

Social Unrest in Chile and the constituent process.

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Apocalyptic discussion

- The end of the model
- A terminal crisis
- The beginning of the end of neoliberalism
- The most unequal country in the world.
- The harm of uncertainty



TRIBUNA

La ceguera de la elite chilena

Las confianzas rotas ya no puedan recuperarse, la irrupción del populismo está a la vuelta de la esquina

Cristóbal Rovira Kaltwasser | 30 JUN 2015 - 00:37 CEST

Uncertainty is the refuge of hope

1. Uncertainty is bad only if you are in a good place.
2. If you are in a bad place, uncertainty is hope.
3. Those who have nothing to lose long for uncertainty.
4. Yet, the big complain in Chile for the past 25 years is that the economic model generates uncertainty.



A collection of various Latin American flags waving against a blue sky. The flags are arranged in a line, receding into the distance. The colors are vibrant and varied, representing different countries in the region. The text "Latin America" is centered over the image in a white, sans-serif font.

Latin America

A pro-cyclical region



- The commodity cycle drives ups and downs. Now that there is down period, demand for social spending increases but government resources decline. Governments borrow to cover the deficits. Deficits grow and eventually countries have a debt crisis.
- Inequality is a permanent problem. Inequality makes Latin American countries recovering alcoholics.
- The combination of a downturn in the commodity cycle and high levels of income inequality always end up producing social unrest.
- Cuba 1959. Venezuela 1989. Chile 2019. We have been there before. Often, this story does not end well.
- In 1988, Venezuela was the most stable democracy in Latin America. But Venezuela had three problems: high levels of inequality, too much dependence on a single export commodity and a growingly corrupt and elitist business and political class.
- In 2019, Chile was the most stable democracy in Latin America



Chile

CONSTITUCION
POLITICA
DE LA
REPUBLICA
DE CHILE

Like elsewhere in Latin America, Chile has a permanent condition, inequality.
Just like a recovering alcoholic, Chile went dry alcohol for 3 decades, but it relapsed.

In the short run, Chile is like a plane that faces turbulence.

Economy class has revolted against business class.

The crew has lost control.

The pilot is erratic and declared that the plane is at war.

The good news is that the 4 engines are still working. The bad news is that everyone is
fighting inside the plane.

The 1980 Constitution is the culprit

The economic and political order in Chile today are inherited from the Pinochet dictatorship. Thus, Chile is like Luke Skywalker and Pinochet is Darth Vader. The illegitimate origin of the 1980 constitution is undeniable. Yet, Chile was able to build a well-functioning democracy out of a constitution designed to prevent the rise of democracy.

The economic and social models have been repeatedly modified since the return of democracy in 1990. Authoritarian enclaves are gone. The economic model is a market-friendly and socially oriented economic model.

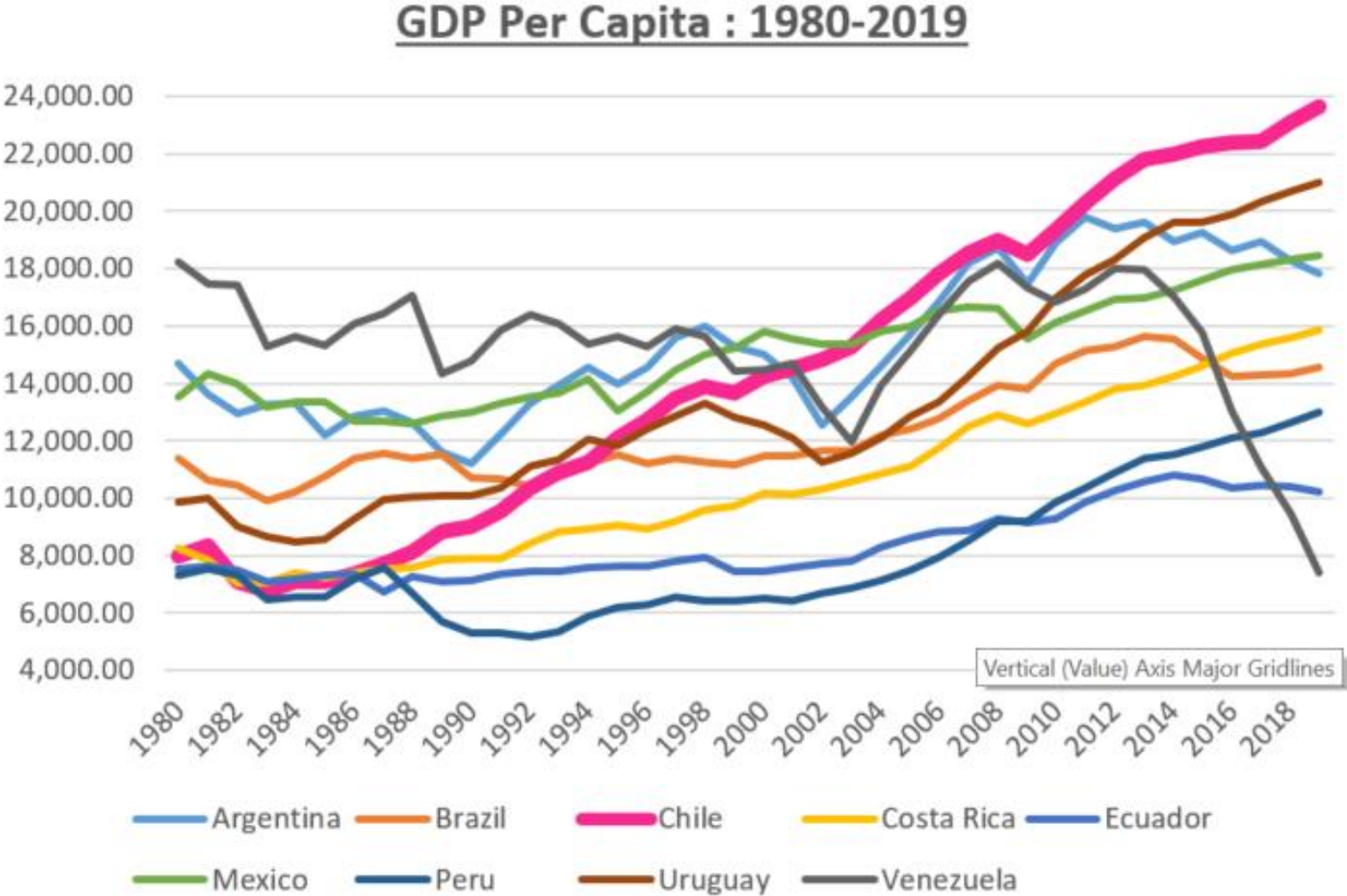
With Pinochet dead since 2006, the anti-Pinochet forces have now narrowed in on the Pinochet constitution as the culprit for all there is wrong with Chile today.

