

## **Chile: The Midlife Crisis of Michelle Bachelet's Second Term. Are Bachelet's "Policies that Change Cultures" Reaching Their Premature End?**

### **The Rise and Decline of Chile's Reform Agenda**

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#### **Abstract**

This article discusses the state and perspectives of Chile's reform program half-way through the second mandate of President Michelle Bachelet (*Bachelet II*). After raising high hopes and promising encompassing "policies that change cultures" during her election campaign in 2013, Bachelet's agenda is in crisis and partly stuck due to the interconnection of home-made errors with a changing international environment that has slowed the Chilean economy down. The question is whether in the remaining years of her second office - until March 2018 - Bachelet will be able to realize at least part of her ambitious reform agenda which in August 2015 she recalibrated under growing political pressure towards a more modest "realism without renouncement".

#### **Introduction**

After a first presidency from 2006 until 2010, Chile's current president Michelle Bachelet (born 1951) of the center-left coalition *New Majority (Nueva Mayoría)* was re-elected in December 2013 for a second term in office from March 2014 until March 2018. The hope of the majority of voters encompassed social, economic and political reforms in favor of the middle and lower classes, and in general better social balance and participation.

This hope is not a new political motive in the Andean nation. It was at the center of most general and presidential elections since at least the victory of Socialist Ricardo Lagos in 2000. Chile, the only member of the Organization for Economic Co-operation and Development from Latin America and role model for South America's and the Global South's development, is one of the most unequal nations on earth including not only wealth and income inequality but also education.<sup>1</sup> That is, among other reasons, an effect of neoliberal policies implemented under dictator Augusto Pinochet (1915-2006, dictator from 1973-1990) and the subsequent

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<sup>1</sup> R. Benedikter and K. Siepmann (editors): *Chile in Transition. Prospects and Challenges for Latin America's Forerunner of Development*, Springer International, New York and Zürich 2015.

governments, which managed the transition to democracy. In response, Bachelet vowed to enact multi-dimensional change so far-reaching and interdisciplinary in scope and extension that she called it a coordinated array of “policies that change cultures”. Overall, Bachelet promised to not only apply sectorial corrections, but to change the functional, institutional and constitutional basics of the nation in order to create a “new culture” – an attempt seen skeptically by many conservatives and moderates given Chile’s economic success of the past decades.

But after the first two years of her second term in office, despite some apparent achievements such as the (disputed) signing of the *Trans-Pacific Partnership Agreement (TPP)* on 5 October 2015 in Atlanta declared as “victory in defense of Chile’s interests” by the president<sup>2</sup>, Bachelet’s ambitious reform agenda seems to be compromised, if not seriously damaged. The crisis of Chile’s reform project half-way through is on the light of the day, forcing the president to re-calibrate her goals and ambitions; and the reasons are multiple. The resulting threefold question is:

1. If Bachelet’s reduced agenda will be realizable until the end of her mandate in March 2018;
2. If “policies that change cultures” within (relatively) short timeframes are possible in a nation that is still in many ways an “unfinished democracy”; – and
3. If they are possible at all in a political and economic sphere that due to increasing interconnections and globalization seems in some ways to move slower than in times of national decision-making and development.

### **The Popularity Crisis of Michelle Bachelet – and of Chilean Politics**

In December 2013 Bachelet won the presidential election with 62 percent of the vote, promising a far-reaching reform program that vowed to initiate a “new historical cycle” in the South American nation. Bachelet is not only the first female president of Chile, but also the first person to win the presidency for a second time in competitive elections since 1932<sup>3</sup>. With her re-election it seemed that the people’s demand for structural change—especially in the education sector, as expressed since 2011 in the form of recurrent student mass protests—had shifted to the highest offices of the country.

However, after two years in office Bachelet has apparently lost good part of her popularity along with civic support for her reform program. According to the public opinion institute *GFK Adimark Chile*, Bachelet reached a historical disapproval rating of 72 percent in August 2015, which exceeds the population’s disenchantment with former President Sebastián Piñera during

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<sup>2</sup> R. Benedikter and M. Zlosilo: The Trans-Pacific Partnership: More Questions than Answers for Chile? In: Georgetown Journal of International Affairs (GJIA). The Journal of the Edmund A. Walsh School of Foreign Service at Georgetown University, November 24, 2015, <http://journal.georgetown.edu/the-trans-pacific-partnership-more-questions-than-answers-for-chile/>.

