

# Upsetting Neoliberalism: The End of an Era in Latin America

Simon Granovsky-Larsen<sup>1</sup>

## Introduction

For more than twenty years, neoliberalism has been associated with the cruellest economic policies to ravage Latin America. So intense has its impact been, and so thorough its program, that reference to neoliberalism among the poor has often replaced the concept of capitalism in explaining severity, exploitation, and suffering. The common understanding of neoliberalism focuses on three primary axes—privatization, liberalization, and deregulation—that together comprise the core of the Washington Consensus, the blueprint for national economic policy and transnational activity that has governed such matters since the mid-1980s (Williamson 1990). Yet while these three aspects of neoliberalism have indeed guided much decision-making and affected the lives of millions of Latin Americans in their wake, it is the position of this essay that a move to liberalized trade and

---

<sup>1</sup> I thank Leo Panitch and an anonymous reviewer for their helpful input on earlier versions of this essay.

state management is in fact not the primary concern of neoliberal policies or their advocates. Instead, it will be argued below, neoliberalism is largely an ideological doctrine that has been selectively applied in order to achieve goals that are flexible to immediate conditions but always composed with class interests in mind.

After introducing this perspective on neoliberalism, the essay focuses on the history of the doctrine in Latin America and its impact on various social classes. In illustration of how neoliberalism might be overturned given the region's current political and economic climate, the case of Bolivia is discussed at length and the argument is introduced that current political developments in the country should be interpreted as a preliminary case of "post-neoliberalism" in action.

## **The Rise of Neoliberalism**

While the term *neoliberalism* often denotes a phase within the capitalist order – that is, an era of the transnational expansion of capital accumulation guided by the primacy of the free market – we are interested here in the political and ideological processes which have facilitated such a shift. As argued below, and despite a very real and often harmful impact, the economic changes driven by neoliberalism in any national setting do not break sufficiently from existing conditions of accumulation as to warrant an explanation of these as stemming from a systemic change within capitalism. Rather, neoliberalism is understood here as an ideological justification for a particular set of economic, political, and social policies which, conversely, could be replaced given sufficient challenge to that justification.

At the heart of the discourse accompanying neoliberal economic policy is a commitment to human freedom (Harvey 2005: 5-9). The protection of individual freedoms and the enforcement of conditions that are understood to allow these to flourish form the philosophical basis of neoliberal thought. The definition of freedom employed, however, is telling in its grounding in classical liberal understandings of the role of the individual in society. The concept of the individual as a rational consumer who works and spends in order to satisfy quantifiable desires is translated, in neoliberal thought, into an obsession to liberate markets, and thus societies, from any external influence that would inhibit this rational activity (Hayek 1984 [1967]).

'Freedom,' then, becomes the uprooting of state participation in the economy, especially when this involves Keynesian policies of resource distribution, in the quest to create the unfettered market that is understood to allow prosperity and equality to flourish (Harvey 2005: 5-9; Brown 2003: 7). However, a disconnect between the neoliberal extolment of freedom and the reality of its impact is evident in the rising inequality that has accompanied free market reforms worldwide. With the gap between rich and poor growing immensely over the last twenty years both within and between countries, it is difficult to take rhetoric of freedom and human dignity as truly representative of neoliberal goals (Harvey 2005: 118).

But the failure of neoliberal policies on their own terms does not stop at the inability to generate utopian market societies. Even before the financial collapse of 2008-2009,<sup>2</sup> the global economy as a whole suffered during the neoliberal era, with average worldwide growth rates of 3.5 per cent in the 1960s falling steadily throughout the following four decades to reach barely 1 per cent in the early 2000s (Harvey 2005: 154-156; Cohen and Centeno 2006: 53-55). Furthermore, as Joseph Nathan Cohen and Miguel Angel Centeno (2006) show in their quantitative assessment of two decades of neoliberal performance, policies associated with neoliberalism have either failed to produce the desired economic results or have been enacted to a much lesser extent than the doctrine would suggest is necessary. For example, Cohen and Centeno found that international trade "increased slowly under neoliberalism," public debt grew significantly in the 1980s and 1990s, and government spending merely shifted between priorities rather than decreasing as a whole (2006: 44, 60-61, 40-41). In fact, reducing inflation proved to be the only area where neoliberal policies consistently achieved their desired outcome (Ibid: 57-58, 66; Harvey 2005: 156).

All of this points resolutely to the position advanced by Leo Panitch and Sam Gindin (2005a: 110), David Harvey (2005: 19), and Gerard Dumenil and Dominique Levy (2004: 256), that the quintessential purpose of neoliberal policies is political rather than economic, with the end result being a restructuring of class relations within many national settings as well as in the international arena. The inconsistent application of key policies and the slowing of global growth that would be damning

---

<sup>2</sup> This essay was composed in the spring of 2008, before the current economic turmoil had reached its breaking point.

of a neoliberalism aimed primarily at economic goals fall to the wayside when considered together with evidence of the concentration of wealth that has occurred during the same period.

