

Chile's "National Reconstruction Plan": A tax giveaway to the rich, dressed up as disaster relief

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President José Antonio Kast signed the National Reconstruction and Economic and Social Development Act into law on October 9, completing the legislative process that began when the bill was introduced in April and passed through Congress in August. The first provisions take effect on November 1. The law has been promoted by the government as the centerpiece of its program to "get Chile back on its feet." In reality, it is a fraud on two counts: its "reconstruction" provisions are a pittance that will leave the overwhelming majority of disaster victims homeless for years to come, while its core content is a sweeping program of tax cuts for corporations and the wealthy that will take effect in 2027.

The *World Socialist Web Site* has documented the real character of this legislation since it was first unveiled. As we wrote in July, the package constitutes the most ambitious restructuring of the Chilean state's relationship to capital since the Pinochet dictatorship, a "Chicago Boys 2.0" that restores the fully integrated tax system of the dictatorship, slashes the corporate tax rate, and insulates investors from democratic accountability for up to two decades.

The tax provisions, which begin to bite in 2027, are the heart of the bill. The First Category corporate tax will fall from 27 percent to 25.5 percent in 2027, 24 percent in 2028, and 23 percent in 2029, the first reduction since 1990. The full integration of the tax system will allow the owners of large corporations to credit their companies' tax payments against their personal income taxes, effectively eliminating double taxation on distributed profits. A capital repatriation amnesty will allow tax evaders to regularize hidden offshore wealth at a one-time rate of 7 to 10 percent. A tax stability mechanism, modeled directly on Pinochet's Decree Law 600, will freeze the tax burden for large investment projects for 10, 15 or 20 years. A 12-month exemption from the Value Added Tax on new homes is a direct bailout for construction companies sitting on an inventory of 100,000 unsold units. And a property tax exemption for homeowners over 65, regardless of income or property value, is a regressive gift to wealthy seniors.

The word "reconstruction" was attached to this bill to disguise its true purpose. The noun refers to the Transitory Emergency Fund for Fires, which finances housing for the victims of the catastrophic wildfires in Valparaíso in February 2024 and in the southern regions of Ñuble and Biobío in January 2026. The law extends this fund to December 2028 and increases it from 800 billion to 1.2 trillion Chilean pesos (approximately US \$1.2 billion). The sums are miserable, and they cover only a fraction of the need.

The fires and the failure to rebuild

The Valparaíso megafire of February 2–3, 2024, was one of the worst disasters in the country's history. It killed 138 people and destroyed 5,186 homes, leaving thousands of families homeless. The January 2026 fires in Ñuble and Biobío killed 20 people and destroyed 4,547 homes, the vast majority in working-class communities such as Penco, Tomé and Ránquil.

The reconstruction record is damning, and it is above all an indictment of the pseudo-left administration of Gabriel Boric. The emergency fund was created under Boric, who capped the aid program at US\$864 million. By the time he left office on March 11, he had assigned subsidies to 2,748 families but only 452 homes had been rebuilt and 1,290 were purportedly under construction, leaving 83 percent of the fire victims still homeless. As of October 2026, most of the families from the Valparaíso fire are still waiting for a permanent home.

The situation in the south is no better. The government's own survey identified 4,547 affected households in Ñuble and Biobío, 90 percent of which suffered total or near-total loss of their homes. Housing Minister Iván Poduje has announced that reconstruction in Biobío and Ñuble is approaching 1,120 homes initiated, leaving close to 3,500 families across both regions in transitional or precarious housing.

The gap between the law's coverage and the actual need is the most important fact about it. Even if taken at face value, Boric's subsidy and Kast's Reconstruction Plan combined will finance or subsidize the construction of 7,175 households, but the actual destruction across Valparaíso and Ñuble–Biobío combined amounts to something closer to 9,700 homes.

Excluded: the poor, the informal, the immigrant

The subsidy system operates through a layered framework of eligibility conditions, severity tiers, and legal ownership status, and it has produced substantial exclusions in practice. The dominant filter is legal ownership. Thousands of families living in campamentos, or shantytown settlements, who lost everything, were excluded because their abodes were deemed "illegal." The ministry itself acknowledged

that the reconstruction process “from the start has been focused on owner-occupiers who lost their homes.”

