

**İSTANBUL BILGI UNIVERSITY**  
**INSTITUTE OF GRADUATE PROGRAMS**  
**INTERNATIONAL POLITICAL ECONOMY**  
**MASTER'S DEGREE PROGRAM**

**A DISCUSSION OF THE POLITICAL-ECONOMY OF INEQUALITY IN  
CHILE IN THE NEOLIBERAL ERA: MENTAL MODELS**

**Mete Abdulvahap PİŞİRİCİ**

**116674002**

**Dr. Öğr. Üyesi Şadan İnan RÜMA**

**İSTANBUL**

**2021**

**A Discussion of the Political-Economy of Inequality in Chile in the Neoliberal  
Era: Mental Models**

Şili’de Neoliberal Dönemde Eşitsizliğin Ekonomi Politikği Üzerine Bir Tartışma:  
Mental Modeller

Mete Abdulvahap Pişirici

116674002

**Tez Danışmanı:** Dr. Öğr. Üyesi Şadan İnan Rüma (imza) .....

İstanbul Bilgi Üniversitesi

**Jüri Üyesi:** Dr. Öğr. Üyesi Can Cemgil (imza) .....

İstanbul Bilgi Üniversitesi

**Jüri Üyesi:** Doç. Dr. Ceren Uysal Oğuz (imza).....

Akdeniz Üniversitesi

Tezin Onaylandığı Tarih: 29.09.2021

Toplam Sayfa Sayısı: 79

Anahtar Kelimeler(Türkçe)

- 1) Eşitsizlik
- 2) Mental modeller
- 3) Kurumsallaşmış eşitsizlik
- 4) Kültür
- 5) Bireycilik
- 6) Hizipçilik
- 7) Evrenselcilik

Anahtar Kelimeler(İngilizce)

- 1) Inequality
- 2) Mental models
- 3) Institutionalized Inequality
- 4) Culture
- 5) Individualism
- 6) Factionalism
- 7) Universalism

## TABLE OF CONTENTS

<b>Abbreviations</b> .....	iv
<b>List of Figures</b> .....	vi
<b>List of Tables</b> .....	vii
<b>Abstract</b> .....	viii
<b>Özet</b> .....	ix
<b>Introduction</b> .....	1
<b>1 – An Overview Of Different Perspectives On Inequality</b> .....	4
<b>1.1 – Inequality As A Concept</b> .....	4
<b>1.2 – Inequality In Chile</b> .....	18
<b>2 – The Neoliberal Era</b> .....	32
<b>2.1 – The Rise Of Christian Democrats(1964-70)</b> .....	33
<b>2.2 – Salvador Allende And The Rupture(1970-73)</b> .....	37
<b>2.3 – The Neoliberal Experiment(1973-90)</b> .....	45
<b>2.4 – “Growth With Equity” In A Global World(1990-2000)</b> .....	55
<b>2.5 – The Neoliberal Confusion(2000-)</b> .....	63
<b>Conclusion</b> .....	67
<b>References</b> .....	69

## **ABBREVIATIONS**

**AFP:** Administradora de Fondos de Pension(Pension Fund Administration)

**AUGE:** Acceso Universal con Garantías Explícitas(Explicit Guarantee System)

**CODELCO:** Corporación Nacional del Cobre de Chile(National Copper Corporation of Chile)

**CORFO:** Corporación de Fomento de la Producción(Production Development Corporation)

**ENAP:** Empresa Nacional del Petróleo(National Petroleum Company)

**FDI:** Foreign Direct Investment

**FONASA:** Fondo Nacional de Salud(National Health Fund)

**FOSIS:** Fondo de Solidaridad e Inversion Social(The Fund of Solidarity and Social Investment Fund)

**GDP:** Gross Domestic Product

**IMF:** International Money Fund

**ISAPREs:** Instituciones de Salud Previsional(Private Health Insurance Companies)

**ISI:** Import Substitution Industrialization

**IVA:** Impuesto al Valor Agregado(Value-Added Tax)

**LOCE:** Ley Orgánica constitucional de enseñanza(Organic Constitutional Act of Teaching)

**MERCOSUR:** Southern Common Market

**MIR:** Movimiento de Izquierda Revolucionaria(Revolutionary Left Movement)

**NAFTA:** North American Free Trade Agreement

**ODEPLAN:** National Planning Office – Chile

**OECD:** Organization for Economic Co-operation and Development

**PDC:** Partido Demócrata Cristiano(Christian Democratic Party)

**SNS:** Servicio Nacional de Salud(National Health Service)

**UDI:** Unión Demócrata Independiente(Independent Democratic Union)

**UP:** Unidad Popular(Popular Unity)

**U.S.A:** United States of America

## LIST OF FIGURES

Figure 1.1 The Performance of High- and Low-Caste Boys in India.....	8
Figure 1.2 Levels of trust ages 10-13.....	11
Figure 1.3 Rate of obtaining a secondary school diploma.....	12
Figure 1.4 Anonymous global growth incidence curve: Real income change at various percentiles of the global income distribution between 1988-2008(%).....	15
Figure 1.5 Quasi non-anonymous global growth incidence curve: Real income change between 1988 and 2008 across 1988 percentiles of the global income distribution.....	16
Figure 1.6 Change in the shares of fiscal income of top 1%, 0.1% and 0.01% in Chile between 1964 and 2017.....	20
Figure 1.7 Change in the shares of fiscal income of top 10% and 1% in Chile between 2005 and 2017.....	21
Figure 1.8 Comparison of the change in the income shares of the top 1% in U.S., Sweden and Chile between 1964 and 2017.....	22
Figure 1.9 Income inequality in selected Latin American countries, 2000-2017: Gini coefficients.....	25
Figure 1.10 Middle class in selected Latin American countries, 2000-2017: share of population with income \$13-70 (2011 PPP).....	26

## LIST OF TABLES

Table 1.1 How equal or unequal do you believe Chile is in terms of people's access to quality education?.....	29
Table 2.1 Changes in Macroeconomic Indicators During Frei Era.....	36
Table 2.2 Number of Strikes and Evolution of Real Wages in Frei Period.....	36
Table 2.3 Main GDP Sectoral Growth Rates, 1970-73(%).....	42
Table 2.4 Expenditures for social programs under Allende(millions of U.S. dollars).....	43
Table 2.5 GDP Growth according to sector, 1975-82.....	48
Table 2.6 Percent Variation of GDP, 1971-82(GDP Per Capita in Paratheses).....	49
Table 2.7 Inflation rate between 1973 and 1982 during the Neoliberal experiment.....	49
Table 2.8 Unemployment, 1970-83.....	52
Table 2.9 Real Wages and Salaries, 1974-81(1970 = 100).....	52
Table 2.10 GDP Growth, Inflation, Unemployment, 1990-94.....	57
Table 2.11 Social Expenditures as a Percentage of Total Social Expenditures 1989 - 2000.....	59
Table 2.12 Social Spending as a Percentage of Total Government Expenditures.....	60

## ABSTRACT

Inequality is one of the most prominent topics of discussion in the field of social sciences in today's world. Despite the fact that it has remained a popular issue for decades now, it has been rather difficult so far for both academics and politicians alike to agree upon a common definition of the term or provide durable solutions. This work, with the help of Karla Hoff's approach based on behavioral economics, will attempt to investigate the possibility of a relationship between inequality and mental models through a multitude of aspects of inequality in Chile.

The main aim of this work is to investigate the explanatory power of the concept "mental models" as a tool through which inequality can be grasped in a clearer sense that is beyond that of solely aggregate macroeconomic indicators(*while by no means ignoring them*). In this effort, this work chose to investigate how inequalities develop through as many aspects of society as possible in one of the most unequal countries of the "developed"(or *developing*) world: Chile. While the scope of this work is limited to the neoliberal era(*due to the amount of data available for this period*), the historical approach led to extending the chronological focus further backwards in order to gain a clearer understanding of the underlying causes of inequality. The main focus of this work has been to analyze the events in Chilean political-economical history through the lens of mental models and behaviours of individuals and different social groups in order to gain a better understanding of inequality.

**Keywords:** Inequality, mental models, institutionalized inequality, culture, individualism, factionalism, universalism

## ÖZET

Eşitsizlik, günümüz dünyasında sosyal bilimler alanında en öne çıkan tartışma konularından biri konumundadır. Onlarca yıldır popüler bir sorun olarak gündemde kalmasına rağmen, hem akademisyenler, hem de politikacılar ortak bir tanım üzerinde uzlaşmakta ve kalıcı bir çözüm üretmekte zorlanmıştır. Bu çalışmada, Karla Hoff'ın davranışsal iktisat bazlı yaklaşımının da yardımıyla, Şili'de eşitsizlikle mental modeller arasındaki potansiyel ilişki, eşitsizliğin birçok açısından incelenmeye çalışılacaktır.

Bu çalışma, eşitsizliği sadece makroekonomik verilere ve belirtilere indirgemeyerek (*tabii ki bunları da ihmal etmeyerek*), mental modellerin bir eşitsizliği açıklama aracı olarak sahip olduğu gücü incelemeyi planlıyor. Bu gayeyle, “gelişmiş”(ya da “*gelişmekte olan*”) dünyanın eşitsizlik problemini en derinden yaşayan ülkelerinden biri, yani Şili inceleniyor ve eşitsizliğin ortaya çıkışı toplumun mümkün olduğunca çok veçhesi üzerinden irdelenmeye çalışılıyor. Her ne kadar çalışma neoliberal dönemle sınırlı tutulmaya çalışılmış olsa da (*bu dönemdeki veri bolluğu bu sınırlamanın en önemli gerekçelerinden biri*), eşitsizliğin daha açık bir şekilde incelenebilmesi adına tarihsel yaklaşım bu çalışmanın kronolojik odağını daha da geriye doğru genişletmeye mecbur bırakıyor. Çalışmanın esas odağı eşitsizliğin daha iyi kavranması amacıyla Şili'nin ekonomi-politik tarihindeki olayları mental modeller aracılığıyla, birey ve sosyal grupların davranışları üzerinden analiz etmek olmuştur.

**Anahtar Kelimeler:** Eşitsizlik, mental modeller, kurumsallaşmış eşitsizlik, kültür, bireycilik, hizipçilik, evrenselcilik.

## INTRODUCTION

In today's world, one of the greatest problems of society, without a doubt, is inequality. While economists, politicians, individuals and groups of many different affiliations have been attempting to cure this disease, despite a substantial amount of progress, the source of the issue still remains at large. It is true that countless different policies and practices have been implemented so far across the world, and it is true that some of those were partly effective; but the problem still remains, evolving and eluding the policymakers at every step.

The development of neoliberalism in Chile, led by Augusto Pinochet, brought along with it a steep increase in economic inequality. The democratic governments after 1990 implemented various policies in order to combat the problem of inequality and poverty and achieved a substantial amount of progress; as will be seen on the later pages of this work, yet the protests that began in 2006 and more or less continued until this day in Chile still confound politicians and researchers alike. The macroeconomic variables show that economic inequality has been in a decreasing trend ever since the democratic transition, so they fail to explain the existence and the intensity of the contemporary protests in the country.

There are different views on inequality in Chile. Atria(2015) approaches the matter from a taxation perspective. He notes that "*legal loopholes facilitate underreporting and movement between income tax and corporate tax among advantaged groups, limiting state redistribution*", which can be reinterpreted as "Tax evasion is a problem in Chile that contributes to income inequality". The subject of tax evasion and especially its outcomes will be shortly revisited in this thesis through an analysis that incorporates mental models. A report by the United Nations Development Programme notes that a distinctive progress has been achieved with regards to inequality in fifteen years in Chile, yet a considerable amount of income inequality still remains between the upper and lower economic strata of the society(UNDP, 2017). Ferreira & Schoch, similar to the main

framework of this thesis, focus on the discrepancy between the macroeconomic variables of inequality and the intensity of recent protests in Chile. Differing from other works, they claim that income inequality is actually decreasing in the country and attempt to explain this discrepancy through the Tocqueville Paradox, arguing that the increase in the intensity of protests was made possible due to the widening of the middle class(Ferreira & Schoch, 2020). A more detailed analysis of both inequality as a concept and inequality in Chile including approaches outside the field of economic inequality will be provided in the first chapter of this work.

This thesis will attempt to examine the relationship between mental models and inequality in Chile through various aspects of inequality. In order to understand how inequality develops and crystallizes within the minds of individuals and social subgroups, the work will be examining the Chilean political and economical history with the hope of finding hitherto unknown possible links between events, social responses and actions of influential individuals and social factions. On top of it, a triad of social institutions(*and mental models, as they develop on the level of individuals*) called “*individualism*”, “*factionalism*” and “*universalism*” will be utilized as the culmination of certain mental models for certain individuals and groups, attempting to reveal the said possible links between those mental models, behaviors and their impact on inequality. Furthermore, the concepts of “*trust*” and “*fear*” will also be utilized in order to investigate their impacts on inequality and people’s mental models.

While it is true that this approach will be difficult to implement without a corresponding field study, Hoff and others’ researches that will be mentioned in the coming pages suggest that it is possibly what could be needed in order to grasp the problem of inequality more clearly. One of the ways towards solving a problem is understanding its cause and this study attempts to aid in understanding the underlying causes of inequality in Chile.

The first chapter will be comprised of two sections. In the first section, inequality will be investigated as a concept. Firstly, different definitions of and approaches

towards inequality will be examined and how it is perceived in this work will be explained. Following, Hoff et al.'s(2016) conception of “mental models” and how it will be used in this work will be revealed. Once that is concluded, the mental models of *individualism*, *factionalism* and *universalism* will be delineated as they will be used in this work, followed by the integration of *trust* as a feeling(*which directly impacts mental models, as will be explained in the coming pages*) and its potential relationships with inequality. Finally, some of the contemporary studies on inequality(*mostly, but not limited to economic inequality*) and whether possible links between them and mental models could be found will be investigated. The second section will cover the literature on inequality in Chile from different perspectives such as health inequality, education inequality, economic inequality and examine the validity of the perspectives on the recent protests in Chile and whether alternative explanations could be found that could potentially be linked with mental models as well.

The second chapter will take the form of a historical analysis of neoliberalism in Chile, taking into account the years that culminated in the implementation of neoliberalism as well. Firstly, the rules of Eduardo Frei(1964 - 70), Salvador Allende(1970 - 73) and Augusto Pinochet(1973 - 90) will be investigated in a chronological order with the aim of finding links between certain occurrences and mental models. Afterwards, Chilean transition to democracy(1990 - 2000) and contemporary Chile(2000 – today) will be examined in light of the arguments of this work deduced from the events of the previous years and the thesis will scrutinize whether inequality is getting better or worse in Chile while attempting to utilize mental models as an explanatory tool at every step.

## 1 – AN OVERVIEW OF DIFFERENT PERSPECTIVES ON INEQUALITY

### 1.1 – INEQUALITY AS A CONCEPT

Society has been faced with many difficulties across the ages, in the forms of poverty, crime, wars, migration, overpopulation, pandemics, inequality and so forth. While many of these problems have existed simultaneously everywhere and through all ages, some of them were more prominent in some eras than others. The neoliberal era which we live in(*or have exhausted, for some thinkers* – Akgemci, 2015), while still harboring other problems, has proven to be especially vulnerable to the problem of inequality in specific. While many works have been penned for the sake of solving the problem, to date, it is still a challenging topic to take on and even defining it leads to debates among researchers. There are some who define it based on legal rights, as in “equality before the law” while others; rather than taking it as a holistic concept, opt to investigate different aspects of inequality such as economic inequality, income inequality and so forth(UN, 2015).

The concepts of equity and equality differ in meaning. Equity, especially, can be interpreted as an economic concept, which can be defined as “*a fair distribution*”(Stewart, 2013). The problem with this definition arises from defining what “fair” is, being a subjective concept in itself. By the same token, defining equality is altogether a different challenge. As seen in UN’s paper that is referenced above and other works(Sen, 1980; Roemer, 1998; Fadda & Tridicio, 2020), there’s a myriad of different approaches and definitions in the field.

A particular work that defines equality of opportunities as a state where “*morally irrelevant pre-determined circumstances, such as race, gender, place of birth, and family background*” do not have an impact on the outcomes(Paes de Barros et al., 2009), at first sight, seems close to a satisfactory definition; yet there is a certain omission in this definition as well and that omission is the gene factor. Human

genes must also be considered as a part of those “*morally irrelevant pre-determined circumstances*”, and when it does, according to the definition above, it logically follows that the differences between human beings due to the differences in their genes should not have an impact on their lives. Research on the topic, however, strongly suggests that genes impact many personal traits from cognitive (Plomin et al., 2013) to physical (Frederiksen & Christensen, 2013) capabilities, capabilities that would naturally cause differences in the effectiveness of individuals in different fields. In light of these facts, it is argued in this work that such attempts at creating an objective definition of inequality fall quite short of reaching their aims.