Support for a new constitution is explained by the association people make between a constitution and the expansion of rights.

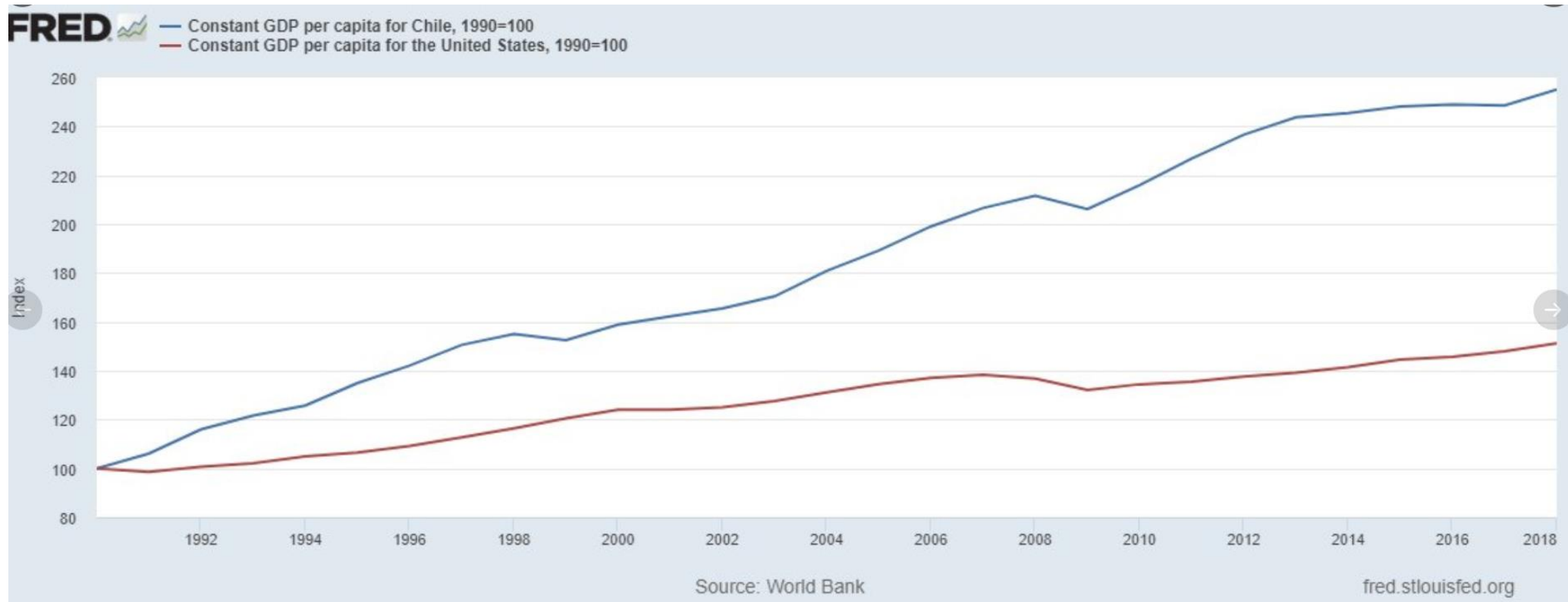
Let's look at some numbers



Chile has grown faster than the rest of the region

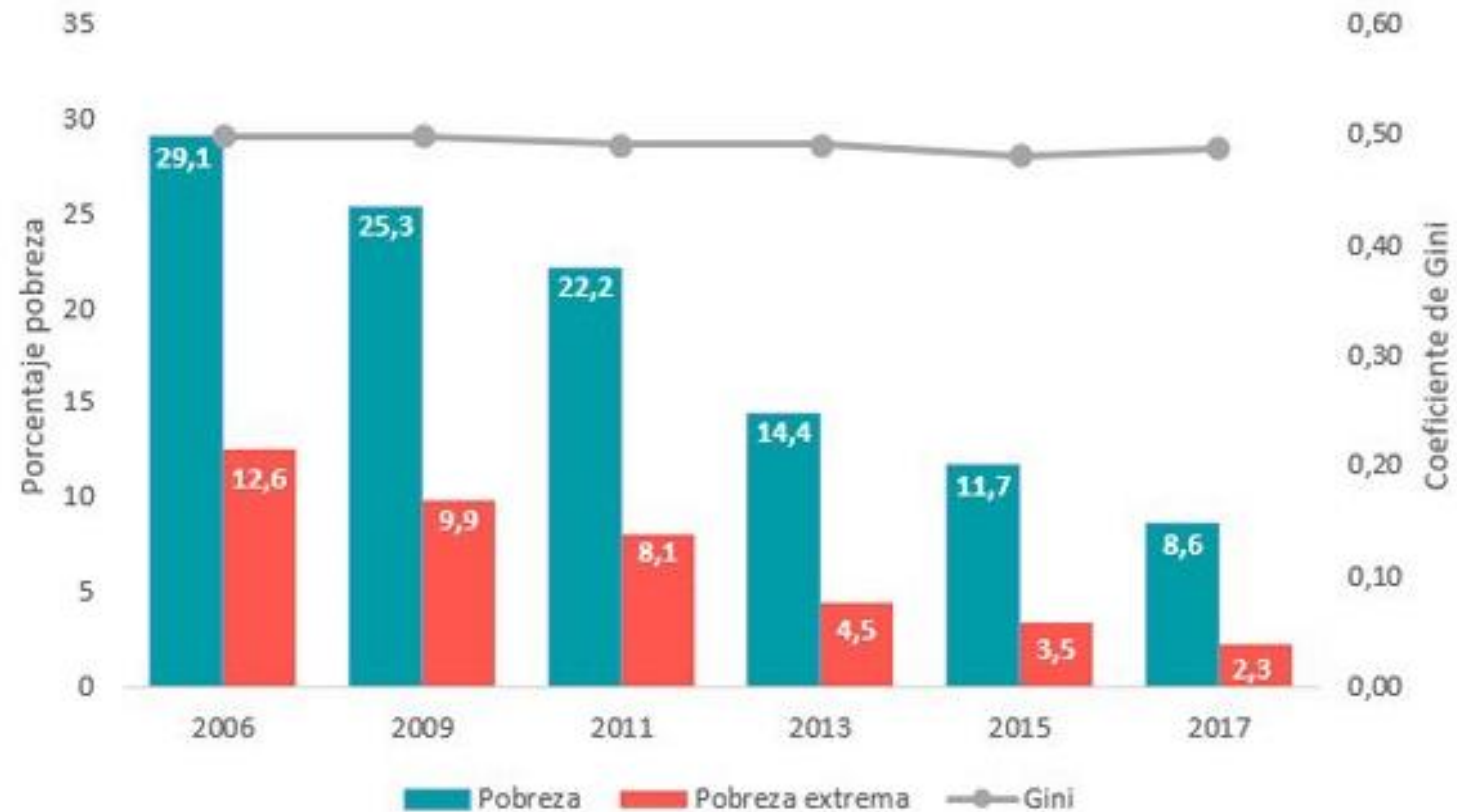


In relative terms, Chile has grown faster than the U.S.

