



Social unrest, institutional fragility and trust: a model and an application to Chile

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The puzzle (1)



FOTO: SLAVO BEJIC / ANSA / GAZZANO

Págs. 8-9
Tres fallecidos deja incendio en supermercado en San Bernardo

Págs. 8-9
Decretan toque de queda en casi todo Santiago, Valparaíso y Concepción

Págs. 12-14
Piñera anula el alza del Metro: "¡le escuchado la voz de la gente"

Pág. 10
Encuesta Cadem: el 53% aprueba el estado de emergencia

4 FOTOGRAFÍA DE LA SEMANA



La hora del desorden. Las evasiones masivas del metro y la paralización de la red causó caos en Santiago, desató una crisis del transporte urbano en la capital nunca antes vista y se instaló en el debate político.

Fotografía: Aton

Frases de la semana

“

“Una cosa es manifestarse y otra el vandalismo que hemos observado. El Metro es vital para todos los habitantes de la Región Metropolitana. (...) Todos tenemos derecho a expresarnos, pero no a destruir”.

Sebastián Piñera, Presidente de la República.

“

¿En serio la discusión de las autoridades es si van a poner 3 o 5 candados en el Metro (...)? ¿No ven la desesperación de una familia que gana el salario mínimo y que gasta 33.500 pesos al mes para ir al trabajo?”

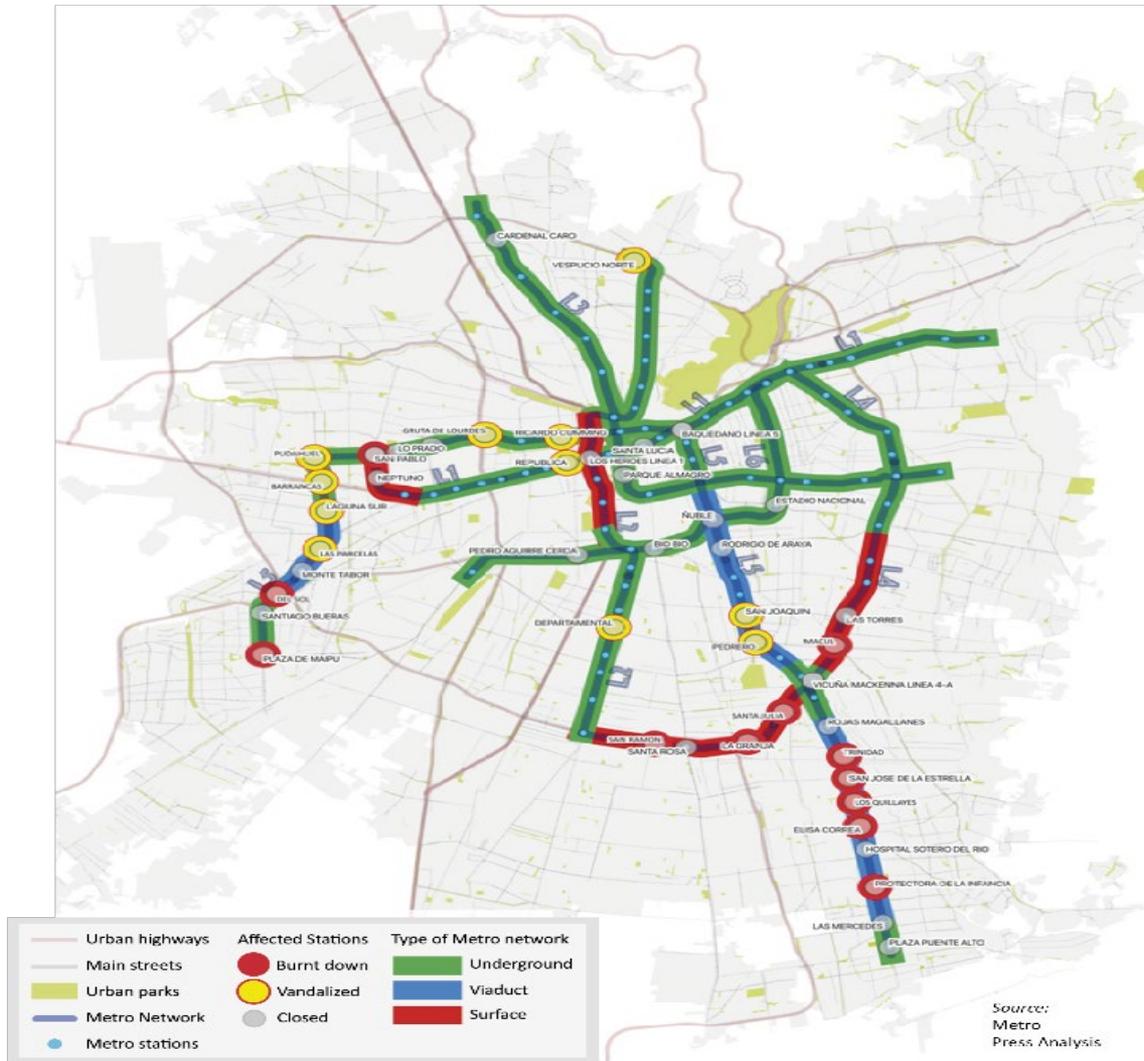
Beatriz Sánchez, Ex candidata presidencial Frente Amplio.

