

ECON 3235 Chile Case Study: Free College Education? Private pensions? fiscal rule to defeat the Dutch Disease?

Chile is not only the most successful LatAm economy in terms of achieving high rates economic growth with a democracy that has endured sharp swings to the right and to the left. (though in a bit of a stall right now, see the Aljazeera, FT and VisualPolitics videos). Though traditionally a supporter of free markets, it rationalized its Copper mines in the 1990s and now relies heavily copper revenues, leaving it vulnerable to the resource curse or the Dutch Disease. In 1973 a U.S. sanctioned coup deposed socialist Salvador Allende and installed Augusto Pinochet (middle in photo below current President Michelle Bachelet's whose father died in a Pinochet prison). Violence returned again 2012 as student protested the high cost of college tuition. This [2012 FT interview](#) with then Finance minister Felipe Larraine now textbook coauthor anticipates the challenges Chile faces despite higher incomes. Appropriately, [Guardian](#) and Aljazeera's Fault Lines-[Chile rising videos](#) as well as an [Occupy Wall Street chapter "Basta"](#) tell the story from students point of view (millennials?). More recently, copper growth has slowed leaving the weaknesses of Michelle Bachelet's reforms exposed (VisualPolitik: why has President's Bachelet's Chile Stopped growing? [FT on the end of the Copper boom](#)...).

Figure L-1: Presidents of Argentina, Chile and Brazil in 2010 and 1980...





Chile's problematic success | FT World



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Widely regarded as Latin America's most successful economy, Chile finds itself at a crossroads. A rising middle class has brought with it developed country-style challenges, most lately highlighted by student protests turned violent. John Paul Rathbone reports on what the social changes mean for the government and hears from Felipe Larrain, Chile's finance minister, about how the slowing demand for copper - Chile's biggest export - is likely to affect the country's growth.

<https://www.youtube.com/watch?v=qfsqERN0ndA>

Note these questions and Figures are from 2014, this is 2017, this special topics may be of interest, but do not answer these Lecture and Discussion Questions (LDQ).

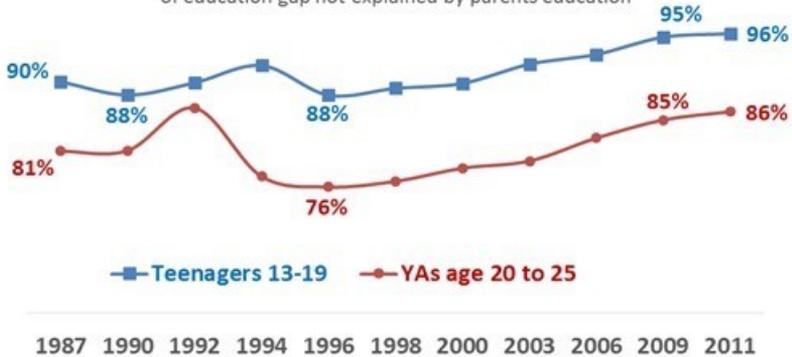
Special Topics: 2011 Chile student protests: Education, mobility and inequality: intergenerational mobility in Chile among best in Latin America, meaning most variation in educational outcomes is not explained by parent's education...



<http://www.theguardian.com/world/video/2012/jan/13/chilean-protester-camila-vallejo-video>

Al Jazeera, Chile Rising <https://www.youtube.com/watch?v=tu4tPw5ND7M&t=60s>

Figure C-1: Intergenerational Education Mobility Chile: share of education gap not explained by parents education



Source: SEDLAC/CEDLAS Education Stats Mobility*

<http://sedlac.econo.unlp.edu.ar/eng/statistics-detalle.php?idE=37>

This picture seems to contradict this quote from Basta; Chilean Students say enough” page 224 *“Because education is a major gateway to social mobility, students want not only access to a college education but assurances that what they get is affordable and of high quality. The members of the new middle class created by Chile's strong economic growth over the past twenty years do not want to lose their status either because they cannot afford to pay back their loans when the economy is failing or because of inferior training. Students essentially protested because the Chilean educational system-in spite of its undeniable progress-had failed to reduce entrenched inequality of opportunity in one of the most unequal countries in the world.”*