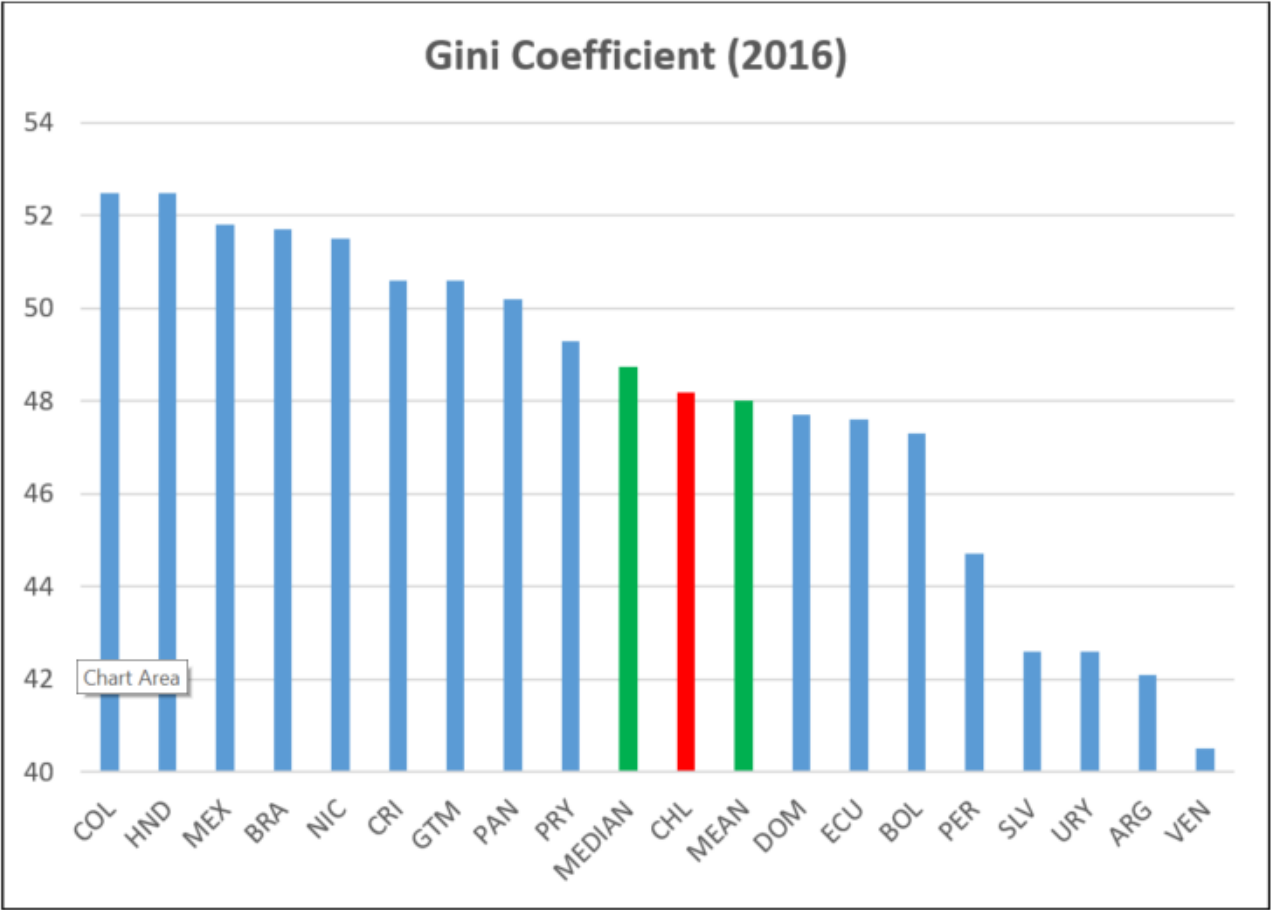


Big success in reducing poverty, not as much success in reducing inequality

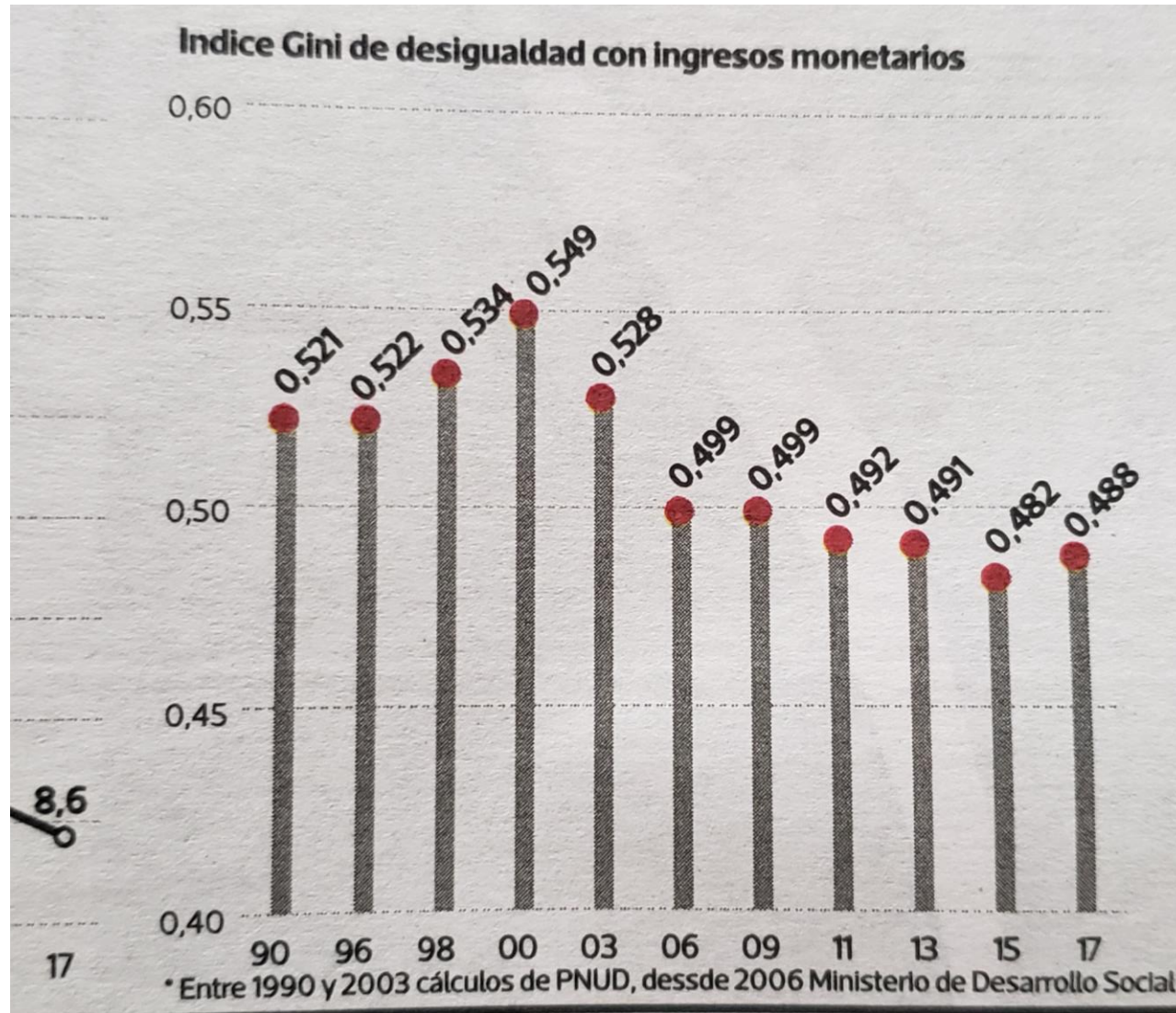