Why this?

Why in Chile?

Why then?

The puzzle (2)



16 subway stations burned

11 subway stations vandalized

The puzzle (3)

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POBOS DE CHILE: SANTIAGO DE CHILE, SÁBADO 24 DE OCTUBRE DE 2009

SANTIAGO DE CHILE, SÁBADO 24 DE OCTUBRE DE 2009

Tras ocho jornadas de convulsión: Santiago y regiones viven las mayores manifestaciones públicas registradas en Chile

Más de un millón 200 mil personas se concentraron ayer en el centro de la capital. "Los chilenos piden un Chile más justo y solidario, (la marcha) abre grandes caminos de futuro y esperanza. Todos hemos escuchado el mensaje. Todos hemos cambiado. Con unidad y ayuda de Dios, recorreremos el camino a ese Chile mejor para todos", expresó el Presidente Sebastián Piñera. La jornada concluyó con incidentes en algunos puntos de la Alameda.

Congreso
Debido a desmanes en los alrededores de su edificio, Cámara de Diputados suspende sesiones y se posterga debate sobre la agenda social del Gobierno y otros proyectos. **22**

Camino institucional
"Yo estoy por los acuerdos. Más allá de que los acuerdos sean críticos, tenemos que tomar acuerdos políticos y hacerlo dentro del Congreso y nuestras instituciones. En otro momento, vamos a seguir en la calle hasta ganar una o otra cosa y eso es un caso de excepción".
JOSÉ MIGUEL INFANTE
MIEMBRO DEL PARTIDO SOCIALISTA **23**

Metro de Santiago
La empresa dió el intento que el servicio recupere la normalidad a una semana de que vandálicos destruyeron la mitad de la red. El lunes podría volver a operar la Línea 4. **24**

Abastecimiento
Sectores periféricos de la capital que primeros meses de dificultades para acceder a alimentos. Comercio cifra las pérdidas en US\$ 1.400 millones. **25**

Actuar policial
"No somos entusiastas para hacerles daño a las personas. Al contrario, queremos que nos reconozcan como un agente de paz y facilitador de su vida".
BERNARDINO
COMISARIO JEFE DE CARABINEROS **27**

EDICIÓN ESPECIAL | A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z | REVISTA SÁBADO | 4 a 10



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8 / 25
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Biggest street demonstrations since the end of the dictatorship

The conventional answer

“Inequality in ‘stable’ Chile ignites the fires of unrest.”

Financial Times

“Not all the protests are driven by economic complaints, but widening gulfs between the haves and have-nots are radicalising many young people in particular.

The Guardian

“2019 was a year of global unrest, spurred by anger at rising inequality – and 2020 is likely to be worse.”

