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Chile and the Overcoming of Neoliberalism: Countering Authoritarianism and the Self-Regulated Market

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FELIPE COSTA LIMA, JUL 14 2021

Chile was a foundational laboratory of neoliberalism, and one of the most challenging experiences of human history. According to David Harvey (2008, 19-20), neoliberals described neoliberalism as the fulfilment of economic liberty. Aligned with a civil-military dictatorship notwithstanding, neoliberalism did not only destroy the dynamic infrastructure of Chile, but also encouraged the implementation and legitimation of an autocratic regime which profoundly favored both Chilean and transnational bourgeoisies' interests.

Following Harvey again (2008, 20-1), the process which led to the expansion of neoliberalism as the new economic orthodoxy followed an unusual path. The spread of neoliberal organic intellectuals worldwide, mainly in Latin America, counted on the generous support of US investments, as well as the Chilean national bourgeoisie. Neoliberalism had few supporters in the 1940s, but the Mont Pelerin Society, which comprised Friedrich von Hayek, Ludwig von Mises, Milton Friedman and even Karl Popper for some time, was one of them. Already in the 1950s, the US awarded scholarships for Latin America's economists as a Cold War program planned to neutralise leftist tendencies in the region. During the next decades, those Chilean economists formed mainly by the University of Chicago became predominant in the private Catholic University of Santiago in the 1970s (Panitch and Gindin 2011). It was also during this decade that Neoliberalism gained academic respectability, mainly because of the 'Nobel Prize' in Economics attributed to Hayek and Friedman in 1974 and 1976, respectively, even though these prizes were controlled by the Swiss Banking bourgeoisie and were not connected to the mainstream Nobel Prize

Specific characterisations of neoliberalism are difficult due to clear deviations from its theoretical model and adaptations from place to place and time to time. Nonetheless, in general neoliberalism claims that human well-being can be best advanced by unlocking individual entrepreneurial freedoms and capacities within an institutional framework characterised by powerful rights to private property, free markets and trade. From this angle, private property and investments would increase human dignity and individual freedom, inasmuch as they are the keys for innovation and richness creation. Further, market institutions with free functioning and law regimes would provide a 'neutral' background for preserving and prompting the efficiency of the market to society's well-being, even if by violent methods (Harvey 2008, 5-6).

Besides fascism and communism, state planning itself is an obstacle for enacting neoliberal objectives. Then deindustrialisation, privatisations, deregulations and the reform of labour codes are essential steps for handing over to the private sector the key role in leading society's destinies (Silva 2012, 1-2).

The freedom that regulation creates is denounced as unfreedom; the justice, freedom, and well-being it offers are reduced to the camouflage of slavery. (Neoliberalism is the) fullness of freedom for those who do not need to improve their income, their free time and their security, and a mere veneer of freedom for the people, who may try in vain to use their democratic rights to protect themselves from the power of those who own the property (Harvey 2008, 36).

Paradoxically, states were not weakened, but their institutional structures were invaded and appropriated by private interests, which aim at preserving the quality and integrity of money through the indisputable defence of private

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properties and the creation of new markets, such as water, education, health, and social security.

The idea that states had withdrawn from the economy amidst the globalization of capitalism was a neoliberal ideological myth, as states in the developed capitalist countries at the centre of global finance pumped more money into the banks, while they ensured that in the developing countries crises were generally used to impose financial and market discipline on their populations (Panitch and Gindin 2011, 11)

The establishment of military structures for ensuring these bourgeois rights was an opportune line of action, as social movements, notably trade unions, resisted these attempts of accumulation by expropriation (Harvey 2008, 70-2; Silva 2012, 13-21). Since a perpetual governance by 'experts' is the primordial goal of neoliberalism, transnational and domestic bourgeoisies seek to distance key institutions from democratic pressures, e.g. central banks, as well as to enforce restrictions over progressive interpretations of the state's constitutional order. In this light, even a formal liberal democratic system can pose threats to the neoliberal hegemony and its 'shock therapies' attempts (see Rugitsky 2020, 594-600; Ballestin 2018, 152; Saad-Filho 2011, 252-5). Given its undemocratic measures and results, the preference for the Pinochet dictatorship as a propagandistic laboratory of neoliberalism is not a surprise, insofar as bureaucratic impediments from the public sector and the social countermovement of resistance could be handled in an 'easier' way by the bourgeoisie and its allies.

