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BY PROFESSOR VICENÇ NAVARRO IN CATALAN OR SPANISH)

## **WHAT HAPPENED IN CHILE: PARALLELS TO SPAIN**

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This month marks the fortieth anniversary of General Pinochet's military coup and the dismantling of Chile's democratically elected Unidad Popular government, led by President Salvador Allende. The coup ushered in a highly repressive dictatorship, and reversed popular reforms that the deposed government had previously implemented. In their stead, the military regime launched a new political and economic system characterized by the neoliberal economic theory of the Chicago School.

I had the great privilege of serving as an advisor to the Unidad Popular (UP) government, which enabled me to gain valuable firsthand knowledge about the substantial changes that this government had enacted, and the popularity of the reforms among the many citizens that benefitted from them. The UP government gained increasing electoral support as a result of

the reforms, and this alarmed both conservative and liberal forces, as with these reforms, their interests were sacrificed for the sake of the people's interests. As a result, these forces backed a military coup, which was also supported and facilitated by the Nixon administration in the US. The US administration feared that the UP experiment (aiming to achieve a socialist model through democratic means) would be successful and extend throughout Latin America. President Nixon cautioned, "The greatest danger is that the Allende government might consolidate and be successful. We must avoid, at all costs, the possibility of other countries in Latin America following the Allende government example." The US economic and financial establishments allied with the Chilean establishment (an international class alliance) in prioritizing their interests over those of the working classes in their respective countries. This alliance particularly harmed the Chilean popular classes (See V Navarro, "Chile through the mirror of events in the health sector," in *Social Praxis* 2 no. 1-2 (1974): 25-66).

It is important to emphasize that the US did not single-handedly install Pinochet in Chile, as many would argue; rather, I witnessed personally that those responsible for the coup included the Chilean bourgeoisie, the Chilean oligarchy and upper middle class, the Chilean Church, the Chilean banking system, and the majority of the Chilean armed forces. Indeed, it is important to clarify that the US did not support this coup (as the US was not

then, and is not now, a country of 300 million imperialists). Rather, the US federal government, headed by Republican President Nixon, supported it. The very same Nixon could not comfortably visit lower class neighborhoods in his own country due to his immense unpopularity, partially drawing from his massive federal government crackdown on miners in the Appalachian coalfields, as mining strikes threatened to paralyze the eastern U.S.

### ***The Unidad Popular party reforms***

The UP reforms were most pronounced in social policy, and particularly in health policy. At the time of these reforms, I was Visiting Professor at the School of Public Health of Chile. I worked alongside my friend Hugo Behm, the School's dean, and with our mutual friend Gustavo Molina, who was very close to President Allende. The UP government tried to strengthen the public sector, including the National Health Service, instead of the private sector. It allowed for the private sector's existence of course, but prevented it from exploiting the public sector, a phenomenon that still takes place in Spain. The UP government also encouraged health professionals to work fulltime in the public sector, a move that met with enormous resistance in the medical establishment, based in the private sector. In pharmacy, the government banned all products that were not approved by quality control agencies both in Chile and other countries (including the US). Actually, the practice of

“drug dumping,” or selling drugs that are discarded by richer countries, is still widespread. These and similar measures led to the considerable government resistance from the pharmaceutical industry (which, as evidenced in U.S. Congressional hearings, participated in financing the coup).

As in Spain, the coup was a defensive response of the propertied classes to the demands of the popular classes. The coup was a takeover by a reactionary government, devoid of all democratic sensibilities, in response to the democratic expansion of civil and labor rights of the working classes. The parallels between Chile’s coup and Spain in 1936 are striking.

The advent of the coup meant a simultaneous crack down. My friend Hugo Behm was detained in a concentration camp. At my suggestion, the American Public Health Association, which brings together 100,000 health professionals in North America (experts in public policy aimed at improving the welfare and quality of life of citizens), appointed him Honorary President of the Association. This excellent showcase of international solidarity represented an alliance between those who struggled to secure better health and welfare for their respective peoples across the world. The dictatorship was particularly oppressive towards health professionals that had previously supported the health reforms led by President Allende and his government.

Likewise, in Spain, the military repression targeted teachers (like my parents) who had supported and facilitated the educational reforms of the Spanish Republic.