The economic and political conditions that gave rise to the current configuration of global capitalism also generated a severe threat to the standing of the wealthiest strata of capitalists in the United States. The 'class compromise' institutionalized through post-war redistributive policies paired massive economic growth with a significant shift in the amount of profit flowing to the richest people in society: in the United States, the share of income enjoyed by the top 1 per cent of earners fell by approximately 50 per cent, from a high of 16 per cent to an average of 8, in the three decades following the end of World War II (Harvey 2005: 15). While this may have been deemed acceptable in the face of such growth, the drive to neoliberal policies and the goal of restoring income and class position became a priority when the global economy took a turn for the worse in the 1970s.

Harvey, following Dumenil and Levy, argues that the harsh anti-inflationary and anti-labour economic policies of the late 1970s and early 1980s were decreed with precisely this restoration in mind (2005: 15-19). Moreover, they were effective, returning the income share of the highest echelons of the upper class to their pre-war status: the top 1 per cent of earners in the United States regained 15 per cent of the national income by the late 1970s, the top 0.1 per cent tripled their cut from 2 per cent in 1978 to more than 6 per cent in 1999, and American CEOs saw the ratio of their salary to the median pay of a worker skyrocket from 30:1 in 1970 to 500:1 in 2000 (Ibid: 16). Harvey thus argues that the economic aspects of neoliberalization in advanced capitalist countries were enacted for the entirely political goal of class restoration, and that "the theoretical utopianism of neoliberal argument has...primarily worked as a system of justification and legitimation for whatever needed to be done to achieve this goal" (Ibid: 19).

Beginning in the 1970s, then, large corporations and the economic elite of the world's wealthiest nations embarked upon a project to reform the standard method of capital accumulation for the purpose of post-Keynesian class restoration. International operations followed suit, and the lynchpins of global neoliberal reform – the privatization of state assets and the deregulation and liberalization of international trade – underlined the demands of the North in political and economic

interaction with the South. However selectively applied along political lines as discussed above, the structural adjustment policies that accompanied aid, trade, and loans in the 1980s and 1990s impacted third world nations with immense harshness, cutting government programs, plunging populations into worsened poverty and unemployment, and deepening the gap between rich and poor at national and global levels.

Yet in the face of the severe impact of neoliberalism, it is important to emphasise its political and ultimately transient nature. The above paragraphs have pointed to the ideological roots of the neoliberal project and the fervent class-based politics of its implementation. Where economic policy and reform are associated with neoliberalism, it has been argued, the manner and extent of these have fluctuated immensely and have been tied more to the interests of local and transnational elites than to a coherent set of economic measures. What about neoliberalism, then, suggests that it is here to stay? As an ideological blueprint for policy formation in national contexts but within a largely unchanged economic system, its hegemonic status could change quite easily given the articulation of a viable alternative and a sympathetic shift in political power.

This is not to suggest, it must be clarified, that global capitalism would be eroded by such opposition or that a challenge to neoliberalism would require or cause a decline in the power of the United States.<sup>3</sup> Capitalism, as a global economic system, is dynamic and flexible, capable of adapting to changing conditions. The collapse of neoliberalism would only mean a change within capitalism; it would mean that the accumulation of wealth is conducted according to new lines of ideological and political justification and that resources are distributed among society in new ways.

And yet such changes would be important. As Leo Panitch and Sam Gindin argue, while we cannot rely on an expectation of superpower or systemic collapse to usher in a new political and economic era, “the openings provided by the problems of neoliberal and imperial legitimacy provide an ample terrain for the development of new political strategies that do fundamentally challenge capitalist social relations” (2005a: 75).

---

<sup>3</sup> A giddy brand of anti-imperialism has gained prominence around such hopes in recent years, with critics such as Giovanni Arrighi and David Harvey arguing that an overextension of American military might and an abuse of its financial prowess has led the superpower into terminal decline (Arrighi 2005a, 2005b; Harvey 2003).

Challenges to neoliberalism, experienced and mounted largely in local or national settings, can allow for new economic policies, social relations, and distributive systems to take shape given the timely presentation of alternative programs. And, as will be argued below, such a replacement of dominant neoliberal ideology and policy is not only theoretically possible, it is already underway in many settings across Latin America.

## **The Neoliberal Era in Latin America**

The beginning of a retreat from neoliberalism in Latin America must be understood in the context of the region's recent economic history, with an ideological pendulum that has swung, over the course of six decades, from state-led development to an extreme faith in the free market and now to a crisis of neoliberalism. Our starting point is the region-wide experiment with national industries and internal markets referred to commonly as import substitution industrialization (ISI). With the collapse of international markets for raw materials and agricultural products following the First World War and the Great Depression of the 1930s, attention turned in Latin American economic and academic circles to criticism of the dominant economic model. The reliance of Latin American nations on commodity exports, it was argued, not only left their income vulnerable to volatile raw material prices but put them at a relative disadvantage in comparison with steadily rising prices for manufactured goods (Valenzuela and Valenzuela 1978: 543-549).

This realization produced the dependency school of political and economic thought, but also provided the impetus for a concrete development model adopted widely across the region from the 1950s through the late 1970s. Under import substitution industrialization, state regulation blazed a path for local industries through subsidies for private enterprises, direct state ownership, and high tariffs on imports. The model also emphasised redistributive measures aimed at developing an internal market with sufficient means to purchase the manufactured goods (Green 2003: 22-23; Hershberg and Rosen 2006: 3-6). While ISI succeeded in creating national industries and managed to a certain extent the political incorporation of the new working class, its failures were much more pronounced and lasting. Inefficiency plagued the oversight of state and subsidised industries, transnational corporations gained a significant foothold in many countries under the guise of local production, and the neglect of rural areas spurred a massive and

impoverished wave of urbanization. More importantly, the promise of redistribution failed as well, as corrupt and often authoritarian governments refused to follow through with important aspects of their own doctrine (Green 2003: 25-27).