<sup>3</sup> E. Woo: Michelle Bachelet: primera mujer presidenta y primer presidente reelecto desde 1932. In: BioBioChile, December 16, 2013, <http://www.biobiochile.cl/2013/12/16/bachelet-primera-mujer-presidenta-y-primer-presidente-reelecto-desde-1932.shtml>.

the worst moment of the student protests in August 2011 (68 percent), and thus represents the poorest result since 2006 when the collection of monthly approval data began.<sup>4</sup> In August 2015 Bachelet's center-leftist party coalition *New Majority* was approved of by a mere 16 percent, and ironically, the only group rating worse was the center-right opposition *Alliance for Chile* (*Alianza por Chile*) with 15 percent.<sup>5</sup> It is remarkable that the two leading alliances of left and right, the biggest of the nation that in their dialectics define national politics, achieve only a combined 31 percent approval and thus leave the remaining 69 percent to disapproval and a few other politically irrelevant and highly fractured parties, signaling a real crisis of the political class. It could turn out to point toward a lingering failure of the political system and of "big" policies in Chile. What has happened?

### **The Dangers of Simultaneous Multi-Sectoral Change and Intertwined Reforms**

The gradual downturn of Bachelet's approval rating started as early as fall 2014, as Chile's four leading national surveys unanimously indicate.<sup>6</sup> Her popularity reached a critical point in September/October 2014 when for the first time in her second term more people disapproved of the way she was running the government (47 percent) than approved (45 percent).<sup>7</sup> Despite the economic downturn, which commenced during the last year of Piñera's administration, Bachelet was able to push through a tax reform in 2014 while drawing ruthless criticism from her opponents. In October 2014 Bachelet stated:

"There's an old saying that it's never a good time for tax reform because either the economy is doing great, so why would it need a tax reform, or else the economy is doing bad, so how can you think of tax reform now?"<sup>8</sup>

The purpose of the reform was the implementation of a new tax system that would no longer guarantee exaggerated benefits to companies (as the existing system had done<sup>9</sup>) and to collect three percentage points of GDP to finance educational reforms that aim to make education free to all. Since the tax reform has yet to be implemented, its real fiscal effectiveness remains to be seen. While the proposal for educational reform was still approved by 58 percent of citizens in May 2014, this number had slipped back to 39 percent by August 2015.<sup>10</sup> Interestingly, 68

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<sup>4</sup> GFK Adimark Chile: Evaluación de Gobierno, Agosto 2015 / Assessment of Government, August 2015, <http://www.adimark.cl/es/estudios/index.asp?id=290>.

<sup>5</sup> Ibid.

<sup>6</sup> The four surveys are a) *Evaluación de Gobierno* (*Assessment of Government*): monthly poll by the market research and public opinion institute GFK Adimark, <http://www.adimark.cl/es/estudios/index.asp>; b) *CADEM*: weekly and monthly poll on public opinion by Plaza Pública, <http://plazapublica.cl>; c) *Encuesta Nacional UDP* (*National Survey UDP*): annual survey by the Universidad Diego Portales, <http://encuesta.udp.cl>; and d) *Encuesta CEP* (*Survey CEP*): semi-annual survey by the influential private foundation *Centro de Estudios Públicos / Center for Public Studies*: [http://www.cepchile.cl/dms/lang\\_1/cat\\_443\\_inicio.html](http://www.cepchile.cl/dms/lang_1/cat_443_inicio.html).

<sup>7</sup> Figures taken from the GFK Adimark survey which feature similar results in the three other mentioned surveys.

<sup>8</sup> J. Moreno: "Ours is not a populist country, and we are not a populist government." Interview with Michelle Bachelet: In: *El País*, October 29, 2014, [http://elpais.com/elpais/2014/10/29/inenglish/1414603560\\_009729.html](http://elpais.com/elpais/2014/10/29/inenglish/1414603560_009729.html).

<sup>9</sup> Cf. R. Benedikter and K. Siepmann: *Chile in Transition*, loc cit., pp. 127-158.

<sup>10</sup> GFK Adimark: *Assessment of Government*, August 2015, loc cit.

percent of Chileans in June 2015 still supported the general demands of the student protest movement, i.e. free education (theoretically also the main goal of Bachelet's educational reform), while only 34 percent approved of the conduct of the ongoing student protests and as few as 14 percent agreed with the way the government was handling the conflict.<sup>11</sup>

## Drivers of Inequality: Education and Labor

At present, the majority of Chileans still believe that "bad education" is the country's main driver of inequality. They argue that reducing inequality and improving the educational system should be among the top priorities of Chile's government within the next 10 years.<sup>12</sup> Thus, access to and quality of education remain the central topics of public discussion. But Chile's citizens seem to disagree with the content of reforms that pretend to solve the problem of educational inequality in order to attack the roots of social (and thus political) inequality.

