

POST-AUTHORITARIAN AND DEMOCRATIC NEOLIBERALISM:
CHILE AND NEW ZEALAND IN THE WAKE OF GLOBAL DISCONTENT

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ABSTRACT

This article traces the neoliberal trajectories of two Pacific Rim countries, Chile and New Zealand. In Chile, neoliberal policies were introduced in 1974 under a totalitarian military regime. By contrast, in New Zealand these were implemented by a democratically elected Labour Government in 1984. Although in both cases the radical implementation of neoliberal policies has led to growing inequality and job insecurity, the two societies differ dramatically in their contemporary responses to neoliberalism. Large-scale social movements and protests against the neoliberal 'model' have been having a systemic impact on Chile since 2011, while the majority of New Zealanders continue to demonstrate their support of neoliberal policies under the centre right National Government, now in its third term. Whether neoliberalism was implemented under democratic or authoritarian governments, we argue, is central to understanding its contemporary support and legitimacy in the Pacific Rim and beyond.

Keywords: neoliberalism; authoritarianism; democracy; Chile; New Zealand

INTRODUCTION

Since the global financial crisis of 2008 the uncritical support of neoliberal ideology has progressively declined in most of the developed world (Couldry 2010; Duggan 2004) at the same time as its economies have experienced economic recession or slow growth (Bailey and Chapain 2012; Rosenberg 2012). Unemployment and inequality, two problems commonly associated with developing countries and flawed democracies (Przeworski 2004; Robinson 2006), have jumped in most of the consolidated economies (ILO 2014; OECD 2013). Meanwhile, globalised and open markets have facilitated domino effects, intensifying the consequences of the finance-led neoliberal crisis in advanced

economies (Bourdieu 1998, 2003).

As the defining paradigm of our times, neoliberalism is an ideology and laissez-faire economic system based on unregulated markets, privatisation, the roll-back of the state and the promotion of individual freedom. While neoliberalism has its roots in classical liberal ideology (Gane 2015), Springer (2011) traces its rise in the mid to late twentieth century largely as a response to the state-led atrocities of Nazi Germany, Fascist Italy and the Soviet Union. With different degrees of intensity and orthodoxy, neoliberal policies were first implemented in the 1970s in Latin American states. While neoliberalism was initially reactionary to violence and actually pro-democracy, paradoxically such policies were implemented by authoritarian regimes following violent military coups backed by the United States government of the Cold War era (Faulk 2012; Prashad and Ballve 2008; Silva 2009; Taylor 2006).

In many countries of the developed world, neoliberalisation began roughly a decade later in the 1980s and was initiated by the so-called well-established democracies (Harvey 2005; Swarts 2013), namely the United Kingdom, the United States, Canada, Australia and New Zealand. Compared to the developing world, the first neoliberal governments in the developed world were economies already based on a consolidated productive industry. In these economies, there was a growing consensus that neoliberal principles such as deregulated markets and individual choice were the paths to economic prosperity. A spreading neoliberal ideology was especially critical of the role of the state, which was seen as unproductive and inefficient, diminishing entrepreneurial initiative and soaking up money that might be productively invested elsewhere (Harvey 2005).

Although neoliberal policy was imposed in Chile in the early 1970s, the influence of neoliberal doctrine had been building in the two previous decades as a counter to state-led development initiatives. Partly as a result of the Great Depression and World War II, Latin American economies from the 1930s onwards were characterised by an incipient industry under the Import Substitution Industrialization model (ISI). The ISI was a developmental strategy aimed at expanding the economic structure from one based on the extraction of raw materials to one based on the production of commodities. Enacted by countries of the Global South under the support of United Nations Commission for Latin America (UNECLAC, established in 1948), ISI policies were designed to facilitate development and self-sufficiency through the creation of internal markets (see Vellinga 1997; Bustelo 1994). Dependency theory also provided the foundations of the ISI model by critiquing the prevailing mod-

ernisation theory, which had failed to solve problems of widespread poverty and underdevelopment. As opposed to relying on foreign investment, the ISI model emphasized inward economic development through the nationalization and subsidization of key industries (e.g. agriculture, power generation), increased taxation and protectionist trade policies (for further discussion, see Dello Buono and Bell Lara 2007; Bustelo 1994; Garretón 2004; Vellinga 1997).

Plausibly, in response to these state-led development policies, during the 1950s and 1960s, a nascent neoliberal ideology spread among business and professional elites in Latin America and a number of neoliberal organisations emerged (see Bailey 1965). This imported ideology held that private enterprise was the only model of development and paved the way for the neocolonial and fascist orientations that underpinned the implementation of neoliberal policies across most of the region during the 1970s and 1980s; notorious examples include Brazil, Chile, Argentina, Mexico, Peru, and Uruguay (Rabiela 2008). Departing radically from the ISI model, this policy shift imposed a model of development – based on the generation of profit via trade instead of production – onto developing economies. It is important to recognize that these policies *emerged from* and were *designed for* developed economies.¹ The military dictatorships across Latin America abruptly ended the ISI developmental strategy, severely limiting the development of local industries and favouring the concentration of capital in the name of neoliberal doctrine (for the case of Chile, see Ffrench-Davis 2010).

