



IED seminar Europe and Latin America: Protests and upheavals in the global era of social and political crises

Intervention of Guillermo Herrera, Consultant, Carmen Frei's Chief of Staff

The Crisis of Neo-Liberal Capitalism: towards a more inclusive and collaborative new economic model. Notes from Christian humanism action in Chile.

Bilbao, 31 January 2020

I am honoured to be taking part in this Dialogue on behalf of the Democratic Centre and Community and of the Christian Democratic Party of Chile.

I am going to divide my contribution into three parts: the first on recent signs (last 10 years) that our development model is exhausted. The second considers the impact of that situation on the modelling of our future government options (threat of populism). And I will end by considering the political and economic opportunities for the Chilean political centre to contain the current crisis.

As is well known around the world, Chile saw strong development in the last thirty years, which is exemplified by its economic growth, rise of the GDP per capita, health coverage, access to education, Internet penetration, improved quality of life, decline in poverty, growth of the middle class and access to goods and services, which are just some of a long list of successes during that period.

Despite acknowledging the progress, back in 2015, 42% of Chileans claimed they were “losers” of the economic development¹, which has created a pocket of frustration in a context of great inequality that cannot be overlooked.

But if we focus on a shorter period without going back 30 years, say the last 10 years: we will find economic growth with highs and lows². The start of that period, in 2007-2008, was marked by the global financial crisis, that affected both OECD countries and the Latin-American region. And, even though the measures taken by the government of that time (Bachellet I) mitigated the effect of the crisis in Chile, the price of copper plummeted in 2008 and growth shrank in 2009. Between 2010 and 2013, the country posted positive growth (from 5.6% to 4%), before dropping sharply in 2014 and recovering in 2018.

¹ Human Development Index 2015, UNDP

² DIEZ AÑOS DE AUDITORÍA A LA DEMOCRACIA: ANTES DEL ESTALLIDO, United Nations Development Programme. Santiago de Chile, December 2019



In comparative terms, the country grew more slowly than the OECD average during that period. The unemployment rate steadily fell between the crisis and 2013. It then remained stable and showed a slight rise of nearly one percentage point in the following five years.

Fiscal and macroeconomic policy remained stable during that decade, even though public debt increased, not just down to the price of copper, but also to the greater social spending.

On the other hand, we should point out that for decades, there was confidence that it was just enough to focus on economic growth, as that was the only way to ensure wellbeing for society as a whole. “This type of analysis puts centre stage one of the most relevant variables and which most hurts Chile: inequality”.³

Our country has deeply entrenched inequality, as it is one of the most unequal in the world and, according to the Gini Index, it has remained relatively stable regardless of the governments.⁴

At least two concerns have emerged in this context. On the one hand, productivity has remained at a very low level since the end of the 1990s and, except for the mining sector, there has been nearly no growth⁵.

On the other hand, the low growth of the economy has led to a barely sustainable disengagement between household consumption and the evolution of their income, which has led to high levels of debt. The default risk on consumer debts has risen, particularly in low-income households⁶.

The above, which is a very brief overview of a development model showing signs of exhaustion, can be summarised as the expression of social conduct to the frustration emerging from the progress, which calls for more autonomous people and therefore a more symmetrical relationship with the market and the State, and where their political behaviour has also significantly changed in the last decade.

That as confirmation of personalised politics, where voters and political forces turn away from partisan and ideological proclamations and dialectics and fundamentally base their behaviour on instrumental and pragmatic definitions, and often on fake news politics, aimed at satisfying and heightening people’s deepest fears.

According to the World Values Survey (2018), the State-market, authoritarianism-democracy or left-right cleavages that underpinned political identification in the 1990s and much of the 2000s (and they continue to impact certain discourses of some political parties), have led to more materialistic, individualist and pragmatic approaches.

³ Juan Cristobal Portales & Rafel Soussa, Chile Corporativo, TC editorial, 2020.

⁴ Ib idem, Jose Manuel Moller

⁵ National Productivity Commission, 2017

⁶ Central Bank of Chile, 2019



An average voter with less patience and far more critical. And, therefore, potentially likely to opt for populist and/or radicalised formulas of not brokering rational solutions and the erecting of anti-populist barriers by the traditional system of parties and institutions.

Is the scenario favourable in Chile to strengthen support for populist leaders and parties?

That scenario cannot be entirely ruled out if we assess the current political context with certain centrifugal forces from the left and others from the right that are gaining ground.

A scenario where the incumbent governments tend to forget an initial call to generate “consensual public policies” and opt for trench tactics and an “antipatriotic” narrative when things do not work. That is on a par with a certain sloppiness when introducing new legislation and overseeing the legislative process.

Some of their leading figures have convinced themselves that the crisis of confidence in our democratic institutions and their own identity reaffirmation would only be resolved by permanent denialism and indictment in the court of public opinion of anything that dissents from their pseudo-positions. And clearly forgetting along the way, as Konrad Adenauer put it, that success is not achieved “because you believe you are right, but because others finally believe you are right”.

