

HOW THE LEFT ALMOST LOST CHILE.

The international left let out a sigh of relief after the election results were announced in the Presidential race in Chile. It looked for a time that all the heroic struggles before the pandemic would be overturned. But as it turned out, Kast, the Trump and Bolsonaro mimic, lost the vote. Still the number of presidential votes he bagged was the sixth highest since the end of Pinochet's reign.

It must be understood that the right does not win elections. The left loses them. Workers, the mass of society, only turn to the right or decamp from the left (apathy) when they are betrayed by parties who promised to honour their interest, or became detached from them, or and this is the general case, adopted policies which by favouring the interest of capital, hurts the worker.

History shows without a shadow of a doubt that in any country where left-wing parties seek to manage the capitalist economy, voters soon become disenchanted with them. This is as true in Chile as it is elsewhere. In the 2009 Presidential election the compulsory turnout was 87.68%, on a par with other elections following the departure of Pinochet. In the subsequent Presidential election in 2013, turnout fell to under 50% and stayed there until this week's election when it rose above 50% for the first time.

The reason is not hard to find when one examines the ballot box dance. It's quite simple, to the tune of one two, one two, put your right foot forward then replace it with your left, then pull that back and replace it with your right. It called the one step forward and one step back, Swing. Nothing changes, capital remains. In 2005 the left won the presidential race, in 2009 the right won, in 2013 the left won again, and in 2017 the right reclaimed the presidency. The only consistency during this time is that neo-liberalism endured; the rich got richer while the poor got poorer, until the students had enough in October 2019.

One would think the left would learn their lesson. Managing the capitalist economy when in office is a mug's game. But that does not deter these opportunists, all they want is the taste of power, to sit at the pinnacle of society if only for a short time. Ah! the temptation of it all, and to hell with the damage and despair they ultimately cause. These modern left politicians play the same role as once did the court jester.

Gabriel Boric is no different.

80 percent of Chile recently voted to change the constitution. Only 20% voted against it, the Pinochet rump. That tallies with poles which showed that the same number of Chileans thought the economy was rigged against them. So how did the situation arise in such a short time where 20% grew to 45%. Well polls also found that 85% of Chileans *"declared that parties and politicians dismissed ordinary people like them and that experts were oblivious to their living conditions"*. This is the swamp in which the right grows. <https://jacobinmag.com/2021/12/chilean-presidential-election-neoliberalism-boric-kast-first-round-analysis>

I would urge readers to read this Jacobin article. It contains many tactical lessons. *"The new left's perceived neglect of the rebellion's universal planks disappointed poor and working Chileans demanding solutions to the inequality that precipitated the rebellion and drove a huge majority to vote for a new constitution"*. Boric's *"campaign reflected the intersectional handwringing so prevalent among student radicals and mid-level professionals."* *"Their campaign could have explained how broad programs best address more specific forms of inequality and injustice. Instead, they underscored cultural and identity inclusion at the expense of a class-wide materialist program"*.

Bravo. The best or even the only way to win the majority of workers to oppose the special forms of exploitation and oppression that divide workers is to first win their confidence. Only when workers appreciate that the radical movement has their backs, that their interest is understood and defended, will the bridges be built over which can pass all the impatient demands of the class, which by broadening the consciousness of the workers ensures that the historic struggle of the working class becomes one which emancipates all of society. But to fail to address the general interest of workers because specific interests get in the way is to make the most elementary of tactical mistakes. To give Boric his due, after the debacle of the first round of the elections his campaign did change tack.

The second betrayal by Boric, the further softening of his economic manifesto occurred after the second round when an 18 page addendum was attached to the original manifesto. *“On Wednesday, the left-wing candidate softened his economic program, saying the adjustments would make his project “politically viable”. In front of 230 pages of the old document, his campaign presented a new text of 18 pages, which extends the deadline to increase the tax burden and recognizes ‘technical and political’ difficulties in carrying out the reform of the Chilean private pension system, in addition to adding consolidation as a “commitment” and indicate that the measures can be re-evaluated if the economic context is not favourable.”* This was the best synopsis I could find. Additionally, it rolls back the pledges for a comprehensive national health service while pledging support for small and medium sized enterprises.

This 18 page addendum did not come as a surprise. Even before the elections Boric was rowing back from the most radical economic demands emerging from the uprising, disappointing his supporters. Nor was it out of character. Boric treads the well-worn path leading to that shining altar - the national interest – upon which workers are sacrificed. Putting the national unity first means putting the interest of capital first, because the nation is a capitalist one, owned by the exploiting class and serving the exploiting class.