The vast majority of the victims were from the working class, and many were immigrant families. Sixty-three percent of the households in the Valparaíso fire were at or below the 40th percentile of the social registry, placing them in the bottom two quintiles of Chile’s income distribution. Ninety-one percent had no home insurance. The fire zones were characterized by the strong growth of informal settlements, which feature more fire-vulnerable construction and populations that by definition sit outside formal housing markets. In Ñuble, a region with among the highest rates of multidimensional poverty, an official from the charity organization Hogar de Cristo noted the paradox that some families were so poor that the disaster, by triggering state reconstruction support, improved their material situation.

The contempt in which these families are held is shared across the entire political spectrum. The pseudo-left government of Boric presided over the slow-motion abandonment of the Valparaíso victims for two years. The far-right government of Kast has now formalized that abandonment in law, funding only a fraction of the need and excluding the poorest outright.

The catastrophic floods that struck the Coquimbo region last July, killing more than 13 people and leaving thousands homeless, are not covered by the “reconstruction” law at all. Kast rejected requests from senators and mayors to include Coquimbo, stating: “...we are not going to innovate in this bill, which is truly urgent for us, because it covers the funds still needed for Valparaíso and those to be applied to Biobío and Ñuble.”

The storm left 1,170 homes with major damage or uninhabitable, and 12 fully destroyed. They have been told to await whatever is allocated in the 2027 budget, with the finance minister indicating it would be “one of the main topics” in the upcoming discussion, a promise that means nothing in the context of a budget that slashes social spending across the board.

Las Condes and the two-tier response

Much social media commentary has compared the massive delays in emergency aid to Coquimbo with the almost immediate help received in the flash flooding that struck the wealthy Santiago municipality of Las Condes on October 8. The comparison has merit. While the state of catastrophe for Coquimbo took six days to be decreed, “when we were already counting our dead,” as one deputy put it, the state of catastrophe for Las Condes was declared within hours. Public Works Minister Louis de Grange effectively admitted that Coquimbo had served as a rehearsal, saying “there is a learning process,” attributing the faster Las Condes response to the experience accumulated from the Coquimbo and Atacama emergencies. The implication was clear: the government needed to let a northern region suffer through a slow response before it knew how to react quickly for the affluent Santiago commune.

But the deeper truth is that both Boric and Kast were warned about the risk of flooding in Las Condes and did nothing. At least two official documents had warned of exactly this risk months before the event. The failure to act was not an accident. It was the product of a deliberate policy of starving the very agencies responsible for

prevention and early warning. Kast is a climate change skeptic, and his government has proposed cuts to both the National Service for Disaster Prevention and Response (SENAPRED) and Sernageomin, which are run on a shoestring.

In July 2026, the same month as the Coquimbo floods, Finance Minister Jorge Quiroz applied an in-year cut of CLP 918 million to SENAPRED outside the budget law process. The 2027 Budget Law deepens the cuts further: SENAPRED’s Disaster Risk Management Program would drop from CLP 842 million in 2026 to CLP 584 million in 2027, a fall of nearly 30 percent in the core prevention program. One week before the Las Condes flash flood, the Comptroller General herself told Congress that SENAPRED’s resource level was “extremely precarious.” Sernageomin’s own officials stated the problem on the record before Congress in June 2024, acknowledging that “the teams are small and the per diem expenses don’t cover what’s needed.” The 2027 budget submission shows Sernageomin’s total authorized staffing dropping by 49 positions, in a service that depends on geologists doing field work across one of the world’s most seismically and volcanically active countries.

This is the response of governments around the world to increasingly calamitous weather events that are displacing human populations on an unprecedented scale. From the floods in Valencia to the fires in Los Angeles to the storms battering Chile, the pattern is the same: the working class is left to bear the consequences of a climate crisis produced by the profit system, while the resources that could mitigate and prevent disaster are withheld because they do not yield a return for private capital.

The same institutional framework that allowed water rights to be privatized and hoarded during Chile’s 15-year megadrought is the framework that prevents the state from capturing and storing the floodwaters that now destroy working-class neighborhoods. The two phenomena—drought and flood—are products of the same failure to assert public control over an indispensable resource that was privatized under a dictatorship and never reclaimed.

The fight for the working class to take control of society is an urgent necessity. Under a workers’ government, the finances and resources required to deal with such disasters would not be encumbered by the private profit interests of the rich. The resources and scientific know-how to rebuild the homes of the Valparaíso and Biobío fire victims, to protect the communities of Coquimbo, and to construct the infrastructure that could prevent the next catastrophe all exist. What is lacking is not technical capacity but political power. The task of securing the conditions for the socialist planning of the world’s economic resources falls on the shoulders of the international working class, which must first wrest power from the bourgeoisie and overthrow its state, ending the subordination of economic life to private profit.



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