Pobreza por ingresos y coeficiente de Gini



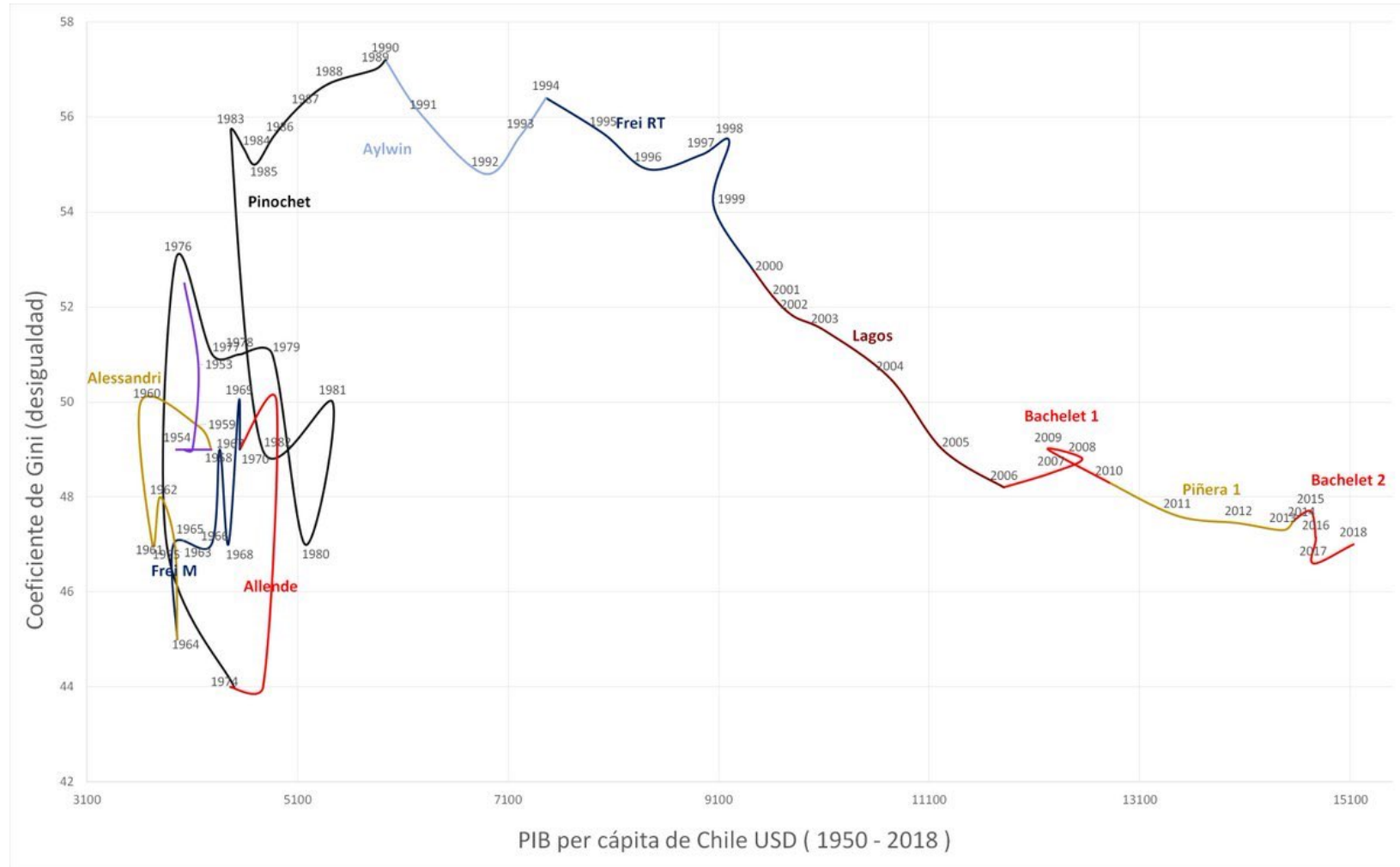
Chile is on the median of income inequality in Latin America