Civil-military coup d'état and neoliberal hegemony

Chile was a case in which a military regime headed by Pinochet was willing to switch the organisation of the economy from a top-down to a bottom-up performance. And in that process, a group of people who have been trained at the University of Chicago in the Department of Economics who came to be called the Chicago Boys played a major role in designing and implementing the economic reforms. The real miracle in Chile was not that those economic reforms worked so well. Chile is by all odds the best success story in Latin America today. The real miracle is not that those economic arrangements worked so well because that is what Adam Smith said. The real miracle is that a military hunter was willing to let them do it. (...) that process led to a situation in which you were able to get an election which ended the military handgun, and you now have a democratic government (Friedman 2013).

The goal of this section is to undo Friedman's statement about neoliberalism. In 1970, Salvador Allende became the first socialist president democratically elected in the world, which could jeopardise United States' capitalist hegemonic influence in Latin America. Since the inception of Allende's term in Chile, the government of Richard Nixon (1969-74) has sought to destabilise the Chilean government, both through economic restrictions and imperial influences. After an initial attempt of coup d'état against Allende in June 1973, general Prats renounced and indicated general Augusto Pinochet for his post, owing to his professional and 'apolitical' character (Coggiola 2018). However, backed by the Chilean right-wing forces, the bourgeoisie and American power élites such as multinational corporations, the CIA and Henry Kissinger (Harvey 2008), Pinochet headed an attack to the presidential palace in Santiago. Allende refused all offers of asylum from foreign nations, and when the militaries invaded the palace he shot himself to death (Coggiola 2018).

Along with a fierce political repressive state, which carried out a regime of terror within the country, neoliberalism played a fundamental legitimacy role to the Pinochet regime in the eyes of the capitalist hegemony. With the aid of the Chicago Boys, Pinochet promoted structural adjustments within the country, notably the full privatisation of state assets but copper, since the control of this commodity was paramount for financing the state coercive apparatus (Harvey 2008, 1-9). It is opportune to claim that Pinochet rhetorically condemned the nationalisation of the copper industry during the Allende government; nevertheless, after Allende's brutal seizure, Pinochet maintained it and centralised the production of copper in one state enterprise, Codelco, which provides Chile's biggest exporting profits to date (Palacios 2018). Then, besides the withdrawal of the barriers concerning foreign investments, the Pinochet dictatorship privatised the exploration of almost everything, including fishing and wood extraction (Harvey 2008, 8). In 1980, this dictatorial government privatised even Chileans' pensions, notably those from the civil public sector. Although the government guaranteed Chileans would receive 70% of their active salary, reality crushed them, considering that they actually gained about 37% of their active salary after retirement. Moreover, it is opportune to state that pension privatisation was set up only for civilians, given that the military received 100% of their active

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salary after retirement, besides having worked less time (Palacios 2018).

The immediate recovery of the Chilean economy in terms of growth rates, capital accumulation and high rates of return on foreign investment in the 1970s was short-lived. As a result, loans from the IMF were necessary for stabilising Chile's trade balance deficit (Harvey 2008, 8). The Latin America debt crisis also played a crucial role in this economic riddle. Transnational and Chilean bourgeoisie accomplished to fully capture Chile's state apparatus through the 1980 constitution, which constitutionalised the primary surplus imperative of the neoliberal tradition along with authoritarian mechanisms for keeping the military influence over politics (see Saad-Filho 2011, 244; Andrade 2019, 127-131). The ideologue of this constitution, Jaime Guzmán, was an admirer of Franco, and was dismayed at the news that the Spanish dictator's regime had been dismantled only a few years after his death. Therefore, he attempted (and succeeded) to enact a long-term regime which would survive and protect neoliberal policies and human rights violations even in a democracy. For example, high quorums were necessary for every reform, and private solutions for public issues such as education, health, and social security became perennial.

The Chilean countermovement

According to the sociologist Manuel Canales (in Montes 2020), the authoritarian regime had a 'pressure cooker' effect over the elected élites, since the distance between electors' wishes and the policies that could be adopted by those who were elected increased significantly. The generational gap of those who were born in a formal democratic regime also strengthened this feeling. According to a Social Panorama of Latin America report (2019, 57) produced by the Economic Commission for Latin America and the Caribbean, the richest 1% of the Chilean population kept 26.5% of the country's wealth in 2017, while 50% of low-income families represented only 2.1% of net wealth. This 'pressure cooker' exploded in October 2019 when, based on the recommendation of a 'panel of public transport experts', Sebastián Piñera's government decided to increase the price of subway tickets (see Montes 2020; BBC 2019).

