

## POPULISM IN CHILE\*

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**ABSTRACT:** This article describes the features of Latin American populism, particularly those that characterised this phenomenon in Chile in the twentieth century, under the governments of Carlos Ibáñez del Campo (first term) and Salvador Allende, and in the twenty-first century, during part of the second term of President Michelle Bachelet, addressing the effects of her reforms. The article explains why the period between 1990 and 2014 is considered to have been exempt from populism, and in turn, to have been a historical period in which Chile concurrently faced high economic growth rates, poverty reduction, human development, and social peace.

**KEY WORDS:** Populism, Latin America, Chile, institutions, economy.

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### 1. INTRODUCTION

Populism is a phenomenon that goes beyond geographical, temporal, or ideological frontiers. We can find traces of it in both democratic and authoritarian regimes, in the past and in the present, across all continents but especially in Europe and Latin America, and in left-wing and right-wing politicians. If populism could be identified with a given school of thought or political doctrine, the task of those who, from the social sciences, have devoted to its study and description would be much easier. However, its almost universal presence is precisely the feature that explains why it is difficult to define it in an accurate way.

Despite the above, populism has certain general characteristics that can be identified across different latitudes and periods.

The first element is that populism generally arises as a consequence of a crisis having an economic or political origin or deriving from the weakening of a nation's fundamental institutions. These phenomena are generally concurrent with citizen discontent with respect to public powers and especially with their representatives: the government, political parties, Congress, and other stakeholders that are part of the establishment. This discontent stems from a perception on the part of a wide sector of the

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population concerning an actual or presumed inefficiency or lack of interest of the establishment in resolving or addressing a number of problems or unsatisfied demands.

This scenario is a breeding ground facilitating the emergence of the populist phenomenon. Here we find the second element: a charismatic leader whose diagnosis of the country's situation is generally critical and whose action plan essentially consists of refounding the political and/or economic system through deep structural reforms that are presented as a real panacea.

A third characteristic is that these reforms or refounding measures are announced in vague and ambiguous terms, thus hindering a critical analysis and potential questioning. The «populist promise» is formulated as an equivocal message, having different readings and subject to different interpretations based on each person's own criterion.

A fourth feature of populism is stigmatisation of a group within society that is generally part of the elite and is expressly or tacitly made responsible for the problems that the populist leader has committed himself or herself to resolve. This sector is the natural antagonist of the protagonist role played by the populist leader.

A fifth element is contempt for realism, which is almost always expressed as blind economic voluntarism, ignoring the natural resource availability restrictions existing in all societies.

## 2. LATIN AMERICAN POPULISM

Populism has been present during a large part of Latin American history, represented by different political leaders and currents sharing common elements characteristic of this phenomenon, despite having different ideological tendencies. Features such as a nationalist and anti-imperialist discourse so characteristic of our region, *caudillismo*, and a reluctance to respect the institutions that are part of the Rule of Law and whose mechanisms for political power control, mediation, and counterweight are considered by the populist *caudillo* as obstacles hindering the actions of his or her government. Consequently, as described by Mudde and Kaltwasser in their book,<sup>1</sup> the *caudillo* will not hesitate to qualify these institutions as enemies of the people, and therefore, allies of the opponent side, which can be «the oligarchy», «the elite», «the bourgeoisie», or «powerful segments of the population», including «politicians» and «businessmen».

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<sup>1</sup> Mudde, C., and C. R. Kaltwasser, *Populism: A Very Short Introduction*, Oxford University Press, 2017.

Another political element characterising Latin American populism is stigmatisation of the work carried out or the policies implemented by previous governments, identifying them as the antithesis of what the present and the future of the country should be. Thus, they do not deserve to be either maintained or remembered. The populist view considers that the leader's arrival to power does not represent a new phase in the country's history, but a kind of refounding or rebirth after which the country's history begins.

In the economic context, populist Latin American governments have been characterised by the implementation of import substitution policies, forced industrialisation, fiscal and monetary irresponsibility, the nationalisation of companies, and strong State intervention and presence in the economy.<sup>2</sup>

Populist leaders share common characteristics such as «a direct, charismatic, personalist, and paternalistic leader-follower relationship that does not recognise organisational or institutional mediations, speaks in the name of the people, strengthens the people's opposition to “the others”, and seeks to change and refound the prevailing status quo; a relationship where followers are convinced of the extraordinary qualities of the leader and believe that thanks to them, to redistributive methods, and/or to their clientelist interaction with the leader (both material and symbolic), they will be able to improve their personal situation or the situation of the people they care for».<sup>3</sup> The historical Latin American example has been Juan Domingo Perón, and a recent one has been Hugo Chávez.

