

Revisiting the Political Economy of the rise and fall of the Unidad Popular

The twin crisis of the Prebischian Populist National State and global
Fordism

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July 22, 2023

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Research Question

Research Question: How can we explain the rise and fall of the Unidad Popular from a (global/marxist) political economy perspective?

Motivation

- The problems of economic development *somewhere* are a matter of interest *everywhere*, particularly those leading to socialist revolutions (Gerschenkron, 1962).
- This is precisely the case of the global consequences of Allende's government: a nodal conjuncture of "*world history*" defining the course of class struggle globally.
- Explaining the rise and fall of the UP given its WH event character, is aligned with Marx "true purposes" of historical materialism (Kratke, 2018).

Hypothesis

The rise and fall of Chilean socialist revolution took place amidst a twin crisis:

- ① The crisis of the National Populist Prebischian State (PPNS).
- ② Crisis at global scale of Atlantic Fordist accumulation regime.

Theoretical Framework

Variegated Capitalism approach (Peck and Theodore, 2007):

- VarCap emerges as a Marxist critique to VC approach given its limitations (methodological nationalism, neoclassical influences, and so on).
- Theoretical solution for increasing tendencies/interest in bridging the gap between IPE and CPE.
- Instead of focusing on institutional complementarity looks at institutional coherence, i.e. functionality/dysfunctionality of state capacities to offset stagnation tendencies (Vidal, 2014).
- Place primacy of explanatory power to the capitalist world system but leaving causal explanations to the strategic selectivity of the state (Jessop, 2015).
- **My contribution to the framework** Extend it to peripheral social formations.

Stages of Capitalist Development

- Marx identified stages of the labour process under capitalist mode of production: *cooperation*, *manufacturing*, and *large-scale industry*.
- Fordism refers to a later stage that consolidated in the post-war period but can be traced to early XX century.
- It can be broadly defined as the emergence of mass consumption via real/social wage increases and domestic market promotion.
- I refer to “peripheral Fordism” to peripheral social formations in Prebisch’ terms of center-peripheral scheme but under a Classical Marxist interpretation.

Fordism vs Peripheral Fordism

Institutional Forms	Fordism	Peripheral Fordism
Employment Relations	Core employment sector in mass production manufacturing	Industrial patronage under structural heterogeneity defined by differential integration to global Fordism.
Forms of competition	Oligopolistic competition	Oligopolistic competition of transnational and/or national capitals intervened by import-substitution industrialization policies.
Capital Circuit	Producer-led national supply chains	Structural bottlenecks in supply-chains with reliance of capital goods imports and commercialization in the informal sector
Nature of the state	Keynesian Welfare National State	Prebischian Populist National State
Insertion to the international regime	International system of structured capital and trade controls	Financially subordinated to the core of capitalist world system and marginalization of technological transfer embedded in international trade.

Macro-social org. axes	KWNS	PPNS
Governmentality	Keynesian macroeconomic policies aiming to secure full employment, in a relatively closed national economy, mainly through demand-side management, and collective bargaining regulation.	Industrialization by import substitution in order to overcome dependency of primary sector exports, correct unfavorable terms of trade imports, support infant industry through active tariff protection policies, and absorbing relative surplus labour population.
Social Reproduction	Oriented social reproduction promoting large-scale production and mass consumption that supported Fordist growth dynamics, while also bearing the costs of social wages provided by welfare institutions constituting a notion of citizenship by sharing the fruits of economic growth	Distinctive set of social policies oriented to provide a social wage with a triple purpose: i) contain internal communist threat; ii) ensure the social reproduction of the labour force in terms of quality (education) and quantity (life expectancy); and iii) as a source of internal demand for relatively privileged subaltern urban groups linked to populist political coalitions.
National Scalar Features	Primarily within the national territory as its field of operation, while increasingly relying on regional and local governments for the provision and management of infrastructure developments and social policy.	Incapacity to enforce rule of law within the national territory, poor state capacities at regional and local governments, and relying on central state for the provision and management of infrastructure developments and social policy.
International Scalar Features	Mainly served to support and sustain virtuous circles of Fordist type of accumulation.	Increasing tendencies to engage in global coordination of third world developmental states challenging the capitalist inter-state system through national liberation as a project of collective emancipation and international solidarity.

Analytical framework

- For Marxist political economy capitalism is an inherently crisis-prone system of social production and reproduction (Basu, 2019).
- However, capitalism also has institutional capacities to offset crisis tendencies, resolve partial crisis, and set in motion major institutional and productive restructuring to solve structural crises (Vidal, 2019).
- Social formations featured by institutional ensembles (un)capable to offset stagnation tendencies can be defined as (dys)functional accumulation regimes at national scale (Vidal, 2014).

