic individual as portrayed by neo-classical economics. Then it is relevant to ask whether it is feasible to develop a critique from the point of view taken by this research, and moreover, how the issue of neo-liberalization can be understood from this outlook.

Specifically, this chapter is composed of three main sections. In the first one, the two main 'embeddedness' traditions will be briefly reviewed, showing that, in spite of the fact that they provide some very useful insights for our research, they also contain important conceptual limitations. The section will

finish with a brief exposition of some currently available concepts that can be of aid in working out these limitations. In section two, the fourth substantive chapters of this work will be summarized giving special attention to the way in which each of these concepts show the co-creation of new market things (product, good, property, commodity) and new 'social' formations (political actors, constitutions, regulations, collectives, and diagrams). Finally, section three discusses how to have a grasp on critique after leaving behind the embeddedness approach.

1. There is life beyond embeddedness

The interest in connecting the co-evolution between the economy and its social environments is not a new program of research at all. Between economic anthropology and sociology, there have been at least two very strong disciplinary streams, both connected to one main concept: the notion of 'embeddedness'. More specifically the use of this notion has been mainly associated with the program for a 'substantive economy' developed by Karl Polanyi, and the 'new economic sociology' started by Mark Granovetter. Despite using a similar concept, both traditions have suggested quite different points, and it is even possible to consider them two different intellectual traditions¹³⁵. The current thesis is not free from being influenced by such relevant traditions; however there are important conceptual problems that make it difficult to keep any of these concepts— or their combination— as a main conceptual base in our research. In the first two parts of this section the elements of both traditions that have influenced this work and the main difficulties with assuming them will be explained. It will be argued that the very notion of 'embeddedness' is problematic and new metaphors are needed. In the final part of this section, notions developed by authors such as Callon, Strathern, White and Zelizer will be presented as an alternative intellectual tradition that opens new possibilities for understanding the co-production of market things and other social formations.

a. Instituted and dis-embedded

Karl Polanyi's work is sometimes oversimplified and seen as a mere critique of 'disembedded' (*laissez faire*) markets, but his hugely influential "Great

¹³⁵ See: Krippner & Alvarez (2007); for other accounts of the continuities and ruptures between these programs see Beckert (forthcoming); Callon & Caliskan (2008), and the discussion in Krippner (et al 2004)

Transformation”, and his program for a “substantive economics” are much more than that (Steiner 2007)¹³⁶. However, the scope and content of the influence occasioned by his magnum opus is not clear, in fact, his diagnosis of a dis-embedded economy has been read in many different ways (Krippner & Alvarez 2007).

In very schematic terms, Polanyi’s argument can be summarized in five main steps. First, economies are not natural, but, they are instituted, and as such, they are not essentially different to other human institutions (such as politics and religion), and are in fact connected with them (Slater & Tonkiss 2000). However, the form of the connection between economies and other institutions is variable. As Polanyi explains:

The human economy, then, is embedded and enmeshed in institutions. The inclusion of non economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves [...] The study of the shifting place occupied by the economy in society is therefore no other than the study of the manners in which the economic process is instituted in different time and places (Polanyi 1992: 34).

In this sense, and second, modern price-making markets are not the natural form of the economy but a specific historical case between other forms of organizing exchange such as reciprocity and redistribution. The particularity of modern capitalism is the institutional production of a ‘disembedded’ economy. Here, ‘disembedded’ means, that the economy is understood as an independent realm, where instead of exchange being regulated by other social norms, society itself seems to be shaped by the economy (Jessop 2001). In this context things that were not previously traded (such as labour and land) circulate by the laws of supply and demand, creating what Polanyi calls ‘fictitious commodities’.

Third, economics (and economists) are not just limited to understanding this particular type of economy, but they have been very relevant in ‘dis-embedding’ the economy. In other words, dis-embedding is a historical process where the economy is assumed as a self-regulated sphere that needs its own experts, and these experts are central in making this dis-embedding possible. As Carrier explained, using the language of current economic anthropology:

¹³⁶ For reviews on current discussions about the influence of Polanyi’s *Great Transformation* see the works collected in Hann and Hart (forthcoming).

The core of economic abstraction is the process that Karl Polanyi described as 'dis-embedding': that is, the removal of economic activities from the social and other relationships in which they had occurred, and carrying them out in a context in which the only important relationships are those defined by economic activity itself. In essence, economic activity becomes abstracted from social relations. The abstraction occurred in practical activity, what Polanyi (1986) referred to as the realm of substantive economy, which is the ways the people, firms and others agents organize and carry out their activities of the production and circulation of objects and services. It occurs as well at a conceptual level, what Polanyi refers to as the realm of formal economy, which is the ways that people think about and understand the economic levels (Carrier 1998: 2).

Fourth, dis-embedding is not a unidirectional process but a dialectic one, in fact, Polanyi argues that there is a 'double movement' of dis-embedding and re-embedding, whereby dis-embedding itself tends to produce its own crises that would enable the possibility of developing new forms of social regulation (Block 2003; Jessop 2001). Finally, it is very important to consider that in this context the notion of 'disembedded' is neither a mere description, nor a residual category that opposes 'embedded'. The 'dis' is important, and it denotes a lack of regulation, a type of alienation that beguiles us into recognizing as commodity elements that are not (Beckert Forthcoming; Hart Forthcoming).

Without any doubt, it can be affirmed that the present work has been importantly inspired by the author of *The Great Transformation*. At least four different levels of influence can be mentioned. First, this is a research about a market that has been (and is still being) instituted, and about a process that has facilitated market exchange in areas where it previously did not exist. Second, this work has also illustrated, in the particular case of private health insurance in Chile, the relevance of abstract economic knowledge to the production of a new level of reality that excludes political deliberation or traditional forms of solidarity. Third, Polanyi's categories are useful for comparing different ways of connecting the market with other forms of social integration. For instance, it could be said that the Chilean health system after the reform of the eighties is more disembedded than the previous welfare arrangement; or a similar situation arises if we compare the Chilean social security system to other such systems in different countries, as in the literature of 'varieties of capitalism' (Krippner & Alvarez 2007). Finally, it has also been a core issue in our work to show how 'privatization' is not solely a

unidirectional process but it produces tensions that allow the development of new sources of politics and regulation.