### 3. HISTORICAL POPULISM IN CHILE

After the country's Independence, except for the initial years, Chile managed to stay away from Latin American populism. This was thanks to the influence of Diego Portales, Andrés Bello, and Manuel Rengifo, among others, whose ideas and leadership were materialised in the implementation of institutions promoting republican order and fighting Latin American populist *caudillismo*.<sup>4,5</sup>

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<sup>2</sup> Dornbusch, R., and S. Edwards, *The macroeconomics of populism*. In *The macroeconomics of populism in Latin America*, University of Chicago Press, 1991, pp. 7-13.

<sup>3</sup> Freidenberg, F. (2012). ¿Qué es el populismo? Enfoque de estudio y nueva propuesta de definición. *E. Dubesset and L. Majlátová (Coords.), El populismo en Latinoamérica: teorías, historia y valores*, 23-41.

<sup>4</sup> Jaksic, I., *Andrés Bello: la pasión por el orden*, Editorial Universitaria, Santiago, Chile, 2001.

<sup>5</sup> De Ramón, A., J. R. Couyoumdjian, and S. Vial, *Historia de América: La gestación del mundo hispanoamericano*, vol. 1, Editorial Andrés Bello, Santiago, Chile, 1992.

It is important to note that Chile was a leader in economic development at that time, going from being the poorest Spanish colony to being one of the three countries with the highest income per capita in Latin America. In this respect, historian Simon Collier states, «At a banquet in Valparaíso in 1852, the Argentinian author Juan Bautista Alberdi proposed a toast to the “honourable exception in South America”. To a very significant extent, the history of Chile in the nineteenth century was certainly a remarkable exception to the Latin American pattern. Fifteen years from their independence, Chilean politicians were constructing a constitutional government system that would prove to be outstanding (both under European and Latin American standards) for its endurance and adaptability. This successful consolidation of a National State generated the admiration of the less fortunate Hispanic-American republics, which were divided, plagued with conflicts, and dominated by *caudillos*.»<sup>6</sup>

This situation started to change by the end of the century, still worsening in the twentieth century. There was growing criticism of the elites’ capacity to govern, there was an international crisis in 1929 that damaged our country the most among Latin American countries, and populist proposals started to emerge. Two are the most outstanding populist leaders: Carlos Ibáñez and Salvador Allende.

Carlos Ibáñez del Campo was president of Chile on two occasions. His first term went from 1927 to 1931, and his second term from 1952 to 1958. His first term was the one mostly qualified as populist by different historians and political scientists.

Flavia Freidenberg clearly describes the populist characteristics of his first term, «His government can be considered the “best populist, nationalist, and anti-partisan current” in Chile during the twentieth century.»<sup>7</sup> «Ibáñez del Campo governed Chile with an authoritarian and personalist style. His strength rested in that he had a diversity of followers united by adherence to this charismatic leader, as he had the support of groups from all political parties, the Army, and the lower class. Many of his government decisions were implemented through decrees, which granted unprecedented speed to his ruling action, resulting in a stressful relationship with the Legislative Power and providing an image of great management effectiveness.»<sup>8</sup> His government «marked the inception of the State’s intervention in the economy as a development agent for the country. He favoured an expansionist economic policy...»<sup>9</sup>. Further ahead she adds, «The

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<sup>6</sup> Collier, S., «Chile from Independence to the War of the Pacific», *The Cambridge History of Latin America*, 3, pp. 583-613, 1985.

<sup>7</sup> Freidenberg, F., *La tentación populista: una vía al poder en América Latina*, Síntesis, Madrid, 2007, p. 99.

<sup>8</sup> *Ibíd.*, p. 100.

<sup>9</sup> *Ibíd.*, p. 101.

*Ibañist* movement initiated an industrial protection policy through tariffs and public credit expansion.»<sup>10</sup> «His discourse was strongly anti-liberal and corporatist rather than anti-democratic.»<sup>11</sup>

The Chilean historian Joaquín Fermandois describes Ibáñez's second term, «No one expected such surprising 47 percent of votes. His supporters came from the left and the right, from nationalism, from socialism, and from anti-communism. Ibáñez had become a *caudillo* with grassroots support, “the General of Hope”, who offered political change through a vague combination of nationalism, authoritarianism, populism, and moral regeneration. Some analysts have made an analogy with Perón and Peronism. An influential group of *Ibañistas*, led by the first Chilean female senator, María de la Cruz (1912-1995), unconditionally admired the Argentinian *caudillo*.»<sup>12</sup>