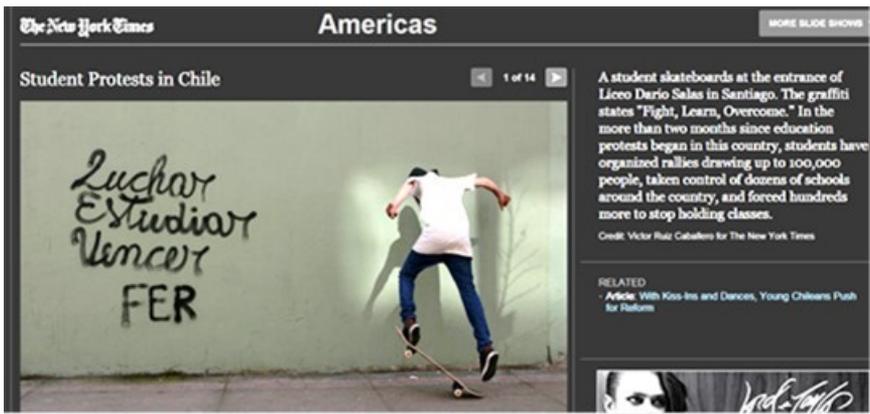
But in fact it does not, as discussed in class. Background information: Chile questions, read “Basta” and other reports on Chilean student movement, view film segments associated with Chile, Brazil and Venezuela, as needed to answer questions and get acquainted with key leaders and countries, especially chapters 5 and 6 (and 7 if you have time) of [commanding heights](#) about Chile

CCS-1.1 What do [Chilean students](#) want? (a) By several measures Chilean students have the best [PISA scores](#) (see page 6) and the highest intergenerational (IG) mobility of any Latin American country, so why are they protesting? (see on [LAC report](#) Figures 3.3 and 4.1 and the recent data from SEDLAC/CEDLAS and the data suggest Chile has the highest growth rate and social mobility in Latin America (what does this social mobility index measure for [Chilean teenagers 13-19 in 2009?](#)), if so, why are [students protesting](#) (see Basta by using flash mob [kissing](#) dancing (see the New York Times and Guardian Articles) Chile has a history of more violent protest and repression (you can see the well-equipped police in Santiago). In fact the present economic regime was born in a

very infamous violent coup which the U.S. tacitly supported, see Chapters 5 & 6 of the documentary [Commanding Heights](#).

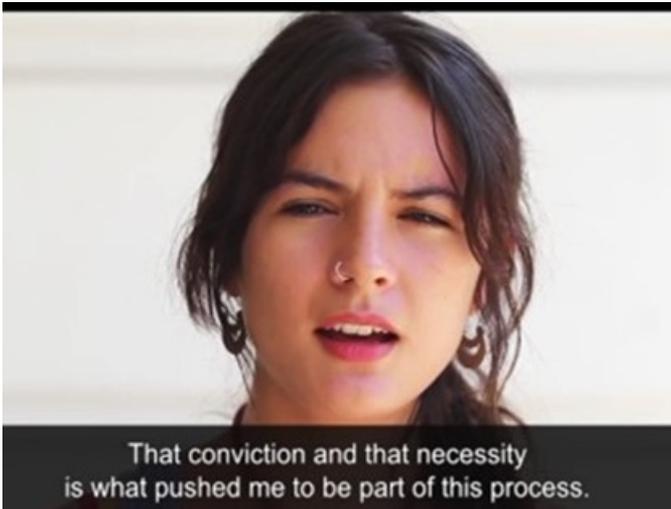
In his 2009 Documentary South of the Border Oliver Stone gives us a nice (short) slightly biased introduction to seven of Latin America's "new left" leaders (see also the film trailer for a brief conversation with Cristine Hernandez Kirchner). Among this group of leaders, which does Sebastian Edwards think will ultimately succeed in reducing poverty and inequality and which are pursuing the "false promise" of populism (skim [Chapter 1](#), searching on Brazil, Chile, Bolivia, etc.)? Why is this particular regime very important for Latin America and the BRICS? Nuances: How do those this Presidents comments to Oliver Stone differ from some of the other leaders, most blame the U.S. and the IMF for Latin America's woes, what does President's Rousseff' predecessor say hias country wants? Use brief quotes if you can (you should be to get by with trailer...) Dilma Rousseff also appears in the Rosling [washing machine video](#)...in what role? Why might this important for us and the BRICS) See / and/or [the entire film](#), which you do not need to watch to answer this question, unless you an Oliver Stone fan. Unfortunately, Hugo Chavez died in office a few years ago (although his handpicked successor remains in power, Nicholas Maduro). Better to watch the [Havan Brazil Box](#) store video, and the [Venezuela shortages](#) videos rather than more than 5 to 10 minutes of Oliver Stone (note: Venezuela's President falls off a bicycle in both to different effect).