A similar process can be observed with the reform of labor, which has been on the negotiation table since the beginning of 2015. While in January 2015 Bachelet's proposal for labor reform garnered 53 percent approval, only 31 percent remained by August 2015.<sup>13</sup> Well aware of the inherent risks of rapid change and the social psychological effect of uncertainty, Bachelet struck an anticipatory note in an October 2014 interview with Spanish newspaper *El País*:

"Now a new period has begun that preserves all the good things from the past, changes what didn't work, and addresses new tasks. Sometimes you have to conduct *policies that change cultures* and modify existing situations. It's not about keeping everything the way it was, because progress would be impossible that way. But when change is effected, you need to give it enough time, or make it gradual to ensure that the process will not be dramatic."<sup>14</sup>

*El País* added:

"It is precisely a lack of sufficient time and the gradual introduction of government policies that Bachelet is being criticized for. She was a moderate during her first term and a radical populist during her second, her fiercest critics claim."<sup>15</sup>

Indeed, carrying out "policies that change cultures" is an ambitious plan, but it's not such an unrealistic description of what would happen if, for example, Chile's educational system would effectively become free of cost for everyone—given that it is currently the world's most privatized and most expensive system in terms of per-capita income, and thus one of the

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<sup>11</sup> Ibid.

<sup>12</sup> UDP National Survey 2014, loc cit.

<sup>13</sup> Ibid.

<sup>14</sup> Javier Moreno: "Ours is not a populist country, and we are not a populist government", loc. cit.

<sup>15</sup> Ibid.

country's biggest cash cows for the richest parts of the population to the disadvantage of the poor and the middle class.

## Money and Politics

At the beginning of 2015 the relationship between money and politics arrived squarely at the center of public discussion in Chile. This is because of the ongoing conflicts of interest, corruption scandals, and cases of subsidy fraud in Chile's educational sector, and it also represents a more general problem at the interface between Chile's government and the private sector. According to the *Corruption Perceptions Index* by the non-governmental organization *Transparency International*, Chile has long been considered a comparatively well-functioning democracy with one of the lowest corruption levels worldwide. In 2014, Chile was ranked 21st of the 174 countries examined.<sup>16</sup> This not only made Chile formally the least corrupt country in South America, but even showed corruption in Chile to be less of an issue than in some European countries (for e.g. Austria 23rd, France 26th, Portugal 31st, Poland 35th, Spain 37th in the international ranking). But the February 2015 revelation of scandals involving both right and left wing parties changed civic perception, and led to a profound examination of the mechanisms at play between the private and public spheres. On March 10, 2015, Bachelet commented on the issue in these terms:

“We have seen some people using the power of their money to influence decisions of democracy, this is to say, decisions that affect us all. And we have seen some people in democratic and public offices using their influence to obtain personal advantages instead of serving the interests of the citizenry.”<sup>17</sup>

Indeed, there were “some people” using their influence—including the son of Michelle Bachelet herself, Sebastián Dávalos, who was director of the Presidential Office of Socio-Cultural Affairs until the revelation that later became popularly known as the *Caso Caval*. Dávalos allegedly helped the export and management company *Caval Limitada*, which is co-owned by his wife Natalia Compagnon, to obtain a credit of more than \$10 million USD from the *Banco de Chile*. The plan was to buy rural territory in Machalí, a commune and city in Cachapoal province in O'Higgins region, and to help the company to achieve changes in the Machalí development plan so as to transform the purchased property into an urban area, thus multiplying its value.<sup>18</sup>

The credit was approved on December 16, 2013—one day after Michelle Bachelet's second electoral triumph—in a personal meeting between Dávalos, Compagnon and Andronico Luksic, vice-president of the *Banco de Chile* and one of Chile's wealthiest entrepreneurs. As

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<sup>16</sup> Transparency International: Corruption Perceptions Index 2014, December 3, 2014, <https://www.transparency.de/Tabellarisches-Ranking.2574.0.html>.

<sup>17</sup> Consejo Asesor Presidencial Contra los Conflictos de Interés, el Tráfico de Influencias y la Corrupción: Final Report, April 24, 2015, p. 28., <http://consejoanticorruccion.cl>.

<sup>18</sup> J. B. Sallaberry: Un negocio Caval. In: Qué Pasa, February 5, 2015, <http://www.quepasa.cl/articulo/actualidad/2015/02/1-16218-9-un-negocio-caval.shtml>.

Juan de Onis commented in *Foreign Affairs*:

“This disclosure badly damaged Bachelet’s self-styled image as a benign and motherly benefactor of the poor, far removed from the wiles of Chile’s wealthy upper class.”<sup>19</sup>

Although Bachelet was, in the narrow sense, not personally involved in this scandal, many Chileans do not believe her public declarations of having not known anything about the “deal” between her son, her daughter-in-law, and Luksic. Be this as it may, the impact of the *Caso Caval* on Bachelet’s credibility was negative beyond question. After the revelations her approval rating fell steadily from the already low 39 percent in February 2015 to the historical low point of 24 percent in August 2015.<sup>20</sup> While 56 percent still thought of Bachelet as a “credible person” in February 2015, this number had dipped back to 36 percent as of August.<sup>21</sup> The February 2015 CADEM survey by *Plaza Pública* polled specifically on effect of the *Caso Caval* and concluded that 64 percent of respondents believed the case badly damaged Bachelet’s image, while 76 percent thought that Sebastián Dávalos used his influence as son of the President to obtain economic benefit.