During the Chilean dictatorship, health and public education were privatized, and both deteriorated in quality. The deterioration in education, along with the high fees in educational institutions, eventually led students to organize street protests in 2011, a nationwide movement that went on to encompass large portions of the working class as well, including miners. This movement represented a broad coalition of citizens rebelling against the policies of the dictatorship and the crippled democracy that followed.

The size of the protests threatened Chilean financial and economic power structures, as an estimated one third of the adult population participated (See R. Benedikter and K. Siepmann "Chile: the Switzerland of the South?" *Challenge* 56, no. 5 (2013): 5-30, from which I obtained much of the data used in this article). This movement and others expressed the people's deep discontent with the socio-economic model imposed by the dictatorship and then carried over into the subsequent democratic government, a transition mirroring Spain's in that the economic and financial power structures remained firmly in place.

### ***The neoliberal model of the Chicago School***

Over the years, the Chilean neoliberal model, designed by scholars from the University of Chicago's School of Economics and advising the Chilean dictatorship, was hailed as a success. *The Wall Street Journal*, a right-wing mouthpiece for U.S. financial interests, has especially voiced approval, recently publishing an editorial arguing that Egypt needed a government like that of Pinochet's dictatorship in order to be successful. Facts cited in support of the Chicago ideology in Chile include the high growth of GDP (6% per year), low unemployment (7%), and high level of foreign and domestic investment. Indeed, these factors and the globally-recognized "success" in Chile enabled its acceptance in the OECD (the club of the richest countries in the world); it was the first Latin American country to join.

However, an omission in this praise of the Chilean model is the fact that wages are among the lowest (relative to GDP per capita) in comparison to the rest of the OECD countries; as in Spain, families have compensated for this by borrowing. In 2012, the rate of household debt in Chile was 59% of their respective combined incomes annually (Benedikter and Siepmann, 10). According to a 2012 survey by the Catholic University of Chile and Chile's Adimark Market Rescue Institute, only 36% of Chileans believed that

they could buy a house, as a result of low incomes and the difficulty of obtaining credit at reasonable interest rates (Benedikter and Siepmann, op. cit.).

This widespread and significant debt explains the tremendous growth of Chile's financial sector, which has climbed fifty times higher than the growth of the real economy (i.e., the economy that provides goods and services). Today, the financial establishment is at the center of power (and likewise in Spain), and it maintains control of the limited management and funding of the Chilean welfare state (all privatized, from pensions, to health, to education services). Mass privatization of the majority of economic and social structures (the key principle of the Chilean neoliberal ideology) was in theory enacted in order to provide citizens with a wider range of choice of goods and services. It has instead created monopolies that raise the prices of goods and services provided by the private sector, and this has affected both private and public sector. For example, one of Chile's most important industries, the forest industry, taps into the country's abundance of natural resources in order to produce paper. However, the cost of paper in Chile is higher than in other Latin American countries without these resources, thanks to the monopolies dominating Chile's economy.

In sum, the substantial growth of the financial establishment, along with the monopolization of productive industries, has resulted in higher income for capital, at the expense of labor income (again, paralleling Spain). Both Spain and Chile are countries with the highest income inequalities in the OECD.

### ***A predictable protest: The people resisting the neoliberal model***

The demonstrations of 2011 and following have been in protest of the neoliberal model. This movement's slogan, "A Lot of Growth, But No Development," highlights the key issue for the Chilean economy: not its rising wealth, but how resources have distributed in the growth. Growth has favored capital income over labor income. Another of the movement's mottos, "No profit," expresses the people's protest against the type of growth and motivation (desire for profit) that guides expansion of the Chilean economy.

Undoubtedly, the democratically-elected government that the Chilean coup deposed differed from the Spanish Republic, and the ensuing dictatorship established through the Chilean coup differed from Franco's in Spain. Finally, the alleged "democratic period" following the dictatorship differed from Spain's succeeding period, also. However, the similarities in



each of these periods, elaborated upon throughout this piece, reveal themselves clearly as well.

In fact, these striking similarities explain the limited media coverage in Spain of the 40<sup>th</sup> anniversary of the Chilean coup. With the exception of a little activity here and there, no official ceremonies took place, no doubt thanks to the efforts of the Spanish financial, economic, political and media establishments, with their heightened sense of class consciousness. Marking what happened in Chile would also draw attention to what happened in Spain. This is an awareness that the establishment seeks to avoid, as it would be an indictment of both its origins and its current behavior.