

¿WHAT IS HAPPENING TO CHILE?

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How, when and why the exceptional “Chilean miracle” began to imitate typical Latin American mediocrity? What is happening to Chile? This brief paper attempts to contribute and summarize certain explanations and interpretations, more political than economic, of which could be the most decisive turn in recent years for the future of the country.

WE NO LONGER ARE WHAT WE USED TO BE

In 2006, Mario Vargas Llosa wrote *Bostezos Chilenos*¹ (*Chilean Yawns*), a column in which he considered Chile, especially among its Latin American peers, an exceptionally “boring” country, as a society without dangerous political convulsions and with more certainties than surprises. Chile, for example, used to not make a practice of staking everything in an election, while in Third World versions, institutions, projects and, of course the future, were gambled.

The explanation for this has been, largely, in what Carlos Alberto Montaner in that same year called the threshold of common sense: “*In essence, the threshold of common sense is that point in history when a decisive percentage of the ruling class agrees on the diagnosis of the ills that plague society and the measures that must be taken to excise them*”². In Chile –explains Montaner– this

1. Mario Vargas Llosa, “Bostezos chilenos”, *El País*, January 29, 2006. http://elpais.com/diario/2006/01/29/opinion/1138489207_850215.html

2. Carlos Alberto Montaner, “El Umbral de la Sensatez”, *ABC*, January 17 2006. http://www.abc.es/hemeroteca/historico-17-01-2006/abc/Internacional/el-umbral-de-la-sensatez_1313756667756.html

happened when in the early nineties, at the end of the Pinochet era, its economic successes, which existed, were not discarded but preserved and the liberal democracy component was added.

The opinions of Montaner and Vargas Llosa are a small sample of what was written about Chile until recently: praise. The model country, the

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“miracle” and the Latin American exception were already ideas associated with the *Chile hallmark*. This long, narrow strip of land and its track record of success with few equals in the world –and surely none in the region– recently epitomized unquestioned institutional strength, transparency, accountability and good governance. But things have changed. Let’s consider just three examples from last year, when the Nueva Mayoría in Government had still had not warmed up:

- Peru, March 17. In the editorial of *El Comercio*, titled *¿Un Chile a la Europea?*³ (*A European Chile?*) it is understood that our successful recipe, for decades, has been simply economic freedom. But the new government is doing the opposite: higher taxes, increased social services and the project of a new Constitution. “*If Chile implements the change of direction proposed by Bachelet, we should seize the*

3. “Editorial: ¿Un Chile a la Europea?” *El Comercio*, March 17, 2014. <http://elcomercio.pe/opinion/editorial/editorial-chile-europea-noticia-1716343>

moment to deepen the opening of our economy and assume the region's economic leadership that our southern neighbor will probably forsake," concludes the newspaper.

- London, October 13, as part of Chile Day. The Financial Times published an article⁴ about the current government's poor ambitions and the nonchalance with which it assumes the possible consequences of its tax and public spending plans. The Chilean economy, having acceptably weathered the global crisis, –we read– seems to be the one that best embodies the “new mediocrity”, term that Christine Lagarde (IMF) employs to refer to the “disappointing” recovery of certain developed and emerging economies. With seven months of socialist administration, growth has stalled and inflationary pressures are increasing. Meanwhile, the government almost celebrates the embarrassing growth predictions.
- November 2. *The Chile 'Miracle' Goes in Reverse*. Mary Anastasia O'Grady, in The Wall Street Journal, reproaches that people's freedom of choice –in education, for example– upends “*the Socialists' brave new world of equality*”. She says that the grim outlook for the “Chilean miracle” is due to “*this government's obsession with holding back those who would skate ahead of the pack*”, trying to bridge the gap between the wealthier and the poor by impoverishing the first: “*Ms. Bachelet has increased tax rates on everything from capital to consumption. One objective is to soak the investor class, making it poorer so that income inequality goes down. But it is more likely that income disparities will go up since the rich have ways to shelter income while the poor depend on job creation from investment to earn their daily bread and build wealth.*”⁵

