Institutional vulnerability, breakdown of trust: a model of social unrest in Chile

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Shirking and property destruction are among the “weapons of the weak”; disobedience to the law, tax evasion, inoculation resistance, and even non-voting can represent active non-compliance.

Margaret Levi (2019)

1. The puzzle

Why did millions of angry Chileans take to the streets in protest, starting in October 2019? And why did a country like Chile—perhaps the most prosperous and law-abiding country in Latin America—explode in a rampage of street violence, vandalism and looting?

The most common explanation is that a 3% increase in metro fares caused public indignation at rising prices and high inequality to boil over.¹ At some level that must be true: people with sufficient income who feel they are treated fairly do not loot and riot. But as an explanation on which to base policy and political changes, that standard account risks being simplistic.

Take price increases. Yes, Chile had a history of inflation. And, yes, because it is more prosperous, Santiago tends to be more expensive than most Latin American cities. Yet Chilean inflation in the 12 months to September 2019 was barely 2.1%, and the Central Bank had been cutting interest rates because inflation was below target.

Or take income inequality. For an upper-middle-income country, Chile is very unequal, with a relatively high Gini coefficient of 46.6 in 2017 (100 represents absolute inequality). Yet according to the World Bank, the Gini coefficient had fallen from an eye-popping 57.2 when Chile returned to democracy in 1990.² The notion that rising income inequality was behind citizen discontent does not fit reality.³

To understand the causes of a social phenomenon, one must ask: Why here? Why now? If citizen discontent has spiked in Chile, some other causal factor must also have spiked so as to explain the change (or, alternatively, the sensitivity to the relevant causal factor must itself have spiked suddenly, which seems unlikely).

What changed dramatically in Chile over the last few years that might explain massive citizen anger? Here is a possible answer: Chileans lost trust in the institutions of their country.

² See the data in https://datos.bancomundial.org/indicador/SI.POV.GINI?locations=CL
³ At the very least, a proponent of this view would have to explain why intolerance for income inequality rose sharply in the recent past, so that even a reduced level of inequality became unacceptable and triggered protests and looting. The classic paper by Hirschman and Rothschild (1973) provides a few clues along these lines.
Development is always a race between frustration and trust. In a not-quite developed nation with much inequality and large pockets of poverty, many people lead harsh lives. Their income and consumption fall far short of their needs; they have difficulty paying their bills at the end of the month; they worry about losing their job or getting sick; they receive mediocre public services. All of this causes anxiety, frustration and, yes, anger.

But people control their anger as long as they believe that things will get better for them and their children. And crucially, that institutions—the government, parliament, judges, prosecutors, the police, the military, labor unions, big business—are working to make that improved future possible (or at least are not working to impede it). But if trust suddenly collapses, and people come to believe that institutions are not working—or, worse, that they are working to further the interests of people in power, not of ordinary citizens—then frustration and anger will boil over and quite possibly turn violent. That may have happened in Chile.

Chile, like most Latin American countries, never achieved the levels of institutional or interpersonal trust seen in the United States. This should not be surprising. When de Tocqueville travelled to the United States, he was struck by what he found. American exceptionalism extended to the trust citizens accorded one another. In France, by contrast, rather than turn to each other for help, citizens looked to the state. Latin America is more like France than the United States in this respect. In the region, according to Latinobarómetro, interpersonal trust has been very low and on a downward trend for the last fifteen years. So has trust in most institutions: government, parliament, political parties and the judiciary, among many others.

It might seem odd that trust in political institutions declined after many countries in Latin America became democracies. But politicians are not trusted in advanced democratic countries, either. Ronald Inglehart has argued that modernity and postmodernity contribute to a decrease in trust in institutions. Alternatively, in Robert Putnam’s account, modern life reduces face-to-face interactions and, as a result, interpersonal trust. While traditional societies may have a strong sense of authority resulting from paternalism, corporatism or religious authority, modern societies, as they become more democratic, lose respect for authority, and also trust in the institutions that in one way or another channel that authority.

