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Examining ‘disaster capitalism’: post-disaster actions in Chile

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Abstract

The relationship between post-disaster actions and the enrichment of private companies have become evident in Chile. Two recent disasters in Chile (i.e. the 2010 Maule earthquakes and Valparaiso fires in 2014) illustrate ‘disaster capitalism’ in this country, where a neoliberal regime is in place since the late 1970s. This work examines reconstruction led by private sector and it analyses the role of the state in the post-disaster actions. Especially, it look at retailer firms making contracts with the public sector to provide reconstruction materials and goods for affected people, NGOs supporting local entrepreneurs and developing emergency housing, and private consortiums promoting reconstruction plans with no financial support from the state. Some methods used for this study include semi-structured interviews to NGO’s leaders and local authorities, and archival records and documentary review. How is the role of state in this neoliberal context? This essay asserts that a new relationship is needed.

Keywords: Disaster capitalism, post-disaster, neoliberalism, reconstruction, Chile.

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1. Introduction

Disasters which have occurred during recent decades have shown how these events can be utilised to promote neoliberal reforms, thereby becoming an opportunity for the enrichment of private companies, perpetuating the disaster cycle, and exacerbating inequality and vulnerability (Collier 2013; Gunewardena and Schuller 2008; Klein 2008). By exploring recent events in Chile, ‘disaster capitalism’ and the potential relationship between neoliberalism, post-disaster actions, and disaster are to be examined.

2. ‘Disaster Capitalism’

In the last decades, disasters have become more frequent, and their impacts more severe (Pelling 2003). Almost during the same period, neoliberal reforms have been aggressively expanding in an unprecedented manner since the dismantling of the Soviet Union in the 1990s. Neoliberal reforms are understood here as those political reforms conducted by governments aimed to establish “an



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institutional framework characterised by strong private property rights, free markets and free trade” (Harvey 2005, p.2). Neoliberalism is thus, in Harvey’s words, “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills” within such institutional framework (Harvey 2005, p.4).

Recent disasters and post-event contexts have been questioned in the light of the interaction between socio-economic and political forces, especially on how these events can be utilised to promote neoliberal reforms. This is what Noemi Klein (2008) named the ‘shock doctrine’; a critique to Friedman’s (1962) contemporary capitalism’s core tactical panacea; where crises such as disasters can provide a window of opportunity to introduce structural changes. According to Klein (2008) ‘disaster capitalism’ is based upon the collision of neoliberalism maturation and the growing disaster impacts worldwide. As such, the disaster capitalism idea can be defined as “the orchestrated raids on the public sphere in the wake of catastrophic events, combined with the treatment of disasters as exciting market opportunities” (Klein 2008, p.6).

The privatisation of post-disaster efforts and the enrichment of private companies have become evident in Chile and in other parts of the world (Gunewardena and Schuller 2008). By the end of this essay, it will be illustrated how post-disaster actions nested in neoliberal policy ‘logics’ may be channelled via state functions and money through private companies (i.e. consulting firms, engineering companies, and developers).

3. ‘Disaster Capitalism’ Exposed

Recent disasters have served to promote market liberalisation and have benefited large companies and corporations in Chile. State post-disaster reconstruction following the 2010 Maule earthquake (27F) “has been characterised more by the withdrawal of state and a large presence of the private sector” as is acknowledged by the *Diagnosis of the Reconstruction* (Gobierno de Chile 2014, p.46). Despite the lessons, the report highlights that disaster ‘capitalist’ strategies (i.e. reduction of the state functions, and enhanced market opportunities for private companies) persist, especially those related to provisioning of relief, goods, and services for reconstruction.