With these different political trajectories in mind, this article is guided by two inter-related questions: 1) Why are contemporary societal attitudes and responses to neoliberalism more favourable in some societies and not others? 2) What do these different attitudes and responses say about the legitimacy of neoliberalism today? In an effort to begin answering these questions, we shall distinguish what we term ‘democratic neoliberalism’ from ‘authoritarian neoliberalism’, the latter of which has evolved into what we call ‘post-authoritarian neoliberalism’. The key difference between the two, as will be unfolded below, is that in the case of the former, the implementation process was conducted by democratic governments, whereas in the latter, it was led by military dictatorships. A central contention here is that democratic neoliberalism, by the virtue of taking place under democracy, conveys a mandate of ethico-political accountability, whereas authoritarian neoliberalism prescinds from it. As we aim to show, neoliberalism under authoritarian and post-authoritarian regimes facilitates a politics of radical unaccountability, evidenced by increased inequality and social injustice. Considering these radically different political conditions helps to shed light on the variety of societal attitudes and responses

to neoliberalism in contemporary times, exemplified here by radical dissent in Chile, and general support in New Zealand. This comparative approach thus contributes to research which calls for more nuanced, contextually specific readings of *neoliberalisms*, rather than neoliberalism as a singular, monolithic political-economic framework or policy (see Connell and Dados 2014; Springer 2011). While seeing neoliberalism through concepts such as hybridity, variation and articulation helps to sharpen theoretical understandings of *multiple neoliberalisms*, our primary concern here is to identify how different political contexts affect the legitimacy of neoliberalism in the Pacific Rim and beyond.

The article is organized in three sections. The first and second examine the socio-political trajectories of Chile and New Zealand before and after their respective neoliberal turns. Here we give special attention to the historical context and political ideologies behind the implementation of neoliberalism to date. We discuss the implications of shifting to a market-driven economy from a military dictatorship in the case of Chile and from a social democracy in the case of New Zealand. Building on this, a third section surveys the similarities and differences of democratic and post-authoritarian neoliberalism in recent times.

POST-AUTHORITARIAN NEOLIBERALISM IN CHILE: FROM PINOCHET'S DICTATORSHIP TO THE NEW SOCIAL MOVEMENTS

Large-scale neoliberal reforms were implemented in Chile before anywhere else in the world, despite some early localised initiatives in countries like Costa Rica and Colombia (Bailey 1965). This 'world first' occurred after a dramatic process of socio-political and economic instability. The *Chilean way to socialism* under Salvador Allende's government from 1970–1973 had experienced a systematic boycott by the traditional elites, who saw it as a threat to their interests (Bucciferro 2012). As the leader of the left-wing coalition, 'Popular Unity', Allende was not only the first socialist president in the world to be democratically elected, but was also the first to attempt to move to socialism by peaceful means. However, tensions within both the government and the opposition, and widespread social agitation, intertwined with the radical changes of that period. This unstable situation led to a US-backed military coup on September 11th, 1973. On this infamous day, Allende's government was overthrown by the Chilean military under the rule of General Augusto Pinochet, thus marking the beginning of an oppressive totalitarian regime that would officially last until 1990, but whose legacy continues in the present.

The neoliberal experiment of the Chicago Boys carried out by the military

government from 1974 meant a radical overhaul of the country's economic policy (Delano and Translaviña 1989).² This sudden shift represented a drastic departure from the socialist model of development and welfare state in place under Allende.³ It also meant a drastic departure from a democratic tradition, which was abruptly interrupted by the military dictatorship, who dismantled the national congress, the electoral system and banned political parties. Other legacies of the dictatorship, along with the restriction of civic and political rights of that time, were human rights violations such as torture, disappearance, murder, exile and illegal adoptions (Nagy and Leiva 2005; Pino-Ojeda 2011; Oppenheim 1999; Valenzuela 1978).

The first stage of the Chilean neoliberal 'model', occurring from 1974 to 1982, was characterised by a fierce orthodoxy of the neoliberal principles designed by the Chicago Boys. These included deregulation, privatisation, a residual or minimal welfare state and market-oriented economic policies. In response to the policies adopted during these years, however, the economy became volatile, culminating in a crisis caused by the devaluation of the exchange rate, doubling of external debt and a decline in exports. Together with a dramatic reduction in social spending, the country experienced high rates of unemployment, declining wages, business failures and discouragement of investment (Ffrench-Davis and Stallings 2001). The long-term dictatorship (1973–1989) not only institutionalised one of the most extreme forms of neoliberalism (de la Barra 2011; Winn 2004), but also perpetuated an undemocratic culture through the development and implementation of a new constitution and legal framework (Mirowski and Plehwe 2009) that has only recently begun to change.

Unlike other countries in Latin America, Chile's return to democracy in 1990 occurred as an agreed transition between the military and political elites (Godoy 1999). This democratic transition established the autonomy of the neoliberal system, which would be protected from political contingencies. The underlying aim of this political orientation was to promote trickle down economics by increasing the capabilities of businesses and benefits to those with upper income levels, whose wealth would eventually reach the poor.

In the post-authoritarian neoliberal period from 1990 onwards and now under the Washington Consensus, further privatisation has been undertaken along with lower tariffs (Kuczynski and Williamson 2003; Miller and Pacific Council on International Policy 2006). Nevertheless, there has been greater emphasis on social spending, aimed at growth with equity, reducing poverty and unemployment, and above all, safeguarding macroeconomic stability (Ffrench-

Davis 2010; Luna and Seligson 2007). In the post-dictatorship period, Chile has displayed sustained economic growth, ranking high in the region for transparency, safety and income per capita (Fernández Jilberto 2004; UNDP 2010; Transparency International 2010). Moreover, in 2008 the global economic crisis had relatively minor consequences; economic growth remained stable, unemployment declined and market income increased significantly (OECD 2014c, 86). Until 2011, however, these seemingly positive outcomes eclipsed pending tasks for furthering democracy and moderating the extreme concentration of wealth that followed the return to democracy (Nagy and Leiva 2005). Neoliberalism has steadily come under attack and been largely discredited, as shown by the widespread social movements that ignited from the massive student uprising that began in 2011 (Hernández 2012; Mayol 2012), as discussed next.