Many organizations have gathered data on trust in Chile and Latin America,—including Latinobarómetro, Vanderbilt University’s Latin American Public Opinion Project (LAPOP) and Chile’s Centro de Estudios Públicos (CEP) poll—but the CERC-Mori poll has the longest series on the subject, having asked the same set of questions regularly since 1990. Figure 1 shows CERC-Mori data for Chile on trust in five institutions: political parties, the Senate, the Catholic Church, the Judiciary and Carabineros (the national police force). Plotted is the share of people answering “very much” and “to some extent” to the question “Do you trust the following institution?”

4 De Tocqueville (1856).
5 Latinobarometro.org.
7 Inglehart (1999).
For some institutions, like political parties, trust has been consistently low since the 1990s. For others, like the Catholic Church and Carabineros, sizeable drops are plausibly associated with specific scandals: a slew of cases of sexual abuse in the Church, starting around 2010, and financial fraud in Carabineros, revealed in 2016. But a generalized decline seems to have begun around 2009-10, and it accelerated in the 2-3 years prior to 2019.

The CERC-Mori report issued in May 2019, just 5 months before the outbreak of violence, was alarming in both tone and content: “Trust collapses between 2018 and 2019, reaching the darkest moment since we began measuring trust in 1990.” The report goes on to point out that in the previous year trust in Carabineros fell from 49% to 32% and trust in the judiciary dropped from 31% to 13%. The two institutions displaying the lowest levels of trust were the Catholic Church (from 31% to 8%) and political parties (from 15% to just 5%). The least trusted categories of people, the report concludes, were politicians with 6%, and bishops and priests, with just 5%.

![Do you trust the following institution?](source: CERC-Mori)

The Centro de Estudios Públicos (CEP) polls show a similar shift regarding how much Chileans trust institutions in their country. A comparison between 2013 and 2019 one reveals a generalized collapse. Trust in the national government (the same President, Sebastián Piñera, was in office at both times) fell from 25.8 to 4.7 percent. Institutions that already endured low levels of trust (Congress, political parties, private business firms) reached unbelievably low figures: by late 2019 fewer than 3 percent of citizens reported trusting Congress or political parties.
The courts of justice and the public prosecutor’s office, two institutions responsible for law enforcement, also suffered a sharp drop: by 2019 neither commanded the trust of even one citizen in ten. And that is not the end of the story. Institutions that were once widely trusted — the Catholic Church, radio stations, Carabineros (the national police), the military — also fell sharply in public esteem, losing the confidence of more than half the people who once trusted them. What Chile experienced, then, was a meltdown of institutional trust.

Do these subjective assessments of the quality of Chilean institutions coincide with more objective assessments? Not quite. The World Bank compiles six indices of the quality of governance. They are based on household surveys but also on the assessments of experts, NGOs, businesses, and a number of multilateral organizations and other public sector bodies. As such, the indices offer a different evaluation of the quality of institutions in Chile than the opinion polls cited above.⁸

Table 2 contains the World Bank indices for Chile in 2013 and 2018. Three facts stand out. First, Chile’s performance is strong. In both years and in 5 out of the 6 indicators, Chile is in the top 20 percent of countries in the world. And in Political Stability, the one indicator in which Chile is not in the top 20 percent, there is an improvement starting in 2013 that places Chile in the top 40 percent of countries by 2018.

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⁸ For details on the methodology behind the surveys, see Kaufmann, Kraay and Mastruzzi (2010).

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

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

Table 1

Source: www.cepchile.cl
The indices for Chile show a decline between 2013 and 2018, but that drop is small. The average for all six indices was 1.19 (in a range that goes from -2.5 to +2.5) in 2018, and 1.01 in 2013 — a drop of only 15%. The decline is much smaller than that in the CEP survey, where the average drop in the share of people reporting trust is 56%. \(^9\)

So, the World Bank indices suggest that Chile has reasonably high-quality institutions, even after the drop in quality for the last five or six years. By contrast, Chileans believe that their country’s institutional framework is in terrible shape, and their assessment has been getting dramatically more pessimistic over the same period of time.