The Conversation

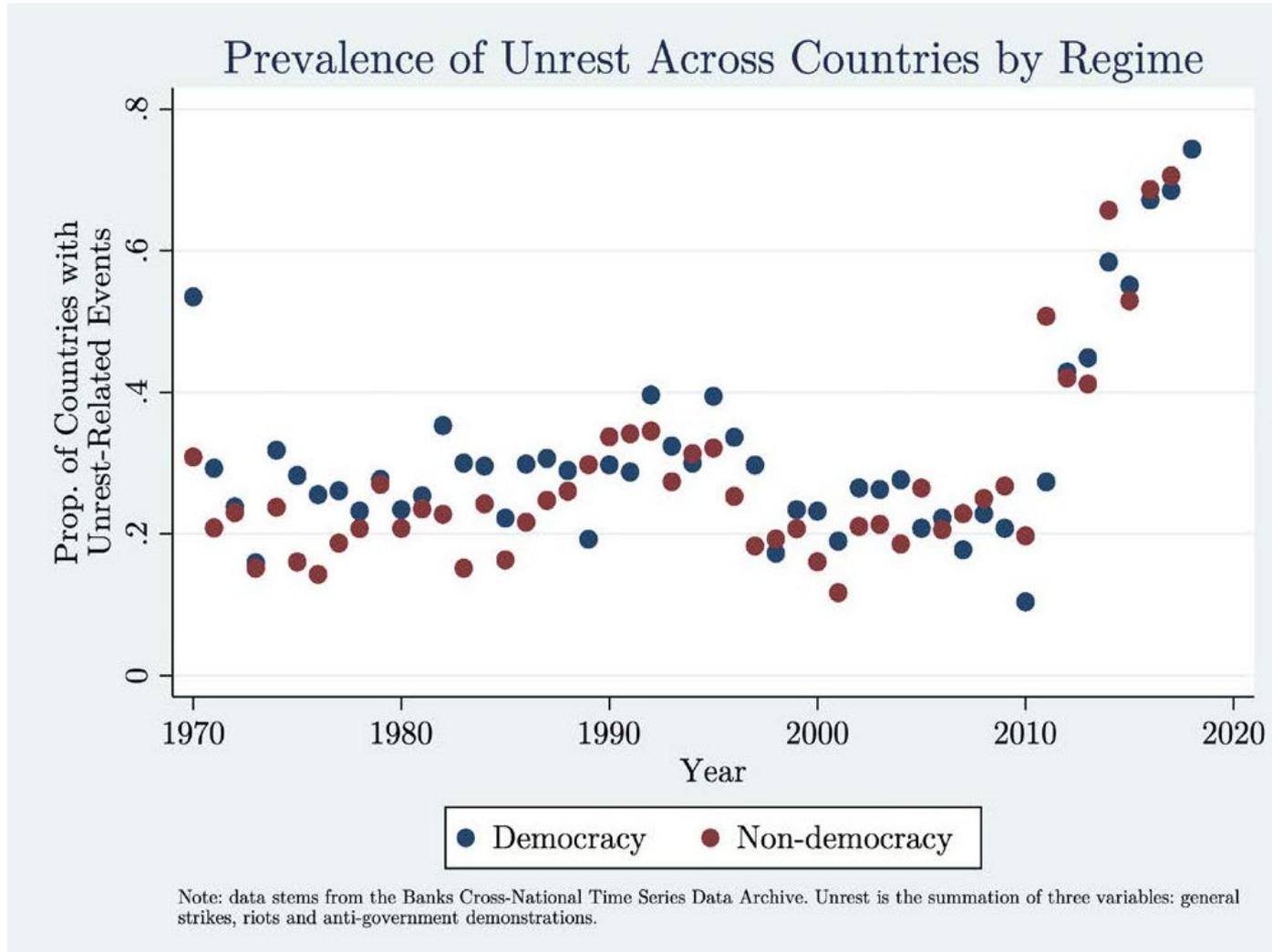
Widening Gulf? Rising inequality?



If the inequality story is to make sense...

- Focus on other kinds of inequality?
- Inequality of “treatment” (Araujo, 2013)
- Explain why the political “sensitivity” to income inequality changed
- The changing tolerance for income inequality in the course of economic development (Hirschman, 1973)

The other elephant in the room



So, one needs a story...

