

**The Politics of Profit:
Development and Political Power in New Zealand and Chile**

*Presented by Andrew McMurtrie
Development Studies, University of Auckland
a.mcmurtrie@auckland.ac.nz*

This study looked to examine the strategies involved in economic and social restructuring in two countries with long democratic traditions and welfare institutions. A theoretically driven comparative analysis, it reviewed the literature explaining the historical process leading up to crisis (Chile: mid-1960s to early 1970s, and New Zealand: 1970s and 1980s), and the restructuring era (Chile: post-1973, New Zealand: post-1984). Its focus was on the interplay of social forces and their influence over the social reorganisation based on free market accumulation. A structural crisis was induced by the failure to reproduce the established forms of capital accumulation, a mobilisation of subordinate social groups, and a crisis of political representation. The crisis was succeeded by the institutionalisation of a new historical project.

What the study contends is that a power bloc – an elite driven process of social formation – crystallised the historical project as a manifestation of its own particularistic ideology. To institutionalise the project, the state's repressive apparatuses were exploited in order to demobilise collective forces abhorrent to market driven strategies, and secure the project's sustainability in the expectation that future material and ideological rewards will legitimise it as the ideal social formation.

The method of comparison used was Przeworski and Teune's (1970) "most similar systems design" and Sartori's (1970) method of conceptual transfer. In doing so, the study focused on the proposition that New Zealand was the democratic variant of Chile's authoritarian project of economic restructuring.

The outline of the presentation:

1) The study argued that both societies were conditioned by the reproduction of a social formation, or hegemony to use Gramsci's (1971) terminology, premised on the state-centric models of accumulation. This accumulation strategy included primary commodity exports and state subsidisation to develop an import substitution strategy to diversify the productive apparatus (manufacturing, industry). Labour was organised by state corporatism and the introduction of social welfare in the 1930s to rectify the problems of depression, as well as offsetting subordinate class militancy and consciousness to secure the dominant form of economic organisation. Liberal democracy (Dahl, 1971) offers a mode of political representation for social actors to organise and express their interests, and promote a political consensus upholding this formation. In Chile, for example, the period between 1936 and 1958 was characterised by accommodationist politics where left or right parties would generally coalesce

with the centre parties, and in New Zealand following the first Labour government of 1935-1949, National governments (1949-1957, 1960-1972, and 1975-1984) dominated the political scene upholding the welfare state, government subsidies, and private enterprise.

Following Przeworski's (1980) thesis, this consensus began to breakdown with the failure to reproduce accumulation that satisfied the material interests of the dominant and subordinate social forces. In Chile this began with the election of an ideologically distinct centrist government (Eduardo Frei's Christian Democrats, 1964-1970) and the socialist experiment of Salvador Allende's Marxist oriented Popular Unity coalition (1970-1973). Both attempted to mobilise and expand the structural base of working and peasant classes by redistributing the highly concentrated profits and property of Chile's capitalist and landed classes (for the concentration of wealth in Chile, see Zeitlin and Ratcliff, 1988). For New Zealand, the crisis of accumulation occurred with the increasing mobilisation of labour from the late 1960s pushing up wages, and the increase of state intervention in the economy, particularly industrialisation and social welfare, under the National government of 1975-1984. In addition, for both countries the rising costs of imports and low prices for exports generated further structural imbalances. As Przeworski and Wallerstein (1988) and Wallerstein (1980) have argued, the state is structurally dependent on capital, particularly under import substitution industrialisation models requiring long-term accumulation for autarky. The outcome was disinvestment, declining terms of trade, adverse balance of payments, inflation, and unemployment.

The socio-political crisis was, in my argument, the defining moment. Gramsci argued that the hegemony of a social system undergoes crisis when the political representatives become detached from their social base of support. Similarly, Habermas (1973) suggests a social formation is constituted on a legitimation system; when the legitimacy underpinning the political system breaks down a legitimation crisis occurs. The social outcomes are fluid and unpredictable. In such situations, for a social force to reinforce its dominance, it no longer looks to establish an ideological legitimacy, instead relying on the repressive state apparatuses (RSAs) to organise state power (for the distinction between the state's ideological and repressive apparatuses see Althusser, 1971).

2) Part two looks at the use of RSAs and the power bloc upon which a new historical project is formulated. RSAs are not solely the state's threat in reserve or actual use of physical force, but refer to those mechanisms of state that enforce social control (the law). As Gramsci and Althusser have argued, in normal times, the use of RSAs is legitimised by their appearance to protect threats to the 'national interest'. Under free market restructuring, the 'threats' to the national interests are redefined to protect the free working of the market (Gamble, 1988). Thus, during Chile's military regime (1973-1990) and in New Zealand (1984-early 1990s) there was an impetus to use the RSAs to alter the 'rules of the game'.