However, at the same time there are some important conceptual differences with Polanyi's account. First, in this work it has been suggested that 'commoditization' is not as simple as taking something out from society and leaving it free to the logic of the market. At least in our case it is, most importantly, a creative process that produces its own reality. In this context, as it was discussed in chapter V, Simmel's *Philosophy of Money* has been more useful than Polanyi's discussion on 'fictitious commodity'. Second, in giving far too much relevance to comparing different forms of exchange, markets risk to be oversimplified. As chapter III has shown, markets themselves can be seen as very complex social phenomena, open to creative processes of qualification that cannot be limited to a single logic or to a particular form of integration. In fact, the current discussion about *The Economy of Conventions*, or works by economic sociologists such as Aspers and White, seem to be more appropriate than Polanyi's conceptions to study the multiplicity within what he has called "self-regulated markets". Finally, to assume a dialectic relationship between embedded-disembedded-reembedded as the main engine that moves the relationship between the economy and its environment is also problematic. As it has been explained, new forms of 'collectives' are not just the outcome of social reactions against destructive market forces, but they can also be assembled with the enactment of market things. As we have discussed in chapter IV, and adhering to current trends in economic anthropology and other works interested in studying transformations in the post-soviet world, privatized property is not necessarily the opposite of public property, but it generated new forms of assembling collectives.

b. Embedded in Sociology

The second 'embeddedness' tradition is what has been denominated "the new economic sociology", and it is generally associated with Mark Granovetter's very influential paper from 1985. In this paper Granovetter develops an agenda for a 'sociological study' of economic actions. Specifically, he argues that there have been two main but misleading approaches to this type of act: utilitarian, and functionalist, which he respectively calls 'undersocialized' and 'oversocialized' approaches. Despite their opposite strategies, both share the same problem: they assume atomized individuals, acting teleologically or

normatively, being unable to understand how economic action is at the same time socially shaped and creative. According to his argument the problem is not, as sociologists commonly tend to see it, the assumption that economic action is 'rational', but that this rationality is not abstract but empirically produced in networks of ongoing social relations. As Granovetter together with Richard Swedberg has summarized:

Economic action in short, is 'embedded' in ongoing networks of personal relationships rather than being carried out by atomized actors. By 'networks' we mean a regular set of contacts or social connections among individuals or groups. And action by a network member is embedded, since it is expressed in interaction with other people (Swedberg & Granovetter 2001: 11).

Secondly, Granovetter argues that in order to explain economic outcomes, it is not enough to assume a somewhat teleological pursuit of economic or technological efficiency, but it is important to follow through the empirical evolution of these relations¹³⁷. Granovetter's own empirical approach is mainly associated with a structural analysis of the effect of inter-personal networks in economic development. More specifically, his attention is mainly orientated to the different types of social ties and the different degrees of coupling between them (Granovetter 2002).

However, the use of 'embeddedness' in the 'new economic sociology' has been expanded into a broader sociological project that transcends the network approaches and includes other schools such as 'sociological institutionalism' or 'field theorists'. In another very influential article, Sharon Zukin and Paul DiMaggio argue that: "we use 'embeddedness' broadly to refer to the contingent nature of economic action respect to cognition, culture, social structure and political institutions" (Zukin & DiMaggio 1990: 15). In other words, apart from social networks, markets would be shaped by cognitive frames, shared collective understandings, and power struggles¹³⁸.

¹³⁷ This method is clearly explained in the following extract from a paper that analyses the formation of the electricity industry in the United States: "We believe that the way the electricity industry developed was only one of several possible outcomes and not necessarily the most technically or economically efficient. Its particular form arose because a set of powerful actors accessed certain techniques and applied them in a highly visible and profitable way. Those techniques resulted from the shared personal understandings, social connections, organizational conditions and opportunities available to these actors" (Granovetter & McGuire 1998: 149).

¹³⁸ Just to briefly mention some of the most influential approaches in this context, we can quote DiMaggio who has suggested that: "without adding a cultural dimension to structural accounts of embeddedness, it is difficult to understand the negotiated, emergent quality of trust in many concrete settings, and the ability of entrepreneur to construct networks out of different regions of the social world [...] talking about 'cultural styles' is a relative weak substitute for pre-existing ties, but it does signal (Spence 1974) a probability that trusting relation can be constructed" (DiMaggio 1994). And also Neil Fligstein for whom the production of markets as stable social field

As with Polanyi, works developed in the context of the 'new economic sociology' have inspired this research. In fact, several of the elements discussed in previous chapters can be connected to this framework. Just to mention some of them: first, the particularities of the empirical development of private health insurance in Chile is a process far more complex than merely an evolution toward increasing technical and economic efficiency. In fact, as we discussed in chapter II, the actual shape of the insurance product may be connected to multiple actors and networks, including the role played by economists trained at the University of Chicago in the reforms that transpired during Pinochet's dictatorship, as well as other multiple institutional and political processes. At the same time, this research could have been carried out solely from an institutional framework associated with questions about isomorphism and with the expansion of technical knowledge, as exemplified by the excellent book authored by Sarah Babb (Babb 2001). On the other hand, as illustrated by the actors of private health insurance firms who were interviewed for this thesis, the evolution of this system and its current institutional arrangement may also be linked to the development of increasingly relevant personal ties, which could be understood from the standpoint of an investigation into social networks. Finally, and as it was suggested in chapter II, the evolution of private health insurance in Chile could also be studied as a process of creation of new political actors, and the ways in which they interact with regulative agencies and other authorities, setting the different positions in this field, as studied by Fligstein (Fligstein 1996).