- Where there is scope for “contagion”
- Where the contagion operates through variables that “jump” at the time or shortly before the events to be explained
- Where “contagion” in turn reinforces the effects of that jump: self-fulfilling element

One candidate explanatory variable

Do you trust the following institution?
(percentage answering “very much” and “to some extent”)

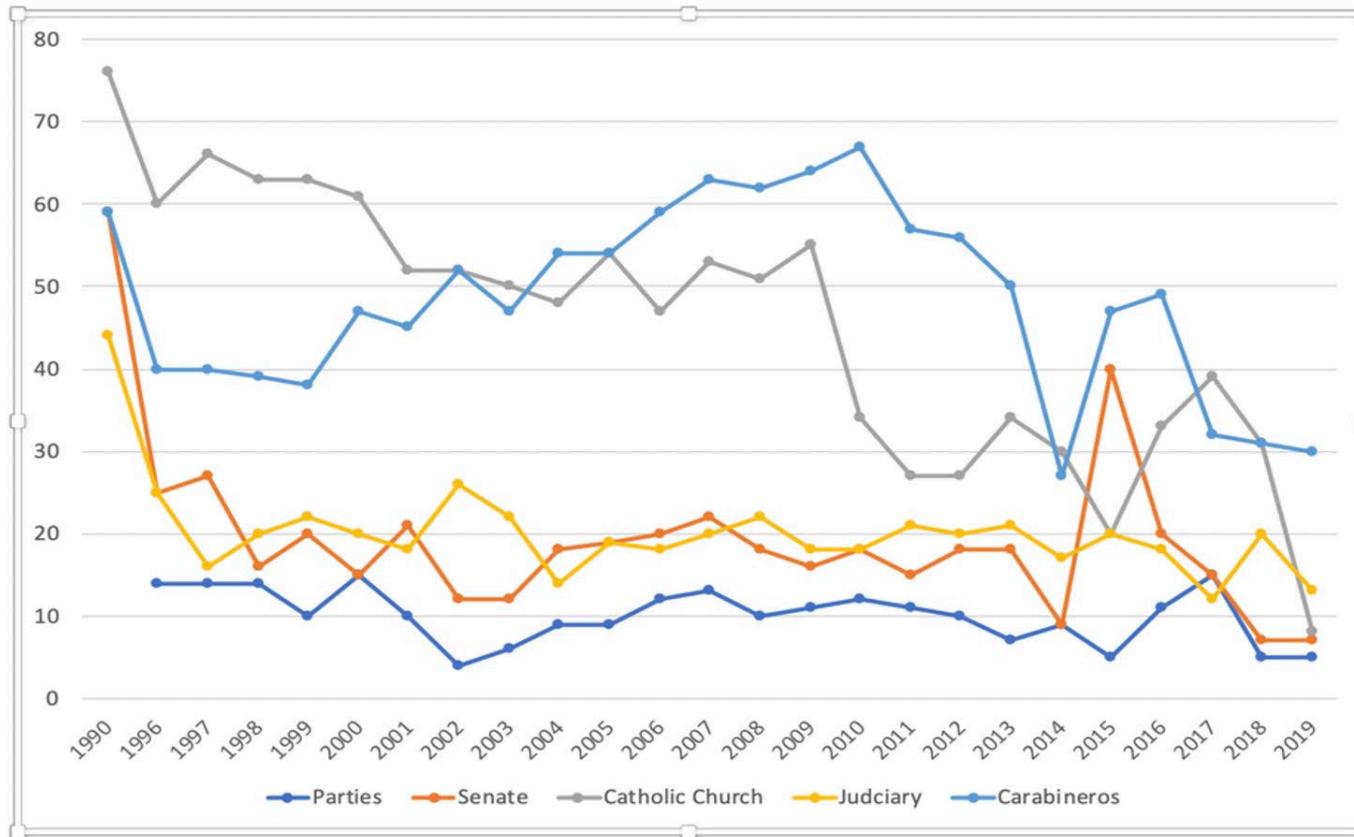


Figure 1

More on the same

Do you trust the following institution
(percentage answering “very much” and “to some extent”)