In Chile, the use of naked aggression and physical violence was a characteristic of the military's perceived need to suppress those social actors that

were the assumed cause of the economic and social crisis (Garretón, 1986). Following their demobilisation and the political exclusion of all the previous political parties, the military formed an exclusive alliance of policy-makers to set the agenda for the new historical project based on neoliberal thought, which included trade and financial liberalisation, atomising labour laws, reduced government expenditure for production and welfare, and privatisation of state enterprises. All were institutionalised through legislation and constitutional law. Here the similarities between Chile and New Zealand are exposed.

Kelsey (1997) and Easton (1997) amongst other analyses of the reform process in New Zealand have detailed the reliance of executive force (or “blitzkrieg” as Easton termed it) to push through structural reform. The policy and legislative examples are similar to those of Chile above.

The notable similarities are, first, the exclusive nature of policy-making: an alliance of politicians (the military in Chile), capital elites, and technocrats inspired by the Austrian and Chicago schools of free market thought, and second, the ascendancy of a power bloc upon whom the reforms benefit. The power bloc analysis is derived from Nicos Poulantzas’s (1974) discussions of political power that identifies a fraction of capital as occupying a dominant position in politics at a given conjuncture. The economic restructuring created descendent fractions of capital, namely the productive and manufacturing sectors that relied on government support, and ascended the tertiary sectors (finance and speculative capital, often transnational, and the service and import sectors) that control the flow of capital and ownership of industry in a liberalised trade and investment climate. Needless to say, the economic and social instability caused by the movement of masses of capital and finance have the greatest impact on small open economies with limited exports.

3) As a general conclusion, the effectiveness of the project is manifest in various forms. Political decision-making remains increasingly detached from mass participation and subject to transnational policy making bodies (IMF, World Bank, the WTO, APEC, and various bilateral agreements). This comes as a consequence of the demobilisation and marginalisation of collective and interest group representation, individualising social relations, and the devolution of public spaces to the market. The benefits are eschewed toward and consolidate the interests of an increasingly transnational capital elite. For Chile, a return to democracy was generally contingent on maintaining the above project, which was secured with debased thresholds of consent following sixteen years of repression. Similarly, New Zealand’s spheres for political discourse have become increasingly depoliticised. Both have created an environment of apathy toward politics where Chilean democratic governments (dominated by a centre-left coalition since the return to democracy), and the current centre-left government in New Zealand are constrained by these structural changes.

Bibliography

- Althusser, Louis, *Lenin and Philosophy and Other Essays*, New Left Books, London, 1971.
- Dahl, Robert, *Polyarchy: Participation and Opposition*, Yale University Press Ltd, 1971.
- Easton, Brian, *The Commercialisation of New Zealand*, Auckland University Press, Auckland, 1997.
- Gamble, Andrew, *The Free Economy and the Strong State: The Politics of Thatcherism*, MacMillan Education Ltd, Basingstoke, 1988.
- Garretón, Manuel Antonio, 'The Political Evolution of the Chilean Military Regime and the Problems in the Transition to Democracy', in Guillermo O'Donnell, Philippe Schmitter, and Laurence Whitehead (eds), *Transitions from Authoritarian Rule: Latin America*, Johns Hopkins University Press, Baltimore, 1986.
- Gramsci, Antonio, *Selections from Prison Notebooks*, Quentin Hoare and Geoffrey Nowell Smith (eds), International Publishers, New York, 1971.
- Habermas, Jürgen, *Legitimation Crisis*, T.McCarthy (Trans.), Boston, 1975.
- Poulantzas, Nicos, *Political Power and Social Classes*, New Left Books, London, 1974.
- Przeworski, Adam, and Henry Teune, *The Logic of Comparative Enquiry*, John Wiley and Sons Inc, New York, 1970.
- Kelsey, Jane, *The New Zealand Experiment: A World Model for Structural Adjustment?*, Auckland University Press, Auckland, 1997.
- Przeworski, Adam, 'Material Bases of Consent: Economics and Politics in a Hegemonic System', in Maurice Zeitlin, *Political Power and Social Theory*, Vol. 1, JAI Press Inc., Greenwich, Ct., 1980.
- Przeworski, Adam and Michael Wallerstein, 'Structural Dependence of the State on Capital', in *The American Political Science Review*, 82, 1, 1988.
- Sartori, Giovanni, 'Concept Misinformation in Comparative Politics', in *The American Political Science Review*, 64, 4, 1970.
- Wallerstein, Michael, 'The Collapse of Democracy in Brazil', in *Latin American Research Review*, 15, 3, 1980.
- Zeitlin, Maurice, and Richard E. Ratcliff, *Landlords and Capitalists: The Dominant Class in Chile*, Princeton University Press, Princeton, 1988.