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## Economic institutional change in bolivia and peru a discursive institutionalist approach

Ryan Whittingham  
*University of Central Florida*



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ECONOMIC INSTITUTIONAL CHANGE IN BOLIVIA AND PERU:  
A DISCURSIVE INSTITUTIONALIST APPROACH

by

RYAN WHITTINGHAM

A thesis submitted in partial fulfillment of the requirements  
for the Honors in the Major Program in Political Science  
in the College of Sciences  
and in The Burnett Honors College  
at the University of Central Florida  
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Thesis Chair: Dr. Waltraud Morales

## **ABSTRACT**

Since the turn of the twenty-first century, a number of Latin American countries have undergone a marked shift to the left in their politics. With this, a number of Latin American countries have been pursuing economic policies that give a greater role for the state in economic affairs. Hugo Chávez has promised to build “twenty-first century socialism” in Venezuela, while Bolivia’s Evo Morales often attacks the “neoliberalism” that previously guided economic reform in that country.

This thesis investigates these economic institutional changes through a discursive institutionalist perspective, focusing on two Latin American countries: Bolivia and Peru. The goal is to analyze the role discourse and ideas played in impacting economic institutional change, or the lack thereof, in these two countries. This analysis suggests that institutional change in Bolivia can be explained by the skill political figures such as Evo Morales had in linking certain economic policies to notions of Bolivian sovereignty and a defense of natural resources. However, in Peru, discursive limitations presented barriers to a shift towards greater state intervention. By emphasizing the impact of discourse and ideas, this thesis aims to provide a novel theoretical interpretation of these events transpiring in Latin America.

## **DEDICATION**

*For my mother and father*

## **ACKNOWLEDGEMENTS**

I would like to thank my committee for all of their help during the creation of this thesis. Their support, comments and suggestions greatly aided this work, and have made this thesis a better scholarly work. In particular, I would like to thank my chair, Dr. Waltraud Morales, for encouraging and supporting my use of the novel theoretical perspective that is employed in this work

I would also like to thank my family. This thesis would never have been written without their love, encouragement and support.

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## **CHAPTER ONE: INTRODUCTION**

Various commentators have noted the so-called “Pink Tide” which swept through portions of Latin America around the turn of this century. In countries like Venezuela, Bolivia, and Ecuador, leftist leaders came to power challenging free market and ‘neoliberal’ orthodoxy and promising to push for broad reform in the relationship between the state and the economy, advocating a greater role for state intervention in their nations’ economies. Hugo Chávez, for instance has often mentioned his idea of a “twenty-first century socialism” for Venezuela while Bolivia’s Evo Morales has promised to help bring “communitarian socialism” to his country. Despite this widespread regional phenomenon, however, not all Latin American countries were swept along by the tide. Peru, for instance, has largely kept its market-friendly policies in place during this period. In 2011 an article from the Wall Street Journal commented favorably on then president-elect Ollanta Humala, stating that he had “dispelled most remaining doubts that he will try to continue Peru's current business-friendly economic policies by naming a host of establishment political figures officials to key cabinet positions” (Moffett and Kozak).

It is the assertion of this thesis that these differences amongst Latin American countries can be adequately explained by an analysis that places the role of ideas and discourse at center stage. In that vein, we shall be applying a discursive institutionalist (DI) analysis to two different Latin American countries: Bolivia and Peru. We choose these two countries because of the interesting parallels and differences they present to us. Both

countries are, of course, Andean countries with substantial populations of people experiencing poverty. Both countries experienced a degree of social upheaval throughout the 2000s, including Bolivia's 2000 'Water War' and the 2002 *Arequipazo* of Peru, both of which centered on the role of privatization in the respective countries' economies. However, despite these similarities, only one of these countries underwent a substantial transformation in the economic institutional structures. In explanation of this, we broadly note that Evo Morales did not simply offer a set of policy alternatives to the Bolivian electorate; rather, key to his political success was in the manner in which he presented such policies. Through his discourse, Morales was able to attract substantial political support in his project to "refound" Bolivia – something he argued required, in part, an enhanced role for the Bolivian state in the country's economy. Before getting to a discussion of these countries, however, let us first discuss the analytic model that we will be using in this thesis in greater detail.

### **An Analytical Model**

As previously mentioned, the theoretical approach of this thesis is influenced by discursive institutionalism (DI). This approach emphasizes the role of ideas and discourse in explaining institutional change. In contrast to other theoretical approaches within political science, DI conceives of interests as being subjective rather than objective; they are "subjective responses to material conditions" (Schmidt, p. 318). This is not to say that DI scholars necessarily claim that objective interests do not exist; rather, DI asserts,

contrary to other theoretical approaches, that “objective interests are [not] analytically separable from subjective ideas” (ibid. p. 318). This can be said to be the case for two reasons: the limits to our own self-knowledge and the complexities of our external world. In regards to the former, DI scholars may agree with this statement by literary theorist Terry Eagleton: “[We] do not of course always spontaneously know what is in our best interests, since we are not transparent to ourselves” (p. 173).

In regards to the latter, DI asserts that ideas are essential in making institutions work in our extremely complex and ever-changing social world. Furthermore, our ideas about the world works are inherently attached to our notions of our interests within that world. We therefore agree with the DI claim that within institutions, ideas play a critical role as ‘coordinating devices’ (Blyth, p. 42) in order to guide actors’ behavior and to promote actors’ expectations of the future. Such notions have something in common with, for example, Marxist philosopher Louis Althusser’s views on one of the roles of what he termed ‘ideology’ in society, who, according to Eagleton, felt that “as far as the practical lives of individuals go, ideology is needed to provide them with a kind of imaginary ‘map’ of the social totality, so that they can find their way around it” (Eagleton, p. 150). So, in contrast to rational-choice models of institutions, which theorize institutions as external coordinating bodies which mediate actors’ pursuits of their objective interests, DI views institutions as being “internal to the actors, serving both as structures that constrain actors and as constructs created and changed by those actors” (Schmidt, p. 314). Because

institutions in DI are seen as being dependent on actors' ideas which underpin institutions' smooth functioning and their abilities of coordination and mediation, ideas can play a critical role in changing these institutions, something which has particular potential to occur at moments of crisis or 'critical junctures' (Schmidt, p. 316).

The analysis we are employing here also borrows, with modifications, from a model by Mark Blyth (p. 35 – 45), whose work can be seen as operating in the general framework of DI. While the analysis by Blyth is more strictly concerned with specifically economic ideas than we are here (we are more concerned with how ideas within political discourse, rather than specifically economic ideas can be used to construct and legitimize institutions) we believe it can nevertheless provide a useful framework for analyzing the institutional changes which have occurred in Bolivia. The model contains five stages, (modified from Blyth's original model) which while not completely distinct from one another in an empirical sense, do follow a specific temporal sequence. Let us now describe these five stages in greater detail.

- *Stage One: A crisis prompts a struggle in the ideational sphere of a society.*

A crisis, whether economic, political, or social, or a combination thereof, can prompt widespread doubt towards the institutions of a society. Individuals are left to ask and attempt to find an answer for two key questions. First, why has this happened? Second, what alternatives are there? Thus: "Such ideas provide agents with both a scientific and normative critique of the existing economy and polity, and a blueprint that specifies how

these elements should be constructed” (Blyth, p. 37). Because crisis can promote widespread doubt, at this stage, political actors, such as parties and leaders, have the opportunity to enter this ideological contest, and they compete amongst each other to try to ‘sell’ their ideas to the broader polity.

- *Stage Two: Ideas guide collective action.*

Once enough actors are sufficiently convinced of what is responsible for the crisis in their society, they can then work together to try to change their society’s institutions for the better. Actors need a common framework of where they are trying to go if they are to work together effectively. Crises “upset routine calculations of interest, invalidating rational short-cuts and injecting a large dose of uncertainty” (ibid., p. 39). At this stage, ideas, rather than institutions, are necessary to sort out of this confusion and make collective action possible. New political forces may begin to gain traction in the society – perhaps a popular political leader emerges, or a social movement begins to grow, or an emergent political party begins to seek and win more seats in the national legislature. But such collective action, such as, for example, political coalition building, is only possible if actors share ideas that offer a guide to their collective efforts.

- *Stage Three: Ideas serve as weapons to delegitimize the prevailing institutions of society.*

The institutions of a society have ideas which underlie them, and actors are eager to attack these old ideas with new ideas of their own. In so doing, they may be able to delegitimize these institutions. Their new “ideas provide ... agents with an essential resource to attack

and restructure them” (ibid., p. 39). Ideas not only tell actors where to go, but they tell them why then can no longer stay where they are. By contesting the ideas underlying existing institutions, new ideas explain and persuade actors of the necessity of change.

- *Stage Four: Ideas offer new institutional blueprints.*

It is no good simply to ideologically tear down existing institutions without having any alternatives. So, ideas serve another function – they provide guidelines toward what these alternatives might be. To have plausibility and coherence, these alternatives will be logically connected to actors’ ideas of what caused the crisis in the first place. “It is ... only by reference to the ideas that agents use to interpret their situation that understanding the design of new institutions becomes possible” (ibid., p. 41). Thus, ideas serve not only as a critique of previous institutions but as a prescription for future institutions.

- *Stage Five: Ideas make institutional stability possible.*

By “tell[ing] agents what possible futures to expect,” ideas help promote long-term institutional stability (ibid., p. 41). As we have suggested above, if institutions are to function, and if actors are to coordinate their actions within them, then actors must have some idea of what the future consequences of their actions are to be. Yet, as Keynes has noted: “We have, as a rule, only the vaguest ideas of any but the most direct consequences of our acts” (ibid., p. 42). Ideas, then, help to give actors a sense of certainty over what their actions will bring. They do not know what will happen, but ideas can give them expectations over what will happen. Such shared expectations are necessary if a wide

variety of actors are to coordinate their actions within something as complex as, for instance, an economy.

So, how to apply our theoretical model to Bolivia? Let us give a brief preview of the argument. By the late 1990s, much of Bolivian society had had its patience worn thin by economic slowdown, the perceived long-term failure of neoliberal reforms to deliver its promised rewards, as well as the perceived non-responsiveness of Bolivian political leaders to the needs of the population (Harten, p. 100 – 107). From this emerged the social conflict, protests, and civil disorder of the early 2000s. This was no mere spontaneous outpouring of rage, however, but rather was in certain respects a conscious political effort by a variety of groups, often referred to as ‘social movements.’ Though these different groups were diverse in some respects, at the same time, they did tend to possess a shared discourse which had as its central element the notion of a defense of Bolivian sovereignty, or *soberanía*, as symbolized by its natural wealth.

During this period, MAS, a participant though not the leader in this period of conflict, managed to attract broad support for its electoral platform. It achieved this by managing to articulate its specific policy proposals to the broader discourse that emerged around it. That is to say, it too presented its policies as being a defense of Bolivian *soberanía*. What it proposed was a larger role for the Bolivian state as the prime agent behind Bolivia’s modernization and development. It proposed an expansion of state enterprise, especially in exploiting natural resources, an expanded role for state planning and developmental guidance, and a certain protection of free enterprise that would,

however, be subordinated to developmental goals as determined by the state. On such a platform, MAS achieved great electoral success in 2005, with Evo Morales attaining the presidency. It managed to implement many of its proposed policies over the next few years, and, with the new constitution of 2009, introduced reforms to Bolivia's economic institutional structures, thus promoting a degree of "institutional stability" in our theory's parlance. At this point, we will turn to the period of crisis Bolivia faced in the early 2000s.

## **CHAPTER TWO: CRISIS IN BOLIVIA (Stages One, Two and Three)**

As we alluded to above, Bolivia faced significant social conflict around the turn of the new millennium. While the free market-oriented institutional reforms which had emerged out of Bolivia's debt crisis in the early 1980s had done an excellent job of curing Bolivia's enormous inflation problems, over time many Bolivians were left with the firm belief that the reforms had done little to actually improve the lives of ordinary people in the country. And while it seems clear that the continuance of widespread poverty and wealth inequality had something to do with the outbreak of conflict in the early 2000s, this factor alone does not appear to us tell the full story. Simply put, why did Bolivia's crisis break out when it did? Some scholars, such as Centellas as well as Mainwaring et. al have advanced theories in regards to Bolivian and Latin American politics, respectively, that suggest we can understand these turn of events as a "crisis of legitimacy." With this focus on perception of legitimacy towards Bolivia's institutions, such analyses tie neatly in with our DI-influenced analysis here. As Centellas suggests: "In many ways, the perception of economic crisis was perhaps more powerful than the actual economic reality" (p. 17). We also note that according to public opinion data from Latinobarómetro, well over half of Bolivians polled from 1997 – 2005 stated their belief that their parents had lived better lives than they; a figure which peaked at 67.7% in 2003. We also note that such sentiments *preceded* the late 1990s economic slowdown experienced by Bolivia. Why social conflict emerged in the early 2000s can be understood as a confluence of two factors (though certainly this is by no means an exhaustive list): First, widespread belief that neoliberal

reform had failed to deliver prosperity, and second, an economic slowdown in the late 1990s which shattered confidence, never very high to begin with, in these reforms.

In this chapter, keep in mind that we will move somewhat freely around our first three stages of our theoretical model, for doing so will help us see the linkages among these different stages. That is to say, while we are interested in Bolivia's crisis (stage one) in this chapter, at the same time, we are also interested in rise of collective political groups, such as the social movements, that responded to that crisis (stage two) and the discursive strategies they used to achieve collective unity (stage two) as well as to attack certain policies and institutional structures which were perceived as being 'neoliberal' (stage three). A particular act can be in one more stages at the same time. We must note, for instance, that a discursive act by a group or individual can simultaneously guide a group's collective action and serve to delegitimize a particular institution. This note aside, let us now return address the eruption of crisis in Bolivia.

The grievances held by many Bolivians seemed to erupt in the 2000 Water War in Cochabamba, a conflict whose most proximate cause was the privatization of water resources in that area, which, according to activists involved in the protests, had the effect of raising some Bolivians' water rates there by over 300% (Olivera, p. 10). The Water War, or *Guerra del Agua*, can be seen as the opening event in "in a series of popular protests that included actions in July 2001, February 2002, February 2003, and June 2005," (ibid., p. 107). During this time of social conflict a certain form of discourse emerged which guided the various 'social movements' throughout this period. We will not attempt to fully analyze

this discourse; however, for our analysis we can point to one of its central messages. That message was one of a defense of Bolivia's sovereignty, its *soberanía*, as symbolized by its natural resources, such as its water, mineral wealth, and hydrocarbon resources. To put it simply, there existed the perception that foreign companies involved in exploiting Bolivia's natural resources had done little more than help their own profits while scarcely helping the country or its people. There were certainly plausible reasons for Bolivians to believe that foreign corporations had a lot of power and influence in this country. For instance, the Heritage Foundation, from 1995 to 1999, consistently ranked Bolivia in the top 10 of most economically free countries in the category of "investment freedom." To come up with this figure, the Heritage Foundation states that "In an economically free country, there would be no constraints on the flow of investment capital. Individuals and firms would be allowed to move their resources into and out of specific activities, both internally and across the country's borders, without restriction. Such an ideal country would receive a score of 100 on the investment freedom component of the Index of Economic Freedom" (Heritage Foundation). Bolivia received such high scores even while its overall economic freedom was ranked between the top 25 and top 40 countries during this time. In fact, from 2001 to 2004, the Heritage Foundation ranked Bolivia *the freest country in the world in the category of investment freedom*. (As one may imagine, things have changed under the Morales administration – in 2012 it was ranked the 155<sup>th</sup> most free country in this regard). With such freedom for foreign investment as this, one could imagine why some would believe that foreign companies were essentially calling the shots in Bolivia. This argument,

potentially powerful enough on its own, was also aided by certain elements more specific to Bolivian culture and history. Harten notes: “For the Bánzer administration, water was an ‘economic good’ which had to be exploited and used to attract foreign capital” (p. 112). But for many Bolivians, such ideas came into conflict with some of their fundamental cultural values. As Bolivian activist and leader during the Water War, Óscar Olivera notes, “The people look at water as something quite sacred. Water is a right for us, not something to be sold. The right to water is also tied to traditional beliefs for rural people, as it has been since the time of the Incas” (p. 8). The privatization of water in Cochabamba therefore was not only seen as something which directly harmed people by raising its price, but was also viewed by many as something that was fundamentally illegitimate.