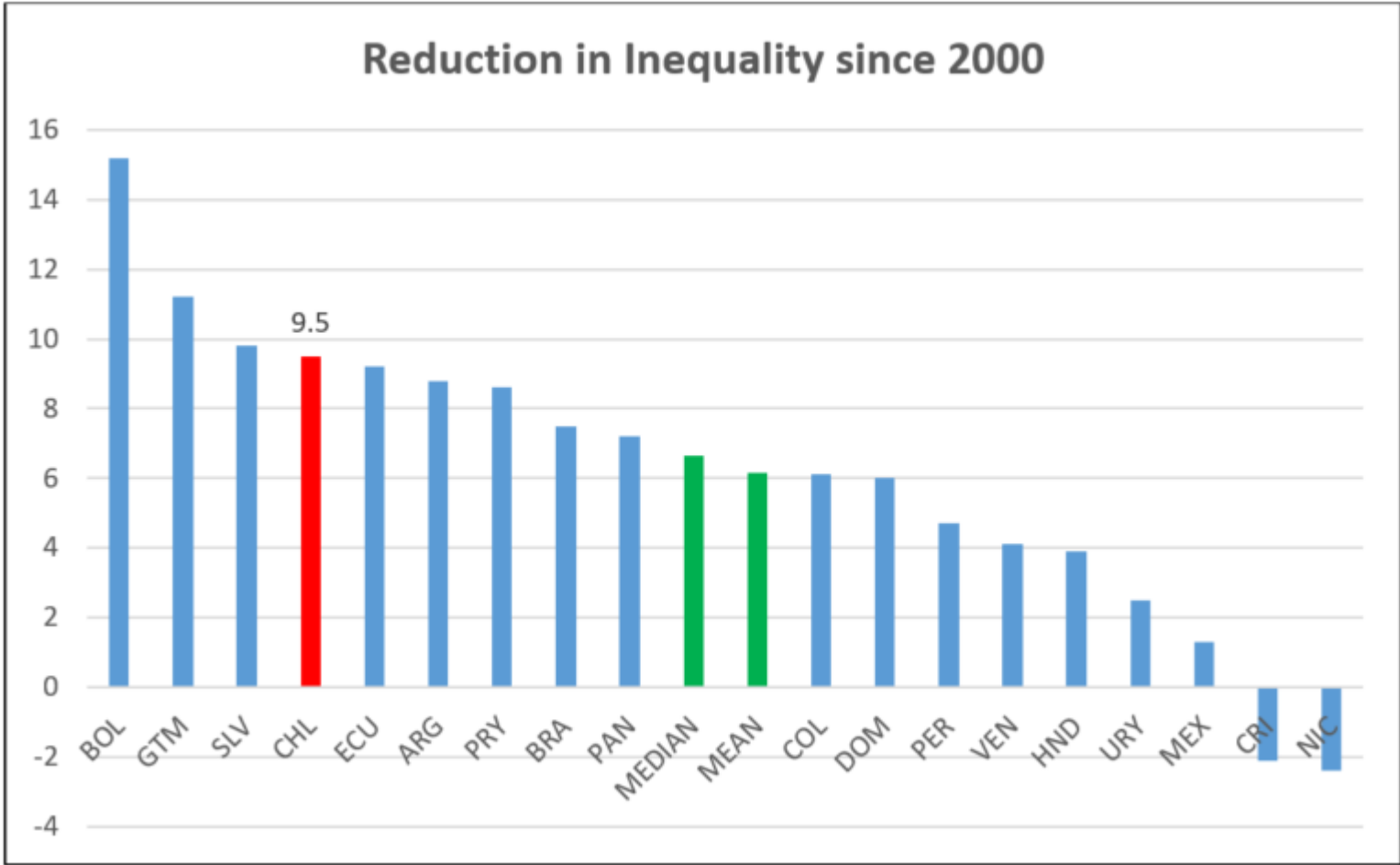
The GINI coefficient has actually declined in recent years



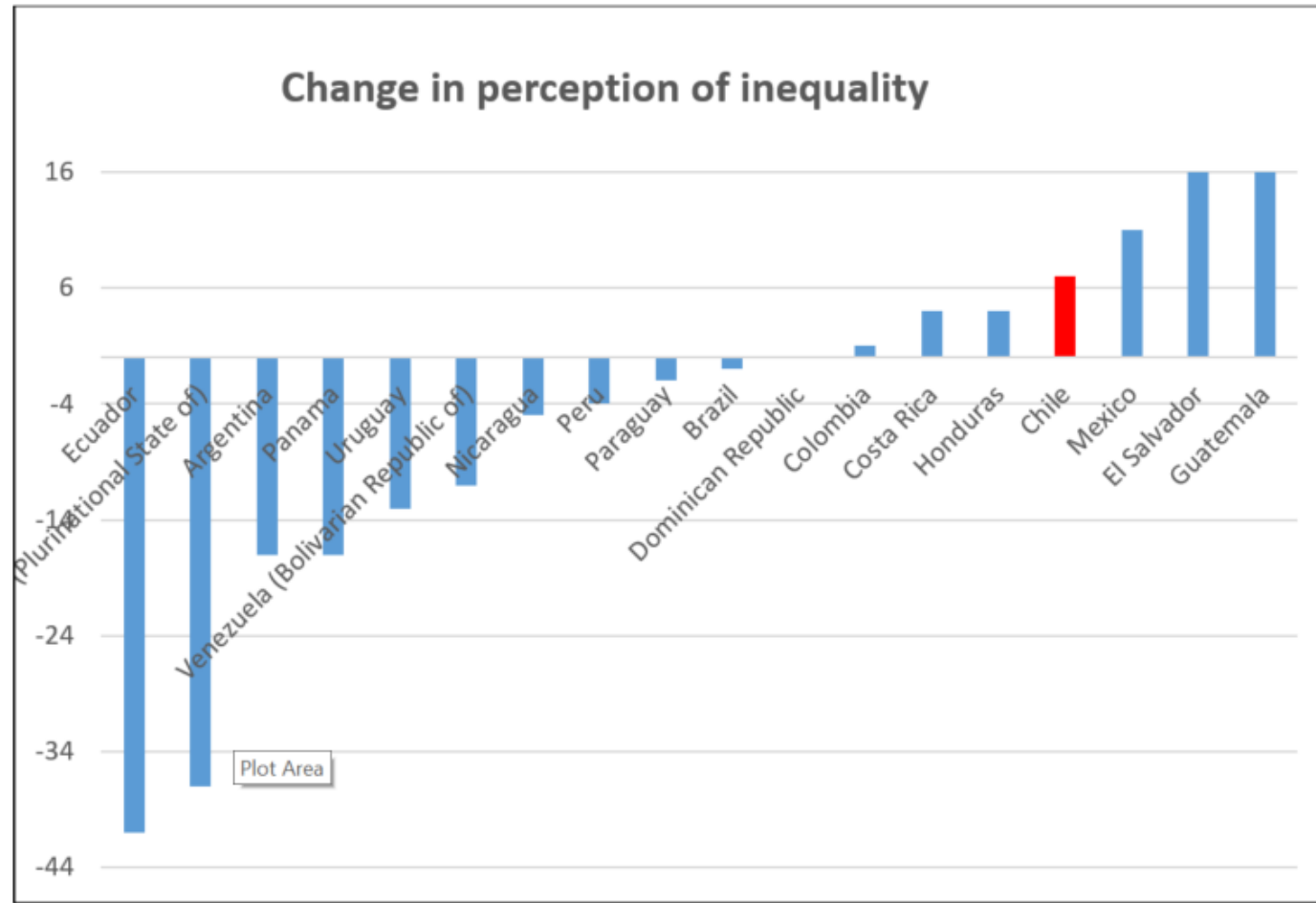
The GINI has gone up and down over time, but it is lower now than in the past 40 years



