8-2013

How Left a Turn? Legacies of the Neoliberal State in Latin America

Aaron Thomas Rowland
arowlan3@utk.edu

To the Graduate Council:

I am submitting herewith a dissertation written by Aaron Thomas Rowland entitled "How Left a Turn? Legacies of the Neoliberal State in Latin America." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Sociology.

Jon Shefner, Major Professor

We have read this dissertation and recommend its acceptance:

Paul K. Gellert, Harry F. Dahms, Jana Morgan

Accepted for the Council:
Dixie L. Thompson

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

How Left a Turn? Legacies of the Neoliberal State in Latin America

A Dissertation Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

Aaron Thomas Rowland
August 2013

ACKNOWLEDGEMENTS

I would like to thank the members of my committee: Paul Gellert, Harry Dahms, and Jana Morgan for their feedback and input on this project. This was especially true of Paul, who read drafts of several different chapters along the way. I would also like to express my gratitude to my committee chair and advisor for the past six years, Jon Shefner who has helped guide (and help push) me along the way through this whole graduate school process, including my Master's Thesis and this Dissertation.

I would also like to express my gratitude to the U.T. Sociology department: faculty, staff and fellow grad students, all of whom have been part of an enormously supportive environment over the years that I have been progressing to this point.

Lastly, I would like to thank my family for going through this process with me. For most of my marriage and my daughter's whole life, I have been a stressed-out, overly busy husband and father and they have dealt with that wonderfully. I don't know how. Also, to Mom and Dad, thank you for everything you have done my whole life to set me on a path of accomplishment.

ABSTRACT

In the 1980s and 1990s, the Latin American region experienced a profound shift in development ideologies that resulted in the creation of a new type of state: the Latin American neoliberal state. This state emerged in three stages: the stabilization stage—focused on balance of payments and austerity; the structural adjustment stage—which was more broadly and deeply focused on changing the structure and culture of society; and the institutional turn—which was an acknowledgment that the neoliberal state had not effectively dealt with poverty, inequality, or the quality of institutions that integrated market, society, and polity. Beginning in the early 2000s, an electoral shift to the left swept through the region and was characterized by antagonistic rhetoric towards neoliberal policies. This study compares the historical developments of Argentina, Ecuador, and Peru and shows that in cases where the neoliberal state was fully developed, the leftist shift either did not occur (Peru) during the 2000s, or where it did occur (Argentina) did not constitute a break with the neoliberal state but rather formed a fourth stage of neoliberalism. In this stage, the government sought to increase spending on some social programs but did so in ways that legitimated the wider neoliberal state rather than creating a new developmental model that would move beyond neoliberalism.

List of Abbreviations and Acronyms

AGD – *Agencias* de *Garantías* de *Depósitos*
ALBA – *Alternativa Bolivariana* para las *Américas*
Alianza – *Alianza por el Trabajo, la Justicia, y la Educación*
APRA – *Alianza Popular Revolucionaria Americana*
BA – bureaucratic-authoritarian state
CCT – Conditional Cash Transfer
CELAC – *Comunidad de Estados Latinoamericanos y Caribeños*
CGT – *la* Confederación General del Trabajo *de la República* Argentina
CONAIE – *Confederacion de Nacionalidades Indigenas del* Ecuador
CPI – consumer price index
ECLAC – Economic Commission for Latin America and the Caribbean
EMETEL – *la Empresa de Telecomunicaciones del Ecuador*
FDI – foreign direct investment
FERTISA – *Fertilizantes, Terminales i Servicios S.A.*
FONCODES – *Fondo Nacional de Compensación y Desarrollo*
GDP – gross domestic product
IDB – Inter-American Development Bank
IFI – international financial institution
IMF – International Monetary Fund
INECEL – *Instituto Ecuatoriano de Electrificación*
ISI – import substitution industrialization
MITI – Ministry of International Trade and Industry
NGO – non-governmental organization
NIC – newly industrialized country
OECD – Organization for Economic Cooperation and Development
OPEC – Organization of the Petroleum Exporting Countries
PAIS – *Patria Altiva y Soberana*
PAYG – pay-as-you-go social security system
PJ – *Partido Justicialist*
PRI – *Partido Revolucionario Institucional*
PRONAA – *Programa Nacional de Asistencia Alimentaria*
PSC – *Partido Social Cristiano*
SAPRI – Structural Adjustment Participatory Review Initiative
SRA – strategic relational approach
TNS – transnational state
UN – United Nations
UNASUR – *Unión de Naciones Suramericanas*
UNDP – United Nations Development Programme
VAT – value-added tax
WTO – World Trade Organization

TABLE OF CONTENTS

Chapter Page

LIST OF TABLES

LIST OF FIGURES

Figure Page

CHAPTER I
INTRODUCTION

In 1973, when Augusto Pinochet seized control of the Chilean government and implemented Latin America's first neoliberal "shock treatment," a new project began. Although it would take almost thirty years to fully ripen, the seeds of the Latin American neoliberal state were sown. Pinochet's violent and authoritarian project in Chile was part of a wider wave of authoritarian take-overs throughout the region in the 1960s and 1970s. As the "third wave of democratization" spread through the region beginning in 1978 (Hagopian and Mainwaring 2005), the neoliberal project quickly spread throughout the rest of the continent, becoming a democratic (though never quite peaceful) project along the way.[1] The debt crisis of the late 1970s – early 1980s was the precipitating event that initiated the regional shift. By the early 1990s, most countries in the region had elected governments and most had also carried out some neoliberal reforms.

In 1998, Hugo Chávez was democratically elected president in Venezuela after the country's party system collapsed (Morgan 2011) during hesitant attempts to carry out neoliberalization. Within a decade, an undeniable shift away from rightist/center-right presidents and towards leftist/center-left ones had occurred in Latin America. The politicians who embody these "left turns" in the region are almost invariably rhetorically opposed to the neoliberal project of what came to be

[1] This project, because of its radical departure from the previous economic development projects has been met with (often violent) protests in virtually every country where such reforms were implemented (see for example: Shefner, Rowland, and Pasdirtz forthcoming; Walton and Seddon 1994; Auvinen 1990).

referred to as the Washington Consensus. This new left has elicited anxiety for some (Castañeda 2006; Edwards 2010), and hope for others (Arditi 2010; Cameron and Sharpe 2010), but how does it affect the Latin American neoliberal state that was constructed over the previous two decades? This is an extremely important (and timely) question as governments around the world have turned to austerity measures in the wake of the "Great Recession" that followed the financial crisis of 2008.

The experiences that Latin American countries have had with neoliberalization in the 1980s and 1990s is not completely analogous to what the United States and European nations are facing today, but that does not mean that there are no lessons to be learned from exploring the Latin American neoliberal state and how it affects current attempts by leftist governments in the region to create a new developmental model. It is vitally important to recognize the way that the neoliberal state has altered the structure and governing logic of Latin American states. It is also important at this historical conjuncture to better understand the possible trajectories that Latin American states are on based on the structural possibilities (and limitations) of the types of states that they are working within and trying to reform. Without a better understanding of the structural limitations leftist governments in the region face, analysts of these left turns are likely to over- or under-estimate the types and directions of change they are capable of.

The term neoliberalism has been in common use in the sociological literature for three decades now. It is frequently used to denote a series of economic and social policies that generally “suggests that within states, governments should disengage from management of the domestic economy, deregulate, privatize state-owned enterprises, and eliminate social welfare programs to promote fiscal austerity… [I]n the international arena there are calls for reductions of tariff barriers, the opening of capital markets, and a liberalization of restrictions on foreign investment” (Jenness, Smith and Stepan-Norris 2007: vii). This definition is emblematic of the way that neoliberalism is routinely discussed in the literature. In my discussion of neoliberalism in Latin America in Chapter III, I treat the concept with much more nuance, showing that neoliberalism grows and changes over time.

In the following pages, I will show that neoliberalization in Latin America has proceeded through four distinct stages rather than remaining constant over time. In addition, I argue that once the first two stages are successfully implemented, the changes they make to the state constitute enough of a transformation that what exists is a new type of state: *the Latin American Neoliberal State*. This state is qualitatively different than other types of states and it is within the structure of this neoliberal state that many parties and social movements of the new left are attempting to oppose neoliberal policies. One of the implications for this is that where the neoliberal state was fully erected, the lefts do not necessarily break with neoliberalism. In one of the cases I present, I argue that the policies of the left functions as a fourth stage of neoliberalism.

The stages of neoliberalism that I present are an analytical improvement over previous research on the history of neoliberalism in the region. It is generally acknowledged in the literature that beginning in the late 1990s, neoliberalism had (of necessity) shifted to a "second generation" of reforms (Burki and Perry 1998; Kuczynski and Williamson 2003). This is a misreading of what actually occurred during the thirty or so years that neoliberal policies were implemented in the region. My work will address this misunderstanding directly as I describe the different intent of the stages, their different temporal manifestations, and the different types of policies the stages focus on. I will show that neoliberalism does not look the same everywhere at all times.

However, neoliberalism does have a core logic to it and I will discuss this more thoroughly in Chapter III, but briefly: neoliberalism has several central components. First, the social world can best be understood through the doctrine of methodological individualism as adopted by economics – central to which is the assumption that all actors are rational self-maximizers. Second, government is inherently inefficient because following the first component, politicians and government bureaucrats are concerned with maximizing their own power and incapable of acting in the national interest (which according to James Buchanan does not exist anyway). Government actions distort the price mechanism, which is the market's means of signaling imbalances. When price signals are distorted, the market cannot move towards equilibrium. Lastly, the welfare of citizens is best assured through macroeconomic growth policies rather than through a welfare state.[2]

Most accounts of neoliberalization—even when focused on a single case—attribute it to global factors or international pressures (or both) on states, forcing them to adopt neoliberal reforms. In these accounts, the global crisis of accumulation that began during the late 1960s, the heavy borrowing by Latin American states, and the oil shocks of the 1970s are the primary causal factors in the shift to neoliberalism during the 1980s and 1990s in Latin America. These are all very important factors in why states neoliberalized, as are the pressures that governments in the region felt from the United States, the international financial institutions, and the process of globalization. These global aspects of causality are widely recognized and I acknowledge their importance. However, this study differs from most in focusing on the national level, on politics at this level and on how the structure of the state affects politics and policy making. It is the internal process of neoliberalization that I want to illuminate and this is one of the ways that this work sits apart from the rest of the literature.

The neoliberal state failed to produce anything like the growth rates its proponents thought that it would. In addition, the growth that did occur was often immiserating as the poorest in society frequently became poorer and throughout the region, within country levels of inequality rose during the neoliberal era. These

---

[2] This last assumption is based on the belief that welfare policies distort rational self-maximizing actions in the market and foster dependency among poor individuals.

developmental failures were an undeniable contributing factor in the electoral shifts to the left in many countries. The politicians of the new left campaigned on anti-neoliberal platforms and pledged to address the region's high levels of poverty and inequality. Part of the process of creating the neoliberal state however, has included opening up domestic economies to global capitalism. These countries are far more interwoven into global and regional trade and capital networks than they were prior to the neoliberal period and attempts to reverse this process could prove economically traumatic and thus politically dangerous.

It has become commonplace to treat neoliberalism as a radical break from the preceding developmental model in Latin America which had been based on structuralism. The structuralist theory of underdevelopment in the region had led to the policy of import substitution industrialization (ISI) and significant state involvement in the economy. Given that history, the problem that this research project seeks to address deals with the current changes to the state wrought by the leftist shift in the region and the way that the neoliberal state shapes/limits/defines the possibilities of change at this historical moment. I seek to determine how changes in the role, emphasis, and structure of the state in Latin America occur once neoliberal theory has been adopted and reforms inspired by this theory implemented. This requires us to explore the extent to which neoliberal reforms varied by country in the region. Some states carried reforms further than others, carried them out sooner than others, more democratically than others, etc. and this has implications for how difficult it became for the new lefts to attempt changes to the model. Also, I am interested in investigating if, once in power, the new lefts in Latin America alter the neoliberal model enough to constitute a "post-neoliberal" state. Are social outcomes different under the regimes of the new left than they were under the neoliberal state in Latin America? In this project I address all of these research questions by examining three Latin American states: Argentina, Peru, and Ecuador.

I have elsewhere (Rowland 2009) documented the origins and theoretical justifications of neoliberalism.[3] In the fourth chapter I will elaborate a concept of the neoliberal state in the context of Latin America. This state is the result of neoliberal reforms. I do not formally define at what point a state moves from being something else to being a specifically neoliberal state. For purposes of this study, I argue that both Argentina and Peru carried out enough neoliberal reforms to have made this transition by the late 1990s, and I provide evidence to back up this assertion. I also argue that Ecuador failed to make this transition, though Ecuadorian administrations did carry out some neoliberal reforms. Conceptually defining the exact point at which the transition takes place is unnecessary for the project at hand.

Similarly, there is an enormous literature on defining/delimiting/ conceptualizing/studying the state, which I will very briefly touch on in Chapter II. I am not creating a theory of the state in this project, but rather a theory of a

---

[3] Others who have similarly done so include: Klein (2007); Harvey (2005); Stedman Jones (2010); Van Horn and Mirowski (2009); Van Horn, Mirowski and Stapleford (2011).

particular type of state rooted in the history of Latin America in the period of the 1980s-present. I argue that, following Jessop's (2008) strategic-relational approach (SRA) to studying the state, this model can help us better understand the structural selectivity that frames the actions and rhetoric of politicians, political parties, and social movements seeking to act on and through the structures of the neoliberal state, and how their struggles constitute and reconstitute the structure.

Jessop asserts that states are moving targets to study because they are constantly evolving and they respond to active attempts to alter them. The SRA starts from the proposition that the state is not a thing in and of itself but rather a social relation. Despite his warning that the state is notoriously difficult to define and study, Jessop gives this "preliminary" definition: "the *core of the state apparatus* can be defined as a distinct ensemble of institutions and organizations whose socially accepted function is to define and enforce collectively binding decisions on a given population in the name of their 'common interest' or 'general will'" (2008: 9, emphasis in original). In the following chapters, I will develop a model of the neoliberal state that is based on this definition. My use of the concept *state* should be understood to be a reference to the state as this institutional and organizational ensemble. I make no attempt to set forth a list of the institutional forms of the neoliberal state because they will vary both between any two states and within a state over time. Following the SRA, I conceive of the state as a structuring system of political representation and policy implementation. At the same time, the state is the object of political struggle, resulting in the alteration of its shape and its system structuring capabilities by the groups and individuals who occupy positions within it. In other words, the state is both the *result* of past social, political, and ideological struggles and a force that structures current social, political, and ideological struggles.

This project is an historical comparative analysis of the way that the creation of the neoliberal state in one period affects attempts to construct a new development model (or simply to alter the state) in a later period. As such, I will be comparing several states to one another and to themselves at two different time periods. Comparative inquiry is often abstracted from time and place and "cases" are treated as autonomous "wholes" in an external relationship with other cases and the wider system. This ignores the fact that they are part of an interconnected, emergent whole—partly determined by and partly determining the constant unfolding of the system (McMichael 1990).

Alternatively, incorporated comparison is an internal comparison. The units are not considered to be directly separate units but rather seem to be separate aspects that are part of a broader global, historical process. McMichael (1990) lays out two types of incorporated comparison—singular and multiple—and I use both of them in this project simultaneously. Singular incorporated comparison has a particularizing thrust and examines variations in a process across space (cases) in a particular historical conjuncture. Multiple incorporated comparison follows a generalizing thrust and examines a singular process by analyzing its time- and space-differentiated aspects. McMichael says of them: "They share the goal of historical specificity, but the former focuses on cross-sectional analysis in time (e.g., the conjuncture), whereas the latter focuses on processes through time (e.g., the era). These foci are not mutually exclusive and a combination is both feasible and enhancing" (1990: 393).

Using successive time periods within a single society as separate cases for comparison presents its own special problems distinct from those encountered while attempting to compare two different countries (Haydu 2010, 1998). Haydu argues that both narrative and path-dependency descriptions of event sequences often fail to explain the way that events are linked to one another across different times (as opposed to simply arranging them in temporal order). As an alternative, he suggests the use of reiterated problem solving, which he says "constructs narratives of historical switch points that are followed by more or less durable social regimes" (1998: 349). Also, by connecting events in two time periods as separate chapters in one ongoing story, it is easier to show that the two sets of events are causally related to one another. It also allows us to balance structural limitations with the agency of actors. By focusing on actors (in this study: political parties and politicians) attempting to solve perceived problems (economic crises), we provide ourselves with "a mechanism through which multiple causal trajectories—such as fleeting political opportunities, slower-moving changes in economic resources or strategic allies, and long-standing cultural repertoires—are brought together in episodes of social transformation" (Haydu 2010:32).

In this project, I use single incorporated comparison in Chapters V and VI to examine similarities and differences in neoliberalization and the leftist shift respectively. These chapters also follow Haydu's reiterated problem solving narrative to balance structural constraints imposed by time order within cases. In addition, I use multiple incorporated comparison in Chapter II to compare various models of the state, and in Chapters IV, V, and VI to examine neoliberalism as an evolving process over time. The neoliberal state is not one thing. It is a process that changes over time and across space.

In order to analyze the neoliberal state and changes to it wrought by the left turns in my three cases, I am focusing on the period from the early 1980s up to 2010. I focus on the Latin American region because of the thoroughness of neoliberalization in this region compared to other regions of the developing world. For a variety of reasons (shared intellectual ties, lack of front-line status in United States' geopolitics, etc…) Latin American states became a laboratory of neoliberal experimentation. My three cases during the period of study offer a wide array of comparable traits and contrasting information that enrich this analysis of the neoliberal state and the left turns. These cases were chosen for their dissimilarity on a variety of traits in order to explore as many different possible paths of convergence and divergence.

Two of my cases—Argentina and Peru—exemplify the Latin American neoliberal state while a third case—Ecuador—provides us with a case that has not made the complete transition to that status. These states exemplify various differences in their structures prior to the neoliberal period. Argentina and Ecuador both have extensive and well-established ISI developmental models in place prior to neoliberalization. Peru on the other hand has always had among the more classically liberal economic models in the region. Similarly, the outcomes for all three countries in the post-neoliberal period all differ. Most analysts of the recent leftist shift in the region place Argentina in a center-leftist and Ecuador in a more radical leftist position. Peru is a case where neoliberalism did not transition into a left turn and thus provides a contrast to the other two cases. Finally, Ecuador offers us an example of a country that has large oil reserves and the ability to engage in extractive activities. This neo-extractivism gives the Ecuadorian state much more latitude in determining social policy.

This project provides a better general understanding of the results of the process of neoliberalization on the state and how this affects social well-being in Latin America. It also demonstrates that the creation of the neoliberal state is an evolving process rather than a point in time. The left turns in Latin America represent a range of changes to the neoliberal state, but in Argentina's case, these changes are mostly in the areas of social protections. The other aspects of the neoliberal state remain relatively untouched. As such, I propose that the left turns in less radical states in Latin America do not represent a shift away from neoliberalism but rather a fourth stage of neoliberalism, one in which limited social protections are used a tool of legitimation to further entrench the neoliberal state.

Chapter Outline

The next chapter lays the groundwork for a model of the Latin American neoliberal state by giving a very brief overview of the various ways that the state has been conceptualized previously before outlining some specific models of the state in the developing world. The first of these that I examine is the developmentalist state in East Asia. I focus on how the authors of this model develop the concept in a way that is both theoretically interesting and concretely tied to historically specific cases. This is followed by an examination of the corporatist and bureaucratic-authoritarian (BA) models of the state, developed to specifically study Latin American states at different times. I use these examples to make the case that a concept of the neoliberal state in its historically specific Latin American form offers us an important tool for analyzing changes in the state from the 1980s to the 2010s.

Chapter III examines the Latin American region's experience with neoliberalization by calling into question previous work that treats neoliberal reforms as if they were a homogenous experience throughout the region. I stress the extent to which these reforms were sometimes partial and always contingent on context. Building on this discussion, I develop a more grounded, contextualized examination of the process of neoliberalization in Latin America. Finally, I synthesize a major (though not uniform) conceptualization of Latin America's neoliberal history. Many previous researchers have argued that this history roughly conforms to several stages, each of which has its own organizing logic. As developed in this study, the three stages all seek to address separate but related developmental issues and have different goals, however all of the goals fall within the same overarching ideology: that economic growth and development requires liberal institutions that foster individualism, free trade, and maximal capital freedom.

Chapter IV sets up a model of the Latin American neoliberal state analogous to the developmentalist, corporatist, and bureaucratic-authoritarian state models discussed in the second chapter. This model has seven major components that were mostly shared throughout the region and roughly correspond to the three stages discussed in Chapter III.

The fifth chapter introduces my three cases (Argentina, Ecuador, and Peru) and documents the reforms that each country carried out in the construction (partial in the case of Ecuador) of the Latin American neoliberal state. This chapter is a systematic application of the seven parts and three stages of the model to real-world states during the 1980s and 1990s. In each case, I focus as much as possible (without making the analysis too cumbersome) on specific policies and reforms. This chapter empirically grounds the neoliberal state concept and compares the similarities and differences of neoliberalization in each case.

Finally, Chapter VI introduces the "left turns" in Latin America that many academics and journalists have held up as evidence of a post-Washington Consensus. After examining the literature that has developed around this phenomenon—seeking to define, analyze, critique, and categorize these new left turns—I explore the non-leftist continuation of the neoliberal state in Peru. I then compare this to the reforms that the leftist president Rafael Correa in Ecuador has carried out. This allows me to compare the relatively more radical reforms of Ecuador and the relative lack of reforms in Peru to the middle case of Argentina under Néstor and Cristina Kirchner. In that chapter (and further in the conclusion), I argue that there has been an observable change in levels of poverty and inequality in my two leftist cases, mostly due to changes in the social safety net. However, in the case of Argentina, this in no way constitutes a shift away from the neoliberal state but rather a fourth (social) stage of the process in which prior reforms are *legitimized* by ameliorating some of the worst effects of the neoliberal model through state sponsored social safety nets. The main aspects of the neoliberal model (privatizations, trade and financial liberalizations) remain relatively unchanged despite the fiery anti-neoliberal rhetoric of the Kirchners. Despite continually being assessed in studies as less leftist than Ecuador, this study shows that Argentina has had a greater impact on the lives of the poor in terms of reductions in poverty and inequlity.

CHAPTER II
TOWARDS A MODEL OF THE STATE

Conceptualizing "the State"

In order to examine the extent to which the pink tide represents a break from neoliberal economic policies, we must first create a framework in which to better understand the way that economic policies are implemented. Of course, all such policies, to the extent that they are formal regulatory structures, are *state* policies. Thus, in order to understand this process, we need to have a clear theoretical conceptualization of the state: what the state is, what the state does. In this chapter, I will make the case that we need a model of the state during the period of neoliberal hegemony, one that explicates the contours of a state that has enacted neoliberal reforms: a model of the neoliberal state. First, I will briefly describe a very successful model of the state in the developing world, the East Asian developmentalist state. This state model has proved valuable as a critique of the free market policies that proponents of neoliberalism call for. Second, as this model was not one that existed in Latin America, I will outline a historical progression of the state models that have existed in Latin America—corporatism and bureaucratic-authoritarianism—along with a discussion of the way that clientelism distorts the state in certain ways.

These examples will be used to make the case that it is possible and desirable to explicitly define a neoliberal model of the state in order to understand how such a state places particular constraints on future actors by changing the structure of the social system in which they are attempting to act. Unlike previous attempts to delineate what the state is and does, I am attempting a more modest, historically and geographically situated model of a particular type of state at a particular point in time. Although not unique, my approach differs from the predominant method, which has been to construct a theory of *the* state, rather than a theory of *a* state.

There has been a constant tension in the literature on the state, which can be seen within the analytical traditions that the literature on the state is often grouped into, between a focus on agency and a focus on structure. The changes in academic style over the years (from Weberian statism to pluralism to Marxism to Foucaldian governmentality to neo-statism to the decline of the state for example) are themselves exemplary of a swinging back and forth between agency and actors on the one hand and structural determination on the other. However, this is somewhat of a caricature of the different traditions, nearly all of which *do* attempt to strike a particular balance between structure and agency. The place where this balance is struck is a product of the particular aspects of the state that the different traditions are interested in illuminating.

In the early Weberian conception, the state is described as “a compulsory political organization with continuous operations” in which an “administrative staff successfully upholds the claim to the monopoly of the legitimate use of physical force in the enforcement of its order" (Weber 1922/1978: 54). It is also limited to a defined territorial space. This is the most widely explicitly and *implicitly* accepted definition of the state by scholars as it refers to the most commonly analyzed form of the state in modernity: the nation-state. This definition forms the basis of much of International Relations theory, in which the state is seen as part of the Westphalian system of sovereign nation-states (Skocpol 1985: 8). From this definition, it is clear that for Weber, the state is a set of institutions (the government and its bureaucracies) that have the legitimate authority to make rules and the exclusive ability to legitimately enforce them within a defined territory. In addition, this state is seen as separate from the rest of society.

This is the same conceptualization that Alfred Stepan uses in his book *State and Society* (1979) where he says: "The state must be considered as more than the 'government'. It is the continuous administrative, legal, bureaucratic and coercive systems that attempt not only to structure many crucial relationships between civil society and public authority in a polity but also to structure many crucial relationships within civil society as well" (1979: xii). As I will note below, this focus on the state and its apparatuses forms the basis for the later neostatist theory of the state.

Following Weber, there was a theoretical detour during the 1930s-1960s, in which the analysis of how power is exercised in society dominated the literature. The elite theorists (exemplified by C. Wright Mills 1956) and the American pluralists (exemplified by Arthur Bentley 1967; Robert Dahl 1958, 1961, 1967; Charles

Lindblom 1977; Nelson Polsby 1960; David Truman 1951; Aaron Wildavsky 1964; and the Yale School – for this see Merelman 2003) did not explicitly set out to recreate a theory of the state, which was often left implicit in their work (Smith 2006).

The Miliband—Poulantzas debate built off of earlier Marxist writings regarding the state. The debate centered around the question: "Is the modern state a state in capitalist society or a capitalist state?" (Hay 2006: 71). For Miliband, arguing the "instrumentalist" position, the state serves the general interest of the capitalist class because it is dominated by that class—but not due to some structural change. For Poulantzas, arguing the "structuralist" position, the structure of the system has causal priority over agents and individual actions or intended actions. The system is structured independently of actors, classes, or other groups that make up the system. As such, the state, according to Poulantzas, is autonomous from the capitalist class and is mainly concerned with advancing the general interests of the class over any particular interests of individual members of the class. By the 1980s, many Marxist theorists attempted to reconcile the two positions by bringing them back together, moderating their extremities. Fred Block's *Revising State Theory* (1987) sought to reconcile these positions by arguing that the state is somewhat autonomous from the capitalist class—though structurally it is heavily influenced by particular interests of that class.[4] For Block, the capitalist state is primarily concerned with managing labor and the periodic crises that capitalism is prone to.

Beginning in the 1970s, but epitomized by the 1985 edited volume *Bringing the State Back In* (Evans, Ruescemeyer, and Skocpol), some researchers began to focus on the state and its institutions/organizations as actors in their own right rather than as expressions of the society or the economic system. This move was primarily an American reaction to theoretical perspectives like pluralism and elitism in which the state had all but disappeared. From this statist/neo-Weberian perspective, the state or government institution being analyzed is not just an actor, it is also seen as having its own distinctive interests and the autonomy and rationality to pursue them. Skocpol (1985) points out however, that this is not a fixed feature of all states at all times. To these "neo-statists," the autonomy of the state means it is not merely an arena for social struggles. Skocpol elaborates on exactly what it means to be autonomous. She says, "States conceived as organizations claiming control over territories and people may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society" (1985: 9). The basic underpinnings of the state's capacity for Skocpol are a Weberian conceptualization of sovereignty, a Weberian conceptualization of bureaucracy, and "plentiful financial resources." From this perspective, when the state is theorized as an actor, what is meant is

[4] For Block, this limited autonomy came mainly from the multiplicity of individual-level business interests, which left state managers to work out the best course for determining what policies were in the nation's interest (1987: 17).

"organizationally coherent collectivities of state officials, especially collectivities of career officials relatively insulated from ties to currently dominant socioeconomic interests" (Skocpol 1985: 9). Such collectivities can alter or enact policy in distinctive ways and over extended periods.

Skocpol goes on to argue that beyond the fact that these organizations are collective actors, there are other reasons that they are important. "They matter because their organizational configurations, along with their overall patterns of activity, affect political culture, encourage some kinds of group formation and collective political actions (but not others), and make possible the raising of certain political issues (but not others)" (1985: 21). This "Tocquevillian" approach to states is focused on the state's unintended influence on "the formation of groups and the poitical capacities, ideas, and demands of various sectors of society" (1985: 21).

With the focus over the last twenty years on globalization, the literature on the state has taken three new turns. First, by the 1990s, the withdrawal of the state in terms of welfare provision and the growing complaints by government officials in many developing states that domestic policies were being undermined by international financial institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF) as well as by increasingly volatile and less restricted flows of capital led many researchers to hypothesize the inevitable withering (or even death) of the state (Guéhenno 1995; Ohmae 1995; Olson 1982; Slaughter 1997; Strange 1994, 1995, 1996; Vernon 1971).[5]

The second turn that the literature has taken focuses on the regionalization or even transnationalization of the state. Though they accept the argument that the world is economically globalizing, Held and McGrew (2007), Chortareas and Pelagidis (2004), and Thompson (2006), all in different ways, argue that currently this process is still largely taking place at regional levels. The rise of global financial networks and international institutions like the WTO and other international governance bodies are suturing together a global economy despite the regionalization and segregation (triadization) of trade and actual financial flows.[6] The picture they paint is of a globalizing world economy, dominated by the member states of the OECD, in which states continue to matter – especially through multilateral governance institutions, but the interests of finance and global capital are becoming more and more important.

Similar to the regionalism authors, the proponents of a theory of transnationalization vis-à-vis globalization reject the withering of the state thesis as too simplistic (Robinson 2004; Soederberg 2004). For these authors, the state is not so much withering away, as actively participating in the reorganization of the global economy around flows of financial capital. In Robinson's case, the nation-state is an integral part of the emerging "transnational state." This transnational state relies on

---

[5] Also, see Evans (1995) and Weiss (1998) for critiques of the "death of the state" argument.

[6] Their term "triadization" refers to the fact that the United States, European Union, and Japan still dominate this process.

the nation-state to enforce policies designed at a transnational level because it lacks the type of enforcement mechanisms that have historically existed in the nation-state. This emphasis on the state's focus is close to the next argument about the direction that the state is moving in.

The third turn that the literature has taken views the state as neither weakening nor regionalizing/transnationalizing but rather shifting its focus toward a new constituency, one that is interested in globalized markets. For example, Soederberg et al (2006) assert that what they call the "competition state" is a nation-state that, rather than weakening in the face of global pressures, is re-orienting to attract foreign capital.[7]

All of these previous examples from the literature on the state are focused on differing conceptualizations of *the state* and are only concerned with historically specific empirical cases of states as examples of the general theory of the state being promulgated. In one or two examples, the theories may have been built up from one specific case, but they are still meant to apply generally to *the* state as a concept. As reactions to one another, these theories constitute swings back and forth between a greater emphasis on agency over structure and vice versa. In order to understand the structurally available choices of governing administrations, we must examine the system within which they are acting and on which they are directing their actions. Cardoso and Faletto (1979) argued from a structural Marxist perspective

---

[7] Many of the critics of neoliberal globalization policies argue that these policies do not so much constitute a withdrawal of the state from economic policy-making as they constitute a shift in the constituency that the state is serving in its policy-making (Cypher and Delgado Wise 2010; Harris 2000: 147-8; Harvey 2005).

that the way to understand the developmental possibilities of a given historical moment requires us to first determine the constraints on the present that previous historical moments have created. They argued:

> An economic class or group tries to establish through the political process a system of social relations that permits it to impose on the entire society a social form of production akin to its own interests; or at least it tries to establish alliances or to control the other groups or classes in order to develop an economic order consistent with its interests and objectives. The modes of economic relations, in turn, set the limits of political action. (Cardoso and Faletto 1979: 15)

Bob Jessop's (2010) strategic relational approach (which is a synthesis of Marx, Gramsci, Poulantzas, Foucault, and feminist theory) moves beyond the false dichotomy between structure and agency by dialectically examining their interrelationship as a continuous process (Hay 75). For Jessop, social and political change occurs as groups employ strategies against each other within the structures of their historically specific societies. The deployment of these strategic actions then change the system thereby restructuring the field within which succeeding strategic actions will be planned and implemented (Jessop 2010). It follows from this that there is no necessary guarantee that the state will successfully protect capital accumulation. Also, the state evolves over time and this framework allows us to analyze that as well. This perspective eschews any general or transhistorical theory of the state. If we are going to attempt to understand what strategic options are available in a given time and place for political actors to choose from, and thus better understand the degree to which they are capable of breaking with past ideologies to remake the structure, then historically specific, limited models of the state are better than a general theory of the state.

Building Models of the State

One of the most successful historically specific models of the state so far has been the work of several scholars of East Asian development. Beginning in the early 1980s, these writers argued that the newly industrializing countries (NICs) of East Asia followed a relatively similar model that allowed them to successfully develop globally competitive industries. The model that they created is not without weaknesses, even in relation to the specific cases that it is drawn from, but overall provides a good example of the work that I will perform in the next chapter to create the type of model that will allow me to analyze the Pink Tide in a strategic relational manner.

The Developmental State and Embedded Autonomy

Chalmers Johnson is credited with coining the term "developmental state" in his 1982 book *MITI and the Japanese Miracle*. He described the Japanese state as developmental because the logic of the state itself prioritized economic development as the first priority of the society. He says that this was a successful enterprise for Japan because it developed four features key to state-led development. The first feature was "the existence of a small, inexpensive, but elite state bureaucracy staffed by the best managerial talent available to the system" (1982: 314). The second feature was "a political system in which the bureaucracy is given sufficient scope to take initiative and operate effectively" (1982: 315). This point means that it must be insulated from legislative and judicial pressures (Johnson 1999). The third feature was "the perfection of market-conforming methods of state intervention in the economy" (1982: 317). Fourth, there must be a pilot organization like MITI (which Johnson wrote did not exist in any other country he knew of at the time). Johnson says "The Japanese case is actually one of an economy mobilized for war but never demobilized during peacetime" (1999: 41). However, the main point of his book is that the government is guiding development but *not* planning the economy. He is careful to contrast Japan with both the regulatory capitalism of the US and the centrally managed economies of the Soviet Bloc.

During the decade of the 1980s and into the 1990s, more research along a similar vein to Johnson was done in other East Asian countries, which largely bore out the main points in Johnson's model (Amsden 1989, 2001; Chang 1999; Cumings 1999; Leftwich 1995; Pempel 1999; Thompson 1996; Wade 1990; for a good review of several of these see Önis 1991). As the globalization era advanced however, more criticisms of the developmental state concept began to arise. It was criticized for seeing states as Weberian rational-bureaucratic actors; "in its concern to identify the correct 'institutional mix' for development to occur, it ends up believing that the (best) states really do stand apart from society, forgetting that this is an illusion" (Gainsborough 2009).

In a definite but partial move away from what was seen as a strong statist stance that had come dangerously close to losing sight of society, Peter Evans's *Embedded Autonomy* (1995) was an attempt to examine the complex ways that the state is integral to the process of economic development. He criticized earlier Weberian conceptions of states as completely autonomous actors and the developmental benefits of such a situation. Comparing predatory states and developmental states, Evans argued that developmental states successfully create the bureaucratic mechanisms to develop economically. But these bureaucracies are not completely insulated from society, they are "embedded in a dense network of social ties that enable political elites to negotiate goals, policies, and implementation strategies with business actors" (Campbell 1998: 103).

According to Evans, economies are embedded in social relationships that get expressed through the state, which "provides the institutional context within which economic activity occurs" (Campbell 1998: 105). This is a direct attack on what Evans calls the neo-utilitarian literature that was so effectively attacking the very idea of a developmental state in the 1980s and 1990s.[8] According to Evans's

[8] By neo-utilitarian, Evans was referring to the Public-Choice school of economics associated with James Buchannan and Gordon Tullock (both of whom were Chicago School-trained economists). Their work built off of George Stigler's (1971) concept of "regulatory capture," the idea that regulation would necessarily come to be dominated by the very agents that it was designed to control. Stigler was a major part of what Stedman Jones calls "the second Chicago school of economics" (as was Milton Friedman) (Stedman Jones 2012: 128). Although Public Choice is usually

classification, the state can and has successfully played four possible developmental roles: custodian – protecting and regulating new industries; midwife – attracting new businesses; husbandry –nurturing an entrepreneurial culture; and demiurge – directly engaging in industries until they are built up enough to stand alone (Evans 1995: 77-81). Evans also does a good job of illustrating how the changing interests of constituents of the state result in changing pressures by them on the state – even to the point of becoming antagonistic to the very agencies that made these constituencies possible in the first place (1995: 219, 224, and 234-5).

One of the primary benefits of the use of specific models of the state like that of Evans' embedded autonomy or the East Asian developmental state is that its limited focus on a specific geographic location and historical period make it possible to study the actions carried out through the state by specific actors. When a particular government reform is carried out, this type of model allows us to better understand the constituency the state is serving because we are already focused on the specific groups and individuals acting in the case. If our interest is in the ways that ideologies shape politics on the ground in real historical circumstances, these limited models provide a framework that allows us to illuminate various actors (and groups), their material interests, the hardships they face, and the ideological statements they pronounce in the public sphere.

---

seen as a separate intellectual school from neoliberalism, it arose from the same set of beginning assumptions about the world and was a major part of the cross-fertilization that forms neoliberal developmental ideology. For this reason, I consider Evans' arguments against "neo-utilitarianism" as being equally valid as a critique of neoliberalism.

Latin American Models: A Historical Progression

It is now considered axiomatic that for the last two decades of the twentieth century, most of Latin America's governments subscribed to the developmental ideology of neoliberalism. Thus, in studying the new Latin American left and its field of action, we must first have a clear understanding of the general characteristics of the neoliberal legacy and the way that it has socially structured the available policy choices. In the following sections, I argue that the best way to do this in a comparative framework is to first establish a model of what the neoliberal state looked like in Latin America prior to the left turn.[9] In the following sections of this chapter, I will examine previous historical types of Latin American state and discuss how the particular types of state forms that they entail—given certain historical backgrounds—and the different constituencies that they represent have been analyzed in the literature. This will provide a series of examples for how I am constructing the Latin American neoliberal state model. It will also allow me to discuss some of the historical structural dynamics that affected the attempt to enact

[9] In the first chapter, I will discuss the fact that a comparative study, unlike an historical case study, requires some means of external calibration of the means through which the cases can be compared. A common way of doing this, following Weber, is to construct an ideal-type to which the cases can be compared, thus making them comparable to one another. In general, an ideal-type is meant to be a highly abstracted version of a concept meant to be the perfected form of that concept. I purposely call the concept I am constructing a model because I am explicitly limiting it to a slightly generalized form of what actually existed in the population of states from which I drew the cases for this study. As such, I will not be arguing that my *neoliberal state* fits some type of theoretical ideal for what such a state ought to be, but rather what it came to be when various sets of actors *tried* to enact it in a particular place in a particular time. This construct will then help us understand how and why each of the cases presents actors of the new, leftist governments with differing needs, opportunities, and constraints.

neoliberal reforms. For these purposes, I will discuss the corporatist state, the bureaucratic-authoritarian state, and the clientelist state.

The literature on Latin American political economy has been enriched by several different models of the state that differentiate configurations of polity, society, and economy at different historical conjunctures. Although these models have in some cases been consciously conceived as ideal-types (Schmitter 1974: 86), what makes them analytically and theoretically useful is their inductive development from individual, historically specific configurations of conditions into slightly more abstracted concepts that allow for cross-case comparisons.

This type of classificatory analysis is heuristically useful for comparing Latin American countries especially due to the seemingly widely shared patterns that are visible within the region over the past century. Though cultural patterns and national histories clearly differ between all of these countries, most still tend to follow similar general political and economic trends including colonial legacies,[10] caudillo political leaders, periods of repeated military intervention into the democratic process, periods of authoritarian rule, repeated turns to populism, and more recently an economic opening to the global market followed for many countries in the region by an electoral resurgence of the political left.

[10] These colonial legacies were only similar in the sense that the countries of the region were mostly colonized by Iberian powers. Although, as Mahoney (2010) points out, Latin American countries exhibited wide variation in terms of pre-colonial society, colonial experiences, and consequently, post-colonial developmental outcomes.

