

Piñera in Autumn

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On March 11, 2022 oligarch Sebastian Piñera completed his second term as Chile's president. It had been a rough four years in office, far more challenging than his first term from 2010 to 2014. Starting in March 2020, the COVID-19 pandemic had devastated Chile, resulting in between 63,000 to 66,000 excess deaths and deeply traumatizing the population. Piñera's response to the pandemic was complicated by another, earlier challenge he faced. Widespread protests against a weak economy resulted in a state of emergency declaration in October 2019. That declaration was very unpopular, and Piñera's approval rating fell to 15% in February 2022. This level was lower than dictator General Augusto Pinochet's approval rating of 22% when he left office in 1990 and the lowest in Chile's modern history.

As he stepped down as president, the 72 year old Piñera faced an important decision. What should he do next? How could he maintain his wealth and power?

Piñera's Journey to Wealth

Sebastian Piñera is a native of Chile, one of Latin America's great development success stories. Measured by GDP/capita (PPP) and life expectancy, Chile is the third most developed country in Latin America and the Caribbean, surpassed only by the Bahamas and Panama. According to Freedom House, it is the second most free country in Latin America and the Caribbean, exceeded only by Uruguay. And with the very big aside of Pinochet's 1973 coup and subsequent 17 year military rule, Chile has until recently avoided much of the political turmoil and economic uncertainty that has impacted Latin America. However, challenges such as increasing violence, growing extremism in politics, stubbornly high income inequality, low-value higher education, and a constitution that is perceived as being biased toward the right wing are having a major impact on the country's forward progress.²

Chile is different. More isolated geographically. Long and thin and diverse. Less impacted by Spanish colonial rule. This is the land in which Sebastian Piñera was raised.

Piñera' was born in 1949 to a privileged and educated background in a conservative society. His father, Manuel José Piñera Carvallo, was educated as an engineer and became a co-founder of Chile's Christian Democratic Party, before becoming Chile's ambassador to Belgium and the United Nations and a long-time public servant at CORFO, the country's development agency. His mother was

¹ The authors are grateful to José Miguel Benavente, executive vice president of CORFO, for his insights.

² The Economist. (2021). Chile, once considered Latin America's Finland, is in trouble. October 28th.

descended from two Chilean presidents and an Incan emperor. Her family was one of the wealthiest and most powerful in Chile.

After earning an undergraduate business degree in Chile in 1971, Piñera was awarded a Fulbright to Harvard, where he was awarded a PhD in Economics in 1974. He lectured at various Chilean universities until 1988, but his real interests were in business.

In 1973 Chile had undergone a revolution when General Augusto Pinochet seized power in a military coup from Salvador Allende, a socialist elected president in 1970. Pinochet's government pursued radically free-market economic policies. These policies created entrepreneurial opportunities, particularly for those, like Piñera, who were well-connected.

While at Harvard, Piñera was asked by Ricardo Claro, a successful businessman, to investigate the potential market for credit cards in Chile. When he returned to Chile, Piñera pursued this opportunity without Claro, establishing his early reputation for untrustworthiness.

With initial capital from an economic consulting gig in Bolivia with one of his Harvard professors, Piñera established his initial business activities in project consulting, residential real estate construction, and most importantly, banking. In 1979 he joined with the Calaf-Danioni group in the privatization of Banco de Talca. In the same year, he joined with Carlos Massad and Antonio Krell Rosenfeld to acquire shares in Bancard, Chile's first credit card issuer, which was being promoted by Banco de Talca. However, in 1981 the bank was nationalized again by the Chilean government, fraud was discovered, and Piñera and his partners prosecuted. He won dismissal of his conviction, while his partners went to jail.

Despite this setback, and following a few years at Citibank as their Chile general manager, by the late 1980s Piñera was very rich. Much of that wealth came from his participation in the privatization process and, in particular, his apparent access to inside information that enabled him to buy firms at low prices. For example, he earned \$35 million from investments he made in Entel, Chile's top telecommunications firm, when it was privatized beginning in 1986. In 1994 he sold Bancard for \$100 million and in the same year bought 16% of Chile's leading airline, LAN, from SAS in a joint venture with the Cueto family. Into the 2000s Piñera continued to make investments in various industries, including electricity, shipping, television, and football. His wealth arises mainly from his savvy investments, not his capabilities as either an entrepreneur or a manager.