The primary reason for widespread social discontent in Chile is the country's income distribution and inequality, one of the worst among the OECD countries. Chile also has one of the most expensive education, health and pension systems in the world (see Castillo 2012; CERC 2012; OECD 2012a,b; De Mesa and Mesa-Lago 2006). In addition to this, there has been an ongoing deterioration of working conditions marked by the precarisation of the job market and a very weak labour legislation (López, Figueroa, and Gutiérrez 2013; Winn 2004; OECD 2012b). The environment has experienced dramatic deterioration as a result of an intensive and indiscriminate extractive and productive process, which has led to severe air, soil and water contamination (Palma *et al.* 2004; Tchernitchin *et al.* 2006; Cifuentes *et al.* 2003; Hopenhayn Rich *et al.* 2000; Ferreccio *et al.* 2000). This all reflects a state that has ceded the control of its economy to the market (Larraín 2001). Citizens' expectations of democracy, meanwhile, have evolved towards greater demands for political participation, representation, equality and social justice.

Given Chile's turbulent recent history, social demands and protests have been widespread. This is by no means unique to Chile. Latin American countries have had a long trajectory of mass mobilisation and social activism, which became more salient with the arrival of military dictatorships and neoliberal policies since the 1970s (Dello Buono and Bell Lara 2007). In the case of Chile, the large-scale social mobilisation triggered by the student movement since 2011 has been the most significant expression of discontent since the country returned to democracy and has had a systemic impact. Moving beyond the students' immediate interests in education quality and funding, the movement grew to question what is at the heart of Chile's inequality. Underlying these social questions is the popular view that Chilean society is unfair and that as a result of the growing concentration of wealth, the levels of exploitation and

vulnerability of large sectors of society have progressively worsened. In other words, while students began demanding better education and transparency in the funding system, they ended up questioning the neoliberal ‘model’ itself that is at the core of Chile’s widespread inequalities (see Titelman 2012; Torres, Guzmán and Riquelme 2011).

A close and public examination and debate on the impact of the laws that rule higher and secondary education showed extended and systematic fraud and a mercantilist approach to education (Hernández 2012; Mayol 2012; Mönckeberg 2011; Simonsen 2012), phenomena also found in health and pension systems and in the productive and employment sectors (Fazio 2005; Mönckeberg 2001). Numerous corporate scandals involving retirement funds, health insurances and education have put politicians’ conflicts of interest into the spotlight, with several politicians implicated in major corruption scandals. A recent wave, including President Bachelet’s family, has further damaged Chile’s already deteriorated political institutions (see Arellano and Carvajal 2015; Bogolasky 2011; de la Barra 2011; Chávez, Baires and Ramírez 2011; CIPER 2014).

This has all led to a systemic crisis of legitimacy of the market, the state and politics in Chile. While the effervescence of the social movements has gradually abated since 2011, the push for a progressive tax system, constitutional and pension reforms and mechanisms of direct democracy, such as referendums, remains strong.⁴ On the whole, Chilean society is more critical than ever of what has been termed ‘the culture of abuse’ (Araujo 2009; Escalona 2008; Opplinger and Guzmán 2012) instituted by an oppressive and perverse state neoliberalism.

Despite Chile’s economic growth and poverty reduction, the levels of income inequality have progressively worsened in conjunction with a lack of public policies aimed at redistributing the country’s wealth. Thus, what was once considered ‘the Chilean economic miracle’ (see Congdon 1985; Petras and Vieux 1990) has in recent years revealed that the country’s economic growth has come at the expense of social development, democracy and the environment (de la Barra 2011; Duquette 1998; Kurtz 2001; Schurman 1996; Winn 2004). The neoliberal utopia dreamed up by the Chicago Boys, implemented by a brutal military regime and evolving into a flawed democracy, has created a dystopia in which ‘the social question’ has returned once again to the fore of Chilean civic society. Having discussed Chile’s (post)authoritarian neoliberal trajectory and its effects, let us turn to the case of New Zealand, a Pacific Rim country whose neoliberal turn took place under very different circumstances.

FROM THE WELFARE STATE TO THE NEOLIBERAL ECONOMY: THE CASE OF NEW ZEALAND

In the very year Chile came under the grip of the oppressive dictatorship of Pinochet, an international recession began and New Zealand's smooth-sailing welfare consensus began to crumble. Along with the UK joining the European Common Market in 1973, the global oil crisis of the same year signalled major changes for the small island nation deep in the South Pacific. Like elsewhere, New Zealand experienced economic stagnation, high inflation, decreased profitability, low terms of trade, indebtedness, cessation of real wage growth and growing unemployment (Rudd and Roper 1997). In this milieu, many questions were raised about the way things were being done in the country, including the Keynesian consensus with its policies focused on full employment and managing inequality.⁵ As Pratt and Clark point out, in these precarious times 'the only way to maintain this kind of welfare commitment was by means of rigorous wage and price controls, overseas borrowing and an elaborate bureaucratic regulation of everyday life' (2005, 307).

