

Pinochet: Dead at last

Anarcho

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For lovers of freedom, 2006 has been a good year with P.W. Botha, Milton Friedman and now General Pinochet shuffling off this mortal coil. Pinochet was the head of the military dictatorship which overthrew (with the aid and backing of the CIA) the democratically elected Chilean government of Marxist Salvador Allende on September 11th, 1973. Officially, his troops killed or disappeared over 3,000 people (according to Human Rights and Church groups, it is over 10,000). Thousands were tortured and tens of thousands went into exile.

The standard defence of the regime was that it stopped Chile becoming a socialist state. Did Pinochet stop Chile sliding into “Communist dictatorship”? No, but he did stop the Chilean working class from its attempts to expand liberty by taking over their workplaces, land and communities. As the Situationist group PointBlank! noted, *“Allende was overthrown, not because of his reforms, but because he was unable to control the revolutionary movement which spontaneously developed at the base of the UP.”* (“**Strange Defeat: The Chilean Revolution, 1973**”)

What was shocking for many on the liberal and labourite left was that Chile had South America’s strongest democratic traditions. If it could happen there, it could happen here they thought (and in the context of the 1970s, this was a real possibility). However, Thatcher’s election and subsequent mishandling of the economy broke the back of working class resistance. While state repression was required to break the miners strike, the need for a coup had declined as Thatcher had ensured that workers were forced to take the road to serfdom after tasting freedom in the rebellious’70s.

Pinochet would probably have went down in history as yet another blood-soaked military dictator except for one thing, his embrace of Milton Friedman’s economic ideology. Due to this, Chile became a test-case for what became known as neo-liberalism and it has been used as a template around the world for economic “reform”, including here under Thatcher. The results have been remarkably consistent and very far from the “economic miracle” proclaimed by the “free-market” right. In fact, the reality was radically different and hardly “miraculous” unless you were wealthy. As one expert summarises, Chilean workers *“were central target’s of political repression and suffered greatly from his state terror. They also paid a disproportionate share of the costs of his regime’s regressive social policies. Workers and their organisations were also the primary targets of Pinochet’s labour laws and among the biggest losers from his policies of privatisation and deindustrialisation.”* (Winn, Peter (ed.), **Victims of the Chilean Miracle: Workers and Neoliberalism in the Pinochet Era, 1973–2002**, p. 10)

After a deep recession caused by applying Monetarist shock-treatment in 1975 (the economy fell by 13%), it started to rebound. This is the source of claim of a Chilean “economic miracle.” Friedman, for example, used 1976 as his base-line, so excluding the depression year of 1975 which his recommended shock treatment had deepened. This is dishonest as it fails to take into account not only the impact of neo-liberal policies but also that a deep recession often produces a vigorous upsurge – particularly if workers are too terrified to ask for pay rises. Ironically, soon after Friedman proclaimed his “miracle” the bottom fell out of the economy and Chile’s GDP fell 14% in 1982.

The crisis forced the regime to abandon its Monetarist dogmas and bailout the capitalist class. The economy finally stabilised in 1986, but at a cost paid by the country’s workers: “By 1988, the average real wage had returned to 1980 levels, but it was still well below 1970 levels. Moreover, in 1986, some 37 percent of the labour force worked in the informal sector, where wages were lower and benefits often non-existent. Many worked for minimum wage, which in 1988 provided only half of what an average family required to live decently – and a fifth of the workers didn’t even earn that ... nearly half of Chileans lived in poverty.” (Winn, p. 48) The level of state intervention pursued by Pinochet’s regime post-crash made opponents talk of “*the Chicago road to socialism.*” Working class people, on the other hand, faced state repression after taking to the streets in response to the crash.

Between 1970 and 1990, Chile’s total GDP grew by a decidedly average 2% a year. The average growth in GDP was 1.5% per year between 1974 and 1982, which was lower than the average Latin American growth rate of 4.3% and lower than the 4.5% of Chile in the 1960’s. For the 1981–90 period, it was just 1.84% a year. Hardly an economic miracle, particularly once the social costs thrust upon the terrorised population are taken into account (unsurprisingly, Friedman’s Chilean followers affirmed that “*in a democracy we could not have done one-fifth of what we did.*”)