Due to the problems with defining inequality mentioned above, this work argues that in order to tackle the problem, the main focus needs to be on the perception of it; mainly, how the public perceives inequality. The main claim in this work is that a considerable part of the problem of inequality has its roots in mental models which define how we perceive the tangible world, and this might be affecting our lives more than the actual reality itself. Karla Hoff’s article within the perspective of behavioral economics proves to be a reliable starting point in this difficult endeavour, which will need to be elaborated on in order to demonstrate the stance of this thesis:

*“... Institutions have a “schematizing power” that affects information processing and behavior. Mental models (or equivalently, schemas) that people have absorbed from institutions can distort perceptions in ways that reproduce social exclusion long after the unjust, formal barriers have been removed. “Spoiled collective identities” need to be repaired to overcome social exclusion.”* (Basu, Stiglitz & Hoff, 2016)

This approach has the potential to be the basis on which the concept of inequality is discussed today. While inequality (*in all of its forms*) that results from concrete, real divisions, discriminations and practices is indeed a most pressing concern all around the globe – even more so in the developing world, this article suggests that the “conception” of inequality in an institutional sense is a much more sinister,

serious and overlooked problem. It is attempted in the said work to shed some light on the issue by compiling several interesting researches, one of which will be referred to in the coming paragraphs. Next, however, for the sake of clarity, this behavioral approach needs to be elaborated on again by referring to parts of the text:

*“Humans rely on automatic thinking and mental shortcuts for much of their decision making ... Mental models are cognitive representations ... that affect where people direct their attention and how they structure information ... There is a strong link between automatic thinking and perception; both involve the construction of meaning in a process that the perceiver is generally unaware of. He imagines that he is responding objectively to the situation.”* (Basu, Stiglitz & Hoff, 2016)

According to Hoff et al., our preliminary experiences in life and our deductions from these said experiences, through a neural process, transform into sets of “mental models” that are, sometimes even beyond our own awareness, stored within our neurons and that in turn almost becomes the basis of our “automatic thinking”. In the article, a striking reference to a neuroscientific work grants a deeper understanding of the subject:

*“Thereafter, if one of those neurons is activated, it will be more likely to activate another in that group... These neural changes determine the pathways through which activation spreads until a particular response is evoked ...[O]nce a network of strongly interconnected units has been created, it fills in ambiguous and missing information by activating all the units in an interconnected network, even those not directly stimulated by current experience..., reinforcing our original expectations...”* (Basu, Stiglitz & Hoff, 2016; Strauss & Quinn, 1997)

The viewpoint is explained, which might seem a bit complicated from the outlook due to the scientific depth of the approach; with particular examples with regards to subtle cases of discrimination against African-Americans in the United States:

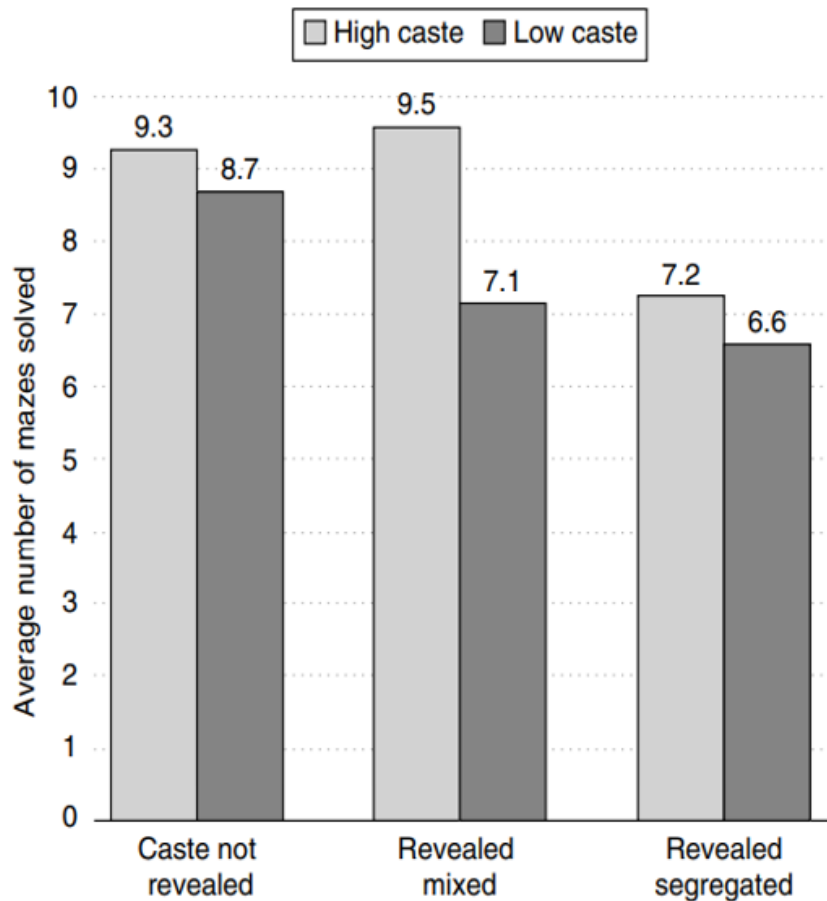
*“When résumés with equal qualifications are submitted in job applications, candidates with names associated with African-Americans are less likely than candidates with names associated with whites to be viewed as qualified.”*(Basu, Stiglitz & Hoff, 2016; Bertrand & Mullainathan, 2003).

One particular set of data in this work deserves a more detailed investigation. A research carried out by Hoff and Pandey(2006, 2014) investigates the relationship between institutionalized inequality and success in a competitive environment among children of different castes(social strata) in India:

*“In field experiments, Hoff and Pandey (2006, 2014) assessed the effect on intellectual performance of two manipulations: (1) making caste identity public in groups consisting of three high-caste and three low-caste children, and (2) making caste identity public in groups consisting of six children who were only low caste or only high caste. Segregation of high and low castes is an obvious mark of civic privileges and disabilities.*

*Participants in the experiment were junior high school boys. The participants were asked to solve mazes under monetary incentives. Participants were randomly assigned to one of the three conditions: condition (1), above, called Revealed Mixed; condition (2), above, called Revealed Segregated; or the control condition, which included three high-caste and three low-caste boys in a session but did not make caste identity public. Thus the control condition is called Caste Not Revealed. Since, in general, the children came from six different villages, their caste would not be known to the other children in the session.”*(Basu, Stiglitz & Hoff, 2016)

**Figure 1.1 The Performance of High- and Low-Caste Boys in India**



Note: The bars show the sum of mazes solved in two 15-minute rounds under piece-rate incentives. The caste gap in performance is statistically significant with 95 percent confidence in the Revealed Mixed treatment.

Source: Basu, K., Stiglitz, J. E., & Hoff, K. (2016). Behavioral Economics and Social Exclusion: Can Interventions Overcome Prejudice? In *Inequality and growth patterns and policy* (pp. 172–193). Palgrave Macmillan.

The figure above demonstrates the result of the said research above. According to the data in the first two columns, the difference in success rates between kids of different social strata turns out to be almost negligible if they were not aware of

each other's social standings, and hence not being subject to "institutionalized inequality" in a direct sense. Despite the enormous amount of differences in access to wealth and opportunities including health, education, nutrition and cultural resources, kids of different castes showed almost an equal degree of success in performance. This suggests that economic or social classes may not be strong(*if at all*) determinants of intellectual capabilities.

The second part of the research shows how the children of lower castes were affected when exposed to the knowledge of their respective castes; reducing their performances tremendously. The researchers explain this phenomenon with the claim that those kids may have harboured the thought "*I can't or don't dare to excel.*"(Basu, Stiglitz & Hoff, 2016: pp. 186). A probable explanation for this phenomenon lies within misconstrued, harmful mental models that may cause people to underestimate their own potentials which may lead to different forms of inequalities, such as this one.

The most reliable outcome of the research referenced above is that institutionalized inequality has the potential to become a self-fulfilling prophecy. In the first set of data, the children of the lower strata perform almost as well as those of the higher caste, yet when they are faced with the reality that they are standing next to the children from the higher caste, their performance drops significantly. This is a prime example of how mental models impact inequality. In this work, mental models will frequently be utilized in order to investigate how they might be responsible for at least a part of the inequality problem in Chile.

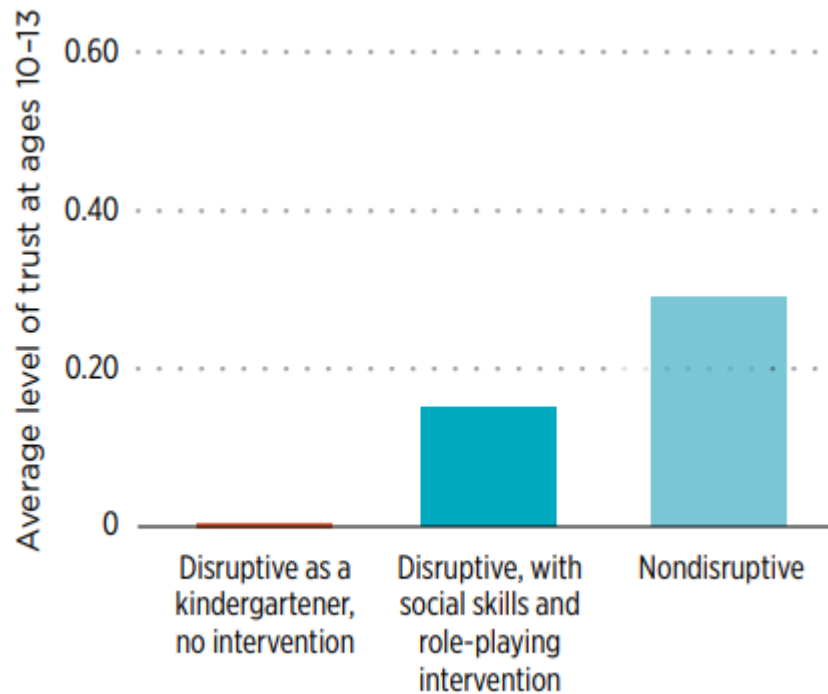
This is the part, after the concept of mental models is revealed, where it will be explained how the concepts of *individualism*, *factionalism* and *universalism* are defined in this work. *Individualism* as a mental model(*and as a social institution*), means thinking in a way that our thoughts and actions revolve around mainly benefitting ourselves, mostly at the expense of the well-being of others. *Factionalism*, on the other hand, is prioritizing the success, happiness and welfare of the members of the faction(s) one belongs to, once again, at the expense of other people who do not belong to the said faction(s). Lastly, *universalism* is a

concept where a person wants what's best for humanity in general, showing care not to harm others along the way. It should not, however, be confused with the concept of altruism. Universalism does not always have to take place in the shape of aiding others at the expense of the individual. These concepts have been taken both as mental models and social institutions, because this work argues that, in line with the mental models approach, their existence in individuals can be impacted by social institutions and their existence as social institutions can be impacted by individuals; the two occurrences being in constant interrelation with each other.

While investigating Chile, this work argues that certain detrimental impacts of mental models of individualism and factionalism mostly(*if not always*) lead to negative outcomes for inequality and social problems in general. By the same token, it is probable that universalist mental models have much more potential to lead people towards actions that are beneficial for the society, including impacting other people's mental models and institutions in a positive manner. It is true that the main concept of this work will be *mental models*, but these three in specific will be actively used in order to explain and form relationships between certain phenomena, especially with regards to inequality.

Another important concept that will be used in this work is *trust*; mainly, the feeling of trust that an individual harbours for others: especially the political, economical and social systems. A well-known game theory named *prisoner's dilemma* suggests that the best possible outcome in interactions can be attained when there is mutual trust between the interacting parties(Public Broadcasting Service, n.d.). A compilation of studies on mental models(The World Bank, 2015) involves a particular intervention study on disruptive schoolchildren where increase in the factor of trust(*through the intervention on their mental models which led to this outcome*)(Figure 1.2) among children increased their adult outcomes, as shown in another figure below(Figure 1.3)(Algan et al., 2013).

**Figure 1.2 Levels of trust ages 10-13**

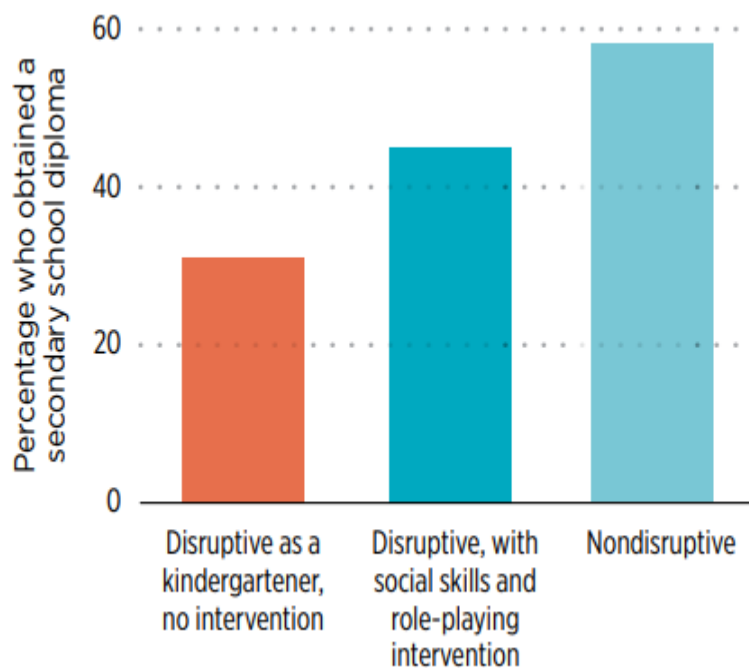


Source: Algan, Y., Beasley, B., Vitaro, F., Tremblay, R. (2013). “*The Long-Term Impact of Social Skills Training at School Entry: A Randomized Controlled Trial.*” Working Paper, Sciences Po, Paris.

Beyond the improvements on personal and social well-being, studies have found correlations between trust and macroeconomic indicators. Evidence suggests that “*trust in people outside one’s own family or social group is strongly positively related to economic growth*”(Knack & Keefer, 1997; Algan, Cahuc & Shleifer, 2013, The World Bank, 2015). Furthermore, another work suggests that lack of trust might lead to the occurrence that “*parties will also be less willing to delegate responsibilities and less willing to specialize, which can result in inefficiency within a firm and reduced growth within a country*”(Bloom et al., 2012). Furthermore, there are works that link trust with inequality. Jordahl(2007) notes that there is a strong negative relationship between trust and inequality. Knack

and Keefer(1997) have also found strong correlations between the two concepts. During the investigation into the relationship between mental models and inequality in Chile in this work, the concept of trust will also play a pivotal role.

**Figure 1.3 Rate of obtaining a secondary school diploma**



Source: Algan, Y., Beasley, B., Vitaro, F., Tremblay, R. (2013). “*The Long-Term Impact of Social Skills Training at School Entry: A Randomized Controlled Trial.*” Working Paper, Sciences Po, Paris.

Sachs(2001) examines the issue of inequality(*albeit without working actively with the concept itself*) from two specific angles. Firstly, he investigates inequality not within a country, but rather, among different countries; in this case, he focuses on the underdevelopment of countries that are, or carry the risk of becoming state failures, especially due to economic problems. According to him, in the case that a

state fails in these countries, it could spiral into an international issue and harm even the farthest corners of the world. This analysis might be exemplified further in light of recent events, going beyond state failures. China, far from being a failed state, now considered to be a “superpower” rivalling Russia and the U.S., experienced the unfortunate outbreak of the covid-19 virus, which has then spread all over the globe and plunged the world into a global pandemic the likes of which had not been seen in a century, a crisis that had far more impact globally than many other problems caused by the “failed states”. While it would be difficult to directly link the outbreak of the pandemic with inequality, it is probable that the current and future potential risks of becoming “disconnected” from the rest of the world need to be rethought, and it is possible that the same dangers could have a drastic impact on global inequality as well. Furthermore, it is found that “*There is immense variation in mental models across societies*”(The World Bank, 2015); such “disconnectedness” might make it more difficult to correctly analyse the reciprocal impacts of differing mental models among differing geographies.

The second angle that makes Sachs’ work valuable for the purposes of this work is his pragmatic viewpoint. Sachs claims that social and economic problems have a “splashing effect” on the rest of the society, or the world, and gives the examples of the rise of Hitler, the disintegration of Yugoslavia and the problems in the Middle East(Sachs, 2001). It is well known that parts of the societies in the Middle East have developed negative feelings for the U.S. over years, mainly due to their interventionist politics. Several researches in 2002 and 2003 “*found that the U.S. was less popular in the Middle East than in any other part of the world.*”(Rosentiel, 2020). When the social mental model in a country or area towards a foreign country is so unfavorable and devoid of trust, then it should not come as a surprise that the success of interventions would be so limited, and that the problems in those countries(*not the least of them being inequality*) would continue to cause complications globally as well.

Another aspect of inequality needs to be mentioned that is the most controversial among others; mainly, economic inequality. Piketty’s Capital has proven to be a

strong leap forward with the discussions it revived on the subject of economic inequality (Piketty, 2014). Discussions on inequality, in its economic meaning, have gained a new impetus with Piketty. His work, and especially his formula “ $r > g$ ” has raised plenty of healthy discussions once again on the topic (Pinkovskiy, 2015).

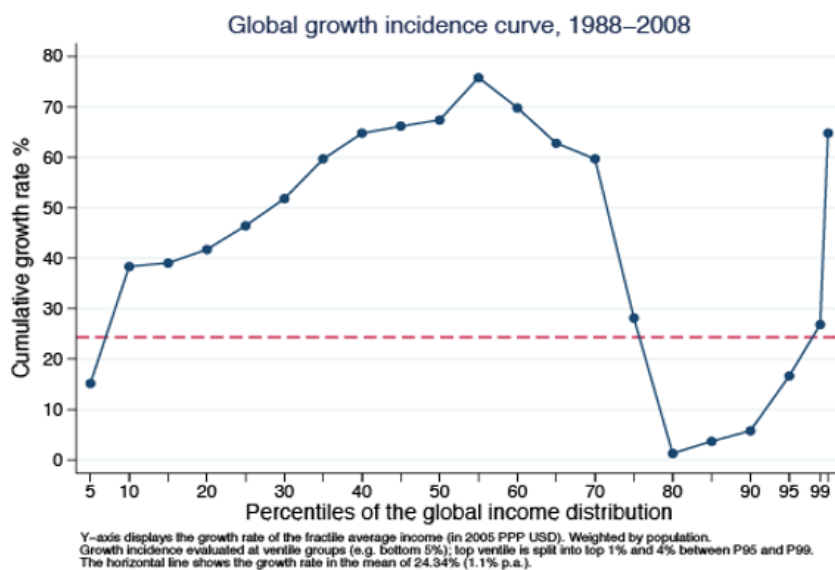
According to Piketty, if the overall return rate from capital in a given period within a country is greater than the production output of the country, then inequality (*wealth*) is bound to increase as well (Piketty et al., 2014). This argument has sparked some healthy debates in the field. Among many people who took part in this discussion, it would be helpful to name a few of the responses. Bill Gates (2014) claims that reality does not fully support Piketty’s claims. He bases his argument on the Forbes 400 list (Forbes Magazine, n.d.), and shows that most of the people on the list of the wealthiest are entrepreneurs and there is no one on that list who has gotten rich over time simply through rentier income (*this concept is one of the primary topics in Piketty’s work*). While Piketty had recommended a progressive taxation on capital, Gates instead suggests that a progressive taxation on consumption would be more beneficial for economic inequality, since taxing capital also means taxing additional investments (Gates, 2014).

While this proposition seems from the outset to be strictly in the field of economic inequality, it might also help with regards to fixing the “negative perceptions towards the rich” (*a mental model*) that part of the population possesses (Cato.org, 2019), since such symbols could be quite effective at enhancing the feeling of inequality (*the mental model of it*). These negative feelings, unless intervened, might lead to even more negative feelings (*including distrust*) and result in even more destructive mental models. An intervention study (Algan et al., 2013), as referenced in the previous pages, found that children who had an increase in their level of trust towards their environments became more successful adults and became more productive in the later stages of life. It could be possible to link this study to the argument above and claim that a decrease in negative feelings in a

society might also lead to a decrease in social problems(*including inequality*) as well. In this work, it will be investigated whether such mental models have an impact on inequality in Chile.