	July / August 2013	November 2018	December 2019
National government	3.8 + 22.0 = 25.8	NA	0.7 + 4.0 = 4.7
Congress	1.5 + 10.1 = 11.6	0.9 + 3.6 = 4.5	0.5 + 2.2 = 2.7
Political parties	1.6 + 6.4 = 8.0	NA	0.3 + 1.8 = 2.1
Municipal governments	3.3 + 14.0 = 17.3	NA	1.7 + 14.9 = 16.6
Courts of justice	1.8 + 9.5 = 11.3	1.2 + 5.7 = 6.9	0.8 + 7.5 = 8.3
Armed forces	9.8 + 40.4 = 50.2	NA	7.5 + 16.6 = 24.1
Carabineros	10.9 + 37.5 = 48.4	NA	3.9 + 12.7 = 16.6
Ministerio Público	3.5 + 25.1 = 28.6	NA	0.9 + 5.3 = 6.2
Private businesses	3.5 + 14.0 = 17.5	2.3 + 9.5 = 11.7	2.2 + 6.0 = 8.2
Labor unions	3.3 + 17.1 = 20.4	NA	3.2 + 14.4 = 14.6
Catholic church	13.8 + 19.7 = 33.5	4.5 + 8.7 = 13.2	4.7 + 9.3 = 14.0
Newspapers	2.8 + 26.3 = 29.1	NA	1.5 + 9.8 = 11.3
TV channels	2.8 + 25.2 = 28.0	NA	0.7 + 7.4 = 8.1
Radio stations	7.3 + 39.5 = 46.8	NA	4.5 + 24.4 = 28.9

Table 1

Source: www.cepchile.cl

A paradox?

World Bank Governance Indicators for Chile (Based on surveys / expert opinion)

	2013			2018		
	Governance Index (-2.5 to 2.5)	Percentile Rank (1 to 100)		Governance Index (-2.5 to 2.5)	Percentile Rank (1 to 100)	
Voice & accountability	1.11	84.5		1.05	82.27	
Political stability	0.36	59.72		0.43	61.43	
Government effectiveness	1.26	86.73		1.08	81.73	
Regulatory quality	1.49	91.94		1.34	89.94	
Rule of law	1.37	87.79		1.12	83.65	
Control of corruption	1.54	90.52		1.01	81.73	

Table 2

Source: [www. https://info.worldbank.org/governance/wgi/Home/Report](https://info.worldbank.org/governance/wgi/Home/Report)

A very simple model (1)

- Consider a society where individuals come together to finance a collective good ...
- The most natural interpretation is that the payments are tax payments
- But the payments could also be interpreted as user fees (in a subway?)