We are in 2015 and perceptions worsen. The latest statements of those that yesterday praised Chile, are very different. Vargas Llosa himself appeared uneasy in Lima, Peru, at the event organized by the *Fundación Internacional para la Libertad*⁶. Chile was also looked at in the *Foro Atlántico de Madrid*⁷, held in July, no longer as a model but as a serious concern, as part of the problem. This is what several speakers expressed there and what columnists, speakers and politicians, who see the hope of Latin America half engulfed by the region's prevailing mediocrity, have also expressed.

THE RETURN TO LATIN AMERICA

Chileans have been kindly lampooned as “the British of Latin America.” Chile was seen as the “jaguar”, which could stand at a podium, in any international forum, to give lessons on development with the authority of one who instills respect and admiration. But today's headlines disprove such comparisons and images.

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Although the recent corruption scandals would not make anyone blush, lets us say, in Venezuela, Brazil and Argentina, the situation is troubling. Even infuriating. A problem that clearly was not systemic appears to have pervaded the highest levels of government, as well as all the political spectrum and economic sectors such as banking. For a society unaccustomed to this kind of news, the effects are devas-

4 “Chile faces tougher sell to investors as growth stalls”. Financial Times, October 13, 2014. <http://www.ft.com/intl/cms/s/0/fbcefd70-52d9-11e4-9221-00144feab7de.html>

5 Mary Anastasia O'Grady, “The Chile ‘Miracle’ Goes in Reverse”, November 2, 2014. <http://www.wsj.com/articles/mary-anastasia-ogrady-the-chile-miracle-goes-in-reverse-1414973280>

6. International Seminar “Latin America: Opportunities and Challenges”, March 26 and 27, 2015.

7. VIII Foro Atlántico 2015: “Iberoamérica de cara al futuro: Democracia y Populismo, nuevos desafíos”, July 2, 2015.

tating in terms of approval, confidence and even self-assessment and self-esteem.

In addition to transparency, the quality of a public sector that used to be very competent, has substantially declined. The Government's own conduct is very illustrative: elemental economic mistakes; reforms contrary to the circumstances and trends in the developed world; an unprecedented cabinet shakeup which was done very unprofessionally; actions and speeches that produce unnecessary alarm and uncertainties; cases of bad practices, some linked to nepotism; dogmatism, utopia and voluntarism; and a political debate that severely damages, not so much the parties or opposition, but the democratic system itself. Even the ugly face of populism has appeared, a *blight* to which Chile believed it was allergic. Not to mention the confidence Chileans had in their political parties and institutions, which is something very more serious than the diminished approval of the president or of certain politicians in particular.

The consequences of poor governance have quickly begun to be noted. In August, the former Minister of Finance, Felipe Larraín, with figures in his hand and graphs on the screen, displayed frankly disturbing results⁸: decreased investments; declining growth (beyond the price of copper); drop in employment and discouraging projections; a blow to investor confidence, among other unfortunate effects. All this –he said– is “made in Chile”, making it clear that external conditions cannot be blamed for our own blunders and mistakes.

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So, as Moisés Naím says, the question is no longer why Chile is exceptional, but how this model country has become a normal country⁹, how it has become “Latin-Americanized”. Naím speaks about the disconnection between a civil society –which

has grown rapidly since democratization– and the institutions and the political sector, which are unable to keep pace. But there's more. The underlying problems are rooted also in the breakdown of the consensus on political and economic institutions –Chile backing away from the threshold of common sense– and what Roberto Ampuero¹⁰ calls “revolution 2.0”.

THE BREAKDOWN OF CONSENSUS

The consensus on liberal policies and the system itself has been broken; a shared vision that since the nineties seemed solid as stone. The “neoliberal

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past” has even become a kind of excruciating embarrassment for those who, during twenty years, administered it with positive results. And by those who took pride in its remarkable achievements.