Readings: Skim executive summary of the 2010 [LAC report](#) and [Chapter 1 of Edwards, 2010](#) look at.



<http://www.nytimes.com/slideshow/2011/08/05/world/americas/05chile.html>

Be sure to paste the text of question you are addressing at the top of your answer answer (put it in italics or another color for each section, 1.1a, 1.2a etc.



Guardian Article and film.

<http://www.theguardian.com/world/video/2012/jan/13/chilean-protester-camila-vallejo-video>

<https://www.youtube.com/watch?v=if68iitWFsQ>

Many other good with student leaders, most in Spanish...

<https://www.youtube.com/watch?v=bPnCWE90HdA>





A Chilean winter?



A student on a hunger strike rest in the Liceo Experimental de Arte. About three dozen high school and university students have turned to starving themselves to

raise the stakes on the government of President Sebastián Piñera.



With Kiss-Ins and Dances, Young Chileans Push for Reform



Fernando Nahuel/European Pressphoto Agency

A protest in Santiago, Chile, students held rallies of up to 100,000 people and taken control of dozens of schools around the country. [More Photos »](#) By [ALEXEI BARRIONUEVO](#) Published: August 4, 2011 [30 Comments](#)



SANTIAGO, Chile — A blanket stretched over their legs, Johanna Choapa and Maura Roque, both 17, sat in front of the stage in a chilly school auditorium last week as more than 300 parents and teachers debated whether to continue supporting their [hunger strike](#) aimed at pressuring the Chilean government to reform the country's education system.

Multimedia Slide Show

[Student Protests in Chile](#) [Twitter List: Reporters and Editors](#)

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Ariel Marinkovic/European Pressphoto Agency

Police detained a student during a protest in Santiago on Thursday. Hundreds of students who tried to demonstrate were dispersed by the police. [More Photos »](#)

“We want the government to feel the pressure from you and from us, so we need a lot of support,” said Ms. Roque, who said she had been on an all-liquid diet for 11 days. About three dozen high school and university students have turned to starving themselves to raise the stakes on the government of President [Sebastián Piñera](#). In the more than two months since education protests began in this country, students have organized rallies drawing up to 100,000 people, taken control of dozens of schools around the country, and forced hundreds more to stop holding classes. Their protests, and the issues driving them, have helped to sink the popularity of the president to its lowest level since he took office last year.

If the Arab Spring has lost its bloom halfway across the world, people here are living what some have come to call a Chilean Winter. Segments of society that had been seen as politically apathetic only a few years ago, particularly the youth, have taken an unusually confrontational stance toward the government and business elite, demanding wholesale changes in education, transportation [and energy policy, sometimes violently](#).

On Thursday, in one of the longest and most violent days of protests yet, high school and college students clashed with the police, who used water cannons and tear gas to disperse hundreds of demonstrators. Tear gas blanketed pockets of Santiago, and nearly 900 people were arrested, with more than a dozen police officers and protesters injured. Demonstrators set up dozens of flaming barricades in the city, while people banged pots and pans outside their homes, in support of the student movement and decrying police repression.

“The whole country is watching this movement,” said Eduardo Beltrán, 17, a student at Instituto Nacional, where the students have seized control of the school. “The generation of our parents,” he said, “is watching us with hope, with faith that we have the strength to change this education system and make history.”

Even as Chile appears to the outside world to be a model of economic consistency and prudent fiscal management, there is deep discontent here with the neoliberal model and its economic consequences for those who are not part of the economic elite.

The sentiments have been building for years, but have begun spilling out only recently. In 2010, when Mr. Piñera became the nation’s first right-wing president since the dictatorship of Gen. Augusto Pinochet, [young voters stayed on the sidelines](#), with few of them registering to vote. But last Friday, Mr. Piñera noted that Chileans were witnessing a “new society” where people “feel more empowered and want to feel they are heard.”

He said Chileans were rebelling against “excessive inequality” in a country that has the highest per capita income in Latin America but also has one of the most unequal distributions of wealth in the region. “They are asking for a more just society, a more egalitarian society,” he said, “because the inequalities we are living in Chile are excessive and, I feel, immoral.”