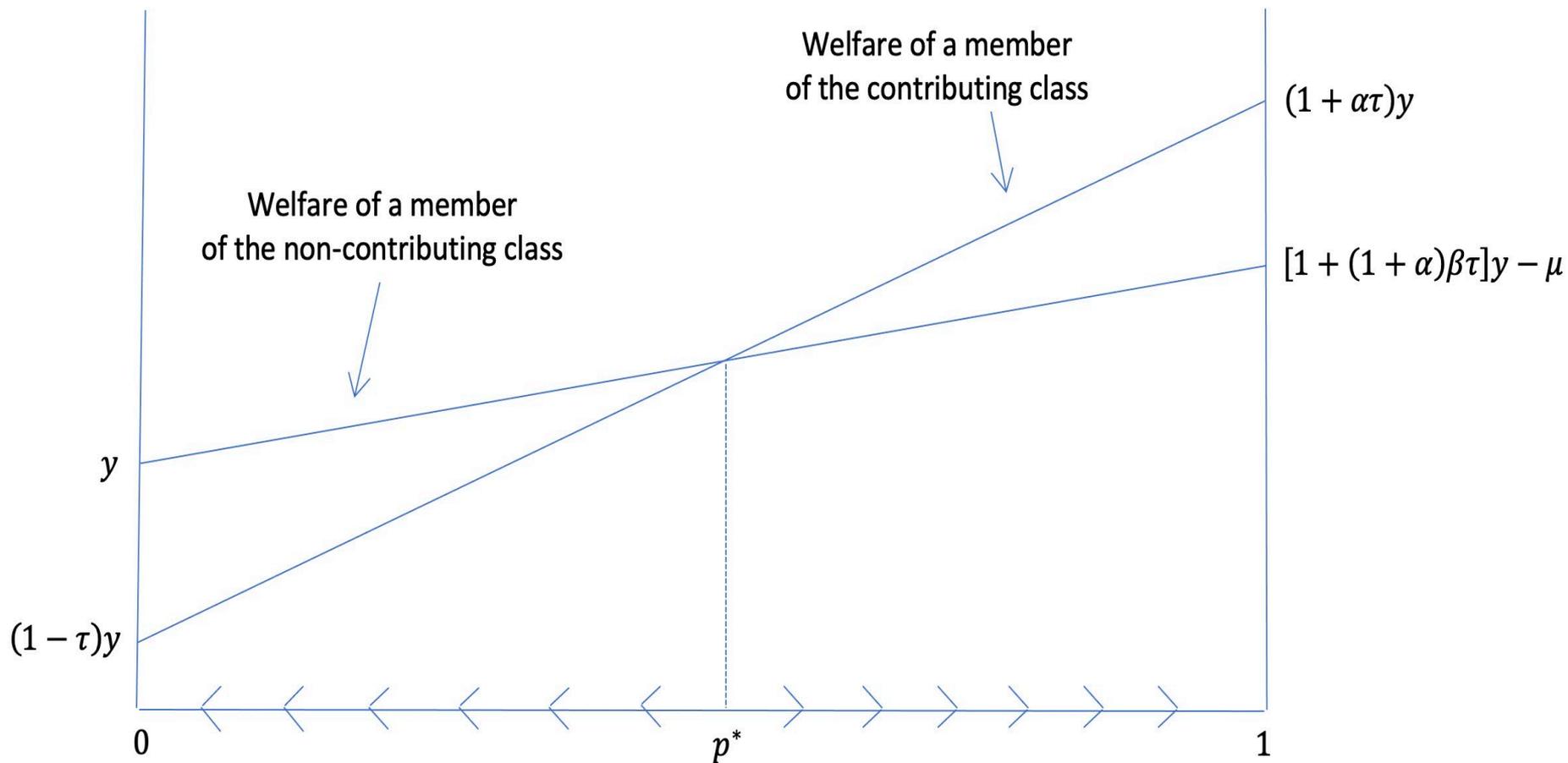
A very simple model (2)

- People have a choice: they can pay taxes and contribute to the public good or evade taxes and not contribute
- Quality of institutions has **exogenous** component: how good the government is in turning money into high-quality public services
- Quality of institutions has **endogenous** component: the more people contribute, the better the service

A very simple model (3)