The Centre de Estudios Públicos also asks whether the country is, in the opinion of respondents, moving forward, stagnating or going backwards. Between 2013 and 2019, the survey shows, Chileans took a gigantic leap toward pessimism. Table 3 shows that the share of people who felt the country was “moving forward” went from 41.6 to just 6.3 percent, and those fearing the country was “going backwards” grew four-fold, from 8.2 to 32.3 percent of the total. This drastic change in the national mood surely influenced people’s assessments of the quality of the country’s institutions — and could possibly been affected by it, in a two-way feedback loop.

The same CEP survey also asks people for their view on the country’s economic prospects in the following 12 months (see Table 4). These assessments are very similar in 2013 and 2019, in spite of the massive change in overall trust. The share of respondents claiming the economy would stay “the same” was 54.1% in 2013 and 54.6 in 2019. The share of people claiming the economy would be “better” did fall by 7.7 percentage points, but the share claiming it would be “much better” remained almost unchanged — as did the share claiming it would be “much worse”.

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\(^9\) In the World Bank data there is one category, Control of Corruption, which is a bit of an outlier, with a 34% drop in the index. But that drop is still smaller than 11 of the 14 drops in trust reported in the CEP survey.
Do you think that at the present moment the country is....
(percentage choosing each alternative)

Table 3

<table>
<thead>
<tr>
<th></th>
<th>July / August 2013</th>
<th>December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving forward</td>
<td>41.6</td>
<td>6.3</td>
</tr>
<tr>
<td>Stagnating</td>
<td>48.6</td>
<td>60.5</td>
</tr>
<tr>
<td>Going backwards</td>
<td>8.2</td>
<td>32.3</td>
</tr>
</tbody>
</table>

Source: www.cepchile.cl

A year from now, your own economic situation will be...
(percentage answering ...)

Table 4

<table>
<thead>
<tr>
<th></th>
<th>July / August 2013</th>
<th>December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Much better</td>
<td>4.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Better</td>
<td>34.6</td>
<td>26.9</td>
</tr>
<tr>
<td>The same</td>
<td>54.1</td>
<td>54.6</td>
</tr>
<tr>
<td>Worse</td>
<td>3.9</td>
<td>12.6</td>
</tr>
<tr>
<td>Much worse</td>
<td>0.4</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: www.cepchile.cl

Something other than economics seems to have driven Chileans to become more pessimistic. This stands in contrast to the commonly-held view that citizens’ anger resulted from dashed expectations of economic growth under Sebastián Piñera.

So the data suggest Chile experienced a crisis of hopelessness, and also a crisis of trust and credibility. The main message of this paper is that both crises are one and the same. And that in the interactions among pessimism, institutional fragility and trust lies the core of Chile’s travails.

2. A simple model

To understand the relevant interactions it helps to start from two simple ideas. The first is obvious: the trust people place in an institution depends on many factors, but a key factor is how effective that institution is. The British love the National Health Service because it delivers (waiting times notwithstanding) high-quality health care. Americans have rejected attempts to privatize the popular Social Security system for analogous reasons. The average Chilean used to trust Carabineros because it delivered a reasonably safe country (certainly when compared to neighbors in Latin America).
The second idea is less obvious: the effectiveness of a public institution depends crucially on how much citizens trust it. A national development bank can fund its operations via low-cost deposits only if savers are confident their money is safe when deposited there. Doctors at a public hospital can cure disease only if a patients trusts them, follows their instructions and swallows the medicines they prescribe. Once users start jumping over turnstiles and refusing to pay their fee, as was increasingly happening in the Santiago metro in the Spring of 2019, no one can be surprised if the quality of service sooner or later deteriorates.

Or, to return to the Carabineros: back in the day when they were widely respected and trusted, a verbal warning from a uniformed cop was all that it took for a protestor to stick to the unwritten rules of peaceful protest; by 2019, when Carabineros were widely viewed as brutish, ineffective and corrupt, no display of water cannons sufficed to keep protestors from breaking store windows and setting buses on fire.

This second idea comes with a twist: strategic complementarities are at work. If I trust the bank and no one else does, my money is not safe. If I trust public health authorities and follow rules on social distancing but no one else does, then I am still susceptible to contagion during a pandemic. In short: the trust I place in an institution matters, but other citizens’ trust matters just as much.