By the latter half of the twentieth century, New Zealand society had become more diverse, pluralistic, and arguably more individualistic and less conformist and egalitarian. There were many more white-collar workers, the population was overall wealthier, and the lifestyle had changed – cars, television, the growth of suburbia (Gustafson 1997). Culturally, this differentiation was evident in the growth of Māori, anti-racism, women's, peace, and anti-nuclear movements. By the late 1960s there was a growing awareness of the impact of colonisation on Māori, which progressed into a resurgence of the Māori resistance. Māori activists baulked at the historical dispossession of native land and the resultant disadvantage, marginalisation, and negative representations of Māori (Fleras and Spoonley 1999). In sum, the social conservatism and conformism of the post-war period and the authoritarian populism of Prime Minister Sir Robert Muldoon's National era was increasingly challenged, at precisely the time when neoliberal ideology began playing an increasingly large role in the changing international climate.

New Zealand's neoliberal restructuring began in 1984 with the Fourth Labour Government ending nine years of National Government rule. Soon after being elected, and effectively unannounced, the Labour party 'abandoned its traditional constituencies and orthodoxies and pursued a rigorous policy of economic liberalism and deregulation' (Pratt and Clark 2005, 308), signalling a free market revolution in terms of pace and scope (Kelsey 1999, 3; Grafton, Hazledine, and Buchardt 1997). From the mid-1980s, the market became the

key to a high-achieving society, and individualism and difference become the watchwords in cultural and political domains (O'Brien and Wilkes 1993). It is significant to bear in mind that while neoliberal policies were first introduced by military dictatorships in developing countries (e.g. Chile, Argentina, Brazil) and by right-wing governments in developed countries (e.g. USA and Britain), in New Zealand and Australia they were implemented by left-wing labour governments.

What is striking about this is that labour governments have traditionally been defined by democratic socialist principles based on social welfare and equality. The constitution of the New Zealand Labour Party, for instance, defines the following as some of its guiding principles: 'co-operation rather than competition'; 'equal access to all social, economic, cultural, political and legal spheres, regardless of wealth or social position'; 'the natural resources of New Zealand belong to all the people'; 'the state must ensure a just distribution of wealth' (Labour Party 2014, 4). While it is not difficult to find an affinity between neoliberalism, military dictatorships and right-wing governments, all being based essentially on principles of competition, individualism and the lack of social ethics, in the case of labour governments in both Australia and New Zealand, the turn to the market represents an extreme contradiction of principles (Connell 2011, 157–8).

Often known as 'Rogernomics' – after the minister of finance leading the changes, Sir Roger Douglas – the economic restructuring of New Zealand sought to reduce debt and pressure on government spending, leaving behind the priority of full employment that characterised previous administrations. The Labour Government pursued a set of reforms that included flattening some personal and company tax rates, selling government companies and introducing private sector management techniques into the public sector. Removing subsidies, freeing up financial and foreign exchange markets, removing internal regulations on businesses, lowering protective barriers, and simplifying tariff and tax regulations were further measures adopted to control inflation and improve choice (James 1997). In general terms, there was a comprehensive shift from the welfare state to a free market economy, with a deflationary strategy, market liberalisation, the redesign of the existing welfare state, and a move towards a more flexible labour market (Rudd and Roper 1997).

One result of this restructuring was a massive increase in unemployment and a widening gap between rich and poor. However, on a broad social and cultural front, the ensuing strife was not completely straightforward. The Labour Government's goals and orientation were aimed at liberalising not only New

Zealand's economy, but also society, which was perceived as oppressive and conservative. In a clear sign of attempting to keep pace with the sociocultural changes, the Labour Government passed the Bill of Rights, established the Ministry of Women's Affairs, and, in response to Māori pressure, increased the powers of the Waitangi Tribunal and recognised biculturalism through a variety of reforms. It also passed bills decriminalising homosexuality and banning nuclear power and nuclear armed ships and aircraft (James 1997). As Pratt and Clark observe: 'At this juncture the sense of liberation and new-found capacity for self-determination rather than state determination was sufficient to provide Labour with another election victory (with an increased majority) in 1987' (2005, 308).

Despite these progressive measures, the speed of the structural changes introduced by the Labour Government led to significant social discontent. This was signalled by the establishment in 1989 of the New Labour Party under Jim Anderton and by the National Party's 1990 electoral victory, as many New Zealanders felt betrayed and deceived by the 'hidden political agenda' of the Fourth Labour Government's second term (Nagel 1998). However, the National Government pushed on with the reforms in its first term, further cutting social spending (benefits, health, education) and implementing the controversial Employment Contracts Act of 1991, which significantly altered labour markets in favour of employers. The economic effects of these changes were significant, with 60% of those in work worse off in real terms during the 1991–1992 period (James 1997). The radical changes implemented by the neoliberal turn in terms of restructuring and downsizing the state were unforeseen by a large majority of New Zealanders and marked a very significant juncture in the country's historical trajectory.⁶

In 1999 there were growing signs of resistance, and a large voter turnout elected New Zealand's Fifth Labour Government, led by Prime Minister Helen Clark. This election indicated a move away from the harder edged neoliberalism of the Shipley-led, ACT-supported governmental direction of 1998–1999. In fact, it can be seen as part of a worldwide turn towards the Third Way (promoted by Tony Blair in the UK and Bill Clinton in the United States). The Third Way is a contemporary reworking of social democratic ideals, which through enlightened state intervention attempts to extend citizenship and democracy beyond the formal political sphere in order to reduce economic and social inequalities. According to Third Way thinking, the market is the only feasible way to allocate resources, and globalisation is viewed as a positive and/or inescapable force. However, Third Wayers turn towards civil society (the sphere outside the state and market), community, and the expansion of democracy as a counter

force to the domination of society by markets.