The place of housing and general rental assets in the composition and calculation of capital has a critical role to play with regards to economic growth and inequality in general, as discussed by many authors(Morgan 2015; Beker 2014; Knibbe 2014; Rowthorn 2014). Nevertheless, the fact that global economic inequality has been slowly declining(*at least on paper*) despite the obvious global gap between  $r$  and  $g$ , as demonstrated by Lakner and Milankovic(2014) below, suggests that there could be more to “ $r > g$ ” than meets the eye:

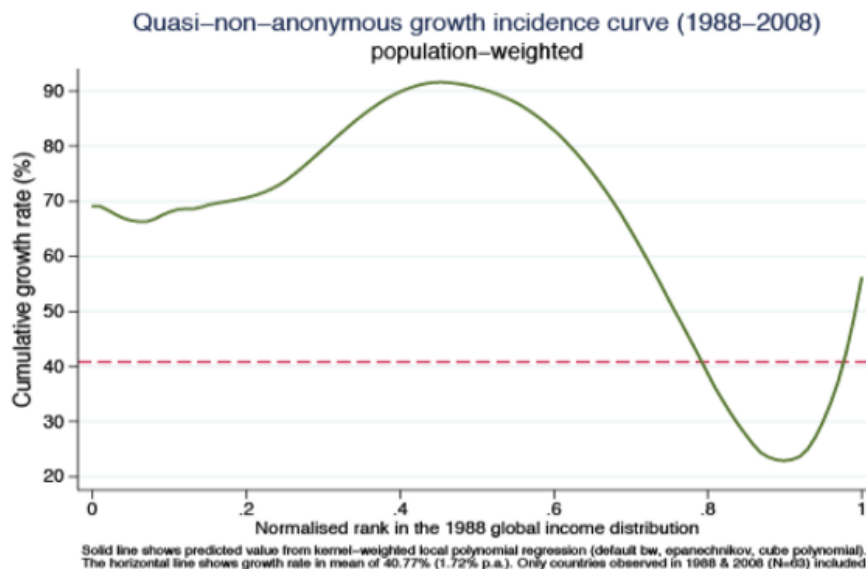
**Figure 1.4 Anonymous global growth incidence curve: Real income change at various percentiles of the global income distribution between 1988 and 2008(%)**



Source: Lakner, C., & Milanovic, B. (2014, May 27). “Global income distribution since 1988.” VOX, CEPR Policy Portal. <https://voxeu.org/article/global-income-distribution-1988>.

This remarkable research by Lakner and Milankovic(2014) leads to two important conclusions. Firstly, inequality in its traditional sense overall has dropped when calculated through the gini coefficient. The second, more important conclusion, however, tells a different story. While the 70-90th percentiles of the population have gained the least among(*relatively and effectively lost against*) all income levels, the top 1% seems to have experienced the highest percentage increase in income along with the population in the median. It might therefore be deduced that a process of concentration or “monopolization” of capital has taken place in a dramatic manner(Eatwell, Milgate & Newman, 1990; Gronow, 2016; Foster & McChesney, 2012). As the former British deputy prime minister John Prescott once stated in 1997: “We are all middle class now”(BBC, 2007). All but the top 1%, apparently.

**Figure 1.5 Quasi non-anonymous global growth incidence curve: Real income change between 1988 and 2008 across 1988 percentiles of the global income distribution**



Source: Lakner, C., & Milanovic, B. (2014, May 27). “Global income distribution since 1988.” *VOX, CEPR Policy Portal*. <https://voxeu.org/article/global-income-distribution-1988>.

It would be a premature claim to argue that the problem of economic inequality is gradually being solved; it could be getting worse in the form of monopolization. One might ask why that would be a bad thing, or even claim that “if the single capital-holder is a person of virtue(*a universalist*), the allocation of those resources would take place in a more fair manner than if it were in the hands of five different selfish(*individualist*) or *factionalist* people”. This argument would be in the same line as defending dictatorships against democracies in a political sense. While it is true that a “dictator” could indeed be a just and enlightened person, the contrary scenario would be much more dangerous, as history stands witness with its countless examples. In today’s world, concentration of capital also means a concentration of political power, so the analogy would not be far off(UNDP, 2021; Cerda, 2015). Furthermore, this monopolization would hinder competition, which is one of the founding principles behind the capitalist economy. As a result, monopolization of capital embodies a higher potential to contribute to inequality than to help reduce it(Lynn & Carty, 2017).

While economic inequality is without a doubt a most pressing issue, attempting to confine the concept into singular fields in a disconnected manner might lead to misleading results. Parker(2014) claims that the concept of inequality should be scrutinized in a cross-disciplinary fashion by “*political scientists, sociologists, social psychologists, historians and moral philosophers*”. He argues that the problem of inequality is much more serious and complicated than what can be deduced by a single field of social sciences. He stresses the importance of working in tandem with the fields mentioned above. One might add many other fields into this list such as anthropology, geography etc.. In the same lines, it is also the origin point of this work that approaching the issue from a purely economic perspective would not be able to help much in the process of understanding the source of or eliminating inequality in a fundamental way.

Parker also brings up a most valid criticism against Piketty’s Capital with regards to the issue of corruption, especially in the form of “*systematic tax evasion, and*

*most especially evasion through “off-shoring”*”(Parker, 2014). He also voices his concerns with regards to its potential effects on public confidence in the market economy, and broadly, in the system itself. He quotes the research of Gabriel Zucman, who has found that 20% of US corporate profits escape taxation each year(Zucman, 2014). It is surely important to formulate policies to combat inequality, but when policies and regulations are not even applied and followed up properly, it would be naive to expect results. On the contrary, acts such as these might have the potential to reduce people’s trust in the system, an occurrence which would be detrimental for inequality as well.

This first section of the thesis attempted to investigate different approaches towards inequality, how it’s seen by the public and the thinkers, whether it’s getting better or worse, and in the meanwhile, where the work stands with regards to the subject; mainly, the perspective of mental models. Understanding inequality as it crystallizes in the minds of individuals as a concept is a crucial step in solving the problem, which is why this work will be more focused on the political-economical evolution of inequality in Chile and attempt to integrate the said perspective to this case.

## **1.2 – INEQUALITY IN CHILE**

A small, beautiful country on the coast of the Pacific, isolated from the rest of Latin America by the stoic Andean Mountains: Chile. Yet somehow, this remote country managed to become our bridge into the age of neoliberalism and experienced a steep increase in inequality. In this section, some of the basic realities of inequality in Chile will be explained and possible links between those realities and mental models will be investigated, before moving on to the historical analysis.

Penguins’ revolution in 2006 and the Chilean Winter protests in 2011-2013, followed by the protests in 2019 clearly demonstrate that something is wrong in

Chile. Rajevic relays the events in 2019: “*their demands, linked to policies inherited from the dictatorship but also to other historically silenced forms of oppression, included calls to end inequality and abuses of power, stop police repression, dismantle patriarchal violence, overhaul the private pension system, and rewrite the 1980 Constitution, created under General Augusto Pinochet’s military regime*”(Rajevic, 2021). He points out that more than one million people took to the streets in Santiago in 2019, which is a shocking number for a city that is populated by less than seven million people(World Population Review, 2021).

The enthusiasm and tenacity of Chilean people with regards to ending inequality is truly astounding. Their commitment to equality prompts them to raise their voices whenever they feel threatened by the shortcomings of the social, economical and political systems. Their concerns cover a range area of topics, including, but not limited to education. The fact that the protests are so vocal, combined with mixed views on inequality in the country, makes Chile quite an interesting choice with regards to investigation into inequality.

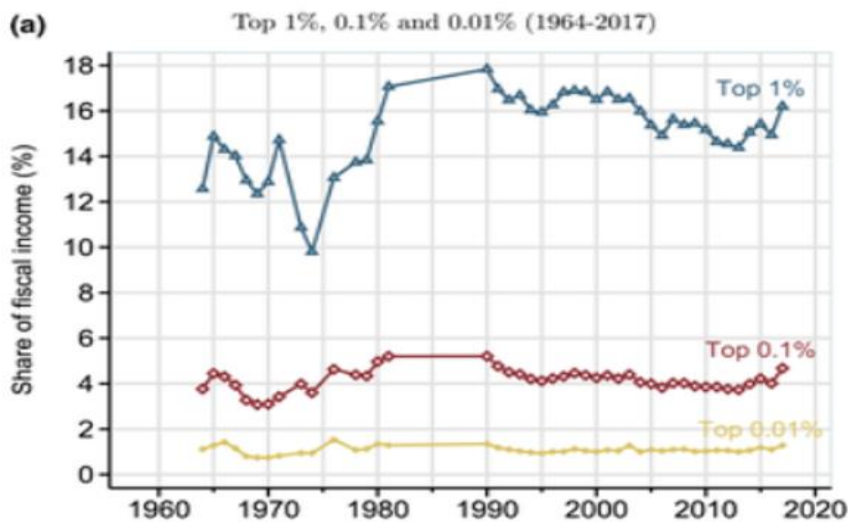
One facet of the protests towards inequality, with no surprise, included the gender problem; mainly, oppression and violence against women, a problem that exists globally in different forms and degrees. Rajevic(2021) notes that more than two million women were protesting in Santiago on March 8, 2020, the International Women’s Day. Just as in other forms of inequality, this problem can also be explained with mental models. There are many researches in the literature that hint at possible links between mental models(*in the form of psychological inclinations*) and violence against women, which is one of the facets of gender inequality (Berke et al., 2016; Pleck, 1995). The protests in Chile in 2019 integrated the identity problem as well, reminiscing the massacres of indigenous communities back during the colonial times. The protestors altered and damaged many statues of colonial commanders and rulers in the country(Rajevic, 2021).

Protesting inequality is a noble cause, yet there is one problem here that have been mentioned before, however: the problem of defining “inequality”. Protesting is a

most fundamental human right, but what *is* inequality? It has been claimed in this work earlier that aiming for an objective definition of inequality might not lead to satisfactory results and that the problem can not be attributed to individuals or singular institutions, not while it constantly reproduces itself in its infinite forms, especially in the mental models of individuals and social institutions.

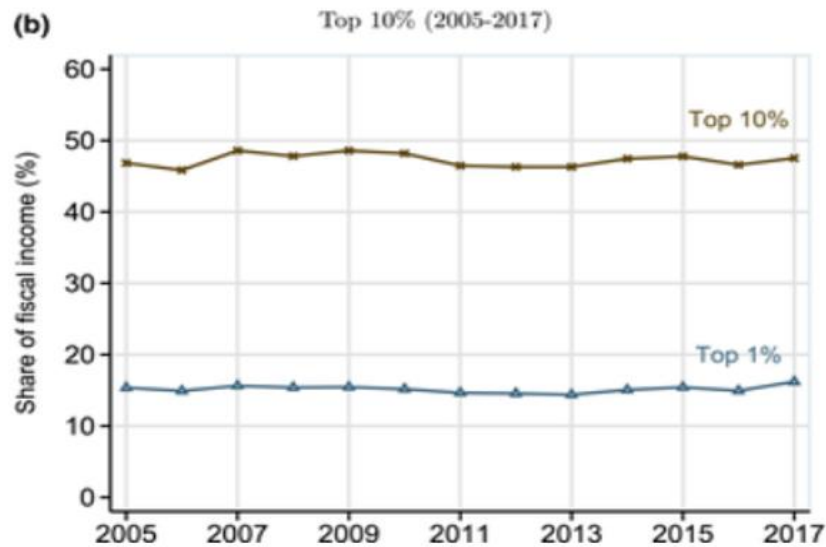
Economic inequality will prove to be a solid beginning point for analysing inequality in Chile. In this endeavor, the detailed work of Flores et al. provide ample educative data in order to be able to produce some preliminary deductions:

**Figure 1.6 Change in the shares of fiscal income of top 1%, 0.1% and 0.01% in Chile between 1964 and 2017**



Source: Flores, I., Sanhueza, C., Atria, J., & Mayer, R. (2019). “Top incomes in Chile: A historical perspective on income inequality,” 1964–2017. *Review of Income and Wealth*, 66(4), 850–874. <https://doi.org/10.1111/roiw.12441>

**Figure 1.7 Change in the shares of fiscal income of top 10% and 1% in Chile between 2005 and 2017**



Source: Flores, I., Sanhueza, C., Atria, J., & Mayer, R. (2019). “Top incomes in Chile: A historical perspective on income inequality,” 1964–2017. *Review of Income and Wealth*, 66(4), 850–874. <https://doi.org/10.1111/roiw.12441>

The figures above divide the trends into three constituent periods: “the “early years” (1964–73), the “dictatorship” (1974–89), and the “return to democracy” (1990–2017).” In the first period, the income shares of top 1% drop to less than 10%. In the second period, despite serious data limitations, the share of the top 1% increases from below 10% to almost 18%, which coincides with the implementation of the neoliberal regime by Augusto Pinochet and the Chicago Boys. In the final period, which begins with the return of democratic leadership in Chile, the share of top 1% once again starts to diminish, albeit in a confusing and an inconclusive way. In fact, another “possible” trend in the period of 2013–2017 shows an increase in the income share of the top 1%, for the first time since the end of the dictatorship. Due to the facts that the period is quite short, too recent, and the fluctuations are not decisive enough, it is difficult to tell whether this is truly a meaningful trend or there are different periodic factors behind this

phenomenon. One thing is certain, however: The problem of income inequality still remains as a problem in Chile today(*although not necessarily worse than it used to be*), as evidenced in yet another figure provided in the same work:

**Figure 1.8 Comparison of the change in the income shares of the top 1% in U.S., Sweden and Chile between 1964 and 2017**



Source: Flores, I., Sanhueza, C., Atria, J., & Mayer, R. (2019). “*Top incomes in Chile: A historical perspective on income inequality*,” 1964–2017. *Review of Income and Wealth*, 66(4), 850–874. <https://doi.org/10.1111/roiw.12441>

While the country does not seem to have fared so badly in the last thirty years when compared to other developed countries such as U.S and Sweden; the insidious, increasing “quasi-trend” in the recent years might prove problematic. The periodization in the work of Flores et al. accurately correlates with the method of investigation in this thesis as well. Simply, a general sharp increase can be observed in all aspects of inequality during the Pinochet era, following a general decrease in the democratic period, albeit at a reduced pace. It can be concluded that through an investigation into the ratio of income of the top 1% when compared to the rest of the population between the years 1964-2017, income inequality is still a problem in Chile today. Nevertheless, since there is not

a sudden leap or a sustained increase in income inequality, it can also be argued once again that numbers and figures fall quite short of explaining the dissention and protests in Chile for the last fifteen years. This subject will be further elaborated upon in the coming pages.

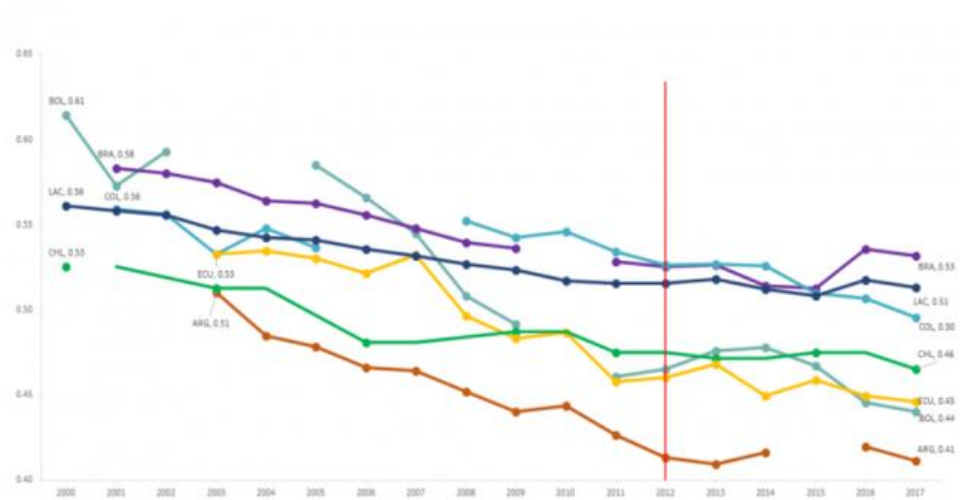
The process of neoliberalization in Chile has proven to be quite problematic, yet it was still seen as a symbol of success for neoliberalism by the west. In 2020, the IMF granted Chile access to its Flexible Credit Line (Georgieva, 2020) since it has a *“track record of implementing prudent macroeconomic policies.”* (Saldías, 2020). Belying the apparent strength of the macroeconomic indicators, public faith (which can be reinterpreted as *“trust” based on the concepts used in this work*) in the governance of the economy seems to be at dramatically low levels, which might, as has been previously argued, negatively impact inequality. A survey in 2018 (Latinobarómetro database, 2018) has found that *“66 percent of Chileans expressed a negative opinion of how the economy was functioning and another 74 percent stated that the country’s affairs were run in the interests of elites while 90 percent agrees that income distribution is unjust”* (Saldías, 2020). If inequality is not getting worse on paper in Chile and the people have begun protesting it, that could possibly mean that the mental models of people have changed; and if the problem is to be understood and solved, focusing on mental models might yield a more satisfactory result in this endeavor.

While it is true that inequality is not getting worse in Chile, the sustained existence of certain legal and structural obstacles continue to hamper progress in the country. People in Chile were told that they could gain 70% of their salaries back as pensioners if they invested 10% of their current income in their pension funds, yet approximately 80% of the pensioners in Chile are receiving less than the minimum wage when they retire (Heine, 2020; Saldías, 2020). The problems with the privatized pension system has long been one of the primary topics of discussion in Chile with regards to economic inequality. This does not mean, however, that the democratic governments have done nothing to curb the issues so far. Michelle Bachelet formed a Basic Solidarity Pension in 2008 that reduced

elderly poverty from 24 percent in 2006 to 4 percent in 2020. Despite the efforts, minimum pensions in Chile stand at 45 percent of the minimum wage, while basic coverage in Argentina is equal to the minimum wage(Saldías, 2020). Saldías briefly mentions the recent discussions on and the problems associated with the pension system in Chile, most specifically the privatized system called the “AFP”s. There is no doubt that if Chile will ever be able to tackle the problem of economic inequality, the issue of the pension system needs to be addressed to its full extent.