From October to November 2019, social convulsion and violence affected Chile, and demanding agendas ensued from the protests. The Chilean example reflects an impressive institutional strategy for rebuffing destructive hegemonies: a plebiscite to decide on a new constitution.

The 'Agreement for peace and the new constitution' called for the launch of a popular consultation in April 2020 on two issues: whether a new constitution is desired and what kind of body should write this new constitution, a mixed constitutional convention or a constitutional convention or assembly. The mixed constitutional convention, endorsed by the right-wing coalition government parties, would comprise 50% by members elected for this purpose and 50% by incumbent parliamentarians. On the other hand, the "constituent assembly", supported by the opposition parties, must have all its members chosen specifically for the occasion (DW 2019).

With an electoral participation of 80% (in Chile voting is optional), the greatest number in Chile's history, the choice for a new constitution won by a wide margin (78%). Chileans decided for the election of a specific constitutional convention grounded in gender equality and to write a new foundational law. The new law was promulgated in May 2021 and gave victory to the left-wing and independent politicians (52 seats to the left-wing, 48 to independent candidates, 38 to the unified right-wing and 17 reserved to indigenous people's representatives). For what pertains to the independent candidates, they are often related to a wide range of social areas, such as education, social justice, environment, and feminism. Among others, the election of Elisa Loncón, an indigenous Mapuche leader, as the president of the new Constitutional Assembly (Colombo 2021), is an outstanding result which may lend to the third constitutional 'Plurinational' state in Latin America, after Ecuador and Bolivia.

Conclusion

Overwhelming inequalities and the threats posed to democracy by monopolist transnational enterprises, particularly social media and far right candidates, brought about a forewarning in the Global North that neoliberal policies may have gone too far. However, despite the economic and representative crises of neoliberalism worldwide, neoliberal governance policies continue to be employed due to their efficacy in capturing states' interests and in transforming

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social practices and psychologies (see Ballestin 2018, 154-7; Andrade 2019, 112-4).

Neoliberalism makes up itself as a zone of audacious experimentation and failure, always imposing a shameful re-regulation by the State. Neoliberalism cannot exist purely, nor can it completely undo the social and institutional formations that preceded it, needing to parasitize them in order to survive. Given the necessary incompleteness of its process and its hybrid nature, neoliberalism can always re-blame the state and heterogeneous formations. And so, as a theory of the crisis, it can once again offer itself as a remedy for the ills it unleashes, allowing it to keep making mistakes (Andrade 2019, 122)

The G7 states agreement for taxing transnational companies seems to be an initial step for washing out neoliberalism's economic and ideological contents (at least in the Global North) (DN 2021). Clearly, more humane policies in the Global North do not imply their replication in the Global South, since, referring to Latin America, the nation-state commodity-exporter project has always been prioritised by their own national and the international bourgeoisies. In this light, the concept of post-democracy (see Crouch 2013) applied to the North has not the same meaning to the South, due to different global developments of capitalism, liberalism, and democracy (see Ballestin 2018, 158-160; Rugitsky 2020). For example, Chile will write in 2021 its first fully democratic constitution in history, as the other three were 'granted' by autocratic and/or undemocratic regimes.

At the domestic level, Chile seems to be a more stable nation-state than most of its Latin America's neighbours (Anibal Quijano 2005, 121-2). During the 19th century, Chilean territorial expansion at the expense of Bolivia and Peru allowed the country to control important primary products, such as nitrate and copper, which triggered the formation of trade unions and a substantial white middle class. Therefore, the concentration of Chile's production of independent products based on wage workers not only expanded its internal market, but also its democratisation process. Finally, the public sentencing and condemnation of authoritarian figures of the 1973-1990 Chilean civil-military dictatorship has generated a thorough consensus in the whole political spectrum, namely that authoritarian solutions are no more admissible (see Folha 2019; Pinheiro 2019).

Chile can leave behind both neoliberalism and authoritarianism without a major crisis if the following conditions will apply: (1) a weaker international pressure from neoliberal markets, and (2) an institutionalized democratic countermovement. The challenge of the Chilean left-wing appears to be twofold: holding its institutional force and expanding its ideological apparatus after implementing a welfare state constitution – given that independent candidates from the civil society are publicly asserting their distance from traditional politics. Furthermore, neoliberalism is not already over, and the Brazilian example shows that a 'Citizen Constitution' can change into a neoliberal draft in just a couple of decades.

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