«There was a similarity and a direct relationship; both had arrived into politics coming from the Army, as happens when the military class becomes a political class; both had become – as has been sustained but without evidence – acquainted with each other during Ibáñez exile in Argentina in the 1930s. When Ibáñez was elected senator in 1949, he visited Perón a few times. After the presidential elections, Perón was conscious of Ibáñez relevance and looked at his success as a kind of projection of his own image in the southern cone, of which the Peronist system would make use over the following years.»<sup>13</sup>

Concerning the relationship between both populist leaders, in a letter dated March 16, 1953, addressed to Ibáñez, president of Chile at the time, Juan Domingo Perón gave him several recommendations with an evidently populist inspiration. One of the paragraphs said, «You should have no doubt that the oligarchy, politicians who sell their nations, and imperialism will be your enemies. To defeat them you need the people, and the people can only be attracted in one way: loyally fighting for them. Give the people, especially the workers, all you can. When you think you are giving them too much, give them more. You will see the effect. Everyone will try to scare you with the phantom of the economy. All that is a lie. There is nothing more elastic than that economy that everyone fears so much because nobody knows it.»<sup>14</sup>

Salvador Allende's populism between 1970 and 1973 can be observed in his government programme. He makes a diagnosis of the country's situation, reflecting the

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<sup>10</sup> *Ibíd.*

<sup>11</sup> *Ibíd.*

<sup>12</sup> Fermandois, J. *Mundo y fin de mundo: Chile en la política mundial, 1900-2004*, vol. 54, Ediciones Universidad Católica de Chile, 2005, p. 257.

<sup>13</sup> *Ibíd.*

<sup>14</sup> Reviewed on March 1, 2017, at <http://www.peronvencealtiempo.com.ar/peron/cartas-de-peron/535-carta-al-gral-ibanez-16-03-1953>

apocalyptic and dichotomist view that characterises Latin American populism, «The main problem is not efficiency, but power, i.e., who controls the economy and for whom?» [...] «What is at stake is the ownership of the means of production by a small minority; then, the real economic questions are: who has the power to set prices, and therefore, profits, and who captures economic surpluses and decides how to invest them» [...] «Focusing the discussion on efficiency means evading the discussion on who really has the economic power and why a small minority owning the means of production can overpower the majority». As expressed by the Minister of Economy, Pedro Vuskovic, a short time after Allende took over, «state control is projected to destroy the economic base of imperialism and the dominant class by putting an end to private ownership of the means of production».

The programme of the Unidad Popular government «*Las primeras 40 medidas*»<sup>15</sup>, contains proposals with an evidently populist tendency, such as:

—«Fair, not millionaire pensions. We will end millionaire pensions whether for congressmen or any other public or private sector beneficiaries, and we will use these resources to improve the lowest pensions».<sup>16</sup>

—«Fair and timely retirement: We will grant the right to retirement to anyone older than 60 years old who has not been able to retire because the corresponding social security payments have not been made».<sup>17</sup>

—«Leases at fair prices: We will set 10 percent of a family's income as the maximum amount to be paid on account of rents or mortgage instalments».<sup>18</sup>

—«Property taxes only for mansions: All houses having a maximum of 80 square metres, permanently inhabited by their owners, and not corresponding to a luxury or seaside property will be exempt from property taxes».<sup>19</sup>

—«Free medicines at hospitals: We will eliminate the payment of all medicines and exams at hospitals».<sup>20</sup>

—«A new economy to end inflation: We will increase the production of popular consumption goods, we will control prices, and we will curb inflation through immediate implementation of the new economy».<sup>21</sup>

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<sup>15</sup> Reviewed on March 1, 2017, at [http://www.archivochile.com/S\\_Allende\\_UP/doc\\_de\\_UP/SAdocup0003.pdf](http://www.archivochile.com/S_Allende_UP/doc_de_UP/SAdocup0003.pdf)

<sup>16</sup> *Ibíd.*

<sup>17</sup> *Ibíd.*

<sup>18</sup> *Ibíd.*

<sup>19</sup> *Ibíd.*

<sup>20</sup> *Ibíd.*

<sup>21</sup> *Ibíd.*

—«No more ties with the International Monetary Fund: We will cancel all commitments to the International Monetary Fund and we will end the scandalous devaluations of the *escudo*». <sup>22</sup>

—«The end of unemployment: We will ensure the right to work for all Chileans and we will prevent dismissals ». <sup>23</sup>