This breakdown is related to what we could call a *discursive dislocation*, a breakdown in the cleavages that defined the ways in which the democratic political process was approached by the different agents. This has been seen in a gradual change in both the conceptual categories and categories of analysis that predominate in political debate and public opinion. A worrying tendency to completely polarize positions on certain issues –*poverty versus inequality or market versus State*– can be clearly seen.

The change has been sharply evident in an unusual hostility toward the private and business world. Including hostility toward entrepreneurship, the free market and ideas that are mainstays of a free society: individualism, private property and profit, which has been turned into a kind of unacceptable sin. Education has been first, but further on, who knows in which other areas.

These changes have not been random or spontaneous. These are the result of patient work, a la-

8. It was in the VI Annual Bci Corporate & Investment Banking Conference: “Crisis de Confianza y Bajo Crecimiento, ¿como salir de la trampa?” (*Confidence Crisis and Low Growth, how to escape the trap?*), August 13, 2015.

9. “Chile on Trial: Moisés Naím and Sergio Bitar”, *The Dialogue*, - June 6, 2015. <http://moisesnaim.com/media/chile-on-trial/>

10 Chilean, ex-Communist militant, writer, former Chilean Ambassador to Mexico and Minister of Culture during the government of Sebastian Piñera. Roberto Ampuero is a senior fellow at Fundación para el Progreso

bor of producing and disseminating intellectual, academic and cultural contents to create an anti-liberal climate of opinion which is favorable to collectivism and statism. This project with hegemonic pretenses has changed the terms of the political debate, for which the traditional center-right opposition to the *Concertación* –today to the Nueva Mayoría– has failed to consolidate itself. This due to its attrition, and also due to the discredit that has affected politicians of this sector, some of which are involved in corruption scandals. It has also been due to carelessness; Chile’s center-right, for years, has ignored promoting the values of a free society, due both to negligence and lack of intellectual preparedness. And, perhaps, due to lack of conviction.

REVOLUTION 2.0

The current government program outlines a radically different national project. Chile has violently changed course. Not to center-left after a center-right administration, but to the radical left after more than two decades of liberal economics and politics that brought the country peace, progress and high expectations.

With Communists and Christian Democrats coexisting in government –which is something unprecedented– Bachelet II is closer to the former than the latter. She is closer to the new radical components of the coalition, renamed Nueva Mayoría, than to the moderation of the *Concertación* of Aylwin, Frei and Lagos, and of her own first government (2006-2010). The proposed reforms are so structural, and so

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strongly jolt the institutional mainstays of the country, that they can be better understood as a revolution “in slow motion”... or “a simmering revolution”.

Revolutions 2.0 are not like the revolutionary adventures of the past, like the Bolshevik and Cuban, where the country one day suddenly awakes with a group of armed people removing the current tenants of the palace by force. The Venezuelan experience is a good example. After 16 years, in the case of this explicit Bolivarian revolution, nothing remains of the representative democracy and relatively free market economy that once existed. Hugo Chávez had tried to overthrow Carlos Andrés Pérez in 1992, but then took advantage of the “tactical window” of the 1998 elections to gain the presidency, with the legitimacy of origin provided by an electoral majority. With their own variations and styles, other countries have followed the same strategy of which Correa’s Ecuador and Morales’ Bolivia are two examples. Authors like the Spaniard Hermann Tertsch (*Días de Ira*, 2015), among others, point to the Foro de São Paulo (*São Paulo Forum*) as key to analyze this phenomenon.