What appears most striking about these patterns is that they tend to be regional rather than specific to one country. Additionally, the developmental ideologies and practices followed by the countries in the region followed some type of structuralist ISI developmental model associated with Raúl Prebisch and ECLAC;[11] after the debt crisis of the 1980s, most of these countries adopted (sometimes reluctantly) what is now called a neoliberal model. After the 1980s-1990s dominance of neoliberalism, many of these countries experienced an electoral shift towards the left in what has been called Latin America's left turn.

The use of state, representational, and developmental models have been a valuable heuristic device allowing researchers to create frameworks that facilitate cross-national comparisons. In the following pages, I will give several examples of how such models have been used to illustrate particular kinds of states and how these have proven to be successful comparative frameworks.

The Corporatist State

The concept of corporatism is an excellent example of the use of an "empirically bounded specification which focuses on a set of relatively directly observable, institutionally distinctive traits" that can be used as a conceptual framework that allows for analytical comparisons of different cases (Schmitter 1974: 93). Corporatism became an important concept in research on Latin America

[11] Prebisch and ECLAC (at the time Prebisch was there it was ECLA) and the Keynesian- and dependency-influenced structuralist ideology of development are discussed in more depth in the following chapter.

beginning in the 1970s.[12] From early on, researchers have divided along two different uses of the concept. One use of the concept, following Schmitter (1971) is more tightly focused on the structuring of interest group representation that takes on a particular institutional form. The other, following Wiarda (1973) is interested in broader historical patterns of cultural and ideological traditions that are traced back to Iberian influences. Although I will focus primarily on the former usage, the cultural perspective of corporatism is an important factor that cannot be left out and has an interesting corollary in some of the work that has been done on neoliberalism.

Corporatism's main strength, primarily for scholars from the United States—as Collier (1995) points out, was as an alternative model to pluralism for studying representation. The most important early work on corporatism in the Latin American context was Schmitter's (1971) *Interest Conflict and Political Change in Brazil*. This work portrayed Brazil in the 1930s and 1940s beginning under Vargas, as the exemplar for a corporatist state in the region. Most of the work on Latin American corporatism in this vein attempted to explain patterns of interest group representation in the authoritarian governments of Latin America during the mid-twentieth century. As such, these researchers were focused on the state's structuring of the system, especially the way that the state restricted, channeled,

[12] Latin American corporatism is distinct from European corporatism, though a few of the writings on the two overlap. Some of the more important works in the literature on Latin American corporatism include (but are not limited to): Collier (1995); Collier and Collier (1979); Malloy (1974, 1977); Schmitter (1971, 1974); Stepan (1978); and Wiarda (1973, 1981).

and incorporated new groups like the urban working-class. This emphasis is clearly visible in Schmitter's classic definition of corporatism:

> Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (Schmitter 1974: 93-94)

There were several related aspects to the concept of corporatism that made it a powerful and useful analytical tool. In the first instance, as Guillermo O'Donnell (1973) pointed out, corporatist states exhibited a "segmentary" character. Unlike pluralism, which largely ignored (or rejected) the cumulative nature of power, O'Donnell pointed out that the corporative state had differential impacts on various groups. Business was less constrained by the system than labor, for example. Part of the reason for this is that business was never fully subjugated to the state as Latin America never developed full-blown corporative systems. "No country provided for well-institutionalized mediation among labor, business, and the state at the pinnacle of the corporatist system, although the region has seen unsuccessful attempts to establish such mediation and scholars have identified some partial approximations" (Collier 1995: 139).

Another reason that the concept was useful was that the scholars using it recognized that the full set of attributes were too many to appear in any one particular case. Although Brazil was the closest to Schmitter's corporatism as "a particular model or ideal-typical institutional arrangement" (1974: 86), no one assumed that other countries came so close.

The Bureaucratic-Authoritarian State

The literature on the bureaucratic-authoritarian (BA) state (O'Donnell 1973, 1978; Collier 1979) is another good example of the use of a particular, historically specific state model. It is thus able to delineate a distinct sub-type of authoritarian state. Beginning in the early 1970s, the Argentine political scientist Guillermo O'Donnell argued that the authoritarian governments of the time in Argentina, Brazil, Chile, Mexico, and Uruguay were a unique set of cases that exhibited a new type of authoritarian government that arose under specific types of historical conditions.[13]

According to O'Donnell, the BA state was exclusionary of the popular sector, relying on repression rather than channeling demands in the state-dominated structures like the corporatist authoritarian state. According to Collier, "[c]entral actors in the dominant coalition include high-level technocrats—military and civilian, within and outside the state—working in close association with foreign capital" (1979:24). It is the increased importance of technocrats—due to the increasing bureaucratization of society during the populist ISI phase that precedes BA—that is so distinctive about this type of authoritarianism. As a system, it "entails

[13] For a critique of this set of cases, see Schamis (1991) who argued that the BA states of the 1960s had already transformed into neoconservative authoritarian states by the 1970s.

a comprehensive dynamic, and penetrating state which, through bureaucratization, achieves a high degree of formalization and differentiation of its own structures" (Schamis 1991: 203).

Bureaucratic-authoritarianism's relationship to the prior period of populism goes beyond the rise in importance of technocrats however.[14] According to O'Donnell, the completion of the early phase of ISI (which he identifies with populism), that is based on the stimulation of production for domestic consumption, creates a complex series of problems: expensive intermediate goods, oversaturation of the domestic market, inflation, and foreign debt (Collier 1979: 26; O'Donnell 1973). These problems fracture the multi-class coalition of the initial ISI phase and the resulting zero-sum competition leads to political and economic crisis and a

---

[14] The concept of populism has been a much more problematic one in the literature on Latin America than have the concepts of corporatist or BA states. Although the latter two concepts have been challenged on empirical grounds, conceptually, they have had more cohesion and durability. Not so with the concept of populism. Definitions of this concept vary. Collier and Collier (1991) provide the closest thing conceptually to a populist state. They define two variations of populism in relation to the incorporation of new groups into the political system. *Labor Populism* occurs when a political party mobilizes labor for electoral support, unions establish formal linkages to the party, and labor is rewarded with major concessions. *Radical Populism* follows the same pattern but the peasantry is also mobilized and major assaults are attempted against the rural elites (1991: 16, 165, 746). However, their analysis results in a conceptualization of populism that is only applicable to the early ISI phase of development in Latin America and the incorporation of labor into the political system. It is unclear how to broaden their concept to include political regimes like Menem's or Fujimori's that combined populist political tactics with neoliberal policies. This problem has led some to create the diminished sub-type of "neo-populism." In addition, a brief survey of the literature will yield far more disagreements about what constitutes populism/neo-populism than agreement. For example, see: Burgess and Levitsky (2003); Dornbusch and Edwards (1991); Edwards (2010); Hawkins (2003); Kaufman and Stallings (1991); Knight (1998); Roberts (2003, 1996); Seligson (2007); Weyland (2001).

popular threat to the existing capitalist production system. The technocratic elites and the professionalized and bureaucratic military "have a low level of tolerance for the ongoing political and economic crisis and perceive high levels of popular sector mobilization as an obstacle to economic growth" (Collier 1979: 27).[15] These two social groups form a coup coalition and seek to end the political and economic crisis by repressive, antidemocratic means.

O'Donnell (1986) argues that there are two faces to the state, "first, its analytic reality as the political aspect of certain social relations of domination, and, second, its concrete objectification as a set of institutions and legal norms" (1986: 277). Given this conception of the state more generally, the BA state is a sub-type of authoritarian state that lacks the cover of 'representing the general interest' that would hide its social domination over the popular sectors. Instead it is explicitly a reaction to the mobilization of these popular sectors designed specifically to impose order on the country. As O'Donnell puts it: "This order is seen as a necessary condition for the consolidation of the social domination that BA guarantees and, after achieving the normalization of the economy, for reinitiating a highly transnational pattern of economic growth characterized by a skewed distribution of resources" (1986: 281).

[15] See also, O'Donnell (1973); Stepan (1973).

Clientelism and the State

The presence of clientelist networks in a society has an effect on the structure of the state. However, looking at the development of clientelist networks historically in Latin America shows that the structural particularities of states affect the development (or absence) of clientelist networks. Studies of Latin American clientelist networks have shown them to be relatively stable institutions in the region, operating in a variety of institutional settings, democratic and non-democratic (Levitsky 2007; Oxhorn 1998). From corporatist Mexico (Eckstein 1990; Shefner 2001, 2008) to neoliberal Argentina (Auyero 2000a, 2000b; Remmer 2007; Stokes 2005) and Peru (Roberts 1995), clientelist networks cannot be ignored because they are an integral part of the wider structure that constrains political action.

Clientelist networks are based on "unequal access to scarce resources, and the exchange relationship in which a powerful actor trades such resources for political support from less powerful actors" (Shefner 2012). Clientelist systems preclude independent organizing. To get resources, groups must channel demands through existing power structures and are reliant on more powerful actors to reward their political loyalty with needed goods (Kitschelt and Wilkinson 2007; Medina and Stokes 2007; Munro 2010). Such a system relies on the existence of high levels of inequality (political, social, and economic) and the inability—due to poverty or some other lack of agency—of the subordinate group to attain what it needs external to the exchange relationship.

In Latin America, these clientelist relationships all share these characteristics, however, the particular manifestations of the exchange relationship are particular to each specific case and based on previous historical developments. For instance, the adoption of neoliberal reforms in Mexico degraded the Institutional Revolutionary Party's (PRI) ability to continue meeting its clientelist obligations due to lack of state resources for the maintenance of the relationship (Shefner 2001, 2007, 2008). This drying up of resources resulted in a shift of allegiance by many poor, urban groups away from the PRI to other political parties and eroded the PRI's electoral dominance in the country. In Argentina, the presence of Peronist clientelist networks worked to smoothe the transition to neoliberalism by buying off those most hurt by the reforms and in some cases providing a pressure relief valve through organized food lootings when the resources were not enough (Auyero 2003, 2006; Brusco, Nazareno, and Stokes 2004; Calvo and Murillo 2004; Giraudy 2007; Remmer 2007). In this case, Argentina actually used its clientelist networks to maintain its electoral dominance despite carrying out reforms that imposed economic hardships on its traditional base of support.

Neoliberalism as an Economic Ideal Type

As I argued above, in order to investigate whether the new left in Latin America represents a break with the policies and developmental ideology of neoliberalism, we first need to establish a model of the neoliberal state in Latin America. To date, whether scholars are critical of neoliberal reforms or supporters of them, they engage in one of two types of analysis.[16] The first is to talk about neoliberalism as an ideal type and focus on the region or several comparative cases. The second is to focus solely on one or a couple of case studies and treat neoliberalism as a single case. Neither of these methods is ideal for obvious reasons: as I argued above—and will elaborate further in the next chapter—treating neoliberalism as an ideal type glosses over the fact that nowhere was neoliberalism even close to its supposed theoretical ideal and treating it as an idiosyncratic case of reforms by a state in relation to global economic changes ignores the fact that many other states in the same region carried out similar reforms during the same period.

In the next chapter, I will deal with this problem of idealizing the reforms in Latin America but there is one more issue that needs to be addressed as well. Throughout the literature mentioned above, neoliberalism is treated mainly as a series of economic reforms and to the extent that their impact on the state is explored at all, it is usually only in relation to whether or not the state has become

[16] A *short* list of neoliberalism's critics who discuss it as an ideal type are: Fine (2009), Green (2003), Gwynne and Kay (1999, 2000), Harris (2000), Harvey (2005), Huber and Solt (2004), Nef and Robles (2000), Oxhorn and Ducatenzeiler (1998), Pastor (1987), Sites (2000), and Weeks (2000). An even shorter list of supporters who treat it as an ideal type are: Burki and Perry (1998), Edwards (1995), Fukuyama (2008), Walton (2004), and Williamson (1991, 2003). Even many researchers who attempt to treat neoliberalism more evenly tend to conceptualize it as an ideal type: Bresser Pereira and Nakano (1998), Kingstone (2011), and Weyland (2004), for example. There are similarly a number of individual case studies of neoliberalization, and more than a few will be cited in the next several chapters.

more or less democratic in the presence of neoliberalization.[17] Most other analyses are focused on the social or economic outcomes of the reforms. What I argue needs to be done, in order to answer the questions guiding this research, is to create a model of the state after neoliberalization has occurred. In a sense, the state is the outcome, but only insofar as it allows me to illuminate the possible fields of action for the politicians and parties of the new left in Latin America. It provides the stage on which they are acting while simultaneously serving as the object on which their actions are directed. Once we can clearly see what the Latin American neoliberal state looks like, we are capable of seeing what changes have been wrought to it.

[17] See Weyland (2004), for example.

CHAPTER III
NEOLIBERALIZING LATIN AMERICA

Discussions of economic and social policies in the developing world make wide use of terms like neoliberalism, globalization, the free market, and government intervention without making it clear how these terms are specifically being conceptualized. Unfortunately, it is left to the reader to take them in the broadest possible context, one that is at the same time removed from historical specificity and yet, highly conceptually under-specified. When used in such a way, the terms take on the status of an inverted Weberian ideal type. They become an ideal type that the reader (implicitly), rather than the author (explicitly), defines as a base-line comparison for the actual cases being discussed.

In this chapter, I discuss the problematic ways in which various proponents and critics of neoliberalism have used the concept. I focus on how these writers have used idealized theoretical conceptions of what neoliberalization *is* in ways that gloss over what particular cases of neoliberalization *have actually been*. After giving examples and illustrations of these views of neoliberalism, I will analyze the partial and contingent ways in which various states in Latin America have carried out neoliberalization. Finally, I will use the preceding discussions to construct a more grounded, contextualized model of what the neoliberal state looked (or looks) like in Latin America.

The Literature on the Neoliberal State: An Ideal Type

Regardless of whether economic policies are developed and implemented by democratically elected politicians, politically appointed technocrats, or bureaucratically promoted civil servants, the policies themselves are political—not merely technical—in nature and can be traced back to developmental ideologies. A developmental ideology defines the desired end goal to be achieved and lays out the acceptable/desired means through which it can be attained. It is now commonly understood that the period following the Great Depression and the Second World War followed a developmental ideology that was mainly influenced by Keynesianism and structuralism.[18] This model was meant to achieve relatively stable economic growth by stimulating steadily growing, broadly-based demands for consumption. The means to achieve this goal were through a compromise between the economic elites and what was then called "mass society" in which the

---

[18] Keynesianism was more influential in the developed world. In the developing world, this political economy model was often referred to as developmentalism rather than as Keynesianism and stressed slightly different priorities. In Latin America it was associated with Raúl Prebisch, an Argentine economist and Celso Furtado, a Brazilian economist, both affiliated with the United Nations' Economic Commission on Latin America and the Caribbean (ECLAC). In that region, the ISI model of development was ideologically justified by "structuralism" and was intended to alter the relations of dependent trade by which Latin American countries mainly exported natural resources and unfinished goods to the United States and European nations and imported manufactured goods and capital equipment. This dependent economic relationship maintained unequal terms of trade and was seen as structurally limiting the region's economic development potential. For this reason, ECLAC argued that development required structural changes to the economic system that would stimulate demand and simultaneously foster industrial development to meet that demand. (So 1990: 91-95; Peet and Hartwick 2009: 64-68).

economic gains from growing productivity were distributed unequally but broadly, with no one group garnering an excessively disproportionate share. The Keynesian logic behind this was that by stimulating consumption at the mass level, demand would continue to grow, keeping a constant upward pressure on employment and wages in a virtuous cycle. To manage this, governments were required to maintain a floor level of consumption, a high level of regulation, and a readiness to intervene to stimulate consumption during recessions in order to smoothe out the business cycle. This "Keynesian" ideology of development was dominant but far from hegemonic from the end of the Second World War until the 1970s.[19]

For a variety of reasons that I will discus in more detail below, this system came into crisis across the globe during the early-mid 1970s. With the system in crisis, counter-hegemonic discourses of development began to compete for dominance in both academia and in the policy-making spheres of governments and transnational institutions in the capitalist world-system. The foremost counter-hegemonic discourse, centered on the Chicago School of Economics and several Washington-based think tanks, is now commonly referred to as neoliberalism (Plehwe 2009; Stedman Jones 2012; Van Horn and Mirowski 2009; Van Horn, Mirowski, and Stapleford 2011).

[19] By "far from hegemonic" I mean that it was hegemonic in the developed world but the ISI policies were unevenly attempted throughout the Latin American region. Some policies (import tariffs, government involvement in production) were fairly widespread but others (land reform, tax reform) were less uniformly enacted (or even attempted).

All ideologies are based on certain assumptions and those of neoliberalism have come under repeated attack by critics of the theory. Based on a return to some of the basic principles of eighteenth century liberalism, the neoclassical/neoliberal mainstream of economics is based on the premises of "the methodological focus of relying upon optimising individuals in single-minded pursuit of self-interest, embedded within formal mathematical models centered on (deviations from) efficiency and equilibrium, and reputedly tested against the evidence statistically" (Fine 2009: 886). As Fine points out, the mainstream of the economics discipline (which is now neoliberal) is so single-minded in its focus and ideological in its indoctrination of practitioners, that it is immune to all internal criticisms by pushing them to the disciplinary margins and immune to all external criticisms mainly by ignoring them. Though, as I will describe below, neoliberals appear to take on the concerns of other disciplines, they do so from within their own methodological terms but/and economics dominates.[20] For example, the Public Choice economic

[20] Margaret Somers (2005) makes this very point about the term "social capital," which she argues was seen by sociologists as the ultimate validation: economists realizing that exclusively dichotomous models (market vs. state) were unable to account for reality and turning to "the social" to better justify their anti-statist discourse. She says that, unrecognized by most sociologists, the concept of *social capital* is a "Trojan horse" that has intellectually colonized the study of *the social* with a market-driven logic. She argues that adopting this concept into our analyses stunts our understanding of the social world and that the result is the tacit acceptance that "the stuff of citizenship qua social capital [is] a radically anti-political, anti-institutional, presocial, stateless and rightless kind of citizenship" (2005: 266).

Similarly, in his book, *On the Move: The Politics of Social Change in Latin America*, Veltmeyer (2007) argues that in Latin America the national state has been forced out of the economy and the development process. Particularly problematic in this respect, according to Veltmeyer, is the focus on social capital development that theorists departed from other neoliberals by bringing the state (long considered exogenous to the market) back in to the economy as an endogenous actor (Bresser Pereira and Nakano 1998; Stedman Jones 2012). However, they did so while maintaining the methodological individualist focus on rational self-maximizing actors such that politicians and bureaucratic officials are viewed as *only* following personal self-interest, incapable of acting for the "common good" or the "national interest" which as Buchanan and Tullock (1962) point out, is a logical impossibility (given their starting assumptions in the analysis).

From such a perspective, the state is incapable of effectively regulating the market, always creating more negative economic distortions than positive ones. The reason this is seen as the case is that the market is understood as a self-regulating system that exists separately from politics and cultural systems and must be institutionally separated from them to function optimally. This position is based on the theoretical *assumption* that markets are naturally perfectly competitive and result in full and efficient use of resources (including labor) (Weeks 1995).

---

was at its peak popularity in the 1990s. This project focused on the replacement of the state's role in welfare provision by social networks (i.e. civil society) of emotive connections. "What it does provide," says Veltmeyer, "in its negation of politics, is a reformist alternative to pressures for more radical social change and for substantive improvement in socio-economic conditions of widespread and growing poverty" (2007: 69). Social capital is supposed to be about participatory development and the creation of social networks of poor people but what it amounts to is forcing poor people to fend for themselves in a globalized economy, while encouraging them to do so collectively on a small scale. Veltmeyer argues that the social capital method of social change weakens the peasant, working-, and lower-classes by atomizing them into smaller groups and placing emphasis on self-help from within the group. It does nothing to change the actual structure of society – which is the root of the problem.

One of the most strongly held assumptions of the proponents of neoliberal development is the idea that a "free" or "unfettered" or "deregulated" market is the optimally efficient means through which to increase a society's wealth. This argument has persisted in various forms since the time of Adam Smith and is often attributed to his original argument, but some argue that it is a fundamental misreading of Smith's *Wealth of Nations*, taken out of context—both of his writings more generally and of the time in which he was writing (Arrighi 2010; Hont, Ignatief, and Skinner 1983; Jensen 2008; Rothschild 2008). Most critics of neoliberalism's history in Latin America view it as a bearer of this prescription for growth and development. A brief overview of the transition to neoliberalism will show why they hold this view.

From the period of the 1930s through the 1960s, most of the countries in Latin America followed some type of import substitution industrialization (ISI). Very briefly, this developmental ideology was based on a structural analysis of Latin American economic development and had affinities with Keynesianism and modernization theories of development. Its main inspiration came from the writings of the U.N. Economic Commission on Latin America, led by Raul Prebisch. Prebisch's group were sensitive to the particular impact of the colonial and post-colonial history of Latin America and argued that the main impediments to development in the region were based on structural problems like the composition of trade—which were themselves rooted in historical processes. In order to overcome these structural impediments, these states needed to enact reforms that sought to structurally change the economy.

Until the late 1960s, the ISI strategy worked well for Latin America generally (Weeks 1995). The region experienced consistently high growth rates and gradual reductions in the rate of poverty, though most states in the region continued to have high levels of inequality, relatively underdeveloped institutions, and frequent bouts of authoritarianism. Beginning in the 1960s, a confluence of events led to an inability to reconcile the contradictions inherent in the ISI model. During the "development decade" of the 1960s, Latin American countries were encouraged to borrow heavily to finance large, long-term infrastructural projects. These countries were also borrowing to support various social policies designed to increase domestic consumption. This period was followed by the oil price shocks and stagflation, which resulted in the debt crisis.[21]

The spectacular rise of neoliberalism from the academic hinterland of the economics discipline—and the academic mainstream that looked down on it as a Gilded Era throwback—to hegemonic status as *the* legitimate economics discourse over the last half of the twentieth century is now well-documented (Harvey 2005; Nef and Robles 2000; Stedman Jones 2012; Van Horn and Mirowski 2009; Van Horn, Mirowski and Stapleford 2011). Its importation into economics departments, finance ministries, and policy circles in Latin America has also been thoroughly

[21] I will not go farther into this subject and include it here only as a background discussion for the period that is the subject of this chapter. There is an enormous literature on this subject and my portrayal of it is based on: McMichael (2008); Rist (2004); Peet and Hartwick (2009); and Green (2003).

explored (Babb 2001; Cypher and Delgado Wise 2010; Green 2003; Klein 2007). As Gwynne and Kay (1999) argue, the ideology of neoliberalism wasn't simply imposed from without, in Latin American states "The great majority of technocrats had been research students in the economics and business schools of US universities" (1999: 17). Many of these technocrats were themselves neoliberal advocates and this created an internal support for adopting this ideology.

Neoliberalism emerged as a synthesis of the Austrian and Chicago Schools of Economics but its popularity came from the evangelical zeal of its early proponents.[22] In addition to their scholarly work, both Hayek and Friedman engaged in political policy debates by writing non-academic books for mass audiences, designed to sway popular opinion away from support for government intervention in markets, regulation, and social protections administered by the state. As Mirowski, Van Horn and Stapleford point out, "the leaders of the postwar Chicago School were not cloistered academics, but empire builders who set up or forged influential relationships with well-funded institutional organizations in order to provide vital support structures for the creation, incubation, and propagation of their ideas" (2011: xix).[23]

The successful colonization of the Chilean academy by neoliberals educated at the University of Chicago or educated by those who were, saw proponents of this

---

[22] Stedman Jones (2012) argues that it was a combination of more complex trans-Atlantic synthesis between the United States and United Kingdom with the Austrian School as a heavy influence on both.

[23] For good (but critical) analyses of the rise of neoliberalism and the Chicago School's role in it—including discussions of Friedman, Hayek, and Mises—see also Mirowski and Plehwe (2009) and Stedman Jones (2012).

theory placed where they had the opportunity to influence the coup government and turn Chilean society into what Naomi Klein has called a neoliberal “laboratory” (Fischer 2009; Klein 2007; Stedman Jones 2012). It was also during this time that more and more of the personnel of the major international financial institutions and policy think tanks were adopting neoliberal policy stances. Ben Fine (2009) describes this process of neoliberal ideological colonization in the context of development studies.

> The rise of the new developmental economics [neoliberalism] was promoted and accompanied by an increasing intolerance within the discipline of any heterodoxy, while development economics became less of a separate field and more of an application, like most other fields, of pervasive and uncritically deployed methods and principles (Fine 2009: 894).

This colonization was occurring concurrently with a series of global economic changes that culminated in a systemic crisis in the late 1960s and early 1970s. In Latin America, and many other developing countries around the world, the real manifestation of this systemic crisis was the oil shock and subsequent debt crisis. In this changing intellectual environment, economic crisis acted as a catalyst for change, opening up the opportunity for neoliberals to push for wider changes in economic policies within states and—through the international financial institutions (IFIs)—onto states from outside.

The Debt Crisis and Neoliberal Response

With the onset of the debt crisis, the United States and many international institutions like the IMF that were heavily influenced by the U.S. came to the conclusion that the main problems in developing countries that had led to the debt crisis was not the lending practices of the World Bank and the many private sector financial institutions that had flooded developing countries with lent money. The problem according to these groups was that the developing nations had artificially inflated their standards of living by subsidizing food; creating bloated, inefficient government bureaucracies; and investing too much in social development like health, education, and safety nets (Rist 2004: 172-3).

According to the view of the IMF at the time, in addition to an artificially high living standard, a balance of payments crisis was primarily a trade problem, specifically that countries were not exporting enough to keep up with foreign debt. In order to correct this, it was necessary (again, according to the IMF) to decrease internal demand by initiating a recession. This would drive down the value of the currency and make a country's products more desirable to other countries. By this perspective, the ISI period had artificially inflated the domestic currency and simultaneously inflated domestic demand, both of which resulted in decreased terms of trade that could only be solved by decreasing domestic buying power, thus decreasing domestic demand (Green 2003: 46-52).[24] The obvious assumption here

[24] In addition, decreasing government expenditures and investments was a means to another of the goals of neoliberalism, changing culture (Oxhorn & Ducatenzeiler 1998: 229; Portes 1997: 238;). Although I mention this here, an exploration of this

is that external demand for that country's goods will automatically increase, balancing the debt payment outflows with increased terms of trade, revenue inflows, and foreign direct investment.

In the mid-1980s, Bela Balassa led a team of conservative economists at the World Bank who published the equivalent of a capitalist manifesto (Portes 1997: 237). Their advice to developing nation-states, struggling under massive debt burdens, consisted of seven economic reforms. According to Balassa et al. (1986), they needed to unilaterally open to foreign trade and to privatize state-owned or state-operated enterprises. Also, they needed to deregulate their markets, especially the labor market. In order to stimulate additional investment, they needed to liberalize capital markets including, of special importance: the privatization of pension funds. In order to address the worsening fiscal position of the national states, Balassa et al. advised scaling down government social programs and replacing them with conditional cash transfer programs. Finally, according to Portes, Balassa and his group advised countries to put an end to "industrial policy" or anything else that smacked of state capitalism and to instead engage in "macroeconomic management" (Portes 1997: 238).

Neoliberals saw reliance on import tariffs by the ISI-oriented governments of Latin America as contributing to the trade imbalances of the region's countries. As the Chicago School of Economics-trained, World Bank economist, Sebastian

---

aspect of neoliberalism is beyond the scope of the current project even though it cannot simply be bracketed-off from any attempt to understand the underlying goals of neoliberalism.

Edwards argues: “the high degree of protection granted to manufacturing in Latin America resulted in serious discrimination against exports, misallocation of resources, inefficient investment, and deteriorating income distribution” (Edwards 1995: 117). Thus, neoliberal proponents argued that in order to grow their way out of debt, Latin American countries needed to open themselves up to the global economy and adopt an export orientation (Cypher and Wise 2010; Gwynne and Kay 2000; Williamson 1991).

When the IFIs stepped in to provide loans to Latin American countries, they attached a series of conditions that the borrowing governments had to agree to in order to get the loans. They even disbursed the loans in installments based on scheduled, quantitative targets to ensure compliance by the borrowing government (Pastor 1987: 249). The IMF often took the lead role, laying out a series of policy prescriptions and arranging for the country to get a World Bank structural adjustment loan and often a series of other loans from the Inter-American Development Bank or other institutions. Most of the time, these loans came with conditions imposed by those institutions as well. The IFIs coordinated their “cross-conditionalities” such as “devaluation, limits on banking credit and public borrowing, removal of price subsidies, reduction of tariffs and elimination of some import controls, encouragement of foreign investment, and finally resistance to nominal wage increases” (Pastor 1987: 250).

The Washington Consensus

The IFIs realized by the mid-1980s that the stabilization strategies, aimed primarily at the debtor countries, were incapable of addressing the long-term fiscal and trade deficits that these countries had become trapped in. By the time that Williamson wrote about the Washington Consensus, many of the technocrats of the IFIs had come to believe that the priority for Latin American economies needed to be the promotion of an export orientation. This would require structural changes that amounted to an overall change in government policy priorities. “The Washington Consensus position is that this minimum policy set was necessary to remove distortionary state intervention and, by getting prices right, build a base for renewed and sustainable economic growth” (Kingstone 2011: 53).

Neoliberal policy recommendations had become standard in international development circles by the end of the 1980s (Peet and Hartwick 2009: 84). John Williamson (1991) discussed these recommendations in regards to Latin America, saying they could be “summarized as prudent macroeconomic policies, outward orientation, and free market capitalism” (1991: 18). Williamson stated that these were not objectives or outcomes, but policy instruments on the importance of which technocrats and politicians headquartered in Washington seemed to share a consensus. Williamson’s ten Washington Consensus “policy instruments” were:

- *Fiscal Deficits*: The existence of large or sustained deficits is a failure of policy to be avoided.
- *Public Expenditure Priorities*: Subsidies are unproductive and must be replaced with spending on education, health, and infrastructure—but from within a balanced budget.
- *Tax Reform*: The tax base must be broadened and revenues increased.

- *Interest Rates*: Interest rates should be market-determined and positive to encourage capital investment.
- *The Exchange Rate*: Though it would be desirable to let the market determine this, it is more important for countries to maintain a competitive exchange rate to encourage the growth of nontraditional exports.
- *Trade Policy*: Outward orientation must be combined with liberalization of imports to avoid distortions caused by protection. Infant industries may be protected for a short time.
- *Foreign Direct Investment*: FDI inflows must not be restricted, though liberalization of foreign financial flows—while desirable—is not a high priority.
- *Privatization*: The private sector is usually more efficient than the state and in many Latin American countries is seriously lacking and needs to be encouraged. Thus the state can use privatizations to ease fiscal pressure and increase competition.
- *Deregulation*: The region is over-regulated and deregulation will increase competition.
- *Property Rights*: Property rights are essential but in Latin America they are insecure and must be strengthened.

It is important to note that no Latin American state fully adopted the entire list of policy reforms (Lora 2001; Williamson 2003a). However, it is possible to imagine what a state that followed all of these recommendations would look like. Surprisingly enough, what emerges is a very small, but not quite the night watchman minimalist state that some critics of neoliberalism fear.[25] Williamson's ideal state would still seek to invest in education, health, and infrastructural development in order to become more competitive in the global economy, however,

[25] An extreme example of this liberal night watchman state is outlined in Robert Nozick's (1974) *Anarchy, State, and Utopia*, in which he argues that even when starting from a purely anarchist original position (a Lockean state of nature), a minimalist state logically must come into being, through the invisible hand of Adam Smith, while grounded in the Lockean conception of natural rights. This minimalist or "night watchman state" is only a police, military, and judiciary apparatus that protects the "natural rights" of its citizens. He goes on to argue that anything other than a minimalist state is a violation of individual rights (as he has defined them *a priori*).

it would have to do so from within tight fiscal restrictions. This state would seek to increase tax revenues, but mainly through less progressive means—value added taxes (VAT) on consumption rather than income tax increases or taxes on corporate profits. The brunt of these tax reforms would be borne by the popular classes for whom taxes on consumption constitute a higher proportion of their income.[26] This state would have a vigorous role in protecting private property rights but its overall role in economic management would at best, be very slight. Beyond some manipulation of the exchange rate, this state has no major role in regulation; management of trade, finance, or investment; and it will not be engaging in the production or financing of goods and services.

The state that the Washington Consensus imagined can be seen as a normative (though not an analytical) ideal type in the sense that it was the ideal to which actually-existing states should aspire. Like the criticisms of the IMF technocrats who were a large part of this consensus, the state imagined above is an ahistorical abstract idea. This is largely due to the starting assumptions (discussed above) that underlie neoliberalism as a theory. As already explained above, neoliberalism's proponents see their policy prescriptions *not* as ideologically motivated political choices but rather as purely technical responses to economic

[26] In the literature on Latin America, the term "popular classes" is often used as a catchall phrase meant to encompass groups that are in the lower classes but in many ways distinctly different in relation to the sociopolitical structure. For example, the urban working class, the unemployed and structurally poor, workers in the informal sector, peasants, migrant workers, and in some countries the indigenous population are all often considered to comprise the *popular classes* (See Skidmore, Smith, and Green 2010: 394-402).

problems. The problem with this type of analysis is that neoliberalism becomes a generalized concept that is useful for discussions about the logics behind policies, their moral implications, or their logical contradictions—at an abstract level—but it is not really of much use in parsing the variations in neoliberalisms practiced in various historical and geographic locations, how they compare with one another, or how they structure future strategic actions by politicians and organizations. However, this limitation is not exclusive to the proponents of neoliberalism. It is also manifested in many of the critiques of neoliberalism in the literature.

The Critics

Critics of neoliberalism offer a starkly different view of the theory, its intentions, and its results. However, much like the proponents of the neoliberal Washington Consensus, critics were often focused more on abstractions than on the specific locations of reforms and paint an unrealistic picture of what neoliberalism has been in the Latin American context. For most of these critics, neoliberalism becomes an ideal type concept but is not treated as a particular type of *state*. Many of these writers do talk about the state and its new role, but they focus on the state shrinking or decreasing its activities (Gwynne and Kay 1999, 2000; Harris 2000). Others, like Cypher and Wise (2010) argue that the state is redeploying to benefit a new constituency. "Thus while the neoliberal dogma maintained that the state was the source of all economic inefficiency and that the resolution of the problem of the state was simply to shrink it to its minimal watchman level, in practice the Mexican state was both reduced and *redeployed*" (2010: 46-7, emphasis in original).[27] In none of these cases does the author treat the state after neoliberalization as a different model of the state than it had been before the reforms. There are some exceptions to this. In different ways, David Harvey (2005) and William I. Robinson (2004, 2006, 2008) do conceptually differentiate the state that neoliberalism creates.

David Harvey has been a very outspoken critic of neoliberalism. Harvey's analysis is an excellent example of the process of the type of conceptual stretching that I am trying to avoid in this project. I agree with Harvey's assertion that, as a political economy discourse, neoliberalism has become hegemonic throughout much of the world. He defines this discourse as "A theory of political economic practices that presupposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey 2005: 2). Although Harvey uses empirical examples to ground his arguments about the class-based intentions behind the rise of neoliberalism as a discourse and neoliberalization as policy prescriptions, his argument is carried out at the global level and as such is abstracted away from any single nation-state or region. He acknowledges the problem that this creates between his

[27] Oxhorn and Ducatenzeiler (1998) argue that this redeployment of the state was based on the assumption that a smaller, but *not* a weaker state would be better able to manage the economy while maintaining fiscal discipline. They argue that after neoliberal reforms were enacted, the initial assumptions were not supported, leading instead to what they called "predatory capitalism."

conceptualization of what the neoliberal state is supposed to look like in theory and the "systemic divergences" in its application. He notes that the uneven geographical development of states over diverse socio-political/spatial distances has led to different adaptations in various places and times. Though he ranges from the United States and the United Kingdom to Latin America and even to China in his analysis, he does not break from the global level and in so doing, he is essentially creating an ideal type of the neoliberal state. His explorations of local transformations are meant to reinforce his analysis of broad trends of neoliberalism as (one-sided) class-struggle, to restore the power of economic elites.

Robinson sees neoliberalism as a discourse that attempts to legitimate a global capitalist system that he calls the transnational state (TNS). The TNS is not a world government or a replacement of nation-states, rather it is a displacement of them as the organizing logic of the global system. He says that the TNS "is an emerging network that comprises transformed and externally-integrated national states, *together with* the supranational economic and political forums" (2001: 166, emphasis in original). This apparatus does not yet have a centralized institutional form. What there is, according to Robinson (2004, 2008), is a loose network of institutions that have penetrated and transformed nation-state apparatuses in such a way that the policies formed in these supranational institutions like the IMF, World Bank, World Trade Organization, and World Economic Forum are actually enforced by nation-state apparatuses of power.

He refers to the form of government that the neoliberal democracies in Latin America adopt as "polyarchy" or low-intensity democracy. He says that polyarchy looks like democracy but is in fact a severely limited form of it, where major economic decisions are carried out by technocrats, who are insulated from popular pressure. Robinson writes:

> "Market democracy" may be an oxymoron for those who see the concentration of social and economic power brought about by capitalist "free" markets as fundamentally incompatible with the democratic exercise of political power. Yet the phrase cynically captures the ideological sales pitch that a new transnational elite has used to sell the project of global capitalism in recent decades (2006: 97).

It would be incorrect to characterize what Robinson is theorizing as an ideal type state. What Robinson is offering is an historical materialist account of how the nation-state is changing as part of his theory of global capitalism. However, similar to Harvey, Robinson's level of analysis is global and though he supports his argument with evidence from national and subnational levels, he uses them merely to illustrate his global level processes—not as explanations of how local (or even national) differences relate to local (or national) history and local (or national) processes.

As the above discussion illustrates, both the supporters/proponents and the critics of neoliberalism often use the term as if it were a generalized (and hence vague) concept that is a stand-in for particular ideological perspectives or as an ideal type to which any given state can be compared for analytical purposes. This approach will not work for the present study for several reasons. First, I am not concerned with an abstracted version of neoliberal theory—though this aspect cannot be ignored. I am interested in how neoliberal theories become developmental ideologies and are then translated "onto the ground" in real world attempts to develop economies. Second, given my above interest, it is important to note that when neoliberalization occurred in Latin America, it did so in a manner that was particular, contingent, and partial. The implementation of an ideal neoliberal model appears in no case (not even authoritarian and brutally repressive Chile) in Latin America. Even in particular aspects of the reform package (e.g. privatization), there are no cases of complete neoliberalization (Buxton and Phillips 1999; Green 2003; Williamson 2003a). Green (2003) makes this case in his examination of neoliberalism in Latin America.

> No one country has implemented the full neoliberal recipe. Several supposedly exemplary neoliberal regimes have clung to lucrative and strategically important state enterprises in copper (Chile) and oil (Mexico). Elsewhere, political opposition has forced governments to abandon or water down their privatization programs (Uruguay, Colombia, Brazil, Bolivia, Nicaragua, Ecuador). Several of the most successful countries have mixed orthodox neoliberal adjustment with heterodox government controls (Green 2003: 114).

What we see rather than ideal applications of neoliberal reforms, of the kind neoliberal proponents would like to see, are varying degrees of neoliberalization over time and across the region.

This being the case, my intention is to create and deploy a more modest, situated, and variable concept of the neoliberal state in Latin America. After a discussion of the actual neoliberal reform process in Latin America during the 1980s and 1990s, I will propose a model of the Latin American neoliberal state. This model is not intended to capture the particular experience of every single country in the region, but will instead provide a slightly generalized model that purposely avoids withdrawing to the level of abstraction that many previous writers have in their various analyses. My intention is to remain as historically specific to the cases as possible.

Neoliberalism in Latin America

Following the debt crisis of the 1970s and early 1980s, most countries in Latin America engaged in some form of market liberalization and the region is often touted as having had the most extensive experience with neoliberalization in the developing world. From a removed position, it is easy to accept this assertion. The IFIs and pro-market theorists were fairly consistent, even if contextually insensitive, on what specific types of reforms should be implemented and what type of state ought to foster development. From the early 1970s, when the "Chicago Boys" had a relatively free hand to remake the Chilean economy in the context of a brutally repressive authoritarian regime, until the mid-late 1990s when even proponents of liberalization had to admit that most countries in the region had serious institutional insufficiencies, there was one, clear ideal-type neoliberal state that could act as a theoretical policy template.

However, once countries are investigated on a case-by-case basis, it becomes apparent that the countries of the region varied widely in both the breadth and the depth of neoliberal reforms. One of the more effective ways to conceptualize the differences in neoliberalization in the region is to group countries based on similarities of certain types. Various analysts have grouped countries based on the timing of the reforms (early—pre-1980s reforms, the 1980s, the 1990s) (Edwards 1995), or first-, second-, (and sometimes) third-generation reforms (Almeida 2008; Burki and Perry 1998; Fukuyama 2008; Green 2003; Williamson 2003a); the types of reforms carried out (Cypher and Delgado Wise 2010), or the emphasis of the reforms (stabilization, structural reform, institutional reform) (Harris 2000; Kingstone 2011). In the following section, I will create an amalgamation of these reform groupings into several "stages" of reforms (following Leiva 2008), however, I will divide them up a bit differently than previously—mainly for analytical purposes.