In his book *Un siglo de economía política chilena (1890-1990)*, the economist Patricio Meller is very clear in qualifying Salvador Allende's government as populist, describing how the economy operated under his rule, «It has been stated that the government of the *Unidad Popular* applied a clearly populist set of macroeconomic policies with the aim of achieving fast reactivation with accelerated redistribution. In accordance with this populist paradigm, expansive policies initially generate high growth with an increase in real remunerations while price controls restrain inflationary pressures; the first stage of a populist programme shows very successful results, with high growth, lower inflation, and higher purchasing power for workers being simultaneously observed». <sup>24</sup>

«However, during the second stage, strong demand expansion generates growing imbalances: inventories become depleted, the foreign sector acts as an escape valve but foreign currency is in short supply; this promotes an inflationary process, capital flight, and demonetization of the economy. The public sector undergoes high deficits as mass consumption goods and exchange rates are subsidised; at the same time, fiscal revenue drops (in real terms), and the public deficit increases significantly.» <sup>25</sup>

«The third stage is marked by government efforts to implement an anti-inflationary adjustment policy by reducing subsidies and real wages. Subsequently, another government with a higher level of credibility will implement a strict, orthodox state control programme whose consequences are unemployment and the loss of purchasing power for lower income groups. In all, this populist paradigm imposes “a terrible cost for precisely those groups they intended to favour”». <sup>26</sup>

The *Unidad Popular* government used the public system to create an entrepreneurial state that became the main economic agent both for its capacity to regulate and focus development and for its capacity to undertake the activities leading to the

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<sup>22</sup> *Ibíd.*

<sup>23</sup> *Ibíd.*

<sup>24</sup> Meller, P., *Un siglo de economía política chilena (1890-1990)*, p.117, Editorial Andrés Bello, Santiago de Chile, 1996.

<sup>25</sup> *Ibíd.*

<sup>26</sup> *Ibíd.*

production of the goods and services required by the country in accordance with the objectives of the plan. Thus, some juridical instruments designed in previous administrations were used to transform the country's economic structure with the aim of establishing socialism. The entrepreneurial state spanned the main economic sectors, by not only nationalising large and medium-sized companies but also intervening in the acquisition, management, and marketing of small activities. The transformation process was very fast and in no more than three years the State gained majority control over productive processes. In only the first 17 months of socialist government, the State went from controlling almost 25.1 percent of industrial sales to 39.5 percent of these, which percentage continued to increase significantly until September 1973.<sup>27</sup>

The main economic consequences of Allende's populism were an increase in consolidated non-financial public sector spending from 30.9 percent of GGP in 1970 to 39.5 percent in 1971 and 46.4 percent in 1972. There was also a growing and disproportionate public sector deficit; the 6.6 percent deficit recorded in 1970 sequentially rose to 15.3 percent (1971), 24.5 percent (1972), and 305 percent (1973). And during the second semester of 1972, an acceleration of already high inflation (of three digits on an annual basis) coexisted with widespread scarcity and black market proliferation.<sup>28</sup>

#### 4. CHILE FREE FROM POPULISM: 1990-2014

Towards the end of the military government, which introduced deep economic and social reforms,<sup>29</sup> Chile underwent an extraordinarily positive period from a political, economic, and institutional perspective. Thus, the presidency of Patricio Aylwin (1990-1994) was characterised by an exemplary political leadership, focused on the search and materialisation of consensuses to implement responsible public policies aimed at transforming Chile into a leading country in Latin America from a social and economic standpoint.

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<sup>27</sup> Larroulet, C. *Reflexiones en torno al Estado empresario en Chile*, No. 22, Centro de Estudios Públicos, 1984.

<sup>28</sup> Meller, P., op. cit., p. 117.

<sup>29</sup> Büchi, H. (1993). *La Transformación Económica de Chile: Del Estatismo a la Libertad Económica* (Bogotá, Colombia: Grupo Editorial Norma).

I think that one of the crucial factors that enabled Chile's take-off during those years was the search for agreements among successive *Concertación* governments and the opposition. This practice arose from the republican spirit that encouraged all stakeholders to respect minorities, to cultivate dialogue and civic friendship, and to apply a sound pragmatic criterion far from any dogmatisms or sectarianisms that could put the country's governance and stability at risk.

Edgardo Boeninger, former President Aylwin's Minister, was one of the designers of this process, also furthered over the years by the following *Concertación* governments led by Presidents Frei (1994-2000), Lagos (2000-2006), and Bachelet (2006-2010). These presidents were members of centre-left and left parties. This was also a characteristic of the first centre-right government led by former President Piñera (2010-2014).