An emblematic case is the Master Plan for Sustainable Reconstruction (PRES) of Constitución city. ARAUCO, one of the largest forestry companies in the country and in Latin America, owns a major cellulose plant in the city, which was hit hard by the earthquake and *tsunami* like much of the city itself. The company developed community support activities during the emergency and built temporary housing in one of its sawmills (Aravena and Sepúlveda 2011). In addition, ARAUCO led and funded the PRES and some of its associated projects. Other private companies funded several plans but few of them were implemented (Boano and García 2011; Gobierno de Chile 2014), generating expectations in the population that could not be met. The absence of active community participation during the formulation process, the lack of involvement of local authorities, and the poor coordination between promoters and public entities responsible of approving and prioritising allocation of public funds were all heavily criticised (Gobierno de Chile 2014). However, PRES of

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Constitución has been promoted as an innovative planning tool at international level, being recently awarded by Zumtobel Group Award –Innovations for Sustainability and Humanity in the Built Environment–, in the category of Urban Developments.

Donations are another manner through which the private sector has contributed during reconstruction. The fundraising campaign ‘Chile helps Chile’, the ‘Lift Chile Challenge’ (DLCH), and the National Reconstruction Fund (FNR) are the most utilised manners through which private companies contributed (Aguirre 2011). Four mining companies have led donations for a total of US\$ 25 million, followed by the energy sector with about US\$ 20 million, while several banks added another US\$ 13.5 million (Gobierno de Chile 2014). Cencosud and SACI Falabella Group (two major retailers) contributed US\$ 1 million each, while at the same time, they were also beneficiaries of government contracts to provide reconstruction supplies for much more than that amount (Figueroa 2010).

DLCH is a NGO formed a few days after the 27F to support especially small businesses in the most affected areas. Volunteers and donors were brought together to build modular schools, municipal health facilities, and primarily to help rebuilding small business. Since 2010, DLCH was focused mainly on reconstruction projects and this has remained true after the Valparaíso fires in 2014 and other recent disasters occurred in 2015. Projects promoted by DLCH are funded through several donation laws. The most recent of these laws is the creation of the National Reconstruction Fund (FNR). The FNR was created to raise funds from the private sector in case of disasters in exchange for tax breaks; however, it has been very contested and ‘misused’ (CIPER 2013). It is considered that the *ex ante* control mechanism and bureaucratic process required to donate via FNR, adds disincentives for donating despite its tax benefits. In 2011, the Ministry of Finance expected that US\$ 308 million would be raised through the FNR but only US\$ 77.5 million were collected in the end (CIPER 2013; Ministerio de Hacienda 2014). Donors preferred *ex post* control because it allows donations to materialise quickly and also the allowance to decide which projects to fund. DLCH justified the situation stating; “late help is not help” (Gobierno de Chile 2014). However, the faster allocation of donations does not necessarily assure that funded projects have the desired impact or are strictly related to reconstruction needs. For example, the ‘Route of the Maule Coves’ project was aimed to diversify livelihoods of fishermen and their families by building facilities to sell sea products, as well as restaurants that should be managed by the fishermen themselves, in seven fishing villages. The lack of coordination with local authorities as well as the little interest and discord among fishermen's unions have hindered its implementation, and has led to an operating without permits, training or partnership between the beneficiaries themselves (Concha Saldías and Rasse Figueroa 2014).

On the contrary, some critical infrastructure projects have been postponed despite the recognition of their importance not only during emergencies but also in ‘normal times’. Police and firefighter’s facilities have had a delayed reconstruction, being less prioritised by authorities at local and central levels while also having a smaller budget than other items as housing, productive infrastructure,

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and connectivity (Concha Saldías and Rasse Figueroa 2014). In April 2014, from the total of damaged buildings, 14 per cent were completed; 7 per cent were under construction; 37 per cent in the process of being tendered; 39 per cent were without funding or in arrested development due to problems with land titles; and 3 per cent of the projects were still in design process by mid-2014 (Gobierno de Chile 2014).