Latin America's "Stages of Reforms"

Many researchers who write about neoliberalization in Latin America do not temporally separate-out various types of reforms, they treat them as one unified package. This is problematic because it fails to examine how, when, and by whom the reforms were conceived and similarly ignores where, when, and how the reforms were implemented differently in different states in the region. However, there are some writers and analysts who attempt to take a more situated view of the complex process by which the region came to be seen as the preeminent example of neoliberalism at work. For these writers, it is important to acknowledge that different types of reform packages were stressed (both by the IFIs and by individual states) at different points in time. In addition, Latin American nation-states faced different sets of developmental problems and politically, each had differing sets of societal actors and constituencies to consider.

It is relatively common at this point, when discussing neoliberal or Washington Consensus policies, to refer to a first- and a second-generation of reforms. Analysts at the IMF and World Bank began using these terms in the mid-1990s while proposing a new round of reforms that were then deemed necessary.[28] By this point (after the Tequila Crisis), it was admittedly quite possible that the original neoliberal policies were not transforming Latin American countries into the dynamic capitalist growth machines that the IMF's and World Bank's economists had envisioned. A new series of reforms were proposed that were intended to make the Washington Consensus "first-generation" reforms more effective. Outside of the IFI community however, the use of the terms first- and second-generation reforms is not quite so standardized.[29]

---

[28] Illustrations of this argument can be seen in Edwards (1995); Burki and Perry (1998); and Fukuyama (2008). All of these authors lament the failure of proper economic and social policy reforms due to the inadequacies of Latin American countries' governing institutions. They do not question the fitness of the original policies. They place the blame on the fact that the countries successfully enacted economic reforms without "the modernization of political institutions" (Edwards 1995: 6).

[29] They are not necessarily quite so conceptually standardized within the IFIs either. For example, Sebastián Edwards (1995), the World Bank's chief economist for Latin

Writing a few years after the IFI analysts started using the terms first- and second-generation, other (more critical) analysts of neoliberalization in Latin America have begun to use the term first-generation to refer primarily to the "stabilization" phase of the early-mid 1980s, where the focus was primarily on the balance of payments/debt crisis. And, similarly, they use the term second-generation to refer to the "structural adjustment" reforms that sought to change the state's relationship to the society and the economy in these countries (Green 2003; Almeida 2008). Although Green and Almeida do not specifically refer to a third-generation of reforms, from their perspective, the second-generation institutional reforms that the IFI writers discuss would be a third-generation of reforms. In order to better understand how neoliberalization resulted in a particular type of state in the region, I will build off Leiva's (2008) conceptualization of these reforms where he disaggregates the "first-generation" into two distinct stages of reforms. This approach allows me to more easily recognize and incorporate variation between cases while building my concept of the Latin American neoliberal state.

In his exploration of the "post-neoliberal" rise of neostructuralism in Latin America, Leiva (2008) divides the neoliberal period in to two stages: stabilization/shock therapy and deep structural reforms. These two stages combined correspond to the first-generation of reforms of Burki and Perry (1998),

---

America and the Caribbean during the mid 1990s, characterized the series of reforms within countries as "stages" in which the second and third stages roughly correspond to the first- and second-generations of reforms respectively. He also divided the states of the regions into "waves" of reform that were based temporally on when individual states began to implement reforms.

Williamson (2003), and others. For Leiva (as for Green 2003), the first stage is focused on stabilization. Leiva says that this is the phase of "shock treatment" and "austerity measures." The two main foci of this stage are creating macroeconomic equilibrium (balancing government expenditures with revenues—while paying-down the foreign debt) and removing what was perceived to be the main cause of market distortions—the government's interventions (in the form of trade restrictions, subsidies, nationalized industries).

The second stage for Leiva is the commodification of society. He says, "the goal of the second stage was to expand the logic of the market to the totality of institutions and social relations" (2008:46). Public "goods" (such as natural resources, water/sewer, electricity, telecommunications, education, health care, even transportation systems) must be brought into the market because the public has mismanaged them. This follows the neoliberal assumption that government is inefficient and that markets would be better at allocating these goods among the population. However, as Leiva points out, the logic goes even deeper aiming at nothing less than cultural change. "No significant area of socioeconomic existence can remain sovereign from the role of commodity relations" (2008: 46). This stage sees the intensification of privatization (including in social services), labor market reforms (meant to discipline labor), and financial liberalization.

The third stage of reforms is an attempt to "consolidate" the previous stages of reforms. This corresponds with the pro-neoliberal writers' second-generation of reforms, the discovery that "institutions matter" (Burki and Perry 1998). This is where my categorization diverges from Leiva's. He categorizes this the third stage of reforms as neostructuralist rather than neoliberal. He quite correctly identifies this third stage of reforms as having some ties to the ECLAC writers and their revision of structuralism. However, as I will discuss more below, this shift in focus toward the importance of reforming institutions in Latin America also came from the realization by neoliberal proponents that the first two stages were not working (even where they *were* fully implemented). In addition, it does not subvert the logic of neoliberalism but rather seeks to create a web of supportive institutions to solidify the new neoliberal order (i.e. to constitute a neoliberal state). Thus, for purposes of this model, he third stage is a third *neoliberal* stage.

First Stage Reforms: Economic Stabilization

The first stage of reforms are part of the Washington Consensus package of reforms; however, not separating the WC out into distinct stages glosses over the historical process in which the reforms were carried out in the region. The first stage of reforms were a reaction to the debt crisis.[30] This is a conceptual, not a temporal distinction, though it roughly follows a temporal pattern. Following the general path discussed just above, states usually opted for a new developmental ideology once it was clear that the contradictions between the internal and global

[30] I acknowledge that there were various piecemeal reforms in some states prior to this, and this also leaves out Chile, which is a problem. However, Huber & Stephens (2012) argue that the BA states in Chile, Argentina, Uruguay, and Brazil all embarked on harsh stabilization and austerity programs in the late 1970s and early 1980s – prior to democratization.

systems and the developmental ideology then being employed had grown too problematic to continue. Such reforms were often begun through undemocratic means – either imposed by authoritarian governments or externally imposed on democratic ones by international financial institutions.

Very generally, the literature on Latin American neoliberalization that addresses this first stage of reforms is focused on those reforms that were designed to deal with countries' short-term balance of payments crises and their longer-term fiscal imbalances during the debt crisis. Burki and Perry (1998), writing for the World Bank and referring to this wave of reforms as "first-generation reforms," state that these reforms focus on "issues of fiscal discipline, liberalization of trade and investment regimes, deregulation of domestic markets, and privatization of public enterprises" (1998: 1). In focusing on these reforms as one package however, these authors fail to distinguish between the later reforms (mainly) of the 1990s and the early responses to the debt crisis, the second set of which were often externally imposed by the IMF. The IMF's prescribed developmental policies—known as conditionalities because loans from or through the IMF came with target conditions that borrowing countries had to meet in order to receive the borrowed money—during the 1980s and 1990s are now notorious because they ignored local contexts and local governments' concerns in their design—often to disastrous effect. Green (2003) described the situation like this:

> Typically, IMF "missions" from Washington fly in for three weeks with a blueprint for the country's future economic policy already in their briefcases. Once in the country, they negotiate with local technocrats from the

> Finance Ministry, often themselves former IMF or World Bank employees, but they do not consult other bodies like the Agriculture Ministry or the UN Food and Agriculture Organization, which have far better understanding of how the Fund's economic prescriptions will affect people on the ground. Still less do they talk to the peasants' organizations, community associations, trade unions, or NGOs who are most in touch with the poor communities the Fund is supposed to be helping (Green 2003: 58-9).

In addition, Green argues that the IMF sees balance of payments crises as primarily caused by excess domestic demand and a lack of exports. To solve this, the IMF prescribes a "swift but painful cure of recession and reduced demand" (2003: 51). Fiscal austerity by the state is usually prescribed in the following ways: raising taxes, charging user fees for government provided education and health care, increasing user fees for government provided goods where fees already exist (like power, water, transportation), cutting spending on social goods (like education, housing, and health care), decreasing or eliminating state subsidies for food or fuel, reducing salary and benefits to government employees, and severely cutting government employment (Almeida 2008; Green 2003; Harris 2000; Harris and Seid 2000; Oxhorn and Ducatenzeiler 1998; Portes 1997).

Although the military juntas of the 1960s and 1970s in Latin America (O'Donnell's bureaucratic-authoritarian states) were the first governments to implement neoliberal reforms, they only did so piecemeal and with disastrous results.[31] For example, following the 1964 coup in Brazil, the military opened some

[31] Of course, Chile is an exception here, as the reforms carried out there were far from piecemeal or hesitant and had some economic successes.

sectors of the economy to foreign direct investment, and sought to boost exports by a combination of currency devaluation and the brutal repression of organized labor both of which were meant to make Brazilian products more competitive internationally. However, the military simultaneously attempted to continue domestic industrial development by incurring the developing world's largest national debt. In Argentina, the military junta that came to power after the 1976 coup d'état abandoned "all protections for local producers," except for the military industrial complex, and yet maintained an overvalued currency, which exacerbated foreign debt (Green 2003).

Both Saad-Filho et al (2007) and Green (2003) argue that the IFIs and many state-level actors in Latin America believed that the balance of payments crises these countries were facing were due to too much internal demand, brought about by ISI. The initial recommendations were to devalue currencies, cut government subsidies, and decrease government spending across the board. The desired outcome of these policies was to simultaneously decrease imports and increase exports, which would theoretically alter the flow of wealth into the country. In the short term, these policies resulted in acute recession. However, they could not address inflation in countries like Brazil and Argentina during the early 1980s because these countries had transitioned to democracy in a context of high inertial inflation and their previous military governments had instituted price and wage controls that followed inflation-indexed schedules. At certain, scheduled dates, wages and price controls were adjusted to inflationary changes. The process was disorganizing to Argentina's and Brazil's economies and was causing other economic problems (Saad-Filho et al. 2007: 19). In order to deal with inflation, it was not enough to merely induce recession and decrease demand, these newly restored civilian governments needed to end indexation and price controls (Dornbusch 1993).

In Peru, the Belaúnde administration began an attempt to implement neoliberal policies in 1980: devaluations, privatizations, the liberalization of trade, and financial liberalization to encourage foreign direct investment (FDI). However, the policies enacted resulted in decreased manufacturing output, decreased private investment, a rise in inflation, and GDP stagnation (Pastor and Wise 1992).

In several countries, notably Argentina, Brazil, and Peru, the new democratically elected governments sought to avoid the pain of neoliberal austerity by enacting heterodox policies to deal with the crisis. These governments unexpectedly froze wages and many prices and switched their countries over to new currencies. These policies were initially successful, dramatically reducing inflation in the short term. However, they were unsustainable and these countries' economies became more and more distorted. The heterodox attempts to stimulate the economy while avoiding inflation nearly universally resulted in hyperinflation and a return to neoliberal orthodoxy.

Second Stage Reforms: Structural Adjustment

Following Green (2003) and Almeida (2008), I conceptualize the structural adjustment aspects of the Washington Consensus as the second stage of reforms as applied in Latin America in response to the debt crisis.[32] This is not a temporal argument but rather a distinction based on the intentions behind and extensiveness of the reforms that I place in this category.[33] The more immediate attempts to address the debt crisis were focused on the short-term problem that developing countries were in fiscal crises that threatened their abilities to continue paying their external debts. As such they focused on policies that would (in the short-term) allow these countries to avoid default. Second stage reforms, by contrast, were attempts to restructure these countries' economies to bring them in line with the emerging, hegemonic neoliberal discourse of development. According to Green (2003), second stage reforms are "a more profound and longer-term process, through which the international financial institutions try to implant a functioning free market economy in the country concerned" (2003: 52).

Although in some countries various aspects of the second stage of reforms were begun in earlier periods, the policies of structural adjustment were primarily implemented in Latin America beginning in the late-1980s and throughout the

[32] Although, as I said in an earlier section, Green refers to them as generations rather than stages.

[33] I say this while acknowledging that Green (2003) *does* see it as both a conceptual and a temporal distinction. He says, "From the Mexican default in August 1982 until mid-1985, the IMF and its short-term stabilization approach dominated the response to the debt crisis" (2003: 52).

1990s.[34] Most of the countries in the region dramatically reduced trade barriers by eliminating some or all import quotas and restrictions, and by lowering tariffs (Burki and Perry 1998; Fukuyama 2008; Green 2003; Harris 2000; Kingstone 2011; Lora 2001, Morley et al. 1999). Most of these countries also implemented deregulations of finance and investment in order to stimulate FDI (Burki and Perry 1998; Green 2003; Harris 2000; Lora 2001; Morley et al. 1999). Despite the fact that the Washington Consensus called for increasing the tax base as part of the process of attaining fiscal balance, there was little real reform in taxes in the region (Kingstone 2011) and the reforms that did take place mainly shifted the tax burden from more progressive forms (income and corporate taxes) to more regressive ones (sales taxes and VAT) (Lora 2001; Morley et al. 1999; Nef and Robles 2000; Williamson 2003a). There was an attempt to deregulate the labor market, though the extent to which this was carried out varied widely between countries and is also a point of contention in the literature between proponents of neoliberalization (Williamson 2003a), who argue this was one of the least accomplished reforms, and critics of neoliberalization (Green 2003; Gwynne and Kay 1999; Pastor 1987; Weeks 2000), and even some of its proponents (Burki and Perry 1998;), who argue that it was both carried out and devastating to labor.[35]

---

[34] Chile is the obvious exception to this, having carried out its most extensive neoliberalization in the early- mid-1970s.

[35] When states did engage in labor market deregulation, the most common result was decreased wages in the formal sector and an increase in unemployment, underemployment, and informal employment (Cypher and Delgado Wise 2010: 138-170; Itzigsohn 2000; Portes and Castells 1989; Weeks 2000).

Privatization was possibly the least popular neoliberal reform in Latin America (Checchi, Florio, and Carrera 2005; Nellis 2003). Though haltingly begun in several of the bureaucratic-authoritarian regimes of the 1960s-1980s, this process was extensively engaged in during the period of second stage, structural adjustment reforms. “While few significant sell-offs occurred in the chaos of the lost decade, in the 1990s, Latin America came to resemble a giant fire sale, as government after government sold off dozens, if not hundreds, of state-owned enterprises” (Green 2003: 104). One reason for this massive sell-off was that it was often a condition imposed by the IFIs on the borrowing countries. Despite the fact that it was widely unpopular among the popular segments of the population, technocrats in Latin America and the U.S. saw it as being a desirable reform. Privatizations were a way to both cut expenditures by selling government enterprises that routinely operated at a loss while simultaneously increasing government revenues (in the short run).

Social policies were only an aspect of the Washington Consensus by their connection to public expenditures. Williamson (1991) argued that education and health care spending should not be cut as they are direct investments in future human capital necessary for national economic development. He singled out subsidies as being wasteful, distortionary, and disproportionately beneficial to the middle-class, and therefore represented spending that should be eliminated. This was after the early attempts at stabilization in which government spending on education and health care were allowed to stagnate or even decline throughout the region (Birdsall and Székely 2003).[36] The early austerity conditionalities attached to IMF agreements included not only cuts to subsidies but also to education and health services (Walton and Shefner 1994). Of all the reforms discussed so far, social policy varies the most during the neoliberal period. After the initial decreases in expenditures, during the 1990s spending on education and health care rose in nearly every country in the region (Walton 2004). This needs to be qualified by the acknowledgement that Latin American spending in these areas "tended to be low and highly unequal in its character" (Kingstone 2011: 50).

However, many of the neoliberalization in the region should still be seen as attempts to move away from welfare state oriented policies and towards market-based ones. "Notable here is the case of pension reform in which the private sector takes control of workers' contributions, the investment of those contributions and the delivery of social and pension benefits" (Gwynne and Kay 1999: 24). Various types of social security/pension reforms that involved privatization were carried out in Argentina, Bolivia, Colombia, El Salvador, Mexico, and Uruguay (Green 2003).[37] The dual purpose behind such reforms was to divest governments of fiscal responsibility for them and to increase the pool of domestic capital for investment. Another means of attaining this dual purpose was to change welfare policies away from an emphasis on attaining universal coverage towards policies that were

[36] This argument seems to be supported by Segura-Ubiergo's (2007) pooled time-series cross-section analysis, which shows that "fiscal adjustment tended to reduce total social spending as a percentage of GDP" and to reduce social security spending as a percentage of total public spending (2007: 168).
[37] Chile had pioneered this type of reform under Pinochet in the 1970s.

targeted and compensatory to buy-off the support of those groups most negatively affected by the stabilization policies (Bresser Pereira and Nakano 1998). These programs were typically targeted only to the least well-off and consisted of conditional cash transfer programs (Portes 1997) that resulted in programs that "were designed to be small, specific, and tightly focused" (Birdsall and Székely 2003: 64). However, the emphasis remained on maintaining fiscal balance rather than addressing structural poverty or inequality (Fukuyama 2008; Birdsall and Székely 2003). Harris (2000) argues that these programs have 1) resulted in countries being reliant on external NGOs, 2) countries being reliant on the funding/financing of the programs by foreign government aid and IFI loans and grants, and 3) a focus on short-term patches rather than long-term attempts to address the root causes of poverty (which he says is nearly always a structural phenomenon in Latin America).

Stabilization, Structural Adjustment, and Protest: Contesting Austerity

By the end of the 1990s, it was undeniable for most analysts that neoliberal reforms had not resulted in a new growth paradigm for Latin America. The decade was capped-off by the economic meltdown of what had been held up as a poster child of neoliberalization: Argentina. After a decade of contentious—but for the most part, successfully carried out—neoliberal reforms under Presidents Carlos Menem and Fernando De la Rúa, the Argentine economy began to implode, with its currency pegged to the dollar (an anti-inflationary tactic) and the dollar appreciating in value, Argentine exports were declining and imports increasing—

putting a double-edged squeeze on manufacturing. This led to further increases in unemployment (which had been increasing for much of the previous decade) and a growing recession by 2000-2001 (Grugel and Riggirozzi 2007; Llanos and Margheritis 2006). De la Rúa responded with austerity, which only exacerbated the recession and caused a bank run. The government responded by freezing all deposits and the country erupted in massive protests that brought down the government (Levitsky 2005).

As dramatic as the series of protests in Argentina were during this time, they were not the only show of disaffection toward neoliberal reforms. From the first impositions of IMF austerity packages in the early 1980s up to the present, Latin America has experienced high levels of protest against both austerity reforms and aspects of second stage reforms (Shefner, Pasdirtz, and Rowland 2010, 2012; Shefner and Stewart 2011; Walton and Shefner 1994). These protests were evidence of what Bresser Pereira and Nakano (1998) refer to as the "political support gap" that was a result of a "missing social contract." After the first two generations of reform the resulting poverty and social discontent were obvious—as were the inability of neoliberal reforms to address them. The criticisms that ensued were internalized by the World Bank, beginning with the Structural Adjustment Participatory Review Initiative (SAPRI) begun by World Bank president James Wolfensohn in 1996 (SAPRIN 2004). At first, the Bank attempted to ignore the scathing critique of the report but as early as the publication of the 1997 *World Development Report*, the Bank had already seemed to recognize the need for an effective state in fostering development. This led to an internal struggle within the World Bank between pro-growth and pro-equity camps. This internal struggle resulted in the suppression of the SAPRI report for several years.[38] Green (2003) calls this "a full-scale war for the Bank's economic soul being fought between the old guard neoliberals headed by the appropriately named David Dollar and the new thinking on so-called second generation reforms [my *third stage* reforms] being proposed by Joseph Stiglitz and others" (2003: 63).

Third Stage Reforms: Remembering Institutions and Rediscovering Poverty

The Argentine problems of 2000-2003 and the shift within the World Bank to a (re-)recognition of institutions and poverty was prefigured in 1994 by Moisés Naím when he called for a "second stage" of reforms in Latin America.

> In this new stage, governments will have to do much more than ensure that macroeconomic stability is maintained and that attractive conditions for competitive private investment are created. While striving to maintain a still precarious macroeconomic equilibrium, they will also have to concentrate on building the organizational infrastructure of the state and tend to a potentially explosive social situation (Naím 1994: 35).

He called this stage the transition from "Shock Therapy to Chemotherapy" because it was going to be a longer, still painful process of building the type of societal institutions that are necessary complements to the attempts at stabilization and

[38] Though begun in 1996, SAPRI was unable to publish its report until 2004 due to hesitancy within the Bank to embrace its strident critique of existing Bank policy outcomes (Green 2003).

structural reforms. He says that the failure (in virtually every state in the region) to do so, leads to the likelihood of renewed macroeconomic imbalances in the future.

By the turn of the century, analysts at the World Bank (Burki and Perry 1998), Inter-American Development Bank (IDB) (Lora and Panizza 2002), and Institute for International Economics (Kuczynski and Williamson 2003) were all echoing the refrain that governing institutions were necessary for economic development in Latin America—and largely lacking throughout the region. It was now acknowledged that liberalizing the financial sector without a strong regulatory agency in place to manage it was a bad idea and would lead to financial instability.

In their 1998 World Bank Report: *Beyond the Washington Consensus: Institutions Matter*, Burki and Perry suggest that a new set of reforms are necessary to address problems that were consequences of neoliberal reforms or that were not being addressed by them. The reforms they suggested were: first, policies focused on improvements in human development. Second, they argued for the development of sound and efficient financial markets. Third, they stress the need for enhancing the legal and regulatory environment—including completing the deregulation of labor markets, improving regulations for private investments in infrastructure and social services; improving the quality of the public sector—primarily the judicial system. Lastly, they say that states need to focus on fiscal strengthening. Williamson (2003) proposed a similar set of reforms: 1) reforming the judiciary, 2) reforming education, 3) reforming the civil service (strengthening budget offices, securities and exchange commissions, and central bank autonomy), 4) strengthening property rights and reforming bankruptcy law, and 5) improving oversight of the financial sector. He said that the emphasis on growth must now be balanced by an emphasis on growth with equity. However, equity must *not* be sought through redistribution. He argues that the only way to ensure that the poor become less poor without triggering "Okun's 'Big Trade-Off'" (where increases in equity are necessarily matched by decreases in overall income) is to do it through economic growth. He asserts that even if a country only relies on trickle-down economics, the poor will benefit.[39] Despite this, Williamson also calls for a shift from the regressive taxes like VAT and towards more progressive direct taxes (e.g. property tax) and more efficient collection, with the increased proceeds "devoted to spending on basic social services, including a social safety net as well as education and health, so that the net effect will significantly reduce inequality, particularly by expanding opportunities for the poor" (2003: 16).

The fears of early critics of the rise of neoliberalism to a hegemonic discourse, whether founded or not, were that the objective was to remake the state into the minimalist institution of libertarian theory.[40] This of course, did not happen. What has happened instead is the evolution away from the state-led ISI developmental model towards a still incomplete social neoliberalism (Lora 2007). Such a state prioritizes market solutions, is fully inserted into the global economy,

---

[39] This of course is disputed by studies like Shefner, Pasdirtz and Blad (2006), which demonstrate that growth is not always beneficial to the poor and that in some cases, countries can experience "immiserating growth" in which GDP per capita increases while at the same time the poverty rate increases.

[40] My usage of the term hegemonic discourse here follows that of Edward Said (1978/1994).

and must seek to maintain legitimacy domestically while remaining sensitive to the desires of international economic forces. Cerny, Menz, and Soederberg (2005) refer to this type of state as the "competition state." They define neoliberalism as "the assertion that the *market* is the core institution of modern—capitalist—societies and that both domestic and international politics and policy-making are (and *should be*) primarily concerned with making markets work well" (2005: 12, emphasis in original). These authors argue that neoliberalism is still consolidating its place as a hegemonic discourse of development while changing and evolving "from raw market orthodoxy in the 1980s" to social or embedded neoliberalism in the twenty-first century (2005: 3).[41] This view of the state sees it as organizing itself around the process of global capital flows and as such becoming an apparatus of competition for attracting capital. This process is durable and ongoing and Cerny et al. argue that states like those in Latin America that experienced neoliberalization in the 1980s and 1990s will have severe difficulty in reorienting away from market logics.

[41] See also Goldman (2005) for a similar discussion of the way that the World Bank has changed its environmental policy to incorporate criticisms within what he calls a "green neoliberalism." In addition to this, Vilas (2006) states that "during the last decade the question of social inequality has been incorporated into the agendas of the most relevant actors of financial globalization and neoliberal capitalist restructuring, such as the IMF, the IDB, and the World Bank" (2006: 233). He argues that this is a response to the need to strengthen institutional stability in the face of unrest due to the unpopularity of these institutions' neoliberal conditionalities in the past.

Conclusion

Neoliberalism in Latin America has been vilified by its critics, who see it as either an elite-class driven attempt to remake society in their own best interests or, alternatively as a misguided set of economic policies that fail to properly acknowledge local context and thus cause more damage than benefit. Too many of these critics are based on an ideal type of neoliberalism that never really existed in anything approaching a pure form in Latin America. My review of the literature here argues that there are some common themes running through the period that roughly fits into the 1980s-early 2000s in the region. I have further shown that, following Leiva (2008), we can divide the neoliberal period in Latin America into three distinct periods or “stages” of reforms. The stages as I conceive of them are different from the way that many other writers have previously done so, but I argue that my (altered version of Leiva’s) conceptualization is more analytically useful for understanding the intent of the reforms and the chronology they were implemented.

Now that we better understand the *actual* neoliberal reforms carried out in specific Latin American states, it is possible in the next chapter to construct a model of the Latin American neoliberal state. This model or conceptual framework will then allow me, in subsequent chapters, to analyze the degree to which certain neoliberal reforms were carried out in my cases (Argentina, Ecuador, and Peru). I will be able to compare these cases in their individual “neoliberal” periods to their “post-neoliberal” periods of the 2000s when the region experienced a leftist electoral shift that was openly anti-neoliberal in rhetoric. At that point, I will be able to make a determination as to how much of a break (if any) these states have made with the neoliberal developmental ideology.

CHAPTER IV
THE LATIN AMERICAN NEOLIBERAL STATE: A MODEL

Introduction

In the previous chapters, I discussed the ways that neoliberalism has been treated in the literature and argued that neoliberalization should be seen as having created a new form of the state in Latin America. I also analyzed the specific ways that neoliberal reforms in Latin America were contingent, partial, and context-specific and that this precluded the use of an ideal type when discussing the resultant neoliberal state in the region. In this chapter, I develop my model of the Latin American neoliberal state. I also discuss the specific reforms that I will examine in order to better understand whether the leftist electoral shift in the region can be seen as a break with neoliberalism or simply a new set of reforms that leave the neoliberal state altered but leave its logic and basic form intact.

"The Neoliberal State" in the Social Science Literature

Having made the case that the neoliberal state model is useful and important, I argued that such a model has not been used to discuss economic development and political change in Latin America. This is not to imply however, that the concept does not exist in the literature. There are several works that deal with "the neoliberal state" *as a concept*. However, they fail to do so in a satisfactory way. For example, although Gill (1995) uses the phrase "the neoliberal state" a couple of times in his exploration of surveillance mechanisms in the global economy, he never actually defines what he means by neoliberal state. He remains focused on the theoretical foundations and surveillance functions of Western core states and largely ignores the developing world. He also spends very little time discussing actual policies that relate specifically to the neoliberal state as opposed to other types of state.

This vague use of the term "neoliberal state" is evident in most of the other works that employ the concept. Craske (2002) devotes a whole section of her essay to "the neoliberal state" in Latin America and defines it in terms of its two main features, which are "the withdrawal of the state from the economy" and "the promotion of the political individual with rights and responsibilities" (2002: 104). She discusses some structural adjustment policies and focuses on their effects on women's political participation. However, she never conceptualizes "the neoliberal state" as a new type of state that results from the imposition of neoliberal reforms.

This lack of conceptualization of the term neoliberal state is also evident in Canova's (2000) examination of the global monetary system. Excluding the title and a section heading, Canova only mentions "the neoliberal state" three times. Not once does he attempt to define (operationally or otherwise) the term. He merely uses it as a placeholder. Cooper and Ellem (2007) are even more imprecise, although "the neoliberal state" is in the title of their article, they only use the term once in (the introduction to) the body of their article. They never define it and they never explicitly discuss the neoliberal state as a concept separate from other types of state although they mention "the state" throughout their article. Ben Wisner (2001) includes a very brief section on "the neoliberal state" in his examination of state preparedness for natural disasters in El Salvador but he fails to explicitly discuss how neoliberal policies implemented by a state actually constitute a neoliberal state. He lays out an ideal type neoliberal policy package but is not concerned with the actual details except for the few policies that impact the topic of natural disaster preparedness. He thus joins the (growing) list of researchers who use the term "neoliberal state" without specifying what that term means.

In his review of the literature on neoliberalism, geographer Jamie Peck (2001) builds up an implicit, ideal type of the neoliberal state. He makes some very interesting arguments regarding the social production of neoliberalism as a "natural" phenomenon and the way that this creates a cognitive inability to envision or express alternatives to neoliberalization. He carefully defines what neoliberalism is, but even though he has sections on "state spaces," "state edges," and "state insides" he never gives a straightforward definition of the neoliberal state as a model (even though he is in effect creating a model of the neoliberal state). In fact, though he discusses the effects of neoliberalization on states, "neoliberal policy objectives," "neoliberal guise," and "neoliberalized policy environments," he never actually uses the term "neoliberal state" even though the types of changes he is focusing on clearly constitute a new type of state – one that is completely different from the state that existed prior to these neoliberal reforms (2001: 452).

Although sociologist Loïc Wacquant (2010) does not explicitly define the neoliberal state, he does give a clear conceptualization of it as a "centaur state." By this, he means that it appears to be both laissez-faire toward the economically well-off and yet coercive and penal toward those most negatively affected by neoliberalization (2010: 217). Of the writers that have used the term neoliberal state (with the exception of David Harvey, whom I discuss below), Wacquant comes the closest to actually trying to conceptualize a specifically *neoliberal* state. He discusses four "institutional logics" of the neoliberal state: economic deregulation; devolving, refocusing, and shrinking the welfare state; expanding and empowering a more intrusive penal apparatus; and naturalizing "the cultural trope of individual responsibility" (2010: 213). However, like the above authors, he does not explicitly create a model of the neoliberal state based on its structure and actual policies.

David Harvey (2005) does attempt to explicate a model of the neoliberal state, spending a whole chapter on the subject in his book: *A Brief History of Neoliberalism*. Despite this, the closest that Harvey comes to a definition of the neoliberal state is in a passage in the introduction to the book:

> The role of the [neoliberal] state is to create and preserve an institutional framework appropriate to such [neoliberal] practices. The state has to guarantee, for example, the quality and integrity of money. It must set up those military, defense, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not

> venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit (Harvey 2005: 2).

This description of what the state should and should not do is, according to Harvey, how the neoliberal state should work *in theory*. However, Harvey is clear that such a conception diverges in practice because of "frictional problems of transition reflecting the different state forms that existed prior to the neoliberal turn" (2005: 71). Despite this acknowledgment, Harvey's description of the neoliberal state in practice is mainly concerned with pointing out the contradictions in neoliberal theory. His analysis of the neoliberal state in practice is not a useful model of the neoliberal state for this project because Harvey's examples of the neoliberal state in practice are mainly used as anecdotal evidence of his theoretical argument. They also are primarily drawn from Western core nations—especially the United States and United Kingdom. It has primarily been in developing countries where neoliberalism has been carried the farthest. Harvey does not focus on differences between neoliberalization in core states and in developing states. Although he takes the concept farther than the previously discussed authors, Harvey's model of the neoliberal state is thus of only very limited use here.

The Latin American Neoliberal State: A Model

Within Latin America there has been a great deal of heterogeneity in both the manner in which neoliberal reforms were carried out, and the depth and breadth of the actual reforms themselves. This is not surprising, given the different social/institutional structures and their country-specific balance of social forces operating at the national level in the region (Teichman 2012). Despite these differences, there are some general types of reforms that were carried out by nearly all of the countries in the region and that form a definite pattern.

Broadly, we can distinguish 7 major areas of reforms that constitute the Latin American Neoliberal State: government austerity, privatization, trade liberalization, financial liberalization (both domestic and foreign direct investment), social reforms (in education, healthcare, poverty relief, and pensions), regressive tax reform, and labor market deregulation aimed at flexibilization. Though not all Latin American countries carried out the entire list of reforms, most of these countries carried out (or attempted to carry out) most of these reforms. In addition, following my argument in the last chapter, these reforms broadly fall into the first and second stages of policy reforms. Government austerity is the main policy implemented during the first stage of reforms, which were primarily concerned with economic stabilization in the wake of the debt crisis. During the second stage of reforms, or the structural adjustment stage, most of the countries in the region carried out some mixture of privatization, trade liberalization, financial liberalization, social reforms, tax reform, and labor market deregulation that was aimed at flexibilization of the labor market.

First Stage Reforms

Government Austerity

As I stated in the previous chapter (following Green 2003 and Saad-Filho et al 2007), the neoliberal diagnosis of the debt crisis in Latin America was that the crisis was primarily one of balance-of-payments—too much internal demand and too little export trade. Compounding this was out-of-control government spending, which was seen as ineffective and distortionary to the market—increasing government debt and driving high (or even hyper-) inflation. One of the responses prescribed by the IMF and widely adopted throughout the region was the imposition of austerity policies. The term austerity has varied in meaning over time in the literature. It has often been used to broadly mean neoliberalization in general (Walton and Seddon 1994). Sometimes it is equated with the term structural adjustment and includes privatization (Walton and Shefner 1994). I am following more recent definitions of austerity that usually "include currency devaluation and reduction of public-devoted expenditures such as social welfare spending and consumer subsidies" (Shefner, Pasdirtz, and Blad 2006). These also include public sector wage cuts or lay-offs, and the elimination of inflation-adjusted wage indexation (Auvinen 1996). Austerity measures can also mean legislation to make central banks "independent" or to place legal restrictions on deficit spending, even in times of recession (Babb 2005).[42] Two brief examples (Mexico and Argentina) display some of the typical actions that government austerity in the region followed.

In response to its 1982 crisis and through negotiations with the IMF which argued for a decrease on spending for citizens' needs and increasing the priority of debt payment, "the Mexican government eliminated many government jobs, cut consumer subsidies… and reduced wages" (Shefner and Stewart 2011: 362). It also devalued the peso and decreased government social spending (Shefner and Stewart 2011). Cypher and Delgado Wise (2010) observe that Mexican public sector capital investment in the economy fell at an annual rate of 7.8 percent between 1980 and 1985 (2010: 45).

Similarly, during its hyperinflationary crisis Argentina's newly elected president, Carlos Menem, carried out a series of austerity policies in 1990: raising the fees on government services and government controlled gasoline prices—along with a series of other price hikes, cutting government employee wages, eliminating 80,000 federal civil service jobs and cutting another 80,000 contract workers from government-owned companies (Reuters 1990b; Jarvie 1990). In addition, alongside one of Latin America's most zealous privatization programs, for purposes of

[42] According to Lora (2007a), "Between 1988 and 1996, the central banks of 12 Latin American countries were reformed by law or by the constitution, granting them greater independence in the design and conduct of monetary policy with the objective of guaranteeing price stability" (2007a: 18). In addition, Filc and Scartascini (2007) report the adoption of "fiscal responsibility laws" that restrict government spending, deficits, and the public debt by Argentina, Brazil, Colombia, Ecuador, Panama, and Peru; with separate "numeric rules" on government spending in Bolivia, Guatemala, Mexico, Nicaragua, and Uruguay.

austerity, “state-owned service or industrial, sectors that found no buyers, such as passenger railroad lines, were shut down” (Pozzi 2000: 70).

Second Stage Reforms

As I stated in the previous chapter, the first stage of reforms had been a reaction to the debt crisis and were generally short-term policies designed to decrease government involvement in the economy through decreases in government spending. The second stage of reforms was more ambitious, as reformers sought to change the very rules of the game and began the transition to an export oriented development model. In this second stage of neoliberalization, the structures that may foster deeper cultural changes are put in place. These deeper changes constitute the commodification of social relations that had previously been shielded from the market by the more statist ISI model of development (Leiva 2008: 43-53).

Privatization

One of the most common neoliberal policies adopted throughout the region was the privatization of government enterprises. Privatization was one of the main ways neoliberals sought to separate the state from the market in Latin America. This reform is key to the neoliberal restructuring of the state for this very reason. Ideally, the neoliberal state has no direct role in the production/distribution of goods and services. From a neoliberal standpoint, the state is inherently inefficient and market distorting.[43] Thus, neoliberals pushing from both within countries and from the IFIs outside countries, heavily pushed privatization during the second stage of reforms.

Chong and Benavides argue that "Privatization in Latin America started earlier and spread farther than anywhere in the developing world" (2007: 283). According to Lora (2001), in the 19 Latin American countries in his dataset, between 1986 and 1999, there were 393 sales and transfers of government owned/run enterprises to the private sector. This number excludes the many enterprises that countries decided to simply close down rather than sell off. Overall, telecommunications, electricity, and gas were the industries most often privatized in the region, while transportation systems (roads, rail, and ports) were less often privatized (Checchi, Carrera, and Florio 2004).

Although it was one of the most ubiquitous types of neoliberal reforms in the region, the actual process and the types of enterprises various countries successfully privatized were heterogeneous. Chile under the Pinochet dictatorship was the earliest country to engage in broad privatization, selling off over five hundred firms between 1974 and 1978. In fact, "by 1992, 96% of all Chilean state enterprises had been sold" (Morley, Machado, and Pettinato 1999: 17). In Mexico, under Salinas, the number of state-owned enterprises decreased from 1,150 to less than 80 (Morley et al 1999). Other countries engaged in far less privatization. Some countries, like Venezuela and Ecuador, had a large public sector but did not privatize much of it

[43] This was acknowledged by the structuralist inspired ISI model of development, in which the state was purposely distorting markets with the intention to spur certain paths of economic development. Where particular industries did not exist, or lacked forward or backward linkages, the state often stepped in to create those.

due to fierce political/popular resistance. Others, such as Guatemala, El Salvador, and the Dominican Republic appeared not to engage in large-scale privatization because they had relatively small public sectors to begin with (Morley et al 1999).[44]

Additionally, the manner in which privatization occurred varied between countries. Some countries, like Argentina and Peru, engaged in direct sell-offs of enterprises and started with both firms in competitive industries (like manufacturing) and major strategic enterprises (like utilities, infrastructure, and resource extraction). Other countries like Bolivia, Chile, and Mexico started with competitive industries before attempting more strategic firms. Also, some countries, like Bolivia, mainly used privatization for debt-swaps or capitalization schemes rather than selling firms outright.

In the end, many of the countries in the region engaged in at least some level of privatization, though even the largest-scale privatizers chose to hold on to certain key industries or firms: Chile refused to privatize its important copper industry, Brazil kept much of its power generation sector, and Peru held on to its oil industry (Chong and Benavides 2007). However, "Overall, Latin America truly embraced privatization" and this embrace was part of a fundamental change in the structure and role of the state (Chong and Benavides 2007: 269).

[44] Lora's dataset shows that they still managed to privatize some enterprises, however. Interestingly, all 19 countries in his dataset engaged in at least some type of privatization for the period of his study: 1985-1999.

Trade Liberalization

Trade liberalization is a key neoliberal policy for two main reasons. First, according to neoliberal theory, all government interventions in the market are pernicious. Tariffs, which are intentional price distortions are assumed to be more problematic than beneficial in the long run because they move the market farther from equilibrium. Secondly, the export oriented model of development that neoliberalism favors relies on the theory of comparative advantage. In order for countries to know where their comparative advantages lay, they need accurate price signals on the international market. For these reasons, neoliberals stressed the importance of decreasing trade restrictions during the second stage of reforms.[45]

The second half of the decade of the 1980s saw major decreases throughout the region on tariffs and other barriers to trade (such as quotas or import restrictions). The Southern Cone countries had started selectively reducing tariffs during the bureaucratic-authoritarian regimes of the 1970s. For the most part however, major reforms only began to occur and become widely adopted after the debt crisis and the failed attempts by several countries in the region to use heterodox policies (including raising tariffs and restrictions on trade) to escape the crisis (Morley et al 1999). Overall, by the mid-1990s, "no country in the region was

---

[45] In many cases, countries began – and were heavily encouraged by the IFIs – to begin dismantling trade barriers during the first stage, but for many of these countries, the brief heterodox reaction to early neoliberalization that I described in Chapter III coincided with a return to increased import restrictions in the for of tariffs and quotas. It wasn't until the late 1980s and early 1990s that trade liberalization was widely adopted. For this reason I include it within the second stage rather than the first.

using its tariff system to protect domestic industry or to promote particular sectors except for the Brazilian automobile industry" (Morley et al 1999: 15). Lora reports that tariffs dropped from an average level of 48.9 percent prior to neoliberalization to 10.9 percent in 1999 (Lora 2001: 4). There was also an enormous decrease in the levels of quotas and trade restrictions during this time. This represents a clear break from the ISI period of restricted trade to protect domestic industries.