Under the title «*El rechazo de la tentación populista*», Boeninger states the reasons explaining the maintenance under democracy of the economic policies implemented during the military government, «The hard learning process on our part and the lessons learned from chronic economic instability in Latin America generated in Chile discredit for populism, which attained its maximum expression during Vuskovic's term. By the end of the 1980s, there was full consensus among the vast majority of economists with respect to the importance of macroeconomic balances and the negative effect of inflation on both growth and social equity.»<sup>30</sup>

Furthermore, he adds, «However, when the *Concertación* took office, the country looked with mistrust at its future economic management because the parties comprising the new governing coalition were precisely those that to the largest extent represented the populist tradition in national politics.»

«In 1990, these doubts were clarified. By conditioning the implementation of the government's social programmes to the generation of new fiscal revenue through a tax reform and, later on, by ruling out price subsidies when facing the oil price rises resulting from the Persian Gulf War, Foxley<sup>31</sup> showed clear-cut and unequivocal signs that during that government there would be no room for populist policies. Both decisions contributed to generating among entrepreneurs the trust that the government required so much, to the extent that all the sectors were informed that there would be no space for pressures and demands threatening the economy's stability.»<sup>32</sup>

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<sup>30</sup> Boeninger, E., *Democracia en Chile: Lecciones para la gobernabilidad*, Editorial Andrés Bello, Santiago de Chile, 1997, p. 474.

<sup>31</sup> Alejandro Foxley, Minister of Finance during the period 1990-1994.

<sup>32</sup> *Ibíd.*

The explicit anti-populist will of the *Concertación* in 1990 is also reflected by the words expressed by Alejandro Foxley, former President Aylwin's Minister of Finance, «Our social spending policy is responsible and exempt from populism. The spending effort is also essentially progressive and does not intend to immediately correct problems that come from far behind. Chile has a sound fiscal situation that will persist over the coming years. This means that any supplement to social spending can only have an impact when the resources to finance it have been collected in a non-inflationary way.»<sup>33</sup> This was the attitude of all the presidents that were members of the centre-left coalition and came after Aylwin.

After ruling the country for two decades, the *Concertación* lost in 2010 the presidential election against Sebastián Piñera. When that year the first centre-right government took office since the return to democracy, there were a number of conditions that favoured the development of a populist government: the country had recently been impacted by an earthquake and a tsunami causing the greatest damage during its history, it had just suffered the effects of an economic crisis over the period 2008-2009; there was a stressed social environment due to student mobilisations and demands; and the trust of the citizens in political parties had decreased significantly.

Despite the above, once more the government leadership was characterised by being far from populism, calling for the unity of the country to be able to reconstruct it during the 4-year term of office of former President Piñera, combining traditional fiscal austerity with political, economic, and social reforms thanks to which Chile again started to grow at a fast pace (5.3 per cent on average); to reduce poverty, which on average fell from 11.4 per cent to 7.8 per cent; to reduce income inequality, which went from a 0.53 to a 0.52 Gini coefficient; and to responsibly address the most relevant citizen demands, which were described in detail in the book *Chile camino al desarrollo: Avanzando en tiempos difíciles*.<sup>34</sup>

This position contrary to populism was invariably sustained by governments in Chile until 2014, the year in which Michelle Bachelet took over her second presidential term.

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<sup>33</sup> Presentation about the Situation of Public Finance by Minister of Finance, Alejandro Foxley R., October 1990, P. 13.

<sup>34</sup> Larroulet, C., *Chile camino al desarrollo: Avanzando en tiempos difíciles*, Santiago, Chile, Aguilar, 2013.

## 5. THE POPULIST TEMPTATION IN BACHELET'S SECOND TERM

Unfortunately, this almost one fourth of the century in which Chile progressed along the road to development was interrupted when the *Nueva Mayoría*, a coalition comprising the same political parties that were members of the *Concertación* but including the Communist Party, took office. Historically, this coalition is the same left-wing coalition supporting President Allende plus the Christian Democratic party.

From a communicational point of view, Michelle Bachelet's return to the political scenario was presented by its partisans based on a traditional populist narrative according to which the leader who has a direct relationship with the people has come to «rescue» the people from injustices in a country suffering due to «unsustainable» inequality and abuse by the elite.

The same happens with her diagnosis of the Chilean situation. In fact, the view of the country's situation is found in her government programme, stating, «This programme decisively faces the inequalities persisting in the country, as it is based on the conviction that inequality is unsustainable not only from an economic and social point of view, but also if we want to attain sound coexistence among Chilean men and women and to guarantee the social peace that we require to grow and develop in an inclusive way. Governance is based on a shared destiny. Inequality is the denial of this common sense.»<sup>35</sup>

Further ahead, the text vaguely refers to the means that are being proposed to be used for the stated purposes, «The need to resolve the inequality gaps existing today compels us to carry out deep structural changes.»

