

“Building more stable social contracts: lessons from the Chilean experience”

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Chile's social crisis of 2019 is paradoxical in two ways. First, because it was preceded by three decades of substantial political stability and economic and social progress. Two particular dimensions of this were the promise of creating a more inclusive society and the vulnerability created in the middle class as a consequence of the particular Chilean development model. Short of a better name for it, we shall call it neoliberalism. I will show how the rigidity of formal institutions failed to create conditions to accommodate to these two consequences. Specific reference will be made concerning the Constitution and Organic Laws. This incapacity of adaptation eroded the political system's credibility for enhancing inclusion and delivering social rights. Its gradual discrediting also affected potential output growth, promoting a vicious circle that exploded in October 2019. The second paradoxical element is how Chile's political system handled the crisis and how it has, so far, failed to solve the problem. A sequence of constitutional reforms between November 2019 and January 2020 produced a formal constituent process. Ex ante, its characteristics fulfilled most formal requirements for a successful outcome. In September 2022, the proposed new Constitution was massively rejected. We shall discuss the reasons that can now be discerned about what created such a failure and explore some alternatives to redress the process towards a more promising path.