Financial Liberalization

In the Latin American neoliberal state, financial liberalization was theoretically justified by the belief that the market was superior to the government in allocating investment and lending. Part of the motivation behind this series of reforms was the belief that unless the market was solely determining interest rates, then price signals couldn't work properly. From the neoliberal perspective, this would result in decreased growth. Morley et al (1999) say that prior to the debt crisis, "A good deal of credit was allocated by government decision rather than by supply and demand" (1999: 15). In the Latin American neoliberal state, the government would no longer be involved in setting lending targets, interest rates restrictions, or controls on foreign capital in the form of investment restrictions and profit repatriations. By the end of this second stage however, the call to deregulate financial markets shifted to liberalization that included "prudential oversight" of financial markets and institutions.

Financial liberalization as a category overlaps substantially with the categories of privatization and social protections because it involves the privatization of state banks (often linked to austerity measures) and the transformation of publicly operated pensions into either private institutional investment funds or public-private hybrid systems. Financial liberalization has also occurred in several temporal stages that do not neatly conform to a conceptualization of "stages" of reforms. In the first phase (during the 1970s), several countries in the region—predominantly the Southern Cone—engaged in rapid financial liberalization and "after an initial boost in credit, the laissez-faire financial policies that supported unrestricted private participation in financial markets led to a general financial crisis throughout the region" (Galindo, Micco, and Panizza 2007: 292). This was followed by re-regulation and some bank nationalizations during the early 1980s. However, following the recommendations of the IFIs during the structural adjustment (second) stage of reforms, most countries in the region moved towards more privatization of banks, liberalization of banking controls, and greater openness to foreign participation in the banking sector and financial markets (Edwards 1995; Galindo, Micco, and Panizza 2007; Lora 2001; Morley et al 1999).[46]

---

[46] In some countries, liberalization of banking controls and financial markets also included the creation of "prudential regulation and supervision" often in the form of new agencies or oversight procedures that were meant to avoid moral hazard and "promote financial stability" to avoid the problems associated with the financial crises of the late 1970s/early 1980s (Galindo, Micco, and Panizza 2007: 302).

The most ubiquitous form of financial liberalization in the region was the privatization of state banks. Between 1970 and 1995, every country in the region except Uruguay saw a decrease in the share of state owned banks in the banking sector (Galindo, Micco, and Panizza 2007). Ecuador, Chile, and Peru were the most thorough privatizers, "moving from levels of state ownership hovering around 90 percent, to state ownership below 40 percent" (Galindo, Micco, and Panizza 2007: 296). For some countries, there was an initial wave of privatization followed by an increase in state ownership, followed by a subsequent and deeper wave of privatization.[47] Coupled with the privatization drive, many countries have also liberalized domestic banking, specifically in abandoning control on interest rates—carried out in all countries by 1995 (Lora 2001: 7)—and abandoning the requirements that banks follow lending targets for particular industries or market sectors (Edwards 1995; Galindo, Micco, and Panizza 2007; Lora 2001; Morley et al 1999).

Public social security pension funds have been another major area of privatization in Latin America. Mesa-Lago and Márquez (2007) reported that twelve countries in the region attempted to either fully or partially privatize their pension systems between 1980 and the first decade of the twenty-first century. A total of six countries, Bolivia (1996), Chile (1980), Dominican Republic (2001), El Slavador (1997), Mexico (1996), and Nicaragua have attempted to fully privatize their

[47] Countries that fit this trend include: Bolivia, Colombia, El Salvador, Mexico, and Nicaragua.

pension systems. All except Nicaragua were successful.[48] Two countries, Colombia (1993) and Peru (1992), instituted parallel systems in which the public system was maintained, but a private system was created parallel to it with citizens given the choice between one or the other. Finally, Argentina (1993), Costa Rica (2000), Ecuador, and Uruguay (1995) created mixed systems in which the publicly administered system provides a basic pension and various private systems act as supplementary pensions beyond the basic level.[49] These privatizations were, in part, meant to stimulate private investment in the domestic financial markets, but as Galindo, Micco, and Panizza (2007) point out, they have largely failed to stimulate financial markets.

Increasing openness to foreign capital investment (also meant to stimulate financial markets) has been much less uniform across the region than other financial liberalizations. A few countries, such as Argentina, Costa Rica, Honduras, Peru, and Venezuela, had relatively open financial systems in the 1970s, but after the financial crises at the end of that decade, Argentina and Peru subsequently increased government control of foreign investment. After the debt crisis, and under pressure from the IMF, IDB, and World Bank, more countries began to open their markets. Many countries (e.g. Brazil, Mexico, Colombia, Chile) however, maintained significant controls on foreign capital (Morley et al 1999).

---

[48] Nicaragua indefinitely suspended its pension privatization when the fiscal costs became too great.

[49] Ecuador never carried out the law reforming its pension system after the courts struck down several parts of the law in 2001 (Rofman 2008: 261-2).

Social Policy Reforms

Social policy reforms in Latin America during the 1990s varied widely in the details but were generally focused on two main areas (poverty alleviation and education reform) and had a consistently uniform logic. By the 1990s, neoliberal reformers came to see absolute poverty as a problem that was not being addressed by the market. They also recognized that in the short-run, some of the policy changes that they argued were necessary (such as fiscal austerity and trade liberalization) would have negative effects on the already worst-off sectors of society. They needed to address this, both to ensure quiescence from these groups and also as part of a wider agenda to break the cycle of poverty these groups faced. The system of subsidies that many states had in place on basic food stuffs, energy, and fuel often provided more benefit to the middle class than to the poorest of the poor in Latin America (Edwards 1995: 290). To neoliberals, this was wasteful spending that governments needed to better target to only those groups who needed it most.

Throughout the region, a shift took place during the 1990s away from universal programs and government subsidies and toward targeted, conditional cash transfer (CCT) programs.[50] These programs were based on the neoliberal logic that "A cycle-breaking intervention would require income transfers to the poorest in

---

[50] During the first generation of reforms (the austerity period of the early-mid-1980s), most countries in the region were forced to cut social spending levels. By the end of this period, "with the acknowledgement that structural adjustment programs and economic reform were not addressing the needs of the large number of poor people" in the region, there was a new focus on addressing poverty (Bidsall and Székely 2003: 63).

society, conditioned on greater family investment in education, health, and child nutrition" Mesa-Lago and Márquez 2007: 376). Such programs were implemented in Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica, Mexico, Nicaragua, and Peru (Lora 2007a; Teichman 2009). Overall these programs were successful in reducing levels of absolute poverty in most countries, but as many critics (Reygadas and Filgueira 2010) and even some cheerleaders (Mesa-Lago and Márquez 2007) have pointed out, such incremental changes do not address the structural nature of poverty and inequality in the region. Due to the methodological individualist focus of neoliberalism, poverty is seen as an individual problem that can best be addressed by increasing individuals' access to human capital development. However, CCT programs "cannot change the economic environment or the underlying elements in the structure of the economy that are contributing to poverty and slowing overall growth" (Bidsall and Székely 2003: 66).

The main social policy reform that neoliberals sought to carry out to address the structural nature of Latin American poverty targeted the educational system. Following reforms carried out in Chile in the early-1980s, countries in the region followed two main paths of education reform. The first was decentralization of the administration (and funding) of the educational system (Lora 2007a). Policies of decentralization were carried out in Argentina, Bolivia, Brazil, Chile, Colombia, El Salvador, Guatemala, Mexico, and Nicaragua (Navarro 2007). Several other countries either partially decentralized or decentralized and then reversed it. These countries included: Honduras, Panama, Paraguay, and Venezuela (Navarro 2007).

The second major educational reform was the privatization of schools (often referred to as public-private partnerships). The World Bank pushed these reforms in the interest of increasing educational equity, though they often increased the inequality of educational outcomes in terms of years completed and quality of education (Davidson-Harden 2009). The three main ways that privatization was pushed were: the voucher system, the "competitive bidding model," and the "negotiated agreement model" (Lora 2007a; Navarro 2007). In the voucher system, the government gives educational vouchers to students and the schools (public and private) must compete for enrollment. In the competitive bidding model, private schools compete for public funding from local governments. In the negotiated agreement model, the government subsidizes private schools as long as these schools agree to accept a certain number of low-income students. As Navarro (2007) points out, despite the World Bank's justification for these reforms, inequality in educational outcomes that is directly related to income persists throughout the region.

Tax Reform

Another of the most commonly carried out sets of reforms in the region is the transformation of taxation from systems based on progressive income taxes and import tariffs to a much more regressive system of sales taxes and value-added taxes (VAT).[51] The stated goals of tax reform were to increase tax collection efficiency (and overall revenues) and broaden the tax base, while also increasing "neutrality" and decreasing tariffs—which were seen as trade restrictions (Lora 2007a; Williamson 2003a).[52] "Every country in the region has reduced its top marginal tax rate since 1970" with Uruguay eliminating personal income taxes altogether (Morley et al 1999: 16). In addition, the corporate tax rate fell from a regional average of 42 percent in 1986 to an average of 30 percent during the late 1990s (Lora 2007a: 23). After being introduced to the region in the 1970s in nine countries, the VAT spread during the 1980s to "all the remaining countries in the region" (Morley et al 1999: 16). The results of these tax changes have been to generally increase the regressiveness of taxation while only modestly increasing overall revenues in a few countries, while other countries have seen decreasing collections (Lora 2007b: 185).

[51] Referring to the income tax system in Latin America as "progressive" is more a designation of the design of the system than a description of how the system actually worked. It is widely acknowledged that income tax evasion was endemic in the region and most countries' tax collections were inefficient.

[52] *Neutrality* as used here refers to the reduced differences between groups or sectors, as well as the elimination of incentives and exemptions that are not consistent with neoliberal, market-centered values because they represent intentional government interventions in the market. For example, progressive income taxes are partly meant to shape the income/wealth distribution in order to decrease levels of inequality.

Labor Market Deregulation

The area of labor market deregulation has been a contentious one in the literature in two different ways. Critics of neoliberalization claim that labor deregulation led to increased "flexibilization" throughout the region and resulted in the rise of informalization of the workforce along with decreasing wages and increasing unemployment. However, pro-reform analysts argue that little or no real deregulation has occurred and that if it did, levels of employment and wages would both rise.

Lora and Panizza (2002) are an example of the latter group. In their analysis of why Latin Americans seemed to be suffering from "reform fatigue" in the late 1990s—early 2000s, they say "virtually no country has capitalized on the potential to introduce flexibility into labor regimes" (2002: 11). They say that the only real reforms passed in the region in the area of labor markets were ones that increased temporary employment and made laying-off and dismissing workers easier. Similarly, Edwards (1995) calls labor the "forgotten sector" of reforms, saying that it was not part of the reform package in most countries (1995: 277). He goes on to argue that the rise in informality in the region is the result of too much regulation of labor markets combined with macroeconomic austerity. Slightly contradictory to his stance above, Lora's (2001) analysis of how much reform took place in Latin America points to a bit more labor market reform than "virtually none." He points out that six countries: Argentina, Colombia, Guatemala, Panama, Peru, and Venezuela had actually "made substantial labor reforms between the mid-1980s and

1999" (Lora 2001: 17). However, the reforms that he cites are primarily encouraging temporary employment and making laying-offs and dismissals easier.

Weeks (2000) stands in sharp contrast to these other authors when he says: "In virtually all of the countries [in Latin America] labor market 'reforms' were introduced in the 1980s to create greater 'flexibility'" (2000: 92-93). He argues that during the period of deregulation, the record was, at best, mixed with only one country (Chile) showing gains in both wages and employment. There is a flaw in Weeks' analysis however: he makes no attempt to demonstrate that any actual reforms took place. Outside of his claim (which appears unsubstantiated in his paper) there is no other mention of any actual reforms, they are merely assumed to have occurred.

Despite the stark disagreement over how much labor market deregulation took place, I include it in the model because most authors are in agreement that at least a third of the states in the region carried out some type of deregulation. In addition, neoliberal advocates saw labor deregulation as essential to development. As Anner (2008b) points out, deregulation became a standard conditionality imposed by the World Bank on Latin American countries.

Third Stage Reforms

By the mid- to late-1990s, after two decades of disappointing growth rates and several economic crises in the region, neoliberals began to call for a "second generation" of reforms (Williamson 2003a). After privatization came to be associated with corruption and financial deregulation led to banking crisis, neoliberals came to recognize the importance of governance and effective institutions. In this context, the use of the term *institution* by neoliberals refers to the "*rules* that shape the behavior of organizations and individuals in a society" (Burki and Perry 1998: 2, italics in original). This is a clear call for reforms that will enforce cultural changes that buttress the neoliberal state by changing the subjective reality of the country. In some cases, these reforms were also seen as necessary cultural underpinnings to the proper functioning of the neoliberal state.

Broadly speaking, the third stage reforms called for an efficient and effective state apparatus, as opposed to a minimal state (Kuczynski 2003; Williamson 2003b). This included another call for the continued privatization of government productive activities. This focus on the state also included a call for the "decentralization" of the state – preferably down to the local level of administration wherever possible.[53] Two of the more important third stage reforms proposed by analysts working for the IFIs were closely linked to one another and seen as especially problematic: crime prevention and judicial reform. During the period of the first two stages of reforms in the region, crime rates (especially violent crime) rose precipitously (Kuczynski 2003: 41). In addition, the judiciary was seen as too

[53] Although this was always an aspect of neoliberalization I do not include it in my model as one of the seven policy areas because it is not exclusive to neoliberalism. For example, the plurinational lefts in Ecuador and Bolivia seek decentralization in order to secure the rights of indigenous persons and communities. However this is a very different logical justification that that used by neoliberals who were motivated by a deep-rooted phobia of large, centralized states which they inherited from Ricardo's economic theory (Blyth 2013).

closely tied to governments and parties. In addition, it was seen as inefficient and slow in delivering justice.

In their 1998 World Bank Report: *Beyond the Washington Consensus: Institutions Matter*, Burki and Perry suggest that a new set of reforms are necessary to address problems that were consequences of neoliberal reforms or that were not being addressed by them. The reforms they suggested were: first, policies focused on improvements in human development. Second, they argued for the development of sound and efficient financial markets. Third, they stress the need for enhancing the legal and regulatory environment—including completing the deregulation of labor markets, improving regulations for private investments in infrastructure and social services; improving the quality of the public sector—primarily the judicial system. Lastly, they say that states need to focus on fiscal strengthening. Williamson (2003) proposed a similar set of reforms: 1) reforming the judiciary, 2) reforming education, 3) reforming the civil service (strengthening budget offices, securities and exchange commissions, and central bank autonomy), 4) strengthening property rights and reforming bankruptcy law, and 5) improving oversight of the financial sector. He said that the emphasis on growth must now be balanced by an emphasis on growth with equity. However, equity must *not* be sought through redistribution. He argues that the only way to ensure that the poor become less poor without triggering "Okun's 'Big Trade-Off'" (where increases in equity are necessarily matched by decreases in overall income) is to do it through economic growth. He asserts that even if a country only relies on trickle-down economics, the poor will benefit. Despite this, Williamson also calls for a shift from the regressive taxes like VAT and towards more progressive direct taxes (e.g. property tax) and more efficient collection, with the increased proceeds "devoted to spending on basic social services, including a social safety net as well as education and health, so that the net effect will significantly reduce inequality, particularly by expanding opportunities for the poor" (2003: 16).

Few of these proposed changes took place however, and in the model of the neoliberal state, this stage is somewhat transitional between the second stage and the left turns (at which point, I will argue that a different approach to dealing with neoliberalism prevailed). Around the time that these third stage reforms were being proposed, the electoral shift to the left began. State after state witnessed the rise of leftist presidents that verbally rejected neoliberal reforms and promised to take their countries in new directions.

The Latin American Neoliberal State: The Overall Model

The Latin American neoliberal state is a model that has proceeded through three stages of development over time. It began with stabilization and proceeded through a period of structural reforms. By the mid-to-late 1990s, this model was considered to be in crisis and its proponents at the World Bank and elsewhere were shifting their focus to include a concern with "governance" and an acknowledgement of the importance of institutions. The neoliberal state in Latin America thus represents a model that changes and adapts over time.

The Latin American neoliberal state emerges during a time of economic (and sometimes political) crisis. In its earliest form, parts of it begin to appear in the bureaucratic-authoritarian states of the 1960s. More widely, this model emerged in the early-to-mid 1980s in the wake of the debt crisis in Latin America. This first stage of the neoliberal state was focused on stabilizing the economy: government austerity to slow the growth of debt, getting hyperinflation under control, and devaluing currency as an attempt to boost exports.

This first stage of reforms was widely recognized to be exceedingly harsh, especially on the poorest sectors of society. While the reforms did manage to slow the growth of many government deficits and helped control inflation, they were unpopular and failed to stimulate growth. In most cases they induced recession. This, coupled with their increasing hardships on the poor—who saw their existence further threatened by cuts to food and transportation subsidies—was addressed during the second stage of reforms when governments created targeted social policies.

The second stage of reforms represents the structural emergence of the full-blown Latin American neoliberal state. With government austerity reforms already in place, privatization now seeks to remove the state from directly engaging in economic activity by turning over publicly owned or controlled enterprises to private ownership. In an effort to further reduce the government's role in the economy, trade and financial markets are liberalized. Included in this financial liberalization is the replacement in many countries (and failed attempts in others) to privatize pensions so that the market, rather than government, safeguards citizens retirement incomes/savings. In many neoliberal states, tax reforms are implemented to shift taxation from progressive corporate and income taxes to more regressive forms of taxation like sales taxes.

In order to further marketize social relations, the neoliberal state carries out two sets of labor reforms: one of them formally recognizes the rights of workers to collective bargaining (though as Anner 2008a, 2008b points out, this is often little more than a formality lacking enforcement). The second set of labor reforms "deregulates" the labor market, making it easier to dismiss/lay-off workers in an effort to create "flexibility" in the labor market. What predominantly ensues is an increase in informality. In order to deal with these informal sector workers who are no longer protected by the formal sector's safety net—as well as the least well-off who have been further hurt by neoliberal reforms—the neoliberal state creates new social programs that use targeting and conditionality to alleviate the absolute worst-off and encourage members of this group to engage in certain behaviors (like keeping their children in school and making routine health care check-ups.

In the wake of several economic crises during the mid- and late-1990s, and after a second decade of disappointing growth rates, neoliberals began to recognize the importance of governance and effective institutions. The third stage of the neoliberal state coincides with what Leiva (2008) calls the rise of neostructuralism. The second stage had sought to restructure the system and once that had been sufficiently accomplished, in the third stage, reformers now sought to "institutionalize" this new, neoliberal state by normalizing the shift to individualist as opposed to social economic behavior and the commodification of what had been public goods. Throughout much of the region, this stage failed to satisfy publics that were increasingly hostile to neoliberalization. This is one of the reasons that Leiva associates it with the leftist electoral resurgence in the region as a response to neoliberalism. At nearly the same time that neoliberal proponents at the IMF and World Bank were recognizing that financial markets needed to be well-regulated, Latin American citizens were shifting their support to a newly invigorated series of leftist parties and social movements. These leftist parties and movements were no longer anti-capitalist, but they *were* vocally anti-neoliberal and often critical of the United States (which was seen in the region as a major impetus behind the neoliberal state).[54]

All three of the Latin American governments (Peru, Ecuador, and Venezuela) that are typically identified as *radical* leftists are states that have large natural resource endowments (particularly energy resources) to draw upon in funding programs that break with neoliberal orthodoxy. All three of these "neo-extractivist" countries are using resource extraction to fund more extensive social programs and other—non-neoliberal—development programs (Bebbington 2009; Gudynas 2010; Achtenberg 2012). Such resource wealth can be seen as a necessary but not sufficient

[54] I will discuss Correa's "21st Century Socialism" in the sixth and final chapters as fitting this assessment. Though using the term "socialism" in describing his developmental model. Correa does *not* reject the market or capitalism. He merely seeks to empower the state (at the national level) vis-à-vis the market and to subordinate the market to national priorities. This is very different from the explicitly anti-capitalist ideologies of the pre-neoliberal Latin American "old" left.

precondition for either dismantling the neoliberal state (Bolivia) or for resisting the creation of it in the first place (Ecuador and Venezuela). It may be a necessary precondition, though Ortega's return in Nicaragua calls this into question, but it is not a sufficient one as Mexico—with its oil reserves—clearly illustrates. In order to better understand the role that resources plays in a country's resistance to neoliberalization, each country must be taken on a state-by-state basis.

Conclusion

In this and the preceding chapters, I have argued that a comparison of the degree to which various Latin American states have (or have not) broken with the neoliberal model of development requires us to construct a model of the neoliberal Latin American state that is slightly generalized but not based on an ideal type. In this chapter, I have shown that to date, there is no such model for a neoliberal state even though the term is used in the literature. David Harvey represents the closest attempt that anyone has made in this direction although, as I argue, he is actually creating an ideal type of the neoliberal state through which universal comparisons can be made and I am only talking about a specific type of neoliberal state, one that developed in Latin America during the 1980s – 2000s.

This Latin American neoliberal state exhibits seven policy traits (though the seventh is hotly disputed). In the next chapter, I will describe my three cases (Argentina, Ecuador, and Peru) in relation to this model and examine their reforms.

Once I have described the relative depth of these reforms in each case, in Chapter VI, I examine the same sets of reforms during the decade of the 2000s when two of the three cases (Argentina and Ecuador) experienced an electoral shift to the left. The extent to which these countries have abandoned the neoliberal policies favoring foreign capital, deregulated finance, the commodification of social relations, and targeted CCTs will exemplify whether the Pink Tide is really an alternative to the neoliberal model of development or whether it is, as some have claimed, a *social* liberalism that merely acts to buttress some of the more problematic contradictions of the neoliberal state.

CHAPTER V
THE EVOLUTION OF THE NEOLIBERAL STATE IN ARGENTINA, PERU, AND ECUADOR

In every historical case, the development of the Latin American neoliberal state varies in its particularities, but many of these cases share some similarities. In this chapter, I will describe three different attempts to create neoliberal states. In two of these cases (Argentina and Peru) the attempt was successful and in what follows, I discuss exactly how these two states were neoliberal. In the third case (Ecuador), the attempt to create a neoliberal state was unsuccessful, having only partially and half-heartedly been carried out. This was possibly due to Ecuador's oil reserves, which could be used to avoid some of the pressures (external and internal) for increased austerity during the 1980s and 1990s.

These cases were chosen for their dissimilarity as much as for their similarities. Although both Ecuador and Argentina are oft-cited examples of the leftward shift in electoral politics in the region, and although they both had strong ISI periods prior to the neoliberal period, Ecuador failed to transition into a neoliberal state. Although both Peru and Argentina did transition into full-blown neoliberal states during the 1990s, Peru did not experience a subsequent electoral transition during the period under study here.[55] Also, Peru does not have a similar

[55] Shortly after the period covered in this study, Peru did elect a leftist President (Ollanta Humala) in 2011. Although not considered here, this turn may have interesting implications for the relationship between the creation of the neoliberal state and subsequent leftist electoral transitions. However, it remains to be seen

history of ISI development to that experienced by Argentina and Ecuador prior to neoliberalization and, in fact, has been one of the most liberalized countries in the region—economically—throughout most of its post-colonial history. Finally, Ecuador contains natural resource reserves in the form of oil that are not present to the same extent in Argentina or Peru, and Ecuador also has had large-scale political mobilization by indigenous groups that neither Peru nor Argentina experienced.

All three of these cases thus provide interesting opportunities to explore the neoliberal state and its changing structures and processes over time. Argentina provides us with an example of the transition from ISI to neoliberal state followed by a subsequent leftist electoral shift. In this case, each transition was marked by severe crises. Peru provides us with the example of a relatively liberal state that transitions into a neoliberal state and does not experience a leftist electoral shift. Finally, Ecuador provides us with an example of a transition from ISI to partial neoliberalization, followed by a leftist electoral shift within the context of both indigenous political mobilization and the presence of large oil reserves.

---

whether Hurtado will carry out actual leftist economic/social policies or whether he will follow Alan García's path of neoliberal accommodation.

The Neoliberal State in Argentina

The neoconservative, authoritarian, military junta that controlled Argentina from 1976 to 1982 attempted the first wave of neoliberal reforms in the country (Schamis 1991). It is important to note however that these were not primarily first stage reforms. The junta abolished the General Confederation of Labor (CGT), which was staunchly Peronist; however, this was a politically motivated rather than neoliberal-inspired action. José Martínez de Hoz, the junta's economy minister and an outspoken neoliberal, imposed a stabilization program that included cutting wages, slashing tariffs on industrial goods, and moving to privatize several state-owned enterprises (Skidmore and Smith 2005: 100). The junta's economic policies briefly lowered inflation rates but also brought on a recession and failed to keep inflation down.

Although the military junta had engaged in some neoliberal reforms, it was by no means committed to government austerity. During the junta's period of control, Argentina's debt increased enormously. Much of this debt had been accrued in order to fund the Dirty War against revolutionary leftist offshoots of the Peronist *Partido Justicialist* (PJ) and other leftist groups (Stiglitz 2006: 229).

By 1981, the county was facing economic crisis and the military junta chose to invade the British-held Falkland/Malvinas Islands as a domestic distraction. The invasion started off well but quickly surrendered to a larger, better-equipped and -trained British task force sent to counter the invasion. The economic crisis worsened in 1982 and Argentina stopped paying its private foreign debt. The junta promised elections in 1983 and a return to elected civilian government in 1984.

Raúl Alfonsín of the Radical Civic Union was elected president in the 1983 elections.[56] He was soon forced to go to the IMF to seek new bailout loans and the IMF imposed an austerity package as a condition. Argentina was soon out of compliance with the IMF's conditions and future negotiations between Alfonsín's government and the IMF were combative.

Alfonsín attempted a heterodox program that included a wage/price freeze (Skidmore and Smith 2005: 103). He named this program the Austral Plan. The Austral Plan was implemented in June 1985 and was immediately successful in controlling inflation. The inflation rate fell from 350 percent in the first half of 1985 to 20 percent in the second half of that year (Edwards 1995: 35). The plan consisted of a price freeze (mainly a freeze on the prices of public services), a public wage freeze and an exchange rate freeze. The Argentine government sought to control its fiscal deficit by raising (before freezing) public service prices and through increased tariff rates on imports. In order to anchor these reforms in an attempt to control inflation, the government rolled out a new currency, the Austral, to replace the Peso.

In April 1986, the plan was altered and the controls on public service prices, public wages and import tariffs were modified to allow for "price flexibilization" in the form of crawling pegs which periodically revalued the currency in relation to the dollar (Edwards 1995). Almost immediately, the inflation rate began to rise again.

[56] The names and terms in office for the presidents of Argentina, Ecuador, and Peru are listed in the Appendix for the period of time covered in this study (1980-2010).

By 1988, the Austral Plan was in crisis and Alfonsín attempted to move toward trade liberalization. In 1989, plagued by hyperinflation, Alfonsín made an early handover of the presidency to the President-Elect, Carlos Menem of the *Partido Justicialist*.

Although the 1976-1982 junta can be described as the initiator of Argentine neoliberalization, Alfonsín attempted a heterodox stabilization program after the junta transferred power to his civilian government and reversed some of the junta's economic reforms, including raising tariffs. Thus, the main role in the building of the neoliberal state must be attributed to the administration of Carlos Menem. In the following sections, I separate-out first stage reforms from second stage reforms but these sets of reforms actually took place over the same time period.

First Stage Reforms

In 1990, Menem announced "massive rises" in fees for public services and gasoline prices (Reuters 1990a). Menem also began shedding public sector jobs in an effort to cut government spending. That same year, he cut 80,000 civil service jobs and another 80,000 government contract jobs (Reuters 1990b; Jarvie 1990). After this ignited widespread strikes and demonstrations throughout the country, Menem passed a decree that limited the right to strike by workers in "vital services" (Barham 1990). In a public display of the importance of fiscal austerity, Menem gave himself a 20 percent pay cut and then decreed that all public sector employees' wages would be capped at 90 percent of the president's salary (Mead 1990a, 1990b).

Also in 1990, Menem's federal government announced that it would no longer pay for provincial budget deficits. These cuts to the provincial budgets, in the face of decentralization reforms to education, health care, and pensions—where the provincial governments were given greater control of the administration of these programs but required to take on a greater burden of their costs as well—led to fiscal crises in many provinces where government employees and pensioners were faced with pay cuts and months without pay due to budget shortfalls (The Economist 1994).

As part of Menem's austerity drive, "state-owned service or industrial sectors that found no buyers [during privatization], such as passenger railroad lines, were shut down" to save the government money (Pozzi 2000: 70). Government departments that were considered nonessential, such as the secretariat of state intelligence, were forced to make enormous cuts as well. This agency was forced to downsize, pushing over a thousand employees into early retirement and to sell-off property and assets (Avignolo 1990).

In order to break the hyperinflation crisis, Menem's economy minister: Domingo Cavallo, implemented the Convertibility Plan in April 1991. The Cavallo Plan brought the Peso back and used a currency board to set the exchange rate at 1 peso to 1 dollar. The Currency board also mandated that the Central Bank would maintain reserves of gold and foreign currencies equal to 100 percent of Argentina's monetary base (Fanelli and Frenkel 1999). Currency boards do not control what governments spend money on, but they restrict how much money a government can spend (Rowland 2009). They essentially prevent governments from engaging in deficit spending and thus lower inflation. The currency board set up by Cavallo (along with other macro-economic policies carried out by the Menem government) had a dramatic effect on the inflation rate—lowering it from four- to one-digit levels within four years.

Second Stage Reforms

Privatization

Menem was elected to the presidency after running on a populist platform for the PJ, which was traditionally Argentina's populist party. Once elected, he announced that he would ally with the traditional rightwing of Argentine politics and began implementing neoliberal reforms (Ford 1990; Schwarzer 1998; The Economist Intelligence Unit 1996). In 1990, Argentina privatized the government operated telephone company Entel and its airline Aerolíneas Argentinas. Between 1990 and 1995, Menem's government privatized

> most public utilities – telecommunications, airlines, power generation and distribution, gas transportation and distribution, water and sewage systems, and passenger and cargo railways – and sold off the vast majority of productive facilities (including oil and gas extraction, coal mining and steel mills). The remaining privatizations include four hydroelectric power stations… the airports, the post office and some petrochemical facilities (Economist Intelligence Unit 1996).

As Figure 1. shows, by 1995 Morley Machado and Pettinato (1999) give Argentina an index score of 1.0, equivalent to "the most reformed or free from distortion or government intervention" on privatization (1999: 8).

Figure 1. Extent of Argentina's Privatization.[57]

[57] Source: Morley, Machado, and Pettinato (1999). The scores for privatization in their index are equal to: "one minus the ratio of value-added in state owned enterprises to non-agricultural GDP" (1999: 10). This is a better measurement of the total amount of government activity in the productive economy than Lora's (2001) measurement which is based in the value of the revenues from privatization as proportion of total government revenues, which essentially measures how much money the government is making from selling off enterprises but does not tell us how much the government still owns.

Trade Liberalization

In 1990, Menem's government began reducing both quantitative import restrictions and tariffs on both imports and exports (Lora 2001; Morley et all 1999). The government had eliminated import/export quotas and export tariffs by the mid-1990s (Fanelli and Frankel 1999).

Financial Liberalization

Between 1990 and 1994, Argentina liberalized financial flows and FDI and Menem's government consistently maintained this openness "independent of the changes in the international and domestic capital markets" (Fanelli and Frenkel 1999: 60). According to the Economist Intelligence Unit (1996), this made Argentina one of the most open capital markets in the world. They reported that Menem's government had "removed all investment barriers to encourage inflows into domestic capital markets. Entering, trading and leaving the market is straightforward: there are no exchange controls, no registration requirements, and neither capital gains nor dividends are taxed. Brokers' commissions are fixed competitively and there are no sectoral restrictions on foreign investors" (1996: 32).

Social Policies

Menem's economic policies managed to get inflation under control for a while. In 1989, Alfonsín's last year in office, the annual consumer price index (CPI) was 3079.2 percent, but by 1994 it was down to 4.3 percent (Starr 1997: 84). In addition to this, the economy grew until 1995, when the Tequila Crisis combined with increasing inequality and unemployment led to growing dissatisfaction with the neoliberal model (Patroni 2002; Starr 1997).[58] Unemployment reached its peak under Menem at over 18 percent in 1995 (Grugel and Riggirozzi 2007: 90; Levitsky 2005: 81). In order to deal with the rapid rise in unemployment, Menem's government began the targeted conditional cash transfer (CCT) program Trabajar, which was expanded in 1997 as the Trabajar II program (Jalan and Ravallion 1999). It failed to stop poverty and inequality from rising throughout his second term as president, a term which was marked by continuing recession and increasing levels of protest (Grugel and Riggirozzi 2007; Shefner, Rowland, and Pasdirtz forthcoming).

As mentioned above in the discussion of first stage reforms, in 1992 Argentina devolved control of education and health care to the provincial level. It did so without completely compensating the provinces, which "are responsible for financing and administering public health and education services" (Bonari, Becerra, and Fiszbein 2004: 7). The federal government is only fiscally responsible for mitigating regional inequalities. Menem's government did this over the objections of the provincial governments, as an austerity measure at the federal level (Navarro 2007: 393).

[58] As Shefner, Pasdirtz and Blad (2006) point out, even thought the economy was growing during this time, this growth was immiserating in that macroeconomic growth occurred yet poverty rates remained largely the same and inequality (which was already high) grew.

In 1994, Argentina carried out pension reforms that created a dual pension system with private, defined contribution, individual accounts taking over from the previously government operated pay-as-you-go (PAYG) system. The transition of many workers out of the public system caused and instant (and predictable) crisis that forced the Menem government to cap benefits and end the indexation of payments to current salaries in the public system in 1995 (Kay 1999, 2009).

Tax Reform

Although Argentina already had a value added tax (VAT), which was the preferred tax of the proponents of the Washington Consensus, during Menem's presidency, it was raised in 1991, 1992, and 1995 (Lora 2001). Also, in line with the prescriptions of the Washington Consensus, the highest marginal tax rate was lowered from 45 percent in 1988, to 30 percent by 1990 and the maximum business tax rate was lowered slightly from 33 percent to 30 percent (Lora 2001). These are significant changes in the nominal rates, with the highest income tax rate being lowered by a full third. Overall, due to Argentina's inefficient tax collections, these changes were not drastic and given the fact that Argentina had the lowest productivity rate on the VAT (Lora 2001: 11), tax reform is the least fulfilled aspect of the neoliberal state in Argentina.

Labor Deregulation

In October 1991, Menem signed a decree that cut the national CGT out of direct negotiations with employers who now had the right to negotiate directly with their employees. The result was that by the mid-1990s, as many as "40 percent of the [formal] labour force worked without formal contracts or protection under the existing labour legislation" (Patroni 2002: 263).

The Third Stage: Institutional Reforms Preempted by Crisis

Fernando de la Rúa of the center-left *Alianza por el Trabajo, la Justicia, y la Educación* (Alianza)—a coalitional party, was elected to succeed Menem in 1999. By this time, the currency board, which had been created in the Convertibility Law, was unsustainable. Because the Peso was pegged to the Dollar, it had continued to appreciate even as the Argentine economy continued to face recession. This put downward pressure on Argentine exports (especially manufacturing) in an economy that was now reliant on the export model for growth. Under intense IMF pressure, de la Rúa enacted further austerity measures, which only deepened the recession.

In March 2001, he turned to the author of the convertibility plan, Domingo Cavallo to take over the economy minister post. "Cavallo announced a 'Zero Deficit Plan,' cutting pensions and public sector wages by as much as 13 per cent, and reduced federal transfers to the provinces still further" (Grugel and Riggirozzi 2007: 93). By November, the economy was still in free-fall and facing a wave of capital flight. Cavallo announced a freeze on all bank deposits, calling it the *corallito*, which resulted in the middle-class joining the already widespread protests throughout the country (Levitsky 2005). De la Rúa responded to the protests with a security crack-down that resulted in several deaths and de la Rúa's resignation.

De la Rúa's vice-president had already resigned in protest over government corruption and so when de la Rúa resigned there was a constitutional crisis. Argentina passed through three presidents in the span of a month before Eduardo Duhalde of the PJ was installed as interim president until national elections could be held. Duhalde's time in office marks the initial shift to the left in Argentina, though it was his successor, Néstor Kirchner, who represents the official electoral shift to the left—even though he is from the PJ as Menem had been.

In the creation of the neoliberal state in Argentina, wage and inflation rates remained relatively stable between the two bookends of the hyperinflationary crisis of the late 1980s and the financial crisis of 2001. Figures 2 and 3 show this very clearly. Figure 2 shows the severity of Argentina's hyperinflationary crisis in the late 1980s.

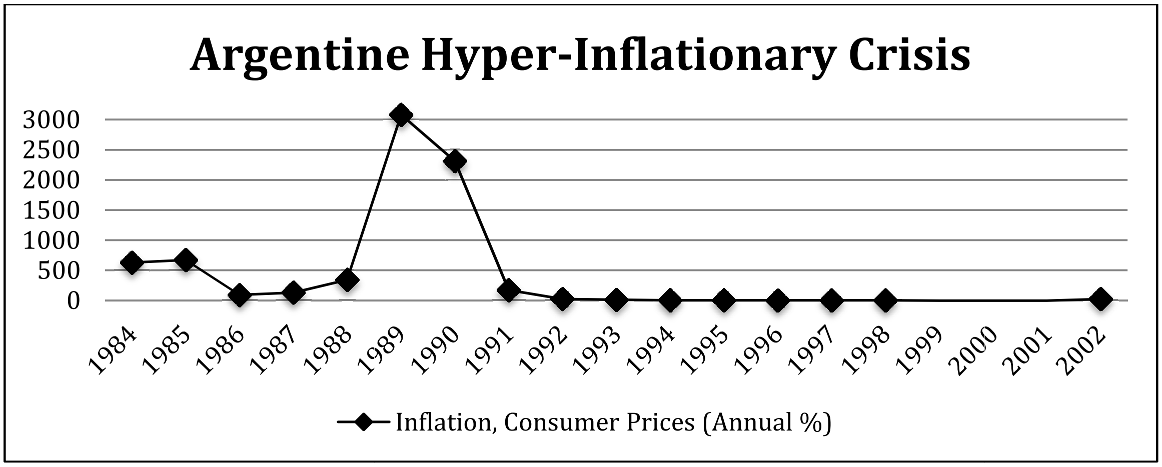

Figure 2. Argentine Hyperinflationary Crisis: 1989-1991.[59]

In Figure 3, the effect of Menem's austerity program and the Cavallo currency board's 1:1 peg between the dollar and the peso is more apparent. The peg was maintained until 2002 and during part of this time period the inflation rate was actually negative.

[59] Source: World Bank (2013). The data points that appear to be missing are actually negative rates.