Still, he has also shown impatience with the protesters, saying this week that “there is a limit to everything.” The education protests have become ever more creative. There are at least two or three people [jogging at all times](#) around La Moneda, the presidential palace, trying to complete 1,800 laps to symbolize the \$1.8 billion a year that protesters are demanding for Chile’s public education system. They carry flags that say “Free Education Now.”

Others have held a [mass kiss-in](#), [dressed like superheroes](#), [danced as zombies](#) to Michael Jackson’s “Thriller” and even staged fake group suicides where [they fall in a heap of bodies](#). Students and teachers say they are determined not to repeat the mistakes of 2006, when a protest movement dubbed Los Pinguinos (“the Penguins”), named after the dark blue-and-white ties of some students’ school uniforms, created a crisis for former President Michelle Bachelet but ultimately failed to win deep reforms.

The protests then were over unequal funding and the quality of elementary and middle school education, a complaint that remains. But this year the focus has widened to include demands for a more affordable and accessible university system. General Pinochet decreed a system in 1981 that encouraged the development of private, [for-profit universities](#), which has led to high levels of student debt.

Before the Pinochet decree, there were eight state-financed universities and fewer than 150,000 university students in Chile. The state began reducing government funding for public universities, and dozens of private universities sprouted. Today there are 1.1 million students in Chilean universities, in a country of about 17 million people. More of those students are in private colleges than in public ones.

“There is a very chaotic and broken-down system,” said María Olivia Monckeberg, author of two books on Chile’s university system. “The students and their families are tremendously indebted,” she added, and educational “quality is totally debatable.”

That has led to some tough choices for many university students. “I’d like to study psychology, but I’m not sure I can because of the price,” said Ms. Roque, one of the hunger strikers. “I don’t have the means to pay for it.”

Mr. Piñera had promised to address university reform, but by late April student leaders had lost patience and began organizing protests. High school student groups and the country’s teachers’ association soon joined forces, demanding, among other things, that municipal grade schools, many of which are badly run down, be brought under the umbrella of the national Ministry of Education to ensure equitable funding and accountability.

The protests leaders are also pushing for constitutional change to guarantee free, quality education from preschool through high school and a state-financed university system that ensures quality and equal access. Where students have taken control of public schools, they have organized security details and held out cans on streets asking for change to pay for food and supplies.

The three dozen or so students who remained on hunger strikes this week have huddled under wool hats and blankets in the unheated schools. At Ms. Choapa and Ms. Roque’s school, four hunger strikers, ages 17 and 18, camped on mattresses in a second-floor room. At another school, student leaders require people to wear hospital masks and disinfect their hands with gel before talking to three hunger-striking girls.

“For many years our parents’ generation was afraid to demonstrate, to complain, thinking it was better to conform to what was going on,” said Camila Vallejo Dowling, the leader of a university student group. “Students are setting an

example without the fear our parents had.” *Pascale Bonnefoy reporting.*
<http://www.nytimes.com/slideshow/2011/08/05/world/americas/05chile-10.html>

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Student Protests in Chile 10 of 14



“For many years our parents’ generation was afraid to demonstrate, to complain, thinking it was better to conform to what was going on,” said Camila Vallejo Dowling, the leader of the university student group. “Students are setting an example without the fear our parents had.”

Credit: Victor Ruz Caballero for The New York Times

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Table M-5 Middle Class share updated to 2012
 (share of population with >\$10/day income)

Country, Pop (millions)	1990	2000	2010	2012
Argentina, 41M	43	37	52	57
Costa Rica, 4.7M	21	30	49	53
Chile, 17M	24	37	48	50
Brazil, 204M	19	25	37	44
Peru, 30M	9.5	16	30	37
Mexico, 110M	23	21	33	33
Bolivia, 11m	12	14	24	32
Ecuador, 16m	14	9.1	28	30
Colombia, 47M	21	12	30	30
Dom Republic, 10m	14	29	24	23
El Salvador, 6.6m	13	19	19	18
Honduras, 8.6M	3.1	12	16	14
Guatemala, 15m	10	14	30	10
Venezuela, 30M	19	13	21	na
Weighted Average	21	24	40	46

Source: World Bank Povcalnet, share of population with income >\$10/day updated October 3rd 2014