However, like Polanyi's conceptual framework, these types of economic sociologies have important conceptual limitations associated mainly with the use of the notion of 'embeddedness' as a means of defending sociology rather than a concept to explain how economy and its environments are connected. Here it is important to remember the main point made by Granovetter about Polanyi's concepts. He argued that Polanyi has mistakenly seen a strong break between embedded and dis-embedded economies (Granovetter 1985, Swedberg & Granovetter 2001, Krippner et al 2004). Even though in his later works Granovetter accepted the relevance of studying different degrees of

is not primordially enacted from interactive networks, but political struggles. This point is developed in two levels. First, markets are seen as 'fields' where 'incumbents' and 'challengers' are continuously negotiating the way markets are stabilised (Fligstein 2001). And, secondly, firms continuously built their own limits by negotiating the levels and kind of regulations with government. The latter process has to do mainly with the definition of: "property rights"; "governance structures" (laws, and informal institutional practices); "conceptions of control" (the way markets are understood); and "rules of exchange" ("who can transact with whom and the conditions under which transactions are carried out" (Fligstein 1996: 658).

coupling mainly in innovation processes (Granovetter 2002), for him 'embeddedness' is a constant: all economic actions (modern or not) are embedded in social relations. This claim has important consequences. Firstly it implies that in order to rightly understand economic actions, it is always relevant to study the way in which they are 'embedded' by social relations. In other words, Granovetter defends the centrality of a particular type of factor in the economy, namely social relations, and the centrality of a very particular type of discipline, sociology, in studying them. As he explains:

I believe the embeddedness argument to have very general applicability and to demonstrate not only that there is a place for sociologists in the study of economic life, but that their perspective is urgently required there (Granovetter 1985: 507)

In this sense, perhaps overly worried about defending the sociologist's job, Granovetter has assumed too much. He not only criticises those who forget the social aspects in the production of markets, but also those who, like Polanyi, are interested in studying the ways in which markets can shape societies. The 'New Economic Sociology' seems to assume a one-way process of society shaping markets, leaving unattended the problem of how markets can eventually allow new forms of sociality.

In both revised traditions the metaphor of 'embeddedness' is not just a way of developing a particular 'epistemological' frame but it also contains stronger claims. In Granovetter's case, markets are always embedded, in other words, 'society' is previous to the 'economy' and studying an economic relation will always be a way of studying society. Polanyi does distinguish between embedded and disembedded economies, but his notion of 'disembeddedness', does not just describe a particular relationship between the economy and other institutions, but it denotes an alienated state. As it will be discussed further in section 3, these elements are associated with two different critical agendas. Now it is important to identify that in both senses, the 'embeddedness' metaphor becomes a bag too heavy to carry. In the present research, we have tried to set forth from a more open point of departure, having not only an interest in seeing how markets are socially produced, but also the way in which the enactment of market things allow the emergence of new collectives. Perhaps a possible solution to these problems would be to follow an empirical path. We should then to see what is embedded in what, and stop assuming a particular a priori direction, or that markets are the opposite of society. A different alternative is to start building from different

metaphors. This is what most of the authors that have been central to each of the previous chapters in this work have tried to do. In fact, it is possible to find in them a different set of concepts and assumptions that would allow us to develop a new departing point for research such as that developed here. Organizing these elements is the main aim of the next section.

c. Relational co-production

In the last two sections we have summarized some of the problems associated with the use of 'embeddedness' as a metaphor for studying the relation between the economy and its environment. Even though the traditions following Polanyi and Granovetter have been two of the main conceptual sources for 'social approaches to the economy' during past years there are other important works by authors who have introduced different ways of approaching these issues. Probably the most notable at least in recent years, has been the 'performativity approach' initiated with Michel Callon's introduction to the *The Laws of the Markets* (Callon 1998a). Callon's work, as well as that of his colleagues, has clearly been influential for the present research. However, it is important to point out that there are other works which are neither part of the 'performative' agenda nor of the embeddedness approaches that have been very relevant too. I think these works may be grouped into a wider tradition that is not simply concerned with the effects of knowledge in building markets, but is more worried in the developing a strong relational approach to markets. This grouping exercise could eventually lead to the construction of a broader intellectual genealogy (that perhaps could start with Simmel and traverse American Pragmatism¹³⁹) but here we are limited to calling out certain contemporary authors and concepts, which are useful for understanding in a different manner the relation between economy and its environment; and by doing that inserting in a broader discussion the outcome of this particular research.

Apart from Callon, another author who has been called upon several times in this thesis is Harrison White. White is renowned as one of the founding figures of network analysis (Fourcade 2007; White 1990); it is of course very true that his influential 1981 paper opened the gate for the social structural

¹³⁹ See the very interesting review of the Philosophy of Money by G.H. Mead (Mead 1900-1901). For a contemporary attempt to connect economic sociology and American Pragmatism, in particular Dewey's work, see Stark (forthcoming).

analysis of markets. However, his work is not solely about the way in which social elements shape markets, but about understanding markets themselves (Aspers 2007). In fact, one of his main arguments is not about 'embedding' but on the contrary, about what he calls 'de-coupling'. In his view, markets are not explained by social networks but they are interactive systems decoupled from 'social networks'. In this sense, what has to be understood is not the way society shapes the economy, but how markets are generative social structures on their own. As White suggests:

Production markets indeed constitute an ingenious social invention that gets result by playing off this trade-off through mechanism that decouple as they embed actions by firms into markets sided within larger networks in flows of production. A paradox is confronted and overcome. Markets emerge from network of firms exactly insofar as they suppress networks through their embedding (White 2002: 211)

Another very influential research developed in recent years which also works in what we could call a post-network way is Karin Knorr-Cetina's studies on financial markets. She propounds that interpersonal networks, even though important, are not useful enough to understand modern global finance. In these markets, electronic forms of communication are the main tools for contacting each other, and more importantly, the market itself is performed in and by screens. In this sense, technology does not just re-present previous structures, but it reflexively performs them (Knorr-Cetina 2003). As in White's producers markets, finance is made out of dis-embedding from local rule and space, creating new 'time communities' continuously connected between global financial centres. In this sense, and loosely following Giddens' account of modernity as a process of dis-embedding (Giddens 1991), Knorr-Cetina does both: she notes the relevance of the production of new connections and introduces a historical dimension accounting the evolving architecture of markets (Knorr-Cetina & Preda 2007, Knorr-Cetina 2004)¹⁴⁰.