Although Clark's government (1999–2008) presided over nearly a decade of economic growth, lowered unemployment rates, increased the minimum wage by 5 per cent per year and promoted democracy and human rights at home and abroad, 2008's election of the more conservative National government, led by Prime Minister John Key, demonstrated contemporary New Zealand's preference for neoliberal governance. This occurred despite the fact that since the implementation of the first neoliberal reforms in 1984, job insecurity, inequality, child poverty and home unaffordability have significantly increased in New Zealand (OECD 2014b; Wade 2013a). Along with the policy changes discussed above, some of these social consequences have been employment casualisation, the growth of part-time work, increased unemployment, and a less secure labour market (McManus, McLennan, and Spoonley 2009). The gap between Māori and non-Māori in health, income, and education has also increased (Kelsey 1999; Rashbrooke 2013).

In the wake of the 2008 crisis, the country experienced higher unemployment and lower wages. This brought down household market income, while at the same time the government reduced the generosity of the lower-tier social safety net programmes and made social benefits subject to more stringent job-search requirements with the stated objective of raising the incentive to work (OECD 2014c, 46, 86). Additionally, the 2013 approved Government Communications Security Bureau (GCSB) amendment bill extended the powers of the GCSB to essentially spy on residents and citizens to assist the police, Security Intelligence Service and the military with lawful authorization (New Zealand Parliament 2013). This bill was highly criticised for its threat to democracy and the role of the state in mass surveillance in New Zealand (Salmond 2013). Beyond its own borders, Edward Snowden leaked papers showing that New Zealand had been spying on its Pacific Island neighbours and had plans to spy on China for the United States (Fisher 2015). Despite all this, the New Zealand majority maintains its support for John Key's National government, evidenced by a third re-election in late 2014. Needless to say, this demonstrates a very different societal attitude to the country's neoliberal trajectory compared to that of Chile. One way of accounting for this difference, we suggest, is through the concepts of authoritarian and post-authoritarian neoliberalism.

POST-AUTHORITARIAN AND DEMOCRATIC NEOLIBERALISM: SIMILARITIES AND DIFFERENCES

Along with their similarities and differences, the two Pacific Rim societies

under consideration are unique in many respects. Until the introduction of neoliberal reforms, New Zealand had not only been one of the most protected economies in the world, but also had one of the most advanced welfare state systems of any capitalist democracy (Nagel 1998). Meanwhile, Chile not only had the world's first democratically elected socialist president, but was also the first country to attempt to move to socialism by peaceful means (Nagy and Leiva 2005). Ironically, in New Zealand, the neoliberal reforms were led by the Labour Party, a left-wing party of the socialist tradition. While this was not entirely unique to New Zealand, as Australia's Labour Government also led the transition to neoliberalism, the pace and radical changes that took place in New Zealand had no counterpart anywhere else in the developed world (Nagel 1998). As mentioned, Chile's neoliberal reforms were unique in the sense that they were a world first, instituted by a military dictatorship following a CIA backed coup d'état.

Despite emerging under very different social and political conditions, democratic and post-authoritarian neoliberalism share some similarities. In both Chile and New Zealand, the neoliberal reforms signalled quick and radical changes to former welfare states and development models. These reforms were implemented to stimulate local economies and control inflation, while reducing the influence of the State on the economy by transferring its control from the public to the private sector. In both cases, the results were increased vulnerability to external shocks in their local economies, inequality, concentration of wealth and precarisation of the job market (Duggan 2004; Wacquant and Steinmetz 2009; Xue 2012).

With different degrees of intensity, the implementation of neoliberal policies allowed New Zealand and Chile to experience economic growth, while at the same time increasing inequality. This was particularly extreme in Chile, where income distribution is dramatically concentrated. For instance, the richest 10 per cent of the population received 45 per cent of the total income and the richest 1 per cent gathered 30.5 per cent of the total income of the country between 2005–2010 (López, Figueroa, and Gutiérrez 2013). When adjusted by the tax information available at the internal revenue service of Chile, the Gini coefficient nearly doubles that of the 0.32 average of OECD countries. Another particularity of Chile's income inequality is the class structure. According to Espinoza and Barozet (2008), while the middle class in Chile comprises around half of the population (49 per cent), in terms of income it is much closer to the lower class (19 per cent) than to the upper class (32 per cent). This proximity reflects two central aspects of Chile's social structure. First, a large part of the middle class is in fact 'lower' middle class; and second, since there

has been no social protection aimed at this majority, the middle class is highly vulnerable to downward mobility when facing any financial difficulty.

In New Zealand, while inequality trends have remained stable since the 1990s, the level of wealth disparity remains considerably higher than before the implementation of neoliberal reforms in 1984. Until then, New Zealand as the so-called 'classless society' had the lowest income inequality in the world, with a Gini coefficient of only 0.27 (OECD 2014a). By 2011, however, the Gini coefficient reached 0.35, meaning New Zealand now ranks 20 out of 34 for the OECD countries and below the OECD average (OECD 2014c). Looking at New Zealand's income distribution, by 2003 it displayed high levels of concentration, with the richest 10 per cent of the population receiving 52 per cent of the total income, while the poorest 50 per cent receive only 5 per cent (Cheung 2007, 8). A salient feature of income inequality in New Zealand is that it falls disproportionately on children, Māori and Pacific communities (Rashbrooke 2013).

The central difference between authoritarian and democratic versions of neoliberalism rests once again on how they were implemented and what this meant for civic society. In both Chile and New Zealand, the logic of economic growth put forward by neoliberal ideology (based on trade and speculation rather than production and industrialisation) was alien to their local economies. However, we argue that some of the values implicit in neoliberalism, like those of individual freedom and entrepreneurship, found a counterpart in New Zealand society as it was moving to liberalise and deregulate not only its economy, but its cultural norms and values.