One of the most interesting occurrences in Chile, also being one of the main focuses of this work, is the intensity of the protests in the last decade, which has come as a surprise for most of the world. The democratic transition after the end of Pinochet era has seen both an increase in overall wealth in the country and a relatively more equitable distribution. In the 2000s and 2010s, Chile would probably be the last country one would expect to see protests in Latin America, yet that was not the case. In the years 2006, 2011-2013 and 2019, the country was subjected to almost never-ending protesting sprees. Ferreira & Schoch(2020) attempt to investigate this phenomenon and examine whether the increase in protests correlate with an increase in economic inequality:

**Figure 1.9 Income inequality in selected Latin American countries, 2000-2017:  
Gini coefficients**



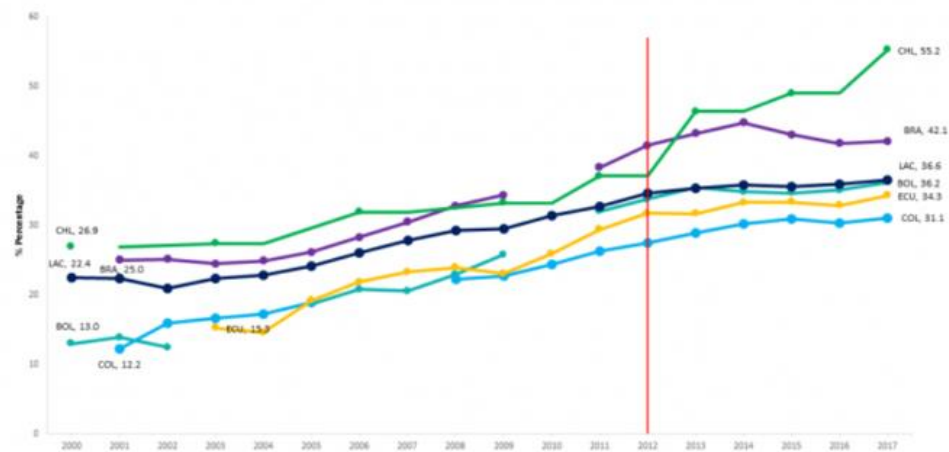
Source: Ferreira, F., & Schoch, M. (2020). “*Inequality and social unrest in Latin America: The TOCQUEVILLE PARADOX REVISITED.*” World Bank Blogs. Retrieved from <https://blogs.worldbank.org/developmenttalk/inequality-and-social-unrest-latin-america-tocqueville-paradox-revisited>.

As can be seen from the table above, income inequality has been declining since 2000 in Latin America, yet the protests and upheavals in Latin America lead to a different story (Chile 2006, 2011, 2019; Colombia 2021; Venezuela 2019 etc.), even though the protests are mostly united behind the struggle for equality, the data shows that there is no distinguishable correlation in this area; these uprisings might not be linked to a sudden increase in economic inequality:

*“ If there was a direct, simple link between high income inequality and protests in Latin America, Brazilians should have been out in the streets of São Paulo in 2019. Or Chileans in 2001. Not Chileans in 2019.”*  
(Ferreira & Schoch, 2020)

Building on these facts, Ferreira & Schoch go on to claim that it was actually the expansion of the middle class that caused an increase in the occurrence and intensity of these protests, as given in the table below:

**Figure 1.10 Middle class in selected Latin American countries, 2000-2017:  
share of population with income \$13-70 (2011 PPP)**



Source: Ferreira, F., & Schoch, M. (2020). *“Inequality and social unrest in Latin America: The TOCQUEVILLE PARADOX REVISITED.”* World Bank Blogs. Retrieved from <https://blogs.worldbank.org/developmenttalk/inequality-and-social-unrest-latin-america-tocqueville-paradox-revisited>.

Here, the work of Ferreira & Schoch finally connects the social unrest in Chile with Tocqueville Paradox, which goes as such, by the words of Alexis de Tocqueville:

*“The hatred that men bear to privilege increases in proportion as privileges become fewer and less considerable, so that democratic passions would seem to burn most fiercely just when they have least fuel. [...] When all conditions are unequal, no inequality is so great as to*

*offend the eye, whereas the slightest dissimilarity is odious in the midst of general uniformity. [...] Hence it is natural that the love of equality should constantly increase together with equality itself, and that it should grow by what it feeds on.” (Tocqueville, 2019 – original work published in 1840)*

It is claimed by Ferreira & Schoch(2020) that the improvements in life conditions and the expansion of the middle class enabled the people to voice their concerns more easily. A widening trend in the middle class can be observed in the last decade and even before that, but the sharp increase recently, especially in Chile, might prove Tocqueville right, yet there could be more to this phenomenon than meets the eye. It would be counterintuitive to think of a direct link between social unrest and an increase in welfare. The data above, however, shows that people are now more vocal even though the long-range trend on income inequality is a decreasing one. It might be easier to explain this phenomenon through mental models.

People have been “feeling” inequality for a long time, yet protests for this cause have become much more common and widespread in the last decades. It is well known that, in this day, social media plays a pivotal role in organizing protests and sharing resources during uprisings(Jost et al., 2018). It allows the people to feel stronger and voice their concerns more easily than before. Lack of trust towards certain individuals and institutions, as has been and will be argued further in the text, might also be one of the driving factors behind these protests. Furthermore, the fact that inequality as a concept has been receiving more and more attention with each passing day could be strengthening its place in the minds of the people, becoming a strong part of their mental models and social institutions, thus empowering the resolve to fight it. This perception of “public strength” could potentially show differences from country to country, and this difference might involve various criteria such as the flexibility of the governments towards protests, which would affect the answer to the question: “Would I be able to change anything by protesting?”. When fear and desperation are actively

disabling action(*which might have been the case for Chile, as will be argued later in the text, until the middle of 2000s*), it would be futile to expect resistance from the people. Such changes in the mental models of the people would be expected to have serious impacts on collective action.

This work by Ferreira and Schoch is valuable in the way that it allows thinking of inequality under a different light. It makes use of the Tocqueville Paradox in order to suggest that the correlation between inequality and protests might not be so linear after all. It suits the perspective of this thesis quite unproblematically: a change in the mental models of the people could lead them to change their stances towards different concepts; in this case, it is inequality. The integration of social media has had various impacts on protests in Chile(*along with the rest of the world* – Granillo, 2020; Gilbert, 2021) such as allowing faster access to information. Politics is no longer a remote process where the people affected cannot influence it in any way other than voting; people are more aware of their power now, and that power manifests itself through protests in a most vivid manner.

Education has probably been the most prominent area of debate on inequality in Chile for the last two decades. Starting with the Penguins' Revolution in 2006 and gaining momentum in 2011 with the Chilean Winter, the latent problems in Chile's education system, which have their roots in the policies of the Pinochet era(*which will be analyzed further in this work*), have gradually started becoming more visible. In the last decades, major developments can be observed in the area of education in Chile. More than 96% of children aged between 6 and 13 were attending primary school and more than 90% of those between ages 14 and 17 were attending secondary school in 2016, these percentages were close to the OECD average(Torres, 2020). Nevertheless, certain structural, legal problems that are the legacies of the Pinochet era, such as a voucher system based on municipal funds, continued obstructing further reformations of the education system.

Torres(2020 attempts to investigate whether the perceptions of inequality in education in Chile hold the same for both the young and old people, and where they each stand with regards to the issue. Since this work is heavily interested in perceptions(*which are the product of mental models*), a research in this field would prove to be a valuable source of data.

**Table 1.1 How equal or unequal do you believe Chile is in terms of people’s access to quality education?**

Age group	Mean	Standard Dev.
18-29	8.10	2.31
30-44	8.51	2.09
45-54	8.58	1.90
55-64	8.32	1.99
65 and over	8.30	1.95

Source: Torres, R. A. (2020, June 4). “*Perception of inequality in access to quality education amongst Chilean young people compared with other age groups.*” Revista Espacios. Retrieved from <http://www.revistaespacios.com/a20v41n20/a20v41n20p23.pdf>.

The table above provides a comparison of differences in perceptions of inequality in education in Chile among people from different age groups. They’re asked to rank their perceptions between 1(*very equal*) and 10(*very unequal*). As can be seen, there’s very little difference among different age samples(*older people tending to view the education system as slightly more unequal than the younger ones do*), and they all believe that the system is highly unequal.

Torres’ work is also quite innovative in a way that it attempts to uncover the perceptions of the people, what they “believe”, rather than factual reality, and it is one of the focal points of this work that people’s opinions of reality matter as much as what researchers can gauge from numerical data based on material realities. Social demands and problems might have their roots much more in

people's perceptions than in actual reality, and making sure those perceptions and "mental models" are in line with material reality as much as possible could be one of the ways through which healthy, concrete solutions for inequality can be formulated.

Another aspect of inequality in Chile that needs to be discussed is its health system. Just as with the education system, the overhaul of the health sector during Pinochet era has deteriorated public health system to the point that enormous discrepancies have emerged in both access to and quality of the health services, particularly between public and private institutions. During the tenure of Pinochet, National Health Service was abolished and was delegated to municipalities under the name of FONASA, as part of the decentralization process; similar to what happened in the education system. Furthermore, the creation of the private pension system (AFP) and private health insurance institutions (ISAPREs) also contributed to an increase in inequality in the health sector. Contribution from the state budget to health services dropped from 68% to 35% while compulsory individual contributions increased from 16% to 45%. Average expenditure of an ISAPRE affiliate was close to the developed countries such as UK and Spain, while the figures for a FONASA affiliate were on par with those of Latin American countries. A health reform in 2005 attempted to fix the inequities in the health system. Public spending on health from state budget increased from 1.6% in 1990 to 3.9% in 2014 (Rotarou & Sakellariou, 2017). Democratic governments after 1990, once again, as in the education sector, demonstrated sincere efforts to remedy the equity issues in the health sector; yet once again, as in the education sector, the efforts fall quite short of addressing the problem in a comprehensive manner.

As has been claimed in this work multiple times before, the concept of inequality would be difficult to grasp through singular measures or disconnected approaches; a holistic approach would be more helpful. In this endeavour, the work of Vega-Salas et al. (2021) that investigates inequalities in dietary intake between the "upper" and "lower" stratas of the society in Chile proves complementary to both

inequalities in the health sector and inequality in Chile in general while providing arguments that can be linked with mental models. Preliminary research in Chile on the relationship between socioeconomic inequality and the rates of obesity had already presented a set of data in order to be able to claim that obesity is indeed more prevalent in the part of the population that is situated on the lower side of the socioeconomic spectrum (Departamento de Epidemiología MINSAL, 2017). Global research, on the other hand (Bouchard, 2008; Giskes, Avendano & Brug, 2009), suggests that there might be two determinant factors for obesity: dietary intakes and physical activity. The fact that there is an ample amount of difference in the rates of obesity between different socioeconomic groups means that it should be related to at least one of these two factors; the research of Vega-Salas et al. (2021) investigates the first factor in detail and finds that while there is not a substantial difference in the amounts of macronutrient intakes (*such as carbohydrates, protein and fat*), the quality determinants of diet such as the consumption of vegetables, fruits, dairy, fish and wholegrain products demonstrate a certain dissociation between the two groups. There is a certain amount of difference in the quality of the dietary intakes: mainly a scantness of fiber and other healthy micronutrients (*as in minerals and vitamins*) and an abundance of processed and sweetened products for the lower socioeconomic groups. The research first ponders the possibility that the lower quality in dietary intakes might be related to nutritional knowledge, but finds out that it is more related to economical factors. The fact that healthier products are more expensive redirects the attention of the lower strata towards cheaper alternatives, which include sweetened beverages and processed products.

This work mentioned above by Vega-Salas et al. focuses particularly on the potential relationship between socioeconomic inequality and dietary intakes, a wholly different field from the ones that have been referenced before in this work. It reveals that there is a qualitative, if not quantitative, difference between the forms of food consumption of people from different socioeconomic strata.

Obesity and health issues might be more prevalent in the lower strata of the society, but it should not be treated as just another independent factor of inequality. Those people who are the victims of health inequality, people with unfavorable physical conditions, might also experience a decline in motivation and performance with regards to their well-being and ambitions. Research on the topic suggests that there is a relationship between nutrition and psychological health (Chu et al., 2019; Bernard et al., 2011). A decline in psychological health might lead to distortions in mental models, since they are a product of human minds. These distortions, as will be mentioned in the coming pages, might embody the potential to contribute to inequality. Therefore, even a seemingly remote concept such as obesity might have an impact on inequality.

This section has attempted to summarize some of the works on inequality in Chile from as many perspectives as possible and investigated possible links between different findings and mental models. It was argued through different examples that inequality and mental models are in a constant reciprocal relationship with each other. In the next chapter, the neoliberal process in Chile will be historically explained while the potential impacts of individual mental models and social institutions on how inequality is perceived in Chile will be investigated.

## **2 – THE NEOLIBERAL ERA**

Chile was the country where Milton Friedman, one of the founders of Chicago school of economics, first had the chance to test his monetary theory and begin the neoliberal evolution that quickly took over the globe. This is where, one might say, it all started. This chapter aims to chronologically investigate and analyze the neoliberal history of Chile while using mental models as an explanatory tool in order to determine whether the problem of inequality can be attributed to certain mental models.

## 2.1 – THE RISE OF CHRISTIAN DEMOCRATS(1964-70)

PDC(*Christian Democrat Party*) has been one of the most dominant and successful political parties in Chile in the second half of the twentieth century. It would be prudent to investigate the factors behind this success before marching onward with the investigation.

Every movement builds around certain names and PDC was no exception. Eduardo Frei; its leading, historical figure; had already begun capturing the hearts of the people as early as 1946, when he resigned from his post of Minister of Justice in protest of the bloody reaction of the government against an uprising. Bernardo Leighton, another historical name for PDC, also resigned from his duty as Minister of Labour when President Alessandri in 1938 personally attacked *Topaze*, a well-known and respected caricature magazine in Chile(Collier & Sater, 1997). Such acts that reflect personal morals never go unnoticed. People yearn for integrity and clear, solid visions. The founders of PDC, in the eyes of the public, at least embodied the first quality.

The symbol of the party, when it was to grasp power for the first time in 1964, was an arrow with two bars crossing it, meaning that it fully supported neither capitalism nor communism; they had a “communitarian” view of society, which was already raising questions about the second quality mentioned above – the quality of a clear, solid vision based on a coherent mental model that is beyond that of automatic thinking. During a rally for the 1964 elections, Eduardo Frei’s claim that they were stuck “between “reactionaries with no conscience” and “revolutionaries with no brains””; gained huge favour(El Mercurio, 1964). This stance might have been more solidified, had it also embodied a coherent philosophical methodology based on a consistent mental model.

PDC’s gigantic success in the successive 1964 presidential and 1965 congressional elections resulted in a rare occurrence in Chile: A single political party had near-total dominance and control over policymaking. Only a blockade

supported by the totality of the opposition parties of right and left factions could prevent PDC's reforms, and it did not happen often. As a result, PDC was able to make considerable efforts towards improving wealth and welfare all across the society: 20.000 new units of different types including resident committees, mothers' clubs, youth clubs, sports associations, mothers' centers and similar had sprung in a comprehensive social plan named *promocion popular* that focused on education, welfare and copper industries. 260.000 new houses and 3.000 new schools were built, the number of hospitals and beds almost doubled. By 1970, 95% of the kids in the appropriate age group across the country were enrolled in primary education. It should be noted that living conditions in the cities of Latin America at that time were not ideal at all. Approximately 25 percent of the population in Latin America were living in slums at that time, which were called *callampas* in Chile(Galeano et al., 2010).

Land reform also picked up the pace swiftly in this period. For the first time in the history of Chile, rural landowners actually felt threatened. There were major takeovers from the landed elite by the state: by 1970, around 1.300 haciendas had been expropriated(Collier & Sater, 1997). Furthermore, despite all these social improvements, the economy was also doing well enough to be able to claim that "Frei left a better Chile than when he first took office", as can be, at least economically, demonstrated in the table below. But these were not enough to stop the huge wave of mobilization that was sweeping across the globe, which was going to hit Chile hard very soon.

In Chile, as in nearly every other country at that time, the polarization between the left and the right was at a boiling point towards the end of the 60s (Goldberg, 1975). There was an increase in political activity in Chile during the 60s. The number of voters increased from 1.5 million in 1958 to 3.5 million in 1970, from 15% to 30% of the total population. Adding to this, union membership rates had skyrocketed as well. During the term of Frei, which lasted for 6 years between 1964 and 1970, blue-collar union membership increased by 38%, white-collar union membership increased by 90% and peasant union membership increased

from merely 2,000 people to 114,000(Dornbusch et al., 1991). Dornbusch et al. also note that there was a considerable increase in the number of strikes in this period, despite the sustained and considerable increase in real wages”(Table 2.2).

A parallel could be drawn between the situation in the end of 60s and contemporary Chile(*at least since 2006*): in both instances, a dramatic increase can be seen in public restlessness(*protests today, strikes back then*) without a corresponding deterioration in macroeconomic variables. It is true that union membership in itself should not cause any harm, but it would be a different story if that membership accompanies a factionalistic mental model. Those “rights” that union members want to protect may not be clearly defined enough, and as has been argued before in this work; without clear definitions, perceptions prevail. When perceptions prevail, unless negotiations are conducted within a universalist framework, if the people in the negotiation process(*on either side of the table*) are plagued with individualistic and/or factionalistic mental models, finding a common ground to settle on would be much more difficult, even impossible at some points. The fact that there was an increase in the number of strikes despite the apparent success as calculated by macroeconomic indicators suggests that a resurgence of negative emotions that potentially includes lack of trust/faith for the system might be at play. “*The macroeconomic responsibility to contain inflationary pressures ... was neither supported by nor understood by most of the workers, even though there was no deterioration of real wages and no significant increase of unemployment*”(Dornbusch et al., 1991), because most of them were probably already consumed by a factionalistic mental model, disregarding the universal welfare of the society.

**Table 2.1 Changes in Macroeconomic Indicators During Frei Era**

Year/Indicator	1964	1970
GDP growth	3.7%	4.0%
Inflation	50%	36%
Real wage index(1970=100)	62.2	100
Share of wages in national income	45%	52%
Public expenditure(% of GDP)	35.7%	46.9%
Population in public employment	119.000	153.000

Source: Lüders, R. J. (1998). "The Comparative Economic Performance of Chile: 1810-1995" (PDF), *Estudios de Economía* **25** (2): 217–249.

