



Neoliberal denouement in Chile

Free trade, minimal taxation and government spending coupled with the privatisation of public assets and services have all been defining features of the Chilean economy since the mid-1970s.

Chile's economy and constitution underwent a radical 'free market' restructuring by US-trained neoliberal economists known as the 'Chicago Boys' under the auspices of the Chilean dictator Augusto Pinochet.

After four decades of neoliberal economics, Chile has become one of the wealthiest nations in Latin America.

Millions of Chileans have taken to the streets recently to protest inequality, which raises the question that if the country is so wealthy, why are millions protesting about poverty?

To describe Chile's neoliberalism in sporting terms: a team (let's call them "Elites") of around 10 per cent of the players control 90 per cent of the playing field and the opposite team (the vast majority of the players whom we'll call "Peons") are jammed into the remaining 10 per cent of the playing field.

Neoliberalism's game plan was designed by US economist Milton Friedman (who trained the 'Chicago Boys') and calls for free trade and the privatisation of public assets and social services on the premise that such a regime will improve living standards across the board.

Elites can utilise Peon labour at 'market' cost (which is low given the abundance of Peons) as well as exploit privatised public assets, the benefits of which, as the Elite spends their profits, will then theoretically trickle down to the Peons.

Elite players from other countries

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or multinational companies, called 'foreign investors', can join the game either directly or in partnership with local Elites.

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It is certainly an oasis for Elite players who earn an average minimum of US\$10,000 - \$30,000 a month while Peons earn between US\$145 and \$540 a month.

A 2017 United Nations report noted 1 per cent of Chile's population earns 33 per cent of the nation's wealth and it is the most unequal society in the OECD.

In the absence of any discernable trickledown after 40 years of neoliberalism, Peon patience has worn thin and in late September students, incensed by a small subway fare increase, caused havoc by first jumping the turnstiles and ultimately, when the police started arresting them for not paying fares, burning underground-railway stations.

In the space of two weeks tens of thousands of protestors joined the students and did more than US\$1.5 billion worth of damage to public facilities and looted private businesses.

Piñera ordered troops and riot police to restore order and by mid-November, according to Reuters,

23 people had been killed, more than 2,000 arrested and over 7,000 injured.

The general population reacted to the repression with several million-strong marches in downtown Santiago calling for a new constitution prohibiting privatisation as well as Piñera's resignation.

Such ubiquitous condemnation forced Piñera to apologise for economic inequality and he raised the old-age pension and minimum wages by 15 per cent, cancelled pending electricity price increases and corporate tax-breaks, sacked several ministers and cancelled forthcoming APEC and Global Climate meetings.

On 12 November Interior Minister Gonzalo Blumel announced Congress would re-write the constitution, subject to approval in a public referendum, to strengthen Chilean's social and economic rights and this has calmed the mass protests although smaller protests continue to flare-up.

Bandaid solutions are not going to cut the mustard with most Chileans, so the framers of the new constitution need to pay heed of Ray Dalio, the billionaire founder of the world's largest hedge fund, Bridgewater Associates.

Dalio said, in a post published on LinkedIn on 5 November, "Neoliberalism is unsustainable, exacerbates inequality and is broken because the process of having money at the top 'trickle down' to workers and others simply doesn't work" as Chile's neoliberal regime has amply illustrated.