Neoliberal strategies highlight that after the 27F, governments, financial institutions, and tourism entrepreneurs saw an 'opportunity' to modernise the territories by 'opening' them up to international tourism in a greater intensity, which by necessity entailed the displacement of many fishing communities. Some landholders in Chile were 'displaced' from coastal lands by real estate companies that speculated to buy land at lower prices after the *tsunami*, taking advantage of the fear of some owners who preferred to look for a 'safer location' (Concha Saldías and Rasse Figueroa 2014). A similar situation happens in the areas of 'deep rurality' where few people live disperse over a large area. 'Low density' and 'disperse' populations have increased the cost of providing social housing via private contractors and thus have blocked recovery, so much so that some people in rural areas were 'forced' to move into semi-urban 'villages' supplied by those contractors (Gobierno de Chile 2014) instead of providing solutions *in situ*. Furthermore, neoliberal reconstruction responses also affected some middle class owners, leaseholders and elderly people who did not qualify for state benefits, all of them being considered the "invisibles of the reconstruction process" (Gobierno de Chile 2014, p.30). Those social groups are not 'profitable' for developers of social housing, nor for banks, so it is difficult for them to get a loan. These 'invisibles' are outside the reconstruction 'market' just as they are from housing opportunities in 'normal times'. Thus, the notions 'consumers' used in normal times are replicated during reconstruction processes. Accordingly, one of the basic principles that stands out as planned for and supported by the Housing Reconstruction Plan (PRV) out is the emphasis on citizen participation and 'free choice' (MINVU 2010b). Freedom of choice, however, is constrained by each person or family's ability and extent to pay.

Retailers have also recurrently benefited during recent disaster reconstruction processes. After the 27F, the social programme 'Hands-on' considered subsidies for a total of US\$ 16 million in construction materials to be purchased from the three major supplier companies with no tender (i.e. Cencosud, Falabella, and Construmart). After a number of claims from small and medium entrepreneurs, the government announced a new programme where local stores could participate (Figueroa 2010). In addition, after the 2014 Valparaíso fires, 'gift-cards' valued at US\$ 200 were delivered by the government to the affected families. These 'gift-cards' and the associated credit were to be used on clothes and other basic goods to be bought in three specific department stores (named by the media as the 'retail subsidy').

4. Conclusions

The cases of the 27F and the 2014 Valparaíso fires draw attention to the reduction of state

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participation in recovery and reconstruction which has subsequently led to the idea that the private sector can be 'better and faster' than the state in attending to people's needs during emergency and recovery. The private sector should not be seen as external, inactive, or as less important part of recovery and reconstruction; on the contrary, its role is crucial. However, a dominant role in the reconstruction and recovery may undermine the state's ability and duty regarding civil protection. Neoliberal approaches to reconstruction and recovery may compromise human security because their logics "rest on the same ideological convictions that shape mainstream approaches to development. The efficacy of the market in resolving presumed economic inefficiencies and governance problems and macroeconomic growth as the route to poverty reduction form the cornerstones of these recipes" (Gunewardena 2008, p.7). Thus, privatisation and liberalisation are applied to reconstruction and recovery as they are applied in development due to their being seen as remedies to the problem. As it is well-known, state principles in terms of civil protection rest on completely different principles than those of companies and the private sector in general.

Finally, neoliberal approaches to reconstruction and recovery may not only erode the state's ability to provide human security, but they also could undermine people's and institution's resilience and capacity to respond to, cope with, and recover from future disasters because reconstruction is a long-term process within the disaster cycle. Thus, when reconstruction is threatened by inadequate responses, one can necessarily expect deterioration in prevention, mitigation, and preparedness, with a resulting increase of vulnerability and risk. Hence, neoliberal approaches to disasters are not restricted, so far, to the view of disasters as an opportunity to introduce structural political and economic changes, and as a market opportunity during recovery and reconstruction. Neoliberalism may affect vulnerability from different angles that may be linked to the expansion of disaster risk. This is accomplished and made visible by its exacerbating inequality, limiting access to opportunities, and displacing risk on the backs of less powerful groups. All of those factors are determinant in shaping vulnerability, and therefore essential to the social causation of disasters.

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