Michelle Bachelet’s government program has a much less bellicose and bombastic narrative than others, such as those of Chávez and Kirchner, but it is sufficiently clear: ministers questioning private property (“too protected in the Constitution”); proposals for constituent assemblies aimed at dismantling the whole system; spokesmen have offered to demolish “neoliberalism” with a backhoe; public tributes to Salvador Allende (also calls to follow his example); and tax and labor reforms at odds with the principles of a free and competitive economy (and with those of a free society). All with the blessing of a majority

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that –the government says– voted for her program. Hence the President talks about “realism without renunciation”, which reminds us –naturally, assuming the difference in proportion and the distant context– of what George Kennan explained in 1947 about Soviet behavior¹¹: there may be restraints, setbacks and small tactical detours, but the strategic goal is non-

11. X [George F. Kennan], “The Sources of Soviet Conduct”, *Foreign Affairs*, July, 1947. <https://www.foreignaffairs.com/articles/russian-federation/1947-07-01/sources-soviet-conduct>

gotiable. Therefore, there is no correction. It's gradualism.

This revolution 2.0 is presented as the need for a change that apparently was overwhelmingly manifested in 2011. That year, with some precedents in 2006¹², anger spread through the streets. Violent protests led by student leaders and new radical figures –some of them today are members of congress– were interpreted by the left as unmistakable proof of widespread discontent with “the neoliberal model”. The book *El Otro Modelo*¹³, a source of intellectual inspiration for the Nueva Mayoría, has taken that in part as the basis for proposing an urgent transition from the “private neoliberal regime” to the “public regime.”

So, “no to profit” in education became, in a blink, a call to attack the entire economic and political system, and the premise that a constituent assembly is imperative and inevitable to meet the demands. This radical wave was ridden by the nascent Nueva Mayoría, which to regain power designed a campaign that promised equality, free education and economic punishment for the rich.

THE MALAISE OF SUCCESS

Why does Chile change course when it's most successful? What can trouble –if there is discontent– a society that is witnessing and benefiting from its greatest progress in history?

Chile has certainly been catastrophic, as Moisés Naím¹⁴ has said, even in times of abundance. We hardly extol our own achievements. There truly was an expression of public dissatisfaction. The

point is why. Mauricio Rojas¹⁵ offers the theory of the “malaise of success”, a consequence of Chile's progress and a society that has deeply changed.

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He explains that not only have the citizens' objective living conditions changed, but also their subjectivity, and their horizon of problems and aspirations has been widely reshaped. The demands are no longer those of a poor country, but of one that has new emerging sectors. Rojas says that rapid progress “has an amazing characteristic that easily makes it insufficient: expectations tend to grow faster than the capacity to meet them and this generates a malaise that, at first glance, is not consistent with the progress achieved... This evolution has significantly changed the focus of attention of Chilean society, which today places emphasis not on achievements but on the shortcomings of the ground covered”¹⁶.

As a result, there has been a strong shift in social aspirations and demands, which are no longer about quantity, but about quality. It's not to have a roof, a school or a job, but to have housing, education and work with certain conditions. “They are the children of the model's success that thereby become its major detractors”¹⁷. We're talking about

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a generation with bigger dreams than its parents and grandparents, which does not gauge the prog-

12. In 2006 there were also student protests. There is general conviction that these are clear precedents of the 2011 incidents.

13 “El otro modelo: Del orden neoliberal al régimen de lo público” (2013) was written by Fernando Atria, Guillermo Larraín, José Miguel Benavente, Javier Couso and Alfredo Joignant. It is considered the inspiration of the Nueva Mayoría's government program. And it had a great impact in the year it was launched.

14. It was in the VI Annual Bci Corporate & Investment Banking Conference: “Crisis de Confianza y Bajo Crecimiento, ¿cómo salir de la trampa? (Confidence Crisis and Low Growth, how to escape the trap?)”, August 13, 2015.

15. Chilean, ex-militant of the Movimiento de Izquierda Revolucionaria (MIR), Doctor in Economic History from Lund University, ex-member of the Swedish parliament for representing the Liberal Party and senior fellow of Fundación para el Progreso.