The addendum must be seen in context. Many on the left think the dominant argument made by populists is about culture. It is not. It is the economic argument. The central argument goes; the policies of the left will wreck the economy, it will cost jobs (your job), drive away investment and accelerate bankruptcies. In sum the argument is that the left will make a bad economic situation worse. Thus the first duty of the reformist is to prove they will run the economy responsibly. Especially when capital disrobes its national unity and exercises its international interest by hauling over \$50 billion out of Chile after the election.

Conversely it implies that the self-entitled make the best managers. That Kast will stabilize the economy, promote growth, and end disruptions despite the record of the right. Of course behind Kast stands the cast of propagandists employed by the media all amplifying this message. And it is powerful. Boric’s addendum was designed to reassure, to demonstrate that the possible would dilute the necessary.

However, it would be a mistake to assume that this addendum was decisive in his victory. It is likely that the gain in support for Boric flowed directly from a desire to keep Kast out of office. It was not born out of attraction to Boric’s programme but out of a fear as to what Kast represented, especially to women in Chile. Voters are not stupid though politicians take them for that.

A class for itself.

Before progressing, it would be illuminating to take a detour and investigate McKinsey’s analysis of ***The rise and rise of the global balance sheet. How productively are we using our wealth?*** What McKinsey is describing is the end of the age of Neo-liberalism which has ended in economic carnage. But what must

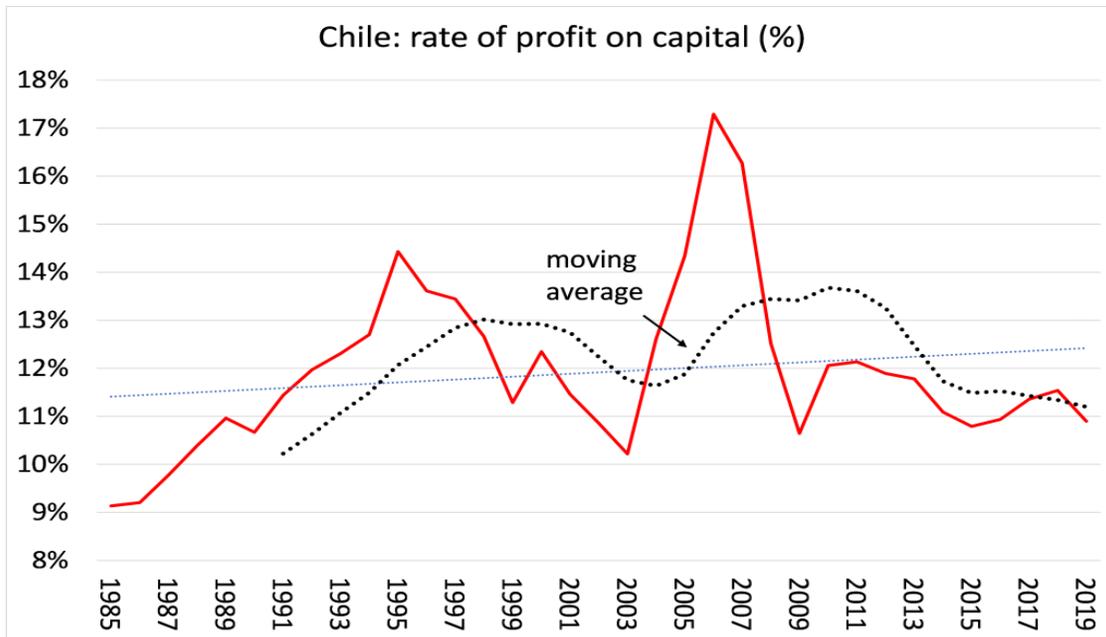
not be forgotten as well, is that this legacy has also boxed in left-reformism, foreclosing the concessions it relies on to retain the loyalty of workers.

