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European Languages

زبانهای اروپایی

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01.11.2019

The economic explanation of the revolt in Chile

A friend tells me that at the OECD they are perplexed about what is happening in Chile and that they try to contradict reality by distributing optimal data on the macroeconomic figures of Chile, because Chile has been a model follower of the neoliberal school since the dictatorship of Augusto Pinochet (1973- 1990) and indeed the figures on economic growth of Chile are unquestionable and according to them Chile is one of the richest countries in Latin America. Those who do not understand the discontent are among those that read Friedman or Von Mises and have not read Sismondi.

The neoliberal school of Chicago is just the latest doctrinal projection of David Ricardo's doctrine. David Ricardo, is someone who distorted the almost naturalistic principles of Adam Smith into an ethic over the beneficial social effects of Greed. To the astonishment of some little-read leftists. Adam Smith's most important discovery is that the source of wealth is not gold (mercantilism) nor the land (physiocrats). Smith finds the source of wealth in labour and work!

Ricardo (he was a customs agent) advocates repealing the Corn Laws laws protecting English production of wheat and to open English ports to the import of cheap (Russian and Polish) wheat that would lower the price of bread; but his intention is not to favor the workers, but to favor the bosses, because it would lower the cost of subsistence salaries and wages could be reduced, in order to increase the benefit that the sale of production leaves to the bosses' class. That is more or less Ricardo's original reasoning that leads him to advocate free trade and the absence of government interference in the economy.

The first to contradict Ricardo's doctrine was Charles Sismondi (Marx recognizes this in *Capital*). Sismondi is also the first economist concerned about the distribution of wealth to the population; in fact his best known book is *New Principles of Political Economy* whose subtitle is: *or of wealth in its relationship with the population*. In his book, Sismondi predicts that Ricardo's system is a recipe for concentration of all wealth in the employer class and such a thing would fatally lead to a class struggle: the salaried class against the employer class.

At the OECD, they should read Sismondi to better understand what is happening in Chile despite the beauty of its macroeconomic figures. According to such data, Chile should be a rich and prosperous country. They would better understand what is happening there, if they had retained the following Sismondi phrase: *A country is not rich because some of its citizens accumulate fabulous wealth; a country is rich when most of its citizens have sufficient enjoyment of comfort and well-being*.

It is Sismondi who discovered surplus-value, which he calls *mieux-value* and which is at the basis of the enrichment concentrated in the employer class. The employer pockets the difference between the salary he pays and the real value of his work. There is much of Sismondi in the most successful perceptions of Marx.

Sismondi also recommends paying good salaries, because salaries are the only income that is totally destined to be spent on goods and services. That is why wages really constitute the market and employment should be the first priority of a government policy that wants to mobilize against economic stagnation. (Keynes's *General Theory* is inspired by that discovery).

That is why it is not Marx but Sismondi who can explain the cause of popular discontent in Chile. It is said that, in Chile, 90% of the wealth is in the hands of 16% of the population. Not as bad as in the U. S. (90% on 10%). But a disparity that was enough to explode with a 3% increase in the price of Metro transport tickets, which came on top of the old grievances over the increase in the cost of education since it was privatized. Privatization of education is an anomalous and unusual event in Europe or Latin America, where, traditionally, primary, secondary and university education is secular and free, since Sarmiento made it free of cost in Argentina, following the European model. It is only in the United States that education is a very profitable private business.

There is another phrase from Sismondi that causes itchiness for economists of the neo-liberal doctrine, who promote a kind of Darwinian ethic that preaches that wealth distribution to the working classes is produced by the spillover of wealth that overflows

from the employer class. Sismondi said: *Economics is not a science of calculation:
Economics is a moral science.*

Almería 10/28/2019