**Table 2.2 Number of Strikes and Evolution of Real Wages in Frei Period**

	1960–64 <sup>a</sup>	1965	1966	1967	1968	1969	1970
Number of strikes	98	142	586	693	648	1,127	1,580
Annual increase of real wages (%)	.0	13.9	10.8	13.5	–2.0	4.3	8.5

Source: Dornbusch, R., Edwards, S., Larrain, F., & Meller, P. (1991). "The Socialist-Populist Chilean Experience, 1970-1973." In "The macroeconomics of populism in Latin America: Conference: Revised papers" (pp. 175–221). essay, University of Chicago Press.

The demands of the factions in the radical left were becoming heavier and their support was swelling when compared with PDC's, despite the apparent success of the latter in governance. Frei, in one of his final speeches as president, defined these factions as "the new feudalism", with great precision (Collier & Sater, 1997). The demands of these factions, which were heavily composed of, but definitely not limited with those of the left (*which will be explained in the following pages*), were both unrealistic in their furor and individualistic and factionalistic in their mindset, which was a detriment for social improvement and progress in general.

On the other hand, the rule of PDC was definitely not flawless. The actions and choices of the government raised suspicion to a certain extent in the general public with regards to corruption. Public posts and investment funds in general were subject to favoritism, which can be considered as another aspect of factionalism, which apparently plagued the Frei government as well. Furthermore, inflation had slowly started to rise and growth had started to slow down towards the end of Frei's period. In addition, due to a policy of high tolerance, foreign investment took over a big portion of the capital-intensive production in the country, decreasing the amount of profits and cash that were generated by and remain in the country, thus harming the economy.

As a result of a high degree of factionalism and problems with the Frei government (*a minor factor when compared to the former*), Salvador Allende's Unidad Popular won the 1970 elections, supplanting PDC.

## **2.2 – SALVADOR ALLENDE AND THE RUPTURE (1970-73)**

From nearly a hundred years of back-and-forth policymaking and indecisive politics, Chile was suddenly thrust into a reforming spree. UP's (Unidad Popular) party program stated their willingness to extend a full-scale expropriation of economic activity in Chile (Dornbusch et al., 1991). It was inevitable that if such a direction was to be taken, entrepreneurs and capital-holders would be alienated

drastically. While the country desperately needed many reforms indeed, material change needs to accompany social change(*through reforming mental models*) in order to cement the transformation. If, as can be seen in this case, material change occurs too fast, the tension will tear apart the social contract upon which the society is built, and reactionary movements based on misguided mental models(*which are plagued with factionalism*) will pull the system backwards even more and this is what Allende was faced with. His party's agenda(*immediate, wholesale expropriations*) was way more reformist than what the society could handle at the time, a situation that was, as will be investigated further in this chapter, only worsened by the enthusiasm of the even more radical factions within the Unidad Popular; the left coalition that brought Allende his presidency.

Nationalization of Gran Minería, the copper motherlode of Chile, was one of the biggest steps in Allende's period. Although everyone expected the profit generated by the copper mines to boost the economy greatly, the profits fell sharply instead. The reason was simple: the mines were operated by the Americans for decades and the personnel, the technical material were all either American or worked best under American management(Gall, 1972). Taking a huge leap such as completely and instantly nationalizing the mines made it so that the operations fell into disarray. Finding spare parts became harder, skilled personnel were nearly irreplaceable. Later, due to political conflicts within the labour force in the mines, even employment became a subject of political nature. Gall(1972) notes that among the people employed, many of them were "*nontechnical personnel such as sociologists and psychologists and public relations men, who plunged into political work on behalf of the Unidad Popular or infantile rivalries among themselves.*". Eventually, efficiency and collective good, which are meant to be the main pillars of society, left their place to corruption and political squabbling. This is a perfect example of how detrimental a factionalistic mental model can be. Employment criteria was not aimed at efficiency; it was built upon factionalistic mental models. Between 1967 and 1973, employment in the mines increased by 45 percent while per capita production fell by 19 percent. Furthermore, the American mining companies

Kennecott and Anaconda didn't take the nationalization too well. They went to courts in different countries seeking reparations from Chile and even the fact that these lawsuits were brought up made sure that foreign investors and creditors would think twice before investing in or lending money to the country. As a result of these events, Chile was faced with an increasing number of strikes over the three years and those led to violent clashes in 1973 with serious confrontations between the workers and the police.

The major problems that were encountered in the copper sector reared their heads in agriculture as well. Haciendas, the great rural estates, were now a myth in Chile, completely eradicated by Allende's aggressive land reform policy and the even more aggressive mobilization of the radical factions within the Left. This does not, however, mean that the problems within the agriculture sector had been solved. The dissolution of the land ownership system accompanied a question as well: Who was going to own the land that had been "freed"? State's ownership was unacceptable for the peasants, since they were too "fired up" by the "revolution" due to their factionalistic mental models, by the same token; peasant ownership was too chaotic for the state to handle efficiently at the time. Multiple solutions and ownership frameworks were attempted: none successful enough to be standardized. As a result, many livestock were slaughtered or smuggled abroad, machinery was sold off and agriculture took a huge hit overall. Even worse, attempts by the state to improve the efficiency of the agrarian sector were not utilized properly by the farmers. They mostly abused these helps, using the funds for personal benefits instead of investing these resources in order to improve the efficiency of their production(Solimano, 2014). This time, the mental model of *individualism*, which has a tendency to emerge in times of chaos, took the stage and harmed the society even more.

The land reform, much as it was needed, was implemented too fast and this chaos can be at least partly attributed to the radical left-wing factions mentioned above. These political subjects combined forces with the agrarian labourers to form hostile, sometimes even paramilitary groups in order to evict the landlords who

owned those lands. Even though the law stated that only lands that were of above eighty hectares were subject to expropriation, these groups kept taking over lands that were below the stated number, of their own volition, and this put Allende in a very tough spot (Collier & Sater, 1997). He could either forcefully stop these groups, as he did with some unions mentioned above in the mining sector, or he could let these events slide by and woefully admit that he isn't fully in control and that the rule of law no longer holds any meaning. He tried to work around this with adding a minor clause to the law that governs land expropriations, thus rendering these "takeovers" as legal; yet this was not enough to convince the opposition or the public that he was really in control. If Allende's political base was so zealous and if his policies and mentality were more moderate than those of his supporting, then the claims that "Allende was too extremist in his approaches" might deserve a reevaluation (Grandin, 2019). One could even argue that Allende was, in fact, attempting to contain the urges of at least some of his voters, but the factionalistic mental models of society at the time did not allow for peace or calm, rational policymaking: people on the opposing sides of the political spectrum were not ready for this.

Not surprisingly, the same trends in agriculture and mining unfolded also in industry. This was perhaps the apex, the climax of the protectionist culture that had been adopted by Chile both in the liberal (1820-1930) and in the protectionist (1930-73) eras, resulting in inefficiency and moving the focus away from the struggle against poverty and inequality (Erkul & Demir-Erkul, 2018). The first step of action during the Allende era was the takeover of large, "monopolistic" corporations and breaking their control over their respective sectors. *Interventors* were placed in control of the production facilities in order to facilitate the transition of ownership, yet these interventors were not always selected based on technical proficiency or management skills; unfortunately, the primary criteria for selection was once again political affiliation, which is another example of factionalism. This was the beginning of, but definitely not the end of, the upcoming crisis in industry. The lack of management skills on the part of these interventors caused serious reductions in the rate of production and

efficiency in general. The interventions did not stop with only the largest firms, it spread over to “a large number of medium- and small sized firms”(Dornbusch et al., 1991). Furthermore, these factory expropriations emboldened the factionalistic workers that were employed in the plants that were still privately owned to act – with the help of the more paramilitary factions of the governing coalition such as the MIR – and facilitate their own takeovers in their respective factories. Workers all over the economy now embraced a new-found courage, and this confidence enabled them to unite and take over the means of production wherever they could. Once again, it was all going too fast. Factionalistic and individualistic mental models were tearing apart the society. Allende was once again put between a rock and a hard place, so to say. He could either refuse these takeovers, return the factories back to their private owners in order to preserve a more balanced transition to socialism and “betray” his political base, or he could turn a blind eye to these lawless actions in order to maintain power. Unfortunately, his power circle was stretching too thin for the democratic socialist alliance to stand behind his ideals: he gave in to the pressure. This was taken as a sign of further encouragement and the radical factions in his coalition wasted no time in once again abusing Allende’s inaction towards lawlessness. The result was even more illegal, impromptu takeovers, more harm to the economy in the form of a reduction in efficiency and overall, more chaos. The economic problems that reflect the chaos that have been explained so far demonstrate themselves amply through the numbers provided in the table below.

**Table 2.3 Main GDP Sectoral Growth Rates, 1970-73(%)**

<b>Main GDP Sectoral Growth Rates, 1970-73 (%)</b>				
	1970	1971	1972	1973
Agriculture	3.6	-1.8	-7.4	-10.3
Mining	-3.0	6.0	-3.8	-2.3
Industry	2.0	13.6	2.2	-7.7
Commerce	-1.5	15.8	3.8	-6.4
Services	4.8	7.0	-2	-6

Source: Collier, S., & Sater, W. F. (1997). *"A History Of Chile: 1808-1994."* Cambridge University Press.

Allende's regime was also plagued with shortages and black markets, which are generally linked with abrupt increases in the rate of inflation. The methodology in this work, however, examines this phenomenon under a different light as well. In healthily functioning political-economical systems, phenomena such as shortages and black markets are normally not expected to occur, yet when a shortage occurs in cases such as this, it might cause the public to fear that "they will go hungry or won't be able to procure goods", a fear that, triggering their survival instincts (Mobbs et al., 2015), declines their trust in the system, empowers their individualistic inclinations and make the people take matters into their own hands, disregarding the system. As a result, black markets appear and undermine the system in a serious manner. It can be argued that failures in governing, as in this case, have a tendency to decrease the trust of the public, and in return, strengthen harmful mental models such as individualism and factionalism.

In all these cases mentioned above, Allende can be seen yielding to the pressure from his political base in order to protect what support he has in a political sense. Even if he said "No, I will not allow this outlawish behaviour even if it's coming from my own coalition" and acted against the MIR and the proletariat who were acting on their own, it might have made little difference. Other studies also note that despite the more moderate and gradual approaches of UP and Allende,

workers who occupied the factories pushed the ruling coalition towards a more radical position (Oppenheim, 1993; Balkılıç, 2018). The analysis above suggests that even if a society is ruled by universalist leader(s), the social contract can still fall apart when negative feelings run wild and factionalism and individualism are taken to its extremes by the public.

The government of Allende focused more on a systematic transformation with a methodological approach, differing in direction when compared to the PDC rule before it. The actual focus of Allende was the transition to socialism, rather than curing inequality *within* capitalism, as can be seen from the dramatic increase in expenditures on social programs during his tenure on the table below. He was trying hard to restrain his followers while revolutionizing the country, a feat that proved to be impossible due to the problematic mental models mentioned above.

**Table 2.4 Expenditures for social programs under Allende (millions of U.S. dollars)**

	1965–69 average	1970	1971	1972	1973
Health	139.4	154.2	211.6	247.8	237.2
Education	281.9	362.0	473.2	524.2	354.9
Housing	133.7	108.6	229.0	228.3	229.9
Child Assist.	.3	.7	.6	.8	.7
Social Assist.	6.9	7.8	8.4	10.6	5.3
Social Sub.	.8	1.9	1.5	.8	.3
<b>TOTAL</b>	<b>562.8</b>	<b>635.2</b>	<b>924.2</b>	<b>1,012.6</b>	<b>828.5</b>
<i>% of total expenditure<sup>a</sup></i>	<i>32.2</i>	<i>28.9</i>	<i>33.5</i>	<i>34.3</i>	<i>21.6</i>

<sup>a</sup>excluding debt service expenses

Source: Collier, S., & Sater, W. F. (1997). “*A History Of Chile: 1808-1994.*” Cambridge University Press.

September 11, 1973 was a historical day for Chile that was going to be remembered as *el once* from then onwards. The army was unified in purpose: the Socialist government was going to be brought down. Even the Carabineros, the

police force, gave way to the army in surrounding La Moneda, the presidential palace in Santiago. They called out to Allende to surrender and offered him safe passage out of the country, but he did not yield. He defended his ideals and his belief in democracy to the very end, to the very bitter end. Ultimately, he shot himself in the head with a machine gun rather than being captured (Encyclopædia Britannica, n.d.). The plotline that led to this outcome was scrutinized in the previous pages. Salvador Allende: an idealistic, well-mannered politician who was paralyzed by the anger and fury of his factionalistic followers. He had even reached out to Patricio Aylwin, the president of PDC at that time in order to reach some sort of compromise to fix things politically, but the country was already deep into chaos in every aspect of society at that point: it was already too late.

Salvador Allende, similar to Eduardo Frei, might have been a true universalist (*although there are differing views on this, such as that Allende might have been racist* – Glüsing & Habbe, 2005). Unfortunately, chronologically, they were on the wrong side of history. The global political atmosphere at that time was not one that favored universalism, and just as Frei had lost his rule to the more radical, factionalistic beliefs of the Left, so did Allende lose just *because* of exactly the same radical, factionalistic beliefs. He was unable to control the tide of emotion that swallowed the country. In democracies, whether governments fail or succeed; change happens within democratic frameworks, mainly through elections. The fact that the rule of Unidad Popular ended in such an extraordinary and violent manner suggests that the situation may be attributed to more than just a “government failure” and this work argues that the potential impact of mental models are worth investigating, models which were eroded by especially high amounts of factionalism. Emotions were running wild; calm, rational policymaking was not very popular. It was inevitable for someone to rise up to the challenge and put an end to this vortex of conflict, and the man of the hour was Augusto Pinochet.

### 2.3 – THE NEOLIBERAL EXPERIMENT(1973-90)

It all happened in an instant. Congress was put on hold, night-time curfews, which would last several years, were put in place, Unidad Popular parties were immediately banned and the army was in control of everything now. Augusto Pinochet was now the supreme voice of the country and would remain so for seventeen years. His political power was absolute, but Pinochet knew well enough that it takes more than political power to rule a country. The backside of the coin was economics, and admittedly, he didn't have much clue with regards to what to do about it.

There was a new, budding school of economic thought in the University of Chicago at the time: monetarism. It advocated an almost-complete freedom for the market-economy with very low amounts of taxation and tariffs and across the board, again an almost-complete privatization of every section of the economy and a tight focus on reducing inflation. In short, it was the first neoliberal recipe to take shape in real life, with many to follow across the world under the Washington Consensus. The Chilean case of the neoliberal experiment was critical not only because it was the first of its kind, there were two other critical factors. The first reason is that it succeeded a heavily statist economic culture which nearly culminated in a completely socialist economy; the neoliberal experiment was going to be a drastic shift in the opposite way. The second reason is that it was applied not within the framework of a slippery democratic ground; Pinochet's rule was *absolute*. He needed fear no opposition or obstacles. He was *free* in policymaking.

The alumni of the University of Chicago and Catholic University of Santiago, led by the dean of social sciences at the Catholic University in Santiago at the time, Sergio de Castro, were asked by General Augusto Pinochet to fix the economy. From then onwards, they were going to be known as “Los Chicago Boys” (*The Chicago Boys*). They took up the burden and were assigned to critical economical

positions immediately, most of them in ODEPLAN(*The state planning agency for development*). The process of neoliberalization had now begun: all price controls were abolished and Escudo(*national currency of Chile*) was devalued from 50 to 250 against the dollar. The times, though, were tough for an instant revolution. The Arab-Israeli War's consequences had reached all over the globe in 1974. Oil prices soared tremendously and knowing that oil is mostly used in technological sectors, production and growth was naturally expected to slump drastically across the world. This was obviously going to reduce the demand for other tech-related raw materials, and Chile was known for relying much, way too much on one of these: copper. Another, interrelating result would be the increase in the prices of goods and finished materials across the board, which would translate into an increase in inflation: something that Pinochet and Chicago Boys needed last at a time like this.

The neoliberal experiment was going to fail at this pace. There was a man who knew very well that this first, pristine experiment was too important to fail. A man who was one of the theoreticians behind monetarism, behind what would later be termed "neoliberalism": Milton Friedman. He immediately flew down to Chile to discuss with Augusto Pinochet and explained to him in detail what "shock therapy" is. An immediate, all-encompassing economic release that would yield a much faster integration of market economy into the Chilean society, an act that would shake the very foundations of the country. Pinochet had made up his mind. He immediately assigned de Castro as his economy minister in 1974(*then as his Finance minister in 1976*). Now, the "real" neoliberalism could begin. They embraced David Ricardo's theory of "comparative advantage"(Ricardo, 1817) as their thrusting engine, and opened up the economy completely, as opposed to the more Keynesian and protective culture that had influenced Chile up until then. State's budget of public expenses was reduced by more than 25% and the money supply that was provided by the central bank was taken under control. Import tariffs, which were overall around 70% in 1974, had become a standard 10% by 1980, one of the lowest figures in the world at that time. The state was now, as per the neoliberal doctrine, the "night watchman". The immediate results were, as

expected, dramatic and undesirable. Unemployment rose to nearly 20%, real wages fell to 3/5ths of their 1970 levels, GDP dropped by 1/7th and industrial production fell by 25% (Collier & Sater, 1997). This was just the beginning, and the neoliberal agenda was now in full force, which was going to continue unimpeded for seven years. The “reforms” were unyielding in pace. The whole taxation system was revamped, and a carpet value-added tax was introduced.

The socialist agrarian reform was completely stopped, the number of bureaucrats in the ministry of agriculture dropped from 27.000 in 1973 to 5.000 in 1980. 1/3rd of the land that was “reformed” was returned to their previous owners, some were parceled out to peasants and the rest were auctioned off to private buyers. The halt of agrarian reform, however, did not mean a return to the old system of haciendas. Farms became commercial and were gradually integrated into the export-oriented economy in a capitalized manner. The opening up of the economy allowed Chile to make use of her geographical advantage in the southern hemisphere and profit from products that remained out of agrarian focus until this period, such as apples and wine. This diversification of production portfolio was definitely not limited to agriculture. In 1960, 9/10th of all exports were copper, while in 1980 it was only taking up half of the exports, which demonstrates the extent of success in this area. This renewed focus on international trade benefitted the nation greatly in terms of GDP, as shown in the first and second tables below. Furthermore, the neoliberal program was also successful in its primary focus: combating inflation. This fact is also demonstrated in another table below. This “openness” was manifesting itself gradually in social life as well. Santiago was now becoming a “modern” city with its pavements, traffic, buildings; the houses with their TV sets, whiskies, perfumes (Collier & Sater, 1997). Except for the huge foreign debt which had accumulated up to 17 billion US dollars, things were looking good in 1981, at least for one part of the society.

