ENSAYO Y REVISIÓN TEÓRICA

Social Crisis in Chile 2019: Review of Two Hypotheses as to its Cause

Crisis Social de Chile en 2019: Revisión de dos Hipótesis como Principales Causas

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ABSTRACT In the year 2010 Chile became a member of the Organization for Economic Cooperation and Development, hinting at the country's economic success. The Chilean model seemed to have brought prosperity. However, on the 18th of October of 2019 all that changed. Massive protests, looting, vandalism and arson suddenly occurred, culminating in the declaration of a state of emergency, a situation that had not emerged in three decades. Although a certain consensus exists as to the causes of this social crisis, namely the notorious inequality that exists in the country, the conventional hypothesis focuses on the disparity of material possessions (economic inequality). In this article we will examine this hypothesis as well as analyse the possibility that the source of this social unrest lies in more formal aspects of inequality (treatment); that is to say, aspects such as corruption and the existence of prodigious privileges of some over others.

KEY WORDS Social crisis; Chile; 2019 riots; protests; social unrest; inequality.

RESUMEN En el año 2010 Chile entró en la OCDE, el club de los países desarrollados, confirmando el gran éxito económico del país. Varios rankings internacionales mostraban a Chile como una de las economías más sólidas de la región, con un ingreso per cápita sobresaliente en América Latina, con una inflación controlada. El modelo chileno parecía haber llevado prosperidad a sus ciudadanos. Sin embargo, el día 18 de octubre de 2019 todo cambió. Re



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pentinamente surgieron manifestaciones masivas, saqueos e incendios, terminando con la declaración de estado de emergencia, una situación que no se veía desde hace tres décadas. Aunque existe cierto consenso de que las causas de esta crisis radican en la gran desigualdad que aún existe en el país, la hipótesis convencional se centra en la desigualdad material (desigualdad de ingresos). En este artículo revisamos esta hipótesis, y analizamos la posibilidad de que en realidad el origen se encuentre en la desigualdad formal (de trato), es decir, en la corrupción y en la existencia de enormes privilegios para algunos en desmedro de otros.

PALABRAS CLAVE Crisis social; Chile; 2019; movilizaciones; descontento social; desigualdad; corrupción; causas.

Introducción

Until the mid-point of 2019, Chile was seen as the country to have attained the largest number of socioeconomic achievements, and also the most stable country in Latin America. Within a few weeks however, all of that would change. A massive social explosion suddenly appeared, revealing a towering social unrest, which for some reason had been invisible until that precise moment. Analysts have disagreed over the main causes of this social unrest: Although there is a certain degree of agreement that the problem takes root in pre-existing inequality, it is the type of inequality that causes differences in opinion. The following briefly summarizes the chronology of the first days of protests and then we will discuss the most plausible explanations of this social phenomenon.

Everything seemed rather predictable in Chile during September of 2019, until the 1st of October when a panel of experts proposed a fare increase for the Metropolitan Santiago public transportation system. The underground Metro in Santiago is the city's transportation keystone; the proposed fare increase amounted to just under 4% and was to come into effect on the following Sunday, 6th of October. The first protest to this increase occurred on Monday the 7th and manifested itself in the form of massive and coordinated fare evasion on the part of high school students, who jumped the turnstiles at a number of Metro stations. By Tuesday the 15th the number of protesters had increased (not only students were participating) and some Metro lines were closed by the authorities. On Wednesday and Thursday the confrontations with police increased to the point that various Metro stations were closed entirely and by Friday the situation had deteriorated to such a level that the entire Metro system itself was shut down. During the evening and night of that Friday, the 18th of October, violent protests emerged not only in the Metropolitan area but throughout the entire

country: arson and looting of supermarkets, pharmacies, warehouses among other places of business, as we describe next. The company Walmart has declared that more than 60 of its stores were looted (Asencio, 2019), while the SMU corporation (owners of "Unimarc supermarkets", "Alvi", "Mayorista 10" and "OK Market") have reported that 150 of its supermarkets were looted and set ablaze (Reyes, 2019). In the early morning hours of Saturday the 19th, the president Sebastián Piñera declared a state of emergency in Santiago as well as a curfew as of that night. This declaration was extended to another five of the country's regions soon after and by Wednesday the 23rd the state of emergency had spread to fifteen of the country's sixteen regions