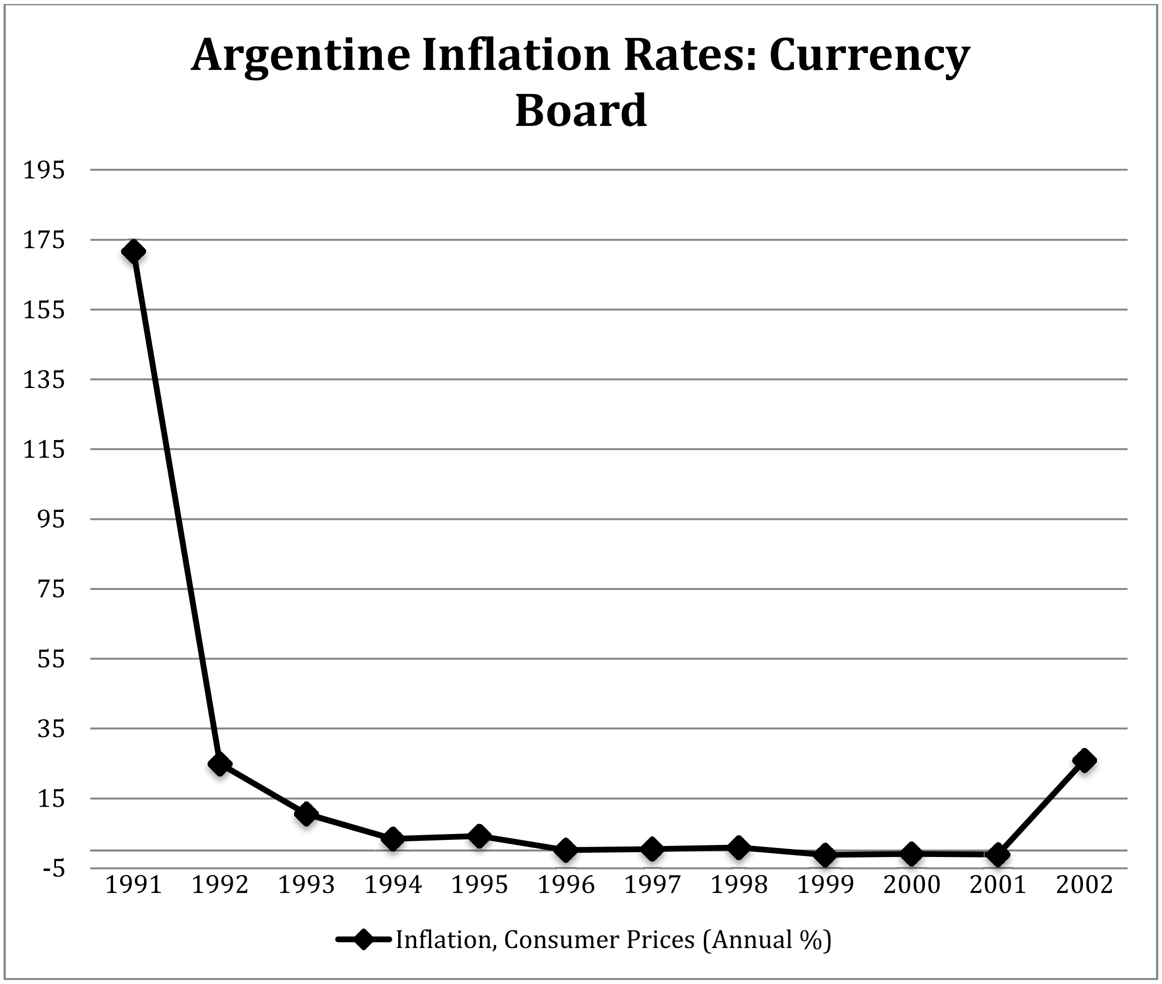

Figure 3. Argentine Inflation Rates under the Currency Board.[60]

However, the neoliberal state did not create the wealth and growth that its proponents had predicted. During the period of second stage reforms and prior to the 2001 collapse, Argentina saw an increase in informality, unemployment, inequality, and extreme poverty. All this occurred during a period of somewhat anemic economic growth (in terms of GDP). Figure 4 shows the increasing rates of extreme poverty in Argentina during the 1990s.

[60] Source: World Bank (2013).

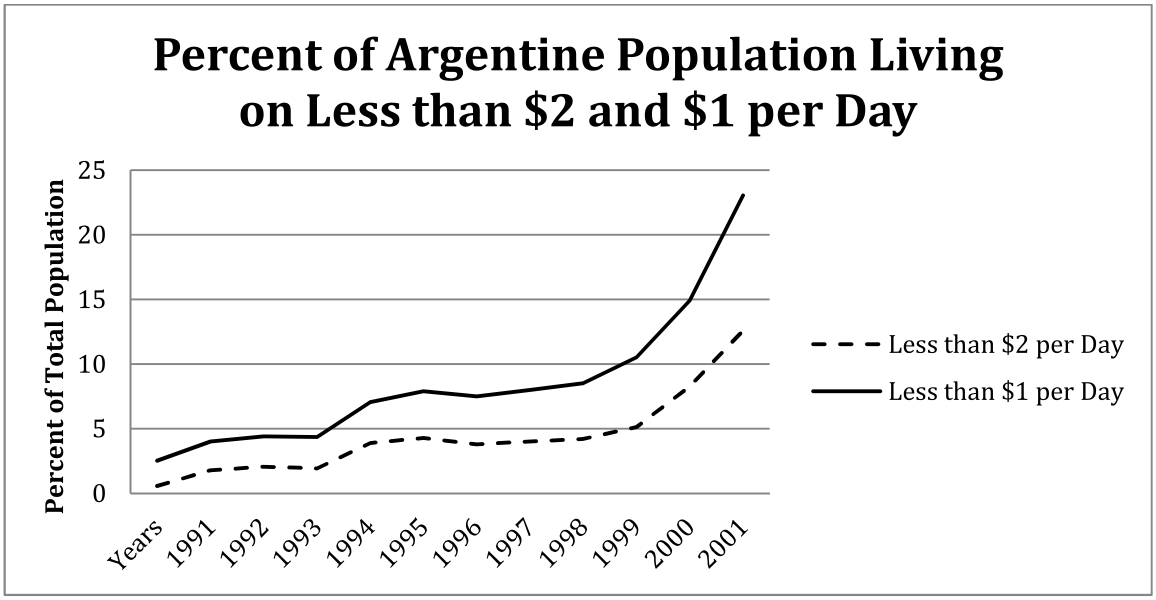

Figure 4. Changes in Extreme Poverty in the Argentine Neoliberal State.[61]

Similarly, in Figure 5 we can see the steady increase in inequality over this period as the GINI coefficient increases from .501 in 1990 to .578 in 2002, after the economic collapse.

[61] Source: ECLAC (2013).

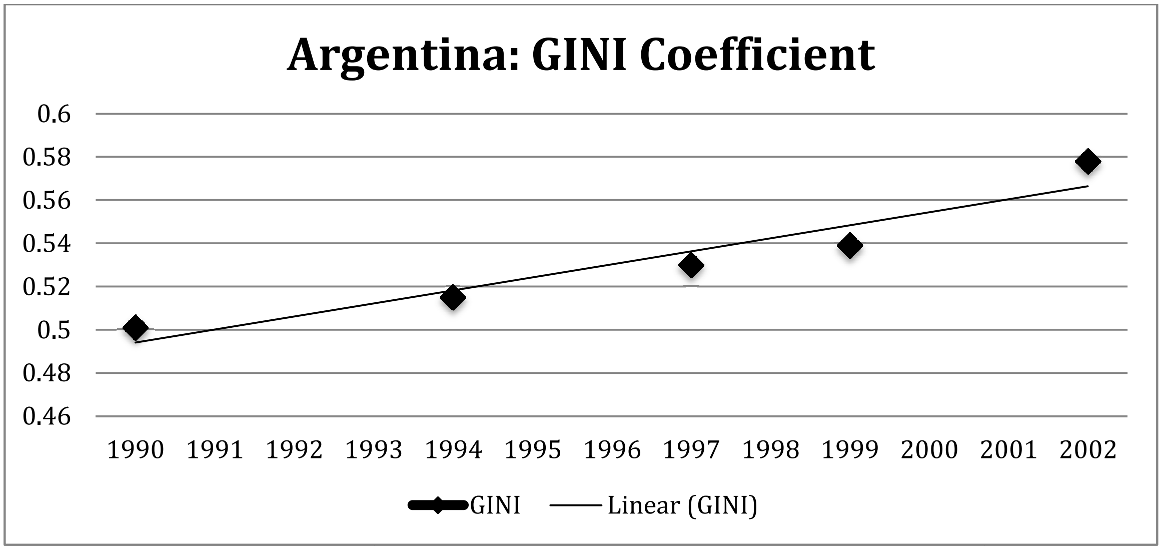

Figure 5. Change in Inequality in Argentina 1990-2001.[62]

Overall, the creation of the neoliberal state in Argentina coincided with a resumption of economic growth and the taming of inflation, but this growth came at the cost of increasing levels of inequality and increased hardships for the already worst off in society.

The Neoliberal State in Peru

Peru has historically been one of the Latin American countries most associated with liberal economic policies. After several governments sought to increase the role of the state following the Great Depression, a military coup, led by General Manuel Ordía—supported by the coastal sugar barons—restored the

[62] Source: ECLAC (2013). "Linear GINI" refers to a line of best fit as data is only available for five separate years over this period.

country to economic liberalism based on open, export-led economic policies. Beginning with the Ordía government in 1948 and continuing until 1968, Peru followed a liberal economic development program "an export-led system in which cyclical balance-of-payments difficulties were handled by domestic demand restraint and exchange devaluation, in which the entry of foreign capital and the repatriation of profits were virtually unrestricted and in which government intervention and participation were kept to a minimum" (Skidmore and Smith 2005: 205-6, quoting Thorpe and Bertram).[63] As Mauceri (1999) points out, until 1962, Peru contracted out its tax collection to a private firm and until 1969, the business sector (rather than the government) appointed the directors of the central bank.[64]

After a brief period of civilian-controlled government that culminated in a bloody insurrection in the highlands, the military once again staged a coup in 1968. The 1968 military junta, led by General Juan Velasco Alvarado, began to reorganize Peru along corporatist lines with the intention of better facilitating industrialization. Velasco's government engaged in large-scale land redistribution (including breaking-up the coastal sugar plantations and replacing them with communally owned cooperatives). His government nationalized petroleum production soon after the coup and began to regulate foreign investment. His government continued the wave of nationalizations begun with petroleum by following with the nationalization of mining under Minoperú and the nationalizations of ITT in 1969

[63] Thorp, Rosemary and Geoffrey Bertram. 1978. *Peru 1890-1977: Growth and Policy in an Open Economy*. New York: Columbia University Press.
[64] The businesses responsible for selecting the directors of the central bank included banks that the central bank was charged with regulating.

and Chase-Manhattan Bank in 1970. After an increase in elite unrest, the junta began seizing control of media outlets in the early 1970s.

First Stage Reforms

In 1975, the junta replaced Velasco (whose health was deteriorating) with General Francisco Morales Bermúdez. Jo-Marie Burt says of this change: Bermúdez represented a new coalition of commercial and financial elites and conservative members of the armed forces all of whom were hostile to Velasco's more progressive reforms (such as progressive labor legislation and land reform) and who wanted better relations with foreign capital (Burt 2003). Under IMF pressure, Bermúdez and his advisors—working closely with international lenders—implemented an austerity plan (elimination of subsidies on food, freezing wages, and reductions in state spending) that caused increased unemployment and decreased wages (Mauceri 1999). However, these austerity measures led to growing unrest (Burt 2003).

In 1977, he carried out Plan Túpac Amaru, which reversed many of the reforms Velasco had instituted. It pushed economic decentralization, austerity, encouraged private investment, privatized the press, called for a constitutional assembly in 1978 and general elections in 1980. Jo-Marie Burt calls Bermúdez's policies "the armed retreat of the state," remarking, "the state sought to disengage itself from an interventionist and developmentalist role in society and the economy and used repressive measures to deal with social protest of its retreat" (2006: 231).

Mauceri (1999) said that the developmentalist phase in Peru ended in the mid-1970s with the Bermúdez government's turn toward austerity.

The move toward neoliberalization continued after Belaúnde won the 1980 presidential elections and once again became Peru's president.[65] Jo-Marie Burt claims that Belaúnde followed the same set of neoliberal and social policies as the preceding junta, including the policy of shrinking the state. Belaúnde's economic advisors were closely tied "to international banking circles," were pro-free market, and also followed IMF recommendations (i.e. austerity) (Skidmore & Smith 2005).

Heterodox Interlude

Alan García won the 1985 elections on the APRA ticket, running on a nationalist/populist platform. García "promised state support for the urban and rural poor through a plethora of social programs" (Burt 2006: 236). APRA carried this through patronage networks. Once in office, García immediately carried out economic reforms: his government increased real wages, cut payroll and sales taxes, reduced interest rates, froze prices, and devalued the currency, the *sol*. García also created government investment programs to aid small-scale agriculture in the highlands. Lastly, he declared a default on the country's external debt.

[65] Belaúnde had previously served as Peru's president from 1964 to 1968, when he was removed by a military coup. During this first presidency there was a major peasant uprising in the highlands which Belaúnde's government brutally crushed leaving thousands of peasants dead and tens of thousands homeless.

García's policies created 2 years of economic growth but by 1987, hyperinflation set in (Burt 2006). Skidmore and Smith say that García's policies resulted in a mushrooming trade deficit fueled by a consumption boom, which led to an exhaustion of foreign reserves. International credit froze Peru out as punishment for defaulting. García's nationalization of the banks led to widespread domestic protests. In 1988, García's government implemented a "shock program," that led to a huge increase in unemployment. At the same time, guerrilla violence was increasing and the inflation rate reached 7,500 percent.

The Return to Neoliberalization

Alberto Fujimori was elected as an anti-establishment candidate who ran on a populist platform, offering vague promises of rejecting neoliberal policies. Once elected, he stunned Peruvians by reversing course and adopting an even harsher program than his opponent Mario Vargas Llosa had proposed (Roberts 1995). In Fujimori's August 1990 stabilization program: "Price subsidies, social spending and public sector employment were slashed, interest rates and taxes on government services were increased, and exchange rates were unified, producing a de facto devaluation of the currency" (1995: 96). In February 1991, he began market-based restructuring including: deregulation of financial and labor markets, tariff reductions, privatization, and efforts to reform taxes (1995). He opened the country up to foreign investment, weakened labor, and resumed payments on Peru's debt.

Second Stage Reforms

Privatization

Belaúnde planned for an ambitious privatization program in which his administration intended to sell-off over 80 public enterprises (Pastor and Wise 1992: 87). This was an overly ambitious goal, as there wasn't enough private sector capital to buy them all. This problem was exacerbated by the 1982-3 recession. On top of both of these factors, ministers dragged their feet throughout the process as eliminating or privatizing enterprises within their own sectors would erode their base of power (Pastor and Wise 1992). In the end, what little privatization occurred consisted of sales to politically-connected special interests. García's heterodox program temporarily interrupted the move toward privatization.

Fujimori's change of direction was partly the path of least resistance in a system in which heterodox and socialist alternatives were seen as failures, significant international pressure (from IMF, World Bank, and IDB) pushed for neoliberal policies, and many of his close advisors were neoliberals. In 1991, Fujimori decreed 120 new laws (most of which were economic reforms). These decrees reversed what remained of the agrarian reforms and labor protections of the Velasco period (Mauceri 1999). Fujimori began by privatizing some small state-owned banks, then he opened agriculture to large-scale agribusiness by disbanding cooperatives, lifting restrictions on land sales, and allowing large-scale capital to enter the agricultural sector (which it had been prevented from doing since Velasco). He privatized the social security system along Chilean lines – workers would select retirement plans from private (largely unregulated) funds. Over all, Fujimori presided over significant privatizations: between 1991 and 1996, nearly a hundred public enterprises were sold for more than $6.5 billion in revenues (Dancourt 1999: 183-4).

Trade Liberalization

Peru's "trade liberalization program was begun in 1978 under strong pressure from the IMF and received a boost with the change of administration in 1980" (Pastor and Wise 1992: 89). At first, Belaúnde sought to slash tariffs and increase trade. During this time, the average nominal tariff was reduced from 46 percent to 32 percent. By the end of 1981, 98 percent of all registered items could be freely imported, up from 38 percent in 1978. Tax subsidies from some exports were maintained, but Belaúnde' government reduced their rates. Tariff decreases stimulated a flood of imported goods into the market, increasing competitive pressures on manufacturing firms, which, due to financial liberalization now had to borrow at higher interest rates. This led to a fall in manufacturing output and pressure on the Belaúnde government to rescind some of the liberalization measures. He responded by raising subsidies back to pre-1979 rates and raising tariffs back to their pre-1978 levels (Pastor and Wise 1992).

On assuming the presidency, Fujimori slashed tariff rates. Dancourt (1999) reports that "Between 1990 and 1993, the average tariff went from 66 percent to 16 percent; 98 percent of the imported value in 1993 paid a 15 percent tariff" (1999: 183, note 11).

Financial Liberalization

In 1991, Peru liberalized interest rate controls and government directed lending targets and in 1993, adopted most of the Basel Accord's requirements for prudential regulation of banking. In Morley, Machado, and Pettinato's (1997) measurements of domestic financial liberalization, Peru jumps from a score of 0.264 in 1990, to 0.943 in 1991.[66] Similarly in their study, Peru's score on scale of international financial liberalization rises from 0.311 in 1989 to 0.912 in 1995. This score change in international financial reform represents significant amounts of liberalization in the form of a retreat of the state from "sectoral control of foreign investment, limits on profit and repatriation, controls on external credits… and capital outflows" (Morley et al 1997: 10).

Social Policies

Roberts (1995) says that the use of emergency social programs, like the *Fondo Nacional de Compensación y Desarrollo* (FONCODES), the nutrinional assistance program (PRONAA), and the residential infrastructure program

---

[66] In their scale, a score of 0.0 is equivalent to complete government control and a score of 1.0 is the equivalent of complete freedom from government intervention, including regulation (Morley et al 1997: 9).

(PRONAVI) were centrally-directed and largely served as highly publicized clientelist disbursements that made it look like Fujimori was actively fighting poverty while in reality, they did next to nothing in terms of poverty alleviation. Roberts cites a study that estimated "the budget of FONCODES is approximately one-tenth what would be required to attend to the basic needs of Peruvians living below the poverty line" (1995: 105, note 72).

As spending increased in these agencies controlled by the Ministry of the Presidency, social spending in other government agencies was cut. In addition, what little spending Fujimori's government actually did engage in through these entities was based on combinations of international funding sources (including lending) and one-off windfall revenues from the privatization of government enterprises and assets. Thus, as insufficient as they were, they were still based on unsustainable sources of funding (Roberts 1995). A year before the 1995 elections, Fujimori initiated a media blitz, making daily visits to poor communities for the symbolic initiation of public works "often wearing an Indian poncho and woolen cap" (Roberts 1995: 105). He also greatly increased social spending by the state in a blatant attempt to influence the election (which worked to his advantage as he was reelected).

Tax Reform

During Fujimori's presidency, Peru's tax system changed from a reliance on personal income taxes and taxes on business profits to an increased reliance on the

VAT. García's heterodox program had already decreased business tax rates from 55 percent to 35 percent by the time that Fujimori took office, but in 1993 they were further decreased to 30 percent (Lora 2001: 41). Similarly, personal income tax rates were lowered with the highest bracket decreasing from 45 percent when Fujimori took office to 37 percent in 1993 and then to 30 percent in 1994 (Lora 2001: 40). Between 1987 and 1992, the VAT tripled from 6 percent to 18 percent (Lora 2001: 39).

Labor Deregulation

Fujimori methodically attacked organized labor (Mauceri 1995). His government curtailed the ability for unions to organize and protest. It prohibited unions from engaging in "political activities." It eliminated the closed shop – allowing for competing unions in same workplace. It limited public sector unions' right to strike. It eliminated worker cooperatives. Lastly, it ended the labor ministry's mediating role in collective bargaining. All of these reforms served to further weaken labor's already declining importance. This was compounded by *Sendero Luminoso's* attack on the unions from their left.

Third Stage "Institutionalization" of Reforms

The 1992 *Autogolpe* had a 70-80 percent approval rating at the time it was carried out (Burt 2006: 249).[67] Mauceri cites the New York Times and says that polls found his approval rating was as high as 75 percent in 1992 and remained above 60 percent through mid-1993 (1995: 7, note 1). "[T]he 'fujigolpe' represented the culminating response by key elite sectors seeking to reshape the scope and nature of state power in Peru" (Mauceri 1995: 8). Fujimori called a constituent assembly in 1992 and it approved a new constitution in 1993. However, this new constitution consolidated power in the executive branch and eviscerated democratic checks and balances. "The constitution adopted by the Constituent Assembly in mid-1993 and ratified by plebiscite discarded he 'social market' orientation of the Constitution of 1979 in favor of an openly free-market agenda" (Mauceri 1999: 32).

Fujimori won two reelections (neither of which were considered "fair" by international observers) but was forced to seek asylum in Japan when faced with corruption charges. All of these economic and social changes amounted to a return to Peru's nineteenth century growth strategy of focusing on primary product exports (Dancourt 1999). The dramatic nature of the "Fujishock" can be seen in the

[67] The *Autogolpe*, or "self-coup" was Fujimori's coup d'état against his own government. In response to rising Sendero Luminoso violence, growing unrest, and legislative opposition to his neoliberal policies, Fujimori allied with the military and security forces and overthrew his own government, temporarily assuming dictatorial powers. During this period, a new constitution was written, granting more power to the presidency and allowing Fujimori to run for a second term in office.

scores in Table 1, which shows selected indicators from Morley, Machado, and Pettinato (1999).

Table 1. Structural Reforms under Fujimori[68]

Indexes of Structural Reform In Fujimori's Peru			
Year	Trade Liberalization	Financial Liberalization	Capital Account Liberalization
1988	0.541	0.248	0.311
1989	0.552	0.282	0.311
1990	0.563	0.264	0.631
1991	0.745	0.943	0.85
1992	0.929	0.929	0.9
1993	0.935	0.932	0.9
1994	0.941	0.93	0.9
1995	0.941	0.929	0.912

After Fujimori sought asylum in Japan and resigned the presidency, Alejandro Toledo (a business professor) won the special elections in 2001. Although Toledo's campaign promised to increase employment and strengthen the social safety net, once in office, he continued to support Fujimori's neoliberal policies (Skidmore & Smith 2005; Burt 2006; Cameron 2011). In 2002, over increasing protest, Toledo privatized two electric companies – which led to three days of violent protests and his reversal of the decision. "Capitulation to protest would become a hallmark of the [Toledo] government" (Skidmore and Smith 2005: 220). Toledo had promised to reform the neoliberal state that Fujimori had created to give it a "human face" but once in office, it became apparent that the apparatus of the

[68] Source: Morley, Machado, and Pettinato (1999).

state had been so stripped of capacity that there was little he could do in the area of social policy without first rebuilding institutions (Adelman 2006).

The creation of the neoliberal state in Peru had similarly negative effects on the poorest in society to those on the poorest in society in Argentina. In 1986, during García's heterodox program, the percentage of Peruvians living on less than $2 per day and less than $1 per day were 11.4 percent and 27.1 percent respectively (ECLAC 2013). By 1999, the last full year that Fujimori was in office, the numbers had risen to 15.81 percent and 28.01 percent respectively. These increases were not as precipitous as those in Argentina, but the proponents of neoliberalism had promised that "pro-growth" policies were the only thing that would make the poor less poor. Peru's average annual rate of GDP growth for the period 1991- 2000 (Fujimori's time in office) is 4.9 percent, yet this period was clearly one of unequal benefits from that growth, with the number of people in society facing extreme poverty actually increasing during this period.[69] After Fujimori, social spending (which had only increased slightly during his presidency) increased, GDP growth increased overall but was susceptible to external shocks, and rates of extreme poverty gradually declined to pre-Fujimori levels.[70]

[69] This average is calculated from World Bank data on annual percentage GDP growth (World Bank 2013).
[70] By 2010, the number of people living on $1 or less per day had decreased to 4.9 percent and the number living on less than $2 per day had dropped to 12.7 percent (ECLAC 2013).

Was there a Neoliberal State in Ecuador?

Ecuador is an interesting case because the presence of oil has had a significantly different effect on the country's developmental trajectory. Ecuador joined OPEC in 1973. Between 1972 and 1982, public expenditures grew an average of 12 percent per year (Gerlach 2003: 35). During this same period, the average tax burden actually fell. The government heavily subsidized domestic oil and gasoline consumption. According to Gerlach, the standard natural gas tank that Ecuadorians used for everyday cooking sold for around $1 but cost $5 to produce (2003: 35). During the 1980s and 1990s, as oil prices fell, the government continually increased production to attempt to make up for the revenue loss. Ecuador left OPEC in 1992, after repeatedly exceeding its production quota.

Gerlach (2003) classifies the period 1984-2000 as the movement toward free market policies in Ecuador. The following passage illustrates Gerlach's view of this period.

> In seeking new loans or renegotiating old ones, every administration from 1981 forward enacted an austerity program of one type or another. The belt-tightening was frequently mandated by the International Monetary Fund (IMF), the World Bank, the Inter-American Development Bank, the Andean Development Corporation, the Paris Club, or some other international lender, and their urging included selling off state enterprises judged too costly and inefficient, reducing government subsidies, and bringing outlays more in line with income through a combination of raising taxes and slashing expenditures (Gerlach 2003: 43).

Long and Igliori echo this view, arguing that though there were ebbs and flows in the process, until Correa's administration came to power, no Ecuadorian president took significant action to alter the neoliberal model of development (2007). They say that political instability in Ecuador has been centered around "elite rivalries" and as such has not evinced systemic transformation. "Pro-business laissez-faire has been Ecuador's economic trademark, regardless of whether neo-populist Abdalá Bucaram or technocratic Jamil Mahuad has been in power" (Long and Igliori 2007: 215).[71]

First Stage Reforms

Austerity in Ecuador has often meant decreasing subsidies, which Ecuadorian administrations had long used to increase consumption. Beginning with the election of the rightist president León Febres Cordero in 1984, Ecuadorian regimes would continue to implement austerity (mainly in the form of decreasing subsidies and increasing fees for government services)—though they would do so in fits and starts. Febres Cordero was committed to shrinking the state and reversing the ISI policies that were in place in the country. In order to decrease state spending, Febres Cordero cut government subsidies on gasoline and transportation, raising gasoline prices 80 percent and transportation fees 40 percent (2003: 44).

[71] For the terms of office of Ecuador's presidents during this period, refer to the Appendix.

The leftist Rodrigo Borja was elected to succeed Cordero. Alhough he argued against his predecessors' policies, "he continued, albeit more gradually, the policies of raising rates for basic services, lowering subsidies, and devaluing the currency" (Gerlach 2003: 45). Following Borja, Durán Ballén's administration attempted to implement a much more radical series of neoliberal reforms, including austerity measures such as raising telephone and electricity rates 50 percent and fuel prices 115 percent (Gerlach 2003: 45).

Ballén's successor, Abdala Bucaram ran a populist-style campaign. He demonized the rich and political elites, promised to increase subsidies, and promised to increase social services while campaigning. Despite this, after he was elected, he abandoned all of these promises and "pursued a conservative program based on balancing the budget, fixing the exchange rate to the U.S. dollar, and attracting foreign investment" (Gerlach 2003: 85).

Bucaram announced an austerity package in December 1996, designed mainly by former Argentine economy minister Domingo Cavallo. The plan slashed subsidies: cooking gas rose from 2,900 to 10,000 sucres, water and electricity rates rose 115 percent, public transit prices rose 25 percent, and gasoline prices rose 20 percent (Gerlach 2003). The increases in cost of living from the subsidy cuts led to "near-constant street protests, which began in earnest on January 8, 1997, and continued to build momentum for the rest of the year" until Bucaram was finally removed from power (Gerlach 2003: 86).

During Alarcón's transitional government, some of Bucaram's austerity measures were reversed. Alarcón began deficit spending on emergency social services and increased subsidies on essential food items, but these were to be temporary reversals of austerity as both of the main candidates in the next election promised to increase taxes and decrease government spending. Of the two candidates, Jamil Mahuad and Álvaro Noboa, Mahuad campaigned on the more conservative plan and was elected president. Noboa became his vice-president. Mahuad announced his first policy package on September 14, 1998: raising fuel and electricity prices 410% and increasing public transportation fees 40% (Gerlach 2003: 124). "He eliminated state subsidies for electrical consumption and state subsidies for natural gas consumption" (Long and Igliori 2007: 214). In March of 1999, Mahuad again raised gasoline prices—this time, 174 percent.

In his time in office, Noboa continued decreasing subsidies—doubling bus fares, raising the price of gasoline 66 percent, and raising electricity rates (100 percent for businesses, 60 percent for residential, and 20 percent for the poor) during 2000 (Gerlach 2003: 222). However, Noboa also increased pay for government employees from an average monthly salary of $53 to $120 (which was slightly above the poverty level) (Gerlach 2003: 214). He also increased social security payments by 40 percent.

Second Stage Reforms

Privatization

In 1992, Durán Ballén sought to privatize nearly all state-owned enterprises but was largely unsuccessful in the end (Gerlach 2003). He started out with the ambitious goal of privatizing 80 percent of state owned companies in Ecuador but due to political opposition and a lack of interested foreign investors, he was only able to privatize a handful of enterprises. "Ballén inaugurated the Macroeconomic Stabilization Plan and privatized the influential national cement companies *Cemento Nacional* and *Cemento Selva Alegre*. He also privatized the state sugar company AZTRA, the agricultural supplies, services and fertilizers company FERTISA and the [bankrupt] state-run airline *Ecuatoriana de Aviación*" (Long and Igliori 2007: 213). He also managed to sell-off some hotels and restaurants (Gerlach 2003: 88). Ballén reformed the oil sector through the Oil Law of 1993 to encourage partnerships with international oil consortiums (Long and Igliori 2007: 213). Finally, he transferred 49% of the shares of the state-run telecommunications company EMETEL and the state-run electricity company INECEL (Long and Igliori 2007: 213).

In 1996, Bucaram sought to finish the privatization reforms that Ballén had started. When he came to the presidency, the country still had around 200 state-owned firms and shares of ownership in others. His only attempt at a major privatization was the state-owned telecommunications company EMETEL, which he was unable to push through before being ousted in a coup.

Trade Liberalization

In 1990, Borja passed the *Ley de Reforma Arancelaria*, which "significantly reduced import duties" (Long and Igliori 2007: 213). The average tariff rate decreased from 39.9 percent in 1989 to 9.3 percent in 1993 (Lora 2001). Borja also passed the Maquila Law, which formally established free trade zones and pushed for the flexibilization of labor by cutting some regulations (Long and Igliori 2007: 213). Finally, in 1995, Ecuador formally joined the WTO. These reforms would remain relatively unchanged until Palacio appointed Rafael Correa to the economy minister post in 2005.

Financial Liberalization

Ballén passed the 1994 Law of Financial Institutions, which severely weakened regulatory oversight of the banking sector, allowing the industry to essentially regulate itself (Gerlach 2003). This followed a full-scale liberalization of the domestic banking sector in 1992.[72] This liberalization led to a full-blown banking crisis by the turn of the century. In late 1998, Mahuad was forced to deal with the massive banking crisis, as it became apparent that the industry was (especially the largest three banks: Filanbanco, Banco de Préstamos, and Banco de Progreso) on the verge of collapse. He responded with unpopular bailouts and his administration was criticized for allowing bank officials suspected of corruption to

[72] In Morley et al (1997), Ecuador's score on the domestic financial liberalization component rises from 0.291 in 1991 to 0.955 in 1992.

flee the country before they could be charged. Following the World Bank's advice, Mahuad created the Deposit Guarantee Agency (AGD) in order to try to shore-up depositors' confidence in late 1998.

When the AGD seemed to be unable to do so, "In March 1999 he ordered a week-long bank holiday, then partially froze deposits to limit the amount the nation's more than 4 million savers could withdraw from their accounts" (Gerlach 2003: 132). Mahuad's reputation was crippled by the fact that he was using millions of dollars of state funds to bail out private banks, while he was known to have close ties to many of the prominent bankers who caused the crisis and then fled the country to avoid prosecution (Gerlach 2003: 133). As people watched their frozen savings evaporated by inflation, massive protests emerged.

Social Policy

Prior to the neoliberal era, the main social policies used to address poverty in Ecuador were subsidies to consumers. The main changes to these policies came in waves of austerity measures that were implemented at several stages as the country dealt with economic crises. The few social programs that were in place in the country (nutritional aid to pregnant and nursing mothers for example) were small and targeted at specific low-income groups. Thus, the main reforms of the neoliberal era came in the form of budget cuts. "The decline in social expenditures has hit education and health spending the hardest. During the 1990s, the composition of social spending shifted towards targeted social protection programs (including the introduction of the cash transfer program *Bono Solidario*) and away from budgets for universal social services in education and health" (Vos and Ponce 2004: 45). In education, these cuts (beginning in 1997) were largely focused on infrastructure. As can be seen in Figure 6, after 2001, spending on education began to rise back to the pre-Mahuad period, however almost all of this increase was captured by increased teachers' salaries (Vos and Ponce 2004).

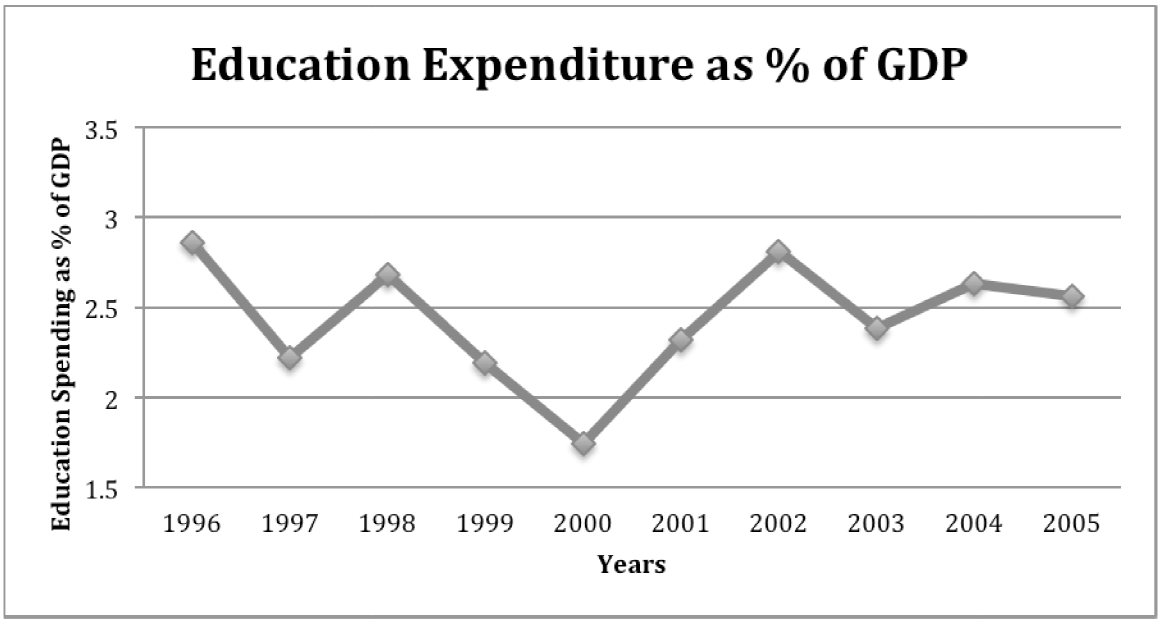

Figure 6. Changes in Education Spending in the Ecuadorian Neoliberal State.[73]

During the 1999-2001 economic crisis, the Ecuadorian government created the *Bono de Desarrollo Humano* program to provide targeted conditional cash transfers to poor families whose children stayed in school through the age of 15 and to mothers whose children received routine health check-ups. Several pre-existing

[73] Source: ECLAC (2013).

programs targeting school-age children from poor families were rolled into this new program.

Social security was the only other major social program and the attempt to reform it was largely ineffective. In 2001, the Ecuadorian congress passed a pension reform law that would have created a partially privatized system but the reform was challenged in court and parts of it found unconstitutional (Rofman 2003).

Tax Reforms

Ecuador's tax reforms predominantly consisted of decreasing rates on personal income taxes and business taxes. As noted above, compared to other countries in the region, Ecuadorian governments had traditionally maintained low tax rates. Borja's government carried out a decrease in taxes on individuals and businesses in 1990. Both the highest personal tax rate and the tax on company profits had been 40 percent and both were lowered to 25 percent (Lora 2001: 40-41). In addition, unlike most other governments in the region, Ecuador's VAT remained at 10 percent until 1999, when Mahuad raised it 2 percentage points.

Labor Deregulation

Throughout the period of this study, Ecuador only carried out one modest reform to its labor code. An amendment was passed in 1995, making it slightly easier to hire temporary employees. However, Lora (2001) points out that between

1985 and 1999, the average severance cost of laying-off a worker remained equivalent to 4.03 months pay. This area of the neoliberal state was not completed in Ecuador.

Third Stage Reforms: Institutionalizing... The Left?

From democratization in 1979 up to the present, Ecuadorian society has been plagued by low levels of institutionalization. Two successive constitutions, passed in 1998 and 2007, have largely failed to create stable institutional linkages between the polity, the economy, and society. In addition to these institutional weaknesses, indigenous groups have been only partially incorporated into the sociopolitical system. The Ecuadorian legislature has been plagued by low approval ratings and fractured by political parties that "saw no place for their adversaries in the political system" (Gutiérrez Sanín 2006: 272).

Presidents have not escaped scorn; throughout the democratic period (1979-present) Ecuadorian presidents have also faced enormous and contradictory pressures. During this period, oil revenues continued to fall putting fiscal pressure on the government. Conversely, the Ecuadorian population had long been accustomed to low taxes and generous subsidies on everything from fuel and electricity to cooking oil, food and public transportation. These contradictory pressures made it common for politicians to denounce austerity as candidates but then attempt to implement austerity once in office. Whenever neoliberal reforms were implemented, they sparked large-scale protests and opposition. For all of the above reasons, the neoliberal state in Ecuador was never fully institutionalized into society prior to the post-Washington Consensus era.

Conclusion: The Latin American Neoliberal State

As this chapter has shown, by 2000, both Argentina and Peru had fully transitioned to neoliberal states. Though Ecuador had taken some definite steps in this direction, its lack of progress in the areas of tax reforms and labor deregulation, and its modest progress in the areas of privatization and government austerity preclude it from being a neoliberal state.

As I mentioned in the second chapter, for Robinson (2004, 2008), the neoliberalization of the state is part of a wider system of transformations taking place in the global capitalist system. In this transformation, the nation-state system is in the process of being eclipsed by the not-yet-complete emergence of the transnational state. As part of this process, according to Robinson, the transnational state is not replacing nation-states, rather it is displacing them as the organizing logic of the global system. He says that the apparatus of the transnational state "is an emerging network that comprises transformed and externally-integrated national states *together with* the supranational economic and political forums" (2001: 166, italics in original). This apparatus does not yet have a centralized institutional form. What there is, according to Robinson, is a loose network of institutions that have penetrated and transformed nation-state apparatuses in such a way that the policies formed in these supranational institutions is actually enforced by nation-state apparatuses of power.

This fits well with the theory of the competition state that Cerny, Menz, and Soederberg propose in their edited volume *Internalizing Globalization* (2005).[74] According to their argument, states that have adopted neoliberal policies are no longer able to reintroduce nation-state level control over their economies because they are now too deeply intertwined with the global economy to do so without facing capital flight and other forms of market sanctions.

The leftist electoral shift in Latin America suggests that the trajectories Robinson and Cerny et al theorize are not necessarily a given and that the nation-state remains an important terrain of struggle—of contesting neoliberalism. So, in what ways does the neoliberal state strategically favor some actions/reforms/actors and penalize others? In the above cases, the literature clearly shows that the groups most advantaged by the process of neoliberalization are elites tied to transnational capital and citizens who are tied into the exporting of goods, services and resources. Movements of the left and parties like the PJ in Argentina were initially hurt by neoliberalization as their traditional base (organized labor) was weakened by the reforms that gave rise to the neoliberal state.

However, those leftist parties that were able to create linkages with neoliberalism's losers—the urban poor, the unemployed/under-employed, indigenous groups and movements, peasants (especially important in Peru) and

[74] Also briefly mentioned in Chapter II.

landless movements, and environmental movements—were later able to make a resurgence (as will be seen in the next chapter in all three of these cases). Throughout Latin America, when currency devaluations and decreases in subsidies increased food costs, when privatizations led to increases in utility fees and increases in unemployment, and when financial deregulation increased interest rates, people responded with protest. In some cases (like Argentina and Ecuador) protests by unions, the urban poor, or the unemployed were joined by middle-class groups. In such instances these protests brought down democratically elected goevernments. As the 1990s progressed, popular dissatisfaction with many aspects of neoliberalism reached such proportions that it was given a name: "reform fatigue" (Lora and Panizza 2002; Checchi, Carrera, and Florio 2006). It was after periods of sustained popular mobilization against neoliberal reformers in Argentina and Ecuador that leftist presidents were elected. The question for the next chapter will be: "How durable are the aspects of the neoliberal state, and what changes can be made to it by leftist politicians in the short term?"

CHAPTER VI
THE LATIN AMERICAN "PINK TIDE:" HOW LEFT IS THE NEW LEFT?