The discursive strategy also articulated the notion of a conflict which pitted ‘the people’ of Bolivia against what we will refer to as an ‘antagonistic other,’ represented in this case by transnational enterprise and Bolivia’s political authorities which were perceived as being in league with these foreign interests. This idea served an important function in the process of political coalition-building – the Water War was not simply an outpouring of rage, but was carefully planned and organized by a variety of social and popular groups and movements. Later on MAS would use this discursive strategy of ‘the people’ versus the ‘antagonistic other’ to great political effect by claiming his party was the true representative of the Bolivian people. Morales once remarked: “[We] are the voice of the people. In rural North Potosí, in the mines, in the mountains and in all other parts of

Bolivia, bit by bit the always marginalized unite; they decide to remove the neoliberals and the corrupt from power, supporting their political instrument MAS” (Harten, p. 163).

A third part of this discursive strategy was the use of the word ‘sovereignty,’ or *soberanía*. Morales, MAS, and many others argued that the economic and political institutions of Bolivia as having the systematic effect of robbing the country of its sovereignty, particularly its control over its rich natural resources. For Evo Morales, such a defense of Bolivian sovereignty was symbolized by his attitude towards the coca leaf, grown by many, legally and illegally, in Bolivia. Indeed, Morales has explicitly made this connection between coca and Bolivian sovereignty, on one occasion stating that “with coca we defend our dignity and our sovereignty” (Harten, p. 70 - 71). Though the coca leaf is often popularly associated in the West with the fact that it is the raw ingredient for cocaine, the use of coca leaf in the Andes goes back to the time of the Incas and has deep cultural roots in the Andean region, where it is consumed by over 8 million people daily (Harten, p. 25). Just as grapes are not wine, coca is not cocaine. However, for many of those critical of U.S. drug war policy in the country, there was the firm conviction that drug war policy failed to make a distinction between these uses. At any rate, for Morales (who began his political career as a leading member of a coca growers’ union) and for many others, coca became a symbol of the struggle against these forces – not only against the U.S. drug war, but also against the neoliberal reforms. Webber suggests that “the *hoja sagrada*, the sacred coca leaf, became a symbol of national dignity in the face of the imperial hubris of the U.S. state, and its brutal counter-narcotics policies and support for neoliberal restructuring in

Bolivia” (Webber, p. 59). Thus, Evo Morales, with his background as a *cocalero*, or coca grower, was able to convincingly portray himself as being a long-time defender of Bolivian sovereignty against such forces.

At this point, we should now provide a bit of historical background on Bolivia. Doing so will shed some light on why this discursive strategy has experienced such success.

### **Colonialism and Sovereignty**

Bolivia is a country with a deep-rooted sense of having been a colonized nation. During the colonial period, Bolivia’s immense mineral wealth served to enrich the Spanish empire and local elites, while the country itself received little compensation in return. MAS have put it this way: “In the colonial era, with the silver of the mines of Potosí, we financed the industrial revolution of Europe, yet we did not ourselves become industrialized” (MAS 2004 p. 1 , author’s translation).<sup>1</sup> And although Bolivia achieved formal independence from the European powers in the 1800s, there exists the widespread belief amongst Bolivians that the institutions of the new state purposely excluded the majority of society while serving primarily to further enrich the powerful few. According to this perspective, Bolivia moved from being colonized solely by an external force to also having a form of ‘internal colonialism,’ in which elites treated the state as their private fiefdom.

Such notions of internal colonialism have had a long history in Bolivian political discourse. The Movimiento Nacionalista Revolucionario, which led the Bolivian revolution

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<sup>1</sup> All translations of Spanish-language works cited in this thesis, aside from those of the Bolivian constitution, are the author’s. See Appendix A for the original Spanish-language text.

of the early 1950s used such a notion “to unite many different interests ... against the ‘common enemy’ of the ... ‘oligarchy’ ...” (Harten p. 20) while the modern-day MAS claims that “internal colonialism has been unsuccessful in the construction of a modern nation state” (MAS 2004, p. 1). Interestingly, according to MAS, MNR and all the other “traditional parties” are now included in that odious group of internal colonizers. The external colonizers have not disappeared during this period of internal colonialism, however. Foreign companies, given greater access to Bolivia’s economy and resources during the period of neoliberal reform, are now placed by the minds of some into that latter category.

With this historical legacy, it is little wonder why the notions of achieving national sovereignty and getting rid of the colonizers, either internal or external – our ‘antagonistic other’ – can be such powerful ideas in Bolivian politics. Therefore, policies that can be plausibly framed as serving the ends of helping Bolivian’s *soberanía* or of defeating the colonizing powers have the potential to achieve a great deal of political support amongst the Bolivian population and particular among its indigenous majority. As we shall see later in greater detail, this is precisely how Evo Morales and the MAS have framed their economic policies before and after they attained their electoral successes in the 2005 elections. To briefly mention one instance of this strategy, however, we note that in his 2006 inauguration speech, Evo Morales said: “It's important to develop an economy with sovereignty, and at this moment we want to give our approval of the worth of some proposals of how the State can not only exercise property rights over natural resources, but also those which deal with the State entering directly in production” (Morales). So, in

Morales's discourse, the Bolivian state must be an active participant within the economy for this sovereignty to be recovered. State-owned companies, or "entering production" as Morales says above, can be an important part of this regaining of sovereignty, in his view. Thus, the "nationalization" of the hydrocarbons industry, proposed on the campaign trail and carried out once he took office, is presented as a way of recovering the sovereignty of the Bolivian people and their control over their own natural resources. For many, Morales offers an appealing alternative to the neoliberalism which had guided Bolivia's experiments with institutional reform in the 1980s and 1990s. In this view, if the erosion of state control over the economy following the neoliberal reforms had harmed Bolivia's sovereignty, it can be plausibly asserted that increasing state control can help to restore it. At this point, let us now move into greater detail in describing how Morales and MAS used their discursive strategy to attain political office.

### **CHAPTER THREE: BROADENING SUPPORT (Stages Two and Three)**

The year 2002 was a turning point for MAS. Having achieved substantial electoral success in the parliamentary elections, MAS underwent a shift in its political strategy in order to broaden its appeal beyond its largely indigenous base. Following some electoral letdowns in the municipal elections of 2004, MAS took a strategy of consciously courting the urban middle class (Harten, p. 88). Seeking to diversify its field of candidates, MAS undertook a decision in 2004 regarding its electoral party lists which had the effect of “opening up its ranks to include urban intellectuals,” which helped the party to “become attractive to parts of the middle class who wanted an alternative to the other major parties, which [were] either on the right or centre-right” (Harten, p. 135). At this point, MAS also began to introduce somewhat more moderate streams in its discourse. At the same time, MAS did not abandon the rhetorical radicalism that had helped them so much in years past.

This rhetorical shift has important implications for our theoretical perspective. We have mentioned that ideas are an important element of political coalition building. Political groups must be guided by a plausible and at least somewhat coherent ideology in order to make sense out of the world, guide their efforts, and maintain the group cohesion necessary for collective political action – such as the transformation of economic institutions. With Morales’s election, the primary group pushing for such a change in Bolivia had shifted to the MAS government from the social movements which lacked formal political power. Owing to the nature of Bolivia’s democratic electoral structure, it was

necessary for MAS to broaden its electoral base should it wish to implement such reforms. This was accomplished by introducing more moderate elements to MAS's discourse that at the same time were more or less compatible with its radical heritage. As we shall see below in greater detail, this introduced some interesting ambiguities in MAS's ideology, lending the possibility of interpretations both more radical and moderate. To a certain degree, it is possible for an individual to see what they want to see in MAS – as long as what they want to see is left of center.

Álvaro García Linera, elected vice president in 2005, is emblematic of the somewhat more moderate trend of MAS's discourse. During the 2005 elections, García Linera “became the spokesperson for ‘realistic,’ economic moderation, while [Evo Morales] continued to deploy a rhetoric in sync with the radical lineage of the party’s early history” (Webber, p. 189). Indeed, he probably did as much as anyone within MAS to court the middle-class vote. García Linera has a personal background that held the potential of appealing to both more radical as well as more moderate supporters of MAS. Coming from a relatively prosperous background, he is a former university professor, mathematician, sociologist, and a leading Bolivian intellectual – and he also is a light-skinned *mestizo*. He is also a former member of the *Ejército Guerrillero Túpac Katari*, which has sometimes been characterized by some as a terrorist or insurgent group. Because of his activities with this group, García Linera once served a five year prison sentence in Bolivia “on charges of terrorism and insurgency” (Harten, p. 138) for attempting to sabotage electrical

infrastructure. After completing his sentence, he later helped to organize *La Comuna*, a group which broad together “some of Bolivia’s most renowned leftist intellectuals” (ibid.). With such a history, it is easy to see that García Linera holds some serious radical credentials that could appeal to those seeking substantial change in Bolivia.

Yet despite this radical background, or perhaps because of it, García Linera has spent quite some time presenting a more moderate side to MAS. As Webber puts it, “García Linera’s emphasis on the moderate features of the party’s electoral platform and the reformism of its ultimate aims helped win over sufficient middle- and upper-class urban voters ... to secure victory” (p. 53). Part of this moderation was seen in García Linera’s use of the term “Andean-Amazonian Capitalism” (ibid., p. 167) to describe MAS’s economic policies. He has said on some occasions that he believes socialism in Bolivia will be impossible to build “for at least fifty to one hundred years” (ibid., p. 64).

While García Linera often emphasized the arguably moderate nature of MAS’s goals, at the same time he also made sure to indicate that he, like Morales, was no friend of neoliberalism. He attacks the “confiscation/expropriation by big business of the basic necessities of life,” and the “exacerbated individualism and fatalism” (Olivera, p. 67 – 69) that he views as the effects of neoliberal reform in Bolivia. We can also note that, true to his intellectual roots, García Linera often makes use of Marxian terminology in his analyses and speeches – we can note uses of such terms as “bourgeoisie,” “labor-power,” and “regime of accumulation” (ibid., p. 66 – 68). Still, it must be noted that the choice of his

terminology does lend itself to the possibility of more moderate interpretations of his message – at the same, as an avowed Marxist, he does claim that he is helping to build the possibility of a socialist future in Bolivia. In utilizing such a discourse, García Linera can attempt to appeal to both radical and moderate sensibilities among the political left in Bolivia.

### **MAS's Competitors**

We have spent much of the space here analyzing MAS's political discourse, without discussing the other political parties voters had to choose from. If much of MAS's success can be attributed to their discursive skills, the other side of the coin is that other parties failed in this regard. Indeed, most of the other parties failed to offer any real alternative to the status quo at all. As Harten puts it, the other parties “failed to produce ideological or programmatic alternatives to the hegemonic neoliberal economic policies,” (p. 103). By noting the contrasts between MAS and the other parties' discourse, we can better come to understand the source of MAS's success.

Let us examine at this point examine the program of Podemos for the 2005 elections (Podemos). We must first, however, issue a caveat. Because this program was primarily available on the Internet, we must note that the program itself likely did not have much political impact on the electorate (Centellas, p. 287). Still, we believe it can help to offer us a rough approximation that can help elucidate this party's broader use of political discourse.

For the presidential election of 2005, Podemos's candidate, Jorge Quiroga, was the distant second-place winner to Evo Morales, receiving 28.5% of the vote to MAS's 53.7% (Webber, p. 51). While also losing to MAS in the legislative race, it fared slightly better there, actually beating MAS in the Senate race by one seat but losing to MAS in the Chamber of Deputies race (ibid., p. 55). Podemos was a conservative party, and it "represented the right, the middle and upper classes, the mestizo and criollo demographic, and the [wealthier] *media luna* [region of Bolivia]" (Centellas, p. 281). In spite of this, it did appear to attempt to attain the vote of Bolivia's poor, stating that its political program was "directed towards the Bolivians who suffer daily the results of poverty, unemployment, exclusion, and discrimination" (Podemos., p. 4).

However, on examining Podemos's rhetoric, its conservative nature becomes clear. Let us begin by considering what Podemos did not say in its political discourse: it never once uses the term *neoliberalismo* in its program; MAS, for its part, used the terms *neoliberalismo* or neoliberal over thirty times in its 2005 party program (MAS 2005). Clearly, Podemos does not wish to attribute the crisis that Bolivian society faced to anything 'neoliberal,' then. Instead, according to Podemos, it was the fault of the "*Gonista* era which dominated the country for the past fifteen years" (ibid., p. 4). Here, Podemos is making a reference to Bolivian president Gonzalo Sánchez de Lozada, president of Bolivia 1993 – 1997 and 2002 – 2003, elected both times on the MNR ticket. In his first term, Sánchez de Lozada introduced many privatization reforms (Harten, p. 98 – 99). Indeed, out

of all people in the country, “Sánchez de Lozada was ... the person most closely associated with the neoliberal model”(Centellas, p. 248). So, like MAS, Podemos wants to indicate its disapproval of some aspects of the ‘neoliberal’ era – yet it does not wish to use that term. Here, we can see the conservative nature of Podemos’s discourse, relative to that of MAS. While MAS prefers to explicitly blame ‘neoliberalism’ for Bolivia’s woes, Podemos’s terminology seems to pin the problems of Bolivia on the poor policies of Sánchez de Lozada and likeminded political figures. Put another way, Podemos’s discourse seems to put the blame on persons rather than institutions. The implication is, therefore, that no fundamental changes in these institutions are needed; all that is needed is a small change in policies and political leadership.

We can note other aspects of Podemos’ discourse that likely lacked appeal for Bolivians which were seeking broader, more fundamental change. Podemos does promise that its economic policies would be placed “under the central principle that growth and development are only means directed to promoting the equitable well-being of all citizens” (ibid., p. 5). Though MAS would certainly agree with this statement, so would many conservatives – indeed, practically every political ideology would profess to agree with such a sentiment. The party also pledges that they “shall promote individual liberty in a setting of justice and respect for the law” (ibid., p. 5). Throughout its program, Podemos continually utilizes expressions such as these. This is a very different rhetorical strategy than Morales’s statement, seen in his inaugural address, that “radical neoliberalism must

come to an end” in Bolivia (Morales). For those sections of the Bolivian polity who might sympathize with Óscar Olivera’s view that “neoliberalism and privatization of formerly public resources have not benefited the overwhelming majority of Bolivians” (Olivera, p. 7), such discourse as that of Podemos appears to have been too conservative to attract much support.

We can contrast this with the opening statements of MAS’s 2005 party program: “The presentation of this Program of Government begins with a brief assessment of the application of twenty years of the neoliberal model and the exclusion of the State from control of the productive apparatus” (MAS 2005, p. 6). From the beginning, MAS has identified its enemy, and it is not just one person or a presidential administration: it is neoliberalism and all its associated institutional structures within the Bolivian economy. At this point, let us discuss the specificity of MAS’s critique of Bolivia’s experience with neoliberal reform.