As we can see, the programme document provides a description of the situation in Chile tainted by a populist perspective: a divided nation, facing a crisis due to social differences, and eager to be rescued by the actions of a leader that will resolve inequalities.

In this respect, it is convenient to recall the words of Sebastián Edwards, one of the most renowned experts on the populist phenomenon in Latin America, «Contrary to what neopopulists have stated, inequality in Latin America is not the result of the Washington Consensus, market forces, or incomplete reforms from the 1990s or 2000s. Inequality is a problem dating back to the colonial period and related to the goods

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<sup>35</sup> Government programme of Michelle Bachelet's presidential candidacy (2013).

produced in those years.»<sup>36</sup> Because of this, progress in economic and social justice cannot be attained through short-term measures curtailing a country's growth.

Finally, the following question arises, is the scenario described by the *Nueva Mayoría* correct with respect to what Chilean people really feel and need? No, it is an erroneous diagnosis not consistent with the deepest aspirations of the majority of the population. Actually, the statement that there is deep social malaise in Chile and this is related to the «development model» is more an interested and ideologically motivated interpretation than a verification based on real facts. This is demonstrated, among other documents, by UNDP reports showing that 77 per cent<sup>37</sup> of the population declared that they feel happy.

Likewise, in accordance with a recently published study<sup>38</sup>, 56 per cent agree that the model will provide the following generations of Chileans more opportunities than those available for the current generation. A total of 68 per cent think that the main role of the State is to support and promote people and private companies for them to freely develop their projects, and 71 per cent believe that the more the competition on the market, the more the consumers will be benefited.

The weakness of the social malaise theory rests in that its main argument refers to the student protests starting in 2006 during the first government of Bachelet and reappearing and reaching their peak in 2011 during the government of Sebastián Piñera. These protests focused on demands that were very diverse but were circumscribed to the educational sector. However, some left-wing scholars such as Alberto Mayol and Fernando Atria theorised about this fact interpreting it as citizen rejection to the Chilean development model. The mistake of the *Nueva Mayoría* was to construct their programme proposal based on this ideological interpretation whose lack of substance was demonstrated by the mass citizen rejection to the reforms proposed by Bachelet during her second term, as shown by all the surveys on this matter.

Chilean citizens are aware that we have transited from a country which at the beginning of the 1990s had an income per capita of 5,000 dollars to another one with an income per capita of more than 20,000, according to IMF figures; from around 200,000 students in tertiary education to more than one million; from streets with 1,969,000 cars to crowded streets with more than 4,100,000 vehicles; with an enormous penetration of social networks and access to interconnection characterised by the fact that 13 years ago,

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<sup>36</sup> Edwards, S., *Left behind: Latin America and the false promise of populism*, University of Chicago Press, Chicago, 2012.

<sup>37</sup> «Bienestar subjetivo: el desafío de repensar el desarrollo», Report on Human Development in Chile, United Nations Development Programme, 2012.

<sup>38</sup> Study No. 154, December 26, 2016. Plaza Pública, Cadem.

according to Subtel figures,<sup>39</sup> 22 per cent of Chilean citizens had access to a cell phone while today this figure amounts to 134 per cent.

In addition, according to data from the study «*Una mirada al alma de Chile*»,<sup>40</sup> more than 60 per cent of Chilean citizens think that their family life, their income level, their amount of leisure time, and their houses are better in comparison to those of their parents, i.e., there is a widespread perception of intergenerational social mobility.

We could continue, but what is clear is that we live in another country, and this is characterised by people having growing aspirations and being very critical in face of any event restraining the opportunities of having access to a better quality of life, whether due to abuse or inappropriate public policies by any government. Today, Chilean citizens demand more and have much more confidence in their own capabilities. This is the successful Chile that has been lucidly described by historian Mauricio Rojas, especially in his book *La historia se escribe hacia adelante*.<sup>41</sup>

The above has been ratified by surveys carried out by the think-tank *Centro de Estudios Públicos* (CEP), asking Chileans what they consider to be the two most important reasons behind individual economic success and presenting them with a list of 11 potential alternatives. In the 1990, 1995, 2001, 2007, 2008, 2010, 2012, 2013, and 2014 surveys, the majority of Chileans selected the following three options in the first place: «educational attainment level», «personal initiative», and «responsible work». And, from 2001, they have consistently answered that the most important reason is the «educational attainment level».