Chile has been a leader in reducing inequality in Latin America



The perception of inequality has worsened



Chile remains procyclical. The Price of copper explains everything

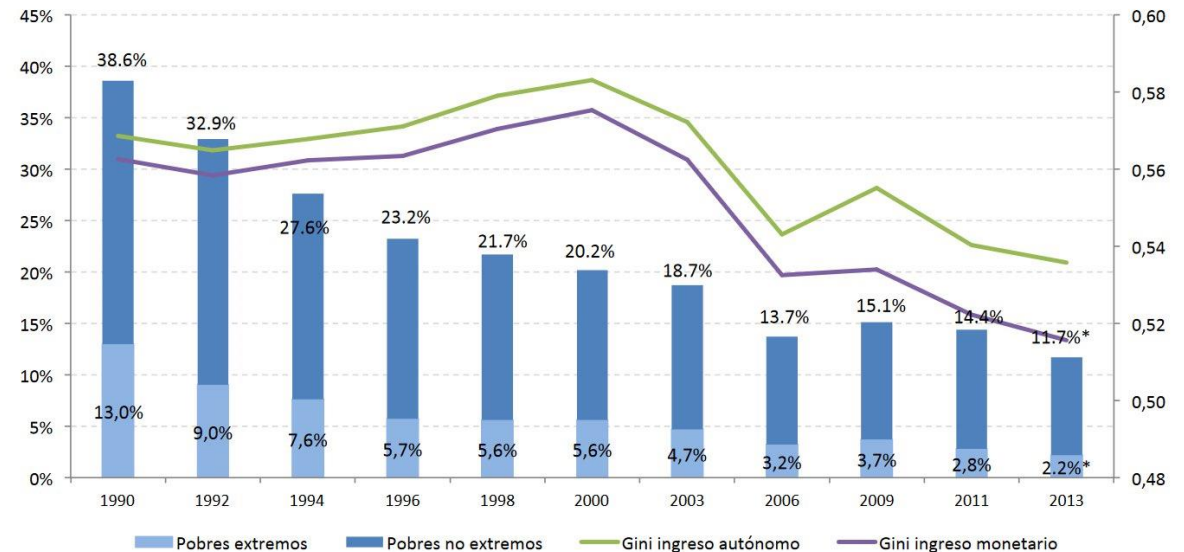


Chile is a victim of his own success

- Success in reducing poverty.
- Some success in reducing inequality
- But expectations are very high.
- People want to be in a better place and do not want to go back to where they came from.
- Frustration and anxiety at the gate of the promised land.

Chile: Pobreza Extrema

A pesar que la pobreza ha presentado una evolución favorable desde 1990 hasta el año 2013, todavía viven cerca de 2.000.000 de personas en situación de pobreza y 380.000 en indigencia.



* Corresponde a la estimación LyD utilizando la metodología histórica.

Fuente: Ministerio de Desarrollo Social.

No Make America Great Again in Chile

- Chile has never been better than today. No nostalgia for a lost paradise.
- People have high expectations for a better future.
- People are at the doors of the promised land and they want it.
- Some concern that the door of the promised land might be closing.
- People do not want a different promised land. They do not want an alternative model. They want the model to work for them.

An aerial photograph of a city, likely Lima, Peru, showing a large crowd of people gathered in a park area next to a river. The city skyline is visible in the background. The image is overlaid with a semi-transparent blue filter. The text "The causes of the current crisis" is centered in white.

The causes of the current crisis

- **Long term:** inequality, exclusion, frustrated middle class.
- **Short term:**
- Erratic response by the government (we are at war, state of emergency, curfew, cabinet reshuffle, back and forth on response to protest policies, human rights violations)
- Bad losers (the opposition wants to impose with riots a platform that lost the 2017 election).
- Legitimation of violence by the social movement.
- Inappropriate police tactics to respond to social protests.

Where is Chile today

- 4 months of Street riots and looting.
- Perception of lawlessness and insecurity.
- A negative impact on the economy.
- Widespread perception that the country is moving in the wrong direction.
- A lame duck and unpopular government in a country with a strong presidential system.
- Uncertainty for the next two years. April 2020 plebiscite. Elections for a constitutional assembly in October. Constitutional assembly sessions Nov 2020-Nov 2021. Exit plebiscite in January 2022. New constitution promulgated in March 2022.
- Presidential and legislative elections in November 2021. Runoff election in December 2021. Overlapping constitutional and electoral process.
- The 2/3 condition to write the new constitution.