Introduction: Extent of the Leftist Shift in Latin America

The shift to the left in Latin America began in the early 2000s, but gathered tremendous steam by the middle of the decade. The beginning of this shift came with the election of Hugo Chávez in Venezuela in 1998, though he did not move radically to the left until after the United States-supported coup attempt against him in 2002. Surprisingly, Chile was the next country to elect a leftist president with Lagos of the Chilean socialist party assuming the presidency in 2000. In 2002, Brazil elected "Lula" da Silva. In 2003, after a complete economic catastrophe, Argentines elected the leftist Kirchner to the presidency. In 2005, Morales was elected president in Bolivia and Vázquez was elected in Uruguay. The real surge came in 2006 when da Silva and Chávez were reelected in Brazil and Venezuela respectively, Bachelet was elected as successor to Lagos in Chile, Correa was elected in Ecuador, Ortega in Nicaragua, and leftist candidates Obrador in Mexico and Humala in Peru narrowly lost presidential races. In 2007, Fernández de Kirchner was elected as the successor to her husband in Argentina, Lugo was elected in Paraguay, and Colom defeated a more conservative candidate in Guatemala. Finally, in 2008, Morales was reelected president in Bolivia. By 2008, 11 of 18 major Latin American countries had left-of-center presidents and this accounted for 65 percent of the region's 350 million people (Stokes 2009: 1).

These various leftist governments are usually divided up based on how analysts perceive the depth of their attempted changes to the neoliberal state. As I show later in this chapter, Correa's policies push Ecuador much farther from the neoliberal model than the Kirchners' policies do for Argentina. In Argentina's case, I argue that the left turn does not represent a turn away from neoliberalism altogether. Rather it represents a turn in focus *within* the neoliberal state to a higher level of social protections from the worse vicissitudes of the neoliberal state. I call this turn the fourth stage of neoliberalism. It is a stage that legitimizes the neoliberal state's focus on the competition for attracting foreign capital and remaining open to the global capitalist system.

Attempts to Explain the New Left in Latin America

Is the Left a Possible Alternative to Neoliberal Globalization?

In attempting to answer the question of whether or not the left turn in Latin America constitutes a post-neoliberal state, we must first determine just what the left turn is. Even if left-leaning presidents are elected to office, can they alter the shape of the neoliberal state? The institutions and functions of the nation-state changed a great deal in Latin America during the neoliberal period. Some social scientists argue that these changes are deep and possibly irreversible. William

Robinson's (2006) argument about the transformation of the nation-state during the neoliberal era is succinctly summed up in his essay "Promoting Polyarchy in Latin America." In it, he builds on his theory of global capitalism to describe the way that democratization and neoliberalization were carried out simultaneously in Latin America to create a particular kind of state and set of institutions.

Referring to the type of democratization that occurred in the 1980s and 1990s in Latin America as "polyarchy," Robinson describes a purposeful restructuring of the state by internationally oriented elites to insulate social control and economic policies from popular pressure (hiding behind market mechanisms and market logic). He says that these changes are meant to be functional and resilient ways of reinforcing neoliberalization. They are difficult or impossible to change from within institutional channels. Constitutional revisions, protest, or popular rebellion are required to substantially change anything. However, Robinson also says that polyarchic states are undermined by inherent contradictions (such as their inability to deal with growing populations of dissatisfied poor people) that make them inevitable failures. They must continually resort to more and more overt repression to maintain social control and this makes their exploitative nature more obvious.

Cerny, Menz, and Soederberg (2005) see neoliberal globalization as a political process of convergence on what they term the "competition state." For them, neoliberalism as a developmental discourse is not confined to the 1980s and 1990s. By defining neoliberalism as "the assertion that the *market* is the core institution of modern – capitalist – societies and that both domestic and international politics and policy-making are (and *should be*) primarily concerned with making markets work well," these authors change the focus on neoliberalism from a set of policy prescriptions to a way of seeing the world (2005: 12, italics in original). This allows them to logically argue that neoliberalism is still consolidating its place as a hegemonic discourse of development while changing and evolving "from raw market orthodoxy in the 1980s" to social or embedded neoliberalism in the Twenty-First Century (2005: 3).[75] For Cerny et al, "Although there may be room for maneuver, there is nevertheless no going back to insulated, autonomous, abstractly sovereign nation-states able to craft their own national models according to wholly domestic conceptions" (2005: 3). They go on to say that the nation-state is not retreating but rather "its mode of authority is changing" (2005: 4). For them, the nation-state is organizing itself around the process of global capital flows and is thus becoming an apparatus of competition for attracting capital. These processes are durable and ongoing and the authors do not hold out much hope that states like those in Latin America that experienced neoliberalization in the 1980s and 1990s can reorient away from market logics.

[75] See also Goldman 2005 for a similar discussion of the way that the World Bank has changed its environmental policy to incorporate criticisms within what Goldman calls a "green neoliberalism." In addition to this, Vilas (2006) states that "during the last decade the question of social inequality has been incorporated into the agendas of the most relevant actors of financial globalization and neoliberal capitalist restructuring, such as the IMF, the IDB, and the World Bank" (2006: 233). He argues that this is a response to the need to strengthen institutional stability in the face of unrest due to the unpopularity of these institutions' neoliberal conditionalities in the past. It is also an indicator of a possible ideological shift underway that the new Latin American left may also be a part of.

The Left as Neostructuralism

Leiva (2008) takes an entirely different course but arrives at nearly the same destination as Cerny et al in his study of "Latin America's post-neoliberal turn." Focusing on the neostructuralist writings of the United Nations' (UN) Economic Commission for Latin America and the Caribbean (ECLAC), Leiva argues that they do not provide a real alternative to the institutional restructurings and increased inequalities that neoliberalism created. He argues that neostructuralism is gaining ideological ground in Latin America (in countries like Argentina, Brazil, and Chile) as its window of opportunity has opened as a result of the failure of the 1960s revolutionary Left and the 1980s free-market Right. For Leiva, neostructuralism is touted as four simultaneous and complementary things: 1) an alternative to neoliberalism, 2) a comprehensive development strategy, 3) an integrated policy framework, and 4) a grand narrative about the possible.

Leiva is critical of neostructuralism's ability to provide a real alternative to neoliberal globalization because at its root it is "a sanitized analysis of Latin American political economy and society scoured clean of conflict and power relations" (2008: xxvi). Neostructuralism, as put forth by ECLAC, ignores class, gender, and labor control, as well as the power of transnational and financial capital. According to Leiva, neostructuralist writers privilege economic growth, business climate, and the interests of transnational capital first. After that has been privileged, social policies that emphasize social cohesion and do not threaten or impede market forces are needed to promote this good, stable business climate. In addition, ECLAC (in its current incarnation) explains persistent inequality as "structural heterogeneity" that is not the result of transnationalization but "segmented transnationalization" – which is basically a way of saying "*not enough* capitalist globalization" (2008: 222, italics in original). For Leiva, Venezuela and Bolivia represent neodevelopmentalist states that are

> A genuine attempt at reshaping existing power structures through a gradual reform process that promotes a mixed economy and strengthened state role that channels economic surplus and steers the development process to serve the less powerful. It is a self-aware and explicit goal of transforming the status quo by redirecting society's economic surplus that most clearly differentiates these two experiences from Latin America's neostructuralism (2008: 225).

This view of the bulk of the Pink Tide countries fits well with Robinson's and Cerny et al's arguments that neoliberalism is unlikely to be reversed from within the institutional channels that were designed by certain elites working through their governments, which carried out the reforms in order to insulate these groups and their economic institutions from popular pressures. From this perspective, any attempt to change the developmental practices of nation-states in Latin America must have significant non-institutional bases pressuring the state from below and outside in order to effect real social change. This is why Leiva writes neostructuralism off as merely the institutionalization of neoliberal globalization and the reorientation of the nation-state to the service of international capital flows.

The Left as Neo-Developmentalism

In making their case that Kirchner's Argentina represented a break with neoliberal policies, Grugel and Riggirozzi (2007) directly challenge the views presented by Robinson, Cerny et al, and Leiva. Grugel and Riggirozzi classify Kirchner's policies as *neodesarrollismo* (neodevelopmentalism). They point out that he was crucially different than early- to mid-Twentieth Century developmentalist states in that Kirchner's government's actions in relation to markets are selective, often temporary, and specifically targeted at limited goals like inflation, unemployment, and tax reforms. They say that this often appears ad hoc to analysts but that there is a logic to such interventions. It is a "new role for the state," designed to re-create an independent decision-making role for national governments in a global capitalist system (2007: 100). This new role for the state includes a renewed emphasis on production for the domestic market (including a reindustrialization drive) as well as the targeted development of some more competitive sectors of production for export, similar to the path followed by the East Asian NICs.

A Tale of Two Lefts

The majority of studies that examine the new left turns in Latin America divide them into two or three broad categories. The most common is to refer to them as a reformist and a more radical left. These broad distinctions usually lump

Venezuela, Bolivia, and Ecuador into the more radical or revolutionary left, while placing Brazil, Chile, Uruguay, (and sometimes Argentina and others) into the more reformist left. For Castañeda (2006), this distinction is a "bad" or "wrong" revolutionary left and a "good" or "right" reformist left—though the deeper the desired reforms, the more wrong the left is for Castañeda.

In his exploration of the left turns, Cameron (2009) excoriates Castañeda for his dichotomous classification of the lefts, saying they "make blunt instruments for analysis" (2009: 333). He points out that Castañeda makes the mistake of claiming that populism is a leftwing phenomenon and ignores indigenous movements and their importance in countries like Peru and Ecuador. According to Cameron, Castañeda's analysis has been more influential than its merits warrant: "even when analysts disagree with Castañeda, they often wind up appearing to accept or refine his classification of cases" (2009: 335). A good example of this at work is the edited volume by Weyland, Madrid, and Hunter (2010). In his chapter in that volume, after acknowledging the controversy and problems of dichotomizing the left as Castañeda does, Weyland adopts Castañeda's very classification, referring to it as a "moderate left" and a "contestatory left," arguing that "Simple classification schemes emphasize a basic difference in the political orientation and strategy of Latin America's contemporary lefts" (Weyland 2010: 3).

Even in studies that use this simple, dichotomous classification of the Latin American Left, there is a recognition that a wide divergence in goals, methods, and outcomes exists that is the result of specific, historical terrains of struggle. All analyses tend to agree that although each country in the region has similarities in historical experiences, they all have different, unique internal social struggles that form different political possibilities, limiting the types of reforms that are possible at any given time.

Left Turns as Post-Neoliberal State

A very common theme in studies of the new left in Latin America is that it was somehow a reaction to neoliberalism. This theme follows three interrelated theses: first, the left turns are often seen as a reaction to the failures of the neoliberal state or to its inability to prevent a backlash reminiscent of Polanyi's double-movement. Second, closely related to that is the thesis that the left turn is an attempt to deal with the second crisis of incorporation. Finally, some writers have put forward the idea that the left turns (especially the more radical ones) are an attempt to move beyond the liberal democracy/market economy model that the region has followed since the third wave of democracy. It is important to examine this three-part theme more deeply because it strikes at the very heart of the questions guiding this project.

Beasley-Murray, Cameron, and Hershberg (2009) introduce an argument that flatly counters the dire predictions by Robinson and Cerny et al. They agree that in the policy sphere, "Neoliberal restructuring and changes in the global order restrict the range of conceivable options" but argue that this is exactly why social movements have risen up to change the existing order (2009: 321). They argue that neoliberalism stripped protectionist policies and re-inserted Latin American states into the world economy when commodity prices were relatively high but those prices subsequently fell. At the same time, under neoliberalism, “Most Latin American states have lost whatever capacity they once had to provide security for the population” (2009: 322). This violation of people’s conception of the moral economy then led to social protest and the rise of the new left as a competing political option across the region (Shefner and Stewart 2011). Sandbrook (2012) makes this case in his “neo-Polanyian” analysis of the “post-Washington consensus” global South and its attempts to address neoliberalism’s failures.

Several analysts of the left turn indicate that this new Latin American left is attempting to fundamentally move beyond the neoliberal framework to a “post-liberal” society (Arditi 2008, 2010; Beasley-Murray, Cameron, and Hershberg 2009; Cameron 2009; Moreno-Brid and Paunovic 2010; Weyland 2010). For Arditi and Beasley-Murray et al, the transformation is away from “constituted power” – the power bestowed by a formal, liberal constitutional framework – to “constituent power” – the power of the demos in a more participatory system. Similarly, Walsh (2011) discusses several states – particularly Ecuador – which call themselves “plurinational” democracies. She argues that they are reframing development in terms of *buen vivir* as opposed to prioritizing economic growth.[76]

[76] The term buen vivir, refers to living well, a focus on quality of life that is not solely tied to economic well-being. In Ecuador the term is used to refer to living a life that is fulfilling because it is focused on healthy community, family, and environment. Material wealth is only important to buen vivir to the extent that it frees individuals from want and insecurity (Walsh 2011).

For Moreno-Brid and Paunovic, post-liberalism becomes a possibility as governments move towards a more populist macro-economic set of policies, which they say are "a set of policies that… are geared to improve social or economic conditions of a majority or to boost the economy's rate of expansion" but without increasing inequality (2010: 197). These types of policies are what Weyland (2010) refers to as "contestatory" left policies that are often based on shaky economic foundations and set on unsustainable trajectories in the long run. However, according to Moreno-Brid and Paunovic (2010), the greatly increased terms of trade that many of these countries now have (as a result of the traumatic social dislocations and currency devaluations that the neoliberal era brought about), as well as the commodity boom of the mid-2000s, have made such policy shifts possible. These concurrent events have opened up policy-making space that would not have been available to leftist governments a decade ago.

According to Nilsson (2009) and Petras and Veltmeyer (2009), only Venezuela has taken advantage of these macro-economic changes to attempt a real structural change in society. French (2009) disputes the implications of this argument insofar as it makes other leftist governments (like that of Lula in Brazil) seem to be mere rhetorical posturing rather than a shift in ideology away from neoliberalism. According to French, the different rhetorical styles of presidents like Lula and Chávez – as well as their different policy implementations and proposals owe more to the inherited differences their governments face in their respective historically specific societal terrains. French argues that Lula and Chávez are ideologically similar, but that different states simply require different paths to the same ultimate goals.

The most persuasive assertion that a more than rhetorical move away from neoliberalism is occurring is in Arditi's (2008, 2010) argument that the center of gravity in the political discourse has shifted in Latin America, opening up space for alternative visions of society to be imagined and seriously proposed. He argues that the electoral victories by the left are important but that the really important marker is the way that even in states where the left has not experienced national electoral victories, it has made serious challenges to the non-leftist parties (for example in Mexico and Peru). Even more important claims Arditi, is the fact the left now seems to be driving the political discourse and the right is forced to respond rather than set the terms of the debate.

He is joined in this assertion by Beasley-Murray et al (2009), Nilsson (2009), and Reygadas and Filgueira (2010) who all separately argue that the particular dislocations and increases in inequality brought about by neoliberalization have forced the right to cede the discourse of democratization to the left. Though the right was able to dominate this discourse throughout the 1980s and 1990s as many Latin American states transitioned from authoritarianism to shallow neoliberal democracy, the failure of neoliberal policies to continue to expand participation to many disadvantaged groups in society led to what Reygadas and Filgueira call "the second crisis of incorporation" in Latin America (2010: 173). The left emerged from electoral defeat and from the provinces of many countries to take up the rhetoric of democratization against the failures of the neoliberal policies that the right had championed (and which had demonstrably failed to incorporate many different disadvantaged groups).

Defining the Left Turns in Latin America

So, what is the new left in Latin America? This study follows the more inclusive definition of the left provided by Levitsky and Roberts (2011), who state that:

> The Left refers to political actors who seek, as a *central programmatic objective*, to reduce social and economic inequalities. Left parties seek to use public authority to redistribute wealth and/or income to lower-income groups, erode social hierarchies, and strengthen the voice of disadvantaged groups in the political process. In the socioeconomic arena, Left policies aim to combat inequalities rooted in market competition and concentrated property ownership, enhance opportunities for the poor, and provide social protection against market insecurities. Although the contemporary Left does not necessarily oppose private property or market competition, it rejects the idea that unregulated market forces can be relied on to meet social needs… In the political realm, the Left seeks to enhance the incorporation of underprivileged groups and erode hierarchical forms of domination that marginalize popular sectors (2011: 5).

If this left is to accomplish the goals and aspirations that Levitsky and Roberts attribute to it, then the assertions of Cerny et al, Robinson, and Leiva will have to prove to be mostly or completely wrong.

The Latin American Neoliberal State During the 2000s: Is the Left an Alternative, or a Fourth Stage?

Peru: Continuation of the Neoliberal State

As discussed in the previous chapter, after Fujimori's resignation in 2001, Alejandro Toledo was elected as his replacement. Although Toledo's campaign promised to increase employment and strengthen the social safety net, once in office, he continued Fujimori's neoliberal policies instead (Skidmore and Smith 2005; Burt 2006; Cameron 2011). Toledo was less successful than Fujimori in furthering neoliberalization, though, as evidenced in his inability to prevail in privatizing two electric utilities over opposition and protests. Burt (2006) recognizes the established neoliberal state in Peru (though not in that specific term) when she says, "The radical restructuring and privatization of the state and state-society relations were seen by new liberals as key to both reviving the process of capital accumulation and depoliticizing social struggles by removing the state as the main actor directing economic and social development" (2006: 248).

The 2006 presidential elections were a major test for the neoliberal state in Peru with the two front-runner candidates being the leftist Ollanta Humala squaring off against the architect of Peru's failed attempt at heterodox reforms from the 1980s, Alan García Pérez of the APRA party. Humala was a leftist candidate with ties to Venezuelan president Hugo Chávez.[77] Though Humala won the higher percentage of votes in the first round, he did not win an outright majority, which forced a runoff. In this second round, García managed to pick up a much greater proportion of the urban poor in Lima than Humala. Due to the fact that APRA is a populist machine party, not an ideological party, García was able to run to the right of Humala and consistently promised to continue neoliberal policies in office.

Garcia's regime relied on support from rightwing parties and he placed neoliberal technocrats in key positions in his cabinet. According to Cameron (2011) "he pursued orthodox, growth-first, macroeconomic policies" (2011: 388). These included free-trade agreements with the United States and Canada. He also carried out a series of austerity reforms, including cutting the salaries of senior civil servants and parliamentarians. He ran fiscal surpluses, yet did not carry out social policies to deal with the high levels of poverty (especially in the highlands-which voted for Humala) that persisted throughout the neoliberal period. In fact, during years where the GDP was growing, both education and health care spending decreased and all other social spending lagged behind the average for the region. However, he did increase spending on social security. Also, during the years of GDP growth, poverty decreased, though this decrease was very regionally unequal. Although Cameron (2011) states that he could have done so, García did not repeal

[77] It is interesting to note that after the period being studied here, though Humala was eventually elected in 2010, and though he again campaigned on firm leftist promises, once in office, he pulled a Fujimori-like switch and appointed many of García's neoliberal technocrats to positions in the cabinet and negotiated tax deals with the major mining consortiums that were even more favorable to them than they had been under García (Poole and Rénique 2012: 4).

generous tax benefits enjoyed by large mining companies. García granted "generous concessions" to Spanish telephone company *Telefónica*.

The most telling evidence of the continuation of the neoliberal state in Peru during this period however, is that the Peruvian state was so anemic after years of neoliberalization, it couldn't spend all of the windfall public funds coming in as a result of the resource boom in the mid-2000s. "After years of cutbacks and layoffs, Peru was unable to administer an economic bonanza to achieve redistributive goals" (Cameron 2011: 392). Also, in the midst of large-scale protests, some of which turned bloody, García's government passed decrees that made it easier to sell collectively-owned land to mineral investors – without consultation with the communities that would be affected by the extraction. This friendliness to business is represented in the Heritage Foundation's (2013) Index of Economic Freedom scores for Peru for the period 1995-2013. In Figure 7, the scores for the categories business, monetary, and trade freedom all increase so that by the end of García's presidency, they are all higher than they had been during Fujimori's terms in office.

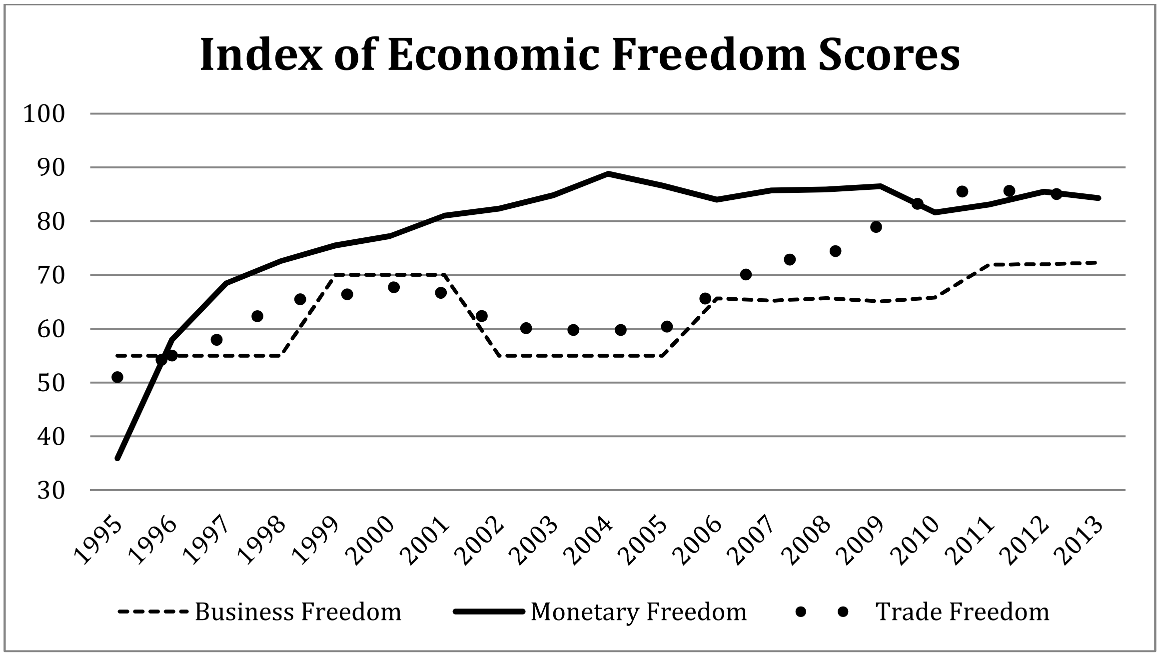

Figure 7. Selected Index of Economic Freedom Score for Peru (1995-2013).[78]

The neoliberal state has remained in place in Peru but the country has seen similar reductions in extreme poverty and in levels of inequality as Ecuador has. In addition, despite the continuation of the neoliberal state, social spending in all categories has maintained a steady increase during the period of this study.[79] The rate of increased spending is not as steep as in Ecuador under Correa or Argentina under the Kirchners, but it increases none-the-less.

[78] Source: Heritage Foundation (2013). In this index, created by a partnership between the Wall Street Journal and the Heritage Foundation, a score of 0 would indicate complete government control of the sector while a score of 100 would indicate complete freedom from government control/influence/regulation of the sector.

[79] The categories ECLAC (2013) divides social spending into are: Education, Health, Housing and Other, and Social Security. As percent of GDP and in per capita terms, Peru steadily increased spending in each of these areas throughout the 1990s and 2000s.

As shown in Table 3 in the concluding section of this chapter, Peruvian governments after Fujimori did not reverse any of the neoliberal reforms that had been carried out in the areas of government austerity, privatization, trade liberalization, financial liberalization, tax reforms, social policies, and labor market deregulation.

Ecuador: "21st Century Socialism"

As the previous chapter stated, Ecuador very frequently experienced presidential candidates who ran on anti-neoliberal platforms and then attempted to implement neoliberal reforms once in office (with varying degrees of success). Lucio Gutiérrez came to power this way in 2002. Having run a vaguely leftist campaign with major backing from the powerful CONAIE movement and the indigienous political party *Patchakutik*, both of whom were staunchly anti-neoliberal, once in office Gutiérrez allied with the rightist *Partido Social Cristiano* (PSC) and adopted neoliberal economic policies, angering his supporters and contributing to an internal implosion of CONAIE. Gutiérrez actively participated in splintering CONAIE by using cooptation and clientelist distributions to play member groups and communities against one another.

By 2005, Gutiérrez's neoliberal turn and rampant corruption and cronyism had created a mounting wave of unrest that led to his ouster. Gutiérrez's vice president, Alfredo Palacio, came to power in 2005. Palacio had been openly critical of Gutiérrez's swing to the right and conversion to neoliberal orthodoxy. Palacio appointed Rafael Correa, “a relatively unknown radical economist” who was critical of the IMF and World Bank to the position of economy minister (Long and Igliori 2007: 217). His appointment suggested a more heterodox approach. Correa quickly scuttled a free trade agreement with the United States and began planning an integrationist trade policy with Venezuela, designed to distance Ecuador’s import economy from the United States’ export market. “Correa lasted less than four months in the government before business, congressional and US pressures forced his exit from the Ministry of the Economy” (Long and Igliori 2007: 217).

His ouster did nothing to lessen his popularity and in 2006, Correa ran for president on a platform that castigated what he called the *partidocracia* which, he said, had devastated Ecuadorian society through economic mismanagement and corruption. After winning the 2006 election, Correa moved quickly to suspend congress (which was dominated by the opposition) and convene a constituent assembly, in which his party: the *Patria Altiva y Soberana* (PAIS) held 80 of the 130 seats, to draft a new constitution, which was passed by referendum in 2008. Correa’s government also quickly moved to renegotiate contracts with foreign oil companies. In these negotiations, his government raised “the state’s share of windfall oil profits from 50 percent to 99 percent” (Madrid, Hunter, and Weyland 2010: 168).

According to Conaghan (2011), “Building a vigorous, proactive central government—a state capable of sustaining a new model of economic development—became the defining policy objective of the Correa presidency”

(2011: 275). The new constitution was an essential part of this process. Although social movements and other groups had a large role in bringing Correa to office and in the drafting of the constitution, once in office Correa saw Ecuador's various civil society groups as an obstacle to the goal of creating a new, more powerful state. He often refers to indigenous, environmental, and women's rights groups as the "infantile left." The new constitution gives the state administrative, regulatory, and management control over: all energy-related industries, from extraction to refining to delivery; telecommunications; resource management and extraction – renewable, mineral, and biogenic; transportation; and water (Madrid, et al 2010: 168; Conaghan 2011: 280).

Under the new constitution, Correa's government was able to undertake significant changes to the shape and functioning of the state. Because the constitution forbade the government from borrowing at usurious rates, Correa was able to declare one third of Ecuador's debt illegal and thus invalid, effectively defaulting on it. The constitution also reestablished a national planning agency. This agency announced a development plan for 2009-13 that declared "targeted import substitution industrialization, ecoturism, and 'responsible' mineral and oil extraction [would be] prioritized as the bases for future development" (Conaghan 2011: 277). This model is highly dependent on the state, which in turn, is highly dependent on revenues from extractive industries (especially oil).[80]

---

[80] There is a growing body of literature on this "neo-extractivism" in Latin America (Bebbington 2009; Gudynas 2010; Achtenberg 2012). During the neoliberal period, the state's privatization of natural resource extraction to multinational corporations

In 2009, Ecuador began to face a worsening trade gap due to the global recession. Correa raised tariffs and some import quotas as a response. As I mentioned above, counter to the prescriptions of neoliberalism, as economy minister, he had refused a free trade deal with the United States, preferring to pursue regionally oriented trade agreements. Ecuador joined ALBA in 2009 and joined UNASUR in 2010.

Correa was able to substantially change the way taxes worked in Ecuador. In 2008, the government instituted a 0.5 percent tax on capital leaving the country and then raised this tax rate in steps until it reached 5 percent by 2011. The government also created a windfall profit tax on extraction of natural resources by companies that had been granted concessions by the government. Finally, the government implemented a tax on assets held outside the country by Ecuadorians and Ecuadorian companies.

Because of increases in revenues from these new taxes and tariffs, Correa's government was able to increase spending on social programs. Figure 8 shows this increase in spending compared to the period just prior to Correa's presidency.

---

and wealthy elites, who primarily exported the resources to the global market, was criticized as "extractivism." Neo-extractivism is a strategy used by the new lefts in resource rich countries like Bolivia, Ecuador, and Venezuela to fund more generous social programs by renegotiating contracts with the companies doing the extracting to increase government revenues. They also frequently impose more regulation on the process of extraction.

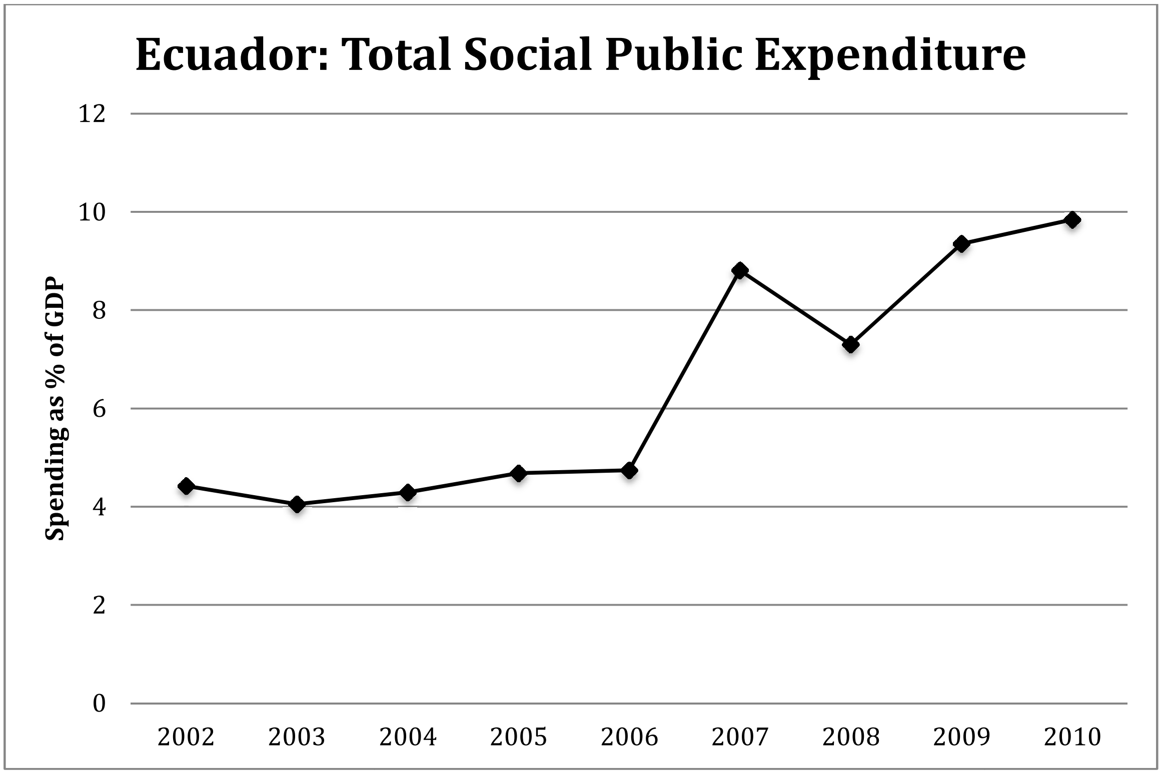

Figure 8. Social Public Expenditure in Ecuador under Corea.[81]

This increase in social public expenditure was most pronounced in spending on social security as seen in Figure 9, below.

[81] Source: ECLAC (2013).

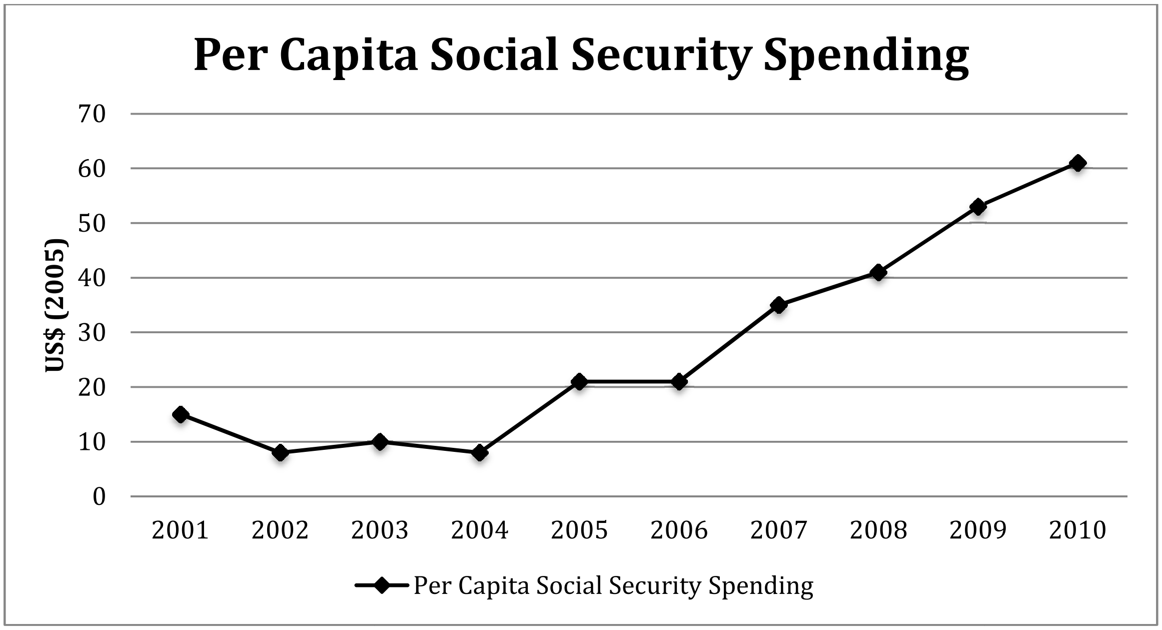

Figure 9. Per Capita Social Security Spending in Ecuador under Correa.[82]

Correa introduced new programs that offered free heath services to pregnant women and children as well as other health care initiatives. The *Bono de Desarrollo Humano* monthly payment was increased from $35 to $50, paid for by an increased tax on bank profits (Weisbrot, Johnson, and Lefebvre 2013: 14). In response to the global economic crisis that began in 2008, Correa instituted a strong stimulus package (equal to 5 percent of GDP in 2009) and this quickly pulled Ecuador out of recession, resuming pre-recession level growth within seven quarters of the beginning of the recession (Weisbrot, et al 2013: 16). By the end of 2012, Ecuador had reached 4.1 percent unemployment, its lowest recorded level.

[82] Source: ECLAC (2013).

Table 2. Social Spending in Ecuador.[83]

Years	Social Public Expenditure as % of GDP: Education	Health	Housing and Other	Social Security	Total
1990	2.56	1.13	0.53	0.26	3.95
1991	2.72	0.84	0.53	0.34	3.9
1992	2.88	0.95	0.53	0.21	4.04
1993	2.66	0.69	0.53	0.28	3.63
1994	2.5	0.69	0.53	0.47	4.19
1995	2.77	0.96	0.53	0.37	4.43
1996	2.86	0.93	0.17	0.58	4.54
1997	2.22	0.77	0.21	0.29	3.49
1998	2.68	0.77	0.21	0.2	3.87
1999	2.19	0.68	0.06	0.44	3.37
2000	1.74	0.63	0.13	0.35	2.86
2001	2.32	0.89	0.63	0.62	4.46
2002	2.81	1.05	0.22	0.34	4.42
2003	2.38	1.09	0.2	0.38	4.05
2004	2.63	1.14	0.23	0.29	4.29
2005	2.56	1.14	0.23	0.74	4.68
2006	2.61	1.21	0.2	0.72	4.74
2007	5.92	1.33	0.38	1.17	8.81
2008	3.53	1.62	0.86	1.29	7.3
2009	5.42	1.77	0.45	1.71	9.35
2010	5.47	2.07	0.38	1.92	9.84

By far, Ecuador's biggest change under the Correa administration has been in the area of financial reforms. In 2007, Correa capped interest rates for domestic lending and passed regulations that capped or eliminated many fees and commissions charged by banks, in order to better protect consumers and make credit more widely available. Under the new constitution, far deeper changes were

[83] Source: ECLAC (2013). The shaded section indicates the period when Correa was president and constitutes the left turn era. Although Correa assumed the presidency in 2006, the shaded area begins with 2007 to account for policy lag.

made to the financial system. The central bank was formally placed under the executive branch of government. The constitution also "prohibited 'financial entities or groups, along with their legal representatives, board members and shareholders' from owning any controlling shares in the media" (Weisbrot et al 2013: 13, quoting *Constitution of the Republic of Ecuador* 2008: article 312).

The constitution explicitly defined three areas of the financial sector: (1) public, (2) private, and (3) popular and solidarity-based (*Constitution of the Republic of Ecuador* 2008). Correa sought to greatly expand the third sector by creating the *Programa de Finanzas Populares* in 2008. Also in 2008, Correa's government passed the "Law Creating a Financial Sector Safety Net" under the new constitution. It established a bailout fund for banking crises, financed by a tax on banks and other financial institutions, which were required to pay 3 percent of their deposits that were subject to reserve requirements. In 2012, this was increased to 5 percent with an annual increase until it reaches 10 percent in 2017 (Weisbrot et al 2013: 7).

In 2009, the government created a Domestic Liquidity Coefficient, which requires banks to hold 45 percent of their liquid assets domestically. In 2012, this amount was increased to 60 percent. Finally, the Anti-Monopoly Law of October 2011 prevents institutions from engaging in multiple types of financial activities, effectively separating institutions into banking, financial services, and insurance provision—none of which may provide two or more of these services.

Ecuador, having not completed the transformation into a neoliberal state during the 1980s and 1990s, has moved much further away from the image of a neoliberal state than either Peru or Argentina. Part of the reason for this is that Ecuador has had oil reserves that mitigate some of the pressures on the government to enact austerity policies. However, Peru also has large quantities of extractive resources that might have provided that country the same opportunities… but didn't. Another contributing factor has to be that, due to its oil wealth, Ecuador never thoroughly neoliberalized in the first place, which gave Correa a very different starting point than many other presidents of the new left in Latin America have had. Ecuador's endemic political instability since democratization is also a contributing factor. This instability and the very low levels of satisfaction that most Ecuadorians expressed towards their democratic institutions were a major factor in Correa's ability to draft a new constitution that concentrated much more power into the executive branch which was a necessary precondition to the types of reforms he has been able to carry out.

Correa refers to the state that he is constructing as "21st Century Socialism," a term shared by Venezuela's Hugo Chávez and Bolivia's Evo Morales for their respective development projects. The term is meant to signal a difference from the socialism of the twentieth century. For these leaders, the term refers to an "increase in state regulation and power, but in a democratic manner" that does not eliminate the market and does not seek to reverse globalization (Kennemore and Weeks 2011: 267). Although the platform of 21st century socialism espouses grand ideals, many of which are enshrined in Ecuador's 2008 constitution, in many ways the "Citizens' Revolution" has fallen far short of reaching them. Correa's government has taken some steps toward the creation of a welfare state, but it is still engaging in reforms that are clearly in line with neoliberal ideals as well.

In 2009, Correa's government enacted a new law that sought to encourage more foreign investment in mining. The following year, CONAIE staged a series of protests around the country against the government's decision to carry out water privatization (Kennemore and Weeks 2011: 276). In early 2010, Correa forced his foreign minister to resign after the minister had allowed donors to attach conservation conditions to their donations to a UNDP project. Correa called the minister's actions "environmental infantilism" (Kennemore and Weeks 2011: 276). Such actions are in clear tension with a constitutional document that recognizes nature as having rights of its own, separate from its use value to human beings (*Constitution of the Republic of Ecuador* 2008: title II, chapter 2, section 7, article 71). To all appearances, Correa's 21st century socialism has begun the move towards the creation of welfare state capitalism but this assessment is based solely on the performance of half a decade. As can be seen in Table 3 in the last section of this chapter, even though Ecuador never fully constructed a neoliberal state, Correa's government has still manage to reverse neoliberalizations in all seven major policy areas of the neoliberal model.

Argentina: The Neoliberal State in Its Fourth Stage

The fourth stage of neoliberalism is characterized by the neoliberal state's turn towards social protections that legitimize the prior sets of neoliberal reforms such that “reform fatigue” and other manifestations of discontent with neoliberalization are prevented from threatening to alter the neoliberal state. The reforms of the fourth stage are similar to those of the third stage that focused on poverty and inequality. These reforms take on the criticisms of neoliberal poverty alleviation policies that sought to address poverty as an individual (as opposed to a structural) problem. As such, they acknowledge the structural nature of the issue but continue the same, targeted transfer programs that the proponents of neoliberal reforms championed—albeit in expanded form. This is the base area of fourth stage reforms. Different states will undoubtedly have differing sets of additional reforms (expanded coverage of health care or pensions, greater labor protections, expanded state spending, etc…). The specific details of this stage are also still evolving as it is currently manifesting itself. Complete enumeration of it is not possible without the benefit of hindsight, which we do not have yet.