Until this moment, one could assume that small yet motivated groups could be held accountable for the unrest but that these minority groups did not enjoy the support of the general population with regards to the aforementioned actions. On Friday the 24th of October, however, Santiago was witness to the largest peaceful march ever to have taken place in Chile's history (La Tercera, 2019). Although estimates vary, it is estimated that 1.2 million people participated in the Santiago march. Furthermore, the march was replicated with equally impressive participation in the other major cities throughout the country. The never before seen participation notwithstanding, what is most surprising is the nearly magical spontaneity with which the marches emerged, with only social media as communication and without any observed leadership, be it civilians, politicians, political parties or social organization. In addition to an absence of leadership, the marches were characterized by the broad spectrum of society represented within; from individuals of the lower class all the way to those of the upper-middle class. Other massive global protests observed recently seem to share this characteristic, including those of Hong Kong, Lebanon, Iran, Cataluña, Bolivia, Ecuador and Colombia. In the majority of these other countries however, the main causes of the protests are well documented, not so in Chile; this is what we will analyze in the following.

About the Deep-Rooted Causes of the Social Uprising

Although the massive recent protests were triggered by the previously mentioned transit fare hike, this event would appear to be only the proverbial straw that broke the camel's back; the sheer size and transversality of the protests indicate a pre-existing malaise or social unrest throughout the general population (Cadem, 2019). The fundamental question is whether the main cause of this discontent is to be found in the inequality of material possessions (economic inequality), or a generalized rejection of the political class, owing to the ever-increasing privileges this group would appear to be enjoying (inequality of treatment).

a) Hypothesis of Economic Inequality

It has been proposed that the main cause of the current social unrest in Chile is the existing economic inequality (Durán y Kremerman, 2013; López, Figueroa and Gutiérrez, 2013). In effect the economic inequality in Chile is high (PNUD, 2017; Madeira, 2014; 2015), it being close to the Latin American average. However, there is substantial evidence showing that this gap has in fact diminished in recent years. The World Bank (2020a) reports that the Gini coefficient of economic inequality in Chile has decreased from 57.2 in 1990 to 46.6 in 2017. Rodríguez Weber (2017) reports that in the very long term a change in this trend is unexpected, with the Gini index hovering around an average of approximately 0.53. Sapelli (2016), using data from the occupational survey of the Universidad de Chile (EOUCH) reports a drop in the Gini of 14 points in 30 years, and with data from the national socio-economic characterization survey reports a drop of 8 points in 15 years with significant improvements in economic inequality in generational estimations (cohorts). With respect to social mobility, a report by the OECD (Alonso and Leiva, 2018) states that Chile is expected to be a front-runner in this area among OECD countries.

On the other hand, the 2018 Latinbarometer Report (2018) stated that Chile heads up the list in which people declare their perception of a favourable economic situation. A review of the time-based evolution of the main socio-economic statistics shows significant improvements in various areas. According to the World Bank (2020b), poverty in Chile has dropped considerably from 8.1% of the population in 1990 to 0.7% in (poverty head count ratio at \$1.90 a day, 2011 PPP). The same can be observed with extreme poverty numbers; according to EPLAC and the World Bank, during the last 30 years, Chile has raised investments in Health from 1.7% of GDP to 4.9%. Investments in Education jumped from 2.3% to 5.4% of GDP. The income of the poorest 10% of the country increased 439% during the years 1990-2015 (Valdés, 2018). Child mortality rates of children under 5 years of age dropped from 19 in a thousand to 7 in a thousand. Military expenditures dropped from 3,4% to 1,9% of GDP. Taxation income increased from 13% of GDP to 21%. Inflation plummeted from 22% to 2% annually.