### **The Financing of Political Parties by Family Members and Supporters of Former Dictator Augusto Pinochet**

There were two other highly media-sensitive scandals in 2015, which became known respectively as *Caso Soquimich* and *Caso Penta*. The former revealed that Julio Ponce Lerou, son-in-law of former dictator Augusto Pinochet who heads the multinational mining company *Soquimich (SQM)*, had provided funding to a vast number of politicians of all ideological inclinations since 2010. Among them were candidates from the center-rightist parties *Independent Democratic Union* and *National Renovation Party*, from the rightist opposition *Alianza*, as well as from the center-leftist *Socialist, Popular Democratic, Radical, and Christian Democratic* parties of the leftist coalition *New Majority*.<sup>22</sup>

The questions involve, first, the intention of a former dictator’s son-in-law in financing political parties across the spectrum. Was it to maintain the status quo in the Andean nation—i.e. to ensure that remnants of the dictatorship such as the semi-liberal constitution, the educational system, the economic system, the pension system, or the tax system, all of strongly neoliberal inspiration—are not subject to significant modification? Or was it to secure that the government would not revoke the mining concessions for SQM? Second, what was the exact role of President Bachelet in the case? This second question arose because although Bachelet was not personally accused of corruption and receipt of illegal funds in the *Soquimich* case, members of her cabinet and both of her left-wing coalition *New Majority* and of the opposition

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<sup>19</sup> J. de Onis: Chile in Crisis. South America’s Model Nation Grapples with Graft. In: *Foreign Affairs*, April 12, 2015, <https://www.foreignaffairs.com/articles/chile/2015-04-12/chile-crisis>.

<sup>20</sup> GFK Adimark: Assessment of Government, August 2015, loc. cit.

<sup>21</sup> GFK Adimark, Assessment of Government, January and July 2015.

<sup>22</sup> J. de Onis: Chile in Crisis, loc cit.

*Alianza* were.<sup>23</sup>

The second scandal, the *Caso Penta*, dates back to August 2014. It is also tied to former supporters of the military regime who today own the investment bank and holding company *Penta*. Four *Penta* executives allegedly helped to finance the right-wing *Independent Democratic Union (UDI)*, the party of the coalition of former President Sebastián Piñera (*Alianza por Chile*). Recipients of the illegal contributions were allegedly (among others) Ena von Baer, spokesperson of former President Piñera, and former mining minister Laurence Golborne.<sup>24</sup> These investigations are in essence still underway and more politicians appear to be involved, including Piñera's campaign fund collector Salvador Valdés.

As a result of these scandals, Michelle Bachelet created the *Presidential Advisory Committee Against Conflicts of Interests, Granting of Advantages and Corruption* in March 2015.<sup>25</sup> In the *Committee's* final report of April the same year—that is, just one month after its creation—the authors provided this diagnosis:

“There are different opinions as to the real magnitude of the [corruption] problem. Yet it is evident that citizens have been confronted with specific cases in recent times for which the final outcomes are difficult to gauge. These cases have generated special attention due to the identity of the protagonists and their scale. [...] Irrespective of individual perceptions of the problem, the overall civic reaction is alarming because it shows that Chileans are not willing to accept corruption as a characteristic and inevitable fact within society. [...] When the institutions of the state, political parties, and companies are led in an inappropriate manner by those who are in charge and when this tends to continue over time without effective corrections, there is an evident risk of spreading dismay about the political regime among the population as well as skepticism towards the [state] institutions, generating a situation of lack of legitimacy. [...] In general, Chile's citizens have a strong feeling that these incidents, if they did indeed transpire as claimed, should not have happened. The moral norm is higher than the legal one, especially for those people who are in charge of public functions. [...] We want to alert against the tendency of minimizing the importance of these incidents that preoccupy our society. [...] But neither is it realistic to think that we find ourselves in a catastrophic or even hopeless situation.”<sup>26</sup>

Congruent with this assessment, most national and international newspapers and magazines explained the loss of popularity and the decline of civic support for Bachelet's reform program mainly in terms of corruption scandals and the resulting lack of confidence. Nevertheless, the broader conjuncture of Chile's transition involves far more numerous and

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<sup>23</sup> Ibid.

<sup>24</sup> A. Kohn: Korruptionsskandale erschüttern Ansehen der politischen Elite in Chile. In: *Amerika21*, January 22, 2015, <https://amerika21.de/2015/01/110723/korruption-penta>.

<sup>25</sup> Consejo Asesor Presidencial Contra los Conflictos de Interés, el Tráfico de Influencias y la Corrupción: Final Report, April 24, 2015, <http://consejoanticorruptcion.cl>.

<sup>26</sup> Ibid., pp. 28-31. Translation by the authors.

interconnected factors. To reduce the present political and institutional crisis in Chile to the corruption scandals is to oversimplify a multi-dimensional and thus more complex dynamic of change.

