

GUEST OPINION

Chile was the most capitalist country in its region and had prospered as a result. But since the election of socialist Gabriel Boric in 2021, all that has changed, says **Rainer Zitelmann**

MY TRIP around the world took me to Chile twice, in May 2022 and November 2023. After you've been to countries like Colombia, Argentina or Paraguay, you feel like you're on a different continent in Chile. The difference between the dirty and outdated airports in Argentina and the state-of-the-art airport in Santiago de Chile couldn't be greater. I feel like I'm back in Europe.

Chile was long regarded as Latin America's model capitalist country. In the 2022 Human Development Index, Chile ranked first among all Latin American countries. And in the Heritage Foundation's 2022 Index of Economic Freedom, Chile occupied 20th place globally, ahead of the United States and the UK (it fell slightly to 21st place in the 2024 index). Thus, Chile is the most economically free country in Latin America. Despite these successes, there were massive demonstrations and outbreaks of violence in October 2019, which led to the election of socialist President Gabriel Boric in 2021. Boric, who has promised to bury "neoliberalism," currently governs the country in a coalition with the Communist Party.

In order to understand why Chileans voted for the socialist Boric, the answer is not to be found in objective economic data, because these data confirm the success of capitalism in Chile. The answer lies in a shift in public opinion. Ultimately, Chile is a striking example of a phenomenon we see in so many countries today: as time passes, nations "forget" why they became economically successful. The economic elites focus on their businesses, but leave the arena of public opinion to their opponents, who dominate the universities and the media. There, "the rich" are increasingly denounced as scapegoats for negative developments in society and, as a result, an anti-capitalist interpretation of reality increasingly comes to dominate the public discourse.

In Chile, I met the economist Axel Kaiser, who is the country's best-known libertarian. In his opinion, hatred of the rich is one of the main reasons for the problems in his country: "Without a doubt, Chile is one of those countries where the anti-rich rhetoric ruined progress. In fact, the numbers show a clear difference between the rates of progress Chileans experienced in each of the past two decades. After 2014, Chilean politics and economy took a populist turn that slowed those glimpses of progress. Between 2014 and 2023, annual GDP growth was 1.9 per cent, equating to just 0.6 per cent in per capita terms. The anti-business reforms from Michelle Bachelet's second government (2014-2018) led to decreases in investment and job creation while real wages stagnated."

While the analysis of the economic slowdown is clear, the causes of it are more complex: an ideology motivated by vengeance against Chile's rich. The Bachelet administration put a lot of effort into promoting the message that the rich did not pay their fair share of



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taxes; therefore, a tax reform was due. Obsessed with reducing inequality, that government would go as far as to say the one per cent should pay for almost all of new tax revenue, which would ensure public education of greater quality and free of charge, better public healthcare and more hospitals, better access to culture, sports, a cleaner environment and better pensions for the retired. "In other words," Kaiser explained, "as far as the government was concerned, the greedy rich that did not want to pay more of their income in taxes was the only reason Chileans did not have a better quality of life."

Bachelet's tax reform was far from successful because it destroyed incentives for investment and it pushed an anti-wealth narrative that disregarded its impact on the economy and the general population. In fact, Bachelet's former finance minister, Andrés Velasco, warned at the time that the analysis of the tax reform's impact on savings, investment, and growth was non-existent. Moreover, the tax reform also failed to deliver as much revenue as the government had initially planned for that year and the ones to follow. Economists Gonzalo Sanhueza and Arturo Claro explain that if Chile's economy had grown at 3.8 per cent per year in real terms since

2013, government tax revenue in 2023 would have been 26 per cent higher.

Even though most economists agree that economic growth is the source of social progress, employment, creation of opportunities and government revenue, the Chilean left insists on creating punitive tax measures that the middle class and the poor end up paying for with less opportunities.

The paradox is that, on the one hand, Latin America's model capitalist country was very successful: Between 1975 and 2015, the income of Chileans increased more than in any other country in Latin America. Life expectancy rose from 69 to 79 years. And social mobility, that is the opportunity for people to move up the social ladder, was greater than in any other Latin American country, as an OECD report confirmed in 2017.

On the other hand, despite all successes, my survey in the summer of 2021 had shown just how strong anti-capitalism was in Chile. From July 30 to August 9, 2021, Ipsos surveyed 1,000 representatively selected people in Chile. Combining responses to the survey's pro-state and pro-market statements, we found that statements in favor of a stronger role for the state met with 23 per cent approval and statements in favor of economic

freedom elicited 19 per cent approval. Among Chileans under the age of 30, pro-market statements gained approval from 19 per cent of respondents and pro-state statements from 26 per cent. Among those over the age of 60, the relationship between support for the market economy (22 per cent) and for a stronger role for the state (19 per cent) was reversed.

Older Chileans may be more likely to remember what socialism – under Allende in the early 1970s – meant to the economy, and that a freer market improved their lives in the decades that followed. When Maureen Halpern, who works for the libertarian think tank Instituto Libertad y Desarrollo, picked up me and my interpreter Joanna, she warned us not to take any expensive things with us because we might get robbed. I had left my expensive Cartier watch at home during my trip to Latin America anyway and taken a cheap Swatch watch with me instead.

Maureen took me on a tour of downtown Santiago de Chile, which

had changed in just the few months since the socialists had come to power. There were barriers everywhere because of violent demonstrations by left-wing anarchists every Friday. We visited the Presidential Palace, in front of which stands a large statue of Salvador Allende. Although he ruined the country economically during his three years in power, he is still a symbol of the left in Chile. Maureen told me that on 11 March 2022, when Gabriel Boric took office, he went to the statue of Allende and kissed it before his inaugural speech. A clear signal to his supporters about his political intentions.

Another thing that surprised me was that "woke-ism" is not limited to the USA and Europe. Even here in Chile, the left is "woke," as evidenced by the rainbow flag flying in front of the presidential palace year-round, not just on special occasions.



Excerpt from Rainer Zitelmann, The Origins of Poverty and Wealth: My world tour and insights from the global libertarian movement