## **CHAPTER FOUR: MAS'S CRITIQUE OF NEOLIBERALISM (Stage Three)**

Central to MAS's ideology is a critique of the neoliberal development model and of its purportedly negative effects on Bolivia and its economy. To understand MAS's ideas, then, it is useful to understand which ideas they rejected, and how their own ideas stand in contrast to others. Furthermore, in keeping with our theoretical model outlined above, we assert that this ideological assault on neoliberalism – though certainly MAS was not the only group to participate in this – was necessary to delegitimize Bolivia's then-prevailing economic institutions and so pave the way for the more state-driven institutional structure that Morales and his government favor. We also analyze MAS's ideology so as to be able to draw connections between and the policies and institutional reform they later enacted. While we analyze MAS's ideas, keep in mind that its ideas lend themselves quite easily to being articulated to notions of *soberanía*, defense of natural resources, the transnational enterprise as the 'antagonistic other,' and so on. It is important to keep in mind that MAS's ideas, including this party platform, were operating within a larger discursive field at this time. Let us therefore now turn to a discussion of MAS's critique of Bolivia's experience with neoliberal reforms.

The source for the following discussion largely comes from the above-mentioned party platform that MAS issued before the 2005 elections. In it, MAS lays out their view of how and why Bolivia's neoliberal reforms had failed to benefit the vast majority of its population for twenty years. Parts of MAS's critique are commonly found in left-wing criticism of neoliberalism in general, while other parts are more specific to Bolivia's own

particular case. We can at this point focus on three aspects of this criticism, though by no means does this fully cover MAS's critique. MAS asserts (1) that the neoliberal developmental model failed to diversify Bolivia's economy and move it beyond its dependence on the exportation of primary goods; (2) that it promoted the formation of a 'dual economy' and 'enclave vision,' with negative effects on Bolivia's economic development; and (3) that it placed Bolivia's 'economic surplus' in the control of private hands and out of the direction of the Bolivian public, thus harming any potential national developmental strategy.

We can note the potential rhetorical power of such a line of attack as this. Is not MAS implicitly asserting here (and explicitly asserting elsewhere) that when neoliberalism puts control of the 'economic surplus' in private hands (including international business), this is a situation not unlike, for instance, their history of Spanish colonialism, in which the wealth of the country was dominated and exploited by a foreign power? We are thus once back again at our 'antagonistic other.' It was this type of articulation between MAS's ideology and certain emotionally salient ideas that had much to do with their political success. To put it another way, would, say, a critique of neoliberalism that focused on its purportedly negative effects on organized labor have had much political traction in Bolivia? Perhaps or perhaps not, but MAS never mentions this issue in their 2005 electoral platform, never once using the Spanish word for labor union, *sindicato*, within that document. To a certain degree, MAS followed the political winds of the times they were in – the Water and Gas Wars, were, after all, viewed by actors involved as a defense of

Bolivia's natural resources, and of its sovereignty, against hostile foreign actors and a complicit Bolivian state. At any rate, let us now discuss the three above-mentioned aspects of MAS's ideology in greater detail.

MAS asserts that Bolivia's experience with neoliberal reform had failed to diversify Bolivia's economy beyond the export of primary goods. They assert that this was a conscious intention of neoliberalism. "Neoliberalism planned as one of its central objectives the reorientation of the national productive apparatus towards export" (MAS 2005, p. 13). According to MAS, this emphasis on export stifled Bolivia's ability to industrialize and modernize. "[T]he primary export model means a lack of interrelation with other productive activities, and for this reason the weight of manufacturing industry is greatly reduced" (ibid., p. 8). MAS also critiques neoliberalism for failing to diversify the export economy itself. "Neoliberalism planned ... to diversify [both] production and markets for export" (p. 13). According to MAS, neoliberalism was supposed to have increased the variety of products exported and markets to export to, yet it had failed in this promise. "After twenty years the profile and composition of these exports are no better; the most prominent exports are still those of raw materials ... [T]he destination of exports continue to be concentrated in only a few markets; Colombia, Peru, the United States and England are the principal destinations for exported goods" (ibid., p. 13-14).

MAS also claims that neoliberalism contributed to the development of a 'dual economy' and an 'enclave vision,' two interrelated phenomena which stifled Bolivia's potential development and modernization. "The primary export cycle, in the framework of

neoliberalism, was characterized by the presence of two central elements, which at the same time can explain this productive apparatus's dynamic. On one hand there was the structure of a dual economy, and, on the other, the deepening of an enclave vision" (p. 10). MAS is claiming two things here. First, with their own use of the term 'dual economy,' they claim that Bolivia's economy is characterized by two poorly connected sectors. "The dual economy consists in the fragmentation of the productive apparatus in two parts, the modern segment and the traditional segment" (p. 10). According to MAS, these are the features of these two sectors: "Transnational businesses and large domestic business constitute the modern segment, their most salient characteristics being the introduction of new technology, high levels of productivity, business management, capital intensiveness and low generation of employment... The traditional sector is composed of domestic, medium, small and micro businesses and other economic entities in the urban sphere and of small producers, peasants, and communities in rural areas" (p. 10).

Second, they claim that this phenomenon was reinforced by an 'enclave vision' on the part of the larger businesses in Bolivia, both foreign and domestic – our 'modern sector' mentioned above. That is to say, MAS claims that these businesses were primarily concerned with simply their own individual economic success, giving little heed to the broader needs of the Bolivia's national economy. They also claim that this 'enclave vision' is what Bolivian economic policy was primarily responsive to, owing to the domination of these economic interests in Bolivia's political institutions. So, in the course of policymaking, the 'dual economy' was reproduced by this 'enclave vision,' one which aided

the transnationals and larger businesses but did nothing to overcome the fragmentation present in the two segments of the Bolivian economy. As we shall later in greater detail, MAS will claim that Bolivia can only develop and modernize if the economy of the country is governed by a *national* vision, one which consciously uses the state to overcome this fragmentation.

So, in MAS's view, what is the problem with these two interrelated phenomena? We have alluded to the problem, but let us state it explicitly. To put it simply, MAS is making the claim that, owing to the fact these two sectors are fragmented from one another, an economic gain in one sector will not necessarily translate into benefits for the rest of the country. Or, to put it another way, if the transnational companies do well, this does not necessarily mean that this will *ever* help the poverty-stricken Bolivian peasant, in either the short term or in the long run. So, according to MAS, liberalizing the market, promoting foreign investment, and so on cannot appreciably aid Bolivia's development and help it to become a modern, prosperous country. GDP may very well increase through such policies, but this does not mean that the lives of the poor will. Thus, through these ideas of a 'dual economy' and an 'enclave vision,' MAS has some potent arguments by which to reject neoliberal economic policy and supplant it with policy proposals of its own.

Finally, we have MAS's critique of how neoliberalism placed the control of Bolivia's 'economic surplus' in private hands – that is outside the control of the Bolivian people. They object to, for instance the "capitalization" reforms carried out in Bolivia, where the Bolivia government ceded 50% of its shareholding and management control of some state-

run enterprises in exchange for specific investment pledges (Economist, 1997). MAS explicitly claims that this process occurred in such a way as primarily benefit these international businesses, rather than Bolivia. “The fundamental characteristic of this process was to bring the privatization of the generation, appropriation, and distribution of the economic surplus to the favor of the international businesses’ interests” (MAS 2005, p. 9). They also claim that this process limited the state’s ability to guide and coordinate economic development on a national scale: “As a result of this phenomenon, the state only benefited from the collection of taxes and royalties since it completely lost control of the cycle of the generation of the surplus. It alienated itself from public enterprises and strategic natural resources” (ibid).

This particular critique, number (3) on our above list, has a particular importance, because it easily lends itself to a rhetorical and discursive linkage between MAS’s ideology and notions of Bolivian *soberanía*. Neoliberalism’s failure to diversify Bolivia’s export-driven economy and its effects in promoting the structural fragmentation seen in the ‘dual economy’ may very well be pernicious phenomena. However, it is more difficult to explicitly link these critiques in themselves to a rhetorical defense of Bolivian *soberanía*. Does failing to diversify Bolivia’s exportable products somehow undermine Bolivian sovereignty? Perhaps one could argue so (indeed MAS does argue so), but such an argument would likely be somewhat complex and not particularly lend itself to a brief political slogan. A critique of the privatization of state-owned companies, especially those involved in developing and exploiting natural resources, more easily lends to emotionally-

charged political rhetoric. The argument is basically thus: “The foreign companies are controlling our natural resources for their own benefit and profit and failing to give us back much in return. They’re essentially stealing our country’s wealth.” Or, as Evo Morales himself said at his first inauguration: “The time has come to change that odious history of the plunder of our natural resources” (Morales). It is easy to see the potential power of such an argument, especially in a country which has Bolivia’s history of being dominated by outsiders for its resources.

To summarize as well as to show where we are in terms of our theoretical model, there are two important aspects to note about MAS’s critique of neoliberalism. First, it offers a critique of neoliberalism which, in conjunction with other discourses operating at the time (such as those surrounding the Water War for example), serves to delegitimize the Bolivia’s economic institutional regime, which had been undergoing reforms in concordance, more or less, with neoliberal ideology. Secondly, their critique is also logically tied to their proposed policy alternatives, which they asserted would solve the problems associated with neoliberalism and provide for Bolivia’s development. It is to the content of these policy proposals that we now turn.

## **CHAPTER FIVE: MAS'S POLICY PROPOSALS (Stage Four)**

If, as according to MAS, free market reforms had failed to advance Bolivia's development and provide for the collective welfare, then there must be some other alternative that could play a positive role in developing the country. As we have asserted before, it does little good for a political party or movement to critique institutional structures or policies without offering any sort of alternative. Fortunately for MAS, they did have an alternative: the Bolivian state. Yet increased state involvement covers a wide variety of potential institutional arrangements, including such dissimilar arrangements as Soviet-style socialism, the Scandinavian welfare state, and New Deal liberalism. However, as we shall see soon in greater detail, MAS's particular institutional vision was implicit in the manner in which they chose to criticize neoliberalism. That is to say, their proposed solutions logically flow from their critiques.

For instance, MAS states that "one should design a model that takes into account the characteristics of the country, complementing its structural heterogeneity [and] regional asymmetry..." (MAS 2005 p. 17). These mentionings of 'structural heterogeneity' and regional asymmetry' remind us of MAS's use of the concept of the 'dual economy,' which MAS utilized to describe the fragmentation of the Bolivian economy. So, it is clear from this example that MAS is keeping its critique in mind while offering its policy alternatives. Let us now describe some of the broad characteristics of these proposed policies from MAS.

First of all, we should note that MAS's prime stated goal of their developmental model is just that: the development, modernization, and industrialization of Bolivia. "We

should enter in a new state era industrializing renewable and nonrenewable resources and defining a sustainable development of these resources” (p. 17). So, while leftist political parties are often caricatured as being primarily interested in a more equal distribution of wealth, this factor actually only plays a relatively minor part in MAS’s ideology. Though MAS does mention equitable distribution, and even redistribution of wealth, they spend far more space in this party platform discussing the issue of Bolivia’s development. And this should come as no surprise given the discursive streams that MAS has been swimming in at this time, and the content of political rhetoric in the country at the time. Activists and others involved in the protests in Bolivia in the early 2000s were not often mentioning *igualdad* (equality), they talked about *soberanía* and other ideas related to notions of Bolivia’s colonization and domination. It is important understand MAS’s plan in this context. After all, if Bolivia wants to become sovereign, and cease being an effectively colonized nation exploited for its natural wealth, is not the only path to this goal the creation of a more industrialized, more self-sufficient Bolivia? Bolivia must cease being a “beggar on a golden throne,” as many commentators over the years have opted to refer to the country, and it must do so by being able to exploit its natural wealth with the aid of modern development.

We will also note that in the above quote that MAS mentions a new “state era” for the country’s development. Indeed, as is widely noticed by observers, an increased role for the Bolivian state in the economy is a large part of MAS’s ideology. There are two important, interrelated aspects to this state role: (1) the state should play a role as strategic

planner for Bolivia's development; and (2) the state should enter directly into production. There is also a third aspect of MAS's developmental vision that we should mention: private business should play its own key role. MAS has an interesting way of explaining this part of their ideology: "In all prior developmental plans, a set of key central relationships were conceived of as being exclusive and antagonistic. In the new developmental plan the relation between the market and the state, internal and external market, state and private business, as well as the relationship between the city and country, are conceived of as being complementary, owing to the particularities of Bolivia" (ibid). While this statement might strike some as overly idealistic or even utopian, it is worth mentioning this part of MAS's ideology so we can make more sense out of the policies they put into place once they attained power, which we will be discussing further below. At this point, though, let us now discuss the content of MAS's policy proposals – institutional blueprints in our theory's parlance – in greater detail.

As previously mentioned, MAS's primary goal of their economic policies was to aid the modernization and industrialization of Bolivia. To this end, they propose the creation of a 'productive matrix' (*matriz productiva*) that will provide for Bolivian prosperity. "The reversing of the dual economy based on the exploitation of natural resources will be possible through the construction of a Productive Matrix that will have the ability of ensuring the generation, appropriation, and sustainable use of the economic surplus in order to create stable employment and improve the population's conditions of life" (MAS, p. 18). Here we can see that MAS explicitly mentions that this matrix will overcome the

problems of the 'dual economy,' thus linking their policies to their critiques. Indeed, the choice of the word *matrix* appears to emphasize the interconnectivity amongst various economic elements that would be present in such a plan. Such interconnectivity would serve to solve the problem of the 'dual economy' that MAS has discussed. Though MAS does not really elaborate in detail (at least in this document) this concept of a 'productive matrix,' we can be quite sure of which actor is primarily responsible for creating and directing it: the Bolivian state. "The central objective of this matrix is to promote the productive development and industrialization of natural resources. To achieve this, the Bolivian state should develop a strategy of national development..." (ibid.).

Furthermore, if the state has a developmental strategy, it must have a way of implementing it. MAS proposes a number of policies to this end. For instance, they propose the creation of a "Creation of a Bank of Technology for Development and Productive Restructuring, that shall allow the State to facilitate access to technologies of processing, production, and administration" (p. 21). The idea behind this Bank is to aid smaller economic units' acquisition of productive technology. "Access to tools and machinery will be given ... [to] permit their utilization on part of the majority of small-scale economic units" (ibid.). We should bring up MAS's criticism of the dual economy at this point, and what they stated was the problem of the 'traditional segment': "Their characteristics are substantial technological backwardness [and] low productivity" (p. 9). The inability of smaller economic units to acquire modern technology greatly stifled Bolivia's economic development, in MAS's view. So, with this example of a Bank of

Technology, we can once again note the manner in which many of MAS's proposed policies flow directly from their critique of Bolivia's experience with neoliberal reform.

As mentioned, MAS favors the expansion of state enterprise in Bolivia's economy. "The state will participate in productive activities by means of public businesses in strategic sectors such as hydrocarbons and minerals" (p. 20). Out of all of MAS's proposed policies, the expansion of state enterprise, especially those involving the exploitation natural resources, may be their most important policy in a political sense, for this policy can serve a very important rhetorical function that few other policies can. Basically, one can present the argument that state enterprise is a vital component of maintaining Bolivia's *soberanía* and its control over its natural resources. Though in fact Bolivia has always maintained formal legal ownership of its natural resources – including during the entire period of the neoliberal reforms – one could make the argument that formal ownership means little if one is not directly involved in deciding how these resources are exploited and developed. This is precisely the argument that MAS presents, for as we recall from above, one of MAS's critiques of neoliberalism was the way in which placed the control of Bolivia's 'economic surplus' in the hands of foreign businesses. If, as according to MAS, this economic surplus was used primarily to benefit these very same foreign businesses, then it does follow that expansion of state enterprise could help put this 'economic surplus' to the benefit of the Bolivian people – or, to put it another way, that it could restore Bolivia's *soberanía*.