### **A Well Planned Anti-Reform Campaign?**

Since mid-2014 President Bachelet and members of her governing left-wing coalition *New Majority* frequently stated in public that there was a “terror campaign” against the ongoing tax and educational reforms. In October 2014, for example, Bachelet stated in the framework of the international entrepreneurial meeting “Investing in Chile”,

“We have seen ads against the educational reform in newspapers, on the radio and on street posters. These are not free, but paid ads. This is a campaign focused directly against the educational reform. What is this campaign saying? It is saying that the government will close schools, which is completely false; it is saying that in the future parents will not be able to choose the school of their children, which is also completely false.”<sup>27</sup>

In the previously mentioned interview with *El País*, Bachelet added that,

“the Chilean government does not have its own media outlets to counter the information being spread by sources that do not support the reform, leading citizens to become scared and believe things such as the alleged imminent closure of all private schools in the country.”<sup>28</sup>

The journalist Javier Moreno, who traveled to Chile for the interview, confirmed that,

“...in just a day and a half in Santiago, I have already heard several radio calls to join a street demonstration against the educational reforms, as well as claims that the government means to shut down 1,500 schools.”<sup>29</sup>

What is the background of these rumors about a well-orchestrated anti-reform campaign?

### **“Telling the Truth” – By Modifying the Facts?**

As early as the beginning of 2014, the opposition party *Independent Democratic Union* (UDI) of the rightist coalition *Alianza* launched a campaign branded “Telling the Truth” with the goal of informing citizens about what UDI presented as the consequences to anticipate from Michelle Bachelet’s principal reforms. UDI distributed pamphlets and posters with information

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<sup>27</sup> ADN Noticias: Presidenta Bachelet aseguró que existe una „campana del terror“ contra la reforma educacional, October 30, 2014, <http://www.adnradio.cl/noticias/politica/presidenta-bachelet-aseguro-que-existe-una-campana-del-terror-contra-la-reforma-educacional/20141030/nota/2485359.aspx>. Translation by the authors.

<sup>28</sup> J. Moreno: “Ours is not a populist country, and we are not a populist government,” loc. cit.

<sup>29</sup> Ibid.



regarding the reform of the tax system, the binomial voting system, the educational reform, and the decriminalization of abortion.<sup>30</sup> As claimed by party members of the UDI, the responsible heads of these pamphlets were Felipe Ward, former party leader, and Rodrigo Pinochet, the grandson of former dictator Augusto Pinochet, who served as coordinator of the "Telling the Truth" project.<sup>31</sup>

The pamphlet of UDI against the tax increase (*No al alza de los impuestos*) asked the Chilean citizen in a provocative manner:

"Are you willing to pay for the education of the children of ministers, great entrepreneurs, judges, managers, or the rest of the RICHEST Chileans? Did you know why the GREAT ENTREPRENEURS are in favor of the tax increase? The great entrepreneurs don't stop at making profits. The tax rise will be paid for by you: by middle class Chileans."<sup>32</sup>

The facts seem to be slightly different though. The original (and official) versions of Bachelet's tax reform proposal was about *reducing* the tax burden for *individuals*, particularly for those of the low and middle classes, and *raising* it for *companies*. Thus, the planned measures seem not to be rendered correctly by the opposition's "information campaign". Campaign initiator Felipe Ward at some point openly admitted that it was

"about provocation [...] It's a form of attracting attention, a provocative way to generate public debate through attention."<sup>33</sup>

Luis Larraín, director of the influential liberal think tank *Libertad y Desarrollo* (Liberty and Development) in Santiago, claimed in an interview on January 1, 2015 that the educational reform will

"create a cold distance between Bachelet and the Chilean people,"

and added:

"The polls confirm the impression I've been having for a long time: the educational reform will be the great failure of the [second] Michelle Bachelet government. Most symptomatic is the fact that with this reform the President has lost her most important political attribute, which is her capacity to empathize with the common sense of the average people."<sup>34</sup>

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<sup>30</sup> S. Álvarez: Qué hay detrás de los panfletos de la UDI contra las reformas tributaria y de educación. In: La Tercera, May 29, 2014, <http://www.latercera.com/noticia/politica/2014/05/674-580195-9-que-hay-detras-de-los-panfletos-de-la-udi-contra-las-reformas-tributaria-y-de.shtml>.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> S. Álvarez: Qué hay detrás de los panfletos de la UDI contra las reformas tributaria y de educación, loc. cit.

<sup>34</sup> Libertad y Desarrollo: Luis Larraín: La reforma educacional será el gran fracaso de Bachelet. Interview conducted by Claudia Álamo, January 1, 2015, <http://lyd.org/centro-de-prensa/noticias/2015/01/luis-larrain-cosas-ene/>.

In this context, it's important to consider the patterns of ownership and leadership of Chile's mainstream media companies, think tanks and public opinion institutes. Often the heads and owners of these institutions are simultaneously co-owners of and stakeholders in other big businesses such as mining, education, financial industry, agriculture etc. Therefore it is understandable that they oppose Bachelet's major reforms, which indeed would induce a higher tax burden for their companies. But in the case of the "Telling the truth" campaign and similar initiatives, they are not only taking advantage of their dominant position in shaping public opinion, but seem to be trying to prevent advances in the reform process at least partly by propagating semi- or non-correct information.