Michel Callon has also suggested that the production of 'calculative exchange' has to do with the detachment of elements from other social framings (Callon 1998a). In a recent co-written work, this argument is summarized in the following way:

[One] common way of phrasing what economic agencements do is indeed to say they 'disembed', i.e., they 'abstract'. Not exactly 'from society'

¹⁴⁰ For the difference between White and Knorr-Cetina's account see Knorr-Cetina (2004).

because abstraction in itself is a social operation but from other agencements¹⁴¹ which were probably less economic. But then, what does abstraction mean? From our point of view, abstraction needs to be considered an action (performed by an agencement) rather than an adjective (that qualifies an entity). Abstraction, rather 'to abstract', is an action, an action of transformation and displacement close 'to extract' or 'to draw away' (Muniesa et al 2007: 4)

Here, disembeddedness, is not just a negative process, but a generative source of new connections. Connections that, in a similar fashion to White's and Knorr-Cetina's, are about markets as new social formations but also have to do with the proliferation of new collectives that are made possible by the enactment of new market things. In Callon's terms it is possible to argue that the framing of markets is continuously overflowed by unexpected forms of connections, which could eventually contest the very 'calculative frame' that make them possible (Callon 1998b; Callon & Muniesa 2005; Callon 2007b). As we can recall from chapter IV, similar elements have also been developed in the work of anthropologist Marilyn Strathern on property (Strathern 1999). Strathern suggests that the delimitation of property rights does not merely involve the interconnection of pre-existing things with a potential owner, but by defining rights and compensations the very nature of the things and collectives involved are also produced. These works adjust for the possibility of developing a more dynamic perspective about the evolution of economies. In Callon's view, the increasing relevance of markets in late capitalism can be connected with an increasing production of controversies, or 'hot forums', that allow the proliferation of new concerned groups and new forms and fields for politics (Callon 2007b, Latour 2003). In other words, the process of framing market things and the apparition of new collectives are not opposite, but interwoven processes. In a wider sense, Callon and Caliskan have argued that what is continuously at stake is the empirical production of the 'economy' as a different realm, in other words, the difference between the economy and its environments do not previously exist but it is continuously *performed* (Callon & Caliskan 2008, Callon 1998a; Callon et al 2005).

In the context of these conceptual developments new metaphors for understanding the relationship between economies and their environment have been introduced. Specifically, Callon suggests the introduction of the notion of 'entanglement' (Callon 1998a; Callon et al 2005). According to Callon:

¹⁴¹ *Agencement* is a notion taken from Deleuze that notes an entity that is both an actor and assemblage (Phillips 2006).

The problem is to explain how isolated frames are shaped, allowing for the very specific relations in which goods or services are alienated and commercial transactions are set up. And if you want to explain that, you have to enrich the description of the connections of relations or processes in which agents are plunged. In order to create islands of commercial transactions, you have to imagine a very rich web of various relations and I think entanglement and disentanglement can describe in satisfying way the double movement (Callon et al 2005: 110)

This notion of 'entanglement' was coined by anthropologist Nicholas Thomas in order to frame in a novel way the relationship between 'gift' and 'commodity' (Thomas 1991). As he explains, this difference is not built out of two different kinds of exchanges, but they are interwoven. There is no such thing as a 'dis-embedded' capitalist trade in opposition to an 'embedded' gift; they would be entangled. In order to understand 'gifts', Thomas suggests, it is necessary to consider wider processes, like colonial capitalism, because gift and colonial trade are co-produced. Callon suggests to use this concept as a pair: "disentanglement" / "entanglement", and as a way of re-framing the discussion on embeddedness. This concept could also be used to summarize the work of other authors just mentioned. Disentangling implies the detachment of previous ties that open the development of new entanglements.

It is important to mention that Callon forgets quite an important part of Thomas' concept. Central to Thomas' is emphasising that exchange relations are not wholly constituted by the elements that actually participate in them. Exchanges are also historically produced, whereby many of the factors that make them a distinctive event are not visible, but should be traced in longer historical dynamics. As it has been said, in Thomas's work this is mostly related to an understanding of the entanglement between gift and colonial capitalism. However, a similar stance could be learnt from Viviana Zelizer's historical sociology. Hers is an attempt to understand the connections between markets and its priceless or intimate environments. This is not done neither from the point of view of destructive spheres nor in a one directional sense, but from a relational account of their co-production (Zelizer 2002; Steiner 2007). And more importantly, the particular manner in which these different logics are connected (conflicts, cohabitation, etc.) is not an a priori assumption, but their form is seen as an evolving empirical issue. And this, in Zelizer's work in particular, is largely allied with an understanding of historical process, for instance: the co evolution of the insurance industry in the United

States and the de-commoditization of American children in the XIX century (Zelizer 1981). In other words, both Thomas and Zelizer, apart from seeing the relationship between economies and their environment as a dynamic and generative process, stress the relevance of studying the ways in which absent but relevant historical processes are actualized in their existing empirical shape.

Zelizer's later work is also worth mentioning here. She is increasingly interested not just in these co-evolutions but in studying the production of 'bridges' between personal and impersonal ties, or what she calls 'circuits of commerce' and 'earmarking processes' (Zelizer 2005). In other words, she is interested in the ways in which new social structures emerge out of the continuous interaction between the economy and its environments. This recent development in Zelizer's work could also be seen as a micro-sociological complement to Luhmann's use of the notion of 'structural coupling' (Luhmann 1995). This notion could be used, as well, in the context of our discussion in order to study the interaction between the economy and other fields such as formal politics or law. This term, developed in the context of systems theory by Humberto Maturana and Francisco Varela, could be helpful in denoting the complex causality in these types of connections, and considering the very different kinds of temporalities involved. In other words, it is not simply that a political change ought to affect the economy immediately, but it may or may not happen in the future¹⁴². To be clear, it does not mean that the relation between different fields is necessarily non-linear, but it has to be open to empirical research. At the same time, the notion of 'structural coupling' stresses the apparition of particular agencies out of these interactions. If Zelizer's circuits describe the way in which exchange is limited by earmarking processes, it is possible to employ 'structural coupling' in order to observe the apparition and development of institutions such as central banks or regulatory agencies that work bridging the relationship between the economy and its environment in a more institutional sense. Considering the previous discussion, perhaps we could argue that these bridging structures are not just relevant in bridging particular tensions between economic activities and their environment, but by doing that they are also central in producing the economy.