There is another important aspect of MAS's proposed policies that we must bring up. Despite all of their anti-neoliberal, anti-privatization rhetoric, MAS actually does *not*, at least according to their professed ideology, completely oppose privatization or a free market economy. Here is what MAS has to say about this subject: "Foreign businesses will have space to carry out productive activities and services in a framework of respect towards Bolivian law and appropriateness of their operations to national and regional strategy for productive development" (p. 22). On its own, there is nothing particularly radical or left-wing about this statement; actually, it is rather vague and ambiguous. (Recall how we mentioned before that MAS's ambiguity in their rhetoric aided to ability to capture much of the left-of-center vote in the country). And despite their attacks on 'neoliberalism,' we should note that MAS is not completely against foreign business, either: "... [I]nternational business will contribute to the construction of a productive matrix in different regions of the country" (p. 19). It is important to keep in mind the space MAS kept open for private business when we analyze MAS's policies and institutional reform once they became the dominant party in the Bolivian government, as we shall discuss in greater detail further below.

## **CHAPTER SIX: SOME EMPIRICAL SUPPORT**

Before we move on to our final theoretical stage, that of institutional stability, it will be useful to present some empirical information that can help support our claims here. As we have stated above, changes in Bolivia's economic institutional structure from the 1980s until Evo Morales's election were largely guided by a neoliberal ideology which valued free markets and the privatization of state assets, as well as ease of foreign investment. This is not to say that Bolivia's economy at this time was 'neoliberal' – during this whole period of reform it was quite far from being, say, a Chile. What we can assert, though, is that Bolivia's economy was moving, however slowly at some times, in a direction approaching the neoliberal ideal. Yet, this direction was reversed by the government of Evo Morales, which has since pushed the economy in a more state-interventionist direction. So, with such a shift in Bolivia's institutional structures, then, according to our theory, we should see a corresponding shift in the population's attitudes and ideas about economic issues such as the role of the state in the economy.

There is indeed extensive empirical support indicating a shift in public attitudes in Bolivia that is in conformance with this theory. The following discussion will make extensive use of data from Latinobarómetro, perhaps the most important source for public opinion data in the Latin American world. Broadly speaking, we can note that from the period of approximately 1998 – 2010, there was a clear shift in public attitudes about economic issues, and this shift in many respects favored greater state intervention. Yet, at the same time, while Bolivians favored greater state intervention, they did not

simultaneously reject free markets. This may sound paradoxical, but we should recall at this point MAS's statement that the state and market would function as partners rather than antagonists in Bolivia's development. In this sense, we can speak of there being a general correlation that we can speak of between the ideas guiding the changes in Bolivia's economic institutional structure as put into policy by the Bolivian government under Evo Morales and the attitudes held by the general Bolivian public.

Let us consider this question, asked in 1998, 2001, and 2002 by Latinobarómetro: Should the state leave productive activity to the private sector? In 1998, 64.0% of respondents selected either "Greatly agree" or "Agree" as their response. This fell to 46.1% in 2001, and 35.3% in 2002. Unfortunately there is no data available for this particular question in any following year, but in any case, it is clear that around the turn of the century, coinciding with the period of social upheaval and "crisis" (stage one) in Bolivia, a dramatic shift in public attitudes occurred over this issue. Where once a majority of Bolivians believed productive activity should be left to private enterprise, a majority in the years 2001 and 2002 believed that, implicitly, the state should have its own role as well.

We also note some information that may come as a bit of surprise to those noting the anti-neoliberal rhetoric coming from some in Bolivia. From 2003 to 2010, excepting 2006, Latinobarómetro asked Bolivians how much they agreed with this statement: The market economy is the only system that can take a country to development. In every single year that this question was asked, strong majorities of Bolivians either selected "Greatly agree" or "Agree" as their response. In 2005, before Evo Morales's election, support of the

free market in this respect peaked with 77.8% of respondents choosing one of those two answers. Since his presidency, support has fallen somewhat, with a low of 60.4% in 2009 and a high of 66.6% in 2010. Again, this type of response from the public is in keeping with MAS ideology and policies. MAS and the majority of Bolivians never rejected the free market system as being a central part of the country's developmental strategy. Despite Morales's friendly association with left-wing figures like Fidel Castro, and his invocations of "communitarian socialism," MAS never advocated that Bolivia should immediately abandon the free market system. Rather, they believe that free markets, while holding the potential to be a useful part of development, cannot on their own industrialize Bolivia and solve its problems of becoming a modernized country. Let us recall, for instance, their criticism of the 'dual economy,' a problem they asserted that free markets could never solve. In their view, free markets on their own would merely reproduce that problem. Yet one should not take this criticism of free markets as being a wholesale rejection of the free market economy. Likewise, despite their criticisms of neoliberalism and transnational enterprise, the Bolivian people have not rejected the free market system either – actually, they overwhelmingly support it.

Another survey question reveals some particularly interesting information. The question is: "How much confidence do you have in the institution of private business in Bolivia?" and it was asked in 2001, 2002, and 2005 through 2010. In 2001, the percentage of people answers "A lot of confidence" or "Some confidence" was 41.2%. This fell to 27.2% in 2002, and was at 25.2% in 2005. However, in 2006, after the beginning of Evo Morales's

presidency, the number rose to 37.7%. It remained at similar levels in the following years, hitting 40.5% in 2010. Though this may come as a surprise to some, confidence in private business actually *increased* during Evo Morale's presidency. Perhaps this statement from finance minister Luis Arce can allow for some insight: "There are two kinds of private enterprise in Bolivia: a businessman that invests and generates work, has made good business during these past four years, and now is adhering to the process of change ... And another dedicated to politics, simply being in the opposition and trying to live off the state as it has done in the past. That business sector is destined to die" (Webber, p. 170). To put it simply, Arce is claiming that there are both useful and non-useful types of private enterprise in Bolivia. MAS claims that they are carrying out a process which will eliminate those private businesses which will not "get with the program," so to speak, and that it is promoting those businesses which contribute a progressive role to Bolivia's development. As MAS states in their 2005 party platform: "At the same time, we will propose a structure for a supportive and productive state that will allow for the coexistence of private enterprise, which will *conform to the realization of the objectives of this new developmental model...*" (p. 6, my emphasis). It is possible that some Bolivians believe that with MAS's policies, private enterprise is indeed conforming better to Bolivia's developmental objectives; and hence, they now hold greater confidence in this particular institution.

We have a final Latinobarómetro question to discuss. In 1998, 2007, and 2008, Latinobarómetro asked: Should petroleum be mostly in the hands of the state, or in private hands? In 1998, a strong majority, 65.4%, answered that it should mostly be in the hands

of the state. So, it is reasonable to assume that even before the conflicts of the 2000s, a clear majority of Bolivians would have supported a greater role of the state in this regard. In later years, though, support for state control in this sector was even greater: by 2007 this figure had increased to 91%! (In 2008 this figure lowered slightly to 84.3%.) With such popularity as this, it is little wonder why MAS has made great fanfare about their efforts to enhance state control over this sector. At the same time, let us recall how the slogan of *soberanía* easily lends itself to the discursive support of such a policy as this.

So, let us summarize what we have seen from looking at this public opinion data. To start off, most Bolivians believe that the state should play some type of role in productive activity; it should not be just left to private enterprise. In 2002, in our first survey question discussed here, we saw that nearly two-thirds of Bolivians did not believe that the state should leave productive activity to the private sector. However, when it comes to the specific issues of whether the state should be involved in productive activities involving certain natural resources, we see overwhelming support for greater state involvement. Since we have been emphasizing the discourse of *soberanía* and its connection to Bolivia's natural resources, this type of support for state intervention in these sectors should come as no surprise. We also see that Bolivians are somewhat dissatisfied with the institution of private enterprise as it exists in Bolivia; however, they have actually become somewhat more satisfied with this institution during the period of Morales's presidency. However, despite some reservations about private enterprise as it currently exists in Bolivia,

Bolivians do in fact support the *concept* of the free market – strong majorities believe it is the best system that exists for developing a country.

What type of conclusions can we gather from this? Broadly speaking, we can say that over the past decade and some years, the Bolivian people have moved towards favored more state intervention in the economy. Though they never strongly supported neoliberalism, they did not firmly reject it either – after all, in 1998, a majority of Bolivians did say they believed that the state should leave production to private enterprise. But the situation has changed – now, a majority favor policies closer to those of MAS, with its strong emphasis on state intervention that at the same time preserves elements of the free market and private enterprise. So, while this empirical data certainly does not “prove” our theory, it does not undermine it either. Put another way, if we had seen that Bolivians in fact had *not* moved towards supporting more state intervention over the years, while MAS had put into place the very same policies that it in fact has, our theory would not make very much sense. If institutions are underpinned by ideas, and these institutions change, we should see some type of corresponding ideational change as well. We do indeed see this correspondence. In this sense, our theory meets this type of empirical test.

## **CHAPTER SEVEN: BOLIVIA'S NEW CONSTITUTION (Stage 5)**

In 2009, Bolivia's new constitution was approved in a referendum by 61% of voters. For many of those who held political positions similar to MAS, it was seen as a huge victory. Evo Morales put it this way: "Mission accomplished for the re-founding of the new united Bolivia" (BBC News). Because this constitution institutes a certain type of mixed economy for Bolivia, it contributes a large part of what we refer to as "institutional stability" in our theory. An analysis of the economic institutional structures present within this constitution is therefore necessary.

Upon analyzing the constitution, it becomes apparent that the ideas of MAS and like-minded actors greatly influenced its final form. Article 311 is very illuminating in this regard, for it offers a brief overview of the guiding principles of Bolivia's economic development, as set forth in the constitution. It is worth quoting most of this particular article at length: "The plural economy comprises the following aspects: (1) The State will exercise the integral direction of the economic development and their planning processes. (2) The natural resources are the property of the Bolivian people and will be managed by the State... (3) The industrialization of natural resources to overcome the dependence on the export of raw materials and to achieve an economy with a productive base, within the framework of sustainable development, in harmony with nature. (4) The State may intervene in every part of the productive chain of the strategic sectors, seeking to guarantee its supply in order to preserve the quality of life of all male and females

Bolivians. (5) Respect for enterprise initiative and legal security...” (Constitution of Bolivia).

Elements of MAS’s critique of neoliberalism and its proposed remedies can be seen quite clearly here. (3) above reminds us of the manner in which MAS critiqued neoliberalism for orientating Bolivia’s economy towards an emphasis on the export of raw materials, something which they claim directly harmed Bolivia’s prospects for modernization and industrialization. It appears that (3) with its mentioning of the industrialization of natural resources is meant to help overcome this unfortunate consequence of neoliberal reform. We also note the strong emphasis placed on state intervention, which is of course a key part of MAS’s ideology, as in (1), (2), and (4) above. Finally, we can also note that, as per MAS’s statement that private enterprise would have its own role to play in Bolivia’s development, that (5) above mentions security for private enterprise. At this point, we will analyze the constitution in greater depth. We will focus on four primary aspects of the constitution, which correspond to previously mentioned aspects of MAS’s proposed solutions to overcoming the problems of Bolivian development. The four aspects are: (1) the use of the state as a primary strategic planner of economic development; (2) an increased role for the state entering into production; (3) an emphasis on industrializing natural resources; and (4) a certain role for private enterprise.

Article 316 of the constitution contains some information regarding the use of the state as a strategic planner for economic development. It stipulates that the state “will [conduct] the process of economic and social planning, with the participation of, and in the

consultation with, the citizens.” We can note that such planning is meant to overcome, among other problems, the sectoral fragmentation that MAS asserts is present within the Bolivia economy – part of which is a result of the ‘dual economy’ – for another part of this same article states that the Bolivian state will have the role of “promoting the integration of different economic forms of production, with the objective of achieving economic and social development.” So, from this we can note the manner in which the institutional structures present within the Bolivian constitution do indeed flow in no small part from MAS’s critiques.

According to the constitution, the state will also help overcome the *geographic* economic fragmentation present in Bolivia. According to MAS, Bolivia’s fragmentation is not only a problem which is manifest amongst different economic sectors – the ‘traditional’ and ‘modern’ sectors that MAS speaks of – but rather this very same fragmentation possesses a geographic, spatial aspect as well. In fact, these two aspects of fragmentation – geographic and sectoral – are intertwined. For instance, a good portion of the ‘modern sector’ which MAS discusses is located in the east of the country, with contains many rich natural gas fields which have access to high levels of technology and capital investment. The western Andean highlands, containing large majorities of indigenous people, contain much of the country’s ‘traditional sector’. Yet, according to MAS, owing to certain lack of “national vision,” the wealth of the east did little to help out the impoverished west. “In the east of the country there emerged new dominant sectors, concentrated especially in Santa Cruz ... We can note the peculiar lack of national vision on the part of business people

located there ... In the best case this regional aspect will, with the passing of time, conform to a national vision” (MAS 2005, p. 7). So, what see written in the constitution, in the same Article 316, is this: “The law will establish a system of comprehensive state planning, which will incorporate *all the territorial entities*” (my emphasis). Again, the state will be the one to overcome this type of geographic fragmentation, and in so doing, overcome, it is implied, such problems as the ‘enclave vision’ and the ‘dual economy’ that were present in MAS’s critique.

Let us now look at the role of state enterprise as presented in the constitution. Article 316 also declares the Bolivian state will have the role of “directly participating in the economy by way of ... the production of economic and social goods and services in order to promote economic and social equity, and to encourage development, preventing an oligopolistic control of the economy.” Again, with this particular constitutional clause we can once again see the influence of MAS’s ideology. Consider, for instance, MAS’s take on how the neoliberal reforms had affected foreign business’s relationship to Bolivia’s hydrocarbon sector: “As a result of the application of neoliberal policy in the last twenty-five years of the return of democracy, hydrocarbons were placed in private hands. The control and direction of this strategic sector of the national economy remained in the hands of transnational businesses, which enjoyed rights over our natural wealth with the sole aim of improving their own profitability...” (MAS 2005, p. 22). MAS argues that transnational businesses never had “any serious consideration toward the process of industrialization in our country” (ibid). In this constitution, therefore, we see that state enterprise is necessary

to “encourage development” for, as per MAS’s assertions, private business on its own cannot promote Bolivia’s industrialization and modernization.

Yet, despite MAS’s criticism of Bolivia’s experiences with private business, they do believe that private business has an important role to play in Bolivia’s national development. Such a role is spelled out to a certain degree within the constitution, and it is a role that shall be subordinated to the overall national development plan of the Bolivian government. Article 308 states that “[t]he State recognizes, respects and protects private initiative that contributes to the economic and social development and the strengthening of the economic independence of the country.” Recall finance Luis Arce’s statement from above, about the “two forms of private enterprise” present in Bolivia. At the same time, this same article of constitution states that “[f]ree enterprise and full exercise of business activities, which shall be regulated by law, are guaranteed.” We are reminded, therefore, of the somewhat ambiguous attitude that MAS took in its attitude towards private enterprise and the free market.

There is one more point to make before we conclude our discussion of the constitution. Recall MAS’s proposal for a “Bank of Technology” that would aid Bolivia’s development by helping certain sectors by enhancing their access to productive technologies. Even that proposal, only briefly mentioned in MAS’s 2005 party platform, seems to have its echo present in constitution. Part of Article 316 states that the state will have the power “to administer economic resources for research, technical assistance and transfer of technology to promote productive activities and industrialization.” Again, it is it

is interesting to note just how much MAS's particular ideas and vision for Bolivia appear to have guided the development of this constitution.