## **Communication Problems**

But confusion among citizens is not only the result of part of the opposition's anti-reform campaign. The communication strategy of the Bachelet government itself has not been flawless. Many Chilean analysts argue that in terms of communication the main error of the government in Bachelet's second term has been to present the envisaged reforms as something inevitable and non-negotiable in form and content. The fact that the government was counting on its parliamentary majority allowed Bachelet to expedite approve of the reforms without negotiating them with the opposition, nor, more important, communicating them adequately to the broader public.

Even members of Bachelet's left-wing *New Majority* coalition frequently groused about alleged poor dialogical ethics of her administration and meager detail regarding the characteristics of the practical reform measures that would eventually be presented in Congress. This points toward a key difference with Bachelet's first mandate (2006-10), which was characterized by a search for consensus wherever possible, not only within the governing coalition, but even between representatives of different political parties before defining the concrete contents of reform. While Bachelet was criticized during her first term for exaggerated rounds of dialogue to define laws, she is now criticized for eschewing them altogether. This (perceived) lack of dialogue also deteriorated the relationship between the government and the parties of the opposition alliance *Alianza*, thus in turn radicalizing the positions both the opposition and the government.

## **Power Plays Versus Real Problems: Economy, Crime, Environment, Transportation**

The absence of detailed and clear day-to-day communication resulted in uncertainty regarding the outcomes of the envisaged reform process which, in the view of parts of the entrepreneurial class, caused a lack of new investment and the low rate of growth in Chile since 2014.<sup>35</sup> But despite this assumption, other factors must be considered to understand Chile's

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<sup>35</sup> F. Puelma: La campaña de la derecha para evitar reformas: de la "incertidumbre" al "desgobierno". In: La Izquierda Diario Chile, June 17, 2015, <http://www.laizquierdadiario.cl/La-campana-de-la-derecha-para-evitar-reformas-de-la-incertidumbre-al-desgobierno>.

slowing economy. On the one hand, there are less favorable external conditions for Chile's export economy. There is the recent strengthening of the dollar on a global scale, the debilitation of the Chinese economy—China is Chile's principal trading partner and the largest consumer of Chilean copper—and the general fall of mineral prices, as noted by Chile's Minister of the Interior, Rodrigo Valdés.<sup>36</sup> On the other hand, Valdés pointed to internal factors that limited growth and investment: increasing unemployment, lower than projected internal demand, and higher than projected inflation.<sup>37</sup> While the economic foresight of Chile's GDP growth for 2015-16 was estimated at 3.6 percent in September 2014, the number was corrected downwards to 2.5 percent in summer 2015.<sup>38</sup> It is a matter of fact that with a slowing economy it will be difficult for Bachelet to effect simultaneous multi-dimensional change and, as just one example, make education free for all.

In addition to the less favorable economic conditions, Chile has been facing a whole range of other problematic issues during Michelle Bachelet's second tenure. We offer three examples:

*First* is the problem of crime and ensuring public security. According to the *Índice Paz Ciudadana* (Civic Peace Index) of October 2014, the number of Chilean households in which a member was the victim of a robbery or attempted robbery increased from 37.6 percent in July 2013 to 43.5 percent in October 2014.<sup>39</sup> In the higher socio-economic bracket almost every second household (48.7 percent) reported a crime against a family member as of October 2014. In the same poll and independent of socio-economic status, 56.2 percent of Chileans anticipated the need to avoid certain areas in order not to fall victim to a crime.<sup>40</sup> This increased perception of violence was also influenced by a number of arson attacks and other violent acts in the Mapuche region La Araucanía,<sup>41</sup> as well as by the September 2014 bomb attacks in the metro station *Escuela Militar* in Santiago.<sup>42</sup> In August 2015 the number of Chileans who disapproved of the way the Bachelet government was handling the problem of crime and violence increased to 92 percent compared to 60 percent in March 2014. Similarly, disapproval of the handling of the Mapuche conflict increased to 74 percent as compared to 54 percent in September 2014.<sup>43</sup>

A *second* crucial issue involves the protection of the environment. During the 2015 *Copa América* (Americas Cup) continental championship soccer tournament between national teams of which Chile emerged as the surprising winner, a world audience became aware of the crisis

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<sup>36</sup> El Mostrador: Economía se expande a su segundo menor ritmo en 5 años y Hacienda reconoce que todos los indicadores han empeorado, July 7, 2015, <http://www.elmostrador.cl/mercados/2015/07/07/economia-se-expande-a-su-segundo-menor-ritmo-en-5-anos-y-hacienda-reconoce-que-todos-los-indicadores-han-empeorado/>.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> GFK Adimark: Paz Ciudadana, October 2014, <http://www.adimark.cl/es/estudios/documentos/ipc-2014-version-conferencia-de-prensa-vf.pdf>.