These statistics would suggest that a massive lack of confidence in the economic model does not appear completely plausible. Given the above, we will now explore another alternative.

b) Hypothesis of Inequality of Treatment (Inequality Before the Law)

The alternative answer to the sources of the massive protests in Chile towards the end of 2019 is that they were a form of protest against the country's politicians directly. Labarca, Quezada and Faúndez (2019) point to a sense of abuse of power by politicians that culminated in overwhelming unrest towards the political class. Orellana

(2004) suggests that with a return to democracy, corruption has become rampant, spreading to all corners of Chilean society: political parties, businesses, universities and the public sector. As a result, the Chilean society seems to feel an amplified rejection of white-collar criminals (economic crime), because of the apparent lack of consequences for their actions. For example, since the end of 2014, economic crimes have increased nearly 95% and, of the total 135,370 cases closed as of 2018, only 3.2% ended in some form of punishment (El Desconcierto, 2019). With respect to these economic crimes, there is a public perception that the powers that be protect the powerful whenever possible (Senado.cl, 2019), which has provoked institutional disrepute. A brief review will allow us to observe how, since the year 2000, notorious cases of corruption have systematically appeared in the press. In the following we shall mention but a few of the most infamous cases.

The period of 2000-2007 began with the publication of what came to be called "The black book of Chilean justice", by Alejandra Matus. The book was confiscated, and Matus was accused by Servando Jordán, minister of the Supreme Court of Chile, of the crime of "desacato" ("contempt") invoking the article 6-B of the "Ley de Seguridad del Estado", and Matus accepted political asylum in The United States. Soon after, the "toilet paper collusion" came to light (colusión del papel higiénico), when the two largest producers of the product agreed to raise their prices and stop competing. In the political arena, the "Awning Case" emerged (caso de los toldos), in which public funds managed by a Congressman and a Regional Labor Secretary were deviated for other uses. Next, a bribery scandal in which a businessman accused the Undersecretary of Transport of demanding payment to approve the operation of automobile "safety revision" plant. "MOP-GATE case" concluded that the Minister of Public Works overpaid its workers for simulated work that was never actually carried out. The "Publicam Case" (caso Publicam) showed illegal activity in one Senator's electoral expense account. In 2006, three important political leaders (Boeninger, Schaulsohn and Martner) confirmed that coalition government political parties illicitly funded their political campaigns with public funds. In Schaulsohn's case, he referred to an "ideology of corruption" and was subsequently expelled from the party.

From 2008-2014 some of the most infamous corruption cases took place. First, pharmacies that were engaged in price fixing of medicines and that agreed to stop competing. Next, the case of department store "La Polar" emerged, in which the company restructured clients' debts without any consent whatsoever from said clients. Also, the "CNA-Chile" case came to light in which the president of the National Accreditation Commission organized for institutions of higher learning to pay the commission's assessors; those institutions were later rewarded with positive accreditation from the commission. "Chicken Collusion" was next, in a case of price fixing among the largest poultry producers. The Penta and SQM cases followed, in which

business groups assisted in the financing of political campaign through false billing which charged for services never rendered. Although difficult to believe, as of 2015 the number of corruption cases increased dramatically. The "Caval Case" consisted of influence peddling in order to obtain loans from the largest private bank in Chile. "Milicogate" appeared, referring to a massive embezzlement case within the Chilean military and also "Copgate" (Pacogate), a case of fraud involving high ranking members of the Police Force. Adding to all this, we can't fail to mention the greatest corruption case in the history of Chilean soccer, the country's national sport, in which directors received large bribes. In the Rancagua Appeals Court, three judges were investigated for influence peddling after they acquitted known drug traffickers. Irregularities relating to the awarding of contracts were revealed in the country's national petroleum company ENAP and in the National Civil Registration System, and a number of employees were sent to prison for selling falsified passports.

The news in the press began to be filled with this type of scandal, and practically no national institution complied with minimum standards of honesty. Worse yet, the penalties or fines faced by the guilty turned out to be absurd, generating outrage among the people. On the contrary, Chilean justice is quite harsh with common crimes, and the sensation of privileges of one group over the others arose. At the same time, news arrived that justice in developed countries is harsh with white-collar crimes, and if compared to Chile, there was the feeling that a group of people created laws to protect themselves and their relatives before the Law. In a few years, a clear relationship between politics (the elite) and corruption became clear to the people. Hence, from here the central hypothesis of this article arises, that it was these types of differences what determined the emergence of the Chilean social crisis of 2019.