¹⁴² For instance, in our case, it could be argued that the educative pact between the Catholic University of Chile and The University of Chicago did affect the economy, but it did so after more than 15 years. In chapter II we suggested, following Serres, using the notion of 'folded production' to denote these temporal tensions. For current connections between Luhmann's theory and economic research, see Hutter (2007), White et al (2008), and for a wider discussion, Farias & Ossandon (2006, forthcoming).

The present section has suggested that it is possible to organize a contemporary framework for a relational study of the production of markets and their environments that help in transcending the limitations associated with embeddedness approaches. Our argument can be summarized in six main points. First, markets can be seen as de-coupled interactions, built from the production of new ties. Second, these new connections are markets as well as producers of new, sometimes unexpected, collectives. In this sense, market-making is not just a negative process but it is also generative, where in addition to new things, new connections and collective agents are performed. Third, and more generally, it is in the enacting of market things where the economy, as a different realm or a different type of calculation, is performed. Fourth, in this context, the metaphor of entanglement and disentanglement has been introduced so as to stress the creative character of market production. However, and fifth, Thomas' metaphor goes further, stressing the relevance of studying the historical co-production of the economy and its environment, which can also be connected to Zelizer's cultural sociology. And sixth, it has been suggested that notions such as 'circuits of commerce' and 'structural coupling' would help in understanding the apparition and development of 'bridging' formations, that brokerage between different types of connections. Finally, it is relevant to mention that this section and this final enumeration does not imply that there is a new coherent paradigm; rather, it emphasizes the existence of a new set of concepts that allows for the production of alternatives to the notion of 'embeddedness', and becomes a contemporary box tool for the social study of the economy. All of these elements, as enunciated in chapter I, share a strong relational account, where things, actors, and different types of exchanges are continuously contested and differentiated.

2. Enacting market things, enacting society

In the previous section we systematized the main conceptual elements used in this thesis. It was suggested that it is possible to observe the emergence of a contemporary conceptual toolbox, which does not need the assumptions associated with 'embeddedness' approaches. However, different types of research could be carried out deploying the approach just outlined as their point of departure. As it was explained in chapter I, the main interest of the current research is to study the 'enactment' of private health insurance in Chile. Following, Anne Marie Mol, we explained that the notion of 'enactment' refers to the study of the processes whereby new entities are brought

forward¹⁴³. Now it is possible to connect the critique of embeddedness and the study of the enactment of market things. In this work, we have not studied how a market is socially produced but how by enacting new market things – the product, the good, the property, and the commodity – the economy and its environment (like subject and object in Mol's work) are co-produced and distinguished. Each of the substantive chapters of this work develops at length how different market things have being enacted in private health insurance in Chile. However, at the same time, each chapter has shown how by enacting these things, new associations and collectives had been brought forward. In the next paragraphs the main conclusions of each chapter will be summarized.

The first substantive chapter of this thesis is concerned with the insurance policy, and addresses the questions of where it is produced and by whom. These questions have been observed from a wide frame and assuming that agency is not necessarily a monopoly of those actors directly involved in producing new policies for each insurance firm. An insurance policy is not a simple product, but a contract where multiple frames converge. Of course new policies are produced by firms; while they are not solely the outcome of their own initiative, they are enacted in an interactive network with other firms. At the same time, health policies are a compulsory kind of insurance and thus a particularly regulated industry, where new bills have been orientated towards standardizing the range of services covered and the characteristics of the contracts. Finally, the characteristic of the policy and the way in which it should be limited and regulated have been developed and transformed by economists, whose knowledge has also been reshaped by the empirical evolution of the system. In other words, it has been shown that producing a new policy is a multilayered process, where the actual form of the policy, rather than developed within one of these layers, is in fact enacted at the edge of their encounters.

However, the accounts of the first chapter are not purely about the different elements involved in enacting the product of private health insurance, they also narrate the emergence of different social formations and struggles. Following the order of the chapter at least three further ambits can be

¹⁴³ Mol's argument can be summarized in three main points (Mol 2002). First, social sciences have spent too much energy studying the complex processes behind social and subjective identities, leaving unattended the ways in which objects, or better, things, are made. Second, as various researches in the social studies of science have shown, things, like social identities, are not easily produced, and rather than a single unity, they are multiple. Finally, studying the enactment of things is not merely about studying in what way things are socially constructed, but it is also about how by enacting things, to distinguish between subjects and objects is made possible.

mentioned. First, and not surprisingly, there is a self-reflexive social interaction between firms. The development of the private health insurance product has facilitated the production of emergent networks of producers that orientate themselves through information about each other's products. Second, new levels of political deliberation have been developed. This industry is increasingly regulated: by bills put forward by traditional deliberative institutions (Parliament) but also by specially developed institutions (mainly the Health Superintendence). In this context, insurance firms themselves have become political actors (predominantly grouped in the ISAPRES Association), and are not only interested in discussing specific regulations, but also in contesting the regulator's work scope. Thirdly, economic knowledge has not just become relevant in framing the product, but also in designing a whole new 'political arrangement' for health. As it has been observed, one of the most important elements in the creation of this system was the differentiation between insurance, health management and health provision, as if they were different spheres of reality, where different kinds of experts are able to speak, delimiting at the same time the scope of potential democratic deliberation. In other words, in addition to creating a new space for economic exchange, this process has resulted in a re-shaping of the economy as an area for economists' deliberation.