It was in the context of the demise of import substitution industrialization that neoliberalism seeped into elite Latin American circles as the next dominant economic and political ideology. While many a critical author is quick to dismiss the rise of neoliberalism as the duping of local elites by imperialist doctrine,<sup>4</sup> the all-encompassing embrace of the market counted on the alignment of local conditions and was also shaped to fit national scenarios. Ana Margheritis and Anthony W. Pereira, citing William Robinson, remind us that the Washington Consensus of neoliberal policy “was indeed a *consensus* because it represented a congruence of interests among the hemisphere's dominant groups” (Robinson in Margheritis and Pereira 2007: 34). The terms of agreement may have come from foreign governments, international financial institutions, and multinational corporations, but this does not negate the fact that conditions within much of Latin America had already been set, coincidentally, to match the neoliberal mould or that powerful local interests would advocate the policies and benefit immensely from them.

Three key factors, incorporating the internal and the external, can be identified as the most influential in facilitating the rise of neoliberalism in Latin America. Firstly, the collapse of the ISI model not only created a political and economic void within which new orthodoxy would inevitably emerge, but it also undermined any legitimacy held by Latin American states as agents of socioeconomic development. From being the accepted navigator of development policy from the 1940s through the late 1970s, the state quickly lost credibility under the crumbling of ISI and was easily relegated to the role of arbiter according to neoliberal policy (Potter 2007: 6). Secondly, the debt crisis of the early 1980s and the ensuing structural adjustment policies (SAPs) provided the international tool for implementing neoliberal reforms. As the World Bank and the International Monetary Fund stepped in to loan Latin

---

<sup>4</sup> Paul W. Drake, for example, argues that “the salespersons and intermediaries for U.S. economic doctrines have convinced the Latin Americans to play along” (2006: 28), and categorizes foreign institutions as “the transmitters of the doctrines” while local governments and elites are merely their “recipients” (Ibid: 39, 43).

American nations short-term assistance packages, their conditions required budgetary cuts and economic renovation that amounted to a neoliberal rewrite of national policy (Green 2003: 46-56). Finally, where changing of the intellectual guard and externally mandated policy were not sufficient, the violence of military dictatorships and authoritarian regimes forced the implementation of neoliberal reforms at great cost. Chile presents the archetypical example, where the “Chicago Boys” joined General Augusto Pinochet in pushing through rapid and dramatic restructuring under the barrel of the gun (Ibid: 32-35). This was not a lone case, however, as authoritarian governments across the region forced open local economies to liberalization and privatization and eliminated opposition.

Since its varied introduction, neoliberalism has run a rugged course in Latin America. Brian Potter notes that “no other region in the world can claim restructuring as rapid and drastic as that experienced by Latin America” (2007: 9), and yet the mixed economic performance produced by this shift points clearly to the ideological and class-motivated implementation of neoliberal reforms typical of worldwide trends. The soundest success story of Latin American neoliberalism can be found in its drastic reduction of inflation: from rates spiralling into the hundreds of percentage points in the mid-1980s, inflation was quickly curbed through ‘austerity’ measures to settle predominantly in the single digits by the year 2000 (Ibid: 8). Beyond this, however, economic performance in Latin America during the neoliberal era has been “disappointing and volatile” across key indicators (Ibid: 12). What little growth in trade had been developed levelled off again after 1995, foreign direct investment in the region fell after a mild incline in the mid-1990s, and moderate GDP growth in the 1990s failed to outpace that of the 1960s (Potter 2007: 9-14; Cohen and Centeno 2006).

But if the overall capacity of neoliberal policies to revive Latin American economies was lacking, their impact on the distribution of resources and the revived power of local elites was spectacular. The most striking evidence of this comes from a landmark study published by Alejandro Portes and Kelly Hoffman under the title, “Latin American Class Structures: Their Composition and Change during the Neoliberal Era.” Portes and Hoffman focus on changes in the structure of Latin American social classes since the transition out of ISI to argue that the gains of that period have been thoroughly eroded through neoliberal

reform. In summary of their findings, they note that “the present era registers a visible increase in income inequality, a persistent concentration of wealth in the top decile of the population, a rapid expansion of the class of micro-entrepreneurs, and a stagnation or increase in the informal proletariat” (Portes and Hoffman 2003: 41).