Neither is the economy context helping and it may trigger populist arguments.

What can be done given this scenario?

Today’s “mother of all battles” is “to conquer the centre and not be dragged to the right or to the left”.

There is where the difference will lie to win the upcoming elections.

And, therefore, there needs to be a special focus on the middle classes that, even though they usually go for the centerground, they might also opt to back the “policies of anger”.

“The middle class is constantly torn between calm or cold passions and violent or hot passions”
The calm of cold passions accept rationality more reasonably and are willing to moderate their project for the sake of reason and, in that regard, they want any changes to be compatible with order. Yet there also comes a point when those middle groups allow themselves to be carried along by emotion and that usually leads to irrational behaviour”.

How should that be done or how is Chilean Christian Democracy trying to do it?



By appraising and rethinking our positioning strategy under the wing of Christian-humanist ideals. A Christian humanism that must now fight for the dignity and freedom of people not just from a mere continuation of the development of the today's more evolved companies, but rather a real conversation between social integration and progress and sustainability. So, what are the principles of a new Christian humanism 2.0 or 3.0?

1) Anticipating global trends and designing strategies and policies to get ahead: The current global socio-environmental conditions call for decisive sustainable development strategies: we cannot continue to assume that we have inexhaustible natural resources, whose exploitation benefits just a few and its negative externalities hit the most vulnerable communities hardest. Furthermore, we must understand that the knowledge that will be needed tomorrow is not the same as what we use today: our workforce must be ready for new much more robotized production methods, which implies that less qualified workers, technicians and professionals will have to get up-to-date. It also implies moving towards a more innovative, less commodity-dependent economy, that is now diversifying its energy and production matrix, a value generator from small ventures and initiatives that strengthen communities, regions, allow them to obtain unique competitive and comparative advantages on increasingly more challenging and integrated global markets, and even overcome growing waves of protectionism. But we must also establish strategies and policies to face the constant socio-demographic changes; the increasing migratory flows steadily arriving, along with the progressive ageing of our population, and their ensuing pressures and challenges on the cultural, productive, work and interim level.

2) Acceptance of new ground rules by all sectors of society. We must now revalidate a promise of stability and governability, but from a new citizen concept. Understanding that the new Chile is freer, more educated, better informed, more libertarian, critical and demanding, that it understands and is calling for real equitable development in its tangible contents and expressions, but also in a genesis and design that it invokes. A Chile that is demanding greater economic growth, by closing all the many gaps that persist in Chile: gender gaps, gaps between the regions and Santiago, gaps between workers and the business community. But also gaps between a social being that is sometimes excessively individualistic and materially alienated, and a duty that invites us to be generous, to live and share risks, experiences and dreams as a community.

3) Trustworthy democratic institutions: We must today redouble our institutional strengthening and public policy endeavours, not only regarding active transparency. As well as with respect to the modernising of a state apparatus that ensures the pending structural transformations, along with generating a regulatory framework that guarantees the credibility and competitiveness of the markets and projects their players from the abuse and arbitrariness that we witness every day.



4) Consistent and sensible macroeconomic policies: We are today running the risk of driving and convincing ourselves about rather ineffective reforms to make progress regarding the large challenges facing the country. In this regard, the CD is fighting and will fight for pro-business macroeconomic policies, but, above all, pro-new economy (entrepreneurship, SMEs, start-ups, etc.) and pro-middle class. Sectors that today, despite having materially advanced, today feel threatened and vulnerable given the possibility of losing a job or the gains made. Those companies and those families are well aware that their progress was not the result of populist policies, but rather of responsible policies and of their own endeavours. But they require a structure and policies that protect them.

5). Political communication that is based on content, solutions, not on timeless proclamations and smoke screens. Intentional propaganda works and works well for a time, but not for always. Content is king, even more so when it is directed at important citizen groups (for example, pension and tax reforms), etc.

6) A high-quality political debate, with a strong emphasis on searching for consensus: We are now watching with concern the lack of benchmarks, discourses and political actions focused on solving the major issues facing the country, regarding solutions that are modern, proven, deep but also leading to dialogue. That they understand that conviction and rigor does not exclude the possibility of another and of engaging in an honest dialogue with a government and opposition forces whose vision is sometimes not very different regarding what to build, but yes as how to build it. We therefore require a broad participatory, technical, political and conceptual endeavour to make a pressing social and economic pact possible that allows us to make the final leap towards development. A new humanism that should now be built between four main stakeholders: workers, business community-entrepreneurs-SMEs, citizens-civil organisations and the State. Not a humanism between four walls by an elite.

An humanism that as our President of the transition, Patricio Aylwin, would say when he accepted the Presidency of the Republic, should be based on “the love of freedom and the rejection of any type of oppression, law prevailing over arbitrariness, tolerance of different opinions and tending not to heighten conflicts, but rather to try to solve them by consensual solutions”. A humanism we are sure will be a flood barrier, the antidote for populism whether from the left or the right.