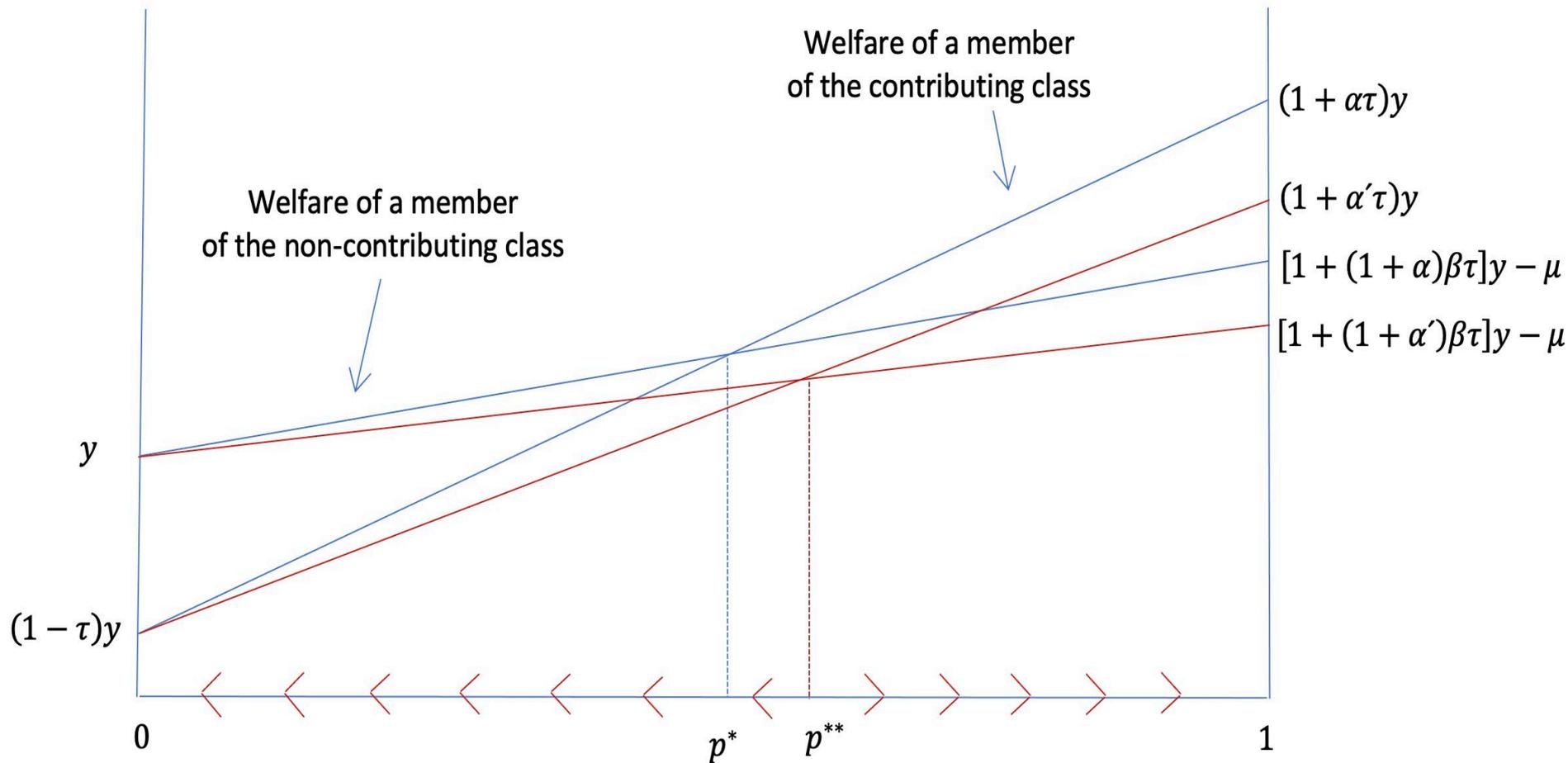
- If an individual contributes, his/her welfare is increasing in the share of people who contribute
- Social sanction associated with not contributing, which is a function of how many people do contribute
- We have a kind of “herd moral effect”: it is less costly not to contribute when others also fail to contribute
- If an individual does not contribute, his/her welfare also is increasing in the share of people who contribute

Unstable equilibria (backward-looking)



If adjustment follows $\dot{p} = \phi(w^c - w^n)$, then equilibrium is unstable

Effects of shocks (backward looking)