As regards the concentration of wealth, Portes and Hoffman develop an eight-tiered categorization of Latin American classes and, measuring the period between 1980 and 1998 across countries, demonstrate the increasing earnings of employers, professionals, and micro-entrepreneurs alongside the decreasing wages of both formal and informal workers (Ibid: 63-64). These figures are presented alongside data that show a growth in the size of working classes that outpaces that of the professional classes, with the latter even demonstrating decline in some cases (Ibid: 56-59). Combining this evidence with a demonstrated increase in the coefficient of inequality across the region between 1990 and 1996 (Ibid: 65), Portes and Hoffman present the credible argument that wealthy classes of Latin Americans have simultaneously shrunk in relative size while growing in earnings during the neoliberal era.<sup>5</sup>

This reference to increased inequality under neoliberalism points to the harsh impact of the processes involved. For income concentration to be altered so significantly, the structural adjustment policies enacted under neoliberalism had to include the devastation of daily life for millions of Latin Americans. The austerity measures of the early 1980s entailed slashing state employment and investment in the public sector, rolling back labour standards, and liberalizing trade in national commodities. These, in turn, produced rising unemployment and part-time work, falling wages, decreased rates of unionization, reduced funding for health and education, and the erosion of local industries in the face of cheap imports (Green 2003: 156-167). Statistics on poverty point to a drastically worsening situation in the 1980s, followed by a slight improvement during the 1990s (Ibid: 153). However, a recent analysis of the methodology of such measurements conducted by Ann

---

<sup>5</sup> This thesis is supported by Brian Potter, who uses ECLAC and World Bank data to demonstrate an increase in the income held by the top 20 per cent of people across eight of nine Latin American nations between 1987 and 1999, and a decrease or disproportionate increase in income among the bottom 10 per cent of six of the same nine countries (2007: 14). Similarly, if more bluntly, *The Economist* noted in 1993 that “stabilization and structural adjustment have brought magnificent returns to the rich” (cited in Green 2003: 154).

Helwege and Melissa Birch suggests that improvements in a few large countries has obscured a lack of gains across most of Latin America (Helwege and Birch 2007: 1-4). The shock to Latin American countries delivered by the introduction of adjustment policies, it seems, has endured throughout the neoliberal era in the form of poverty, unemployment, and violence (Green 2003; Helwege and Birch 2007; Damian and Boltvinik 2006; Sanchez 2006).

The level of social conflict generated by such extreme deteriorations in living conditions has combined with the poor long-term economic performance of neoliberalism to produce a widespread decline of legitimacy for the model. Even within international financial institutions, socioeconomic reality has forced policy revisions that recognize the unstable economic grounding and massively negative social impact of a total turn to the free market (Margheritis and Pereira 2007: 37-39; Hershberg and Rosen 2006: 12). Self-interest may well drive such reforms, which could be aimed more at economic stability for transnational activity as well as the evasion of disruptive conflict. Nonetheless, a significant shift has taken place among the original crusaders for neoliberalism that appears to at least outwardly admit many of its policy errors.

If the legitimacy of neoliberalism as the prevailing economic model has been questioned somewhat by its proponents, it has suffered coordinated and sustained battery from Latin America's organized poor. This assault on the theory and practice of neoliberalism has been delivered on two fronts: one political, aimed at national governance, and the other socioeconomic in its attempt to instil alternative development models to replace the reigning doctrine. On the political front, a series of elections and uprisings have taken executive and representative power away from staunch supporters of neoliberalism and placed it in the hands of their ideological opponents. Since 1998, Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Nicaragua, Paraguay, Uruguay, and Venezuela have each ousted right-wing governments by electing 'populist' or 'left' leaders. To varying extents, criticism has been levelled against each of the above governments for abandoning their mass support and continuing business as usual under leftist rhetoric.<sup>6</sup>

---

<sup>6</sup> For example, Francisco de Oliveira (2006) argues that the hegemony of capital has been strengthened in Lula's Brazil through the construction of the appearance of popular rule alongside an absence of significant reform. Meanwhile Dennis Rodgers

Nevertheless, their election marks a turning point in the accepted dominance of neoliberal policy by voters and, more importantly, points to the power and organization of the social movements that had backed them.

It is in this sector that we see the most significant challenge to neoliberalism emerging through a series of viable alternatives. On the one hand, left-leaning administrations, led notably by Hugo Chavez in Venezuela, are designing and implementing large-scale alternatives to the financial architecture of neoliberalism. The most important of these are found in the Bank of the South, a regionally-based lending institution with rates and conditions designed to be favourable enough as to replace the International Monetary Fund and the World Bank in Latin America, and the ambitious alternative to the proposed Free Trade Area of the Americas outlined in the Bolivarian Alternative for the Americas (Engler 2008).

On the other hand, in seeming paradox to the massive projects of regional cooperation, community networks across Latin America have begun to implement alternative economic systems and development models that replace, at the local level, those of neoliberalism. The most widely-known of these is the Zapatista movement in Mexico, which has organized over a thousand communities in the state of Chiapas into an explicitly anti-capitalist experiment in governance and development (Stahler-Sholk 2007). Similar, if smaller, projects and movements can now be found across Latin America, in scenarios as divergent as a self-sufficient anti-capitalist network of fifty rural Guatemalan communities (Kalny 2007) and the hundreds of worker-run factories across Argentina, Brazil, and Uruguay (Zibechi 2006). These structures move beyond “self-help” development initiatives in two ways. Firstly, their expressed purpose of implementing over-arching alternative models accomplishes much more than community survival in the face of retreating state services, being that it aims to create a self-sufficient system within which communities can operate. In addition, these alternatives are often based in or connected to large-scale social movements that themselves comprise the bases for the success of left-leaning political parties.

---

(2008: 119-120) notes that, in the face of Daniel Ortega's alignment with one of two warring elite factions, “there are few signs that this new Sandinista government is likely to inaugurate a more equitable phase of national development.”

