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Political Infighting Slows New Chilean Government’s Soaring Start

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After sprinting to set her far-reaching reform program in motion, President Michelle Bachelet is suddenly encountering some strong political crosscurrents, particularly within her fragile Nueva Mayoría coalition.

Bachelet, who first held office between 2006 and 2010, hit the ground running when she returned to power this past March, ticking off all but a few of the items on a "100 measures in 100 days" list she imposed on herself as a way to get a quick jump on what she considers the country’s biggest pending problem: inequality. Besides presenting Congress with a bevy of legislative proposals, the center-left leader also made several trips abroad, responded to not one, but two, major natural disasters—a magnitude 8.0 earthquake in the north followed less than two weeks later by a voracious firestorm in the historic port city of Valparaíso (NotiSur, May 23, 2014)—and settled a long-running dispute on plans to dam two of far-southern Chile’s most powerful and pristine rivers (NotiSur, July 11, 2014).

More recently, however, the new government’s early momentum has dissipated, in part because of attacks from the political right but also because of increasingly apparent divisions within the broad Nueva Mayoría. Forged during the presidential campaign, the Nueva Mayoría ties together the center-left Concertación—a four-party bloc that held power for two decades before losing the 2010 election to conservative President Sebastián Piñera (2010-2014)—and several far-left factions including the Partido Comunista de Chile (PCCh) and Izquierda Ciudadana (IC).

The coalition has been tested in particular by Bachelet’s effort to push through major changes to Chile’s tax structure. Introduced within just two weeks of her inauguration, the tax bill is one of the pillars of the president’s program (NotiSur, June 20, 2014), which also includes plans to overhaul the country’s much-criticized education system, change parliamentary election procedures, introduce a public option to complement the nation’s privately operated system of pensions, and perhaps even replace the Constitution, which dates back to the dictatorship of Gen. Augusto Pinochet (1973-1990).

Bachelet’s stated goal with the tax bill is to boost government coffers to the tune of US$8.2 billion annually by increasing corporate taxes, eliminating certain loopholes, and cracking down on tax evaders. She plans to channel much of those additional resources into the government’s education budget, which she hopes to increase dramatically in the coming years as a way to free Chilean families from the school tuition and debt burdens many currently shoulder.

Tax deal comes at a price

The Cámara de Diputados, Chile’s lower house of Congress, approved the tax bill in May despite a barrage of criticism from business leaders and right-wing politicians, who warned that the proposed changes would weaken the economy and hurt the middle class. The Bachelet administration countered by accusing its opponents of running a "terror" campaign. On May 21, in her first State of
the Nation address, the president slammed her critics for "engaging in false characterizations" and "misinforming the public about the real effects of the measures we’re proposing."

Six weeks later, however, the Bachelet government made a dramatic about-face by agreeing with lawmakers from the opposition Alianza coalition to amend what it had previously insisted was a "nonnegotiable" bill. In its original form, the legislation looked to replace Chile’s current tax structure, whereby large companies are taxed on the profits they withdraw, with a new system obliging them to pay a percentage on their overall earnings. The new version of the bill, cooked up in a five-person Senate committee and since approved by the Senate as a whole, allows corporations to choose one or the other: they can either stick with the status quo, but pay a higher tax rate, or agree to the new structure, which was updated with various incentives.

Finance Minister Alberto Arenas tried to downplay the changes by insisting that the legislation’s "heart" is still intact. Numerous members of the Nueva Mayoría, however, feel duped by the deal, which was negotiated without any input from the coalition’s left-wing partners. Critics also question whether it was even necessary given the majorities that Bachelet enjoys in both houses of Congress. Many of Bachelet’s supporters would like to see her use those majorities—and the mandate she earned by winning last year’s presidential runoff in a landslide (NotiSur, Dec. 20, 2013) —to drive through the deep structural reforms she pledged, not water them down step by step with unwarranted concessions.

"I’d like to know how are we going to differentiate ourselves from past governments if we start negotiating everything," Deputy Pablo Lorenzini of the centrist Partido Demócrata Cristiano (PDC) said in an interview last month with The Clinic, a Santiago weekly. "With all respect to the minority [bloc], the group that wins, wins and has the right to go forward with its program."

**Critics "confused" about education reforms**

The tax-bill uproar has raised no shortage of questions about Bachelet’s next big policy push: education. Will her government again choose to compromise with the right? Will her initiatives go deep enough to satisfy the country’s outspoken student groups, which have taken to the streets en masse on numerous occasions in recent years?

Bachelet was treated to one such revolt during her first term as president, when secondary school students launched a series of protests that came to be known as the revolución de los pingüinos (penguin revolution), so named for the black-and-white uniforms worn by Chile’s public high school students. She responded with a series of band-aid measures that quelled the unrest but did little to fix the underlying problems. Five years later, during the Piñera presidency, students launched a second "revolution," this time demanding "free quality education for all" (NotiSur, Aug. 19, 2011). Months of massive demonstrations ate away at Piñera’s popularity but failed, in the end, to result in any substantial structural changes.

Bachelet now insists she is ready to give students the system makeover they’ve been demanding. She has already submitted legislation to cut state funding to for-profit schools and phase out the fees parents pay for state-subsidized private schools. Later she plans to incrementally increase funding to universities to eventually make them tuition free as well. "If education is a right for all, then we must pay for it with public resources and not with the sacrifices of families, especially not the most [economically] vulnerable ones," she said during her May 21 address.
Student groups, nevertheless, have already begun challenging her plans. Organizations such as the influential Federación de Estudiantes de la Universidad de Chile (FECH) complain that students are once again being left out of the negotiation process. And while they applaud the Bachelet government for addressing the system's cost issues, they say her proposals do little to tackle problems related to quality.

"It's noteworthy that she hasn't started by trying to strengthen public education," FECH president Melissa Sepúlveda told the Argentine news site Infobae. "There's a lot of confusion about whether they will shut down private schools and whether families would then have to send their children to public schools, which are rundown."

Members of the political right also say they are "confused" by Bachelet's proposals, especially in the wake of a television interview earlier this month in which Education Minister Nicolás Eyzaguirre said the state would only subsidize university students for the first four years of what tend to be six-year courses. Eyzaguirre, a finance minister under President Ricardo Lagos (2000-2006), later tried to recant, saying he had been misunderstood. Sen. Andrés Allamand of the center-right Renovación Nacional (RN) accused Eyzaguirre of "improvising" and called on the Bachelet government to scrap its education proposals all together and come up with a "global redesign."

The suddenly beleaguered Eyzaguirre, a former folk musician who also worked for a time as director of the International Monetary Fund’s Western Hemisphere Department, insists the education reform package will move forward as planned. "This is something I have to fight for, even if it's the last thing I do in my life," the education minister told a recent gathering of the center-left Partido por la Democracia (PPD). "If we're not successful with this reform, our children and grandchildren are going to live in a country that is conflicted, frustrated, dichotomized, and drained. We have to achieve this educational reform because it's the leap that our history is challenging us to make."

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