Stagnation Tendencies

Basu (2019) typology of crisis in terms of stagnation tendencies we can identify two types:

① “Deficient surplus value” :

- Rising technical composition of capital.
- Profit squeeze.

② “Excess surplus value” :

- Underconsumption.
- Financial fragility.

Profitability Analysis

- Weisskopf (1979) seminal contribution on profitability analysis provides a rich framework to sketch the macro-historical patterns of its reproduction identifying aggregate demand, distribution, and technological change as follows.
- Profit rate, r , is given by:

$$r = \pi\sigma\mu \tag{1}$$

- Where π refers to the profit share, σ to the capital-output ratio $\frac{Y^*}{K}$, and μ to capacity utilization $\frac{Y}{Y^*}$.

Figure 1: Rate of Profit in Chile

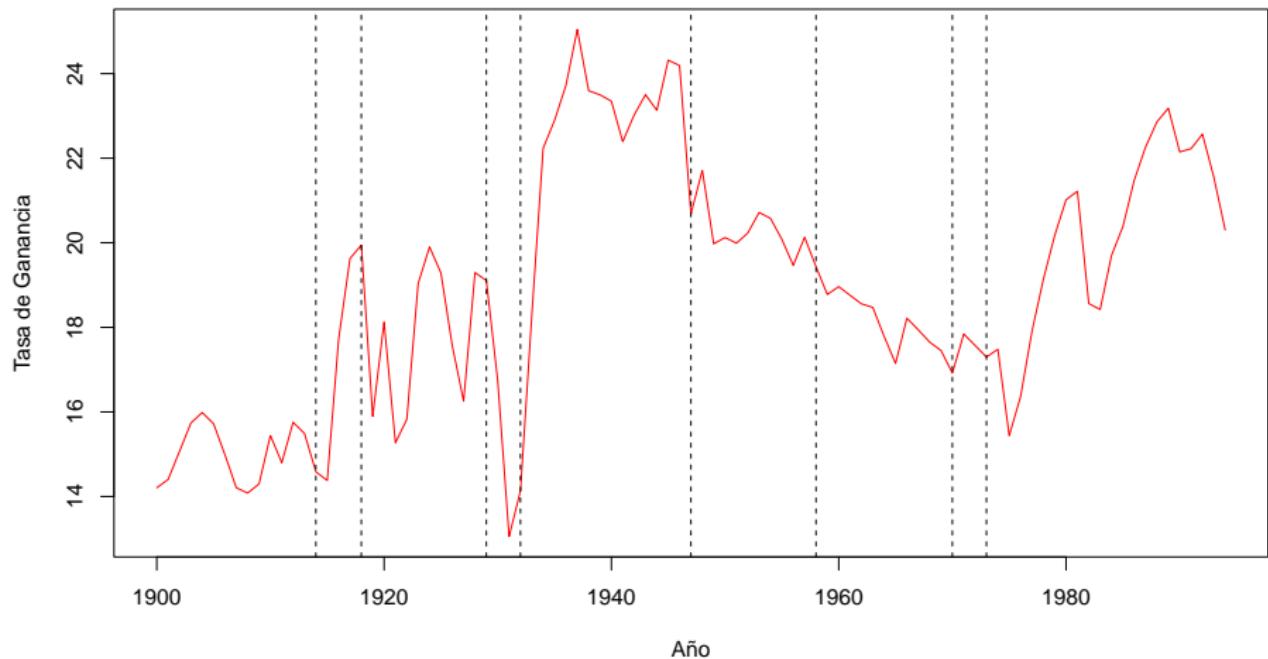
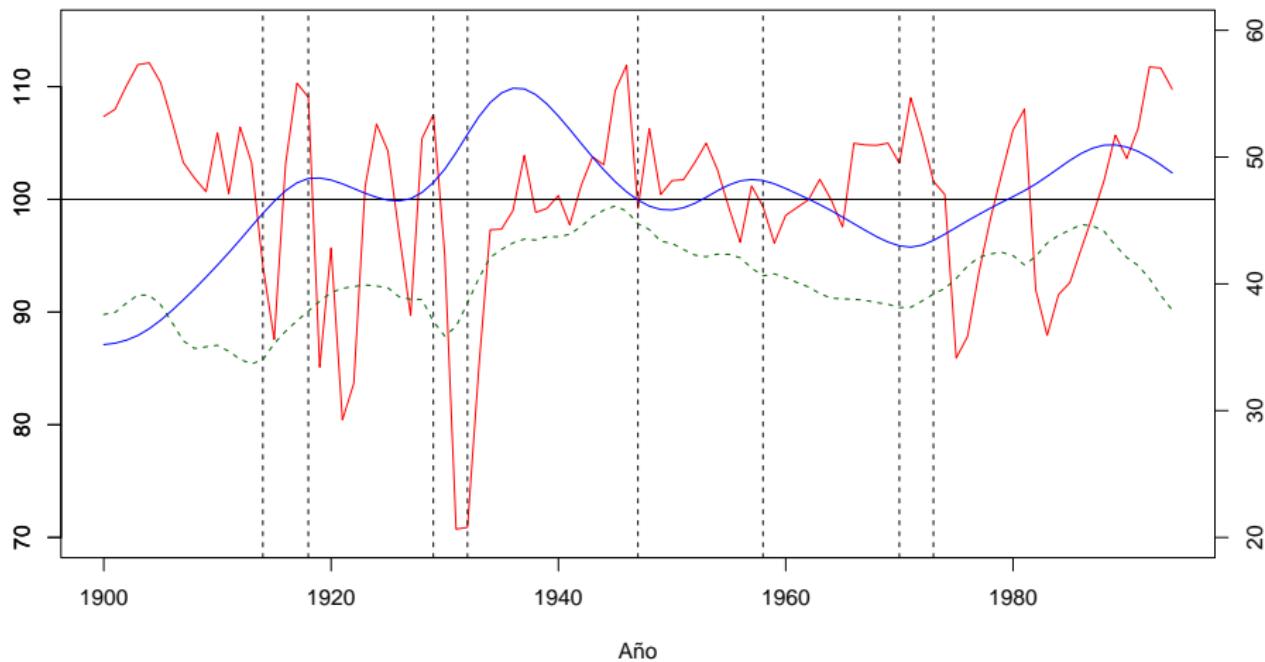