These distinctions in turn differentiate today's popular organization from the ISI model that preceded neoliberalism. One of the major flaws of import substitution industrialization was that it remained a largely elitist and top-down approach to equitable development. While a large segment of the middle and working classes received benefits in the form of employment and trade union concessions, ISI remained the political and economic project of intellectuals and party leaders. This partly explains the ease with which the model was overturned, given the lack of an organized popular base to form a support network. In strong contrast, and as can be seen in the case of Bolivia outlined below, the alternatives to neoliberalism currently taking shape across Latin America come initially from social movement and community organization, and are able to be implemented within the sphere of influence of social movements or contribute to national policy via sympathetic elected officials.

There is also a parallel to be drawn between the last days of ISI and the beginning of the end for neoliberalism: in each case the supporters of the dominant model had no proposals for rescuing or adapting their system, while its opponents responded quickly with realistic alternatives. In the case of ISI, the Latin American left had no project in mind for replacing their failed attempt at industrialization and redistribution, but national and international right-wing ideologues were at the ready with a totalized free market approach sold largely on anti-inflationary promises. Today, in contrast, Latin American and transnational elites merely attempt to reassert the viability of neoliberalism through minor reforms while a many-faceted left responds with policy alternatives at a variety of interconnected levels.

### **Bolivia: “Post-Neoliberalism” in Action**

Nowhere is the potential for the replacement of neoliberalism in Latin America clearer than in the case of Bolivia, where severe restructuring generated oppositional forces with sufficient strength as to gain state power and begin the reversal of neoliberal policies. Prior to the neoliberal turn in the mid-1980s, Bolivia counted with vast state involvement in economic and social concerns; in 1985, 158 state-owned companies combined with the public sector to generate 70 per cent of the gross domestic product (Kohl and Farthing 2006: 62-65). Spiralling inflation typical of the region led the Bolivian government to adopt

neoliberal policies beginning in 1985, however, leading to a swift retreat of the state from all but regulatory roles.<sup>7</sup>

The reforms enacted were brutal, decimating the livelihood of tens of thousands of Bolivians almost immediately. During the first year of the neoliberal transition, between 1985 and 1986, at least 60,000 jobs were cut in public administration, education, and mining, and real wages fell by one-third, sending a large segment of the population into informal employment, drug cultivation, or migration. The mining sector was hit the hardest, with 23,000 of 30,000 jobs erased as privatization shifted activity away from the state-run industry (Ibid: 71). The role of national elites was especially important in the Bolivian case, as the initial neoliberal reforms were conceived and implemented within local circles in the hope of hailing the support of international financial institutions in the midst of economic crisis. Likewise, Bolivian neoliberalism supports the position that reforms generally aimed to restore political and economic power to local elites, as success was judged not on the basis of a flourishing economy but rather on the dismantling of the interventionist state and the undermining of the organized left (Ibid: 65-70, 81).<sup>8</sup>

In an extensive assessment of neoliberalism in Bolivia, Benjamin Kohl and Linda Farthing argue that as extreme as the reforms were, national elites were only able to construct a weak and temporary support base for neoliberal ideology. Despite the swiftness and severity of the reforms, the authors maintain, Bolivian elites were unable to institutionalize neoliberal policy in the political system and took measures towards structural adjustment that had the effect of dividing political alliance among the ruling parties (2006: 80-83). Simultaneously, the nature of neoliberal reform in Bolivia directly cultivated resistance in at least two potent fashions. Firstly, the dissolution of trade unions

---

<sup>7</sup> This brief synopsis does not reflect the complexities of Bolivia before the onset of neoliberalism. Most importantly, Bolivian politics in the second half of the twentieth century were shaped by the reforms implemented under a 1952 revolution, the militancy of trade unionism, and a series of military dictatorships lasting from 1964 until 1982. For the historical context to the rise of neoliberalism, see especially Hylton and Thomas 2007, Kohl and Farthing 2006, and Dunkerley 2007.

<sup>8</sup> The traditional left in Bolivia consisted primarily of the trade unionist COB organization, which in turn represented mainly the mining sector. With the mining industry decimated, both the popular base and organizational structures crumbled rapidly (Kohl and Farthing 2006: 75-77).

through privatization and job cuts created a political void on the left which was filled with rural and Indigenous leaders and a rearticulation of demands. This leadership in turn was expanded and consolidated under the 1994 “Law of Popular Participation.” Intended as a neoliberal shifting of responsibility from the national government to 250 rural municipalities, the decentralization program had the effect of facilitating the organization, legitimation, and formal representation of the rural left that had been reinvigorated under structural adjustment (Ibid: 100-102, 125 ff).

Over the course of the early 2000s, the institutionalized power of the Indigenous left combined with an increasingly militant social movement against neoliberal policies, culminating in a series of uprisings, the downfall of three right-wing presidents in as many years, and the election of Bolivia’s first Indigenous president, Evo Morales of the Movement Towards Socialism (MAS).<sup>9</sup> The Morales administration, in office since January 2006, has begun the implementation of an explicit program to replace neoliberal economic and social policies. In large part, this anti-neoliberalism has consisted of involving the state in production and explicitly non-free-market economic organization, with a central focus lying in the increased taxation of oil and gas extraction. While the renegotiated contracts with transnational hydrocarbon corporations fall far short of outright nationalization, Bolivia’s new share of between 50 and 82 per cent of their revenue has brought a windfall of extra cash to the government. The \$2 billion generated for the government by oil and gas in 2007, as compared to just \$188 million in 2001, has meant that earnings generated by national taxation has tripled that stemming from international support for the first time in over twenty years (Chavez 2008; Gray Molina 2007: 120).