## **CHAPTER EIGHT: PERU (Introduction)**

At this point, we turn to a discussion of Peru utilizing this DI approach. As mentioned before, Peru has not undergone the shift to the left seen in many other Latin American countries during the phenomenon of the ‘pink tide.’ Similarly, its level of market freedom remains at much the same level that it was at the beginning of the twenty-first century. In 2000, the Heritage Foundation granted Peru an economic freedom score of 68.7 – comparatively, Bolivia received a score of 65 in that year. In 2012, Peru received the exact same score: 68.7. In this time period, Bolivia’s score had dropped substantially, to 50.2. This is not to suggest that Peru’s score remained completely static during this period, however: its score went down each year from 2002 to 2006, hitting a trough of 60.5 in 2006; but as previously mentioned, this drop was reversed in subsequent years. So, overall, Peru has not become more or less ‘economically free’ during this entire period, while a number of Latin American countries, such as Bolivia, had.

At the same time, Peru never saw the emergence of the political left as a dominant force in its politics. Peru’s past three presidents – Alejandro Toledo, Alan García, and currently, Ollanta Humala – have either been centrists or have leaned towards the right. Though Humala, seen during the 2006 elections as a left-wing figure somewhat akin to Venezuela’s Hugo Chávez, managed to win the first round of these elections with 30.6% of the vote, he was ultimately defeated by the more centrist Alan García (ONPE). Now that he is president, Ollanta himself has tacked to the right, taking on a more centrist position. So,

while we can say that the political left certainly is not completely impotent in Peru today, it nevertheless has been unable to achieve the dominance seen in other Latin American countries, such as Evo Morales's Bolivia.

Yet, while Peru has of course experienced great differences from Bolivia over the past several years, it also offers many striking parallels. State intervention has not seen a comeback in Peru, but this does not mean that Peruvians have been completely pleased with privatization and neoliberal reform. Like Bolivia, Peru saw a surge in social conflict around the turn of the twenty-first century. According to data presented by Moisés Arce, in 1999, Peru saw about 240 social protests throughout that year. In 2000, this number had surged to nearly 700. 2001 saw a similar number, while 2002 saw this number peak at a bit over 800 social protests for that year (Arce, p. 42). So, as in Bolivia, Peru saw a great surge of social protest around the time of the beginning of the twenty-first century, coming at the heels of a late 1990s recession.

Furthermore, the content of many of these protests in Peru were anti-privatization in nature. Arce noted in 2008 that "the most recent report from Peru's Defensoria del Pueblo (Ombudsman Office) places mobilizations against foreign direct investment as the most common type of social conflict in Peru today" (ibid.). As mentioned, this is quite similar to Bolivia's experience – after all, protesters and other actors involved in the Water War of 2000 and the various Gas Wars were also strongly critical of the role foreign investment played in their country. One very prominent event in this vein was 2002's

*Arequipazo*. The event's background lay in a controversy over the privatization of electrical services in the city of Arequipa. Under a deal approved by the central Peruvian government, "[t]he Belgian company Tractebel, the only bidder in the auction, would have gained exclusive rights to all of the city's electricity" (p. 52). The deal did not distinguish between electrical infrastructure that the central government of Peru had helped pay for and infrastructure that Arequipa partially subsidized on its own municipal level. In other words, the Peruvian government attempted to grant Tractebel rights over *all* electricity in Arequipa, regardless of whether the central government was actually involved in providing for this electricity, rather than Arequipa's municipal government. There was thus a conflict between local and central government in this sense, as well as controversy over whether the Peruvian government had the legal authority to make this deal. Furthermore, many in the city felt that the privatization would do little to help the people living there, and would instead merely result in the raising of utility rates and increased unemployment. The residents of Arequipa opposed the Peruvian's government's actions through widespread demonstrations. "As in the *cacerolazos* in Argentina, when people took to the streets banging pots and pans in protest, residents of Arequipa did the same" (ibid.). Eventually, the planned privatization was cancelled, with a judicial court ruling that the planned privatization was invalid to begin with, arguing that electric companies were owned by the municipal of Arequipa and that the Peruvian government had no authority to sell them to a private company.

The parallels between the *Arequipazo* and the Water War seen in Bolivia in 2000 were noted by many observers. Both protests were against plans for the privatization of utilities – electricity in Peru’s case, water in Bolivia’s – that would have given exclusive ownership of these services to foreign companies. Protesters argued that such plans – actually implemented in the Water War’s case – would do nothing to help the citizens living there have better access to these services; rather, they argued it would actually serve to drastically increase utility rates. Both cases involved a certain element of what was arguably a form of expropriation from the people living in these areas: “The residents of Cochabamba had also built wells and water networks through cooperatives. If the privatization process had gone forward, it would have given the U.S.-based Bechtel Corporation, the sole bidder in that process, exclusive rights to all the city’s water” (ibid.). This element of expropriation was arguably present in the Peruvian case as well: we have mentioned that Peru’s judicial ruling argued that the central government had no right to sell the electric companies since they belonged to Arequipa. In this sense, the central governments of both countries were thus seen as selling to private companies that which they had no right to sell to begin with. Such ‘expropriation’ cast doubts on the central governments of both countries, causing some to question whether these governments had the true interests of the people at heart. In these senses, the *Arequipazo*, like the Water War of Bolivia, was seen by many as an attack against neoliberalism, the national political establishment, and the role of foreign direct investment in that country.

Furthermore, the broader impetus for the social conflict seen in Peru, like the *Arequipazo*, was quite similar to some of the underlying reasons for the social conflict also seen in Bolivia at this time. As previously mentioned, we note that like Bolivia, Peru experienced its own recession during the late 1990s. The country has experienced a certain degree of continued economic weakness during the early twenty-first century. In 1998, GDP growth in Peru was -0.66% (Google Public Data). It increased to 0.91% in 1999, and then a moderately strong 2.95% in 2000, but in 2001 had fallen to a stagnant 0.21%. It is reasonable to assert that this period of economic downturn had a substantial role in motivating the social conflict that Peru faced during the early twenty-first century. Furthermore, as in the case of Bolivia, Peru had long experienced difficulty in bringing substantial gains to its people during its whole period of neoliberal reform. For instance, in 1981, Peru had a GDP per capita, calculated in constant 2000 international dollars, of \$2,364.53. Yet, Peru never exceeded this figure until 2005 (ibid.). Put another way, by this calculation as offered by the World Bank Peru's GDP per capita *did not grow at all* from 1981 to 2005. Other calculations present more optimistic figures, but all calculations do indicate that Peru experienced growth substantially below worldwide as well as Latin American average. We are not claiming here that 'neoliberalism' was the culprit for this period of disappointing economic progress, however. Political instability, in the form of guerrilla groups like the *Sendero Luminoso* (Shining Path) active throughout the 1980s and 1990s no doubt had their own negative effects on the country's economic prospects. However, recall that this theory of DI is not particularly concerned with whether economic

policies *in fact* are harmful or beneficial to a country's people; rather, it is more concerned with *perceptions* of success or failure, for DI asserts that it is ideas, rather than objective interests that lend support to institutional stability, and conversely, promote institutional breakdown. A political movement challenging 'neoliberalism' or any other institutional regime does not need to *prove* that whatever institutional form it is attacking and delegitimizing is in fact harmful – it only needs to provide relatively plausible arguments.

Since 2005, though, Peru appears to have done much better for itself: in 2010, its GDP per capita was measured at \$3,180.37. Perhaps this recent economic success can explain why Peru has not turned to the left since the year 2005. But it cannot explain why such a turn did not take place before. After all, 2005 was the very year that Evo Morales was elected in Bolivia with a majority of the vote in the first round of voting – a feat never achieved by any other president during Bolivia's whole time as a democratic country – while, as mentioned, the then left-leaning Ollanta Humala, in early 2006, was only able to attract about 30% of the electorate in the first round of voting of Peru's presidential election. We also note that Morales completely dominated over his opposition – the runner up only received a paltry 28.6%. So, in Bolivia, the political left, with the party of MAS, had become the dominant force in Bolivian politics over the course of 2000s, while the political left in Peru could at best try to keep up with its centrist and rightist rivals. In Peru, it is the center and the right that have won the presidency during this entire period; the left has

never been able to achieve the dominance seen in countries like Bolivia, Ecuador, or Venezuela.

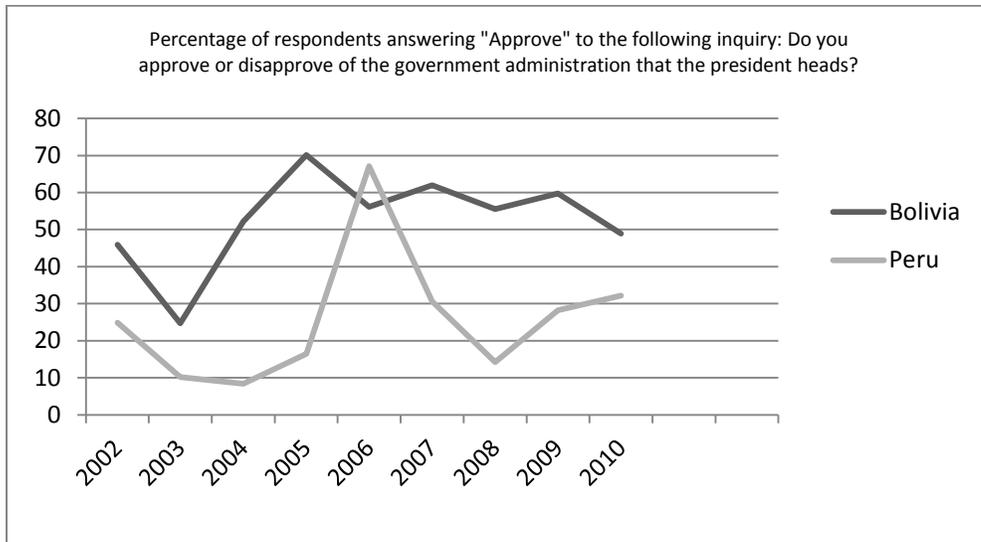
We end our discussion of the parallels between these two Latin American countries by noting at this point some more general similarities between the two countries. We have focused on Peru's and Bolivia's experiences since the late 1990s and the early twenty-first century, but we will now focus on what the two countries share in a broader sense. Of course, both countries are Andean countries, and they are neighbors to one another. Both have substantial indigenous populations: 45% in Peru's case, and 66% in Bolivia. Furthermore, they both have large populations of poor: 2009 estimates from the CIA World Factbook gave Bolivia a poverty rate of 30.3% and Peru a rate of 34.%, while in 2008 the United Nations Development Program gave Bolivia a rate of 64.8% and Peru a rate of 53.1%. So, while there are some differences amongst various estimates from different sources, one thing is clear: large sectors of the populations of both countries live in conditions of substantial economic and material want. Though Peru is somewhat wealthier than Bolivia, it nevertheless remains a country with substantial populations of poor.

We can also note another economic similarity between the two countries: like Bolivia as well as much of South America, Peru is a country which is blessed with substantial natural resources. As one may expect, the exploitation of these natural resources make up a substantial part of Peru's economy. The CIA World Factbook states that "mining and refining of minerals; steel, metal fabrication; petroleum extraction and

refining, natural gas and natural gas liquefaction” are some of the most important economic sectors within the Peruvian economy. So, like Bolivia, Peru has a relationship to the global economy that is strongly centered on its own natural resources and wealth. In this sense, a group sharing the political outlook and worldview of Evo Morales’s MAS might very well argue that Peru is also a country, like Bolivia, which experiences a form of colonialism over its substantial natural wealth. Could such facts as these contain the seeds of a political argument which presents greater state involvement in these sectors as a defense of Peruvian sovereignty, as seen with the argument offered by MAS and Evo Morales in the case of Bolivia? Perhaps, or perhaps not: at any rate, no political movement offering such a message has been able to introduce such changes to Peru’s economic institutional structures.

For all these similarities and parallels seen between these two countries, only one country saw the emergence of a powerful left-wing political movement that was able to acquire power and turn some of its aspirations into reality. As mentioned, both countries continue to face serious economic problems and large populations of poor, with both going through recessions in the late 1990s, helping to spark a wave of social protest in the early 2000s against privatizations and various other policies which were perceived as being ‘neoliberal.’ Yet, though many in Peru were critical of neoliberalism, no powerful political movement ever arose that promised and succeeded to reverse neoliberal policy. Bolivia, under the Evo Morales administration, *did* achieve an economic institutional

transformation which increased the role of the state in that economy, while Peru has remained on its free market path. It is not as if Peruvians have embraced the centrist and rightist governments that they have elected over the years. Consider the following chart:



*Figure 1: Peruvian Attitudes about Governmental Administration*

From this chart, pulled from data gathered by Latinobarómetro, we see that Peruvians generally have a fairly dismal view of the governmental administrations that they have elected to put into power. Though we do see a spike in government approval, approaching 70%, around the election of Alan García in 2006, this honeymoon was very short-lived. Overall, approval rates of presidential administrations have remained very dismal in Peru. So, with such dismal approval, this chart suggests that many in Peru would be willing to embrace an alternative to their country's status quo. Yet, despite this space apparently waiting to be filled by a political entrepreneur or perhaps a new political

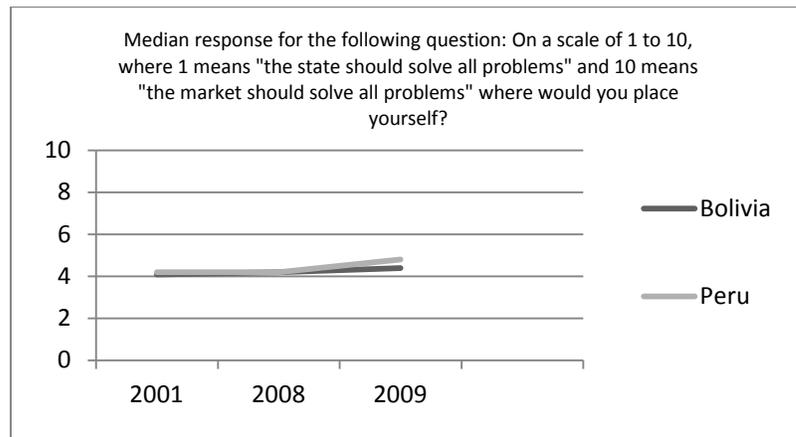
movement, no strong challenger to the status quo has arisen in Peru to capture political power.

So, how to explain this lack of a turn to the left in the case of Peru? Having provided this background information on Peru, we now turn more specifically to our DI approach. We first note that the nature of our discussion of Peru will not parallel our discussion of Bolivia in terms of structure. In Peru, there was no economic institutional transformation, and therefore we cannot go through our five stages presented in our analytical model, for the five stages have not taken place. That is, we can certainly not spend time dissecting Peru's new constitution – for they have not implemented a new constitution. Nor will we discuss the discursive strategies that a left-wing political movement used to gain political support for its project of institutional reform – no such successful movement arose in Peru. Instead we ask this question: Why is that such an institutional transformation failed to occur? We assert the following reason: The manner in which Peruvians criticized privatization and neoliberalism in their country contained within them substantial discursive limitations and weaknesses which undermined these critiques' ability to function as a powerful ideational challenge to neoliberalism. At the same time, we certainly do not suggest that Peru would have had a figure comparable to Evo Morales capture the presidency should left-leaning actors had learned to deploy better political arguments. The discourse of political actors is limited to some degree by the attitudes, ideas and experiences the population already possess; that is, while political entrepreneurs and

groups can attempt to influence public attitudes and opinion, they also have to work with the consciousness and attitudes already present in a society. We will begin, therefore, by discussing some of these attitudes that Peruvians possess.