**Table 2.5 GDP Growth according to sector, 1975-82**

GDP growth according to sector, 1975–82.								
	1975	1976	1977	1978	1979	1980	1981	1982
Agriculture & Forestry	4.8	-2.9	10.4	-4.9	5.6	1.8	2.2	-2.1
Fishery	-6.7	33.9	15.4	17.9	14.3	7.5	18.1	9.4
Mining	-11.3	12.2	2.7	1.6	5.4	5.2	7.7	5.7
Manufacturing	-25.5	6.0	8.5	9.3	7.9	6.2	2.6	-21.0
Construction	-26.0	-16.0	-0.9	8.1	23.9	23.9	21.1	-23.8
Commerce	-17.1	2.5	24.8	20.0	11.0	12.4	4.3	-17.3
Financial	-4.2	9.3	14.5	20.1	28.0	22.6	11.9	-5.4
Public services	1.9	5.9	1.8	-3.1	-1.2	-3.2	-1.8	-2.9

Retrieved from Collier, S., & Sater, W. F. (1997). *A history Of Chile: 1808-1994*. Cambridge University Press.

Chile had adopted the neoliberal policies strictly between 1973 and 1982, when debt crisis shook the country once again. The country maneuvered through the “lost decade” of Latin America relatively well and this was a success story for neoliberalism; at least this is what the western world believed at the time, hence both the U.S. and the U.K. decided to adopt it under the leaderships of Ronald Reagan and Margaret Thatcher. The economic reality, however, once again masks the social reality. Between the years 1974 and 1981, wages fell down by 25%, the gini coefficient of inequality rose from 0.45 to 0.54, family aids were reduced by 19%, per capita health and education expenditures were cut by 25% and 8% respectively (Akgemci, 2015).

**Table 2.6 Percent Variation of GDP, 1971-82(GDP Per Capita in Parantheses)**

Percent variation of GDP, 1971–82 (GDP per capita in parentheses).		
1971	9	(7.1)
1972	−1.2	(−2.9)
1973	−5.6	(−7.1)
1974	1.0	(−0.7)
1975	−12.9	(−14.4)
1976	3.5	(1.8)
1977	9.9	(8.0)
1978	8.2	(6.4)
1979	8.3	(6.5)
1980	7.8	(6.0)
1981	5.7	(3.9)
1982	−14.3	(−14.2)

Source: Collier, S., & Sater, W. F. (1997). *A history Of Chile: 1808-1994*. Cambridge University Press.

**Table 2.7 Inflation rate between 1973 and 1982 during the Neoliberal experiment**

Year	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Inflation (%)	508.1	376.0	340.0	174.0	63.5	30.3	38.9	31.2	9.5	20.7

Source: Lüders, Rolf J. (1998), "*The Comparative Economic Performance of Chile: 1810-1995*" (PDF), *Estudios de Economía* **25** (2): 217–249.

The adoption of neoliberalism in the western countries also meant a rise in their interest rates, particularly affecting Chilean economy, which was still so fragile and ever more sensitive to international occurrences now due to its shift towards an open economy. 1982 was the year of a sharp crisis, as also seen in a table above. Unemployment rose to a level that was higher than it had been in 1975, GDP fell by 1/7th and industrial workforce shrank by more than 1/5th. More than 800 firms declared bankruptcy, two times higher than the average figures in the previous years. This is when the country realized: maybe neoliberalism wasn't the magic solution that would solve all of their problems. De Castro resigned from his post as the minister of finance. The exchange rate that was fixed underwent a dramatic change: a decline in value by 88%. It was going to take two years to settle on a new finance minister to go along with, and his name was Hernan Büchi, an alumni of the University of Columbia, not *Chicago*(Collier & Sater, 1997). The new economic policy was less than a "purely neoliberal" one, yet still a dominantly market-oriented one. Import tariffs were increased by a modicum and manufacturing exports were subsidized, drawing the policy closer to an "import substitution industrialization"(ISI) one. The neoliberal revolution itself, however, continued in a different manner, in the form of a new wave of privatizations. One of these fields was the pension system, which was mostly transferred to private companies known as AFPs(*Administradoras de Fondos de Pension*) – Pension Fund Administrations. These funds were worth approximately 15 billion U.S. dollars by the first years of 1990s. Certain key state enterprises in the industry were also privatized after 1985, which were mostly held by army officials until that time. Health sector was also partly privatized under the name ISAPREs which only covered a minority of the population. State's health service SNS was replaced by a new system called FONASA(National Health Fund) and its quality decreased visibly, along with public state expenditure levels. Public schools were gradually transferred to municipalities(84% by 1982, *all of them by 1987*) and over 5.000 private schools were opened up in five years(Akgemci, 2015). The core industrial companies such as CODELCO(*the gigantic copper corporation*) and ENAP(*petroleum company*)), however, were still left at the

hands of the state. The foreign debt which had accumulated tremendously was also partly dealt with while increasing foreign direct investment(FDI) simultaneously, particularly in copper sector. Once again, a “Chilean” model of economics was leading Latin America and this “mixed” system was imitated in other countries as well. Following Chile, many Latin American countries gradually gave up on protectionist policies and embraced neoliberalism as a guiding tool in economics and policy-making during the 1980s (Akgemci, 2015).

It might be claimed that neoliberalism worked well enough for Chile’s macroeconomic factors and it is true that the rule of Pinochet saved the country from the deep political and economical abyss the country was in, but it was a different story for economic inequality and public welfare. Firstly, unemployment rose from 5.7% in 1970 to nearly 29% in 1983, as seen in the table below, and it still remained above 10% despite the pace of the economic growth by 1988(Table 2.8). Another facet of the social question is real wages which had still not reached their 1970 levels by 1982(Table 2.9). By 1987, they were at the 84.7% of the figures in 1970. Daily calory intake of the poorest 40% of the population in 1970 was 2.019, which dropped to 1.629 by 1990, when 44.4% of the population was below the poverty line. Furthermore, Gini Coefficient of Chile was standing at 57.2 in 1990, higher than most other Latin American countries, let alone the rest of the world(Collier & Sater, 1997). After the price controls were removed, the price of milk for consumers immediately went up by 40% and two firms were in control of the milk market. Furthermore, Pinochet received enormous amounts of financial aid especially from the United States in order to pursue his agenda. In 1976 alone, Chile received \$290 million of direct aid from the U.S. in this manner(Galeano et al., 2010).

**Table 2.8 Unemployment, 1970-83**

Unemployment, 1970–  
83.

(%)	Open	PEM	Total
1970	5.7	—	5.7
1974	9.2	—	9.2
1975	14.5	2	16.5
1976	14.4	5.8	20.2
1977	12.7	5.9	18.6
1978	13.6	4.3	17.9
1979	13.8	3.5	17.3
1980	12.0	5.2	17.3
1981	10.8	4.8	15.6
1982	20.4	5.1	25.5
1983	18.6	10.3	28.9

Retrieved from Collier, S., & Sater, W. F. (1997). *A history Of Chile: 1808-1994*. Cambridge University Press.

**Table 2.9 Real Wages and Salaries, 1974-81(1970 = 100)**

Real wages and salaries, 1974–  
81 (1970 = 100).

1970	100	1979	82.3
1974	65.1	1980	89.3
1975	62.9	1981	97.4
1976	64.8	1982	97.2
1978	76.0		

Source: Collier, S., & Sater, W. F. (1997). “*A History Of Chile: 1808-1994.*” Cambridge University Press.

Apart from the macroeconomic deductions, sociological factors need to be investigated as well, including the human rights violations during the Pinochet regime, which number over 2.000, including the death of many civilians(Freire et al., 2019). A relative of Salvador Allende notes that they “... *were scared, almost paralyzed by fear. Most people didn't want to get in trouble, just go on with their lives in a quiet way, keeping a low profile.*”(Allende, 2021). Orlando Letelier, an ex-minister who served the government of Salvador Allende, after publishing an article in 1976 that told of what was happening in Pinochet's Chile, was summarily exiled to the United States and died in a car bomb explosion shortly after(Galeano et al, 2010). Events such as these cannot be easily forgotten and the scars they leave have the potential to distort the mental models of the people.

Chronologically speaking, firstly, the high degree of factionalism during Allende's rule(*which may not be directly attributed to Allende himself*) created distrust, fear and chaos. Next, Pinochet's dictatorship utilized an even greater fear as a tool in an attempt to curb the said chaos, which this work argues to have distorted the mental models of Chilean people drastically. It is possible that the atmosphere of fear may have aided in soothing the chaos, but similar to distrust, it has the potential to be detrimental to the welfare of the society through repressing negative emotions. Research suggests that the feeling of fear is part of a process that has the potential to trigger our survival instincts(Mobbs et al., 2015). When survival instincts are provoked in such a manner, people would be expected to focus much more on their personal well-being in an individualistic manner and disregard the society in order to preserve themselves. As a result, this could damage public trust and lead to a reduction in investment and overall cooperation in the society(Bloom et al., 2012). It would be difficult to argue that there is a definitive relationship between neoliberalism, fear and inequality; but it can still be claimed that the particular neoliberalism in Chile pioneered by Pinochet dictatorship created high amounts of fear and inequality in the society.

No one can deny the importance of economic development, nor can anyone deny that the Pinochet regime provided Chile with a substantial amount of it, but

inequal development, such as this one, might cause certain problems. It could potentially create factionalism between those who benefit from the developments and those who do not. The average Chilean was definitely not better-off in 1989 than they were in 1970; the “neoliberal paradise” was not a paradise for everyone. Many jobs became “informal” and “temporary” with the neoliberal revolution; job security was now a luxury. The Pinochet regime, however, actually demonstrated attempts to improve the lives of those at the bottom of the society; efforts were made to make sure there was less suffering overall. Life expectancy increased from 65 to 72 in 1990, infant mortality was reduced from the highest in Latin America in 1970 to lowest again by 1990(Collier & Sater, 1997).

These efforts, however, mask an issue that was left unresolved by the previous regimes so far, and even escalated during Allende’s period: the division of the society and hostility of factions against each other due to misconstrued mental models, which is, as claimed earlier, an obstacle in front of progress and general welfare. According to a research conducted by Carlos Huneeus in 1986 in Chile, although small and medium-sized businesses were well-liked by the general public, there was a major distrust and hostility towards banks and conglomerates(Huneeus, 1987). It is these negative feelings that potentially transform into factionalism, individualism and worsen the problem of inequality. The increase in economic inequality and these heavy-handed actions during the Pinochet era scarred the mental models of Chileans for a long time, which reflect themselves even in the contemporary protests in Chile, adding to their anger and increasing the propensity for violence during the protests(Albertus & Deming, 2019).

1988 was the year when politics began to materialize again in Chile; much had changed in fifteen years. Radical left parties were banned and two main coalitions have been formed: Concertacion, which included most of the actors on the left side of the political spectrum except for the Communists, which had now become the radical wing of the Left, switching positions with Socialists from Allende’s time; and the right wing coalition, which was a combination of the old Nationals,

Renovacion Nacional(*the traditionalists*) and a new neoliberal movement under the name of UDI(Independent Democrat Union). For the sake of the plebiscite in 1988 which would determine whether Pinochet would stay or go, fifteen parties(*nearly all of the political spectrum*) have combined under the banner of the Concertacion with the name “Concertacion of Parties for No”(Concertacion de la Partidos por el No). The fact that all parties have combined under the banner of Concertacion provides a hint of the power balance at that time: it was quite obvious that their dominance in politics, if the plebiscite was to be won, would be formidable. Eventually, the plebiscite turned out in favour of “no”, by a margin of 11%. 54% for “no” compared to 43% for “yes”, to the annoyance of Pinochet. Turnout of registered voters was 97%; a historical number indeed. This led to the first presidential elections after twenty years, in December 1989, which was won by the Concertacion coalition with the amiable president of PDC; Patricio Aylwin.

#### **2.4 – “GROWTH WITH EQUITY” IN A GLOBAL WORLD(1990-2000)**

It was a joyous sight for Chileans to once again become a democracy, yet the quest for a better future was by no means a trivial one and Aylwin was well aware of this. The problems of poverty and inequality were alarmingly acute but returning to the “socialist paradise” of Allende was out of the question, not after all the traumas the country had gone through. PDC and Concertacion now had to find a way to unite progress(*which was provided by the market economy during Pinochet era*) with fairness, or in PDC terms: “Growth with equity”.

The new finance minister, Alejandro Foxley was a well-known critique of the neoliberal model, and it was now his job to steer this renewed democracy towards the goals of Concertacion, yet first things were, as always, first: there had been a disturbing increase in the rate of inflation in the last few years due to increased spending by the state in order to capture electoral support by Pinochet. This fact had led Foxley to maintain a tight control over the money supply while increasing

corporate taxes in addition to the IVA (*Impuesto al Valor Agregado* – value-added tax). This approach resulted in a slightly slumped growth rate for the first year in democracy (*which would experience a leap in the following years*), but worked well enough to combat inflation (Collier & Sater, 1997).

The macroeconomic policies and financial stability provided by Pinochet's rule were preserved by the Concertacion, and it can be seen in their slogans such as "change in continuity" (*cambios en continuidad*) and "growth with equity" (*crecimiento con equidad*) (Akgemci, 2015). Aylwin was conscious of the fact that international trade had benefitted the nation greatly in the recent years during Pinochet's rule and he had no intention to break off from this path. He had immediately taken on various visits to foreign countries to build and improve trade relations with them, he also aimed to be involved in larger trade partnerships such as NAFTA (North American Free Trade Agreement) and MERCOSUR, a trade agreement between several key Latin American countries; among other initiatives. In 2002, Chile had become the second country in Latin America to have signed a major economic agreement with the European Union. Concertacion's thrust and enthusiasm were crucial, since 90's bore witness to crises all over the world. In addition to their existence, the coalition saw value also in the diversification of exports; the trend of export diversification that started in Pinochet's time continued in the 90s. By 2001, 744 Chilean wines were recognized as "classified" in the world, as opposed to only 165 in 1993. Table fruit exports earned Chile over 1 billion US dollars also in 2001. Forestry and fishing had also gained impetus, increasing their shares in the nation's export portfolio. While it is true that raw materials were still in the leading position as materials of export, refined products had started taking their place there as well. Items such as furniture, jam and paper products were increasing their share gradually; even just the processed fruit component of exports had reached the amount of 406 million US dollars in value by 2000 (Collier & Sater, 1997).

**Table 2.10 GDP Growth, Inflation, Unemployment, 1990-94**

*Democracy and dictatorship*

GDP growth, inflation, unemployment, 1990-94.

	GDP (% growth)	Inflation	Unemployment (%)
1990	2.1	27.3	5.7
1991	6.0	18.7	5.3
1992	10.4	12.7	4.9
1993	6.0	12.2	4.4
1994	4.3	8.9	6.0

Source: Collier, S., & Sater, W. F. (1997). "A History Of Chile: 1808-1994." Cambridge University Press.

The economic crisis of Argentina in 2001 had badly hit Chile; the government tried to preserve their revenues by searching for different markets for its products and going after the tax cheats. The existence of tax cheats might actually cause certain disruptions in the system that is not limited to the field of redistribution. Most of the government's revenues are being utilized in order to assist the disadvantaged, thus these "tax cheats" are basically stealing from those people and deepening inequality from a redistribution viewpoint. This mental model can be summarized as a form of individualism, which is one of the detriments to equality in a dual manner: They are stealing from the people who need the help and contributing to economic inequality on one hand; their theft does not go unnoticed in the long run, becomes known by the people in general and transforms into a general distrust towards themselves, drives people to lose their faith in the system gradually, strengthens individualism and factionalism and finally damages social welfare on the other. Furthermore, the appearance of a lack of power or interest on the part of politicians to remedy these injustices might further drive the people away from the system.

A survey in 2001 had measured the trustworthiness of different institutions in the country: 55% of the Catholic Church, 52% of the Carabineros(*the police force*), 43% of TV, 36-39% of the armed forces, 34% of the newspapers and 14% of the judiciary(Centro de Estudios Publicos, 2001). Finally, only 12% and 4% of the people, respectively, trust the Congress and the political parties. If the 90's were a golden era in Chilean politics, how come only a 4% of the population trust the political parties in 2001? This work argues that the traumas of the Allende-Pinochet times scarred the mental models of the public as have been discussed in the previous sections, and this was going to be more difficult to fix for Concertacion than it is the case for aggregate, numerical variables.

The Concertacion administrations prioritized the social question to the best of their abilities, considering the circumstances. They created a new “Solidarity and Social Investment Fund” under the name FOSIS(*Fondo de Solidaridad e Inversion Social*) in order to aid disadvantaged individuals and communities. Over-targeting in social policy-making for only the absolute poor during the Pinochet era in pursuit of a minimal state(Erkul & Demir-Erkul, 2018) left a cumbersome task for the Chilean democracy to handle. Social spending increased by nearly 30% between 1989 and 1993, in this period, the rate of poverty fell from 44.2% to around 30%. By 1999, expenditure on public housing was nearly double the amount of it was in 1990. The number of people receiving direct welfare assistance had increased by almost 20% in the same period. In 2000, 70% of total government expenditures were allocated to social needs, as shown in the table below, and 73% of this amount was being spent for the bottom 40% of the society(*economically speaking*). Furthermore, the crippled national health service system was also in the focus of Concertacion governments. President Lagos had introduced a new program called AUGE in 2002 in order to fix the health system. Its main aims were to make sure FONASA's(*public health service*) basic health package had more coverage and to make sure the ISAPREs(*private health institutions*) applied their service equally to all of its members. Education was one of the priority fields for Concertacion as well; they knew that education was the key for the future of the country. By 2000, only one in ten Chileans was not

attending high school. Funds were diverted to poorer school children to aid with their educational supplies, health and food. In 2000, over one million free lunches were given daily to children in education across the country(Solimano, 2014).

Concertacion was true to their word in a general sense. By 2000, the rate of poverty had fallen from 44.2% to 20.6%; an astonishing performance within a single decade. Between 1990 and 1998, Chile had attained an average economic growth rate of 6.7%, leading Latin America and performing on par with the Asian Tigers(Akgemci, 2015). There were TV sets in 9 out of 10, refrigerators and washing machines in 3 out of 4, telephones in 2 out of 5 homes. Chile was now more and more resembling of a modern, European country. It was truly a golden decade for Chile, freedom(*at least in some sense*) accompanied “growth with equity” indeed. Media, too, developed in a commendable manner. By 2000, one in every three Chileans read magazines regularly. There were now 864 radio stations, compared to 113 in 1959. Cable and satellite, computers and internet were slowly spreading as well(Solimano, 2014).