Pablo Stefanoni remarks that the accomplishments of the Morales administration amount to state control of 30 per cent of national earnings, a weak version of post-neoliberalism in his opinion (2007: 51). Jeffery Webber takes this criticism further, pointing to “a deep imprint of the old neoliberal model on the new moderately reformist, Indigenous populist Morales government” (2007). In their lament for a familiar revolutionary agenda, however, critics of the MAS fail to take note of programs which not only move the country on a clear path away

---

<sup>9</sup> Overviews of the 2003 and 2005 uprisings and the MAS road to state power can be found in Spronk and Webber 2007 and Hylton and Thomson 2005.

from neoliberalism but which incorporate explicitly anti-capitalist economic organization into national planning. Significant among these is the recognition of, in the words of Bolivian Vice President Alvaro Garcia Linera, “the non-capitalist, or post-capitalist, potential” of traditional communitarian socio-economic structures (Garcia Linera 2007: 164). Alongside the increased presence of the state in production, taxation, and social welfare (Chavez 2008), the Morales government is including alternative modes of production and distribution within a shifting state relationship to capitalism. This approach is further evidenced in the national constitution rewritten under the Morales administration, which calls for a “mixed economy” to protect the right of public and communal industries alongside private ones (Dangl 2008b).

The success of alternative economic organization in Bolivia is tied strongly to redistributive agrarian reform, given the large population of landless agricultural workers. Toward this end, Morales managed in 2006 to pass amendments to the law governing the National Agrarian Reform Institution, strengthening the state entity by endorsing it with the power to expropriate uncultivated lands and redistribute these to landless Bolivians (Urioste 2009: 118-120). This should have been a major step towards a post-neoliberal Bolivia, further involving the state in economic management and providing large sectors with the resources necessary for creating grassroots socio-economic alternatives. However, opposition to the implementation of these changes has both stalled meaningful agrarian reform and highlighted the entrenched powerful actors that the Morales government confronts. After first refusing to recognize the legal reform and mounting a violent opposition campaign to Morales’ policies, large landowners succeeded in negotiating a provision noting that expropriation would only apply to land acquired following the adoption of the new constitution in 2009 (Ibid.: 123-124).

It is clear that a project of anti-neoliberal economic and political re-organization has been mounted by the Morales administration, but it has not advanced without significant challenge from neoliberal advocates and traditionally powerful sectors. Nevertheless, and despite major setbacks such as the blocking of land expropriation, it is the position of this essay that the Bolivian government is successfully moving beyond neoliberalism. If, as it has been argued here, neoliberalism amounts to little more than an economic and political ideology justifying the

restoration of power to elite classes through an adaptable blueprint of policy recommendations, Bolivia under Evo Morales demonstrates that those same policies can be reversed. Transnational oil and gas corporations in Bolivia have been forced to render over half of their earnings when near-total plunder had been the norm, the Bolivian government is again active in production and is increasing its presence in social services, official policy now recognizes the communal rights to alternative economic methods, and the slow process of undermining the power of large landowners has begun.

What may entrench this program and further the reversal of neoliberal policies, however, lies in the political realm, where decentralization is being extended through the new constitution to deepen autonomy for Indigenous communities and local governance (Dangl 2008b). Where the neoliberal off-loading of state responsibilities to local management resulted in the establishment of an organized political resistance, the deepening of its local power may combine with the respect of traditional economic practices to allow an Indigenous economic system to flourish alongside an explicitly anti-neoliberal navigation of the national government.<sup>10</sup> Whatever the outcome, neoliberalism as a previously dominant project has been significantly and intentionally altered in Bolivia in a fashion that openly seeks its replacement and through a variety of methods that join grassroots alternatives with national state power.

## **Conclusion**

While the implementation of an alternative to neoliberalism in Bolivia relies heavily on the acquisition of state power, we should not disregard the importance of projects that are articulated through other venues. The dynamics of grassroots activism as discussed in this essay run counter to much Marxist analysis of social movements in Latin America, which tend to focus on revolutionary access to the state as the only viable method of halting neoliberalism. James Petras and Henry Veltmeyer are iconic examples of such an approach, arguing in a 2006

---

<sup>10</sup> There is also the danger that right-wing groups within Bolivia could use this shift towards local autonomy to promote a pro-neoliberal agenda, as was the case with elites in the department of Santa Cruz during 2008. So far, however, these threats have not posed insurmountable challenges to the Bolivian post-neoliberal project (Webber 2008; Dangl 2008a).

essay on “Political Power Dynamics in Latin America” that “mass mobilisation is the revolutionary way to political power – and the only way towards social change” (2006: 94). With their sights set on revolutionary class struggle, Petras and Veltmeyer condemn any locally-based or “micro” development efforts, branding these as “little more than an ideological mask for an imperialist agenda...to secure the political conditions for neoliberal capitalist development” (Ibid). While the authors are correct in cautioning against NGO projects that seek to soften the blow of neoliberal restructuring, they level this vigilance in the extreme, leading them to ignore all projects of social and political change that are not aimed explicitly at a radical reworking of state power. What is lost in such an approach, as the case of Bolivia suggests, is the intermingling of local activism and community-based alternatives with broader social movements and potential state power. Had Evo Morales not been elected, the anti-neoliberal potential of communitarian structures and the political base of local Indigenous leadership may have been just as significant to the articulation of an eventual post-neoliberal project.