## CHAPTER NINE: PUBLIC ATTITUDES AND ANTI-PRIVATIZATION DISCOURSES IN PERU

Moving into this DI approach, we begin our discussion by showing the differences, as well as similarities, between the two countries' attitudes about the proper roles of the state and the market economy. We will do so by recourse to public opinion data from Latinobarómetro which compare these two countries' attitudes. We begin with a pair of charts that present some information about the attitudes that citizens of the two countries have in regard to the usefulness of free market and private enterprise in helping their particular country:



*Figure 2: Peruvian Attitudes about the State and Market*

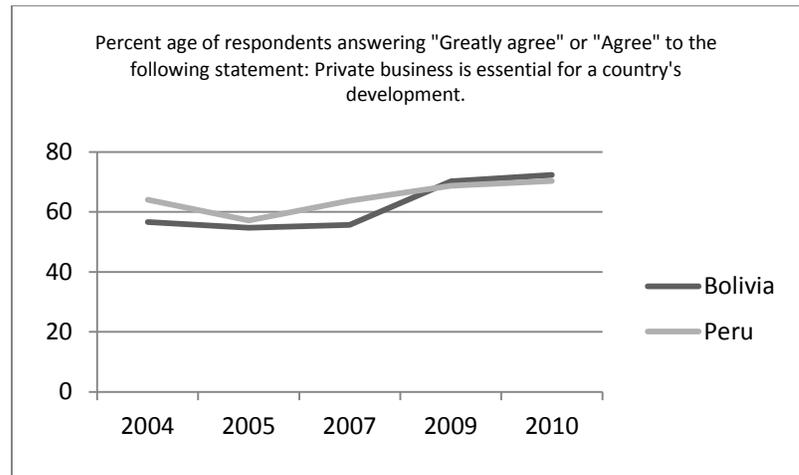


Figure 3: Peruvian Attitudes about Private Business

On their own, these charts suggest that there is not very much difference between Bolivians and Peruvians in regards to their attitudes about the roles the state and the market economy should have in their countries. *Figure 2*, on its own, suggests that both Bolivians and Peruvians prefer, on average, some type of mix between state intervention and the market economy as their preferred economic model. In other words, they both appear to prefer a mixed economy. We cannot of course tell from this chart alone what such an economy would look like – but we can also say that this chart reveals no substantial differences between the two countries. *Figure 3*, on its own, suggests that Bolivians and Peruvians have very similar attitudes about the importance of private enterprise for aiding a country's development, with strong majorities in both countries expressing favorable attitudes toward private business in this regard. We do find slightly more favorably attitudes amongst Peruvians in 2004, 2005, and 2007; however, by 2009,

both countries had essentially identical responses, with the very slight difference we do see falling within the statistical margin of error.

So, we can reject the following possible explanation for the differences we see in the two countries' economic institutions: Bolivians have more state intervention simply because they happen to prefer more state intervention in the abstract. This is clearly not the case; both countries have very similar attitudes – *in the abstract* – about the roles the state and the market economy ought to have in their countries. Once we move away from these rather *abstract* questions to ones closer to *specific* policy issues, however, we do see some revealing differences between the two countries. Another pair of charts will help to show these differences.

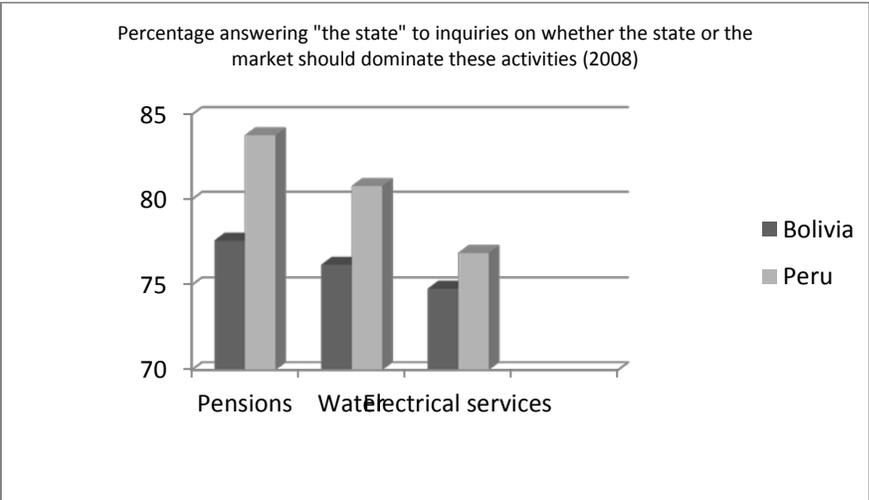
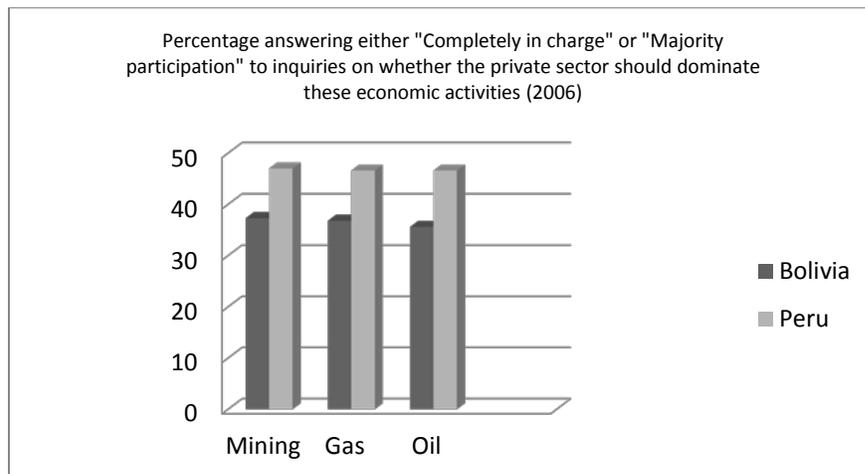


Figure 4: Bolivian and Peruvian Attitudes toward State Dominance of Services



*Figure 5: Bolivian and Peruvian Attitudes toward State Dominance of Productive Sectors*

These charts present data that get us closer to matters of specific policy. Rather than asking about the free market or the state in general, these survey questions asked Bolivians and Peruvians to state their opinion about the role of the state and the free market in regards to specific services, like electricity, or sectors of the economy, like mining. In these data, we *do* see some clear differences between the two countries. *Figure 4* presents information about Bolivians' and Peruvians' attitudes in 2008 about state involvement in pensions, electrical services, and water services. *Figure 5* presents information about Bolivians' and Peruvians' attitudes in 2006 about private sector involvement in the mining, natural gas, and oil industries. Unfortunately, Latinobarómetro's data as presented in these charts do not allow us to see how Bolivians and Peruvians attitudes may have changed over time; nevertheless, these data can help to give us some useful insights into the differences amongst the two countries' attitudes in relation to their economies. From *Figure 4* we can see that while Bolivians and Peruvians

both believed, in 2008 at least, that the state should dominate pension funds as well as electricity and water services, Peruvians support the state's role in serving these functions somewhat more strongly. *Figure 5* shows us that while a majority of Peruvians in 2006 favored private sector dominance over the mining, natural gas, and oil sectors, the reverse is true for Bolivians; a majority implicitly favored *state* dominance of these sectors. These data suggest that while Bolivians and Peruvians have very similar attitudes about the state and the market *in the abstract*, they have somewhat different attitudes about the state and market in relation to specific *policies*. So, while Bolivians do not favor greater state involvement in the economy than Peruvians do – in an abstract sense – they *do* favor stronger state intervention than Peruvians when it comes to certain specific economic policies. That is, when it comes to matters of exploiting Bolivian natural resources – minerals, gas, oil – a majority of Bolivians support state dominance in these economic sectors. Of course, survey data only gave us data on this specific topic in 2006. Yet it seems reasonable to assume we would have found similar attitudes in subsequent years had Latinobarómetro repeated these survey questions – Evo Morales was, after all, reelected in a landslide victory in 2009, a phenomenon that would seem to be unlikely had a substantial number of Bolivians come to reject state dominance in these economic sectors.

So, in terms of our theory, what do these data indicate? We have seen certain differences and similarities between Bolivian and Peruvian attitudes, yet, what do they reveal? First, as mentioned, we again note that while Bolivians and Peruvians both have

very similar attitudes towards state intervention and the role of the free market in the abstract, they have somewhat different opinions about how this should actually be implemented in policy. Bolivians emphasize state involvement in productive enterprise, like mining or natural gas, more than Peruvians do; Peruvians tend to emphasize services, like electricity or water supplies. In terms of our theory, why does this matter? Recall that in DI, the *emotional salience* of certain policies can have quite a great impact on these policies' political success. How did MAS argue for greater state involvement in production, such as in the natural gas sector? It did so by presenting these policies as a defense of Bolivian *soberanía*. Furthermore, it presented state involvement in these sectors as being essential for Bolivia's development, industrialization and modernization. We assert, therefore, that the lack of support in Peru for state involvement in production is one factor that limits the power of anti-privatization discourse in that country. State involvement in production appears to offer more possibilities for creating emotionally salient and discursively powerful argument than state involvement in public utilities does – natural resources like natural gas or minerals, are, in a certain sense, part of the national patrimony in a sense that power lines and water pipes may not be. Though we did of course see a powerful discourse emerge in Bolivia's 2000 Water War relating to public utilities, at the same time we must recall that MAS did not particularly emphasize defense of public utilities in their speeches – rather, they often emphasized the development of Bolivia's natural resources, such as its minerals and natural gas. Defense of water resources may have been one of the discursive currents flowing through Bolivian

consciousness that aided MAS's victory, but MAS did not stop there: they repeatedly stressed not just public ownership of utilities, but public ownership of *production*.

So, how might one make an argument for greater state involvement in electrical services or water services? First, there is one argument that Peruvians did in fact make during the *Arequipazo* and similar events: They argued that privatization would increase utility rates for those living in that city. This is certainly by no means an impotent argument: Appealing to one's wallet can certainly be effective politically, perhaps especially so to those who, like many of Peru's poor, can scarcely afford to take on greater economic hardship. But this argument does little beyond appeal to straightforward economic interest, and, on its own, lacks deeper emotional salience. Furthermore, the strength of such an argument would quite likely be diminished should the country experience, say, strong and at least somewhat egalitarian economic growth that helped struggling sectors to improve their economic standing.

Throughout this thesis, we have suggested that the most effective political arguments tend to have a strong emotional element. Such an emotional element will likely go beyond appeals to individual economic interest. Indeed, over the years, many researchers have suggested that economic interests appear to have little relationship to vote choice: "While the economic circumstances of personal life do occasionally influence political choice, the effects are never very strong and usually they are utterly trivial" (Kinder and Mibane, p. 142). In this vein, we note that Evo Morales did not really talk

about Bolivian's pocketbooks very often; rather, he stressed such emotionally salient notions as "refounding" Bolivia and protecting its *soberanía*. An appeal to deeper values, such as national sovereignty, has the potential to appeal to many people. Conversely, an appeal to one's wallet is inevitably undermined should one's wallet become fuller – and this may be precisely one of the problems that Peruvians against privatization and 'neoliberalism' face, now that it seems, since 2005 at least, that privatization is arguably delivering the goods to many more Peruvians than it had in the past.

Furthermore, a straightforward appeal to economic interest lends itself to a familiar counterargument. All one has to do is claim that privatization would tend to be beneficial to all sectors of the population in the long run. One could argue that even if rates were increased in the short term, in the long term foreign investment would be beneficial, for such foreign investment would give the country much-needed access to capital. So, perhaps Peru – or any other developing country – *needs* foreign investment from wealthy transnational corporation, for such enterprises possess substantial resources and technical expertise far beyond the government of a relatively poor country like Peru. Indeed, this is the sort of argument that those advocating for greater private investment in public utilities tend to offer. *The Economist* had this to say in 2004 about the Water War that had taken place in Bolivia years before: "[A] private-sector consortium including Bechtel, a big American contractor, had been brought in to improve supplies to the city of Cochabamba and charges were raised to pay for the investment. The affair has become a classic among

those non-governmental organizations (NGOs) and anti-capitalists who argue that water falls free from the sky, is a basic human need and right, and so no one should profit from supplying it. All of which is true, except the conclusion. Rain falls free, but someone has to spend money and deploy skills in getting it to the tap, and removing it in a sewer. The best organization to do this may well be a profit-driven water company.” In this sense, an argument against privatization of public utilities which appeals simply to individuals’ short-term economic interests stands on shaky grounds.

It would therefore be very difficult to create a leftwing political challenge against neoliberal policy in Peru by attacking the alleged negative economic effects that such policies have on public utilities. As we saw in Bolivia’s case, a different, more powerful argument was offered: MAS asserted that the state should be involved directly in productive activity in exploiting its own natural wealth in order to defend Bolivia’s *soberanía*. As we have seen from public opinion data, Bolivians do not support greater state involvement in their economy than Peruvians do – in the abstract. However, when Peruvians think of state involvement in their economy, they tend to think of state involvement in providing utility services – more so than Bolivians do, that is. Unlike Bolivians, of which a majority support state dominance in several key productive economic sectors, such as mining and natural gas, only a minority of Peruvians advocate for state dominance in these economic sectors. Furthermore, when Peruvians hear the word “privatization,” they tend to think of such problems like “higher utility rates.” This creates

difficulties for a political movement that wishes to attack neoliberal policy in Peru, for the “higher utility prices” argument lacks strong emotional salience, and is inevitably undermined by improving economic conditions in that country. As we shall see, though, there are other discursive limitations regarding the manner in which Peruvians tend to criticize the role of foreign investment and neoliberal policy in their country. In this sense, we assert that the manner in which Peruvians criticized privatization and ‘neoliberalism’ in their country had the unintended side effect of discursively limiting their capacities to create a strong ideational challenge to neoliberalism.

We have analyzed above the limitations of a discourse attacking privatization on Peru in relation to its alleged negative effects on utility prices. To summarize and review, we assert that there are the following limitations to this discourse: (1) this discourse is easily undermined by improving economic conditions in Peru, as seen especially since 2005; (2) this discourse is easily attacked by privatization advocates by emphasizing the substantial resources that foreign enterprise can bring to these utilities in the long term; and (3) this discourse, by appealing simply to peoples’ pocketbooks, fails to discursively link itself to potentially more powerful and emotionally salient arguments, such as notions of *soberanía* as we saw in the Bolivian case.

Yet, this is not the only line of discursive attack through which Peruvians have criticized privatization and neoliberal policy in their country. The “utility rates” argument has been quite popular, but it is by no means the only argument offered by Peruvians to

attack privatizations in their country. There appear to be three lines of attack by which Peruvians attack privatization in their country. Consider this quote from 2003 by Juan Manuel Guillén, former mayor of Arequipa and a personal participant in the *Arequipazo* protests, at one point participating in a hunger strike: “[P]rivatizations have not reduced poverty; instead they have increased unemployment, utility prices, and corruption” (Arce, p. 51). A 2002 article by *The Economist* also noted this argument that Peruvians offer: “To the average Peruvian, privatization means not just corruption but higher utility tariffs and job losses.” So, both participants in these anti-privatizations and outside observers appear to agree on the discourses which Peruvians use to attack privatization: privatization is alleged to raise utility rates, increase unemployment, and is linked to government corruption. We have discussed this first line of attack, that of the rise of utility rates, and have described the various weaknesses of such a discourse. Might these two other lines of attack fare better, then, and provide the basis on which to build a powerful political movement promising to give the Peruvian state greater involvement in the country’s economy? Unfortunately for those who might wish to see such a change in Peru, this does not appear to be the case. These other discursive lines of attack face their own problems and limitations as well.