## 6. POPULIST REFORMS

It is not possible to analyse here each one of the proposed reforms since they are too many and span different sectors. However, there are four main reforms: a new constitution; a tax increase by 3 per cent of the GDP and a tax system reform; a labour reform to grant more power to workers' unions; and an educational reform reducing families' free choice,

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<sup>39</sup> Under Secretary of Telecommunications.

<sup>40</sup> National Bicentennial Survey, Universidad Católica – GFK Adimark, 2015.

<sup>41</sup> Rojas, M., *La historia se escribe hacia adelante. 13 protagonistas de un gobierno*, Uqbar Editores, Santiago, 2016.

restricting the role of the civil society in primary and secondary education, and introducing free university education for all.

A large part of the total failure of the *Nueva Mayoría* government is accounted for by their largely mistaken diagnosis, which we already discussed, and by their biased and dogmatic view with respect to their reforms. The populist nature of these reforms was evidenced by the words of senator Jaime Quintana, a prominent member of the *Nueva Mayoría* who, three years ago, anticipated what Chile could expect to occur, «We are not going to use a road roller; we are going to use a backhoe, because the obsolete foundations of the neoliberal model inherited from the dictatorship have to be destroyed.»<sup>42</sup> These words seemed more attuned to the populist objectives of Allende's government than to the management implemented by the governments of Aylwin, Frei, Lagos, and the first period<sup>43</sup> of Bachelet.

Education, tax, and labour reforms were not implemented following the spirit of agreements within a long-term State vision, considering expert opinions, but following a «backhoe doctrine».

The school system reform affected almost 2 million students enrolled in private subsidised schools, where the majority of Chilean children and adolescents pursue their education, without addressing actual education quality issues.<sup>44</sup>

Another aspect of the educational reform is the objective of free university education for all, committed by Bachelet during her election campaign. This is an evidently regressive measure because it implies allocating more resources to the richest citizens. Today, university coverage for the richest quintile is 61.6 per cent while the figure is 21.2 per cent for the poorest quintile. Consequently, free university education implies allocating approximately three times more resources to high-income sectors with respect to the most deprived sectors of the population. Furthermore, this will also prevent the allocation of more resources to pre-primary, primary, and secondary education to increase the possibilities for the most vulnerable sectors of the population in terms of future access to university education. Experts estimate that the cost of free university education for the richest 20 per cent is approximately 1.5 billion dollars. These resources

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<sup>42</sup> Emol.com (March 25, 2014). «Senador Quintana anuncia “retroexcavadora” contra modelo neoliberal», reviewed on February 22, 2017 at <http://www.emol.com/noticias/nacional/2014/03/25/651676/nueva-mayoria-advierte-que-pasara-retroexcavadora.html>

<sup>43</sup> Undoubtedly, this was made possible in part by the anti-populist management by Minister of Finance Andrés Velasco (2006-2010).

<sup>44</sup> Larroulet, C., and J. Gorosabel, *La educación en la encrucijada: ¿Sociedad docente o Estado docente?*, RIL Editores, Santiago, Chile, 2015.

could be used to implement more programmes for the benefit of the most deprived sectors, thereby improving income distribution.

As for the tax reform, its negative impact does not come only from its magnitude but also from its conception. In fact, it mainly consists of applying higher taxes to corporations and removing the bases set by Chile to apply income taxes on spending and not savings. In all, the reform levies the highest taxes on savings and private investment. The result has been a drop in the investment rate as a percentage of GDP from 24.4 per cent (2013) to 22.3 per cent (2015).

Concerning labour, as recognised by the OECD, the main problem faced by the country is related to the lack of job opportunities for women and young people. However, given the populist nature of this reform, instead of focusing on the aforementioned problems, the focus was a change in the balance within the collective negotiation process, increasing in different ways the power of union leaders to the detriment of workers themselves.

The main effects of the tax and labour reforms have negatively impacted the Chilean economy. Thus, during the past three years, the country has grown 1.9 per cent on average, while the world grew 3.2 per cent. At the end of 2013, we were third among OECD countries with the highest growth; however, today we are ranked 21 according to the latest assessment. In addition, the Fitch Ratings agency decided to rate the Chilean credit perspective from «stable» to «negative» given the «long-lasting weakness of the economy». Moreover, there was a deterioration for the third consecutive year of our country's position in the Heritage Foundation's 2017 Index of Economic Freedom, assigning Chile an overall index of 76.5 per cent in 2017, the country's worse rating since 2002, showing a serious regression with respect to its much better position in the ranking in 2013, with an index of 79 per cent.