Regardless of the location of struggle, neoliberalism is under fire across Latin America. As an economic ideology, neoliberalism has lost the legitimacy that sustained it; as an elite project of class restoration, the negative impact on the majority population has exceeded what can be tolerated; and as social and political policy, the contradictions generated by a selectively applied doctrine have in many cases facilitated the opposition that has begun to secure its downfall. There has not been a wholesale reversal of neoliberalism, but rather a disparate movement across and within a number of countries. Nevertheless, the community-based alternatives, social movement resistance, and state-based rejection of neoliberalism together suggest that Latin America is in the midst of transition, a loosely connected regional trend that counts anti-neoliberalism as its defining feature and any number of varieties of post-neoliberalism as an aspiring yet precarious outcome.

## References

- Almeida, Paul D. 2007. "Defensive Mobilization: Popular Movements against Economic Adjustment Policies in Latin America." *Latin American Perspectives* 34(3): 123-139.
- Arrighi, Giovanni. 2005a. "Hegemony Unravelling (I)." *New Left Review* 32: 23-80.
- Arrighi, Giovanni. 2005b. "Hegemony Unravelling (II)." *New Left Review* 33: 83-116.
- Brown, Wendy. 2003. "Neo-liberalism and the End of Liberal Democracy." *Theory and Event* 7(1): 1-23.
- Chavez, Frank. 2008. "Bolivia: Morales Reaches Two-Year Milestone."
- Cohen, Joseph Nathan and Miguel Angel Centeno. 2006. "Neoliberalism and Patterns of Economic Performance, 1980-2000." *The Annals of the American Academy of Political and Social Science* 606: 32-67.
- Damien, Araceli and Julio Boltvinik. 2006. "A Table to Eat On: The Meaning and Measurement of Poverty in Latin America." In Hershberg and Rosen (eds.), *Latin America After Neoliberalism*, pp. 144-170. New York: The New Press.
- Dangl, Benjamin. 2008a. "Polarizing Bolivia: Autonomy Vote in Santa Cruz." *Upsidedownworld.org*, May 8. <http://www.upsidedownworld.org/main/content/view/1275/1>.
- Dangl, Benjamin. 2008b. "Fear and Loathing in Bolivia: New Constitution,
- Drake, Paul W. 2006. "The Hegemony of U.S. Economic Doctrines." In Hershberg and Rosen (eds.), *Latin America After Neoliberalism*, pp. 26-48. New York: The New Press.
- Dumenil, Gerard and Dominique Levy. 2004. "The Nature and Contradictions of Neoliberalism." In Panitch and Leys (eds.), *The Globalization Decade*, pp. 245-274. London: The Merlin Press.
- Dunkerley, James. 2007. "Evo Morales, the 'Two Bolivias' and the Third Bolivian Revolution." *Journal of Latin American Studies* 39(1): 133-166.

- Engler, Mark. 2008. "Latin America Banks on Independence." *Inthesetimes.com*, January 22. <http://www.inthesetimes.com/article/3497>.
- Garcia Linera, Alvaro. 2006. "State Crisis and Popular Power." *New Left Review* 37: 73-85.
- Garcia Linera, Alvaro. 2007. "Entrevista: 'Las Reformas Pactadas'" ("Interview: 'The Agreed Upon Reforms'"). *Nueva Sociedad* 209: 160-172.
- Gray Molina, George. 2007. "El Reto Postneoliberal de Bolivia" ("Bolivia's Post-Neoliberal Challenge"). *Nueva Sociedad* 209: 118-129.
- Green, Duncan. 2003. *Silent Revolution: The Rise and Crisis of Market Economics in Latin America*. New York: Monthly Review Press.
- Harvey, David. 2005. *A Brief History of Neoliberalism*. Oxford: Oxford University Press.
- Hayek, F. A. von. 1984 [1967]. "The Principles of a Liberal Social Order." In Nishiyama and Leube (eds.), *The Essence of Hayek*, pp. 262-281. Stanford: Hoover Institution Press, Stanford University.
- Helwege, Ann and Melissa Birch. 2007. *Declining Poverty in Latin America? A Critical Analysis of New Estimates by International Institutions*. Tufts University Global Development and Environment Institute Working Paper Number 07-02. Medford, MA: Tufts University.
- Hershberg, Eric and Fred Rosen. 2006. "Turning the Tide?" In Hershberg and Rosen (eds.), *Latin America After Neoliberalism*, pp. 1-25. New York: The New Press.
- Hylton, Forrest and Sinclair Thomson. 2007. *Revolutionary Horizons: Past and Present in Bolivian Politics*. London: Verso.
- Hylton, Forrest and Sinclair Thomson. 2005. "The Chequered Rainbow." *New Left Review* 35: 19-64.
- Kalny, Eva. 2007. "Globalización desde Abajo: Desafíos al Activismo Anti-Neoliberal en el Peten, Guatemala" ("Globalization from Below: Challenges to Anti-Neoliberal Activism in Peten, Guatemala"). *Iberoamericana* 26: 196-201.

