

## Latin America's 'Oasis' Descends Into Chaos

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Chile—Latin America's freest, most stable and richest nation—is in free fall. Public order has collapsed, violence is rampant, and populism is the new creed of the political class. There is a recession, characterized by capital flight and rising unemployment. Income inequality could increase to levels not seen since the 1990s, according to a recent statement by Chile's Central Bank.

It took a mere 40 days for the Latin American "oasis"—as President Sebastián Piñera called Chile not long ago—to vanish. How a stable and prosperous Chile fell so dramatically in such a short period is a lesson for every Western democracy.

The immediate cause of the crisis was the small increase in the price of public transportation tickets in Santiago. The Oct. 4 price hike was clearly unpopular, but initially the government showed no willingness to reconsider what it correctly called a "technical" measure. As a result, hundreds of students began to evade the subway fare. On Oct. 18, two weeks after the price

increase was announced, the country exploded. Coordinated protest groups destroyed almost 80 subway stations, bringing Santiago's public transportation to a halt. Rioters attacked public and private property.

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By the end of the day, the situation was so desperate that Mr. Piñera was compelled to declare a state of emergency and put the military in control. Massive demonstrations followed, and war on violence returned as soon as the state of emergency was lifted. **A few weeks later the consequences are everywhere: more than \$2 billion in losses and damages, more than 1,200 looted retail stores, an estimated 300,000 new unemployed, 25 dead, more than 2,000 injured police officers, and a political and economic crisis with no end in sight.**

A small hike in the price of subway tickets isn't enough to cause so much devastation. **The economic pain started with the antimarket reforms of the previous government under Socialist President Michelle Bachelet, from 2014-18. Ms. Bachelet increased corporate taxes by 30%; signed a law banning the replacement of workers on strike, thereby dramatically increasing the costs of labor; increased public spending at three times the economic growth rate; and unleashed armies of regulatory bureaucrats on the private sector.**

Capital investment fell in each year of her term. Such a consistent reduction in investment hasn't happened since data was first collected, in the 1960s. Economic growth collapsed from an annual average of 5.3% under the previous government of Mr. Piñera (2010-14) to 1.7% under Ms. Bachelet. Real wage growth took a 50% hit. (In his campaign for president in 2017, Mr. Piñera promised to bring back better times. So far he has failed to deliver.)

But Ms. Bachelet's retrogressive policies aren't the ultimate cause of the problem. The policies result from a profoundly false narrative Chilean elites tell themselves about the country. **Over the past 20 years, intellectuals, media personalities, business leaders, politicians and celebrities in this Latin American nation have marketed the myth that Chile is an extreme case of injustice and abuse. It began at the universities, where progressive ideologues spread the idea that there was nothing to feel proud about when it came to Chile's social and economic record.** According to this aggressively egalitarian narrative, "neoliberalism" had created a society of winners and losers in which neither group deserved the position in which it found itself.

Ms. Bachelet's second term and her social justice-driven agenda were the inevitable result. Even Mr. Piñera, a billionaire, accepted the basic premises of the progressive elites' narrative. In his first term he raised taxes to address what he called one of Chile's main problems: inequality.

Now he is trying to re-establish order by buying off interest groups with further economic interventions: a substantial increase in government spending to support retirees, higher personal income taxes, more generous health-insurance schemes and a guaranteed minimum income for all Chilean workers.

Nor is the damage done by progressive narratives restricted to economics. Chilean elites are waging a sustained war against law enforcement. Many police officers don't dare act for fear of sensationalist media coverage and punishments by courts under the sway of progressive elites. The same is true for the military. Tolerance of violence, public disorder and crime was the norm in Chile long before the recent crisis. The elites' celebration of failure pervades nearly every part of Chilean public life.

**The free market didn't fail Chile, whatever its politicians might say, and the state doesn't lack the means to restore the rule of law. The central problem is that a large proportion of the elites who run key institutions—especially the media, the National Congress and the judiciary—no longer believe in the principles that made the country successful.** The result is a full-blown economic and political crisis. Other nations should take note: This is what elite self-hatred can do for you.

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