**Table 2.11 Social Expenditures as a Percentage of Total Social Expenditures 1989-2000**

Social expenditures as a percentage of total social expenditures  
1989–2000.

	Health	Housing	Insurance	Education	Subsidies	Other
1989	15.8	8.0	47.7	20.2	4.5	3.8
1990	15.3	8.1	49.0	19.5	4.6	3.6
1991	16.5	8.2	46.7	20.12	4.5	3.9
1992	17.4	8.3	44.8	21.1	4.2	4.2
1993	17.8	8.3	44.3	20.9	4.0	4.7
1994	18.5	8.2	43.2	21.4	3.9	4.8
1995	18.0	8.0	42.7	22.3	3.9	5.1
1996	17.8	8.2	41.9	23.0	3.8	5.3
1997	17.9	7.3	41.6	24.0	4.0	5.3
1998	18.0	7.0	41.0	24.8	4.2	5.0
1999	17.2	6.4	42.0	24.6	4.0	5.8
2000	17.6	5.8	41.5	25.2	3.9	6.0
<b>A</b>	<b>135.4</b>	<b>52.7</b>	<b>84.8</b>	<b>165.0</b>	<b>87.3</b>	<b>238.7</b>

Retrieved from Collier, S., & Sater, W. F. (1997). *A history Of Chile: 1808-1994*. Cambridge University Press.

**Table 2.12 Social Spending as a Percentage of Total Government Expenditures**

Social spending as a percentage of total government expenditures.	
1989	64.8
1990	67.6
1991	67.1
1992	65.8
1993	66.9
1994	67.0
1995	67.5
1996	67.5
1997	66.7
1998	67.5
1999	68.5
2000	70.5

Source: Collier, S., & Sater, W. F. (1997). *“A History Of Chile: 1808-1994.”* Cambridge University Press.

While Chile was busy with redeveloping its democracy and politics, inequality was getting worse in Latin America as well. By the end of the 90s, Gini coefficient average of Latin America was standing at 0.52, while it was 0.34 in the Western Europe and 0.41 in Asia(Akgemci, 2015), which demonstrates the success of Chile in at least holding economic inequality at bay.

One serious and probably underestimated issue that existed and remained mostly unaddressed in this period, however, was social inequality. Chile had faced a serious “reclericalization” of society during Pinochet era, due to the fact that the Catholic Church was one of the only institutions that could remain vocal during

the dictatorship. Concertacion governments were not able to sustain the determinacy in this area that it produced in the area of economic universalism. There were still multiple laws where women were at serious disadvantages compared to men. Abortion was still illegal (Shepard & Casas Becerra, 2007). Certain TV shows could still be censored or penalized due to “improper” content. Homosexuality or other gender issues did not even become topics of discussion. Although several legislations were implemented in order to amend the problems especially with regards to gender inequality, Concertacion was still considerably influenced by the Catholic Church and success in this area was very limited (Çin, 2020).

New regulations were applied also in the area of labour, providing more leniency towards unions. The gleaming time of collective bargaining, unfortunately, had now become a relic of the past, especially with the dissolution of the Soviets. Labour was never again going to regain its former glory in the age of neoliberalism. Notwithstanding several minor strikes and demonstrations, the “collective consciousness” of the proletariat was now gone, if there had ever been one. This fact had also revealed itself in the 1992 municipal elections, where the Communist Party was stuck at a measly seven percent (Collier & Sater, 1997).

Concertacion also demonstrated efforts in order to solve the legal disputes with the Mapuche locals and signed a contract with them in 1989 called *Nueva Imperial* and declared that they will do everything in their power to recognize the economic, social and cultural rights of the Mapuche people. Although the process began with signs of good faith on both sides, complications arose that were not limited with the political side of the conflict. Once again, the impact of mental models might be analysed here. It is noted that, over a long period of time, a process of historical propaganda against the Mapuche people was followed by different governments, University of Chile and one of the oldest newspapers in Chile, *El Mercurio* and that this process of propaganda helped developed prejudices against the Mapuche people on the part of the Chilean people (Taşkıran & Özçelik, 2021). This is a prime example of what can go wrong when mental

models are distorted. It is true that the legal and material dimension of the inequality problem is important, but dangerous propaganda such as these “*can distort perceptions in ways that reproduce social exclusion long after the unjust, formal barriers have been removed*”(Basu, Stiglitz & Hoff, 2016).

It should be noted here that similar to the era of the first Frei and PDC administration between 1964 and 1970, Aylwin also enjoyed majorities both in the congress and the senate, which was a boon in realizing the reforms Concertacion had envisioned, a luxury that was lost towards the end of the century. Nevertheless, he didn't enjoy so large a majority that would have allowed him to remove certain legal obstacles left by Pinochet himself, obstacles that prevented the formulation of adequate policies to combat inequality.

Chile's trial of returning to democracy has largely been a success, yet it was built upon tentative grounds. The memories, the scars on the mental models of the people from the Pinochet era were still fresh. While some(Jadresic et al., 2010) attribute the success of Concertacion in the 90's to their shrewd policymaking ability(*which this work does not contradict*), another factor might also be mentioned here: mainly, the docility caused by the traumas from the Allende and Pinochet eras. In 1990, inequality(*at least in its economic sense*) was at its peak and people had every reason and right to protest, but there weren't so many protests in 1990s as there were(*still are*) starting from the middle of 2000s in Chile. People today are asking “why are Chileans on the streets today?”, while they should be asking “why were Chileans not on the streets in the 1990s?”. The reason, it might be deduced, is traumatized mental models, and this was a boon for Concertacion in the 1990s. Political maneuvering was made much easier during the democratic transition due to the terror of the Pinochet era. The scars on the mental models of the public made it so. The next generation that never experienced those times, however, was going to revive those traumas.

## 2.5 – THE NEOLIBERAL CONFUSION(2000-)

Ever since the term of Ricardo Lagos(2000-2006), La Moneda has been hosting two presidents(*one from the left wing, one from the right wing*) in rotation for fifteen years. One is Michelle Bachelet(2006-2010 and 2014-2018) from the Concertacion and the other is Sebastian Pinera(2010-2014 and 2018-) from Renovacion Nacional(*National Renovation*), the right wing leading political party in Chile.

One trend of note in this period is that these two leaders from two different backgrounds show very little variation in their manner of ruling when compared to the right and left parties of old. Akgemci(2015) notes that the *collective trauma* of the 1973 coup and the following dictatorship have made Chileans sensitive to populist discourses, which made sure that populism was left out of politics in the revival process of Chilean democracy; this was carried out mostly by Concertacion. It was mentioned in the end of the previous section that there might be a possible relationship between the fear and the docility of the public; here, it can be argued that there is a relationship between the fear and the docility of the politicians. This relative convergence in policy-making methods of parties from both left and right can be at least partly attributed to this phenomenon: after two traumatizing decades, people wanted calm and rational decision-making, which means it might be expected for leaders from different ideological backgrounds to rule in a similar fashion when the shadow of dictatorship still looms above them. Technocracy had now enveloped Chilean politics. In such an atmosphere, politics would be expected to be relatively uneventful, efficient and decisive, devoid of major turbulences; it was the case for the first fifteen years of Concertacion

In the 21st century, Chile was still doing well based on macroeconomic indicators. The ratio of Chileans who were living in poverty in 2000 was 20,2% and it dropped to 11.5% in 2009. Furthermore, GDP per capita increased from \$1.679 in 1987 to \$7.214 in 2006. Per capita social expenditures from state budget increased

from \$686 in 1998-1999 to \$945 in 2008-2009. Furthermore, spending on education as part of the state budget increased from 3.6% in 1998-1999 to 4.3% in 2008-2009. The income share of top 20% fell down by 4.71% between 1987 and 2013, to 56.69%; while the share of bottom 20% increased by 1.29% to 4.63% in the same period(Erkul & Demir-Erkul, 2018).

As has been quoted earlier, Ferreira & Schoch(2020)'s analysis that claimed "*Chileans should have been out in the streets in 2001, not 2019*" deserves to be mentioned here again. Relying solely on numerical data, one might even claim that "Chileans shouldn't have been out in the streets in 2006 or 2011 either", yet they were. Both uprisings had the problem of education as their origin point and they soon spread all over, covering the problem of inequality in many other fields.

Municipalization of public schools during the Pinochet era was perhaps the first piece of domino of this chronic problem of education in Chile. The vouchers system that was implemented during his tenure made sure that public schools received most of their resources from their local municipalities, but the resources one municipality gains vary among different areas. Furthermore, the vouchers families received for education were sometimes spent for different needs, thus rendering the system inoperational. In light of these facts, it should be expected that schools in different municipalities would also differ in the quality of education they serve the public. Furthermore, on his last day of service, Pinochet enacted one last law concerning education: LOCE(*Organic Constitutional Act of Teaching*), which made sure that 80% of the education sector was privatized and only 25% of total spending in education would be covered by the state, which complicated matters even more(Akgemci, 2015).

This crippled system made it so that inequality had become a norm for education in Chile. In 2014, of teenagers who were at the age of 15, only 37% of them were enrolled in public schools, the same ratio for the OECD average was 82%. Chile is also one of the countries across OECD where working hours are the longest and wages are the lowest in education sector. In 2014, an average teacher in Chile was gaining \$26.195, while the OECD average was \$42.861. Furthermore, 78% of

national spending in education in Chile was private, while the same ratio for OECD average was 31%(Akgemci, 2015). These figures should be sufficient to foresee that the explosion point was going to be the education sector.

In 2011, an increase in gas prices by 16.8%, combined with the HidroAysén project which foresaw five different hydroelectric power plants in Patagonia(*an area of Chile*) encountered protests by environmentalists and Mapuche locals(Akgemci, 2015). The student protests were slowly widening their area of influence, gaining support from different parts of the society and slowly transforming from solely protesting inequality in education to protesting inequality and other issues in general. In 2015, the Bachelet government accepted some of the conditions of the leaders of the student movement, yet the problems were not completely solved and the resurgence of protests in 2019 suggests that problems still remained.

From transportation to education, from health to pension systems, from environmental concerns to income inequality, today's Chile is still riddled with many problems, but as argued in the paragraphs and sections above, the problems are not necessarily getting worse in the country. Chilean sociologist Patricio Navia notes that *"It's not just a problem of discontent with the current government, it's a deeper problem of people who want to be led into the promised land of prosperity"*(Mantesso, 2019). It is possible to read these words in the same line as Tocqueville and Ferreira&Schoch(2020), claiming that protests and uprisings don't always have to happen when the conditions are the worst.

As has been argued above, the fear and traumas from the Allende and Pinochet eras were partly responsible for the smoothness of the 90s, but there was now a new generation in Chile that never experienced those days. A child born in 1990 would be 16 years old in 2006, when the first serious protests began in Chile as a series that have continued up to today. It should be remembered that those protests began with high-school students, students that would be approximately that age, the age of 16, the first generation that didn't experience the Pinochet rule and its

terrors first-hand. It might be argued that they were brave, because they didn't personally experience that era, which might have made them feel less fear compared to the previous generations who actually lived through those times. They were angry, because they were still being impacted by the policies and the memories of that era. Their mental models, it might be deduced, were in the ideal shape to protest, and protest they did. It can be concluded that the historical traumas inflicted on the mental models and social institutions of the people might be at least partly responsible for the intensity of the protests, that the outburst of those repressed emotions might be making things worse for Chile today, similar to the period of Allende(*by no means in the same proportions*), and that inspiring trust and faith by the policymakers and power-holders in the people would be the key to durable peace and prosperity.

## CONCLUSION

Inequality is a common and popular problem all over the world and Chile is one of the most characteristic countries with regards to this issue. The country has been showcased as a model of success by most of the western world due to its strong macroeconomic indicators, yet it is plagued by protests that desperately yearn for equality and justice. Hoff and others' approach on inequality based on behavioral economics(2006, 2014, etc.) that utilizes the concept of *mental models* and attempts to investigate the relationship between the reality of inequality and the perceptions of the people might have the potential to be one of the most important perspectives that could improve our understanding of inequality and how it takes shape within our minds. While it is true that aggregate numbers hold the key value to policymaking due to their ease of access and production, it can be argued, based on the analyses above, these aggregations can only explain social phenomena such as inequality in a partial manner.

In this work, both mental models and aggregate data were utilized for two purposes: firstly, in cases where aggregate macroeconomic indicators were unable to explain social problems, it was argued that distortions and traumas on the mental models of the people were responsible for certain problems. Secondly, it has been attempted to hint at potential, interrelated impacts of the two different sides on each other. Distorted mental models and chaos might result in a catastrophe on macroeconomic indicators(*as in Allende era*); by the same token, an increase in aggregate economic inequality may fuel distrust and make capital-holders enemies of the public(*as seen in the trust survey in 2001(Centro de Estudios Publicos, 2001)*)).

The main aim of this work has been to analyze Chilean history through the lens of *mental models* in order to explain how people's way of thinking may impact and be impacted by inequality and a multitude of examples in the neoliberal history of Chile were utilized in order to question whether negative feelings(*such as fear,*

*distrust*) impact mental models in a detrimental manner. The triad of social institutions called “*individualism, factionalism, universalism*” were often utilized in order to ascertain whether certain problems related to inequality might be explained through those concepts and it was argued that individualistic and factionalistic mindsets disrupt the flow of social peace, efficiency and welfare. As a result of the analyses of cases in Chilean history and especially the neoliberal era, it has been concluded that there are potentially a multitude of links between historical events, social institutions, mental models and inequality. It was argued that certain events and actions(*especially during Allende and Pinochet eras*) have distorted those mental models, and that most(*definitely not all*) of them were related to individualism and factionalism, along with many instances where negative feelings(*such as losses of trust and faith in the system*) were produced in large parts of the population.

As a result, it can be concluded that in order to experience progress in the solution of the problem of inequality, policymaking needs to integrate the mental models approach in their systematic functioning.

## REFERENCES

- Agostini, C. A., Brown, P. H., & Roman, A. (2008, June). “*Poverty and inequality among ethnic groups in Chile.*” Retrieved September 11, 2021, from <http://fen.uahurtado.cl/wp-content/uploads/2010/07/inv205.pdf>.
- Akgemci, E. (2015). “*Resistance in the Laboratory of Neoliberalism: Penguins of the Chilean Winter.*” 179 *Mülkiye Dergisi*, 39 (2), 179-216.
- Albertus, M., & Deming, M. (2019, November 5). “*Pinochet still looms large in Chilean politics.*” *Foreign Policy*. Retrieved September 25, 2021, from <https://foreignpolicy.com/2019/11/05/chile-ongoing-protests-pinochet-dictatorship-looms-large/>.
- Algan, Y., Beasley, B., Vitaro, F., Tremblay, R. (2013). “*The Long-Term Impact of Social Skills Training at School Entry: A Randomized Controlled Trial.*” Working Paper, Sciences Po, Paris.
- Algan, Y., Cahuc, P., and Shleifer, A. (2013). “*Teaching Practices and Social Capital.*” *American Economic Journal: Applied Economics* 5 (3): 189–210.
- Allende, I. (2021, August 17). “*Life under Pinochet - Isabel Allende: 'the day we buried our freedom'.*” Amnesty International. Retrieved October 10, 2021, from <https://www.amnesty.org/en/latest/news/2013/09/life-under-pinochet-isabel-allende-day-we-buried-our-freedom/>.
- Atria, J. (2015). “*Elites, the Tax System and Inequality in Chile.*” Retrieved November 22, 2021, from <https://refubium.fu-berlin.de/bitstream/handle/fub188/19677/WP-82-Atria-Online.pdf?sequence=3&isAllowed=y>.

- Axelrod, R. (1973). “*Schema Theory: An Information Processing Model of Perception and Cognition*,” *American Political Science Review*, vol. 67, no. 4, pp. 1248-466.
- Balkılıç, Ö. (2018). “*Şili Sosyalist Deneyiminin (1970-1973) Ekonomi-Politiğinin Tarih Yazını Üzerine*.” *dergipark*. Retrieved November 20, 2021, from <https://dergipark.org.tr/tr/download/article-file/932857>.
- Basu, K., Stiglitz, J. E., & Hoff, K. (2016). “*Behavioral Economics and Social Exclusion: Can Interventions Overcome Prejudice?*” *Inequality and growth patterns and policy* (pp. 172–193). Palgrave Macmillan.
- BBC. (2007, August 27). “*UK / UK Politics / Profile: John Prescott*.” BBC News. Retrieved from [http://news.bbc.co.uk/2/hi/uk\\_news/politics/6636565.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/6636565.stm).
- Beker, V. A. (2014). “*Piketty: Inequality, Poverty and Managerial Capitalism*.” *Real-World Economics Review* 69: 167–174.
- Berke, D.S., & Zeichner, A. (2016). “*Man's heaviest burden: A review of contemporary paradigms and new directions for understanding and preventing masculine aggression*.” *Social and Personality Psychology Compass*, 10(2), 83-91.
- Bernard, T., Dercon, S., Taffesse, A. S. (2011). “*Beyond Fatalism: An Empirical Exploration of Self-Efficacy and Aspirations Failure in Ethiopia*.” IFPRI Discussion Paper 01101, International Food Policy Research Institute, Washington, DC.
- Bertrand, M., and Mullainathan, S. (2003). “*Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination*,” *American Economic Review*, vol 94, no. 4, pp. 991–1013.

- Bloom, N., Sadun, R., and Reenen, J. V. 2012. “*The Organization of Firms across Countries.*” *Quarterly Journal of Economics* 127 (4): 1663–1705. doi: 10.1093/qje/qje029.
- Bouchard, C. (2008). “*The magnitude of the energy imbalance in obesity is generally underestimated.*” *International Journal of Obesity* 32, 879–880.
- Beydoun, M. A., & Wang Y. (2008). “*Do nutrition knowledge and beliefs modify the association of socio-economic factors and diet quality among US adults?*” *Preventive Medicine* 46, 145–153.
- Cato.org. (2019, October 8). “*Poll: Young Americans Are More Likely to Resent the Rich.*” Retrieved September 27, 2021, from <https://www.cato.org/blog/poll-young-americans-are-more-likely-resent-rich>.
- Centro de Estudios Publicos. (2001, October) “*Estudio Social y de opinion publica, junio de 1998.*” Documento de trabajo, No. 325.
- Cerda, T. P. (2015). “*Money and political power in Chile are concentrated in the capital.*” D+C. Retrieved September 25, 2021, from <https://www.dandc.eu/en/article/money-and-political-power-chile-are-concentrated-capital>.
- Chu, D.-T., Minh Nguyet, N. T., Nga, V. T., Thai Lien, N. V., Vo, D. D., Lien, N., Nhu Ngoc, V. T., Son, L. H., Le, D.-H., Nga, V. B., Van Tu, P., Van To, T., Ha, L. S., Tao, Y., & Pham, V.-H. (2019). “*An update on obesity: Mental consequences and psychological interventions.*” *Diabetes & Metabolic Syndrome: Clinical Research & Reviews*, 13(1), 155–160. <https://doi.org/10.1016/j.dsx.2018.07.015>.
- Collier, S., & Sater, W. F. (1997). “*A History Of Chile: 1808-1994.*” Cambridge University Press.