Figure 2: π (blue), σ (black-dot), μ (red)



Stagnation Tendency	Deficit of Surplus Value		Excess of Surplus Value		Social Formation Features	
Period	+Δ org. comp. of K	Profit Squeeze	Under C	Financial Fragility	AR dysfunctional dynamic	Stages of PPNS
1914-1932	Yes (+Δ σ)	Yes (+Δ π)	No (high V(μ))	No	Low to high	Rise
1932-1947	Yes (+Δ σ)	No (-Δ π)	Yes (+Δ μ)	No	High to low	Consolidation
1947-1957	No (-Δ σ)	Yes (stable π)	No (-Δ μ)	Yes	Low to high	Resilience
1957-1970	No (-Δ σ)	No (-Δ π)	Yes (+Δ μ)	No	High leading to structural crisis	Crisis
1970-1973	No (-Δ σ)	No (historical min π)	No (μ collapse)	No	Socialist revolution amidst twin crisis of PPNS and global Fordism	

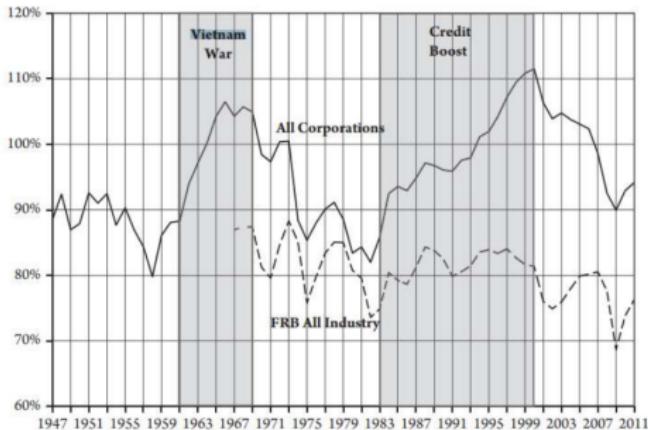


Figure 3: Chile's Terms of Trade

Figura: Terms of Trade. 100 = 2003. 1913-1978.

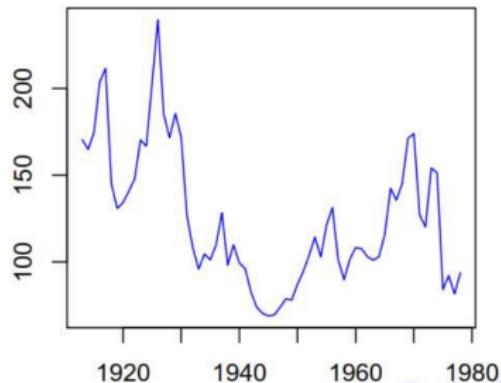


Figure 4: US Capacity Utilization (Shaikh)

Conclusions

- ① The high dysfunctionality of Chilean capitalism opened the path to a state crisis and a subsequent socialist revolution within the framework of liberal democracy.
- ② Once in power the UP deployed its program of transition towards socialism as an alternative state project to the PPNS on the one hand, and the crisis of Atlantic Fordism in the other.
- ③ Further work needs to establish the channels through which the profit squeeze in the US was a consequence of broader social and political conflict in the context of a global working class empowerment (Vietnam War thesis).