Focus on Economics as Election Season Kicks Off in Chile

Benjamin Witte-Lebhar

Follow this and additional works at: https://digitalrepository.unm.edu/notisur

Recommended Citation
Focus on Economics as Election Season Kicks Off in Chile

by Benjamin Witte-Lebhar
Category/Department: Chile
Published: 2016-10-14

The release of Chile’s latest poverty statistics sparked a glass-half-full, glass-half-empty economic debate between the leading political blocs, which are scrambling to score points ahead of nationwide municipal elections on Oct. 23, and presidential and parliamentary contests in November 2017. But while the competing claims might serve short-term political agendas, they do little, it appears, to address the country’s ongoing confidence in leadership problems.

The numbers, reported Sept. 22 by the Ministerio de Desarrollo Social (Ministry of Social Development), suggest that between 2013 and 2015, the percentage of Chileans living below the poverty line (as calculated by income alone) dropped 2.7 points, from 14.4% to 11.7%. The ministry, as part of its biennial Caracterización Socioeconómica Nacional (National Socioeconomic Characterization, CASEN) survey, also measured what it calls “multidimensional” poverty, an approach that takes into account factors such as housing conditions, access to education and healthcare, security, and social cohesion. By those standards, the poverty level dropped from 20.4% in 2013 to 19.1%.

As modest as it may be, the poverty dip came as welcome news for the administration of President Michelle Bachelet, who has struggled with paltry approval numbers following allegations, first made public in February 2015, implicating her son in a multi-million-dollar real estate and influence-peddling scandal (NotiSur, April 24, 2015). Support for the president has slipped even more in the wake of recent protests against the country’s mostly privatized pension system (NotiSur, Aug. 12, 2016). In August, the Centro de Estudios Públicos (Center for Public Studies, CEP), Chile’s most prestigious polling firm, measured Bachelet’s approval rate at just 15%, the lowest mark for any president since the country’s return to democracy in 1990 (NotiSur, Sept. 9, 2016).

The president and her allies, eager for anything to blow a bit of momentum in their sagging political sails, hail the poverty dip as evidence that the administration’s approach—however unpopular it may be—is working. The numbers are all the more encouraging, they say, given how poorly the economy as a whole has performed of late. In 2014, the year Bachelet returned to power, the economy grew just 1.9%, down from 4% in 2013, according to the World Bank. The growth rate improved slightly in 2015, inching up to 2.1%, but is likely to slip again, to 1.75% this year, Chile’s Banco Central predicts.

“It’s very important that we’ve been able, in a complicated international economic context, with low copper prices, to lower poverty in Chile,” Bachelet said in a video message posted on Facebook. Fuad Chahín, a legislator with the centrist Partido Demócrata Cristiano (Christian Democratic Party, PDC), had a similar reaction. “This is without a doubt a positive sign, especially considering the course the economy has taken. It shows that [the administration’s] public policies are working,” he told reporters.

The PDC is one of various factions in Bachelet’s broad Nueva Mayoría coalition, an expanded version of the Concertación bloc that governed the country for two decades (1990-2010) after dictator Augusto Pinochet (1973-1990) stepped down. Bachelet herself hails from the Partido Socialista
(Socialist Party, PS), another Nueva Mayoría member party. She first led the country from 2006-2010 and was replaced by Sebastián Piñera (2010-2014), a billionaire businessman and Chile’s first conservative leader since Pinochet.

‘Progressivism without progress’

Bachelet’s conservative opponents, grouped together in the four-party Chile Vamos coalition, took a decidedly different view of the latest poverty numbers. Whereas the Nueva Mayoría painted it as a success against all odds, Chile Vamos—led by the hard-right Unión Demócrata Independiente (Independent Democratic Union, UDI) and center-right Renovación Nacional (National Renovation, RN)—characterized the CASEN results as a missed opportunity.

“It’s good that poverty continues to drop. But it’s a shame that the rate of decline, due to errors committed by this government, is half of what it had been,” Felipe Kast, a conservative deputy who served as planning minister under President Piñera, told reporters. “Poverty reduction is stagnating, which is worrisome. At this pace, we won’t reach our goal of zero poverty for several decades.”

The competing perspectives have everything to do with how the two sides interpret the country’s poor economic growth numbers. Bachelet’s backers see the slowdown as the product of outside forces, namely a drop in demand (resulting in a significant price decrease) for Chile’s top export commodity, copper. When Bachelet returned to office in early 2014, copper sold for approximately US$3 per pound, a far cry from the US$4.50 per pound it fetched three years earlier. The current price of copper is lower still: approximately US$2.2 per pound. The impact on the economy as a whole—and on state coffers in particular (the government draws much of its revenue from the state-owned copper enterprise, Corporación Nacional del Cobre, CODELCO)—cannot be overstated.

The administration’s conservative opponents, on the other hand, say that Bachelet herself bears much of the responsibility for Chile’s anemic growth numbers. They argue that by overhauling the tax system (and requiring increased contributions from corporations) the administration handicapped private enterprise and scared off would-be investors (NotiSur, Aug. 8, 2014). The same goes for her education, labor, and health care reforms, conservatives and their business-sector allies argue.

“This government promised progressivism, and we’ve had progressivism, but without progress,” Piñera quipped in an early September interview with the daily La Tercera. “We need to keep moving forward, but not with mistaken reforms that are poorly implemented.”

Credibility crisis

Chilean law allows presidents to serve multiple terms but bars them from doing so successively. Bachelet, for that reason, had to wait four years to compete for her old job. Piñera, who replaced Bachelet and served until 2014, is widely expected to run again in 2017. He hasn’t made any formal announcements, but appears unofficially, at least, to already be in campaign mode. The lengthy La Tercera interview is a case in point. “It would be easier for me to win the election than to put Chile back on the road to progress,” he said.

If Piñera does run, there’s a chance he could end up competing with another former president, Ricardo Lagos (2000-2006), a member of Bachelet’s Nueva Mayoría coalition who has already expressed an interest in the job. Piñera told La Tercera that he’d relish an opportunity to challenge Lagos. “Lagos-Piñera would be a classic showdown for a number of reasons, one of them being
that it would be the first time in Chilean history that two former presidents face off in the same presidential elections,” he said. “I always prefer to compete against good candidates rather than bad candidates. From that perspective, the fact that President Lagos has the experience of an ex-president, just like I do, would be an incentive rather than a deterrent.”

Not everyone shares Piñera’s enthusiasm for a “classic” bout between former presidents. In recent years, polls have consistently shown that Chileans are weary of the traditional political parties and their veteran leaders. Analysts call it a “confidence-in-leadership crisis,” one that seems to be deepening as mounting evidence of corruption and collusion between the country’s business sector and political leaders on both the right and left raises further credibility questions (NotiSur, May 29, 2015). Bachelet’s approval rating, as a result, has fallen so low that it compromises her ability to push through legislation. Four years ago, Piñera was in a strikingly similar situation (NotiSur, Jan. 13, 2012).

To earn back the public’s trust, the leadership needs to offer greater transparency and accountability, quite the opposite, it would seem, from the politically charged, things-aren’t-as-they-seem talk that accompanied last month’s CASEN report. All of this may spell opportunities for some new faces to emerge in Chile’s political arena. This month’s municipal elections, when voters choose 345 mayors and more than 2,200 city council officials, will be an early test.

-- End --