First, we consider this argument: Privatization of public enterprise is undesirable because it leads to increased unemployment. We can note that much of the weaknesses present in the “utility rate” argument and again present in this “unemployment” argument.

Again, this argument is essentially an appeal to a person's pocketbook. Should the person be, say, middle class, they may not be quite as interested in such an argument. And, should the Peruvian economy grow relatively well and distribute some of its benefits to struggling sectors, the argument could lose its appeal to those in the lower classes. Someone who is poor may not be so concerned about their economic disadvantages should they notice their fortunes improving over time and anticipate seeing continued improvements into the future. After all, if the free market economy appears to deliver the goods, why oppose it?

Furthermore, free market advocates have a ready response to this argument about unemployment: such unemployment is a temporary hardship for some that will eventually bring overall benefits to all. This is related to the popular "creative destruction" argument which free market and privatization supporters have often made in many different situations and contexts. The term was popularized by Austrian-American economist Joseph Schumpeter, who argued that this process lay behind capitalism's dynamism and ability to provide for massive growth relative to prior economic systems. Today, the phrase is associated with those who support free market or neoliberal policies and argue that temporary problems for some, such as downsizing, layoffs, or bankruptcies, are necessary parts of economic rationality and are essential to the free market's overall dynamism and an integral part of its ability to provide widespread prosperity. Avoiding these temporary hardships will only lead to more pain in the long run, such advocates claim. In this way, job losses are seen as desirable because they remove inefficiencies and

irrationality from the economy, and pave the way for future growth and shared prosperity. In this sense, free market advocates have a powerful argument by which to attack those opposing privatization on the basis that it will increase unemployment in the short term: they can accuse such persons of essentially being economically irrational. Indeed, free market advocates have argued that privatization in Peru has brought net benefits to the country; furthermore, in the long-term, it does not appear to have led to increased utility rates, nor has it negatively affected employment in that country. The same 2002 *Economist* article mentioned above had this statement to make: "Take electricity, which began to be privatized in 1993. Tariffs initially rose as subsidies were removed, but have since fallen. And the privatized companies say that because of increased investment, jobs in the industry have increased." If privatization does not, in fact, cause permanent hikes in utility rates or increases in unemployment, these particular anti-privatization arguments are severely weakened. Those negatively affected by privatization in the short term may be willing to put up with such hardship if they believe it will help their country – and themselves – in the long term. Perhaps one would, in that case, then argue for a social safety net for such persons negatively affected by said privatizations – but this argument is a far cry away from, say, Evo Morales's emphasis on state dominance of the Bolivian economy.

At this point, we turn to the third and final anti-privatization argument commonly utilized by many Peruvians: privatization is connected to government corruption. A survey

conducted in 2006 by the World Bank discovered that “[a]lmost half of those polled felt that the public had not benefitted from the sale of public companies. Instead, the perception was that profits were used for political ends and personal gain by officials ... 76 percent felt that part of the profits fed corruption...” (Andrés et al, p. 38). The same study revealed that corruption is the number one concern that Peruvians have about privatization in their country (p. 39). So, there is a widespread sense in Peru that privatization is undertaken to benefit politicians, not the Peruvian people. This seems like it could be a powerful argument against the political status quo in Peru: if the government is corrupt, then perhaps a new political force must arise and sweep out this corruption. On closer examination, however, there are serious problems with this argument’s ability to be discursively linked to left-wing political causes, such as greater state involvement in the Peruvian economy. To put it simply, the problem is this: everybody is (nominally) against corruption. Nobody wants it; no party advocates for it in their electoral platform. It is tied to no particular political ideology, nor is it tied to any particular idea about the economy. It has no logical linkage to either free market policies or to the promotion of greater state intervention. In this sense, the political left has no means to differ itself from the center or right on the basis of this anti-corruption argument.

The problem, therefore, is this: if one is against privatization because it is linked to corruption, one is not necessarily against privatization in any fundamental or deeper sense. *Corruption* is the problem in this case; privatization, by itself, is not necessarily a problem –

it is only a problem because it happens to be connected to corruption in Peru. The fact that privatization is associated with corruption in Peru, then, appears to be the result of various “accidental” factors, such as the various peculiarities of Peruvian political history – it does not appear to have any inherent connection with privatization as such. Let us contrast this situation with the argument MAS used to attack free market policies in their country. They argued that the poor development of their country was an *inevitable* result of neoliberal reform and its alleged connection to, for instance, the formation of a ‘dual economy’ in Bolivia. MAS argued that it was *necessary* to reverse neoliberal policy in order to fix this problem – they constructed an argument in which they asserted that solving this problem in any other way was logically impossible, given the premises of said argument. This association between corruption and its connection to privatization is a serious handicap for a left-wing political movement that may wish to push for greater state intervention in Peru – the left cannot monopolize a claim to be against corruption; it presents them no ability to differentiate themselves from the center or the right. In this sense, this connection between privatization and corruption that exists in the consciousness of the Peruvian people functions in a manner which is, so to speak, politically neutral. Though Peruvians may be against privatization for this issue of corruption, this reason alone gives them no reason to support an alternative to the political status quo in Peru.

In fact, all sectors of the political spectrum appear to be at least nominally against corruption in the Peruvian government. Indeed, we see that all presidents of Peru since the

turn of the twenty-first century (and many prior to this period) have made the pledge to fight against corruption. Alejandro Toledo, Peru's first new president of the twenty-first century, pledged in his inaugural speech on July 28 of 2001 to fight against corruption in the Peruvian government (Encyclopedia Britannica). Toledo, of course, was far from being an opponent of the free market during his administration. In 2006, Alan García made a similar pledge (C-SPAN). Though García had once been associated with the left wing of Peruvian politics during his first presidential term, from 1985 – 1990, he now ran and served as a centrist. Current president Ollanta Humala, who is a centrist or perhaps a moderate center-leftist, has also made similar vows to fight corruption during his administration. All this demonstrates our above-stated point: being against corruption has no inherent connections to being for or against any particular political position or economic policy.

One more word on Peru: though we do not have space here to give the attention this particular topic deserves, it may very well be that Peru's violent history with left-wing insurgency and guerrilla warfare has seriously undermined popular acceptance of left-wing ideologies in that country. The Maoist *Sendero Luminoso*, or Shining Path, was widely noted for its brutality and acts of violence not just against Peruvian government figures or authorities, but also against those ordinary Peruvians of the poorer classes it claimed to be fighting for. With such a dark history with left-wing movements, it may be little wonder

why Peruvians have not very enthusiastically embraced potential alternatives to the centrist and rightist political status quo.

So, let us end our analysis by reviewing and summarizing our discussion of Peru. Though Peru in many respects paralleled Bolivia's era of social conflict around the beginning of the twenty-first century, only Bolivia experienced a substantial turn to the left. To explain this difference, we turn to the impact of political discourse and ideas. This thesis asserts that the failure of the political left in Peru can be explained by analyzing the inherent flaws of anti-privatization discourse in that country in terms of building a political movement and alternative to neoliberal policy. First, Peruvians tend to emphasize public utilities when they emphasize state involvement in the economy; compared to Bolivians, they are less supportive of state involvement in the exploitation of natural resources. State involvement in production can lend itself to powerful discursive arguments: in Bolivia, it was argued by MAS that such state involvement was in fact a defense of Bolivian *soberanía*. Perhaps a similarly powerful argument could be made about state ownership of electricity companies, but there are reasons to be skeptical. Claiming that one is defending Peru or Bolivia's *soberanía* by having state ownership of power lines and power plants does not seem to have quite the same ring to it as claiming that one is defending said *soberanía* by having state involvement in exploiting minerals or natural gas. In this sense, we suggest that natural resources can have great emotional salience to people: they are, in this sense, part of the national patrimony. It is comparatively difficult to romanticize about one's

water pipes or power lines, even though, objectively speaking, this form of wealth is extremely important as well. This emphasis on public utilities in Peruvian anti-privatization discourse, then, weakens the strength of said discourse in serving as the basis for a political project whose goal would be the economic institutional transformation of that country. We suggest that this emphasis on public utilities lacks the emotional salience that would be necessary to attract broad sectors of the Peruvian population to a political project to transform their country's economic institutions.

There are further problems with Peruvian anti-privatization discourse. In attacking privatization in Peru, Peruvians tend to allege that privatization causes unemployment, raises utility rates, and is linked to political corruption. But as discussed above, these arguments have serious weaknesses. The first two arguments are easily undermined by improving economic fortunes in Peru, and are easily attacked on their own merits by free market advocates as not being in tune with economic rationality. The corruption argument is problematic because it has no particular connection with *any* economic policy – anyone can claim to be against corruption, and so, the left in Peru is not aided by such discourses, even though on the surface they appear to be anti-privatization.

In these ways, anti-privatization discourse in Peru has serious limitations as the basis for a political project for economic institutional change in that country. At this point we now turn to looking at these two countries side-by-side, and will offer the conclusions gathered from this investigation.

## CHAPTER TEN: CONCLUSION

In the case of Bolivia, anti-privatization discourse was connected to powerful notions of Bolivian *soberanía* and a defense of the country's natural resources. Yet, in Peru, such discourses remained comparatively weak. Peruvians critical of privatization in their country tended to criticize the alleged negative *surface effects* of privatization; they did not tend to engage in a systemic critique, nor did they connect such a critique to emotionally powerful notions such as *soberanía* as seen in the Bolivian case. For instance, Peruvians argued that privatization caused unemployment – but this on its own is not a particularly powerful argument against privatization. Such an argument asserts that privatization had some negative effects for some people at some times, yet this does not on its own present a convincing argument of why these effects are fundamentally unacceptable. Moreover, those supportive of privatization could easily answer this criticism by asserting that problems such as unemployment are necessary evils that will improve Peru's economy in the long-term. Furthermore, this line of criticism is easily undermined by improving economic conditions in the country, which Peruvians have seen over the past several years.

In contrast to the Peruvian case, MAS and other Bolivians offered a critique of neoliberalism that was more *structural* and *systemic* than Peruvian critiques. They argued that neoliberalism had harmed Bolivia's economy, but they went deeper than that. What they argued was that neoliberalism was essentially a form of modern-day colonialism. This was one of their central messages by which they criticized neoliberal policy, and a prime

reason for why MAS and others argued that neoliberal reform was fundamentally illegitimate. This critique is more powerful than the Peruvian critique for various reasons. For instance, even if Bolivians were to improve economically under neoliberalism, such facts would not directly undermine MAS's argument; this form of colonialism could still very well remain even should the Bolivian people see increased rewards under such a system. A dominated country can still be subject to domination even should it experience improving benefits under such a system. Furthermore, this notion of *soberanía* holds the powerful political potential to deflect criticism of MAS policies. It is conceivable that some Bolivians might wonder, upon seeing the benefits privatization appears to be bringing to countries like Peru or Chile, whether MAS's policies really are the correct way for their country to move forward in its economic development. If one's neighbors are doing well under privatization, why not follow them? The answer that MAS would offer: If Bolivia follows that path, it will only undermine its *soberanía*, reversing the hard-won gains achieved during the Morales era. MAS had promised not only economic growth and poverty alleviation to the Bolivian people; they promised to fight for their country's *soberanía* and its experience of colonial domination, most recently seen in its neoliberal incarnation, as they argued. By being able to attack the idea of a return to more market-oriented economic policies, this notion of *soberanía* is therefore a powerful political idea that holds the power of stabilizing Bolivia's economic institutional structure into the near foreseeable future.

The perspective of this thesis is that discourse has been critical to MAS's project of economic institutional transformation in Bolivia. At the same time, the various failures of anti-privatization discourses in Peru contributed to the failure of a left-wing state-oriented political alternative in that country. Yet, why focus on discourse and ideas in the first place? Are there not other equally or more important factors in shaping events in these countries? What can this focus on discourse and ideas reveal that other approaches cannot?

To answer these questions, it is useful to recall our five-stage analytical model, presented near the beginning of this thesis. To begin with, it is important to note that institutional crisis is not caused simply by "discourse" or "ideas" willing or deciding that such a crisis exists. Rather, for DI, economic institutional crisis is precipitated by more material factors such as an economic downturn. Yet, DI asserts that whether that institutional crisis will result in any institutional transformation *is* dependent to a large degree on 'discursive' or 'ideational' factors. Material crisis opens the door, so to speak, for the ideational crisis of an institution and its potential transformation. Or, put another way, economic crisis often opens up the "critical juncture" for an institutional reconfiguration to occur (Schmidt, p. 316).

Recall also another part of this analytical model: stage two, which asserts that ideas guide collective political action. This model asserts that political groups *must* be united by shared discourse. Put another way, we could say that such groups must possess a shared

outlook and worldview. A group that does not have a certain level of agreement on the causes of a particular crisis *cannot* work together to attempt to resolve that crisis, nor can they effectively work together on a project of institutional change. This point, that political groups *must* have a shared discourse to work together, can be demonstrated by examining political movements that have existed throughout history. An example from contemporary events may help to illustrate the point. Consider 2011's Occupy Wall Street protests. In the United States, such protests saw a diversity of political ideologies represented, from free market libertarians, to mainstream Democrats, to socialists of varying stripes. All shared a common dislike of the economic situation of the country as well as a shared antipathy towards the so-called 'bailouts' of large banks. Yet, these groups possessed contradictory explanations of what had led to the economic crisis in the first place. Libertarians pointed to the allegedly stifling role of government intrusion and manipulation through such institutions as the Federal Reserve. Mainstream Democrats and more social democratic types attacked deregulation of the banking sector and the 'financialization' of the economy. Many Marxists and anarchists saw it simply as another expression of capitalism's inherent propensity towards crisis and instability. At the same time, these groups offered very different approaches to resolving the crisis: market libertarians argued for a freer economy and less government regulation of the economy. Mainstream Democrats wanted to see *greater* regulation of the banking sector and perhaps a return to Keynesian-style economic policies. Radical Marxists and anarchists argued for nothing less than the replacement of the capitalist system with some type of socialist or communist alternative. These ideas are

incompatible with one another. It does not appear reasonable to believe that such diverse groups with such differing viewpoints could unite together and form a seriously powerful political force – in terms of the theory, no discourse unites their collective political action. Though OWS is certainly not completely over and done with as of this writing (spring 2012) it may appear in the future, in retrospect, that this lack of shared discourse in the OWS movement was one factor that harmed its potential strength as a political movement.

Contrast this with the case of Bolivia. Though MAS is certainly a left-wing party, its supporters were never completely homogenous in their political ideology. Consider the differences between President Morales and Vice President García Linera. Though we do not have space to delve into all the details of the political ideologies of these two men, what we can say is that Morales's political ideology contains strong elements of what one might call 'indigenist nationalism,' while García Linera was largely inspired by Marxism and related bodies of radical political thought. Yet, both men have been able to present their political ideology as aiding a defense of Bolivian sovereignty and, in so doing, find strong common ground. Shared discourse is a key factor in allowing for their effective collective political action. And, if institutional transformation is dependent on shared discourses, we cannot fully understand such transformation without investigation of this discursive factor. An investigation of the role of ideas in these transformative processes is therefore warranted.