Somewhat ironically, Chile provided substantial empirical evidence to refute Friedman’s own capitalist ideology. In “**Capitalism and Freedom**”, he asserted that the more capitalist a country, the more equal it was. Inequality under Pinochet soared to record levels and Chile went from the second most equal to the second most **unequal** society in South America. The “*distribution of income in Chile in 1988, after a decade of free-market policies, was markedly regressive.*” Between 1978 and 1988 the richest 10% of Chileans increased their share of national income from 37 to 47%, while the next 30% saw their share shrink from 23 to 18%. The income share of the poorest fifth of the population dropped from 5 to 4 %. Overall, “*wages stayed low even as the economy began to recover. Low wages were key to the celebrated ‘miracle’ recovery ... The average wage ... was 5 percent lower at the end of the decade than it had been in 1981 and almost 10 percent lower than the average 1970 wage.*” After 1982, “*stagnant wages and the unequal distribution of income severely curtailed buying power for most Chileans, who would not recover 1970 consumption levels until 1989.*” (John Lear and Joseph Collins, “*Working in Chile’s Free Market*”, pp. 10–29, **Latin American Perspectives**, vol. 22, No. 1, p=2E 26, p. 21 and p. 25)

Friedman had also been at pains to attack trade unions and the idea that they defended the worker from coercion by the boss. Nonsense, he asserted, the “*employee is protected from coercion by the employer because of other employers for whom he can work.*” Chile refuted that notion, for “*in wake of the coup, factory owners suddenly had absolute control over their workers and could fire any worker without case=2E From 1973 through 1978, practically every labour right for organised and unorganised workers was suspended. All tools of collective bargaining, including of course the right to strike, were outlawed.*” After 1978, the labour code designed by Friedman’s acolytes made

it extremely difficult to strike, particularly as “*employers could count on the backing of the military in any conflict with workers.*” (Lear and Collins, p. 13)

Which refutes Friedman’s attempts to support the economic policies of the regime while paying lip-service to criticising its dictatorial nature—It staggers belief that any intelligent person could argue such a position, given that the political system must have an impact on the economic system. If the former is authoritarian, it would be hardly surprising to discover that the economy, at least for workers, would also be authoritarian. Given that workers faced a visit from the secret police if they got uppity, it is clear that there was no “economic liberty” for them. To state otherwise simply shows that the person has no concept of what liberty means – but, then, Friedman was an ideologue for capitalism so this can be taken for granted.

It is true that the atomised labour market produced by state terror did approximate the neo-classical ideal as there were no or weak unions and workers were unwilling to take collective action. The results, as noted above, were only a “miracle” for the bosses. Any link between productivity and wages went out the window. Even in the 1990s, there is evidence that productivity growth outpaced real wage growth by as much as a ratio 3:1 in 1993 and 5:1 in 1997. (Winn, p. 73) Being able to seek a new job did not stop exploitation particularly as Chile (yet again!) refuted another of Friedman’s assertions about capitalism, namely that people would “*be surprised how fast people would be absorbed by a growing private-sector economy.*” In fact, unemployment reached record levels for decades. During the 1960s it had hovered around 6%; by contrast, the unemployment level for the years 1974 to 1987 averaged 20% of the workforce. Even in the best years of the boom (1980–1981) it stayed as high as 18%. (Lear and Collins, p. 22)

The only miracle about Chile’s economy is how anyone with any knowledge or intellect could claim it was an “economic miracle” based on “economic liberty.”

Chile is now a democracy. However, the legacy of Pinochet still remains. Over a quarter of the Senate are “designated” including four retired military officers named by the National Security Council. He also imposed a “*unique binomial electoral law, [in] which to elect two deputies or senators from the same district, a party or electoral alliance needed to double its opponent’s vote – a difficult feat – or else the opponent received an equal number of seats in congress.*” This ensured rightist control of the Senate despite a decade of majority victories by the centre-left in elections. Pinochet threatened on 11 September 1990 that he would lead another coup if conditions warranted it. Three years later, he ordered combat-ready troops onto the streets for an “exercise” when investigations into an arms procurement scandal implicated his son. Even with a controlled democracy, “*Pinochet maintained an army ‘shadow cabinet’ that acted as a political pressure group.*” However, the new centre-left governments have managed some reforms. For example, through targeted social spending” the new government “*was able to halve the 1988 45 percent poverty rate bequeathed by Pinochet.*” (Winn, p. 64, p. 50 p. 52)

It is one of the ironies of life that Pinochet died on Human Rights day. That the dictator never saw his day in court is unsurprising, given how popular he was in elite circles and how he ensured that “democratic” Chile was bound by his will. He was a murderous thug whom no sane and civilised person could feel any emotion but hatred or disgust for. That the right-wing embraced him so fully (while paying lip-service to condemning his political regime) says a lot about them. It also shows how little they are concerned about logic, empirical evidence and (needless to say) liberty.

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