While Chile had been on the path towards democratic socialism since 1960s, the neoliberal turn was intertwined with military fascist rule, which promoted a culture of intolerance, fear and social divisions (Pino-Ojeda 2011). This also brought back the tradition of republican authoritarianism, which the progressive sectors of Chilean society and politics had been attempting to move beyond. In short, Chile's reforms meant a radical liberalisation of the country's economy, but a dramatic regression of liberal democratic values. Conservative values, repression and segregation were enforced by the state and the military on a daily basis, while policies towards free trade and liberalisation of the market were implemented overnight. The sudden disjuncture in Chile and other Latin American countries that fell to military dictatorships at the time created profound dissonance in these societies.

By contrast, in New Zealand's democratic neoliberalism, reforms were accompanied by a redefinition of the concept of welfare and state provision. Under-

pinning this – in theory – was the value of freedom, equality of opportunities, individual responsibility and the belief that the private sector, the family and voluntary organisations (instead of the state) play a leading role in welfare (Turner 2008, 163). New Zealand's neoliberal turn thus involved not only the liberalisation of the economy, but cultural liberalisation. As mentioned, the neoliberal turn came with progressive social legislation with regards to issues of gender, ethnicity and sexuality. The election of the Fourth Labour Government in 1984 and re-election in 1987 was a sign that the majority of New Zealand society desired and embraced change (Nagel 1998).

Despite this seeming cultural shift, it has been observed that with the 1984 Labour election, New Zealanders were unaware of the radical neoliberal reforms that would suddenly be imposed. For instance, Challies and Murray (2008) argue that neoliberal market reforms were implemented without public consultation by 'an elected yet undemocratic government' (241), thus making New Zealand and Chile essentially synonymous cases, in that both were subjected to neoliberal coups. This raises the question, however, of how an elected government acting within its prerogatives could be compared with a violent military dictatorship with absolute disregard of human rights. Without underestimating the public resistance or the sense of injustice emanating from New Zealand's neoliberal reforms beginning in 1984, it must be remembered that the process occurred in a fully functional democracy. Although the New Zealand public re-elected the Labour Party in 1987, this is not to deny the relatively quick realisation that neoliberal reforms would have many negative consequences for the majority.

Unlike Chile, there appears to be a growing consensus in New Zealand that the country should be run first and foremost as a business, consistent with Harvey's (2005) notion that neoliberalism is essentially the 'economisation of everything'. Social issues in New Zealand, for instance, are increasingly represented primarily as economic ones and matters of individual responsibility. This shift can be seen in mainstream media, which presents education, child poverty, domestic violence, housing and asset sales not so much as moral or political issues as economic and individual ones.⁷ The pitfalls of such issues are presented on the grounds of financial costs and economic losses, rather than social and political accountability. A neoliberal ideology of individual empowerment and resilience goes along with the individualisation of social problems (Joseph 2013; Hall and Lamont 2013, 89).

Unlike classical liberalism and the welfare state, which ensured that social externalities generated by un- or under-regulated economic practices were

managed or eliminated (Polanyi 1944), neoliberalism collapses the distinction between economy and society. As Shamir observes:

Neo-liberalism [...] actively exports the logic of the market to other social domains, extending a model of economic conduct beyond the economy itself, generalizing it as a principle of action for areas of life hitherto seen as being either outside or even antagonistic to the market. (2008, 6)

Under neoliberalism, the state essentially becomes an enterprise or an HR department whose role is to manage and distribute authority to state and non-state units in an all-encompassing market environment. The growing legitimacy of neoliberalism in New Zealand has thus gradually de-legitimated the welfare consensus that defined the country prior to 1984. As Gustafson (1997, 8) argues, before the neoliberal turn deep divisions of opinion on matters such as social security, health and education did not exist. The increasing economisation and privatisation of society in New Zealand, however, does not simply demonstrate the country's recent embrace of neoliberalism. We suggest that what it shows, rather, is a continuation and intensification of a liberal, individualistic ethos that was already present in the culture of the early British/European settlers (Pearson 2001). Thus, the classical liberal idea of autonomy, rooted in the Anglo tradition going as far back as John Locke's 'natural contract' (emphasising the protection of life, liberty and property) has easily adapted to fit the basic tenets of neoliberalism. In New Zealand, where egalitarianism is a much celebrated aspect of the culture (Nolan 2007), a closer look reveals a society in which everyone is expected to be self-sufficient, with or without government assistance. Under neoliberalism, this ethos evolves into the syndrome that Foucault (2008) has called the 'entrepreneur of the self'.

In New Zealand, the general acceptance of neoliberalism and the inequalities it has brought about continues. This is given by the fact that only 50 per cent of the country thinks it is the government's responsibility to reduce income differences between the rich and the poor, compared to 91 per cent in Chile (ISSP 2006). Not coincidentally, it is also the richest 50 per cent of the population who owns 95 per cent of the country's wealth, and are largely of British-European ancestry (Cheung 2007, 8–10). Another element that may help explain New Zealand's general political complacency is the country's high level of outward migration. As a member of the Commonwealth, New Zealanders have had greater opportunities for long-term emigration, with nearly a quarter of the population residing overseas – primarily in Australia and the UK (Labour and Immigration Research Centre 2012). Across the Pacific, the Chilean popu-

lation is relatively immobile, which perhaps also explains the country's high levels of political engagement. On the other hand, New Zealand's so-called 'brain drain' or trans-Tasman exodus is balanced out by inward migration. Immigrant populations tend to be more politically and economically marginalised due to the cultural and institutional barriers they face – they may not be able to vote. Thus, between locals leaving and immigrants arriving, under the backdrop of liberal ideology, New Zealand remains politically complacent with its neoliberal trajectory and correlative inequality (Sibley and Duckitt 2010).