At the same time, it is important to mention that we cannot account very well for the diversity of these ideological viewpoints by any reference to groups' material interests or position within the economy. Let us return to the OWS example. In the U.S., whether an individual supports, say, free market libertarianism or social welfare spending appears to be arbitrary in the sense of often lacking any direct connection with that person's supposed objective interests. This relative arbitrariness of political ideology in relationship to economic status appears to also exist in Latin America. Let us consider some data from Latinobarómetro, using respondent education as a rough proxy for their income (to the author's knowledge, Latinobarómetro does not collect data on income). In several years, Latinobarómetro asked respondent to answer to a question by giving a number between 1 and 10, where 1 signified "the state should solve all problems" of their country and 10 meant "the market should solve all problems" of their country. In 2008 in Bolivia, there was some relationship between having poor education and supporting state intervention in the economy: illiterate people had a mean response of 3.7 while those finishing high school or its equivalent had a mean response of 4.7; those with a college degree had a mean response of 4.5. Yet, for every single category, aside from illiterate persons, the most popular response was 5 – right in the middle. (Illiterate persons had a mode of 3, favoring more state intervention). So, while there appears to be a weak relationship between economic status (if we take education as a rough proxy for economic status) and this ideological factor, economic status by no means directly determines one's opinion on this issue. Indeed, fully 47.5% of persons with a college degree – presumably the wealthiest sector in

Bolivian society – responded with a 1, 2, 3 or 4 to this survey question, placing themselves more on the state intervention side of the issue.

Returning to our theory, we could say that one of the reasons DI dispenses with the idea of objective interests is because this notion by itself cannot tell us very much about why institutional change occurs. Once a certain institutional crisis occurs, DI asserts it is discourse and ideas that hold the potential of taking center stage in the events that follow, rather than “objective interests.” This thesis asserts that this is precisely what occurred in Bolivia, and conversely, failed to occur in Peru. To return to a quote from Keynes, “We have, as a rule, only the vaguest ideas of any but the most direct consequences of our acts” (Blyth, p. 42). In a period of crisis, we have even less sense of where our actions and the actions of others will lead us, and less certainty about where our interests may lie. Political ideas and discourse grant a sense of stability and purpose to those who believe in them; they give political actors meaning and reason behind their actions. Through the deeds of these political actors, ideas are able to shape and transform the institutions of a society.

## APPENDIX A: SPANISH LANGUAGE TRANSLATIONS

This appendix contains all of the original Spanish language text which is translated in this thesis. Each citation here contains the page number of the thesis where my translation is found, the original Spanish-language source, my translation, and finally, the Spanish text as found in the original source.

*p. 14(MAS 2004 party document)*

“In the colonial era, with the silver of the mines of Potosí, we financed Europe’s industrial revolution, yet we ourselves have not become industrialized”

En la era colonial, con la plata del cerro de Potosí, hemos financiado la revolución industrial en Europa, pero nosotros no nos hemos industrializado.

*p. 15 (MAS 2004)*

“internal colonialism has been unsuccessful in the construction of a modern nation state”

El colonialismo interno ha fracasado en la construcción de un estado nación moderno.

*p. 15 (Morales inaugural speech)*

“It's important to develop an economy with sovereignty, and at this moment we want to give our approval of the worth of some proposals of how the State can not only exercise property rights over natural resources, but also those which deal with the State entering directly in production”

Es importante desarrollar una economía con soberanía, y queremos aprovechar y decir de frente, valorando algunas propuestas de cómo empresas del Estado pueden ejercer, no solamente el derecho de propiedad sobre los recursos naturales, sino cómo entrar en la producción.

*p. 21 (Podemos 2005 party platform)*

“directed towards the Bolivians who suffer daily the results of poverty, unemployment, exclusion, and discrimination”

... está dirigida a los bolivianos que sufren día a día las consecuencias de la pobreza, el desempleo, la exclusión y la discriminación.

*p. 21 (Podemos)*

“Gonista era which dominated the country for the past fifteen years”

...“era gonista” que dominó el país los últimos 15 años.

*p. 22 (Podemos)*

“under the central principle that growth and development are only means directed to promoting the equitable well-being of all citizens”

...bajo el principio central que el desarrollo y el crecimiento son sólo medios destinados a promover el bienestar equitativo de todos los ciudadanos.

*p. 22 – 23 (Morales)*

“radical neoliberalism must come to an end”

...hay que acabar con el radicalismo neoliberal...

*p. 23 (MAS 2005 party platform)*

“The presentation of this Program of Government begins with a brief assessment of the application of twenty years of the neoliberal model and the exclusion of the State from control of the productive apparatus”

La presentación del Programa de Gobierno comienza con un diagnóstico resumido de la aplicación de los 20 años del modelo neoliberal y la exclusión del Estado del control del aparato productivo.

*p. 26 (MAS 2005)*

“Neoliberalism planned as one of its central objectives the reorientation of the national productive apparatus towards export...”

El neoliberalismo se planteó como un objetivo central el de reorientar el aparato productivo nacional hacia la exportación...

*p. 26 (MAS 2005)*

“[T]he primary export model means a lack of interrelation with other productive activities, and for this reason the weight of manufacturing industry is greatly reduced”

...el modelo primario exportador significa escasa interrelación con otras actividades productivas, por esta razón el peso de la industria manufacturera es bastante reducido...

*p. 26 (MAS 2005)*

“Neoliberalism planned ... to diversify [both] production and markets for export”

El neoliberalismo se planteó... diversificando la producción y los mercados de exportación.

*p. 26 (MAS 2005)*

“After twenty years the profile and composition of these exports are no better; the most prominent exports are still those of raw materials ... [The destinations of] exports continue to be concentrated in only a few markets; Colombia, Peru, the United States and England are the principal destinations for exported goods”

Después de 20 años el perfil y composición de las exportaciones no mejoro, se continua exportando materias primas... las exportaciones continua bastante concentrada en pocos mercados, Colombia, Perú, Estados Unidos e Inglaterra son los principales puntos de destino de las exportaciones.

*p. 26 - 27 (MAS 2005)*

“The primary export cycle, in the framework of neoliberalism, was characterized by the presence of two central elements, which at the same time can explain this productive apparatus’s dynamic. On one hand there was the structure of a dual economy, and, on the other, the deepening of an enclave vision”

El ciclo primario exportador, en el marco del neoliberalismo, se caracteriza por presentar dos elementos centrales, los cuales a su vez, permiten explicar la dinámica del aparato productivo. Por una parte la conformación de una economía dual y, por otro lado, la profundización de una visión de enclave.

*p. 27 (MAS 2005)*

“The dual economy consists in the fragmentation of the productive apparatus in two parts, the modern segment and the traditional segment”

La economía dual consiste en la fragmentación del aparato productivo en dos partes, el segmento moderno y el tradicional.

*p. 27 (MAS 2005)*

“Transnational businesses and large domestic business constitute the modern segment, their most salient characteristics being the introduction of new technology, high levels of productivity, business management, capital intensiveness and low generation of employment... The traditional sector is composed of domestic, medium, small and micro businesses and other economic entities in the urban sphere and of small producers, peasants, and communities in rural areas”

En el moderno participan las empresas transnacionales y las grandes nacionales, las características más sobresalientes giran en torno a la introducción de nueva tecnología, alto nivel de productividad, administración y gerencia empresarial, actividades intensivas en capital y escasa demanda de fuerza de trabajo... El segmento tradicional está compuesto básicamente por empresas y unidades económicas nacionales, medianas, pequeñas y micros en el ámbito urbano y pequeños productores, campesinos y comunidades en el área rural.

*p. 29 (MAS 2005)*

“The fundamental characteristic of this process was to bring the privatization of the generation, appropriation, and distribution of the economic surplus to the favor of the international businesses’ interests”

La característica fundamental de este proceso gira en torno a la privatización de la generación, apropiación y distribución del excedente económico a favor de los intereses de las empresas extranjeras.

*p. 29 (MAS 2005)*

“As a result of this phenomenon, the state only benefited from the collection of taxes and royalties since it completely lost control of the cycle of the generation of the surplus. It alienated itself from public enterprises and strategic natural resources”

Resultado de este fenómeno el Estado se beneficia sólo de la captación de impuestos y regalías ya que perdió totalmente el control del ciclo de la generación del excedente. Se enajenó las empresas públicas y los recursos naturales estratégicos.

*p. 30 (Morales)*

“The time has come to change that odious history of the plunder of our natural resources”  
...llegó la hora de cambiar esa mala historia de saqueo a nuestros recursos naturales...

*p. 31 (MAS 2005)*

“one should design a model that takes into account the characteristics of the country, complementing its structural heterogeneity [and] regional asymmetry...”

... se debe diseñar un modelo acorde con las características del país, contemplando la heterogeneidad estructural, la asimetría regional...

*p. 31 - 32 (MAS 2005)*

“We should enter in a new state era industrializing renewable and nonrenewable resources and defining a sustainable development of these resources”

Se debe ingresar a una nueva era estatal industrializando los recursos naturales renovables y no renovables y definiendo una explotación sostenible de estos recursos.

*p. 33 (MAS 2005)*

“In all prior developmental plans, a set of key central relationships were conceived of as being exclusive and antagonistic. In the new developmental plan the relation between the market and the state, internal and external market, state and private business, as well as the relationship between the city and country, are conceived of as being complementary, owing to the particularities of Bolivia”

En todos los patrones de desarrollo anteriores, se concibió un conjunto de relaciones centrales como excluyentes y antagónicas. En el nuevo patrón de desarrollo la relación mercado y Estado, mercado interno y externo, empresa estatal, privada nacional y extranjera, así como las asociaciones de productores del campo y la ciudad, se conciben como complementarias, debido a las particularidades de Bolivia.

*p. 33 (MAS 2005)*

“The reversing of the dual economy based on the exploitation of natural resources will be possible through the construction of a Productive Matrix that will have the ability of ensuring the generation, appropriation, and sustainable use of the economic surplus in order to create stable employment and improve the population's conditions of life”

La reversión de la economía dual y asentada en la explotación de recursos naturales será posible a través de la constitución de una Matriz Productiva que tenga capacidad de asegurar la generación, apropiación y uso sostenido del excedente económico para generar empleo estable y mejorar las condiciones de vida de la población.

*p. 34 (MAS 2005)*

“The central objective of this matrix is to promote the productive development and industrialization of natural resources. To achieve this, the Bolivian state should develop a strategy of national development...”

El objetivo central de esta matriz es impulsar el desarrollo productivo y la industrialización de los recursos naturales

*p. 34 (MAS 2005)*

“Creation of a Bank of Technology for Development and Productive Restructuring, that shall allow the State to facilitate access to technologies of processing, production, and administration”

Creación de un Banco de Tecnología para el Desarrollo y Reestructuración Productiva, que consistirá en que el Estado facilite el acceso a Tecnología de Proceso, de Producto y de Gestión.

*p. 34 (MAS 2005)*

“Access to tools and machinery will be given ... [to] permit their utilization on part of the majority of small-scale economic units”

El acceso a maquinaria y equipo se dará bajo diferentes formas que permitan su utilización por parte de la mayoría de las unidades económicas de pequeña escala.

*p. 34 (MAS 2005)*

“Their characteristics are substantial technological backwardness [and] low productivity”

Las características son un fuerte rezago tecnológico, baja productividad...

*p. 35 (MAS 2005)*

“The state will participate in productive activities by means of public businesses in strategic sectors such as hydrocarbons and minerals”

El Estado participará en actividades productivas mediante empresas públicas en sectores estratégicos como ser hidrocarburos y minería.

*p. 36 (MAS 2005)*

“Foreign businesses will have space to carry out productive activities and services in a framework of respect towards Bolivian law and appropriateness of their operations to national and regional strategy for productive development”

Las empresas extranjeras transnacionales tendrán espacio para realizar actividades productivas o de servicios en un marco de respeto a las leyes bolivianas y adecuación de sus operaciones a la estrategia nacional y regional de desarrollo productivo.

*p. 36 (MAS 2005)*

“[I]nternational business will contribute to the construction of a productive matrix in different regions of the country”

La empresa... transnacional contribuirá a la construcción de la matriz productiva en las diferentes regiones del país.

*p. 40 (MAS 2005)*

“At the same time, we will propose a structure for a supportive and productive state that will allow for the coexistence of private enterprise, which will conform to the realization of the objectives of this new developmental model...”

Asimismo, proponemos la conformación de un Estado solidario y productivo que permita la convivencia con las empresas privadas, en torno a la materialización de los objetivos del nuevo patrón de desarrollo...

*p. 45 (MAS 2005)*

“In the east of the country there emerged new dominant sectors, concentrated especially in Santa Cruz ... We can note the peculiar lack of national vision on the part of business people located there ... In the best case this regional aspect will, with the passing of time, conform to a national vision”

...emergieron en el Oriente del país nuevos sectores dominantes, concentrados especialmente en Santa Cruz ... la peculiaridad de estos empresarios es también la falta de visión de país ya ... En el mejor de los casos lo regional con el pasar del tiempo tendría que conformar una visión de país.

*p. 46 (MAS 2005)*

“As a result of the application of neoliberal policy in the last twenty-five years of the return of democracy, hydrocarbons were placed in private hands. The control and direction of this strategic sector of the national economy remained in the hands of transnational businesses, which enjoyed rights over our natural wealth with the sole aim of improving their own profitability...”

Como resultado de la aplicación de una política neoliberal en los últimos 25 años de retorno a la democracia, los hidrocarburos fueron entregados a manos privadas. El control y dirección de este sector estratégico de la economía nacional quedó en manos de empresas transnacionales que usufructuaron nuestras riquezas bajo la única visión de mejorar su rentabilidad...

*p. 46 (MAS 2005)*

“any serious consideration toward the process of industrialization in our country”

sin ninguna consideración seria del proceso de industrialización en nuestro país

## APPENDIX B: LATINOBARÓMETRO DATA

This appendix provides information on the Latinobarómetro survey data used in this thesis. To access this data, go to [latinobarometro.org](http://latinobarometro.org) and click on *Análisis en línea*.

The page numbers in this appendix reference the page of this thesis where data from the particular survey question is used. The text in quotation marks indicates the text from this thesis that refers to said survey data. The code in parentheses, such as (A70504), indicates the code Latinobarómetro uses for the survey question. Following this code is the name of the survey question as presented in the database.

*p. 38*

“Should the state leave productive activity to the private sector?”  
(A70504) El Estado debe dejar actividad productiva al sector privado

“The market economy is the only system that can take a country to development.”  
(C0602) La economía de mercado es el único sistema con el que (país) puede llegar a ser desarrollado

*p. 39*

“How much confidence do you have in the institution of private business in Bolivia?”  
(A60201R) Confianza en Empresas Privadas

*p. 40*

“Should petroleum be mostly in the hands of the state, or in private hands?”  
(C0510) Petróleo debe estar mayoritariamente en manos de Estado/Privadas

*p. 57 (Figure 1)*

(A70608H) Aprobación de la gestión del gobierno que encabeza el Presidente

*p. 60 (Figure 2)*

(C0607) Escala Estado V/s Mercado debe resolver los problemas

*p. 61 (Figure 3)*

(C0605) Empresa privada indispensable para el desarrollo del país

*p. 62 (Figure 4)*

(C0515) Pensiones deben estar mayoritariamente en manos de Estado/Privadas

(C0513) Agua potable debe estar mayoritariamente en manos de Estado/Privadas

(C0512) Servicios eléctricos estar mayoritariamente en manos de Estado/Privadas

*p. 63 (Figure 5)*

(C0508C) Participación del sector privado: Extracción de minerales

(C0508D) Participación del sector privado: Extracción y distribución de gas

(C0508E) Participación del sector privado: Explotación y refinamiento de petróleo

*p. 83*

“Latinobarómetro asked respondent to a question by giving a number between 1 and 10, where 1 signified ‘the state should solve all problems’ of their country and 10 meant ‘the market should solve all problems’ of their country.”

(C0607) Escala Estado V/s Mercado debe resolver los problemas

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