Following its 2001 economic collapse and De la Rua’s ouster, Argentina’s presidency passed through two interim presidents, neither of whom lasted longer than a week before Eduardo Duhalde of the PJ took over as interim president. This is a process that is often mentioned whereby Argentina had four presidents within a month. In January 2002, when Duhalde took over, he devalued the peso and ended the currency peg, allowing the peso to float. This resulted in further devaluation (Haslam 2010; Etchemendy and Garay 2011).

In order to fund emergency social programs to deal with the crisis, Duhalde imposed a 20 percent tax on earnings from hydrocarbon exports. The biggest social program created by Duhalde was the *Programa Jefas y Jefes de Hogares Desempleados* (unemployed heads of households), which at its peak enrollment was providing emergency relief for 20 percent of Argentine households. It was a targeted, conditional cash transfer (CCT) program that provided about "US$40 per month to unemployed heads of household with children under the age of eighteen, contingent on vaccination of the children and participation by the adult in workfare training" (Huber and Stephens 2012: 188). The program suffered somewhat by political manipulation in the form of Peronist clientelism (Giraudy 2007; Huber and Stephens 2012). Duhalde also created a targeted food assistance program.

When elections were held in 2003, Néstor Kirchner from the PJ won over Menem who also ran as a PJ candidate. Néstor was followed in 2007 by his wife Cristina Fernández de Kirchner. Though usually defined as leftists, the two Kirchners' policies defy easy left-right classification, however, they are clearly not radical leftists (Etchemendy and Garay 2011). Néstor Kirchner was very popular due partly to his anti-neoliberal discourse. On assuming the presidency, Néstor Kirchner continued servicing the IMF debt but refused to sign a new agreement that would have come with austerity conditionalities attached (Etchemendy and Garay 2011: 287). He also rhetorically attacked the IMF, blaming it for Argentina's crisis. He began negotiating with private bondholders over the debt that Duhalde defaulted on. According to Etchemendy and Garay (2011),

> The final outcome when the restructuring process was completed in 2005 would have been unthinkable in the heyday of financial globalization in the 1980s and 1990s: the Argentine government obtained a reduction

> of about 55% in the defaulted nominal debt capital, refused to service the interest rates unpaid throughout the default period, extended considerable the average maturity, and lowered the exchange rate risk, as about half of the new bonds were denominated in local currency (Etchemendy and Garay 2011: 289-290).

Though their rhetoric was fiercely anti-neoliberal, the Kirchners did not seek to roll back the privatizations of the 1990s. Re-nationalization only occurred in a few instances, all characterized by severe conflicts and companies willing to divest. The 2002 devaluations had hurt the providers of privatized, contracted public utilities and they wanted to raise rates, renegotiate for better terms with the government, or both. Néstor Kirchner's government carried out "hard bargaining" with these firms – even nationalizing four of them (Haslam 2010). In the negotiations, the government was primarily concerned with keeping the cost down for the consumers rather than with the companies' profitability. In fact, the nationalizations seemed to be more a pragmatic response to a lack of interest by foreign investors willing to invest capital than an increase in interest by the state in reestablishing itself in the market. Overall, Haslam (2010) is correct that the regulatory changes in Argentina regarding finance and FDI amount to "tinkering on the margins of the neoliberal model" (2010: 228).

In labor policy, the Kirchners have pulled together an alliance between their governments and the main Peronist labor confederation (CGT). Néstor Kirchner decreed nominal wage increases and raised the minimum wage. His government also fostered a new bargaining-conflict dynamic between employers and unions, refusing to mediate between employers and the CGT (Etchemendy and Garay 2011).

In 2004, Néstor Kirchner rolled back regulations designed to increase labor market flexibility and strengthen the role of the national labor federations vis-à-vis local unions. Etchemendy and Collier (2007) call this "segmented neocorporatism" in which government, labor federations, and business groups negotiate labor policies, including minimum wages but these agreements only apply to the formal sector. It was possible to leave out workers in the informal sector because the Kirchners have been mostly successful in coopting the protest movements that had been so instrumental in bringing down de la Rua's government in 2001.

Faced with a legacy of high levels of protest and organized and confrontational groups of unemployed (e.g. the piqueteros movement), Néstor Kirchner responded by coopting the largest and least radical groups and ignored the smaller, more radical ones (Etchemendy and Garay 2011). "Through public inducements, which initially included participation in public works and government support for microenterprises and, later on, pension expansion and new income transfers… Néstor and then Cristina Kirchner negotiated a reduction in protest activitity and mobilized loyal groups both in support of government policies and against adversaries" (Etchemendy and Garay 2011: 287).

The Kirchner's trade restrictions and tax policies were tied up in their attempt to maintain growth with low to moderate inflation. They mainly did this through regulation or the threat of regulating price controls on wage-indexed goods and through subsidies to large companies to keep wages high. In 2004, when the economy began to recover strongly from the 2001 crisis, the inflation rate began to rise. Néstor Kirchner issued threats of price regulations to Shell, Exxon, Repsol-YPF, and Petrobras if they would not “voluntarily” agree to keep gasoline prices from rising. There were also tensions between the companies and the Kirchner government over taxes on oil production. Néstor Kirchner’s government kept pressure on the oil companies to keep prices artificially low and thus, help to control inflation without formally legislating price controls.

In 2006-2007, Néstor Kirchner raised export taxes – tied proportionately to increases in the global price on oil. Later the government banned the export of naphtha to keep domestic prices low (Richardson 2009). Another tactic the Kirchners used involved how price rises would be spread in society. Until 2008, utility providers were only allowed to raise rates on their large, industrial customers. The government subsidized electricity generation; public and private mass transit companies; rail companies; and producers of meat, dairy, and wheat flour, all in order to control inflation while continuing to stimulate growth and quiet potential dissent (Etchemendy and Garay 2011: 292).

In March 2008, Cristina Kirchner’s government proposed adjustable export taxes on soybeans that, depending on world commodity prices, would rise from 35 percent to as high as 97 percent (Etchemendy and Garay 2011: 291). This ignited what the press called the “farm war” as outraged farmers began the biggest business lockout in Argentina’s history. Farmers refused to sell crops and in some places even destroyed them. They imitated the piqueteros and began to block roads in rural areas. The protests soon spread to the city as middle and upper-middle class urbanites joined in the protests. At this point, the CGT's unions counter-protested in favor of the government. As these protest were reaching a fever pitch, the proposed tax bill came up for a vote in congress and was narrowly defeated.

Changes in social policy stand out as the most significant changes that the Kirchners have made to the neoliberal state in Argentina. Most of their changes have been in the expansion of access and wider inclusion (especially among informal workers) in programs that provide transfers, services, and pensions. Upon coming to office in the wake of the economic crisis (and faced with the demands of a mobilized series of protest movements), Néstor Kirchner quickly implemented employment initiatives. He created emergency public works designed to improve social public infrastructure in the areas of water, sewage, paving roads and sidewalks, and building and repairing community facilities. Unemployed workers federations were hired to build 27 percent of the housing units in the *Programa de Emergencia Habitacional* (emergency housing program) (Etchemendy and Garay 2011: 295).

Néstor Kirchner also oversaw the extension of family allowances to children of low-income families under the *Plan Famílias*, which was a targeted CCT program requiring regular school attendance and medical check-ups by the children (Huber and Stephens (2012).[84] He also implemented a microenterprise program designed by the Duhalde administration. In 2004, it financed around 350,000 micro-

---

[84] CCT programs are generally targeted cash transfers, conditional on the recipients completing some type of training program, attending school, receiving routine health check-ups, or other activities deemed important for their economic success.

entrepreneurs for start-up costs and some materials and tools costs. In 2009, Cristina Kirchner expanded the Universal Child Allowance, a targeted CCT program aimed at the poor and informal sector workers. The *Asignacíon Universal por Hijo para Protección Social* "covers all under- or unemployed persons who earn less than minimum wage and have children under the age of eighteen" (Huber and Stephens 2012: 189). By 2010, it covered 3.4 million children. It was conditional on health check-ups and school attendance and payments were based on family size.

Cristina Kirchner oversaw the re-nationalization of the pension system. Néstor Kirchner began the process by first allowing workers to opt out of the private plans and into the public pay-as-you-go (PAYG) system if they so chose. The pension system was also strengthened by labor reforms that increased employer contributions (which had been substantially lowered during the 1990s). The private pension plan had been severely weakened after the 2001 crisis because the government had pressured the funds to buy government bonds, which the government later defaulted on. At the time of the default, the funds portfolios were about 64 percent state bonds (Huber and Stephens 2012). The government pension was also expanded to cover previously excluded groups so that the system had near universal coverage. In 2009, Cristina Kirchner finished the process of re-nationalization; the private side of the system was facing further troubles as the result of the 2008 global financial crisis.

As extensive as some of these policy changes are (e.g. pension system re-nationalization, labor market re-regulation), most of the changes that created the neoliberal state in Argentina in the first place—privatization of industries, trade liberalization, financial liberalization—were left mostly intact. In the case of privatization (the most controversial and disliked of neoliberal reforms) it was almost completely untouched by the Kirchners' reforms. When we look at the places where the Kirchners *did* step in to interfere with the market, it was strictly in the areas of social protections, which neoliberalism had not dealt with. However, their actions were often carried out in a way that neoliberal reformers at the World Bank and IMF in the 1990s would have preferred: through targeted CCT programs. For all intents and purposes, the reforms carried out by the Kirchners are more akin to a fourth stage of the neoliberal state than they are to a post-neoliberalism. As a fourth stage, the neoliberal state turns to social protections that fail to significantly alter either the shape or intent of the neoliberal state but rather legitimize a "competition state" by providing just enough social protections to lull the population into quiescence while still attempting to maximize economic competitiveness in a global system, attract foreign capital, and prioritize fiscal discipline.

This does not mean that the Kirchners' policies had no effect on the living condiditons for Argentines. Their presidencies coincided with a significant decrease in Argentina's level of inequality. Figure 10 shows how inequality steadily increased in Argentina during the creation of the neoliberal state, peaking during the 2001-2002 economic crisis. Following the crisis and the election of Néstor Kirchner, the GINI steadily declines until it dips below its level when Menem took office in 1990.

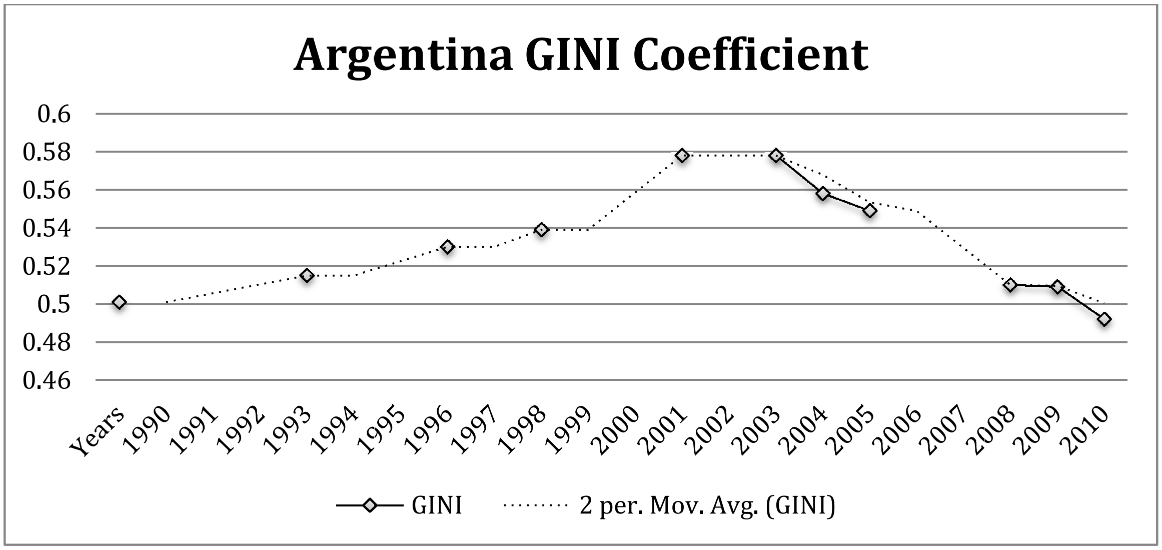

Figure 10. Argentina's Changes in Levels of Inequality.[85]

As Figure 11 shows, this decline in inequality coincides with a decrease in the rates of extreme poverty in Argentina.

[85] Source: ECLAC (2013). The data points are supplemented by a two-period moving average to better illustrate the trend given the amount of missing data points.

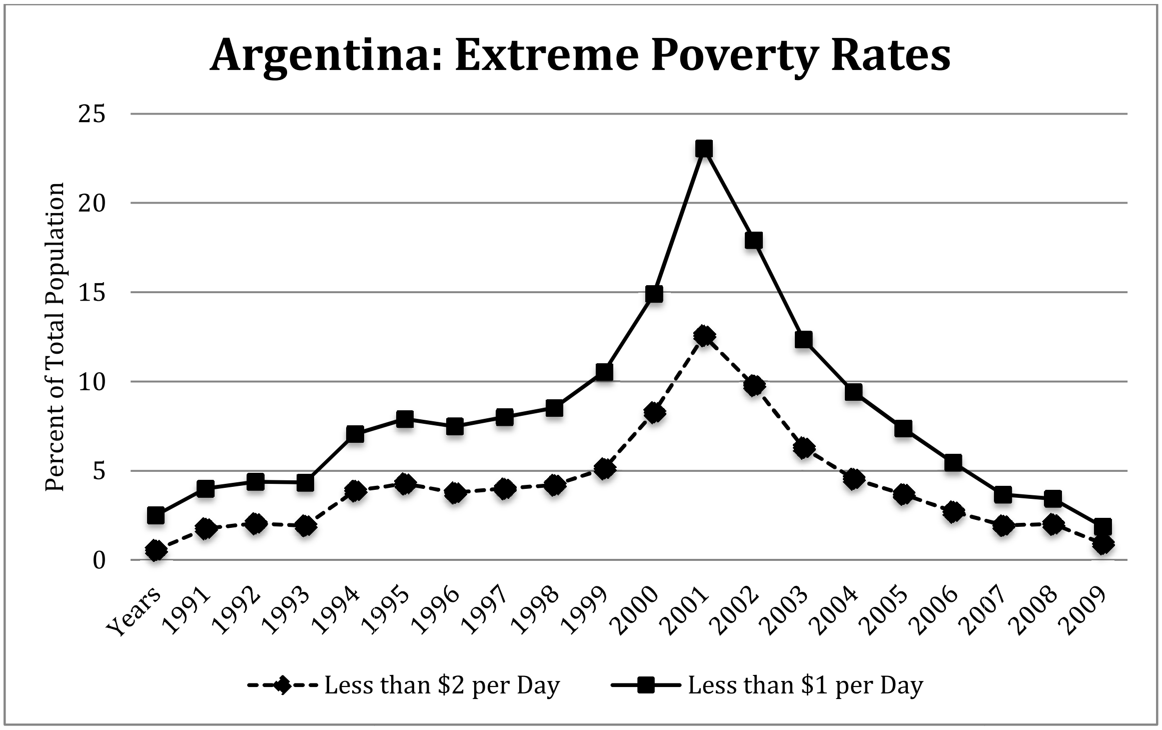

Figure 11. Changes in Extreme Poverty in Argentina.[86]

Conclusion: Legitimizing the Latin American Neoliberal State

The new left in Latin America espouses a very different agenda than the pre-neoliberal state period. No longer anti-capitalist, this new left embraces the market, while maintaining a critique of the market failures attributed to neoliberalism. It argues that a strong state is important for economic development with social protections within a global capitalist system, but does not seek to reverse the privatizations that so characterized the building of the neoliberal state in the region.

[86] Source: ECLAC (2013).

On the ground, the presidents of the new left have engaged in various alterations to the neoliberal state but of the states that are usually cited as those farthest from the neoliberal model: Venezuela, Bolivia, and Ecuador; only Bolivia had a complete neoliberal state like Peru and Argentina. Ecuador and Venezuela did not carry out most of the neoliberal reforms prescribed by proponents of neoliberalism. This can be seen in Figure 12, which graphs the aggregate scores for Argentina, Ecuador, and Peru in the "Index of Economic Freedom." Though this composite score is not a perfect measure of neoliberalization, it is a reflection of the Wall Street Journal's and Heritage Foundation's perception of the degree of economic openness for these countries. Based on their measures, Ecuador was never as liberalized as Argentina or Peru.

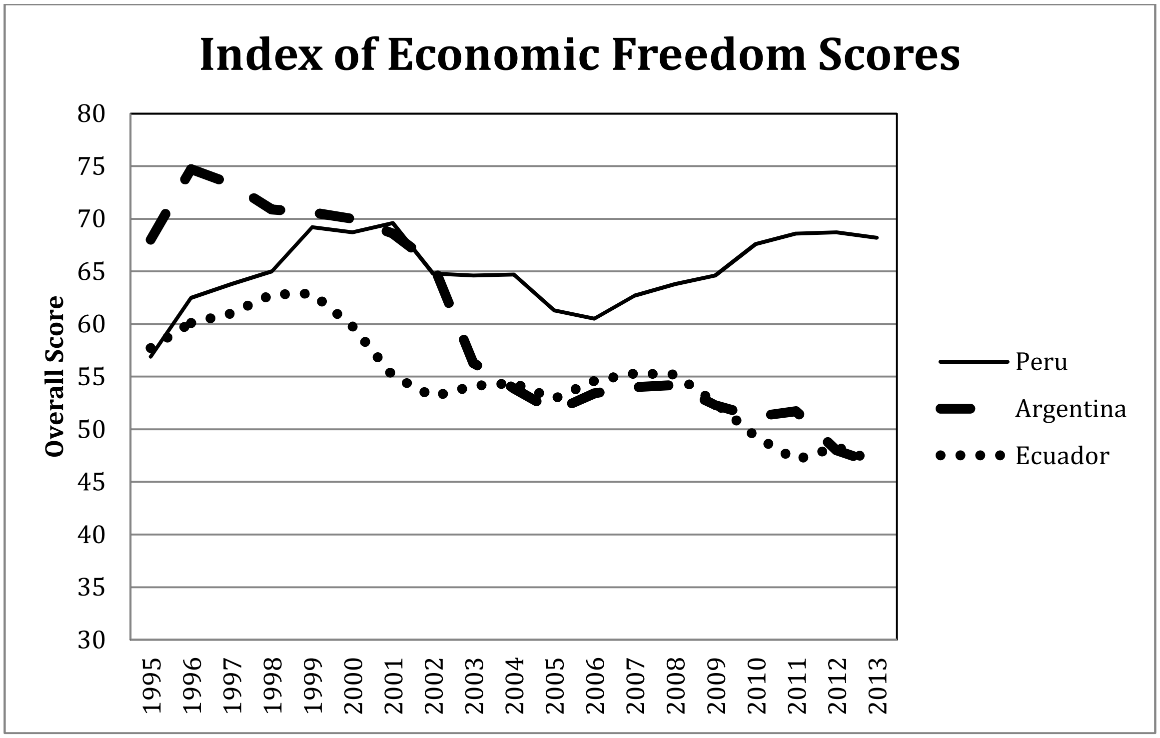

Figure 12. Index of Economic Freedom Scores.[87]

When we take a closer look at Argentina and Ecuador, the left turns (especially in the case of Argentina) function more as means to legitimize some of the deeper structural aspects of the neoliberal state. The state is smaller than it was during the ISI period in most of Latin America. Even leaders of the left are concerned with making their countries attractive to globalized capital flows. They are interested in freer trade—especially regionally—for the most part and many are actively seeking trade deals with East Asian nations in order to lessen their export reliance on the United States' market. In countries like Argentina and Peru, the social safety net may be broader and more generous than in the 1990s, but it is still

[87] Source: Heritage Foundation (2013).

based on the principle of increasing individual human capital—treating poverty as an individual rather than a structural phenomenon.

According to Panizza (2005) the new left in Latin America has adopted many of the same policy stances as the neoliberals they replaced. "These include the importance of a sound fiscal policy, the importance of low inflation, an awareness of the inefficiencies associated with many forms of state intervention and state ownership, the acceptance of the primacy of the market in setting up prices, the abandonment of economic protectionism in favour of at least relative economic opening and regional integration and a general welcoming of foreign investment" (2005: 727).

Table 3. The Lefts' Reforms of the Neoliberal State's Policies.[88]

Reforming the Neoliberal State: The Left's Dismantling of Neoliberalism								
Neoliberal Policies Reformed?		Government Austerity	Privatization	Trade Liberalization	Financial Liberalization	Social Policy	Tax Reform	Labor Market Deregulation
Left Turn Period	**Argentina**	Yes	No	Partial*	Partial	Yes**	No	Yes
	Ecuador	Yes	Partial	Partial	Yes	Partial	Yes	N/A
	Peru	No	No	No	No	No	No	No

* Refers mainly to export taxes on agricultural products
** Denotes a mostly, but partial yes.

[88] This table is an illustration of my arguments regarding the alteration of neoliberal policies in each of the seven major areas, for each of the three cases.

If we look at the logic of neoliberalism as it developed over time (in actual policy implementation), it begins with shock austerity measures in relation to an externally precipitated crisis of debt—the stabilization stage. Then it moves into a series of deeper societal/economic/political reforms (often overlapping in time with the stabilization stage) designed to fundamentally reorient society by primatizing the market—structural adjustment. At this point in Latin American history (mid-to-late-1990s), it becomes apparent that many of these reforms are problematic when applied without properly functioning institutions (and the culture that surrounds them) and certain types of efficiencies. At this point the IFIs, particularly the World Bank, begin pushing for a third stage of reforms—an institutional turn. However, the crises of the late-1990s, the resurgence of the left, and general "reform fatigue" have already taken their toll and the rightist and center-right neoliberal politicians begin to be replaced by a new left. This new left comes to power and surprises many (including many of their constituents) by continuing many aspects of the neoliberal state, yet doing so with greater social protections and some real (some merely rhetorical) incorporation of previously excluded groups (indigenous groups, informal sector workers, the unemployed). At this point we have not yet seen a true break from neoliberalism and shift to a new development model, what we see instead is the fourth stage of the neoliberal state. Whether this fourth stage is the beginning of that shift remains to be seen.

CHAPTER VII

CONCLUSIONS

The neoliberal state is the product of a current of thought that has its origins in the Austrian School, The London School of Economics, and the Chicago School of Economics. For Hayek and Mises, it started as a war of ideas to preserve what they thought was the heart of liberalism—economic laissez-faire (Stedman Jones 2012). Dismissed by mainstream economics as hopelessly backward in its early days, its proponents saw neoliberalism's position vis-à-vis mainstream economics and the policy-making sphere as a political and ideological struggle. Eventually, neoliberalism started to spread as a counter-hegemonic discourse to Keynesianism in the advanced capitalist nations and to structuralism and dependency theory in the developing world. It was not embraced (beyond Chile) in Latin America until the early 1980s debt crisis called ISI policies into question for many. The adoption of neoliberalism as the alternative was not the first choice for many countries; it nearly always took significant pressure from the IMF and World Bank to implement neoliberal reforms.

Most countries in the region did enact liberalizing reforms even in spite of the reticence of politicians and the objections of citizens. Neoliberalization came in stages, with the different stages following different logics. I argued in previous chapters that there were three of these stages. The first two stages are distinct from one another in terms of extent and intent of neoliberalization rather than as a temporal distinction. In the first stage, countries were focused on the debt crisis and high- and in some cases hyper-inflation. As these countries lined up at the IMF for assistance, they were pressured (in some cases forced) to carry out austerity packages – decreasing government spending, cutting subsidies, and cutting or scaling back social programs. In this *stabilization* stage, the main focus was narrowly on fiscal and balance of payment problems.

The second stage was much broader and more ambitious. This was the *structural adjustment* stage. In this stage, privatization of government-owned enterprises, trade liberalization, financial liberalization, changes to social policies to reflect neoliberalism's focus on poverty as an individual issue, tax reforms away from progressivity and towards more "neutral" forms, and deregulation of the labor market were the major goals. This was an attempt to completely change the structure of state and society, privileging the neoliberal conception of market efficiency and the importance of scaling back the state and reorienting it to the promotion of a good business climate.

After completing most of the second stage of reforms, I argue that the structure and orientation of the state apparatus had changed enough that it became a recognizably new type of state. This is captured in my model of the Latin American neoliberal state. Ecuador did not carry out enough of these reforms to have become a recognizable neoliberal state. However, both Argentina and Peru carried out significant reforms in nearly every category of the two stages of reforms and as such are full examples of the Latin American neoliberal state. In the case of Argentina, I argued in the previous chapter that the left turn is not a significant departure from the neoliberal state model. What the Kirchners' policies constitute instead is a fourth stage of neoliberalism—one that seeks to address inequality and poverty better, but leaves most of the rest of the model in place.

Proponents of neoliberalism promised that the reorientation of the state away from market intervention and regulation would allow the creative wonders of the market to unleash rapid and dynamic growth. Many of neoliberalism's proponents were aware (and warned policy makers) that this transformation would include painful short-term dislocations for many people—especially for the poor and workers in industries that would necessarily shed jobs as they became more efficient. Governments sought to address these (what were expected to be) short-term hardships in various ways: targeted conditional cash transfer (CCT) programs, clientelism, and the use of NGOs to provide services the state no longer would. These hardships were exacerbated by the overall decrease in government spending and changes to social policies such as education and social security privatizations, the decentralization of administration and funding of education and health care to the provincial level, and the drying up of resources for clientelist networks.

Many states (like Ecuador) learned hard lessons about deregulation. Deregulation later often led to an increased risk of crises and increased vulnerability to external shocks in financial systems. When the developmental aspirations of neoliberalism were not met, when unexpected crises occurred, and when the small amounts of growth that did occur often turned out to be immiserating, even proponents of neoliberalism recognized that changes were necessary. Thus, by the late 1990s, the international financial institutions (IFIs)—especially the World Bank and Inter-American Development Bank began pushing for what they called a "second generation" of reforms to address these issues. I call this the third stage of neoliberalism. This third stage of reforms was actually an attempt to head-off deeper (and more threatening to neoliberalism) Polanyian double movement challenges (Craig and Porter 2005) that stemmed from the region's second crisis of incorporation (Reygadas and Filgueira 2010; Luna and Filgueira 2009), which neoliberalism had exacerbated. The "poverty reduction" and "social inclusion" strategies that governments and the World Bank began designing can't be considered a real "social neoliberalism" (or "neoliberalism with a human face"); these strategies are merely the appearance of addressing poverty exclusion without changing the systemic aspects of the problem (Craig and Porter 2005). However, the appearance of the poverty reduction/social inclusion strategies did mark a shift in the discourse that opened neoliberalism up to criticism that it had once been immune to (because neoliberalism was touted as economic common sense).

In Latin America, the third stage turned out to be too late. Across the region, voters turned rightist and center-rightist governments out of office and many countries in the region began a series of electoral left turns. These new leftist politicians and parties differed from the old Latin American left in that they strongly criticized neoliberalism but mostly accepted the market and many aspects of global capitalism.

Does the Left Matter?

In the previous chapter, I argued that in the cases I studied, where the neoliberal state was fully developed there either was no left turn (Peru) or the left turn that did occur failed to create an alternative developmental model to the neoliberal state (Argentina). In the latter case, the left turn is mainly concerned with carrying out social policy reforms that broaden and deepen the social safety net, primarily for neoliberalism's losers and organized labor, which makes up the core constituency of the Peronist PJ that has most recently governed Argentina. As I showed in the previous chapter, these changes to the safety net consisted of re-nationalizing the pension system and broadening it to cover the unemployed and informally employed, effectively universalizing it. The Kirchners also carried out labor reforms that reversed much of the changes wrought during the Menem presidency but in a way that favored organized (formal sector) labor and largely left out the informal sector.

As can be seen in Table 4, the lefts in Argentina and Ecuador have clearly had an impact in increasing total social spending. Although spending in all three cases increased over time, there is a higher rate of increase after the left comes to office in both of these countries compared to the previous periods. There is also a higher rate of increase than there was in Peru.

Table 4. Total Per Capita Social Spending: Argentina, Ecuador, and Peru.[89]

Total Per Capita Social Spending

Years	Peru	Argentina	Ecuador
1990	79	632	91
1991	76	728	93
1992	86	795	95
1993	120	850	84
1994	138	920	100
1995	164	891	105
1996	158	880	109
1997	180	926	85
1998	185	965	94
1999	208	999	77
2000	214	964	67
2001	230	944	108
2002	245	739	109
2003	247	775	102
2004	259	826	116
2005	272	943	132
2006	270	1057	139
2007	288	1249	261
2008	309	1384	229
2009	354	1601	292
2010	378	*	314

Much of the broadening of the safety net consisted of increasing the disbursements of targeted CCT programs and broadening their coverage. A more hopeful analyst might propose that such increases in spending, and the revival of the state as an agent of its citizens' well-being represents a significant shift in both ideology and the structure of the state. I agree with this view to a point, but such a view *must* be qualified by the fact that this is only a partial alteration to the full set of changes

[89] Source: ECLAC (2013). The shaded area signifies the years of Correa's and the Kirchners' presidential terms.

wrought by the neoliberalization of the state. This increased role in social protection is manifested mainly as an extension of the *neoliberal* state's social policies and thus does not constitute an alternative model. Much of the rest of the neoliberal state has been left intact by the Kirchners. They have not significantly altered trade openness nor financial flows, neither did they take any steps to re-nationalize industries privatized under Menem during the period covered in this study. Thus, I argue that the left turn in Argentina is a fourth stage of the neoliberal state. In this stage, the government attempts to pacify the most restive groups in society by buying them off in order to legitimize the neoliberal state as a developmental model.

Ecuador has clearly moved farther from the neoliberal model of development, though the term 21st Century Socialism is a dubious claim. Correa has taken few steps towards anything resembling socialism. The country appears to be somewhere in between a European-style social democracy (though with far less developed institutions) and state-directed capitalism. In reality, it is neither. Ecuador is dangerously close to creating a fiscally unsustainable budget as the country builds more extensive social programs on the increased revenues that the state extracts from oil production. Once again, the critiques of neo-extractivism should be taken seriously, especially given that the increase in social spending and historically low levels of unemployment have not led to the same level of decreasing rates of poverty and inequality that are seen in Argentina. In fact, Ecuador's reductions in poverty and inequality are nearly the same as neoliberal Peru's. If commodity prices fall, Ecuador may find itself over-extended and unable to continue spending right when it is most needed. The fact that Ecuador's economy is dollarized only exacerbates this potential problem.

As dire as these critiques sound however, the left does matter – in the sense that it does change aspects of the neoliberal state and these changes have an impact on the lives of the poor. In Argentina, the Kirchner years witnessed a continual decrease in rates of both poverty and extreme poverty. In 1999, Menem's last year in office, 12.7 percent of the Argentine population was below the poverty line and 2.7 percent was in extreme poverty (ECLAC 2013). These numbers increased after the 2001 collapse to 31.3 percent and 12.1 percent respectively in 2002. By 2011, despite the "Great Recession," the poverty rate was down to 2.4 percent of the population and extreme poverty was 0.6 percent—a dramatic decrease. Although growth slowed in 2008, the Great Recession only held back GDP growth for one year as 2009 saw a resumption of pre-2008 rates of growth. Much of the reduction of poverty in Argentina is no doubt due to this economic growth but the growth is clearly more broadly shared than during the Menem years. All three of the countries in this study recovered pre-recession GDP growth rates by 2009, though Ecuador's rate continued to lag behind both Peru and Argentina.

Though the left in Ecuador has been in power for a shorter period than in Argentina, Correa has, so far, failed to make a similar reduction in poverty rates to that of the Kirchners in Argentina. During the García years in Peru, poverty rates were reduced from around 40 percent of the population to around a quarter—as they similarly were in Ecuador—and economic growth, though not nearly as robust as in Argentina, surpassed Ecuador's growth (under Correa). The big difference between the left turn period and the neoliberal state in my cases has been the dramatic drop in unemployment. During the Kirchners' presidencies in Argentina and Correa's presidency in Ecuador, rates of unemployment have greatly declined—in Ecuador to an historic low. Peru has seen a steady, but much less dramatic decline in its unemployment rate.

In the struggle to define what constitutes legitimate economic and social policies and which policies are pernicious, neoliberals and the new left in Latin America have moved towards a convergence. They do not share all of the same views, but the neoliberal ideals of liberalizing the market have swayed the left more than the principles of the left (equality, the subordination of the market to social principles) have swayed neoliberals. In Latin America, the neoliberal state is still the hegemonic model of development. It has entered a new, fourth stage, one in which more attention is being paid to the problems of poverty and inequality so far. However, this focus serves only to legitimize the neoliberal state. Where the neoliberal state developed (in this study: Argentina and Peru), it is still in place. Whether Arditi (2009) is right and this represents a true shift in the center-of-gravity of the discourse; whether Luna (2010), Reygadas and Filgueira (2009), and Craig and Porter (2005) are correct and the leftward shift might solve the second incorporation crisis in the region, both remain to be seen. It is possible that the fourth stage has now opened up the neoliberal discourse and that some of the new leftist governments may solve the second incorporation crisis. It is also possible that the neoliberal model has simply adapted and is minimally addressing social discontent in a way that will (at least temporarily) provide a fix that preserves the neoliberal state.

In the end, the left turns in Latin America might best be seen the way that Markoff (1996, 1997) describes democratization as a series of transnational waves. In Latin America, the discourse has shifted and this opens up some space to change the center-of-gravity, but when there was a similar opening in the late 1970s for neoliberalism, there was a supportive international structure in place, nourishing it and providing ideological, political, material, and propagandistic support for the radical restructuring of the state along neoliberal lines. The question now is: is there an analogous international structure in place to do the same thing for the new Latin American left? This process has partially begun with the creation of regional solidarity organizations like UNASUR, ALBA, the Bank of the South, and the recently formed Community of Latin American and Caribbean States (CELAC). As yet however, this process is dominated by state-level actors.[90] If these institutions can knit together such a supportive international structure, then are these lefts radical enough to attempt such deep changes in a very economically and politically different world than existed prior to the neoliberal turn?

[90] Whereas the support structures for the neoliberal transition were both international (but effectively dominant to Latin American states) and subnational social movements (albeit elite ones with transnational scope).

LIST OF REFERENCES

Achtenberg, Emily. 2012. “Earth First? Bolivia’s Mother Earth Law Meets the Neo-Extractivist Economy.” *NACLA Rebel Currents Blog*. November 16, 2012. https://nacla.org/blog/2012/11/16/earth-first-bolivia%E2%80%99s-mother-earth-law-meets-neo-extractivist-economy

Adelman, Jeremy. 2006. “Unfinished States: Historical Perspectives on the Andes.” Pp. 41-73, in *State and Society in Conflict: Compartive Perspectives on Andean Crises*. Edited by Paul W. Drake and Eric Hershberg. Pittsburgh, PA: University of Pittsburgh Press.

Almeida, Paul. 2008. “The Sequencing of Success: Organizing Templates and Neoliberal Policy Outcomes.” *Mobilization: The International Quarterly*. 13(2): 165-187.

Amsden, Alice H. 2001. *The Rise of “the Rest:” Challenges to the West from Late-Industrializing Economies*. New York: Oxford University Press.

_________. 1989. *Asia’s Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press.

Anner, Mark. 2008a. “Meeting the Challenges of Industrial Restructuring: Labor Law Reform and Enforcement in Latin America.” *Latin American Politics and Society*. 50(2): 33-65.

_________. 2008b. “Labor Law Reform and Union Decline in Latin America.” Pp. 149-156, in *Proceedings of the 60thAnnual Meeting of the Labor and Employment Relations Association*. Edited by Adrienne E. Eaton.

Arditi, Benjamin. 2010. “Arguments about the Left: A Post-Liberal Politics?” Pp. 145-167, in *Latin America’s Left Turns: Politics, Policies and Trajectories of Change*. Edited by Maxwell A. Cameron and Eric Hershberg. Boulder, CO: Lynne Rienner Publishers Inc.

_________. 2008. “Arguments about the Left Turns in Latin America: A Post-Liberal Politics?” *Latin American Research Review*. 43:59-81.

Arrighi, Giovanni. 2007. *Adam Smith in Beijing: Lineages of the Twenty-First Century*. New York: Verso.

Auvinen, Juha. 1996. “IMF Intervention and Political Protest in the Third World: A Conventional Wisdom Refined.” *Third World Quarterly*. 17(3): 377-400.

Auyero, Javier. 2000a. "The Logic of Clientelism in Argentina: An Ethnographic Account." *Latin American Research Review* 35(3): 55-81.

_________. 2000b. *Poor People’s Politics: Peronist Survival Networks and the Legacy of Evita*. Durham, NC: Duke University Press.

_________. 2003. "Relational Riot: Austerity and Corruption Protest in the Neoliberal Era." *Social Movement Studies* 2: 117-145.

_________. 2006. "The Political Makings of the 2001 Lootings in Argentina." *Journal of Latin American Studies* 38: 241-266.

Babb, Sarah. 2005. “The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates.” *Annual Review of Sociology* 31: 199-222.

__________. 2001. *Managing Mexico: Economists from Nationalism to Neoliberalsim*. Princeton: Princeton University Press.

Balassa, Bela, Gerardo M. Bueno, Pedro-Pablo Kuczynsky, and Mario H. Simonsen. 1986. *Toward Renewed Economic Growth in Latin America*. Washington, D.C.: Institute for International Economics.

Barham, John. 1990. "Menem Curbs Right to Strike in Vital Services." *Financial Times*. October 19, 1990. Section 1; American News; p. 5.

Beasley-Murray, Jon, Maxwell A. Cameron, and Eric Hershberg. 2010. "Latin America's Left Turns: A Tour d'Horizon." Pp. 1-20, in *Latin America's Left Turns: Politics, Policies and Trajectories of Change*. Edited by Maxwell A. Cameron and Eric Hershberg. Boulder, CO: Lynne Rienner Publishers Inc.

Bebbington, Anthony. 2009. "The New Extraction: Rewriting the Political Ecology of the Andes?" *NACLA Report on the Americas*. 42(5): 12-20.

Bentley, Arthur. 1967. *The Process of Government*. Chicago: The University of Chicago Press.

Birdsall, Nancy and Miguel Székely. 2003. " Bootstraps not Band-Aids: Poverty, Equity, and Social Policy." pp. 49-73, in *After the Washington Consensus: Restarting Growth and Reform in Latin America*. Edited by Pedro-Pablo Kuczynski and John Williams. Washington, D.C.: Institute for International Economics.

Block, Fred. 1987. *Revising State Theory: Essays in Politics and Postindustrialism*. Philadelphia, PA: Temple University Press.

Blyth, Mark. 2013. *Austerity: The History of a Dangerous Idea*. New York: Oxford University Press.

Bonari, Damián, Marcelo Becerra, and Ariel Fiszbein. 2004. "Public Expenditure on Development in Argentina." *World Bank Working Paper N.03/04, Report no. 29005*. Washington, DC: World Bank.

Bresser Pereira, Luis Carlos and Yoshiki Nakano. 1998. "The Missing Social Contract: Governability and Reform in Latin America." Pp. 21-41, in *What Kind of Democracy? What Kind of Market? Latin America in the Age of Neoliberalism*. Edited by Philip Oxhorn and Graciela Ducatenzeiler. University Park, PA: The Pennsylvania State University Press.

Brusco, Valeria, Marcelo Nazareno, and Susan C. Stokes. 2004. "Vote Buying in Argentina." *Latin American Research Review*. 39(2): 66-88.

Buchanan, James M. and Gordon Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor, MI: University of Michigan Press.

Burgess, Katrina and Steven Levitsky. 2003. "Explaining Populist Party Adaptation in Latin America: Environmental and Organizational Determinants of Party Change in Argentina, Mexico, Peru, and Venezuela." *Comparative Political Studies* 36(8): 881-911.

Burki, Sahid Javed and Guillermo E. Perry. 1998. *Beyond the Washington Consensus: Institutions Matter*. Washington, D.C.: The World Bank.