To fix ideas, consider a society with two types of people: citizens and politicians. Politicians run the institutions whose job it is to provide public services such as education or healthcare. Citizens play a double role: they benefit from the public good but also contribute to financing it. The most natural interpretation is that citizens make tax payments and government then uses the revenue to fund the public good. The payments could also be interpreted as user fees—as in a subway or in a toll road—with the resulting resources then used to maintain the system.

Alternatively, the contribution by citizens could be non-pecuniary: for instance, behaving in a public school classroom so that fellow students can learn, or obeying the instructions of health authorities and respecting social distancing so that others will not catch a virus. In what follows we use the language of taxes and revenue, but keep in mind the alternative interpretation.

The continuum of citizens has size (measure) one. They all face a choice: pay taxes and contribute to the public good, or evade taxes and fail to contribute. Let \( p \) be the fraction of people who contribute. Suppose also that those who do not contribute enjoy only a share \( \beta \), \( \beta \in (0,1) \), of the benefits of the public good. So \( \beta \) is a “free riding” parameter: the higher \( \beta \), the easier it is to free ride, since one can get more of the benefits of the public good without helping pay for it.

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10 In 2016 high ranking offers in Carabineros were embroiled in a corruption and embezzlement scandal.

11 This could happen, for instance, if someone who hides his income to avoid paying tax then cannot buy a big flashy car in which to travel government-provided roads, so his/her utility from road use falls by \( 1 - \beta \) percent. Or it could be that users who refuse to pay are caught and cannot use the subway (or the toll road) \( 1 - \beta \) percent of the time.
Exogenous individual output is normalized to one. The constant tax rate on output is \( \tau, \tau \in (0,1) \), so total tax revenue is \( \tau p \). Those resources are used by politicians to produce a public good that yields \( (1 + \alpha) \tau p \) in utility, where \( \alpha \geq 0 \). One can interpret \( \alpha \) in three alternative ways:

- A *policy-competence* parameter, indicating the ability of politicians in the government to turn private resources into a high-quality public good or high-quality public services.
- A *probity* parameter, indicating what share of tax revenues politicians use for public-good provision as opposed to stealing or redistributing to their cronies.
- A *suitability* parameter, indicating how well suited the public good is to people’s desires. Politicians who understand the preferences of the population will provide a suitable kind of public good or service, while an out-of-touch governmental elite will do the opposite.

So competent, honest and “in-touch” politicians give rise to governmental institutions that have a high \( \alpha \), while those who do not display these characteristics yield institutions with a low \( \alpha \).

The welfare level of an individual who contributes is

\[
w^c = (1 - \tau) + (1 + \alpha) \tau p
\]

The welfare level of someone who does not contribute is

\[
w^n = 1 + (1 + \alpha) \beta \tau p
\]

For both contributors and non-contributors, welfare is increasing in \( p \): the larger the share of the population that contributes to the public good, the higher the level of provision. But welfare rises more quickly as a function of \( p \) for contributors than for non-contributors, since people who contribute can enjoy the full benefits of the public good.

Notice that \( w^n(p = 0) > w^c(p = 0) \) always, which is intuitive: if no one else is contributing, it pays not to contribute. Note also that \( w^c(p = 1) > w^n(p = 1) \) if and only if \( (1 + \alpha)(1 - \beta) \equiv \pi > 1 \). That is to say, for contribution to be a best response when everyone else is contributing, \( \alpha \) must be sufficiently high and \( \beta \) sufficiently low. Intuitively, the quality of government in delivering public goods or services must be high enough, while the incentives for “free riding” must be low enough. From now, assume this condition holds.

