Comments on "Institutional vulnerability, breakdown of trust: a model of social unrest in Chile"
by Velasco and Funk

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Applied theory paper. Idea: Breakdown of trust as a cause of institutional vulnerability to explain social unrest in Chile around 2019. Fundamental cause vis-a-vis proximate cause (30 pesos)

- Secular decrease in trust in (several) institutions (plus pessimism without a clear objective basis) correlated with social unrest.

- Simple model where people have to ”contribute” and there is strategic interaction among agents. Key parameters: \( \alpha \): quality of institutions (probity-competence-suitability) parameter; \( \beta \): free riding parameter.

Main results:

- (Small) perturbations in key parameters can create big changes in contribution of citizens.

- Dynamics imply permanent changes towards \( p = \{0, 1\} \).

- Then, the model can explain (locally) movements in ”contributions” due to changes in trust in Chile in 2019.
My comments

1. Caveat 1: I am an applied micro person.
2. Caveat 2: I like simple models a la Tirole to explain stuff with key fundamental mechanisms.

- Relevant literature
- Just Chile?
- The model and other implications
Figure 1: What is New? HBS Case Study on Social Unrest In Chile plus Game Theory Problem Set

Unrest in Chile

The Revolution was designed to abolish the remains of the institutions of the Middle Ages: yet it did not break out in countries where those institutions were in full vitality and practically oppressive, but, on the contrary, in a country where they were hardly felt at all, whence it would follow that their yoke was the most intolerable where it was in fact lightest.

— Alexis de Tocqueville, *The Old Regime and the French Revolution*, 1856

The N-Person Chicken Game
Other related papers/lines of research that may be relevant, some examples I

- Interaction of trust-social norms and institutions: Acemoglu et al. (2020): *Even though institutional change that may be beneficial to many citizens and organized groups may be possible, it often requires some trust and coordination between groups, especially trust that nobody will try to hijack the process, and this leads to multiple equilibria: when trust is missing, the process of institutional change may never get off the ground, creating a form of institutional stasis.*

- Models of evolution of trust-cooperation interacting with institutions: Tabellini (2009): same set of ideas plus a more formal treatment of $\dot{p}$ plus some learning and enforcement in the model.
Other related papers/lines of research that may be relevant, some examples II

- Recent research on social unrest in different contexts: David Yang research on Hong-Kong: Cantoni et al. (2019, QJE), Bursztyn et al. (2021 AER Insights), Cantoni et al. (2022, JPubE). Acemoglu et al. (2017) on role of twitter. Social media and protests/social unrest: Fergusson and Molina (2021), Cruz et al. (2019): information diffusion; (ii) social persuasion; and(iii)coordination and enforcement.

Just Chile?

- 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?

- Just Chile? No

- Unclear: what is behind these protests, riots, etc.? Different contexts, income levels, issues, political parties, etc.

- Fundamental causes? Role of expectations plus different definitions of inequility plus social media plus learning plus...
NNN?

- Contrary to widespread perceptions and contrary to the experience of many other countries, income inequality, again measured by the Gini coefficient, has not increased: while the OECD average was increasing substantially, the Gini coefficients for both pre-tax and post-tax income inequality have remained roughly constant during the last two decades in NNN. And, again in contrast to many other countries, the bottom 50% has seen faster income growth than the top 10% in NNN since AAAA.

- These statistics do not look so bad. They are however in sharp contrast with perceptions. In one...survey..., 73% of people... see income inequality in NNN as a serious or very serious problem. 62% see wealth inequality as a serious or very serious problem. These are substantially higher numbers than the corresponding numbers for the United States, 50% and 46% respectively, where nearly all these measures of inequality are much higher, and trends have been much worse.
France (Blanchard and Tirole, 2021) I

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Mouvement des gilets jaunes
The model and other implications I

- Simple and stylized mechanism to explain *locally* what happened in Chile: small change in trust and riots. Too simple?
- Why not thinking about the complete evolution of trust in Chile: before and especially *after* 2019.
- Why in 2019 and not before? Coordination? (Arab Spring, Hong Kong, BLM, March 7, etc.)
- Or I am looking at the wrong set of institutions? Social cohesion? Local institutions? I suggest to go back to the Desiguales 2017 report.
- Or the wrong variables? Decrease in growth? (cannot explain many things but some people claim it is relevant)
Do you trust the following institution?
(percentage answering “very much” and “to some extent”)

Figure 1

Source: CERC-Mori
¿Cuánta confianza tiene Ud. en las FF.AA., Carabineros y la PDI?

(Total muestra) (Evolución) (% Mucha + Bastante confianza)
A continuación le voy a leer los nombres de algunas instituciones. De acuerdo con las alternativas de la tarjeta, ¿cuánta confianza tiene Ud. en cada una de ellas?

(Total muestra) (Evolución) (% Mucha + Bastante confianza)
A continuación, le voy a leer los nombres de algunas autoridades o instituciones locales. De acuerdo con las alternativas de la tarjeta, ¿cuánta confianza tiene usted en cada una de ellas?

(Total muestra) (% Mucha + Bastante confianza)

- Consultorio o CESFAM de su barrio: 52%
- Comisaría de su comuna: 45%
- Organización vecinal: 33%
- Alcalde o alcaldesa de su comuna: 32%
- Templo o iglesia de su barrio: 30%
- Seguridad ciudadana de su comuna: 30%
- Gobernador o gobernadora de su región: 20%