Conclusions

To summarize, the protests at the end of 2019 were, as much for the sheer amount of property damage as for the number of participants in the protests, the largest showing of civil unrest since the end of the Pinochet dictatorship. The review we have done here suggests that the causes of the unrest do not lie so much with a problem of income equality, but instead favour inequality of treatment as the issue. To illustrate this, one can note that on Chilean National Television (the state channel), which annually and consistently reports big financial losses, pays their on-air employees far more than the country's average income, and which has generated constant criticism on social media. In Codelco, the principal state copper mining company, luxurious watches are given as gifts to employees who have completed a given number of years of service, despite the fact that the company faces serious problems of efficiency and financial losses in many of their installations. It has also come to light that the company's top level executives receive annual salaries in the range of US\$500.000, amounts that have raised serious questions given the realities the country faces.

Furthermore, serious complaints have arisen on social media about the inflated salaries paid to civil servants as well as how favouritism abounds in the awarding of those jobs. Also, most of these same public service employees receive outstanding annual performance reviews that entitle them to cash bonuses for efficiency; the general population's opinion about civil service efficiency is not nearly so positive. In the case of municipalities, the very same Confederation of Municipal Workers points to the high levels of favouritism and suggests this explains the high levels of corruption reported therein. At the National Congress level, Schaeffer, Segura and Valenzuela (2014) concluded that Chilean MP's, when compared to their peers in the OECD, not only enjoy the highest net salaries (as they themselves have declared) but also show the highest relation between their incomes and GDP per capita, information which has also galvanized huge criticism on social media. Each new information of this type seems to confirm to the Chilean the idea of unequal treatment, privileges, and abuse.

In recent years, the country has been witness to how numerous corruption cases have ended without sanctions. Among the reasons indicated for allowing this to occur (Probidad en Chile, 2020) include the complexity of the cases, the passing of time, legal formalism, the temporary departure from the public eye, hierarchical irresponsibility, elimination of witnesses, restructuring manoeuvres, falsification of evidence, voluble jurisprudence, hazy bureaucracy, lenient sentencing practices, moral justification, political agreements as the legalization of acts of corruption. Whatever the reasons may be, the frightening inequality in the eye of the law, in treatment and opportunity, the country has seen the nearly unchecked emergence of nepotism, favouritism, clientelism and proverbial wrist slapping with regards to economic crime. It is possible that many of these problems have always been present in Chile. However, be it for instant communication which is now a part of our everyday lives or for a cultural change, civil unrest has blossomed to never before seen heights while no survey or indicator appeared to reveal what was to happen.

Morales (2020) observes in Chile a state of crisis caused by serious problems in public and private probity, resulting in lower attachment to parties, loss of confidence in government, courts, congress, police and church. As can be seen, none of the theses causes arises from purely economic inequalities, but on the contrary, they originate in inequality of treatment. Morales (2021) points out that a consequence has been the results of the 2020 Chilean national plebiscite, in which the "approved" side won with 78% agreeing to draft a new constitution, a result that was probably influenced by the unequal impact of COVID-19 on the population. But this crisis of confidence in Chilean institutions did not arise suddenly. Garretón (2016) stated that one of the first signs of this crisis was observed in the mobilizations that occurred in Chile in the years 2011-2012, which instead of emerging from political actors interrelated with social organizations, as it had always been in Chile, occurred in a context of the lowest

electoral participation in the recent history of the country. Garretón (2016) points out this fact as a "rupture", a break of civil society with the political class, due to the discomfort with it, either due to phenomena of corruption, or for inability to solve the problems of the people, or for allowing the expansion of abuses in the case of unrest. All this would be the cause of the discrediting of Chilean politics.

In the light of the previous discussion, it seems evident that the hypothesis of pure income differences may be discarded as a determinant of the current Chilean social crisis. On the contrary, the evidence suggests that the abuse and privilege of one group over others is at the root of this crisis.

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