16. Mauricio Rojas, “Chile: del malestar del éxito al miedo al fracaso”, El Líbero/Fundación para el Progreso, October 8, 2014. <http://www.fppchile.cl/384/>

17. Ibid.

ress achieved, because it was born into it and lives with it as something normal and taken for granted. It only sees the deficiencies. Besides, with the speed of the times and the impatience that identifies this age of immediacy, it wants everything and it want it right now. And it demands that someone provide and guarantee it. It also found the State to be the best candidate for its demands.

This phenomenon may have helped a part of Chilean society –probably the younger and/or radical part– to see immediate and real hope in the promise of “more equality”, regardless of how many people expressed that with their vote. In other words, regardless of whether the Nueva Mayoría represented only a more active political minority or whether people actually chose a program that they knew and understood. The truth is that the speed with which the consequences have become apparent, added to the scandals in government and the entire political class, are triggering alarms and mechanisms that attempt to restrain things.

WE COULD BE AT A NEW CROSSROADS: THE OPPORTUNITY TO CORRECT THE COURSE OR FOR A MESSIANIC DEMAGOGUE, ABOVE GOOD AND EVIL AND THE POLITICAL PARTIES, TO CAPITALIZE THE SENTIMENT, AND ALSO DRIVE CHILE INTO A STORM OF POPULISM FROM WHICH PERHAPS IT MAY NOT BE ABLE TO ESCAPE.

We could be at a new crossroads: the opportunity to correct the course or for a messianic demagogue, above good and evil and the political parties, to capitalize the sentiment, and also drive Chile into a storm of populism from which perhaps it may not be able to escape.



Chile is not condemned to failure. The institutions have not yet been demolished and are functional enough and strong enough to correct and amend the errors. But there is long-term cultural work

BUT THERE IS LONG-TERM CULTURAL WORK STILL PENDING TO BE DONE... FIRST, TO RECONSTRUCT THE LIBERAL SOCIAL CONSENSUS –OR CREATE A NEW ONE, ADAPTED TO THE TIMES AND A NEW MENTALITY– AND, SECONDLY, TO CONNECT CHILE WITH GLOBAL DEBATES AND THE FUTURE.

still pending to be done, without which no institutionality will survive for long: first, to reconstruct the liberal social consensus –or create a new one, adapted to the times and a new mentality– and, secondly, to connect Chile with global debates and the future.

The first is to contribute to achieve a majority opinion in favor of the principles and values of a free society. These are not a list of wishes, whims and utopias, but the set of ideas that prevail in the countries that have achieved the highest levels of social progress, dignity and peace: limited government, free interactions and voluntary agreements, civil society, rule of law, individual freedom, respect and tolerance, a free market economy.

The second is a systemic problem in the country's political rhetoric and debate: the obsessive attachment to the past and a certain –and also unsettling– disconnection with important global debates and trends. The use and abuse of the polarization between Allende and Pinochet still contaminates current analyses. Everything is either good or bad, depending on how it's classified into that scheme. And besides, Chile is behind in (geo)political, economic, cultural and technological global discussions. While the advanced world discusses trends in education, with the best academics in the planet just a *click* away, in Chile we are still fighting for free education and how to rescue poorly prepared teachers. Or when global debates are predicting how artificial intelligence and robotics will affect jobs, our universities, intellectuals and politicians still discuss trade union issues and strike replacements, all according to old paradigms.

There is an enormous task pending, mainly on the agendas of *think tanks*, public intellectuals and, in general, influential organizations and agents. In this context, with the *simmering revolution* underway and with risk of worsening, the liberal sectors have the opportunity to organize themselves intellectually and politically, to establish a new cultural axis to resolutely dispute the hegemonic space with the statist and collectivist sectors (in all political parties and elsewhere), by disseminating the principles and values of a free society, beyond electoral ambitions. This means that they must assume a challenge that was forgotten for the past 25 years.