

The Political Economy of Pension Financialization in Chile: Path Dependency, Contestation and Reconfiguration

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Abstract

This paper analyzes the political economy of Chile's 2025 pension reform within the context of neoliberal financialization. It aims to assess whether the reform represents a shift toward de-financialization or, alternatively, a reconfiguration of financialized social policy. Drawing on a qualitative case study approach, the study combines historical institutional analysis, policy analysis, and theoretical insights from the literature on financialization to trace the evolution of Chile's pension system from the 1981 privatization reform to the current hybrid model. The findings suggest that the 2025 reform represents a form of state-led re-financialization rather than a shift toward de-financialization. Although the reform introduces redistributive measures, such as expanded non-contributory benefits and gender compensation mechanisms, it ultimately reinforces the dominance of individual capitalization and deepens the integration of pensions into financial markets. The paper further demonstrates that the reform outcome is shaped by strong path dependency, legal constraints surrounding private property rights, and political compromise among competing actors, including the state, financial institutions, and social movements. As a result, the reform reflects a pragmatic "third way" that seeks to balance market-based mechanisms with limited social protection. Overall, this study contributes to the literature by highlighting how financialization can be reconfigured rather than reversed through state intervention, offering new insights into the evolving role of the state in financialized welfare systems. It also provides a relevant comparative reference for middle-income countries confronting similar challenges of pension sustainability, inequality, and demographic change.

Keywords: Chile, pension reform, financialization, social policy

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