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Chile's left push for free car parking

Benedict Mander in Santiago

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Car parks are rarely a heated topic of debate between conservative and radical social theorists — except in Chile, a country often viewed as a laboratory for the world's latest economic trends.

This month, Chilean senators are expected to pass a law that will make parking in shopping centres, which can cost up to \$2.50 an hour in the glitzier malls of Santiago, free for the first half hour.

The revised bill comes after they rejected one in August that would have offered two free hours of car parking, sparking a nationwide furore. Radical congressmen jeered at the more conservative senators for being the puppets of “rip-off” corporate masters.

Chile's business community feared it was the thin end of the wedge and saw the radical prospect of “car parking as a social right” as emblematic of the leftist reforms being

championed by President Michelle Bachelet. Hit hard by falling commodity prices, growth has fallen in the world's biggest copper producer from a 30-year average of 5 per cent to less than 2 per cent last year.

Elected two years ago, Ms Bachelet has controversially sought to push Chile away from its famous pro-market model, advocating free education, higher corporate taxes, greater rights for unions and even free car parking.

“There have always been good relations between Chile's public and private sectors. With this government, that has been broken,” says one leading business executive. “It will be difficult for the country to recover without fixing this problem.”

Although an apparently idiosyncratic debate, Chile's parking spat highlights tensions about social inequality versus unfettered wealth creation. The country's so-called economic “miracle”, begun under the dictator Augusto Pinochet, helped transform it into South America's most prosperous country: the national car fleet, for example, has more than doubled to 4.5m cars in 15 years.

That is partly why the bill's free market opponents argued against free parking as it would incentivise traffic, worsen pollution — and infringe certain infrastructure contracts.

But the “model” has also made Chile, home to one of the world's oldest socialist parties, one of Latin America's most unequal countries, with the top 10 per cent earning 25 times more than the bottom 10. Such considerations partly fuelled the bill's proponents, who argued parking tariffs were often a rip-off. “Consumers will be worse off,” said Fuad Chahin, a congressman after the bill was amended.

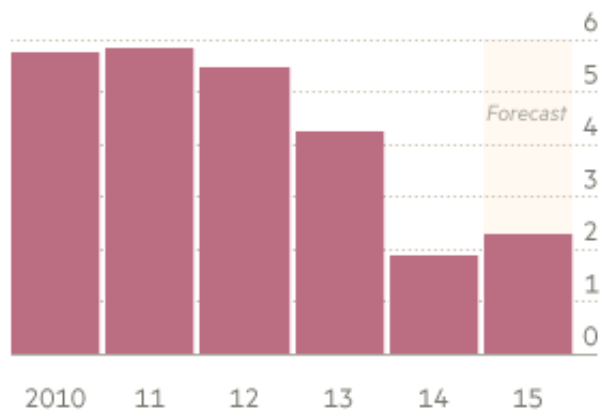
Ms Bachelet was re-elected by 62 per cent of the vote two years ago for a second term to address such tensions. Yet critics say her reforms have been rushed. “The desire to do everything quickly has played against her. There has been a polarisation of society,” says Ricardo Lagos, a former centre left president. “She tried to do everything in a year. That is a mistake.”

Some of the more hysterical members of Chile's upper classes fear class warfare — although even if all of Ms Bachelet's reforms were enacted, Chilean politics would still lie “to the right of most of the rest of the world,” notes Patricio Navia, a political scientist. Controversy over reform has slashed Ms Bachelet's popularity ratings to a low of 24 per cent. Consumer confidence has collapsed.

The appointment in May of a new market friendly finance minister has eased some tensions: Rodrigo Valdés is a respected economist who has worked at

Chile real GDP growth

Annual % change



Sources: Thomson Reuters Datastream; IMF

the International Monetary Fund and on Wall Street. Nonetheless, a pervasive sense of uncertainty remains, virtually paralysing private investment and so holding back economic growth further.

“It’s not clear what the direction is,” says a senior member of Ms Bachelet’s coalition, which he says has “two souls” — one moderate and technocratic, and another that yearns for radical change. “But Bachelet’s heart is on the left.”

FT Indeed, Harald Beyer, director of the CEP think-tank, argues the government’s woes lie in an

incorrect diagnosis of Chile’s problems. These, he says, are less about radically changing an economic model that has lifted a third of people out of poverty, and more to do with Chileans’ desire for solutions to specific problems such as expensive education.

“The government sees itself as a doctor that needs to inoculate a child, but the child is crying as it doesn’t understand why the pain is necessary,” he says. Reason is often drained by a poisonous atmosphere in which no side can claim moral legitimacy. Many business leaders now admit they were slow to criticise corruption by their own kind, such as a tax avoidance scandal at Soquimich, a company run by Pinochet’s son-in-law. Meanwhile, the president’s son has been enmeshed in a corruption scandal of his own.

“Bachelet’s election was like a big party, in which she promised happiness for all,” comments Mr Navia. “Her presidency is the hangover, as we slowly come back to reality.”

Additional reporting by John Paul Rathbone in London

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