Burt, Jo-Marie. 2006. "Contesting the Terrain of Politics: State-Society Relations in Urban Peru, 1950-2000." Pp. 220-256, in *State and Society in Conflict: Comparative Perspectives on Andean Crises*. Edited by Paul W. Drake and Eric Hershberg. Pittsburgh, PA: University of Pittsburgh Press.
Calvo, Ernesto and Maria Victoria Murillo. 2004. "Who Delivers? Partisan Clients in the Argentine Electoral Market." *American Journal of Political Science*. 48(4): 742-757.
Cameron, Maxwell A. 2011. "Peru: The Left Turn That Wasn't." pp. 375-398, in *The Resurgence of the Latin American Left*. Edited by Steven Levitsky and Kenneth M. Roberts. Baltimore, MD: The Johns Hopkins University Press.
_________. 2009. "Latin America's Left Turns: Beyond Good and Bad." *Third World Quarterly*. 30(2): 331-348.
Cameron, Maxwell A. and Kenneth E. Sharpe. 2010. "Andean Left Turns: Constituent Power and Constitution Making." Pp. 61-78, in *Latin America's Left Turns: Politics, Policies and Trajectories of Change*. Edited by Maxwell A. Cameron and Eric Hershberg. Boulder, CO: Lynne Rienner Publishers Inc.
Campbell, John L. 1998. "Book Reviews." *Theory and Society*. 27: 103-108.
Canova, Timothy A. 2000. "Financial Liberalization, International Monetary Dis/Order, and the Neoliberal State." *American University International Law Review*. 15(6): 1279-1319.
Cardoso, Fernando H. and Enzo Faletto. 1979. *Dependency and Development in Latin America*. Berkeley, CA: University of California Press.
Castañeda, Jorge. G. 2006 "Latin America's Left Turn." *Foregin Affairs*. 85(1): 28-43.
Cerny, Phillip G., George Menz, and Susanne Soederberg. 2005. "Different Roads to Globalization: Neoliberalism, the Competition State, and Politics in a More Open World." Pp. 1-30 in *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*. Edited by Susanne Soederberg, George Menz, and Phillip G. Cerny. New York: Palgrave McMillan.
Chang, Ha-Joon. 1999. "The Economic Theory of the Developmental State." Pp. 182-199 in *The Developmental State* edted by Meredit Woo-Cumings. Ithaca NY: Cornell University Press.
Checchi, Danielle, Jorge Carrera, and Massimo Florio. 2006. "Privatization Discontent and Its Determinants: Evidence from Latin America." IZA Discussion Paper No. 1587, Institute for the Study of Labor. Bonn, Germany.
Chong, Alberto and Juan Benavides. 2007. "Privatization and Regulation in Latin America." Pp. 263-289, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
Chortareas, Georgios E. and Theodore Pelagidis. 2004. "Trade Flows: A Facet of Regionalism or Globalisation?" *Cambridge Journal of Economics*. 28(2): 253-271.
Collier, David. 1995. "Trajectory of a Concept: Corporatism in the Study of Latin American Politics." Pp. 135-162, in *Latin America in Comparative Perspective*. Edited by Peter Smith. Boulder, CO: Westview Press.

__________, editor. 1979. *The New Authoritarianism in Latin America.* Princeton: Princeton University Press.
Collier, Ruth Berins and David Collier. 1979. "Inducements versus Constraints: Disaggregating 'Corporatism'." *The American Political Science Review*. 73(4): 967-986.
Conaghan, Catherine M. 2011. "Ecuador: Rafael Correa and the Citizen's Revolution." Pp. 260-282, in *The Resurgence of the Latin American Left*. Edited by Steven Levitsky and Kenneth M. Roberts. Baltimore, MD: The Johns Hopkins University Press.
Constitution of the Republic of Ecuador. 2008. Georgetown University. Accessed online, 06/07/13. http://pdba.georgetown.edu/Constitutions/Ecuador/english08.html.
Cooper, Rae and Bradon Ellem. 2007. "The Neoliberal State, Trade Unions and Collective Bargaining in Australia." *British Journal of Industrial Relations*. 46(3): 532-554.
Craig, David and Doug Porter. 2005. "The Third Way and the Third World: Poverty Reduction and Social Inclusion Strategies in the Rise of 'Inclusive' Liberalism." *Review of International Political Economy*. 12(2): 226-263.
Craske, Nikki. 2002. "Remasculinisation and the Neoliberal State in Latin America." Pp. 100-120, in *Gender, Politics and the State*. Edited by Vicky Randall and Georgina Waylen. New York: Routledge.
Cumings, Bruce. 1999. "Webs with No Spiders, Spiders with No Webs: The Geneology of the Developmental State." Pp. 61-92 in *The Developmental State*. Edited by Meredith Woo-Cumings. Ithaca, NY: Cornell University Press.
Cypher, James M. and Raúl Delgado Wise. 2010. *Mexico's Economic Dilemma: The Developmental Failure of Neoliberalism*. New York: Rowman and Littlefield Publishers.
Dahl, Robert A. 1967. *Pluralist Democracy in the United States: Conflict and Consensus*. Chicago: Rand McNally.
__________. 1961. *Who Governs*? New Haven, CT: Yale University Press.
__________. 1958. "A Critique of the Ruling Elite Model." *American Political Science Review*. 58: 369-463.
Dancourt, Oscar. 1999. "Structural Reforms and Macroeconomic Policy in Peru, 1990-1996." Pp. 161-187, in *After Neoliberalism: What Next for Latin America?* Edited by Lance Taylor. Ann Arbor, MI: The University of Michigan Press.
Davidson-Harden, Adam. 2009. "The 'Re-Branding' of Neoliberalism: Competing Hegemonies and Systemic Dilemmas Impacting Educational Development in Heavily Indebted Latin American States." Pp. 151-164, in *Post-Neoliberalism in the Americas*. Edited by Laura Macdonald and Arne Ruckert. New York: Palgrave Macmillan.
Dornbusch, Rudiger and Sebastian Edwards. 1991. "The Macroeconomics of Populism." Pp. 7-13, in *The Macroeconomics of Populism in Latin America*.

Edited by Rudiger Dornbusch and Sebastian Edwards. Chicago: University of Chicago Press.

Economist Intelligence Unit, The. 1996. *Country Profile: Argentina*. New York: The Economist.

Edwards, Sebastian. 2010. *Left Behind: Latin America and the False Promise of Populism*. Chicago: University of Chicago Press.

__________. 1995. *Crisis and Reform in Latin America: From Despair to Hope*. New York: Oxford University Press.

Eckstein, Susan. 1990. "Poor People vs. the State and Capital: Anatomy of a Successful Housing Movement in Mexico City." *International Journal of Regional and Urban Development*. 14(2): 274-296.

ECLAC. 2013. "Statistics and Indicators." United Nations Economic Commission for Latin America and the Caribbean. Santiago, Chile. http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/estadisticasIndicadores.asp?idioma=i

Etchemendy, Sebastián and Ruth Berins Collier. 2009. "Down but Not Out: Union Resurgence and Segmented Neocorporatism in Argentina (2003-2007)." *Politics and Society*. 35(3): 362-401.

Etchemendy, Sebastián and Candelaria Garay. 2011. "Argentina: Left Populism in Comparative Perspective 2003-2009." Pp. 283-305, in *The Resurgence of the Latin American Left*. Edited by Steven Levitsky and Kenneth M. Roberts. Baltimore, MD: The Johns Hopkins University Press.

Evans, Peter. 1997. "The Eclipse of the State? Reflections on Stateness in an Era of Globalization." *World Politics*. 50(1): 62-87.

__________. 1995. *Embedded Autonomy: States and Industrial Transformation*.

Fanelli, José María and Roberto Frenkel. 1999. "The Argentine Experience with Stabilization and Structural Reform." Pp. 53-80, in *After Neoliberalism: What Next for Latin Amercia?* Edited by Lance Taylor. Ann Arbor, MI: University of Michigan Press.

Filc, Gabriel and Carlos Scartascini. 2007. "Budgetary Institutions." Pp. 157-186, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.

Fine, Ben. 2009. "Development as Zombieconomics in the Age of Neoliberalism." *Third World Quarterly*. 30(5): 885-904.

Ford, Peter. 1990. "Pact with Opposition Still Eludes Menem." *The Independent*. February 26, 1990. Foreign News Page; p. 11.

French, John D. 2010. "Many Lefts, One Path? Chávez and Lula." Pp. 23-40, in *Latin America's Left Turns: Politics, Policies and Trajectories of Change*. Edited by Maxwell A. Cameron and Eric Hershberg. Boulder, CO: Lynne Rienner Publishers Inc.

Fukuyama, Francis. 2008. "The Latin American Experience." *Journal of Democracy*. 19(4): 69-79.

Gainsborough, Martin. 2009. “The (Neglected) Statist Bias and the Developmental State: The Case of Singapore and Vietnam.” *Third World Quarterly*. 30(7): 1317-1328.
Galindo, Arturo, Alejandro Micco, and Ugo Panizza. 2007. “Two Deacdes of Financial Reforms.” Pp. 291-316, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
Gerlach, Allen. 2003. *Indians, Oil, and Politics: A Recent History of Ecuador*. Willmington, DE: Scholarly Resources Inc.
Gill, Stephen. 1995. “The Global Panopticon? The Neoliberal State, Economic Life, and Democratic Surveillance.” *Alternatives: Global, Local, Political*. 20(1): 1-49.
Giraudy, Agustina. 2007. “The Distributive Politics of Emergency Employment Programs in Argentina (1993-2002).” *Latin American Research Review*. 42(2): 33-55.
Goldman, Michael. 2005. *Imperial Nature: The World Bank and the Struggles for Social Justice in the Age of Globalization*. New Haven, CT: Yale University Press.
Green, Duncan. 2003. *Silent Revolution: The Rise and Crisis of Market Economics in Latin America, 2nd Edition*. New York: Monthly Review Press.
Grugel, Jean and Maria Pia Riggirozzi. 2007. "The Return of the State in Argentina." *International Affairs* 83:87-107.
Gudynas, Eduardo. 2010. “The New Extractivism of the 21st Century: Ten Urgent Theses about Extractivism in Relation to Current South American Progressivism.” *Americas Program Report*. Washington, DC: Center for International Policy. Accessed: June 26, 2013. http://www.iadb.org/intal/intalcdi/PE/2010/04716.pdf
Guéhenno, Jean-Marie. 1995. *The End of the Nation-State*. Minneapolis, MN: University of Minnesota Press.
Gutiérrez Sanín, Francisco. 2006. “Checks and Imbalances: Problems with Congress in Colombia and Ecuador, 1978-2003.” Pp. 257-287, in *State and Society in Conflict: Comparative Perspectives on Andean Crises*. Edited by Paul W. Drake and Eric Hershberg. Pittsburgh, PA: University of Pittsburgh Press.
Gwynne, Robert N. and Cristóbal Kay. 2000. “Views from the Periphery: Futures of Neoliberalism in Latin America.” *Third World Quarterly*. 21(1): 141-156.
__________. 1999. “Latin America Transformed: Changing Paradigms, Debates an Alternatives.” Pp. 2-30, in *Latin America Transformed: Globalization and Modernity*. Edited by Robert N. Gwynne and Cristóbal Kay. New York: Oxford University Press.
Hagopian, Frances and Scott P. Mainwaring, editors. 2005. *The Third Wave of Democratization in Latin America: Advances and Setbacks*. New York: Cambridge University Press.
Harris, Richard L. 2000. “The Effects of Globalization and Neoliberalism in Latin America at the Beginning of the Millennium.” *Journal of Developing Societies*. 16(1): 139-162.

Harris, Richard L. and Melinda Seid. 2000. "Critical Perspectives on Globalization and Neoliberalism in the Developing Countries." *Journal of Developing Societies*. 16(1): 1-26.
Harvey, David. 2005. *A Brief History of Neoliberalism*. New York: Oxford University Press.
Haslam, Paul Alexander. 2010. "Is There a Post-Neoliberal Policy toward Foreign Direct Investment in Argentina and Chile?" pp. 120-134, in *Post-Neoliberalism in the Americas*. Edited by Laura Macdonald and Arne Ruckert. New York: Palgrave Macmillan.
Hawkins, Kirk. 2003. "Populism in Venezuela: The Rise of Chavismo." *Third World Quarterly*. 26(6): 1137-1160.
Hay, Colin. 2006. "(What's Marxist about) Marxist State Theory?" pp. 59-80, in *The State: Theories and Issues*. Edited by Colin Hay, Michael Lister, and David Marsh. New York: Palgrave Macmillan.
Haydu, Jeffrey. 2010. "Reversals of Fortune: Path Dependency, Problem Solving, and Temporal Cases." *Theory and Society*. 39(1): 25-48.
__________. 1998. "Making Use of the Past: Time Periods as Cases to Compare and as Sequences of Problem Solving." *American Journal of Sociology*. 104(2): 339-371.
Held, David and Anthony McGrew. 2007. *Globalization/Anti-Globalization: Beyond the Great Divide, 2nd Edition*. Malden, MA: Polity Press.
Heritage Foundation. 2013. *Index of Economic Freedom*. http://www.heritage.org/index/explore.
Hicken, Allen. 2011. "Clientelism." *Annual Review of Political Science*. 14: 289-310.
Hont, Istavan and Michael Ignatieff. 1983. *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*. Cambridge, MA: Cambridge University Press.
Huber, Evelyne and Fred Solt. 2004. "Successes and Failures of Neoliberalism." *Latin American Research Review*. 39: 150-164.
Huber, Evelyne and John D. Stephens. 2012. *Democracy and the Left: Social Policy and Inequality in Latin America*. Chicago: University of Chicago Press.
Itzigsohn, Jose. 2000. *Developing Poverty: The State, Labor Market Deregulation, and the Informal Economy in Costa Rica and the Dominican Republic*. University Park, PA: Pennsylvania State University Press.
Jalan, Jyotsna and Martin Ravallion. 1999. "Income Gains to the Poor from Workfare: Estimates for Argentina's Trabajar Program." *Policy Research Working Paper 2149*. Washington, DC: World Bank.
Jarvie, Richard. 1990. "Argentina to Announce New Austerity Measures." *Reuters News*. August 31.
Jenness, Valerie, David A. Smith, and Judith Stepan-Norris. 2007. "Editor's Note: States and Development." *Contemporary Sociology*. 36 (4): vii-viii.
Jensen, Hans E. 2008. "Adam Smith and the Philosophy of *Limited Laissez-Faire*." Pp. 25-50, in *Introduction to Political Economy, 5th Edition*. Boston: Dollars and Sense.

Jessop, Bob. 2008. *State Power: A Strategic-Relational Approach*. Maldon, MA: Polity Press.
Johnson, Chalmers. 1999. "The Developmental State: Odyssey of a Concept." Pp. 32-60, in *The Developmental State*. Edited by Meredith Woo-Cumings. Ithaca, NY: Cornell University Press.
_________1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford, CA: Stanford University Press.
Kaufman, Robert R. and Barbara Stallings. 1991. "The Political Economy of Latin American Populism." Pp. 15-34, in *The Macroeconomics of Populism in Latin America*. Edited by Rudiger Dornbusch and Sebastian Edwards. Chicago: University of Chicago Press.
Kay, Stephen J. 2009. "Political Risk and Pension Privatization: The Case of Argentina (1994-2008)." *International Social Security Review*. 62(3): 1-21.
_________. 1999. "Unexpected Privatizations: Politics and Social Security Reform in the Southern Cone." *Comparative Politics*. 31(4): 403-422.
Kennemore, Amy and Gregory Weeks. 2011. "Twenty-First Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador." *Bulletin of Latin American Research*. 30(3): 267-281.
Kingstone, Peter. 2011. *The Political Economy of Latin America: Reflections on Neoliberalism and Development*. New York: Routledge.
Kitschelt, Herbert and Steven I. Wilkinson. 2007. "Citizen-Politician Linkages: an Introduction." Pp. 1-49, in *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition*. Edited by Herbert Kitschelt and Steven Wilkinson. New York: Cambridge University Press.
Klein, Naomi. 2007. *The Shock Doctrine: The Rise of Disaster Capitalism*. New York: Picador.
Knight, Alan. 1998. "Populism and Neo-Populism in Latin America Especially Mexico." *Journal of Latin American Studies*. 30(2): 223-248.
Kuczynski, Pedro-Pablo. 2003. "Reforming the State." Pp. 33-47, in *After the Washington Consensus: Restarting Growth and Reform in Latin America*. Edited by Pedro-Pablo Kuczynski and John Williams. Washington, D.C.: Institute for International Economics.
Leftwich, Adrian. 1995. "Bringing Politics Back In: Towards a Model of the Developmental State." *Journal of Developing Studies*. 31(3): 400-427.
Leiva, Fernando Ignacio. 2008. *Latin American Neostructuralism: The Contradictions of Post-Neoliberal Development*. Minneapolis, MN: University of Minnesota Press.
Levitsky, Steven. 2007. "From Populism to Clientelism? The Transformation of Labor-Based Party Linkages in Latin America." Pp. 206-226, in *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition*. Edited by Herbert Kitschelt and Steven Wilkinson. New York: Cambridge University Press.
_________. 2005. "Argentina: Democratic Survival amidst Economic Failure." Pp. 63-89 in *The Third Wave of Democratization in Latin America: Advances and*

Setbacks, edited by Frances Hagopian and Scott P. Mainwaring, New York: Cambridge University Press.
Levitsky, Steven and Kenneth M. Roberts. 2011. "Latin America's 'Left Turn': A Framework for Analysis." Pp. 1-28, in *The Resurgence of the Latin American Left*. Edited by Steven Levitsky and Kenneth M. Roberts.
Lindblom, Charles. 1977. *Politics and Markets*. New York: Basic Books.
Long, Guillaume and Danilo Igliori. 2007. "Does Political Stability Matter? The Economic Impact of Political Unrest in Ecuador." Pp. 195-233, in *Political Economy of Latin America: Recent Economic Performance*. Edited by Philip Arestis and Malcolm Sawyer. New York: Palgrave Macmillan.
Lora, Eduardo. 2007a. "State Reform in Latin America: A Silent Revolution." Pp. 1-56, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
__________. 2007b. "Trends and Outcomes of Tax Reform." Pp. 185-212, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
__________. 2001. "Structural Reforms in Latin America: What Has Been Reformed and How to Measure it." *Working Paper #466* New York: Inter-American Development Bank.
Lora, Eduardo and Ugo Panizza. 2002. "Structural Reforms in Latin America Under Scrutiny." Inter-American Development Bank Working Paper #470. Washington, DC: Inter-American Development Bank.
Luna, Juan Pablo and Fernando Filgueira. 2009. "The Left Turns as Multiple Paradigmatic Crises." *Third World Quarterly*. 30(2): 371-395.
Madrid, Raúl L., Wendy Hunter, and Kurt Weyland. 2010. "The Policies and Performance of the Contestatory and Moderate Left." Pp. 140-180, in *Leftist Governments in Latin America: Successes and Shortcomings*. Edited by Kurt Weyland, Raúl L. Madrid, and Wendy Hunter. New York: Cambridge University Press.
Malloy, James M, editor. 1977. *Authoritarianism and Corporatism in Latin America*. Pittsburgh, PA: Pittsburgh University Press.
__________. 1974. "Authoritarianism, Corporatism and Mobilization in Peru." *The Review of Politics*. 36(1): 52-84.
Markoff, John. 1997. "Really Existing Democracy: Learning from Latin America in the Late 1990s." *New Left Review I* 223: 48-68.
__________. 1996. *Waves of Democracy: Social Movements and Political Change*. Los Angeles: Pine Forge Press.
Mauceri, Phillip. 1995. "State Reform, Coalitions, and the Neoliberal Autogolpe in Peru." *Latin American Research Review*. 30(1): 7-37.
McMicahel, Philip. 2008. *Development and Social Change: A Global Perspective, 4th Edition*. Los Angeles: Pine Forge Press.
__________. 1990. "Incorporating Comparison within World-Historical Perspective: An Alternative Comparative Method." *American Sociological Review*. 55(3): 385-397.

Medina, Luis Fernando and Susan C. Stokes. 2007. "Monopoly and Monitoring: An Approach to Political Clientelism." Pp. 68-83, in *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition*. Edited by Herbert Kitschelt and Steven Wilkinson. New York: Cambridge University Press.
Merelman, R. 2007. *Pluralism at Yale*. Wisconsin: Wisconsin University Press.
Mesa-Lago, Carmelo and Gustavo Márquez. 2007. "Reform of Pension and Social Assistance Systems." Pp. 355-386, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
Mills, C. Wright. 1956/2000. *The Power Elite, New Edition*. New York: Oxford University Press.
Moreno-Brid, J.C. and I. Pavnovic. 2006. "The Future of Economic Policy Making by Left-of-Center Governments in Latin America: Old Wine in New Bottles?" *Post-Autistic Economics Review*. 39(1): 2-7.
Morgan, Jana. 2011. *Bankrupt Representation and Party System Collapse*. University Park, PA: The Pennsylvania State University Press.
Morley, Samuel A., Roberto Machado, and Stefano Pettinato. 1999. "Indexes of Structural Reform in Latin America." *Serie Reformas Económicas 12*. Santiago, Chile: ECLAC.
Muno, Wolfgang. 2010. "Conceptualizing and Measuring Clientelism." Presented at the Workshop *Neopatrimonialism in Various World Regions*, August 23, German Institute of Global and Area Studies, Hamburg.
Navarro, Juan Carlos. 2007. "Education Reform as Reform of the State: Latin America Since 1980." Pp. 387-421, in *The State of State Reform in Latin America*. Edited by Eduardo Lora. Washington, DC: Inter-American Development Bank.
Nef, Jorge and Wlider Robles. 2000. "Globalization, Neoliberalism, the State of Underdevelopment in the New Periphery." *Journal of Developing Societies*. 16: 27-48.
Nilsson, Martin. 2009. "The Left in Government: Deepening or Constraining Democracy in Latin America?" pp. 265-283 in *Latin American Democracy: Emerging Reality or Endangered Species?* Edited by Richard L. Millet, Jennifer J. Holmes, & Orlando J. Pérez. New York: Routledge.
O'Donnell, Guillermo. 1986. "Tensions in the Bureaucratic-Authoritarian State and the Question of Democracy." pp. 276-299, in *Promise of Development: Theories of Change in Latin America*. Peter F. Klarén and Thomas J. Bossert, eds. 1986. Boulder: Westview Press.
__________. 1978. "Reflections on the Patterns of Change in the Bureaucratic-Authoritarian State." *Latin American Research Review*. 12(1): 3-38.
__________. 1973. *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics*. Berkeley, CA: University of California Press.
Ohmae, Kenichi. 1995. *The End of the Nation-State: The Rise of Regional Economies*. New York: Simon and Schuster.

Olson, Mancur. 1982. *The Rise and Decline of Nations*. New Haven, CT: Yale University Press.

Önis, Ziya. 1991: “Review: The Logic of the Developmental State.” *Comparative Politics*. 24(1): 109-126.

Oxhorn, Philip. 1998. “Is the Century of Corporatism Over? Neoliberalism and the Rise of Neopluralism.” Pp. 195-218, in *What Kind of Democracy? What Kind of Market? Latin America in the Age of Neoliberalism*. Edited by Philip Oxhorn and Graciela Ducatenzeiler. University Park, PA: The Pennsylvania State University Press.

Oxhorn, Philip and Graciela Ducatenzeiler. 1998. “Conclusions: What Kind of Democracy? What Kind of Market?” Pp. 227-239, in *What Kind of Democracy? What Kind of Market? Latin America in the Age of Neoliberalism*. Edited by Philip Oxhorn and Graciela Ducatenzeiler. University Park, PA: The Pennsylvania State University Press.

Panizza, Francisco. 2005. “Unarmed Utopia Revisited: The Resurgence of Left-of-Centre Politics in Latin America.” *Political Studies*. 53: 716-734.

Pastor, Manuel. 1987. “The Effects of IMF Programs in the Third World: Debate and Evidence from Latin America.” *World Development*. 15: 249-262.

Pastor, Manuel Jr. and Carol Wise. 1992. “Peruvian Economic Policy in the 1980s: From Orthodoxy to Heterodoxy and Back.” *Latin American Research Review*. 27(2): 83-117.

Patroni, Viviana. 2002. "Structural Reforms and the Labour Movement in Argentina." *Labour, Capital & Society* 35: 252-280.

Peck, Jamie. 2001. “Neoliberalizing States: Thin Policies/Hard Outcomes.” *Progress in Human Geography*. 25(3): 445-455.

Peet, Richard and Elaine Hartwick. 2009. *Theories of Development: Contentions, Arguments, Alternatives, 2nd Edition*. New York: The Guilford Press.

Pempel, T.J. 1999. “The Developmental Regime in a Changing World Economy.” Pp. 137-181 in *The Developmental State*. Edited by Meredith Woo-Cumings. Ithaca, NY: Cornell University Press.

Petras, James and Henry Veltmeyer. 2009. *What’s Left in Latin America? Regime Change in New Times*. Surrey, UK: Ashgate.

Polsby, Nelson. 1960. “How to Study Community Power: The Pluralists Alternative.” *Journal of Politics* 22: 474-484.

Poole, Deborah and Gerardo Rénique. 2012. “Peru: Humala Takes Off His Gloves.” *NACLA Report on the Americas*. 45(1): 4-5.

Portes, Alejandro. 1997. "Neoliberalism and the Sociology of Development: Emerging Trends and Unanticipated Facts." *Population and Development Review* 23:229-259.

Portes, Alejandro and Castells, Manuel, eds. 1989. *The Informal Economy*. Baltimore, MD: The Johns Hopkins University Press.

Pozzi, Pablo. 2000. "Popular Upheaval and Capitalist Transformation in Argentina." *Latin American Perspectives* 27:63-87.

Remmer, Karen L. 2007. "The Political Economy of Patronage: Expenditure Patterns in the Argentine Provinces, 1983-2003." *Journal of Politics* 69(2): 363-377.
Reuters. 1990a. "Argentina Announces Public Service Rate Rise." *Reuters News*. February 1.
_________. 1990b. "Argentina Forces 80,000 Civil Servants to Retire." *Reuters News*. April 16.
Reygadas, Luis and Fernando Filgueira. 2010. "Inequality and the Incorporation Crisis: The Left's Policy Toolkit." Pp. 171-191, in Latin America's Left Turns: Politics, Policies, and Trajectories of Change. Edited by Maxwell A. Cameron and Eric Hershberg. Boulder, CO: Lynne Rienner.
Richardson, Neil. 2009. "Export Oriented Populism: Commodities and Coalitions in Argentina." *Studies in Comparative International Development*. 44(3): 228-255.
Rist, Gilbert. 2004. *The History of Development: From Western Origins to Global Faith, 2nd Edition*. New York: Zed Books.
Roberts, Kenneth. 2003. "Social Correlates of Party System Demise and Populist Resurgence in Venezuela." *Latin American Politics and Society*. 45(3): 35-57.
_________. 1995. "Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case." *World Politics* 48: 82-126.
Robinson, William I. 2008. *Latin America and Global Capitalism: A Critical Globalization Perspective*. Baltimore: Johns Hopkins University Press.
_________. 2006. "Promoting Polyarchy in Latin America: the Oxymoron of 'Market Democracy'." Pp. 96-119 in *Latin America after Neoliberalism: Turning the Tide in the 21st Century?*, edited by Fred Rosen, Eric Hershberg, and North American Congress on Latin America. New York: New Press.
_________. 2004. *A Theory of Global Capitalism: Production, Class, and State in a Transnational World*. Baltimore: Johns Hopkins University Press.
_________. 2001. "Social Theory and Globalization: The Rise of a Transnational State." *Theory and Society*. 30: 157-200.
Rofman, Rafael. 2008. "The Pension System." Pp. 251-269, in *Revisiting Ecuador's Economic and Social Agenda in an Evolving Landscape*. Edited by Vicente Fretes-Cibils, Marcelo Giugale, and Eduardo Somensatto. Washington, DC: World Bank.
_________. 2003. "The Pension System." Pp. 347-368, in *Ecuador: An Economic and Social Agenda in the New Millennium*. Edited by Vicente Fretes-Cibils, Marcelo M. Giugale, and José Roberto López-Cálix. Washington DC: The World Bank.
Rothschild, Emma. 2001. *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*. Cambridge, MA: Harvard University Press.
Rowland, Aaron T. 2009. "From Authoritarian Dirty War to Neoliberal, 'Democratic' Class War: Neoliberalism as Class Struggle in Argentina." M.A. thesis, Department of Sociology, University of Tennessee, Knoxville, TN.
Said, Edward. 1978/1994. *Orientalism*. New York: Vintage Books.

Sandbrook, Richard. 2011. “Polanyi and Post-neoliberalism in the Global South: Dilemmas of Re-embedding the Economy.” *New Political Economy*. 16(4): 415-443.
Schamis, Hector. 1991. “Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic-Authoritarianism to Neoconservatism.” *Comparative Politics*. 23(2): 201-220.
Schmitter, Phillipe C. 1974. “Still the Century of Corporatism?” pp. 85-131, in *The New Corporatism*. Edited by Frederick C. Pike and Thomas Stritch. Notre Dame, IN: University of Notre Dame Press.
__________. 1971. *Interest, Conflict, and Political Change in Brazil*. Palo Alto, CA: Stanford University Press.
Schwarzer, Jorge. 1998. “Economic Reform in Argentina: Which Social Forces for What Aims?” pp. 61-88, in *What Kind of Democracy? What Kind of Market?* Edited by Phillip D. Oxhorn and Graciela Ducatenzeiler. University Park, PA: The Pennsylvania State University Press.
Seligson, Mitchell A. 2007. “The Rise of Populism and the Left in Latin America.” *Journal of Democracy*. 18(3): 81-95.
Shefner, Jon. 2012. “What is Politics for? Inequality, Representation and Needs Satisfaction under Clientelism and Democracy.” Chapter 3 in *Clentelism in Everyday Latin American Politics*. Edited by Tina Hilgers. New York: Palgrave Macmillan.
__________. 2008. *The Illusion of Civil Society: Democratization and Community Mobilization in Low Income Mexico*. University Park, PA: The Pennsylvania State University Press.
__________. 2007. “Rethinking Civil Society in the Age of NAFTA: The Case of Mexico.” *The ANNALS of the American Academy of Political and Social Science*. 610: 182-200.
__________.2001. “Coalitions and Clientelism in Mexico.” *Theory and Society*. 30: 593-628.
Shefner, Jon, George Pasdirtz, and Cory Blad. 2006. “Austerity Protests and Immiserating Growth in Mexico and Argentina.” Pp. 19-41, in *Latin American Social Movements: Globalization, Democratization, and Transnational Networks*. Edited by Hank Johnston and Paul Almeida. New York: Rowman and Littlefield.
Shefner, Jon, Aaron Rowland, and George Pasdirtz. Forthcoming. “Austerity and Protest: Bringing Hardships Back In.” in *Capital Vs. Labor?* Edited by Robert Ross. New York: Paradigm.
Shefner, Jon and Julie Stewart. 2011. “Neoliberalism, Grievances, and Democratization: An Exploration of the Role of Material Hardships in Shaping Mexico's Democratic Transition." *Journal of World-Systems Research*. 17(2): 353-378.
Sites, William. 2000. "Primitive Globalization? State and Locale in Neoliberal Global Engagement." *Sociological Theory* 18: 121-144.

Skidmore, Thomas E. and Peter H. Smith. 2005. *Modern Latin America, 6th Edition*. New York: Oxford University Press.
Skocpol, Theda. 1985. “Bringing the State Back In: Strategies of Analysis in Current Research.” Pp. 3-43, in *Bringing the State Back In*. Edited by Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol. New York: Cambridge University Press.
Slaughter, Anne-Marie. 1997. “The Real New World Order.” *Foreign Affairs.* 76: 183-197.
Smith, Martin. 2006. “Pluralism.” Pp. 21-38, in *The State: Theories and Issues*. Edited by Colin Hay, Michael Lister, and David Marsh. New York: Palgrave Macmillan.
So, Alvin, 1990. *Social Change and Development: Modernization, Dependency, and World-System Theories*. Newbury Park, CA: Sage Publications.
Somers, Margaret. 2005. “Beware Trojan Horses Bearing Social Capital: How Privatization Turned *Solidarity* into a Bowling Team.” Pp. 233-274, in *The Politics of Method in the Human Sciences: Positivism and Its Epistemological Others*. Edited by George Steinmetz. Durham, NC: Duke University Press.
Starr, Pamela K. 1997. “Government Coalitions and the Viability of Current Boards: Argentina under the Cavallo Plan.” *Journal of Interamerican Studies and World Affairs* 39(2): 83-133.
Stedman Jones, Daniel. 2012. *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*. Princeton, NJ: Princeton University Press.
Stepan, Alfred. 1979. *The State and Society: Peru in Comparative Perspective*. Princeton NJ: Princeton University Press.
__________, editor. 1973. *Authoritarian Brazil: Origins, Policies, and Future*. New Haven, CT: Yale University Press.
Stigler, George. 1971. “The Theory of Economic Regulation.” *Bell Journal of Economics and Management Science*. 2(1): 3-21.
Stiglitz, Joseph E. 2006. *Making Globalization Work*. London: Allen Lane.
Stokes, Susan C. 2009. “Globalization and the Left in Latin America.” Unpublished Manuscript. Downloaded from: http://www.yale.edu/macmillanreport/resources/Stokes_GlobalizationLeft.pdf. Accessed 04/26/13.
Strange, Susan. 1996. “ *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press.
_________. 1995. “The Defective State.” *Daedalus*. 124: 56-74.
_________. 1994. *States and Markets*. London: Pinter.
Teichman, Judith A. 2012. *Social Forces and States: Poverty and Distributional Outcomes in South Korea, Chile, and Mexico*. Stanford, CA: Stanford University Press.
__________. 2009. “Competing Visions of Democracy and Development in the Era of Neoliberalism in Mexico and Chile.” *International Political Science Review*. 30(1): 67-87.

Thompson, Grahame. 2006. "Global Inequality, the 'Great Divergence' and Regional Growth." Pp. 176-203, in *Global Inequality: Patterns and Explanations*. Edited by David Held and Ayse Kaya. Malden, MA: Polity Press.
Thompson, Mark. 1996. "Late Industrialisers, Late Democratisers: Developmental States in the Asia-Pacific." *Third World Quarterly*. 17(4): 625-647
Truman, David. 1951. *The Governmental Process*. New York: Alfred A. Knopf.
Van Horn, Robert and Philip Mirowski. 2009. "The Rise of the Chicago School of Economics and the Birth of Neoliberalism." Pp.139-178, in *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*. Cambridge, MA: Harvard University Press.
Van Horn, Robert, Philip Mirowski, and Thomas A. Stapleford, editors. 2011. *Building Chicago Economics: New Perspectives on the History of America's Most Powerful Economics Program*. New York: Cambridge University Press.
Vernon, Raymond. 1971. *Sovereignty at Bay*. New York: Basic Books.
Vilas, Carlos M. 2006. "The Left in Latin America and the Resurgence of National-Popular Regimes." Pp. 232-251 in *Latin America after Neoliberalism: Turning the Tide in the 21st Century?* Edited by Eric Hershberg and Fred Rosen. New York: The New Press.
Vos, Rob and Juan Ponce. 2004. "Education." Pp. 33-61, in *Ecuador Creating Fiscal Space for Poverty Reduction: A Fiscal Management and Public Expenditure Review*. Report no. 28911-EC. Washington DC: The World Bank and the Inter-American Development Bank.
Wacquant, Loïc. 2010. "Crafting the Neoliberal State: Workfare, Prisonfare, and Social Insecurity." *Sociological Forum*. 25(2): 197-220.
Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, NJ: Princeton University Press.
Walsh, Catherine. 2011. "The (De)Coloniality of Knowledge, Life, and Nature: The North American-Andean Free Trade Agreement, Indigenous Movements, and Regional Alternatives." In *Globalization and Beyond: New Examinations of Global Power and Its Alternatives*. Edited by Jon Shefner and Patricia Fernandez-Kelly. University Park, PA: Penn State University Press.
Walton, John and David Seddon. 1994. "Foof Riots Past and Present." Pp. 23-54, in *Free Markets and Food Riots: The Politics of Global Adjustment*. Edited by John Walton and David Seddon. Oxford: Blackwell.
Walton, John and Jon Shefner. 1994. "Latin America: Popular Protest and the State." Pp. 97-134, in *Free Markets and Food Riots: The Politics of Global Adjustment*. Edited by John Walton and David Seddon. Oxford: Blackwell.
Walton, Michael. 2004. "Neoliberalism in Latin America: Good, Bad, or Incomplete?" *Latin American Research Review*. 39(3): 165-183.
Weber, Max. 1922/1978. *Economy and Society: An Outline of Interpretive Sociology*. Berkeley, CA: University of California Press.
Weeks, John. 2000. "Have Workers in Latin America Gained from Liberalization and Regional Integration?" *Journal of Developing Societies*. 16: 187-115.

Weisbrot, Mark, Jake Johnston, and Stephen Lefebvre. 2013. "Ecuador's New Deal: Reforming and Regulating the Financial Sector." Washington, DC: Center for Economic and Policy Research.
Weiss, Linda. 1998. *The Myth of the Powerless State*. Ithaca, NY: Cornell University Press.
Weyland, Kurt. 2010. "The Performance of Leftist Governments in Latin America: Conceptual and Theoretical Issues." Pp. 1-27, in *Leftist Governments in Latin America: Successes and Shortcomings*. Edited by Kurt Weyland, Raúl L. Madrid, and Wendy Hunter. New York: Cambridge University Press.
__________. 2004. "Neoliberalism and Democracy in Latin America: A Mixed Record." *Latin American Politics and Society*. 46(1): 135-157.
__________. 2001. "Clarifying a Contested Concept: Populism in the Study of Latin American Politics." *Comparative Politics*. 34(1): 1-22.
Weyland, Kurt, Raúl L. Madrid, and Wendy Hunter, eds. 2010. *Leftist Governments in Latin America: Successes and Shortcomings*. New York: Cambridge University Press.
Wiarda, Howard J. 1981. *Corporatism and National Development in Latin America*. Boulder, CO: Westview Press.
__________. 1973. "Toward a Framework for the Study of Political Change in the Iberic-Latin Tradition: The Comparative Model." *World Politics*. 25(2): 206-235.
Wildavsky, Aaron. 1964. *Leadership in a Small Town*. Totawa, NJ: Bedminster Press.
Williamson, John. 2003a. "Overview: An Agenda for Restarting Growth and Reform." Pp. 1-19, in *After the Washington Consensus: Restarting Growth and Reform in Latin America*. Edited by Pedro-Pablo Kuczynski and John Williams. Washington, D.C.: Institute for International Economics.
__________. 2003b. "Summing Up." Pp. 305-321, in *After the Washington Consensus: Restarting Growth and Reform in Latin America*. Edited by Pedro-Pablo Kuczynski and John Williams. Washington, D.C.: Institute for International Economics.
__________. 1990. "What Washington Means by Policy Reform." Pp. 7-20 in *Latin American Adjustment: How Much Has Happened?* Edited by John Williamson. Washington, DC: Institute for International Economics.
Wisner, Ben. 2001. "Risk and the Neoliberal State: Why Post-Mitch Lessons Didn't Reduce El Salvador's Earthquake Losses." *Disasters*. 25(3): 251-268.
World Bank. 2013. *Data*. http://data.worldbank.org/.

APPENDIX
PRESIDENTIAL TERMS OF OFFICE IN ARGENTINA, ECUADOR, AND PERU: 1980-2010

Argentine Presidents and Terms in Office:

Military Junta 1976-1983
Raúl Alfonsín 1983-1989
Carlos Saúl Menem 1989-1999
Fernando de la Rúa 1999-2001
Adolfo Rodríguez Saá 2001-2001
Eduardo Duhalde 2001-2003
Néstor Kirchner 2003-2007
Cristina Fernández de Kirchner 2007-present

Ecuadorian Presidents and Terms in Office:

Jaime Roldós Aguilera 1979-1981
Osvaldo Hurtado Larrea 1981-1984
León Febres-Cordero 1984-1988
Rodrigo Borja Cevallos 1988-1992
Sixto Durán Ballén 1992-1996
Abdalá Bucaram 1996-1997
Rosalía Arteaga 1997-1997
Fabián Alarcón 1997-1998
Jamil Mahuad 1998-2000
Gustavo Noboa 2000-2003
Lucio Gutiérrez 2003-2005
Alfredo Palacio 2005-2007
Rafael Correa 2007-present

Peruvian Presidents and Terms in Office:

Military Junta 1968-1980
Fernando Belaúnde Terry 1980-1985
Alan García Pérez 1985-1990
Alberto Fujimori 1990-2000
Valentín Paniagua 2000-2001
Alejandro Toledo 2001-2006
Alan García Pérez 2006-2011

VITA

Aaron Thomas Rowland earned a Bachelor of Science degree in International Relations (2002) and a Bachelor of Arts degree in Sociology (2006), both from Middle Tennessee State University before attending the University of Tennessee, Knoxville where he completed a Master of Arts in Sociology with a concentration in Political Economy. He is currently finishing his Doctor of Philosophy degree in Sociology with a concentration in Political Economy, also at the University of Tennessee, Knoxville. He teaches sociology at the University of Tennessee in Knoxville and Lincoln Memorial University in Harrogate Tennessee.