- Çin, G. (2020). “Neoliberalizmin Gölgesinde Toplumsal Cinsiyet Eşitsizliği ile Mücadele: Şili Analizi.” *Lectio Socialis*, 5(1).  
<https://doi.org/10.47478/lectio.791144>
- Departamento de Epidemiología MINSAL. (2017). “*Encuesta Nacional de Salud (ENS) 2016-2017.*” Santiago, Chile; <http://epi.minsal.cl/encuesta-ens/>.
- Dornbusch, R., Edwards, S., Larrain, F., & Meller, P. (1991). “*The Socialist-Populist Chilean Experience, 1970-1973.*” In “The macroeconomics of populism in Latin America: Conference: Revised papers” (pp. 175–221). essay, University of Chicago Press.
- Dowler, E. (2001). “*Inequalities in diet and physical activity in Europe.*” *Public Health Nutrition* 4, 701–709.
- Eatwell, J., Milgate, M., & Newman, P. (1990). “*The New Palgrave: Marxian economics.*” Macmillan.
- El Mercurio. (1964, September 1).
- Encyclopædia Britannica, inc. (n.d.). “*Salvador Allende.*” Encyclopædia Britannica. Retrieved September 15, 2021, from <https://www.britannica.com/biography/Salvador-Allende>.
- Erkul, E., & Demir-Erkul, F. (2018, November 2). “*An Examination of Income Distribution and Poverty Statistics Related to Turkey and Chile in the Neoliberal Policy Framework.*” Dergipark. Retrieved from <https://dergipark.org.tr/tr/download/article-file/637782>.
- Fadda, S., & Tridico, P. (2020). “*Varieties of economic inequality.*” Routledge.
- Ferreira, F., & Schoch, M. (2020). “*Inequality and social unrest in Latin America: The TOCQUEVILLE PARADOX REVISITED.*” World Bank Blogs.

Retrieved from <https://blogs.worldbank.org/developmenttalk/inequality-and-social-unrest-latin-america-tocqueville-paradox-revisited>.

Flores, I., Sanhueza, C., Atria, J., & Mayer, R. (2019). “*Top incomes in Chile: A historical perspective on income inequality,*” 1964–2017. Review of Income and Wealth, 66(4), 850–874. <https://doi.org/10.1111/roiw.12441>.

Forbes Magazine. (n.d.). “*2015 Forbes 400: Full List of America’s Richest People.*” Forbes. Retrieved September 20, 2021, from <https://www.forbes.com/sites/chasewithorn/2015/09/29/2015-forbes-400-full-list-of-americas-richest-people/?sh=3456bcee3c64>.

Foster, J. B., & McChesney, R. W. (2012). “*The endless crisis: How monopoly-finance capital produces stagnation and upheaval from the Usa to China.*” Monthly Review Press.

Frederiksen, H., & Christensen, K. (2003). “*The influence of genetic factors on physical functioning and exercise in second half of life.*” Scandinavian Journal of Medicine & Science in Sports, 13(1), 9–18. <https://doi.org/10.1034/j.1600-0838.2003.20219.x>.

Freire, D., Meadowcroft, J., Skarbek, D., & Guerrero, E. (2019, May 30). “*Deaths and Disappearances in the Pinochet Regime: A New Dataset.*” researchgate. Retrieved September 26, 2021, from [https://www.researchgate.net/publication/320237272\\_Deaths\\_and\\_Disappearances\\_in\\_the\\_Pinochet\\_Regime\\_A\\_New\\_Dataset](https://www.researchgate.net/publication/320237272_Deaths_and_Disappearances_in_the_Pinochet_Regime_A_New_Dataset).

Galeano, E., Belfrage, C., & Allende, I. (2010). “*Open veins of Latin America: Five centuries of the pillage of a continent.*” Three Essays Collective.

Gall, N. (1972). “*Copper Is the Wage of Chile.*” Field Staff Reports, West Coast, South American Series, 19:3, p.7.

Gallup. (2021, August 3). “*Global emotions report.*” Gallup.com. Retrieved from <https://www.gallup.com/analytics/349280/gallup-global-emotions-report.aspx>.

Gates, B. (2014, October 13). “*Why inequality matters.*” gatesnotes.com. Retrieved from <https://www.gatesnotes.com/books/why-inequality-matters-capital-in-21st-century-review>.

Georgieva, K. (2020, May 29). “*IMF Executive Board approves two-year US\$23.93 billion flexible credit line arrangement for Chile.*” IMF. Retrieved September 20, 2021, from <https://www.imf.org/en/News/Articles/2020/05/29/pr20227-imf-executive-board-approves-two-year-flexible-credit-line-arrangement>.

Gilbert, E. (2021, April 6). “*The role of social media in protests: Mobilising or polarising?*” 89 Initiative | The first European think-do tank. Retrieved September 25, 2021, from <https://89initiative.com/the-role-of-social-media-in-protests-mobilising-or-polarising/>.

Giskes, K., Avendaño, M., Brug, J., et al. (2009). “*A systematic review of studies on socioeconomic inequalities in dietary intakes associated with weight gain and overweight/obesity conducted among European adults.*” *Obesity Reviews* 11, 413–429. Blackwell Publishing Ltd.

Glaeser, Edward L, Bruce Sacerdote, and Jose A. Scheinkman. (1996). “*Crime and Social Interactions,*” *The Quarterly Journal of Economics*, vol. 111, no. 2, pp. 507–48.

Glüsing, J., & Habbe, C. (2005, May 13). “*Chilean skeletons: Was Salvador Allende a racist?*” DER SPIEGEL. Retrieved September 25, 2021, from <https://www.spiegel.de/international/spiegel/chilean-skeletons-was-salvador-allende-a-racist-a-356461.html>.

- Goldberg, P. A. (1975). “*The politics of the allende overthrow in Chile.*” *Political Science Quarterly*, 90(1), 93. <https://doi.org/10.2307/2148700>.
- Grandin, G. (2019, November 7). “*Don't Do What Allende Did.*” *London Review of Books*. Retrieved September 25, 2021, from <https://www.lrb.co.uk/the-paper/v34/n14/greg-grandin/don-t-do-what-allende-did>.
- Granillo, G. (2020, June 10). “*The role of social media in Social Movements.*” *Portland Monthly*. Retrieved September 25, 2021, from <https://www.pdxmonthly.com/news-and-city-life/2020/06/the-role-of-social-media-in-social-movements>.
- Gronow, J. (2016). “*The Centralisation of Capital and Monopoly Formation.*” In *On the Formation of Marxism: Karl Kautsky’s Theory of Capitalism, the Marxism of the Second International and Karl Marx’s Critique of Political Economy* (pp. 94–98). Brill.  
<http://www.jstor.org/stable/10.1163/j.ctt1w8h23p.10>
- Heine, J. (2020, January 8). “*Solving chile's crisis starts with fixing its pension system.*” *Americas Quarterly*. Retrieved from <https://www.americasquarterly.org/article/solving-chiles-crisis-starts-with-fixing-its-pension-system/>.
- Hoff, K. & Pandey, P. (2006). “*Discrimination, Social Identity, and Durable Inequalities.*” *American Economic Review*, vol. 96, no. 2, pp. 206–11.
- Hoff, K. & Pandey, P. (2014). “*Making Up People – The Effect of Identity on Performance in a Modernizing Society.*” *Journal of Development Economics*, vol. 106, pp. 118–31.
- Huneus, C. (1987). “*Los chilenos y la politica.*”, pp. 116-20.
- Jadresic, E., & Zahler, R. (2010, October). “*Chile's rapid growth on the 1990s: Good policies, good luck or political change?*” IMF. Retrieved October

10, 2021, from

<https://www.imf.org/external/pubs/ft/wp/2000/wp00153.pdf>.

Jost, J. T., Barberá, P., Bonneau, R., Langer, M., Metzger, M., Nagler, J., Sterling, J., & Tucker, J. A. (2018). “*How social media facilitates political protest: Information, motivation, and social networks.*” *Political Psychology*, 39, 85–118. <https://doi.org/10.1111/pops.12478>

Knack, S., and Keefer, P. 1997. “*Does Social Capital Have an Economic Payoff? A Cross-Country Investigation.*” *Quarterly Journal of Economics* 112 (4): 1251–88.

Knibbe, M. (2014). “*The Growth of Capital.*” *Real-World Economics Review* 69 7: 122–130.

Jordahl, H. (2007). “*Inequality and trust.*” IFN. Retrieved October 1, 2021, from <https://www.ifn.se/Wfiles/wp/wp715.pdf>.

Lakner, C., & Milanovic, B. (2014, May 27). “*Global income distribution since 1988.*” VOX, CEPR Policy Portal. Retrieved from <https://voxeu.org/article/global-income-distribution-1988>.

Latinobarómetro database. (2018). Retrieved from <https://www.latinobarometro.org/lat.jsp>.

Lüders, R. J. (1998). “*The Comparative Economic Performance of Chile: 1810-1995*” (PDF), *Estudios de Economía* 25 (2): 217–249.

Lynn, B., & Carty, K. (2017, October 25). “*To address inequality, let's take on Monopolies.*” *Inequality.org*. Retrieved September 25, 2021, from <https://inequality.org/research/address-inequality-lets-take-monopolies/>.

Mantesso, S. (2019, October 23). “*Why South America's wealthiest nation is in crisis.*” *ABC News*. Retrieved September 15, 2021, from

<https://www.abc.net.au/news/2019-10-23/chile-protests-transport-fares-explainer/11630278>.

McKinnon, L., Giskes, K., & Turrell, G., (2014). “*The contribution of three components of nutrition knowledge to socio-economic differences in food purchasing choices.*” *Public Health Nutrition* 17, 1814–1824.

Mobbs, D., Hagan, C. C., Dalglish, T., Silston, B., & PrÃ©vost, C. (2015). “*The Ecology of Human Fear: Survival Optimization and the nervous system.*” *Frontiers in Neuroscience*, 9. <https://doi.org/10.3389/fnins.2015.00055>.

Morgan, J. (2015). “*Piketty’s Calibration Economics: Inequality and the Dissolution of Solutions?*” *Globalizations* 12 5: 803–823.

Oppenheim, L. H. (1993). “*Politics in Chile: Democracy, Authoritarianism, and the Search for Development.*” Boulder: Westview Press.

Paes de Barros, R., F. H. G. Ferreira, et al. (2009). “*Measuring Inequality of Opportunities in Latin America and the Caribbean.*” Washington DC, World Bank.

Parker, R. (2014). “*Reading Piketty in Athens.*” *Real-World Economics Review*, (69), 58–73.

Parmenter, K., Waller, J., & Wardle J., (2000). “*Demographic variation in nutrition knowledge in England.*” *Health Education Research* 15, 163–174.

Piketty, T. (2014a). “*Capital in the Twenty-First Century.*” Cambridge, MA: The Belknap Press of Harvard University Press.

Piketty, T., Morgan, J., Fullbrook, E., Varoufakis, Y., Wade, R. H., Syll, L. P., Pettifor, A., Tily, G., Patomaki, H., Parker, R., Mutis, A. P., Koo, R. C., Knibbe, M., Hudson, M., Ghosh, J., Galbraith, J. K., Colander, D., Beker,

- V. A., Hillinger, C., & Baker, D. (2014). "*Piketty's "Capital in the Twenty-first century"*." World Economics Association. pp. 48.
- Pinkovskiy, M. L. (2015, July 13). "*A Discussion of Thomas Piketty's Capital in the Twenty-First Century: By How Much Is  $r$  Greater than  $g$ ?*" Liberty Street Economics. Retrieved from <https://libertystreeteconomics.newyorkfed.org/2015/07/a-discussion-of-thomas-pikettrys-capital-in-the-twenty-first-century-by-how-much-is-r-greater-than-g.html>.
- Pleck, J.H. (1995). "*The gender role strain paradigm: An update.*" A New Psychology of Men. Eds. Ronald F. Levant and William S. Pollack. Basic Books, New York,. 11-32, Chapter xiv, 402 Pages.
- Plomin, R., Haworth, C. M., Meaburn, E. L., Price, T. S., & Davis, O. S. (2013). "*Common DNA markers can account for more than half of the genetic influence on cognitive abilities.*" Psychological Science, 24(4), 562–568. <https://doi.org/10.1177/0956797612457952>.
- Public Broadcasting Service. (n.d.). "*Game theory explained.*" PBS. Retrieved September 30, 2021, from <https://www.pbs.org/wgbh/americanexperience/features/nash-game/>.
- Rajevic, M. B. (2021). "*Memory on Chile's Frontlines.*" Taylor & Francis. Retrieved from <https://www.tandfonline.com/doi/full/10.1080/10714839.2021.1923198?scroll=top&needAccess=true>.
- Ricardo, D. (1817). "*On the principles of Political Economy and Taxation.*" Olms. Reprinted 1977.
- Roemer, J. E. (1998). "*Equality of opportunity.*" Cambridge Mass: Harvard University Press.

- Rosentiel, T. (2020, May 30). “*Arab and Muslim perceptions of the United States.*” Pew Research Center. Retrieved September 24, 2021, from <https://www.pewresearch.org/2005/11/10/arab-and-muslim-perceptions-of-the-united-states/>.
- Rotarou, E. S., & Sakellariou, D. (2017, May 1). “*Neoliberal reforms in health systems and the construction of long-lasting inequalities in health care: A case study from Chile.*” ORCA. Retrieved from <http://orca.cf.ac.uk/98848/>.
- Rowthorn, R. (2014). “*A Note on Piketty’s Capital in the Twenty-First Century.*” Cambridge Journal of Economics 38 5: 1275–1284.
- Sachs, J.D. (2001). “*The strategic significance of global inequality,*” The Washington Quarterly, 24:3, 185-198, DOI: [10.1162/01636600152102331](https://doi.org/10.1162/01636600152102331)
- Saldías, N. (2020). “*Chile's economy has survived COVID-19, but discontent is still simmering. Inequality lingers in the Chile economy, even as it rebounds from COVID-19.*” Retrieved from <https://www.worldpoliticsreview.com/articles/29008/inequality-lingers-in-the-chile-economy-even-as-it-rebounds-from-covid-19>.
- Schertow, J. A. (2007, September 2). “*Genocide in Chile: A monument is not enough.*” Intercontinental Cry. Retrieved September 25, 2021, from <https://intercontinentalcry.org/genocide-in-chile-a-monument-is-not-enough/>.
- Sen, A. K. (1980). “*Equality of What?*” Tanner Lectures on Human Values. M. S. Cambridge, Cambridge University Press: 197-220.
- Shepard, B. L., & Casas Becerra, L. (2007). “*Abortion policies and practices in chile: Ambiguities and dilemmas.*” Reproductive Health Matters, 15(30), 202–210. [https://doi.org/10.1016/s0968-8080\(07\)30328-5](https://doi.org/10.1016/s0968-8080(07)30328-5).

- Solimano, A. (2014). *Chile and the neoliberal trap: The post-pinochet era.* Cambridge University Press.
- Stewart, F. (2013, October). "Approaches towards inequality and inequity." UNICEF. Retrieved September 30, 2021, from [https://www.unicef-irc.org/publications/pdf/stewart%20inequality\\_inequity\\_layout\\_fin.pdf](https://www.unicef-irc.org/publications/pdf/stewart%20inequality_inequity_layout_fin.pdf).
- Strauss, C., and Quinn, N. (1997). *A Cognitive Theory of Cultural Meaning.* Cambridge, UK: Cambridge University Press.
- Taşkıran, S., & Özçelik, S. (2021). "The Mapuche conflict in Chile within the framework of Basic Human Needs Theory." *Novus Orbis*, 3(2).
- The World Bank. (2015). 3. In "World development report 2015: Mind, society, and behavior." essay. International Bank for Reconstruction and Development.
- Tocqueville, A. de. (2019). *Democracy in America.* SNOVA (Nova Science Publishers).(Original work published 1840).
- Torres, R. A. (2020, June 4). "Perception of inequality in access to quality education amongst Chilean young people compared with other age groups." *Revista Espacios*. Retrieved from <http://www.revistaespacios.com/a20v41n20/a20v41n20p23.pdf>.
- UNDP. (2021). "The concentration of economic and political power." Retrieved September 25, 2021, from [https://www1.undp.org/content/dam/rblac/irdh2021/undp-rblac-RHDR-UNDP\\_C03-EN.pdf](https://www1.undp.org/content/dam/rblac/irdh2021/undp-rblac-RHDR-UNDP_C03-EN.pdf).
- UNDP. (2017). *Unequal. origins, changes and challenges in Chile's social divide.* United Nations Development Programme. (n.d.). Retrieved November 22, 2021, from

[https://www.undp.org/content/dam/chile/docs/PNUD\\_en\\_la\\_prensa/2017/undp\\_cl\\_pnudprensa\\_sep-Progreso.pdf](https://www.undp.org/content/dam/chile/docs/PNUD_en_la_prensa/2017/undp_cl_pnudprensa_sep-Progreso.pdf).

United Nations. (2015, October 21). “*Concepts of Inequality*.” Concept of Inequality - the United Nations. Retrieved from [https://www.un.org/en/development/desa/policy/wess/wess\\_dev\\_issues/dsp\\_policy\\_01.pdf](https://www.un.org/en/development/desa/policy/wess/wess_dev_issues/dsp_policy_01.pdf).

Vega-Salas, M., Caro, P., Johnson, L., & Papadaki, A. (2021). “*Socioeconomic Inequalities in Dietary Intake in Chile: A Systematic Review*.” *Public Health Nutrition*, 1-33. doi:10.1017/S1368980021002937.

World Population Review. (2021). “*Santiago population 2021*.” Retrieved November 17, 2021, from <https://worldpopulationreview.com/world-cities/santiago-population>.

Zucman, G. (2014). “*Taxing across Borders: Tracking Personal Wealth and Corporate Profits*.” *Journal of Economic Perspectives*, 28(4), 121–148. <https://doi.org/10.1257/jep.28.4.121>.