<sup>40</sup> Ibid.

<sup>41</sup> Emol: Huenchumilla: "La violencia en La Araucanía desprestigia al mundo mapuche", June 11, 2014, <http://www.emol.com/noticias/nacional/2014/06/11/664714/huenchumilla-tras-ataque-a-los-luchsinger-violencia-desprestigia-al-mundo-mapuche.html>.

<sup>42</sup> Emol: Bombazo en subcentro de metro Escuela Militar deja varios heridos: Dos graves, September 8, 2015, <http://www.emol.com/noticias/nacional/2014/09/08/679204/explosion-en-apoquindo.html>.

<sup>43</sup> GFK Adimark: Assessment of Government, August 2015, loc cit.

of environmental degradation and air pollution in Chile. On June 10, 2015, one day before the opening of the sporting event, an environmental state of emergency had to be declared in the capital Santiago for the first time in sixteen years.<sup>44</sup> The highest warning level is announced when smog and air pollution readings exceed allowable limits by a factor of ten. As a consequence, 3000 companies and factories in and around the megalopolis had to be closed temporarily.

*Third* in the list of concrete, in principle non-ideological systemic problems in Chile involves public transportation. In 2014 numerous instances of metro line breakdowns as well as faults in the Santiago bus system *Transantiago* created chaos and traffic jams in the metropolitan area, where more than 8 million Chileans (around 40 percent of the country's total population) live.<sup>45</sup> In August 2015, 78 percent disapproved of the Bachelet government's policies to improve public transport as compared to 53 percent in March 2014, while as many as 86 percent specifically disapproved of how *Transantiago* bus system problems were being handled.<sup>46</sup>

### **The Return Down To Earth. Bachelet's New Motto: "Realism Without Renouncement"**

In the face of such a multidimensional crisis, Bachelet defined the new phase of her reform program as "realism without renouncement" (*realismo sin renuncia*), an expression that heated up public discussion in Chile and provoked a multitude of different interpretations. For Bachelet, the slogan mainly points to a strategy to re-calibrate the reforms according to the nation's new realities, i.e. to push them forward in the context of a slowing economy, an ongoing anti-reform campaign of the opposition and a multitude of practical and functional problems.<sup>47</sup> In an interview with Chilean newspaper *La Tercera*, Bachelet on August 9, 2015 stated:

"We find ourselves in a moment of economic restrictions. The predictions on which our governmental [reform] program [for 2014-2018] were based have undoubtedly shifted. We have 32 months left. Let's reconsider all we want to achieve: What can be accomplished in this time frame? What are the most important tasks? What is unavoidable? We have to define a preference list and a scale of importance. The task consists of prioritizing and redefining. It is true: from an economic point of view we have a more restricted scenario, but there are things of crucial importance that we are not going to renounce. For example, universal free education is not open for discussion. What is subject to debate is whether we are able to achieve the goal of free education within the next years or if we need a little longer. This is a type of adjustment to realism, but the goal remains the same. The redefinitions are connected to some additional factors that have

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<sup>44</sup> AP: Chile Authorities Declare, Then Lift Environmental Emergency. In: The New York Times, Jun 22, 2015, [http://www.nytimes.com/aponline/2015/06/22/world/americas/ap-lt-chile-pollution.html?\\_r=0](http://www.nytimes.com/aponline/2015/06/22/world/americas/ap-lt-chile-pollution.html?_r=0).

<sup>45</sup> M. Calderón: Estas son las principales fallas que han afectado a Metro de Santiago este 2014. In: 24 Horas, November 14, 2014, <http://www.24horas.cl/nacional/estas-son-las-principales-fallas-que-han-afectado-a-metro-de-santiago-este-2014-1495836>.

<sup>46</sup> GFK Adimark: Assessment of Government, August 2015, loc cit.

<sup>47</sup> C. G. Galero: Con la popularidad bajo mínimos, Bachelet impulsa el 'realismo sin renuncia'. In: El Mundo, August 4, 2015, <http://www.elmundo.es/internacional/2015/08/04/55bff3a746163f2f788b4597.html>.

become very urgent today for Chileans, as for example public safety and security.”<sup>48</sup>

Bachelet's new “realism without renouncement” represents without doubt the admission of a certain decline of her ambitious reform project, at least as something *inevitable* and *non-negotiable* in form and content as it was initially proposed. For the rightist opposition *Alianza* Bachelet's new motto is ultimately the confirmation of the impossibility of profound and encompassing societal change in the sense of “policies that change cultures” within a (relatively) short period of time. Last but not least, for some of Bachelet's partners in the leftist coalition *New Majority* it is undeniably perceived as a failure, since with the new motto their expectations of rapid and profound structural change of the Andean nation are disappointed once again.