Chapter III tackles the ways in which insurance policies are differentiated, or the enactment of the 'good'. Normally, markets are assumed as spaces where relatively standard commodities are differentiated depending on their price. We have expanded the conceptual framework in order to include another conceptual stream, eager to consider processes of qualification where price is still relevant, but is understood in the context of multiple frames of qualification. From this point of view, the private health insurance system is quite complex. First, there is not a single price, but prices (premium, coverage, potential provisions), and they all could be potentially considered when comparing policies. At the same time, insurance policies are technical goods that are not always displayed, but are concealed into wider lines of services (for instance attached to medical providers or specific doctors). Third, health insurance products are differentiated depending on the population they are targeting: developing very different services for lower middle class groups (where they directly clash with public insurance) than those orientated to higher middle class groups. Fourth, insurance firms have developed and exploited different brands, whereby some companies are connected with a 'premium' service and others with an 'economic' line of insurance. These brands also open the scope of comparison: considering that some of the main

companies are just focused on this business line, while others are part of wider medical conglomerates or of international financial product firms. Finally, the picture is completed by the participation of regulatory agencies, which not only steer this industry but also actively participate by inducing some form of differentiation and by introducing new criteria of comparison. Then, the differentiation of the good does not merely involve a reduction or organization of information, but a creative process of attaching and detaching, concealing and unveiling, where competition becomes an attempt to impose some specific form of connection.

The issues discussed in chapter III complement some of the conclusions from chapter II. In some sense, the current role of regulation (steering competition; enabling an easier comparison; and making products standard) has shown an important evolution. In terms of the discussion on economics, the emphasis has moved from 'market distortions' to 'market failures'. Namely, from a conception where the most important political action is eliminating elements that could distort the natural functioning of markets (taxes; subsidies; etc...) to a conception where competitive markets are politically enabled and produced. This, of course, is connected with a change in the balance of influence between economists advising the government, but it is also associated with the empirical evolution of private health insurance by itself. In some sense, it has been the same system that has reacted unexpectedly, changing the way of understanding political intervention. Following concepts developed in the context of the Convention School, this process can be understood as a movement from a 'merchant' type of market to one that works rather like an 'industrial' market. However, this chapter shows that it is problematic to find a single way of connecting and qualifying goods, but different actors are also different framing agents. At the same time, one of the main tensions in this case is the 'competition' between a public and private insurance, which can be understood in a novel way from this point of view. In other words, public and private, are not just two different strategies for assembling collectives (as discussed in chapter IV) but also different ways of enacting goods.

As we have just indicated, chapter IV is about 'property', however, it is not about the ownership of private companies, but about the contested process that makes the health insurance policy a thing that can be privately owned. Since the beginning of the system, this involves making a private asset out of the compulsory withholding for health protection, which can be freely orientated to either public or private insurers. However, as illustrated by the

controversy about the 'Solidarity Fund', this privatization has been far from being a straightforward and uncontested transformation. The original design of the system followed the creation of the private pension fund; but this is insurance, and it does not work as a saving account, it is a cash flow that is pooled and distributed depending on the medical events suffered by covered population. In other words, it is always in some sense a collective issue and the introduction of this system and the defence of the private character of its property have created and reinforced collectives. This chapter allows us to see 'privatization' in a novel form. In this context, privatization is not just a negative process (the negation of 'public' or 'solidarity') but the development of forms of grouping previously inexistent. However, this does not mean that there is just continuity between the previous and the current system. The development of private health insurance allowed the split of the previously existent pool into a pool that covers those people in the public system, and other pools that correspond to each private insurer. The controversy about the 'Solidarity Fund' finished with the creation of a new fund, which was limited to the private companies, and created a new pool that includes the population covered by private insurance.

Finally, chapter V addresses the commodity in private health insurance in Chile. As it was argued, the commodity is not merely about comparing things, but about the way in which they are priced. Here the main concern was to understand that private health insurance does not directly price health but 'capital', and it works by creating a double reality, that works in a particular temporality: risk. And this, it was argued is not just an 'epistemological' issue, but a creative process that brings new entities forth. The creation of the commodity and the definition of its price in this system is a process of abstraction, however, it is not solely an imaginary event but the creation of something new that changes the world where it appears. To understand this process, concepts such as 'virtual' and 'boundary' object were introduced. In this sense, private health insurance does not price previously non marketable things, but it creates its own commodity. However, by doing that it also transforms its environment. Health insurance can be seen as a 'diagram' that can create financial risk out off almost everything, a process which is not only ontologically creative, but which also acts upon the possibilities of the actors and institutions involved. In this sense, insurance attempts to make its own risk into the others' risk; potentially transforming the possibilities faced by them.

To sum up, the different chapters study the enactment of private health insurance, trying to understand distinct 'things' in each of them. At the same time, each chapter shows how, by enacting these market things, new multiple social connections and processes have been made possible. These processes are not pre-existent or merely a reaction to the development of the market, nevertheless, these market things enable the apparition of new formations while at the same time they decouple previous social ties. The main focus of this thesis has been the study of these co-productions.

3. Closing Remarks, new forms of studying neo-liberalization

In the current research the production and development of private health insurance in Chile has been studied as a process of enactment of new things, paying special attention to the proliferation of new collectives and institutions enabled by the emergence of these things. In doing that, we have decided to abandon the metaphor of 'embeddedness', which has been generally utilized to understand this type of processes. Instead, we have tried to show that there is a contemporary conceptual toolbox useful to develop a better equipped approach for our research. However, it is important to note that the notion of 'embeddedness' has not been associated solely with a methodological position, but this concept has also opened important critical agendas. In the case of Polanyi's approach, it has been used to highlight the dangers associated with an excessive de-regularization of markets; as well as a critique of excessive authority of the academic defenders of self-regulated markets: neo-classical economists (Beckert Forthcoming; Hart Forthcoming; Steiner 2007). In Granovetter's case, on the other hand, embeddedness has been brought into play in order to critique approaches to the economy that focus on atomistic individuals (Kripnner & Alvarez 2007). Leaving these perspectives implies also to abandon these types of critical positions, or said in a different way: market creation is no longer regarded as the opposite of the social or markets are not merely explained by 'social variables'. However, focusing on the enactment of market things, as we have been doing in the current work, does not mean that there is no space for critique. To close this work in the next paragraphs we will call attention to some of the critical possibilities instigated by this work.