He entered *Forbes* list of billionaires for the first time in 2007, with an estimated net worth of \$1.2 billion. His net worth peaked at \$2.9 billion in May 2023. Amongst Chilean billionaires, he ranks 5th as of May 2023. In global terms, he ranks 1065. Not bad, but not amazing in our increasingly unequal times.

Piñera is considered a new oligarch in Chile, in contrast to the old oligarchs who were much more right-wing and rooted in agriculture. His reputation is as someone who is untrustworthy, and someone who is always dancing on the chalk, but also as someone who is brilliant with an amazing

memory. He lacks both empathy and emotional intelligence. Most importantly, Chileans see him as a *pillo*—a rascal, a rogue, someone who is always skipping the line and circumventing the law. These are traits that many Chileans admire.

From Wealth to Power

Since childhood, Piñera has been close to power. His father was active in politics and held mid-level posts in various Chilean governments. His mother was not active in politics per se, but her family's substantial wealth as old oligarchs (among other properties, they owned the La Dehusa area in Santiago, one of the most expensive pieces of land in the country) assured them an influential role in the country's affairs. His elder brother José, with whom he had a long running conflict, was Pinochet's Minister of Labor and Social Security from 1978 to 1980 and Mining Minister from 1980 to 1981. In the former role, he established Chile's privatized social security system, one of the first in the world.

Piñera's move from wealth to power began in 1989. In 1988 Pinochet lost the referendum about his continuation as president. Piñera then joined the National Renewal Party, a liberal conservative (center-right to right-wing) party, and ran successfully for a new Senate seat from eastern Santiago. He held that seat until 1998, during which time it is believed he used his access to inside information to facilitate his investment activity. In particular, he worked on several laws that impacted access to privileged, inside information. Working behind the scenes, his actions resulted in softer punishments and smaller fines for the use of inside information.

He continued to build his political profile, becoming leader of National Renewal (2001-04). Surprisingly, he ran for president in 2005, but lost to socialist Michelle Bachelet. Piñera's personality evoked mixed feelings amongst the electorate, but he continued to push the idea of the entrepreneur as the icon of Chilean society. He defined entrepreneurs as people who worked hard and are rewarded as a result. He voiced his opposition both to the idea of salaried workers, traditional mining interests, and in a rejection of his own background, the old oligarchs.

In 2009, Piñera tried for the presidency again. He became a member of the Coalition for Change, a somewhat broader but still center-right alliance of convenience. In the second round run-off, he gained a majority against a center-left candidate and became president. His first presidential term (2010-14) was marked by several developments. First, as Chile's first billionaire president, Piñera had to move rapidly to dispose of some assets once elected, while placing others in trust. A majority of his net worth was in Axxion, a publicly listed holding company, and he sold that interest along with his stake in LAN. Second, student protests (2011-13) against for-profit education and in favor of greater state involvement in secondary education created conflict with Piñera's administration. Third, Chile's development continued under his government, with GDP/capita (PPP)

expanding from \$22,300 in 2010 to \$24,400 in 2014 and life expectancy growing from 79.0 years to 79.6 years.

Stepping down in 2013 due to constitutional limits on consecutive terms in office, Piñera remained active in national politics. He ran again for the presidency in 2017 and won with a larger majority than in 2010. However, his second term was generally less successful than the first. COVID-19, the social protests, and slower economic growth all played a role, as did an unsuccessful impeachment attempt in 2021 based on Pandora Papers revelations.

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After leaving office in 2022, Piñera has maintained a low profile.³ It seems clear that his political prospects in Chile are limited. Yet opportunities continue to beckon. He faces several choices as he moves into the autumn of his career:

1. Should he enhance his power by becoming more involved in international initiatives such as the Forum for the Progress and Development of South America (PROSUR), a right wing association?
2. What are the best options for maintaining and enhancing his wealth? For example, should he invest more in technology-enabled industries?
3. How can he best protect his legacy? For example, what role might his children play in building the next generation of the Piñera empire? Can a creative philanthropic strategy help boost his place in history?

As he relaxed at his home on Chile's Pacific coast on another spectacular summer day, Sebastian Piñera realized that he must make some big decisions soon.

³ Despite numerous attempts, the authors were unsuccessful in interviewing Piñera for their book, *The Oligarchs' Grip: Fusing Wealth and Power*.