Another measure promoted by Bachelet's government is the replacement of the current Constitution by a new Constitution. The government programme presented in 2013 states, «The New Constitution, in addition to recognising the right to private property must consider the idea that property is binding and that its use must concurrently serve the common good. Along this line, the social role of the right to private property and to heritage must be recognised to delimit its content in conformity with the law.»<sup>45</sup>

To meet its purpose, the government announced the implementation of a «constituent process» whose main consequence was that it contributed to the establishment of a climate characterised by economic uncertainty. Surveys reflect this

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<sup>45</sup> Government programme of Michelle Bachelet's presidential candidacy (2013), p. 32.

situation.<sup>46</sup> These show that, according to investors, the greatest risks for the domestic economy come from internal political-social «noises» (63 per cent), followed by greater deterioration of the economy (22 per cent). As regards the constitutional reform, a categorical 63 per cent stated that it will have negative effects on the country's growth and stability. Concerning the main measure to resume growth, 65 per cent of investors stated that it would consist of «restraining the reforms promoted by the Executive Power». In brief, there was a diagnosis accompanied by reforms promising radical changes that have resulted in the opposite outcome with respect to the original promise: today Chile is a society that is more divided from a political and social point of view.

## 7. CITIZEN AND INSTITUTIONAL RESTRAINT

However, the action and the effects of the *Nueva Mayoría's* «backhoe» have not only damaged the country but have also affected the government itself. In fact, the failure of populist reforms is reflected by the dramatic drop in the support to the president which, according to Cadem,<sup>47</sup> has decreased to 20 per cent, while the rejection to her image has risen to 70 per cent. The perception of progress has also dropped, since 81 per cent of the population believes that the economy is stagnant or deteriorating; at the beginning of Bachelet's government this figure was 44 per cent.

On the other hand, according to the same study, 61 per cent of the citizens reject the tax reform already approved by Congress; 60 per cent of Chileans do not approve the educational reform, and 58 per cent do not support the labour reform.

Aware of this situation, in the first half of her term of office, President Bachelet performed a deep change in her presidential cabinet, by replacing her main political and economic collaborators, the same who had participated in the implementation of a significant part of her government programme and reforms. In this way, the response of the citizens to the reforms partially restrained the progress of the aforementioned process, once again demonstrating that democracy is the best antidote against populism.

Social rejection to the reforms was enhanced by the restraining effect of the sound republican institutions that distinguish Chile among the rest of the world. This can be observed in the role of constitutional and legal regulations concerning fiscal

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<sup>46</sup> *El Mercurio*, April 9, 2016.

<sup>47</sup> Survey No. 162, February 20, 2017. Plaza Pública, Cadem.

responsibility, which have been crucial to prevent further deterioration of budget accounts; the Central Bank's autonomy and exchange rate flexibility, which have made adjustments easier; constitutional guarantees; and the role of the Constitutional Court, which has protected fundamental liberties in the spheres of work and access to education.

## 8. CONCLUDING REMARKS

Finally, as a result of the rejection to the reforms by a majority of citizens, Chile has been once more able to move far away from the populist threat, returning to the position it maintained during a large part of the nineteenth century, the end of the twentieth century, and the beginning of the twenty-first century, a period in which results in terms of economic and social progress have been globally recognised.

Nevertheless, Chile has not definitively got rid of the phantom of populism. Conditions such as a generalised sense of mistrust with respect to public and private institutions and widespread disapproval of political parties, among others which compound the scenario favouring a populist outbreak, still persist. According to *The Economist*, President Donald Trump's populist and nationalist features can encourage the re-emergence of this phenomenon in Latin America, particularly in Mexico and Chile, through presidential options such as Andrés Manuel López Obrador in Mexico and Alejandro Guillier in Chile, stating that, «Even Chile is not immune (to populism): Alejandro Guillier, a former television conductor bragging that he has a special link with “the people”, has a chance in the upcoming elections in November.»<sup>48</sup>

In fact, Chile is not immune to populism, but the growing support to the candidacy of former President Piñera represents citizen perceptions contrary to populism. This fact, added to the soundness of our institutions, gives us hope that in the near future Chile will return to the path leading to growth, equal opportunities, and responsible public policies along which it had been progressing and which we are certain will lead the country to the much-desired and until now elusive full human development.

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<sup>48</sup> *Economist.com*, reviewed on February 22, 2017 at <http://www.economist.com/news/americas/21717105-donald-trump-through-latin-american-eyes-peronist-potomac>

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