The liberal Anglo view of society, the individual and governance contrasts starkly with that of Chile and other Latin American countries that emerge from a very different set of cultural traditions. Being more collectivist and paternalistic cultures (Larraín 2000), society tends to be viewed as a big family, of which the state is part. Furthermore, especially since the social movements of 2011, for the majority neoliberalism in Chile displays a clear lack of legitimacy due not only to widespread inequality but also to the fact that it was implemented by authoritarian and violent means. Not only was this form of neoliberalism corrupt from the beginning, but the inequalities it fostered were not formally addressed after Chile's return to democracy in 1990. That being said, the legitimacy of the neoliberal model maintains strong support by the ruling class and right wing, most of whom supported Pinochet's dictatorship.

The second important contrast between the authoritarian and democratic versions of neoliberalism rests on the ethico-political accountability they engender. In Chile, as neoliberalism was intertwined with fascist and authoritarian values and a complete disregard for basic human rights, there was no political, moral or ethical accountability regarding the social consequences of the Chicago Boys' 'experiment'. Even after Chile's return to formal democracy in 1990, the notion of human rights and the democratic culture of the country remained weak. Political institutions from the dictatorship period (e.g. the Constitution, electoral system and Labour Act) continued to protect the interests of economic elites and market autonomy, thus reinforcing and further developing Chile's authoritarian neoliberalism. Chilean society remained traumatised by nearly two decades of oppressive, totalitarian rule, with the phantom of the dictatorship continuing to haunt the country's collective consciousness. Nevertheless, under post-authoritarian neoliberalism in Chile and in other Latin American countries such as Brazil, Argentina, and Uruguay, demands for truer democracy and political accountability are on the rise (Dello Buono and Bell Lara 2007; Isbester and Patroni 2011; Dunkerley 2009).

It is worth noting that 2011 marks 21 years since Chile's return to formal de-

mocracy, and the critical mass who initiated the movements were largely born in the post-dictatorship period. The younger generations in Chile are increasingly politically engaged and seeking to change the neoliberal 'model' of society they are set to inherit. Along with the demands raised by the student movements, claims for cultural citizenship have emerged, challenging the legal and institutional intolerance and discrimination faced by many Chileans (see Instituto de Estudios Indígenas 2003; Gaune and Lara 2009; UNDP 2012; Ortega *et al.* 2004).

Gender minorities, indigenous communities, the working class and communities outside of the capital, Santiago, have intensified their claims for recognition and rights. Centralism, conservatism, classism, sexism, racism and intolerance are at the heart of the inequalities experienced by Chileans. On a national level, demands for environmental care and preservation have gathered a widespread support; the dramatic degradation of the environment has severely affected the health and quality of life of the population. However, air, water and soil pollution have not affected the population evenly; those at the lower levels of the social pyramid are those who experience the greatest impacts (see Fuenzalida and Quiroz 2012; Romero 2010; Romero *et al.* 2009).

CONCLUSION

This article has been underpinned by the questions: 1) Why are contemporary societal attitudes and responses to neoliberalism more favourable in some societies and not others? 2) What do these different attitudes and responses say about the legitimacy of neoliberalism today? We have argued that when neoliberalism is implemented by authoritarian regimes, as in the Chilean and other former military dictatorships, it actualises a perverse and corrupt form that in the long run undermines its own foundations, functioning and legitimacy. By contrast, when neoliberalism is implemented democratically, as in New Zealand, it is driven by both economic and cultural liberalisation. In this case, critically questioning the legitimacy of neoliberalism is largely out of public discussion, since its implementation took place within the rule of law and under the powers and authority of a fully functional democracy. In any version, neoliberalism has proven to be prone to failure, leading to economic instability and inequality. While governments' responses and their accountability in the face of economic crises and rising inequality might influence people's support of neoliberalism (Bailey and Chapain 2012), a crucial factor, we argue, is whether it was implemented under democratic or authoritarian governments.

With the passing of time, in New Zealand and other well-established democracies, neoliberalism has debilitated democratic institutions, weakened democratic values and increased authoritarian forms of social control and state surveillance (Wade 2013b; Guarino 2013; Marsh and Miller 2012; Wacquant and Steinmetz 2009; Wolin 2010). This is paradoxical when we consider how neoliberalism was initially reactionary to violence and pro-democracy (Canterbury 2005). As we discussed, New Zealand's Labour-led neoliberal turn represents a radical departure from the country's welfare consensus. A recent report demonstrates that despite maintaining a positive international image, New Zealand has actually been regressing in certain respects when it comes to human rights. The authors cite, for example, child poverty, gender inequality, high levels of violence against women, the systemic disadvantage of Māori, and weaknesses in disabled rights (McGregor, Bell, and Wilson 2015). Furthermore, Pratt and Clark note that since the 1990s New Zealand has become an increasingly punitive society (2005, 304). The daily average prison population, for example, increased from around 2700 in 1985 to around 7300 in 2004, making it second in per capita rates of imprisonment after the United States.

