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A cabinet reshuffle may prop up a flailing presidency, for now at least

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SINCE democracy was restored in 1990, Chile's successive presidents have followed an unwritten rule: never sack the finance minister. During that quarter-century the only person to leave the post early was Eduardo Aninat in 1999, and that was with his boss's blessing to take up a job at the IMF. That the current president, Michelle Bachelet, felt the need to dump her finance minister—and several other cabinet members—after just 14 months in the job suggests the gravity of the crisis she faces.



Ms Bachelet's agenda of radical reforms is proving unpopular, as is she. The economy is expected to grow by a tepid 3% this year. Accusations that her son used his influence to secure a \$10m loan for his wife's real-estate company have bruised her. The entire political establishment is mired in a campaign-funding scandal. Only 29% of Chileans say she is doing a good job.

It was against this backdrop that the president took drastic action last week, ordering her entire cabinet of 23 ministers to tender their resignations. After a weekend holed up at home she returned to the presidential palace on May 11th to announce the biggest cabinet reshuffle in years. Five ministers have been given their marching orders and four others moved to new posts.

The new finance minister, Rodrigo Valdés, is an economist with a solid track record, not only at the IMF and Chile's central bank but also in the private sector at Barclays Capital in New York and BTG Pactual, a Brazilian investment bank. Chile's stockmarket responded with a

rally: the blue-chip index closed at its highest level for nearly two years. Business leaders hailed Mr Valdés as a chance for a fresh start. Many of them loathed his predecessor, Alberto Arenas, who oversaw controversial tax reforms last year.



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Also noteworthy was the appointment of Jorge Burgos, who moves from Defence to the Interior Ministry and becomes Ms Bachelet's de facto cabinet leader. A lawyer with a calm demeanour and two decades of experience in government and Congress, he is a Christian Democrat, which makes him a relative moderate in the governing centre-left coalition. He is likely to prove less abrasive than the outgoing Rodrigo Peñailillo, who was unpopular with the centre-right.

The new cabinet faces big challenges. Labour reforms are planned, as are further education reforms. Ms Bachelet wants to start a national discussion about a new constitution in September. But more than 60% of respondents to a recent poll said her reforms were ill-conceived and would not achieve their aims. Nearly as many said Chile was stuck in a rut and that Ms Bachelet does not have what it takes to deal with a crisis. Just 16% said they thought that the economy would improve in the next 12 months.

The reshuffle was necessary and Ms Bachelet's appointments judicious. With them, she has bought some time. On May 21st she will address Congress and outline her plans for the year ahead. But her government will be judged on its policies during her three remaining years in office, and not whom she appoints to implement them.