The main points in the report are that: *“For every \$1 in net new investment, the global economy created almost \$2 in new debt.”* Additionally, asset values also grew 50% faster than income compared to historical trends. *“To construct a global balance sheet, we add up all real assets in the economy, as well as all financial assets across all sectors (including, notably, the financial sector), analogous to the way a corporation builds its balance sheet. In 2020, the combined balance sheet of the ten focus countries totalled about **18.1 times** their GDP in financial and real assets. Scaled up to the global economy as a whole, that total amounted to \$1,540 trillion.”* (my emphasis) Now mark, the GDP figure for 2020 used by McKinsey is \$85 trillion. Of this \$85 trillion we can deduct \$20 trillion for taxes and depreciation. This leaves \$65 trillion which is likely split \$35 trillion for the capitalist class (the surplus) and \$30 trillion for workers (remuneration including wages.) We won't use the term rate of return, but a \$35 trillion coverage of \$1.540 trillion yields only 2.3%. Truly, the whole fictitious upside-down pyramid rests on a tiny revenue base.

McKinsey recognises this to be potentially unstable. It proposes three perspectives. *We see three potential scenarios: (1) a new paradigm in which the value of assets relative to income is higher, in part because of demographic changes and a higher propensity to save among high-income households; (2) a mean reversion in asset prices; and (3) a rebalancing of the balance sheet relative to income from faster GDP growth as investment and productivity growth accelerate along with inflation.* <https://www.mckinsey.com/industries/financial-services/our-insights/the-rise-and-rise-of-the-global-balance-sheet-how-productively-are-we-using-our-wealth> Of all three perspectives (2) is the likely outcome.

Financial crashes and recessions are integral to the capitalist mode of production. They are needed to restore profitability in the system and always at the expense of workers. What is different this time round, is that because of central bank indulgences, speculation has been rampant and pervasive, driving fictitious asset prices higher and for longer than at any time in history. To put this in context. Of this \$1,540 trillion in total 'assets' only \$370 billion have been produced, that is the sum of buildings, infrastructure, machinery & equipment as well as Intellectual Property. This represents less than a quarter of total assets.

Michael Roberts in his recent post *'Chile: copper bottomed?'* provides more specific data on Chilean profitability. <https://wordpress.com/read/feeds/313842/posts/3727350611> He provides a graph plotting the rate of profit (return) for Chile reproduced below. It shows that Chile's fortunes waxes and wanes with the price of copper and the price of copper this century has been driven by Chinese investment. It last peaked in 2011 which coincided with the height of the Chinese post-2008 investment boom which had petered out by 2013. Copper no doubt has had a resurrection in 2021 as prices in nominal dollar terms approached levels last seen in the 2011 peak, boosted by demand for goods and the general rise in prices. But that peak is subsiding because the outlook for 2022 is more negative even though the Chinese government is seeking to loosen the purse strings following a period of tightening which flattened the Chinese property market, the largest asset class in the world and a big contributor to the assets McKinsey recorded above. Today China is home to 30% of produced assets, one and a half times the size of the USA, and it is more modern.



Left reformists like Boric do not understand capitalism though they seek to manage it. The nature of capitalist crises based on fallen profitability – we recall the global rate of profit in 2019 was barely higher than the trough of 2008 - forbids a ‘national interest’ solution to the crisis. Anything that defends the interests of workers acts as a barrier to capitalism’s struggle to restore profitability, because restoring it requires more profit and less capital. More profits require more exploitation and lower taxes on the resulting profits, while less capital includes the destruction of capital, that is factory closures.

If workers refuse to work harder for less or refuse to allow their place of work to be ransacked, that deepens the crisis of profitability. This requires direct action by workers based on transitional demands. If there is not enough work, workers need to share the work through a reduction in the working day. To reach out to end casual labour. If the capitalists go on an investment strike, confiscate their wealth, and put it to work. Tax the rich to subsidise wages and provide adequate benefits. If the workplace is faced with closure, occupy, and build community support for the occupation. Form workers militias to resist the riot police and reclaim the streets (crime was a big issue in the election). If distribution begins to break down, then workers in distribution must take it over to ensure there is no hunger. If the banks stop lending, nationalise them, and to prevent capital fleeing, put in controls. And to ensure that all of this is run democratically by and for workers, local elected committees need to be organised.

These measures may appear extreme but then we live in extreme conditions as McKinsey has pointed to above. If only 10% of global financial assets are lost that will destroy one year’s worth of GDP, an event without parallel. This will disrupt and dislocate the world economy more dramatically than we have seen before and it will challenge the working class as never before.

Alas, Boric and his crew will tack the other way, finding an accommodation with capital. However, their papier-mâché boat will not last long in these turbulent waters. This makes the demands and approach outlined in the paragraph above not an option but a necessity. The alternative is to invite back Kast, whose politics this time round will be closer to his German father the card-carrying Nazi, than to Pinochet.

Brian Green, 21st December 2021.