One of the main issues analysed in this work is the way in which a particular group of experts, the 'Chicago Boys', became central in producing private health insurance in Chile. As explained in the first section of the current

chapter, this process might be analysed from an institutional point of view. However, at the same time it opens very relevant questions for a post-structural and post-colonial political theory. In this context, the notion of 'anti-politics' developed by Andrew Barry is particularly useful. As Barry explains:

Politics can often be profoundly antipolitical in its effects; suppressing potential spaces of contestation; placing limits on the possibilities for debate and confrontation. Indeed, one might say that one of the core functions of politics has been, and should be, to place limits on the political (Barry 2005: 86)

As it was explained in chapter II, the health reforms that were carried out in 1981 did not just create the possibility for the development of a private health insurance market, but it also demarcated a space that exists outside of political deliberation. Health was divided into insurance, provision, and regulation; dividing at the same time insurance and provision into public and private, and transferring former central medical provision to local authorities. In other words, direct political deliberation could change the regulation environment but not actually act into most of these ambits. Furthermore, this re-arrangement could not be easily undone by political deliberation. In this sense, the studied reform can be seen as a deeply anti-political political act.

Another author that has opened new forms of critical thinking concerning processes of privatization is Timothy Mitchell. He suggests that what expert knowledge, in particular economics, produces are forms of exclusion. As Mitchell explains:

Economic analysis helps organize these exclusions. It helps distinguish what can count in the act of exchange from what cannot, and what must be paid for and what should not. From this perspective, economics should be analysed not in terms of the reality it represents (or fail to represent), but in terms of the arrangements and exclusions it helps to produce (Mitchell 2007: 244)

Following Mitchell's point, the information analysed in the present research can be seen as exclusionary processes at least in two ways. In chapter V we explained how insurance is never strictly individual, but, it is about different ways of pooling and it can be analysed as a very relevant source of socio-technical solidarity. In this sense, as the controversy about the 'Solidarity Fund' illustrates, privatization is a way of delimiting a private collectives as

opposed to a public one. At the same time, we had mentioned that private insurance concentrates approximately 20% of the Chilean population, most of them from the wealthiest fifth percentile of the population, administering 7% of this group's income. In this context, the strong argument against the creation of a common pool that would allow for part of these resources to circulate into the public pool can be seen as a form of defending the stability of the private insurance industry. However, at the same time, it opens important questions about the ways in which the delimitation of private insurance by excluding the public is acting by producing current inequality. In other words, instead of regarding this system as a mere reflection of previous 'class structure', it can be seen as an active force in shaping current social stratification in Chile.

On the other hand, we have described several times how the health reform of 1981 created a dual system: based upon the assumption that users could opt between public insurance or different private insurers. Since the creation of private health insurance, political discussion about the system has been limited to approaches to the organization of the co-existence between these two systems. However, previously, health protection was based on other ways of connecting people. For instance, the former public system differentiated between blue-collar and white-collar workers (connected with the ability of different occupational groups to negotiate with the State), and years before, it was based on self-organized workers' organizations or organized religious caritas. If we consider 'insurance' not only as an effect of previously existent forms of solidarity, but as an active agent in producing it as well, we could say that another important consequence of the process here studied has been the exclusion of alternative forms of building collectives, making them invisible in the current range of political possibilities.

A third element worth mentioning at this point, in addition to the issue of anti-political action and exclusion, concerns the specific temporality of insurance. As we explained in chapter V, insurance creates a double reality, whereby its 'virtual' side can be financially measured, facilitating the enactment of this industry's commodity. However, by working in this temporality, insurance acts upon the possibilities faced by the different agents that are related to this system. This is not surprising if we consider that private health insurance was created as a strategy that would make health administration more 'economic'. In other words, it was conceived as a new agent that would act in the space in between patient and medical provider: allowing users to face better prices but also compelling them to use the system moderately. In practical terms, as we

have outlined, insurance acts upon the involved agents possibilities by patrolling the use of their benefits and developing forms of risk sharing. In terms of the authors who follow Foucault's late work, this is particularly relevant, because insurance becomes a way of indirectly managing individuals' health. In this sense, private health insurance is not simply a market, but a 'technology' in the sense suggested by Nikolas Rose:

I use the term 'technologies' here to refer to assemblage of social and human relations, hybrids of knowledge, instruments, persons, systems of judgements, building and spaces, structured by a practical rationality governed by a more or less conscious goal, and underpinned by certain assumptions about human beings (Rose 2007).

After referring to Rose, it is important to remember that this research has focused on a very specific part of Chile's health system. This research is about the development of an insurance market in health. Furthermore, we have focused our attention more acutely on the 'market' part rather than on the more general topic of health. Perhaps, if we had developed this thesis from a perspective that is closer to that of current studies on similar topics, such as that of Rose, we would have encountered many different elements, probably connected to a greater extent to the ways in which health and the administration of life has changed in Chile since the creation of this kind of insurance. Of course, in order to develop this dimension we would have needed a considerably longer amount of time, or perhaps to formulate a completely different thesis. However, it is also important to consider that out of all the main health reforms in Chile, the creation of private health insurance was the only one presided over by economists; its creation opened a whole field of deliberation about how health has to be economically administrated. Perhaps, the last reform (discussed in chapter IV) controlled by health professionals and orientated under a more epidemiological criteria, shows a return of health to the realm of health, or in Rose's terms, to a proper politics of life itself. However, after all the transformations described in this work, even these politics of life itself have had to deal with the consequences of the creation of a technology that administrates and connects very relevant components of health provisions in the country.