Key dates

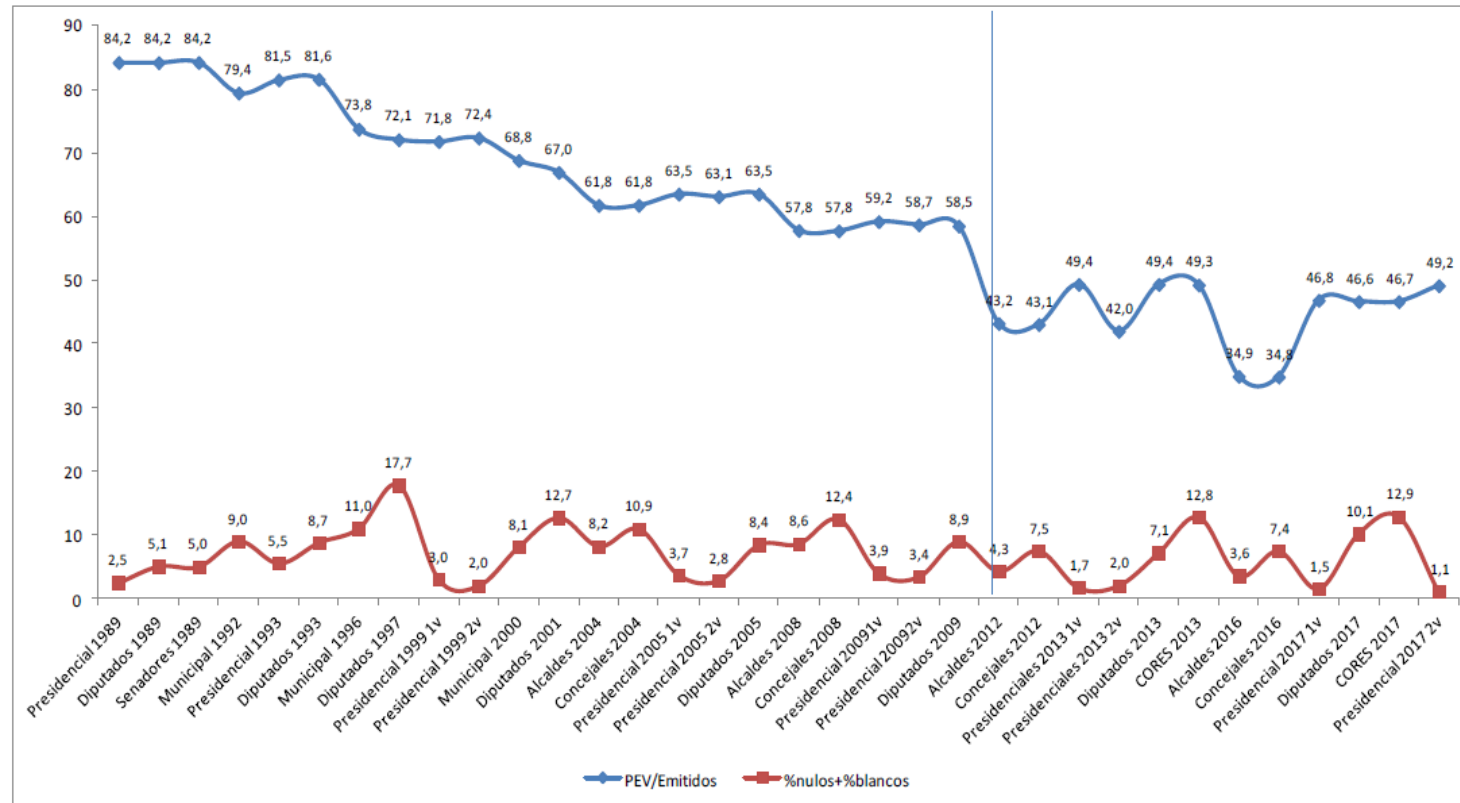
- April 26, 2020. Entry plebiscite. Yes/No (approval/reject). Fully elected or 50/50 convention.
- October 25, 2020. Municipal and regional elections. Constitutional convention election.
- Constitutional convention deliberates from November 2020 to November 2021. A new constitution is proposed for an exit plebiscite in late 2021.
- November 21, 2021. First round presidential and legislative elections (under old constitution).
- December 19, 2021. Presidential election runoff.
- January 2022. Exit plebiscite to vote on proposed constitution.
- March 11, 2022. New president and congress (elected under old constitution) take office and presumably will start governing with the new constitution.

The entry plebiscite



- April 26. Voluntary voting. Polls predict an easy victory for the Yes vote.
- Uncertainty over turnout. Record high as in 1988? Or record low as in 2016? Declining participation in recent years. Very high turnout is unlikely. Polls are not asking likely voters.
- Electoral participation is unequal. The elderly, more educated and those with higher income vote at higher rates.
- Electoral participation is like smoking. If you never did it before you turned 40, you never will.
- Fear is a stronger motivator than hope.
- We should expect a 60% participation rate. 8,5 million voters. It takes 5 million to win the April plebiscite.
- In 2017, Piñera received 3.8 million votes in the runoff. In 2013, Bachelet got 3,4 million in the runoff.

Declining electoral participation in recent years. The trend is unlikely to change




Fuente: Elaboración propia con datos www.senel.cl

What to expect in the April plebiscite

- Polls predict a comfortable victory for the Yes vote (80/20).
- The election should become more competitive in the coming weeks. But the Yes vote should still win.
- Variables that help the NO vote: the economic slowdown, street violence, fear of uncertainty, higher turnout rates among higher income groups, spiral of silence (fear of saying you vote for an unpopular option)
- I would expect the Yes vote to win by a 60/40 margin.

Fully elected or 50/50 convention?

- A 155-member elected body in 28 Chamber of Deputies districts, plus additional seats for indigenous communities and a potential gender parity requirement (to be determined in March).
- A 50/50 convention will have 86 elected members (same 28 districts) and 86 members appointed from among Senators and deputies (the mechanism for that appointment has not been established).

← 1989 • 

Plebiscito nacional de 2020
Inicio del proceso constituyente para la redacción de una nueva Constitución Política
Domingo 26 de abril de 2020

Tipo	Plebiscito	
Duración de campaña	26 de febrero a 23 de abril	

1: ¿Quiere usted una nueva Constitución?