There is one \( p \), labeled \( \bar{p} \), that makes welfare from contributing and non-contributing equal:

\[1 + (1 + \alpha) \beta \tau p = 1 - \tau + (1 + \alpha) \tau p.\]

Solving for \( \bar{p} \) we obtain

\[\bar{p} = \frac{1}{(1 + \alpha)(1 - \beta)} \equiv \frac{1}{\pi}\]

Note that \( \bar{p} \) is decreasing in \( \alpha \) and increasing in \( \beta \), which is intuitive. Note also that \( \bar{p} < 1 \) requires \( \pi > 1 \), which we have assumed. Figure 1 shows both welfare functions, which cross at \( \bar{p} \).
3. Dynamics

What are dynamics around $\bar{p}$? Assume the very simple gradual adjustment process

$$\dot{p} = \phi (w^c - w^n)$$

where $\phi > 0$ is a speed-of-adjustment parameter. The share of the population that contributes grows whenever welfare from contributing is larger than from not contributing, and vice-versa. In turn, these welfare levels depend on $p$, the share of people who contribute. It is in this sense that trust, both in institutions but also on my fellow citizens, matters for outcomes.

Under this adjustment rule, the equilibrium at $\bar{p}$ is unstable: if one more individual were not to contribute, then the welfare associated with not contributing would be above that associated with contributing, causing other individuals to stop contributing too. Traveling down that slippery slope, sooner or later no one would be contributing. And because when $p = 0$ the welfare level of non-contributing is higher than that associated with contributing, that is a stable equilibrium. A similar story unfolds if, starting at $\bar{p}$, one more person chooses to contribute. Then others have an incentive to do the same, and the economy converges to a situation in which everyone contributes. And because when $p = 1$ the welfare level associated with contributing is higher than that associated with non-contributing, then that also is a stable equilibrium.

So, there are two stable equilibria: one with $p = 0$ and one with $p = 1$. Multiple equilibria occur because of strategic complementarities across citizens: it is more attractive to contribute when many others are also contributing, and it is more attractive not to contribute when many others are also failing to contributing. But other equilibria do not yield the same welfare. When $p = 0$ individual welfare is 1, while if $p = 1$ individual welfare is $1 + \alpha \tau$. So having everyone contribute is better than having no one contribute as long as $\alpha > 0$, which is intuitive.
4. Shocks and their effects

We are now ready to apply this model to the situation of Chile. Suppose that the parameter $\alpha$ drops permanently to $\alpha'$, so that the quality of society’s institutions drop forever. Recall that this can be interpreted as a drop in policy competence of elites, in their probity, or in the suitability (given users’ preferences) of the public goods and services elites provide. New and old welfare schedules for contributors and non-contributors are shown in Figure 2. The new unstable equilibrium point is at $\bar{p}'$. The long-term consequences of this shock depend on initial conditions.

If society was initially at a point to the right of $\bar{p}'$, then nothing much happens. Society will continue “developing” — that is, $p$ will continue rising and more and more people will gradually contribute to the public good. The only effect of the shock is that now the same private resources generate a smaller flow of utility from the public good, so that in the long run individual utility will be $1 + \alpha' \tau$ instead of the higher $1 + \alpha \tau$.

But if society was initially between $\bar{p}$ and $\bar{p}'$, something much more dramatic (and costly) will occur. Civic-minded behavior will gradually decline — that is, $p$ will begin to fall and fewer and fewer people will contribute. In the end, $p = 0$ and final individual welfare will drop to 1, which can be substantially below $1 + \alpha' \tau$.

So this is an example of how a relatively small change in an exogenous parameter — in this case, the quality of institutions — can have a large long-term impact on both the extent to which people trust those institutions, and on long-term individual welfare. But notice: that large long-term adverse effect will only be relevant for societies that were not too developed to begin with — that is to say, for societies where the initial $p$ is not too high.

![Figure 2](image-url)
Now suppose, instead, that the parameter $\beta$ rises permanently to $\beta'$. This is a decrease in the degree to which free-riding is costly. Such a change may well have happened in the Chile of recent years. Not from a technological point of view (turnstiles operate the same way they always have in subways) but from a political and ethical point of view. Governments lost their will to enforce payment — for instance, in urban transport buses, which do not have turnstiles. The 2019 crisis began when students from a downtown school began flaunting their refusal to pay when boarding the metro. For them, failing to contribute was not just morally less costly than before; it was a badge of honor.