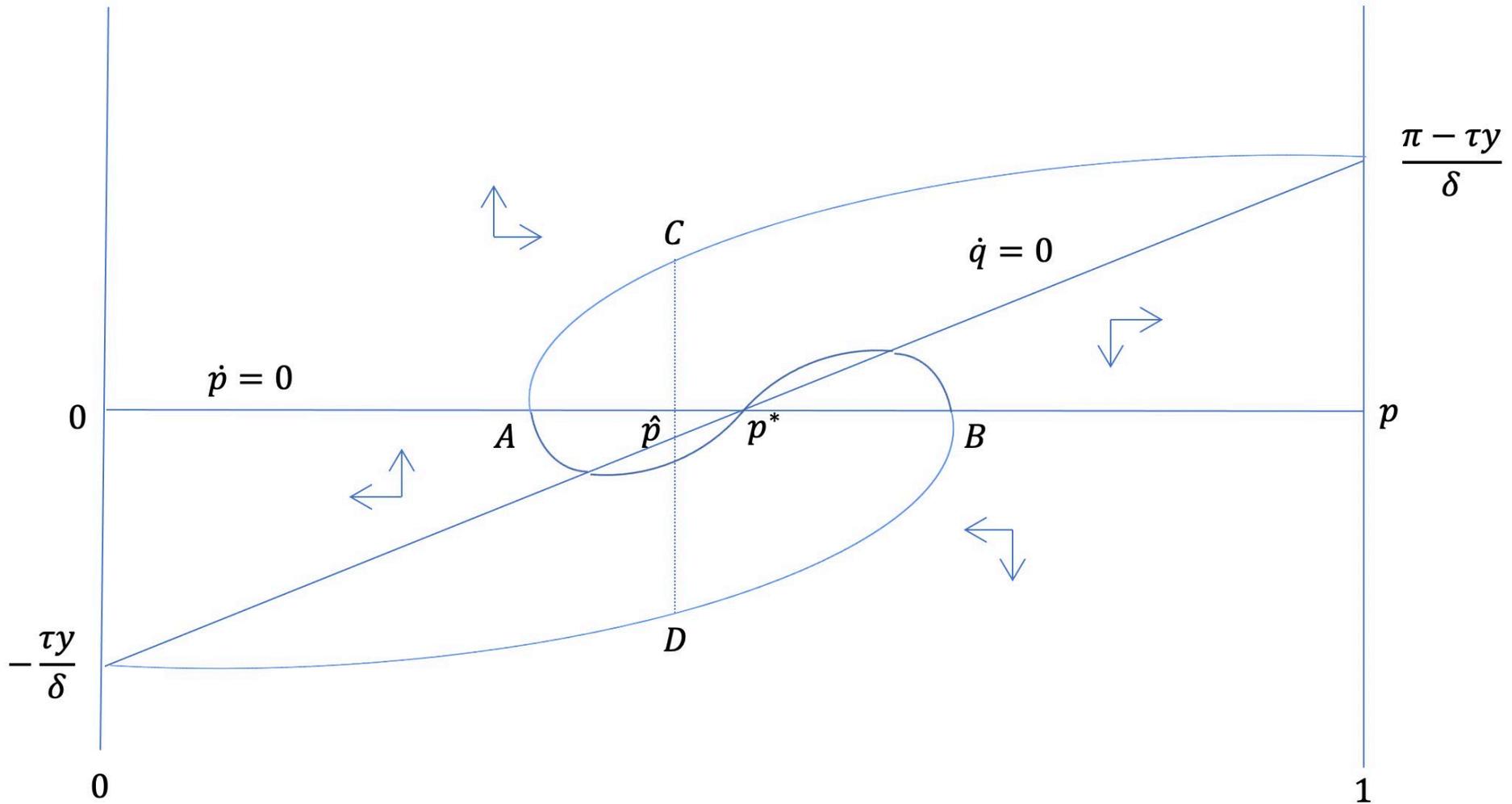


Shock: government becomes less efficient at public service delivery

Punchlines (1)

- Equilibria are fragile
- If initial institutional structure is strong (high-quality), then a virtuous cycle occurs
- Good institutions deliver good services, which in turn engender trust in these institutions, which prompts behavior (higher contributions) that allow institutions to get even better
- But if initial institutional structure is weak (low-quality), then a vicious cycle occurs
- Key: small changes in the exogenous component of institutional quality can have big and lasting effects on trust, contributions and quality of services.

Contagion (forward-looking)



Now $\frac{\dot{q}}{q} + \frac{w^c - w^n}{q} = \delta$ and $\dot{p} = \theta q$

Punchlines (2)

- With forward-looking behavior, then equilibria can be even more fragile
- History versus expectations (Krugman 1991)
- For some parameter values, equilibrium uniquely pinned down: only history matters
- For other parameter values, there is a region of indeterminacy: expectations matter
- If initial conditions are in that “region of indeterminacy”, then self-fulfilling pessimism and/ or contagion from abroad can occur
- Contagion easier in the age of social media?

Conclusions

- We need to be careful with too-simple accounts of the causes of unrest
- Need explanatory variables that move in the right direction
- In the case of Chile trust is one such variable. Others?
- Unrest seem to be global: we need an explanation that has a global element to it
- Common global causes? Or contagion?
- Contagion can be structural or expectational: we consider expectational contagion



Thank you!