- Kohl, Benjamin. 2002. "Stabilizing Neoliberalism in Bolivia: Popular Participation and Privatization." *Political Geography* 21: 449-472.
- Kohl, Benjamin H. and Linda C. Farthing. 2006. *Impasse in Bolivia: Neoliberal Hegemony and Popular Resistance*. New York: Zed Books.
- Leogrande, William M. 2007. "A Poverty of Imagination: George W. Bush's Policy in Latin America." *Journal of Latin American Studies* 39(2): 355-385.
- Margheritis, Ana and Anthony W. Pereira. 2007. "The Neoliberal Turn in Latin America: The Cycle of Ideas and the Search for an Alternative." *Latin American Perspectives* 34(3): 25-48.
- de Oliveira, Francisco. 2006. "Lula in the Labyrinth." *New Left Review* 42: 5-22.
- Panitch, Leo and Sam Gindin. 2005a. "Finance and American Empire." In Panitch and Leys (eds.), *The Empire Reloaded: The Socialist Register 2005*, pp. 46-81. New York: Monthly Review Press.
- Panitch, Leo and Sam Gindin. 2005b. "Superintending Global Capital." *New Left Review* 35: 101-123.
- Petras, James and Henry Veltmeyer. 2006. "Social Movements and the State: Political Power Dynamics in Latin America." *Critical Sociology* 32(1): 83-104.
- Phillips, Nicola. 2005. "U.S. Power and the Politics of Economic Governance in the Americas." *Latin American Politics and Society* 47(4): 1-25.
- "Polarization." *Upsidedownworld.org*, January 7.  
[http://upsidedownworld.org/\\_main/content/view/1067/1](http://upsidedownworld.org/_main/content/view/1067/1).
- Portes, Alejandro and Kelly Hoffman. 2003. "Latin American Class Structures: Their Composition and Change during the Neoliberal Era." *Latin American Research Review* 38(1): 41-82.
- Potter, Brian. 2007. "Constricting Contestation, Coalitions, and Purpose: The Causes of Neoliberal Restructuring and Its Failures." *Latin American Perspectives* 34(3): 3-24.

- Robinson, William I. 2006. "Promoting Polyarchy in Latin America: The Oxymoron of 'Market Democracy'." In Hershberg and Rosen (eds.), *Latin America After Neoliberalism*, pp. 96-119. New York: The New Press.
- Rodgers, Dennis. 2008. "A Symptom Called Managua." *New Left Review* 49: 103-120.
- Rude, Christopher. 2005. "The Role of Financial Discipline in Financial Strategy." In Panitch and Leys (eds.), *The Empire Reloaded: The Socialist Register 2005*. New York: Monthly Review Press.
- Sanchez R., Magaly. 2006. "Insecurity and Violence as a New Power Relation in Latin America." *The Annals of the American Academy of Political and Social Science* 606: 178-195.
- Spronk, Susan and Jeffery R. Webber. 2007. "Struggles against Accumulation by Dispossession in Bolivia: The Political Economy of Natural Resource Contention." *Latin American Perspectives* 34(2): 31-47.
- Stahler-Sholk, Richard. 2007. "Resisting Neoliberal Homogenization: The Zapatista Autonomy Movement." *Latin American Perspectives* 34(2): 48-63.
- Stefanoni, Pablo. 2007. "Siete Preguntas y Siete Respuestas sobre la Bolivia de Evo Morales" ("Seven Questions and Seven Answers about Evo Morales' Bolivia"). *Nueva Sociedad* 209: 46-65.
- Upsidedownworld.org*, February 1. <http://upsidedownworld.org/main/content/view/1107/31>.
- Urioste F. de C., Miguel. 2009. "La 'Revolución Agraria' de Evo Morales: Desafíos de un Proceso Complejo" (Evo Morales' 'Agrarian Revolution': Challenges to a Complex Process"). *Nueva Sociedad* 223: 113-127.
- Valenzuela, J. Samuel and Arturo Valenzuela. 1978. "Modernization and Dependency: Alternative Perspectives in the Study of Latin American Underdevelopment." *Comparative Politics* 10(4): 535-557.
- Webber, Jeffery R. 2008. "Bolivia: A Coup in the Making?" *Nacla.org*. September 12. <http://www.nacla.org/node/5016>.

Webber, Jeffery R. 2007. "Bolivia: Transition on Hold." *Solidarity.org*.  
<http://www.solidarity-us.org/node/577#N21>.

Williamson, John. 1990. "What Washington Means by Policy Reform."  
In Williamson (ed.), *Latin American Adjustment: How Much Has  
Happened?*, pp. 5-20. Washington: Institute for International  
Economics.

Zibechi, Raul. 2006. "Worker-Run Factories: From Survival to  
Economic Solidarity." In Prashad and Ballvé (eds.), *Dispatches from  
Latin America: On the Frontlines Against Neoliberalism*, pp. 339-349.  
Cambridge, MA: South End Press.