In a historical side note, it seems unavoidable here to refer to the doctrine “within the realms of possibility” (*en la medida de lo posible*) promoted by the government of Patricio Aylwin (1990-1994), the first democratically elected President of Chile after the dictatorship. Alfredo Jocelyn-Holt extensively examined the history of the aforementioned doctrine in his 2014 book *El Chile perplejo*<sup>49</sup>, and concluded that the limitations of the current Bachelet II reform project are connected to surviving authoritarian enclaves of the former dictatorship who mostly oppose the design, implementation and financing of these kinds of reforms. The ruling of the Chilean Constitutional Court, which impeded the application of free university costs for the group of traditional universities (CRUCH) for 2016, seems to partly confirm this judgement.

At the same time it would be wrong to assume that the problems connected to the practical implementation of the promised reforms are mere illusions or intrigues created by entrepreneurs or rightist parties. In reality, a good part of Chile's economic problems in 2015-16 is connected with the decline of commodity prices, as the current situations of other resource rich countries confirm (Peru for example). Nonetheless, it is evident that there is also a systemic political and institutional problem, which relates to a lack of consensus between the party alliances about the scope and details of reform. This lack of minimal consensus probably hampers the advance of the reform process more than the general economic climate.

Finally, Bachelet's expression “realism without renouncement” points to a self-critique on the part of the leaders, authorities, and parliamentarians of the *New Majority*, at least in the sense of a delayed recognition of the real complexity of the reform task and their capacity to carry it out.

## **Conclusion and Outlook: Is Conducting “Policies That Change Cultures” Possible While at the Same Time Regaining Stability?**

Overall, Chile is seeing tough times and facing huge systemic and political challenges.

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<sup>48</sup>A. Trujillo and G. Faúndez: Presidenta Bachelet: “Algunos leyeron sólo la palabra realismo, no escucharon el ‘sin renuncia’”. In: La Tercera, August 9, 2015, <http://www.latercera.com/noticia/politica/2015/08/674-642211-9-presidenta-bachelet-algunos-leyeron-solo-la-palabra-realismo-no-escucharon-el.shtml>.

<sup>49</sup> A. Jocelyn-Holt: *El Chile perplejo: Del avanzar sin transar al transar sin parar*. Debolsillo editions, Santiago de Chile 2014.

Natural catastrophes are paradoxically the smaller part of them. The bigger problem facing the nation is that exponents of all party stripes admit that the unfinished, post-dictatorial political culture of the in many ways still young democracy creates a state of constant imbalance.

*What is the perspective?*

The current multi-dimensional crisis of a shaken Chile is not limited to earthquakes or corruption scandals in its political class. Inequality remains by far the biggest problem, including inequality as defined by political asymmetry between the political class and citizens. The question is: will it be possible for Michelle Bachelet to change the decline of her program in due time? This means nothing less than readjusting her reform agenda so as to continue with her ambitious “policies that change cultures” while at the same time regaining political stability in a country shaken by too many simultaneously disruptive forces and factors. Can Chile continue to serve as the undisputed role model for Latin America and the Global South—as it was conceived in past decades by global bodies such as the World Bank, the UN, or the International Monetary Fund, and consequentially, in many respects, by the nation itself?

Changing all parameters at the same time, as Chile has vowed under the reform aspirations of Bachelet's second term, will prove to be an increasingly difficult task. Bachelet will have to moderate the pace and aspiration of her agenda and dedicate more time to communicating with her parliamentarians, the opposition, the voters, and with the citizens on the street. Since inequality—in a variety of sectors and dimensions—will remain the most critical issue of Chile for the future, Bachelet's performance will be measured by its growth or mitigation.

One thing is sure: the next presidential elections in November 2017, like those in the U.S. a year earlier, will be decided by the middle class. Thus it is no accident that former conservative President Sebastián Piñera publicly stated in spring 2015 that “I am a man of the middle class”. At the same time he declared that he would not run for a new office as president in the next elections. Taken together, such statements, in contrast to what they announce, could point towards surprises in the near future. Piñera's statement could in reality mean that he perceives Bachelet's problems as his chance to retake his grip on power in 2017.

Be it as it may, Chile in the coming years will most likely remain the most unequal nation in the world, while trying—as few other OECD members have done with similar courage—to transform most pillars of its social arrangement simultaneously and against all odds.<sup>50</sup> This will continue to make it a most interesting, if not exemplary case study of “complex transformation” in our time. Can other countries learn from Chile's “deep transition” and its problems? Will other countries or regions face similar multi-dimensional challenges, or is the case of the Andean country unique and incomparable?

Whether the nation succeeds in its attempted post-neoliberal transition or not, Chile will

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<sup>50</sup> OECD: Maintaining Momentum: OECD Perspectives on Policy Challenges in Chile, 4 April 2011, <http://www.oecd.org/chile/maintainingmomentumoecdperspectivesonpolicychallengeinchile.htm>

remain what Harvard's Ned Strong calls "one of the most enigmatic nations in the hemisphere."

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