New welfare schedules for contributors and non-contributors appear in Figure 3. The new unstable equilibrium point is at $\bar{p}''$. The implications are analogous to those of the previous shock to $\alpha$. If society was initially between $\bar{p}$ and $\bar{p}''$, fewer and fewer people will contribute to the public good and $p$ will begin to fall until it hits 0.

Again the lesson is that small changes in parameters — in this case, to the free-riding parameter $\beta$ — can have large and persistent effects on public good provision and welfare. But this “discontinuity” only occurs if initially the country was relatively “underdeveloped” and institutions were sufficiently weak, in the sense that a small enough number of people contributed to public good provision, so that the initial $p$ was to the left of $\bar{p}''$.

The implication from both kinds of shocks — to the quality of governmental institutions and to the cost of not contributing to society — is the same: society can get trapped in a long-term inefficient and undesirable equilibrium in which fewer and fewer people contribute, institutional quality deteriorates sharply and persistently, and public good provision and welfare levels are inefficiently low. Small shocks are enough to trigger that persistent and harmful social dynamic.
In what sense does that dynamic involve a crisis of trust? After each one of the two shocks, it can happen (for the “right” parameter values) that people who had been contributing stop doing so. In that case, society switches from a rising to a falling contribution share. Those changes happen because suddenly not contributing becomes more attractive than contributing, which causes some people to modify their behavior. As fellow citizens begin to exit the ranks of contributors, and resources available for government to provide the public service dwindle, people lose faith in the system. They no longer trust it to deliver the kinds of high quality services to make it worthwhile to contribute. The initial trickle eventually becomes a flood, as more and more people choose to exit, until eventually (depending on parameter values, the process can be slow or sudden) no one is left to contribute.

5. Conclusions

Chile, often celebrated for having the best institutions in Latin America, experienced a complete breakdown of institutional trust. Late in 2019 angry citizens were not just eager to join protest marches; some of them were also ready to torch supermarkets, firebomb subway stations, and vandalize uncounted small businesses.

The quality of institutions and the trust that citizens deposit in them are two sides of the same coin. Quality of course promotes trust, but a citizenry that trusts and respects a country’s institutions in turn allows them to function better. There can be a virtuous cycle along which quality inspires trust which in turn improves the performance of institutions, and so on. But the opposite can also happen: shocks can trigger a vicious circle in which collapsing trust and deteriorating public good provision mutually reinforce each other. Development occurs, to borrow Acemoglu and Robinson’s (2019) phrase, along a “narrow corridor”: it does not take much to push a successful society off that corridor and into an abyss of distrust, distemper, bad politics, bad policies—and even violence. That is what seems to have happened to Chile.

Several kinds of shocks can push a country off the narrow corridor of institutional progress. We saw that “small” declines in exogenous institutional quality and in the ability to free ride can do the trick. Some of this seems to have happened to Chile. Its institutions were strong compared to those of most other emerging nations (and some developed nations too), but not strong enough to shield society and politics from a sudden meltdown in national self-esteem.

What is to be done? If you believe the story in this paper, then you must conclude there is no quick technocratic fix that can get the country back on its feet. There are, as observers from Tocqueville to Putnam to Fukuyama point out, deep-rooted social foundations underlying trust, which include family life and associativity, and these have been evolving together with Chile’s economic progress. Beyond playing institutional catch-up (greater democracy, transparency), the name of the game is social coordination. But coordination across millions of people who feel they are living through several intertwined crises—economic, political, social, and now epidemiological—is notoriously difficult.
Coordination needs to happen along two dimensions. Citizens must come to believe again that it is their duty to pay taxes or subway fares even if many others are not doing so. The marauding gangs of toughs who harassed those who chose to pay at several Santiago metro stations, for example, show that task will not be easy to accomplish. At the same time, the leaders of the country's institutions — politicians, bureaucrats, judges, prosecutors, business and union leaders, reporters and journalists, even priests — must listen more carefully, get the message and improve their performance.

It took Chile the better part of two centuries to build institutions of which citizens could be proud. All that vanished in a matter of months. How long will the rebuilding take?
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