Apruebo	<input type="text"/>	0 %
Rechazo	<input type="text"/>	0 %

2: ¿Qué tipo de órgano debiera redactar la nueva Constitución?

Convención mixta ^a	<input type="text"/>	0 %
Convención const.	<input type="text"/>	0 %

What Will happen after April 26?

- Primaries for mayors and governors in July.
- Campaign for constitutional assembly election, municipal elections and regional elections on October 26.
- Given coalition formation patterns and electoral rules, the rightwing coalition is likely to end up with a plurality on October 26th.
- Yet, no party/coalition will have a majority of votes in the constitutional assembly, let alone a 2/3 majority required to pass votes.
- The constitutional assembly will produce either a minimalist constitution (less likely) or a maximalist constitution that accommodates everything for everyone.

A blank sheet of paper

- The agreement for a new constitution establishes that the convention will need to decide its rules by a 2/3 majority. The agreement does not specify what happens if a 2/3 majority is not reached.
- If there is no agreement on a particular topic, that topic will be left out of the constitution. It is unclear as to what happens if there is no agreement, for example, on the presidential or legislative powers, or the constitutional tribunal. Will they not exist? Be left out of the constitution?

Exit plebiscite

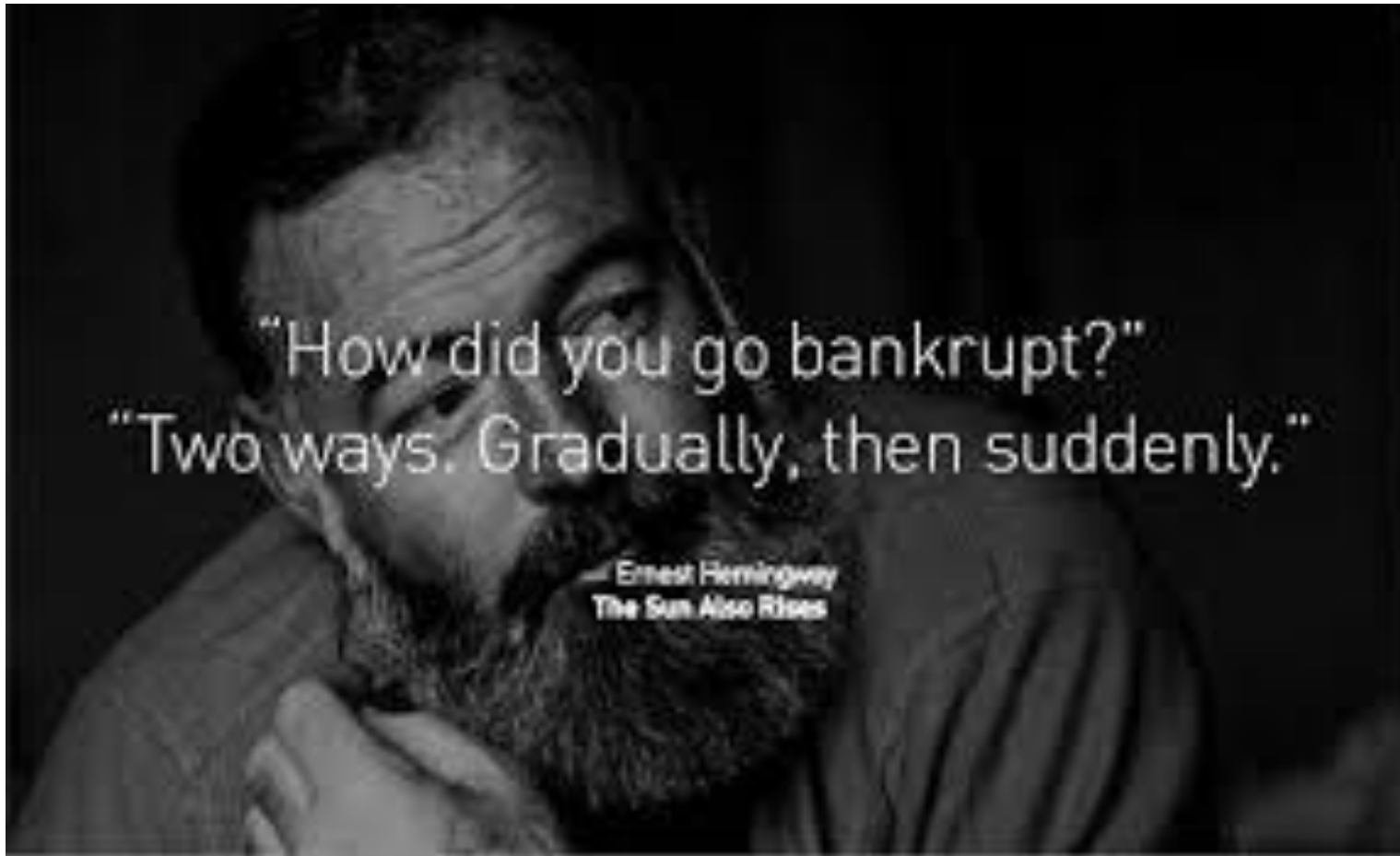


- There will be an exit plebiscite to ratify the new constitution proposed by the assembly.
- The plebiscite will likely be held in January or March 2022.
- This will result in the odd situation that the presidential and legislative elections of Nov 2021 will be held under the current constitution, but the next government will rule with the new constitution.
- Since there is an exit plebiscite, the convention will have incentives to produce a text that can be ratified. Thus, the likelihood that it will be a maximalist constitution with lots of provisions of social rights (unfunded mandates).



¿Where is Chile headed?

2020 is a very risky year for Chile



Public order and a social contract

- The two go together, but you cannot agree on a new social contract without public order.
- The state must be able to exercise the legitimate use of force.
- Though the constitutional process will have many hurdles, Chile's biggest challenge today is street violence and riots.
- If public order is not reinstated, it will be difficult to carry forward the constitutional process.

A reason for hope?

- ~~• The riots and protests are like chest pain or even a mild heart attack.~~
- ~~• Once the patient is out of the hospital, the patient will need to make gradual and significant changes to their lifestyle. Otherwise, the next heart attack may be mortal.~~
- ~~• Chile is like a recovering alcoholic. You can't leave it alone, especially when the economy slows down and discontent increases.~~
- ~~• Chile does not need to be Venezuela, but that is an option that cannot be ruled out.~~