

Economist Ricardo Caballero and Former Finance Minister Andrés Velasco Analyzed Current Macroeconomic Landscape

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Ricardo Caballero expressed concern for the tone of recent debates and their impact on the country's image. "I am under the impression that they are trying to rush an extremely complicated process," he stated.

Velasco indicated that he is concerned that Chile's growth trend does not look good in the long term.

In order to analyze the global economic situation and the reality, prospects and challenges for the domestic economy, this morning Grupo Security held a seminar entitled "Winds of Change are Blowing. Are We Prepared?", led by Ricardo Caballero, accomplished Chilean economist and director of MIT's World Economic Laboratory, and, Andrés Velasco, former finance minister.

At the event, Ricardo Caballero expressed that the haste of the tax debate did not benefit the world's impression of Chile. "The sense of improvisation and lack of technical accuracy that was demonstrated to the world and, likewise, the rise in corporate tax rates, which goes against what is happening in the world's most successful economies, do not look very good."

Furthermore, he maintained that reaching a consensus was a good step in this debate, classifying it as a positive sign that helps the country's image. "If we continue along this path, the impact will be positive and if we agree on a particular reform, whether ideal or not, would also be good news," he commented.

Andrés Velasco expressed that Chile has a political problem that has not allowed it to progress on key issues, such as education and energy, among others, and that ultimately issues are shelved because political agreements cannot be reached.

In this spirit, Velasco stated that the country's major challenge is a political reform. "Until we have better politics, we will not have better policies and will not achieve the country we all want."

In economic matters, he commented that he is concerned that Chile's long-term growth trend does not look good. "For example, today we produce 40% less than Australia, measured as an average per employee, a statistic that also held true in the 1960s."

He added that "Chile's growth trend is stagnant at 4.8%. Part of the problem has to do with companies, with the low levels of investment in innovation. I think that sustained growth has to do with diversification, which has been slow in Chile, in contrast to Mexico or Ireland. This is why the ministry of economy's agenda is pointed in the right direction."

Caballero assured guests that the current external conditions should favor Chile. "The normalization process for U.S. interest rates is an extremely delicate process. The consensus is that if a gradual normalization were to occur, without significant volatility, it would not be very worrisome for our economy. If there is increased volatility, which is what happened in May of last year, it can impact us strongly," he remarked. However, he stressed that "the rise in U.S. interest rates is not important for a country like Chile."

Grupo Security—a diversified financial group that offers its customers consistent, high quality service—organizes an economic seminar every year in order to analyze domestic and global economic projections and trends, while contributing to the community by addressing topics of interest for the country's development.