In order to finish it is important to return to the notion of 'experiment'. We have mentioned at the end of chapter II that the enactment of private health insurance can be understood as an experiment. However, this experiment is not just a mere application of foreign or abstract theories to Chile's health

system. It is an experiment in a wider sense. It has opened unexpected developments that have changed the way in which private health insurance is understood, causing the emergence of many new actors, things, and collectives. In this sense, even a system that was created in an authoritarian context has demonstrated to be reluctant to be controlled by its original design. At the same time, it is important to remember that this research has also been an experiment. It has not attempted to be a classical empirical research. In fact, we did not have a hypothesis, and the empirical information presented here is open to be tested in a deeper way by more rigorous studies. This work has been mostly an attempt to find new ways of conceiving the development of private health insurance in Chile, and it would have hopefully developed new paths for research and for studying similar processes in this country or other similar cases.

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ANNEXES

1. Insurance Health Policy example

Contrato de Salud



FUN^o

En _____ a _____ de _____ de _____ se ha convenido celebrar el siguiente Contrato de Salud entre Isapre Banmédica S.A., Institución de Salud Previsional, registrada bajo el código de operación número 99, representada por su Gerente General don Fernando Pinedera Cádiz, Chileo, Casilla, Ingeniero Comercial, Rut. N° 8.771.661-R, ubicada con domicilio en Santiago, Avenida Apoquindo N° 3.600 Piso 2° comuna de las Condes, por una parte, y por la otra el afiliado (s):

Se(a) _____ Cédula de Identidad N° _____

Domiciliado en _____

Artículo N° 1

Disposiciones Generales

El contrato de salud está constituido por los siguientes documentos que forman parte integrante de él: Condiciones Generales, Garantías Explícitas en Salud (G.E.S.), Declaración de Salud, Plan de Salud Complementario, Formulario Único de Inscripción y Anuncio e nómina de prestaciones autorizadas.

Todos los documentos convocados antes mencionados deben ser suscritos por la parte, con excepción del Formulario, Garantías Explícitas en Salud y Examen de Medicina Preventiva.

Artículo N° 2

Plan de Salud Complementario y Anexo sobre Examen de Medicina Preventiva

EVEREST 520/06

EVH520 -

Tipo de Plan:
 INDIVIDUAL GRUPAL

PRESTACIONES	LIBRE ELECCIÓN		OPERTA PREFERENTE		PRESTACIONES DERIVADAS (i)	Mensual Máximo (Mx) (j)
	UF DENTIFICADA	TÍPICO ADMICIONADA	UF DENTIFICADA	TÍPICO DENTIFICADA		
PRESTACIONES HOSPITALARIAS, CIRUGÍAS AMBULATORIAS (k) Y URGENCIA (h) Div. Quim. Sala Quim. Incubadora UCI - UCIC - Incentivo Día-Cama Tratamiento, Observación Equipamiento de Laboratorio, Imagenología Derecho Patellón Kinesología, Medicina Física y Rehabilitación	90% Sin Tope		(Sin Médico Staff y Sin Comenta) 90% Sin Tope (i) Clínica Santa María		Clínica Cívica	
Procedimientos y Honorarios Médicos Quirúrgicos Medicamentos (l) Fisiología Clínica (m) Prótesis y Dentis Consulta Médica Hospitalaria	90%	16,00 veces ABU SIN TOPE 45 UF 1,9 UF	10 %	45 UF		90 UF
Día Hospitalización Puericultura (n) PRESTACIONES AMBULATORIAS Y URGENCIA (h) Consulta Médica	23%	Sin Tope				76 UF
Equipamiento de Laboratorio Imagenología Derecho Patellón Ambulatorio Procedimientos y Honorarios Médicos Quirúrgicos Fisiología Clínica Incentivo Kinesología, Medicina Física y Rehabilitación Consulta, Tratamiento Psiquiátrico y Psicológico	70%	1,4 UF 3,50 veces ABU 3,10 veces ABU 7,00 veces ABU 4,00 veces ABU 3,50 veces ABU 3,50 veces ABU 3,50 veces ABU 1,1 UF	70 % Sin Tope Vidahugga, Integramédica, Clínicas Avanzada y Clínica Santa María (Solo con autorización de Isapre)		Vidahugga, Integramédica, Clínicas Avanzada, Clínica Santa María	63 UF 63 UF 11 UF 53 UF
Drogas Antineoplásicas para el tratamiento del Cáncer (o)	90%	SIN TOPE				
OTRAS PRESTACIONES: Traslados (p) Marcos y Gafas Ópticas (q) Prótesis y Ortesis	70%	1,60 veces ABU 1 UF 1,80 veces ABU				1,4 UF 2,7 UF 1,4 UF
Atención Dental (r)	Con Prestadores en Convenio					
Cobertura Internacional (i) Tope General Anual por Beneficiario UF 5.000 Beneficios Adicionales por Renuncia Expresa a los Excedentes (m)						

Las notas Explicativas se encuentran al reverso de este Plan de Salud

Isapre Banmédica

2. Types of insurance policies, three health insurers (Source: firms' web pages)

Company	Plan's Families	Target general / young male single	Coverage			Zone National of No RM
			fre e	prefe rential	close d	
Sanmedica	Everest	General				National
	Condilera plus	General				National
	Condilera	General				National
	Andes	General				not RM
	Andes Regionales	General				National
Consalud	Vida Intgra	young male single				National
	Himalaya	single				National
	Roble	General				National
	Alisca	General				National
	Enfermosos	General				National
	Amaván (1,6- 2,11UF)	General				National
INC	Arcazona (0,75- 1,2UF)	General				National
	Vichuquen (VI), Cahua, Mistral (IV), Fresno (VIII)	General				not RM
	Mi doctor	General				RM
	Mi doctor regional	General				not RM
	Alpaca	young male single				National
	Libre	General				National
	Preferente full	General				National
INC	Preferente ultra	General				National
	Preferente super	General				National
	Medico familia	General				National
	Nacionales	General				not RM
	Joven	young male single				National

3. BANMEDICA SA. Organization Chart