Despite growing inequality and widening social divisions (Crothers 2013; Rashbrooke 2013), New Zealand has largely shown support or at least complicity with the shift. This, we have suggested, may in part be explained by a liberal, individualistic ethos based on self-sufficiency inherited from the culture of British/European settlers. Such an ethos reveals an 'elective affinity' with neoliberal ideology, based on private enterprise and minimal government intervention. The 2014 re-election of Prime Minister John Key – a multimillionaire and former businessman – for a third term demonstrates that the New Zealand majority believes the country should be run first and foremost as a business. The logic of this business attitude is based on the notion that profit comes before people and it is the government's job to allow for economic growth and to maintain a smooth space for transnational capital to flow in and out of the country. The government's role in civil society and the questions of ethics have little space in this milieu.

The central and most striking difference between Chile and New Zealand is in the legitimacy and support of neoliberalism. Democratic neoliberalism remains allied to its principles and orthodoxy (Macdonald and Ruckert 2009; Howard and King 2008; Duménil 2011), whereas post-authoritarian neoliberalism is becoming increasingly critical of its own foundations and validity (Dello Buono and Bell Lara 2007; Dunkerley 2009; Macdonald and Ruckert 2009). The failure of neoliberalism in the developed world has led citizens of emergent economies and developing countries to become critically aware of

the impact of neoliberalism and globalisation on their local economies, institutions and development. Meanwhile, in the developed world, the aftermath of the 2008 financial crisis still has the major economies trying to explain and/or cover up what went wrong (Duménil 2011; Overbeek and van Apeldoorn 2012). While there has been greater critical awareness and dissent, demonstrated by 'Occupy' and other social movements and protests, these seem to have had little systemic impact. Somewhat ironically, Chile, home of the world's first major neoliberal experiment, is the only country in the world where social movements and protests have been heard. For example, former leaders of the 2011 student and environmental movements were elected into the government and congress in December 2013, several representing the Communist Party. By this and several recent reforms, namely the electoral system in 2015 and a forthcoming new constitution, Chile has thus made the strongest statement against neoliberalism to date, with other Latin American countries such as Argentina, Brazil, Colombia and Nicaragua following suit.

Today's widespread public dissent, evidenced by the student movement and the domino effect it created, are inextricably related to the inequality, symbolic violence and social suffering that characterises Chilean society. Unlike New Zealand, the majority of Chileans are calling for an end to the exploits of the neoliberal model, which once again was imposed by force and thus never legitimate. By tracing the neoliberal trajectories of Chile and New Zealand, two southern Pacific Rim countries, and establishing the similarities and differences between authoritarian and democratic neoliberalism, we have aimed to shed light on the legitimacy and societal attitudes towards neoliberalism today. Written from the South about the South, we hope our contribution will generate new critical dialogues about neoliberalism in the Pacific Rim and beyond.

NOTES

- 1 This model imposed norms from more efficient modes of production and productive forces onto developing economies that were still based largely on small, rural producers. All agents were regarded as equal in the global market, despite developing countries not being equally prepared and equipped, both culturally and economically. This argument, put forward by Pierre Bourdieu in 2003 in *Firing Back: Against the Tyranny of the Market*, remains current.
- 2 The Chicago Boys refers to a group of Chilean economists from the Pontifical Catholic University of Chile and University of Chile who were mostly trained at the Department of Economics of the University of Chicago under Milton Friedman and Arnold Harberger in the 1950s and 1960s. The Chicago Boys firmly

adhered to free market policies such as privatisation and deregulation; they became known as they designed and implemented the first neoliberal reforms in Chile during Pinochet's dictatorship in the 1970s (see Delano and Translaviña 1989).

- 3 The economic policies of Allende's government were largely based on a strategy that revolved around four fundamental axes: the redistribution of income, the expansion of government programmes and services, state control over key industries and the expansion of agrarian reform. Allende's ultimate goal was to transform class relations and private property, and to institute a new economic framework based on socialist principles (Valenzuela 1978, 144).
- 4 While several initiatives have been put forward to change the electoral system and constitution since the return to democracy in 1990, it was only in 2015 that the Congress approved the change from the binomial to a proportional electoral system, which will come into force in 2017 (see Electoral Law no. 20.840, 2015). In addition, pressures for a new Constitution are on the rise; a number of civilian organisations and social movements are calling for a referendum for a new constitution, in what has been termed *el Movimiento por la Asamblea Constituyente* – The movement for the Constituent Assembly.
- 5 Arguing for extensive state intervention in the economic sphere and increase of the money supply to stimulate the economy, the government intervened to protect local industry and agriculture and to balance the competing interests of farmers, manufacturers, employers and unions (Gustafson 1997). The Keynesian period saw a rate of unemployment that never exceeded 1% of the workforce (Rudd and Roper 1997), and class struggle seemed, for many, a distant thing (Wilkes 1994). This period also saw the rise of the middle class, with an expanded managerial and bureaucratic stratum that followed increased government and business size (Wilkes 1994). New Zealand's identity in this time, say Fleras and Spoonley (1999, 150), relied on consensus on improved living standards for the mass of people, anti-communism, a consensus politics of the welfare state and the unquestioned superiority of *Pākehā* values.
- 6 This had been characterised by a state that had assumed a central role from early colonisation in establishing infrastructure and providing security, and then acted as a key player in the 'historic compromise' and the achievement of the much-vaunted 'classless society' (O'Brien and Wilkes 1993). Government commitments to regional development, social welfare and universal provision of core public services, such as health and education, had shaped the structure and values of the society (Kelsey 1999, 8).

- 7 For instance, a tvnz news report in November 2014 informed the public that domestic violence could cost New Zealand eighty billion dollars over the next ten years. The story, like many others, exclusively details the economic implications of the issue, such as the annual costs of treating victims, survivor support and loss of productivity. See <http://tvnz.co.nz/national-news/domestic-violence-could-cost-nz-80b-over-next-ten-years-new-report-6126548>.

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