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The Neoliberal State in Latin America

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1.1 INTRODUCTION*

A vast literature on neoliberalism has described and discussed the public policy programs proposed and applied by this wide-ranging economic and political movement. While focusing mostly on economics, five decades of scholarship has also considered the impact of neoliberalism on other significant government areas, such as education, health, or social policy. The literature has also thoroughly examined neoliberal ideological discourses, political campaigns, and electoral tactics. Furthermore, an ample body of studies has explored the strong influence of neoliberalism on contemporary culture, including fundamental changes in personal identities and social habits. In contrast, however, we believe that the idea of the neoliberal state remains underdiscussed: What exactly is a neoliberal state? And does such a state formation exist at all?[1]

The essays contained in this book are organized across four dimensions or categories of state power, which we have employed as analytical tools since the first volume of the collection: territorial, economic, infrastructural, and symbolic. We define and analyze the four dimensions of state power in Section 1.5

* This book is the third volume of a series on state and nation building in Latin America and Spain, published by Cambridge University Press (2013–2019–2023) and coordinated by the same two editors. The chapters of the book return to the series' general subject matter, state and nation building in the regions under study, with a specific focus on the neoliberal era, beginning in the 1970s. This volume can be read separately from the previous books of the collection, since each book represents a complete unit by itself. Nevertheless, the editors and authors have followed some key issues and applied central conceptual categories that connect the different volumes, as we will explain in this introductory chapter.

1 At the beginning of the research project leading to the present book, some members of our group expressed their skepticism in this regard; that is to say, they had doubts about the possibility of defining a neoliberal state, and even more about its reality.

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of the present chapter. Across diverse national and comparative studies, the essays of the volume describe and discuss government programs, political initiatives, social responses, and other related phenomena in different public policy areas, focusing in each case on one or more of the dimensions of state power. In the last chapter of the volume, as a final summary and conclusion of the project, we advance our suggested answers to the two questions posed above, regarding the conceptual definition, and the reality of the neoliberal state as an institutional formation in history.

The present chapter begins by considering, in Section 1.2, diverse measures of neoliberal policy reform, and their impact on key countries of the region, as a general outline of neoliberalism's extensive influence. Section 1.3 presents a succinct overview of the political and economic processes that were behind the neoliberal reforms in relevant national cases, discussed more in depth by the diverse chapters of the volume. In Section 1.5, we turn to the issue of state capacity, we present our proposed dimensions or categories of political power, and we explain the plan of the book organized by these categories. Finally, the conclusion of the chapter summarizes and evaluates the notion of a neoliberal wave, which went throughout the region in the last two decades, and its problematic aftermath.

1.2 NEOLIBERALISM IN LATIN AMERICA

Broadly understood as a political program, neoliberalism stressed the necessity and desirability of transferring economic power and control from governments to private markets.[2] Standard measures of neoliberal policy reform include trade, financial and tax policy, privatization, and labor legislation.[3] In all cases, more "neoliberal" reforms are associated with lower tariff barriers, fewer financial regulations, lower and flatter taxes, more extensive privatizations, and easier hiring and firing of workers.

The following figures draw on six indices of structural reform throughout Latin America and provide information on five dimensions: trade, finance, tax policy, labor regulation, and the privatization of state-owned enterprises.[4] The final index (structural reform) provides an average of the five individual indices. All the indices take on a value between 0 and 1, with higher values indicating greater neoliberal reforms. While some policy domains (such as trade and finance) show clear evidence of widespread liberalization throughout Latin America, other domains (particularly tax and labor policy) make it more challenging to speak of a general neoliberal turn throughout the region. Moreover, the depth and breadth of reforms varied widely across the region, as detailed in the following section.

[2] Centeno and Cohen, "The Arc of Neoliberalism."

[3] See Lora, "Structural Reforms in Latin America," 27–28; Morley, Machado, and Pettinato, "Indexes of Structural Reform in Latin America," 7–10.

[4] See Lora, "Structural Reforms in Latin America" for full methodological elaboration.

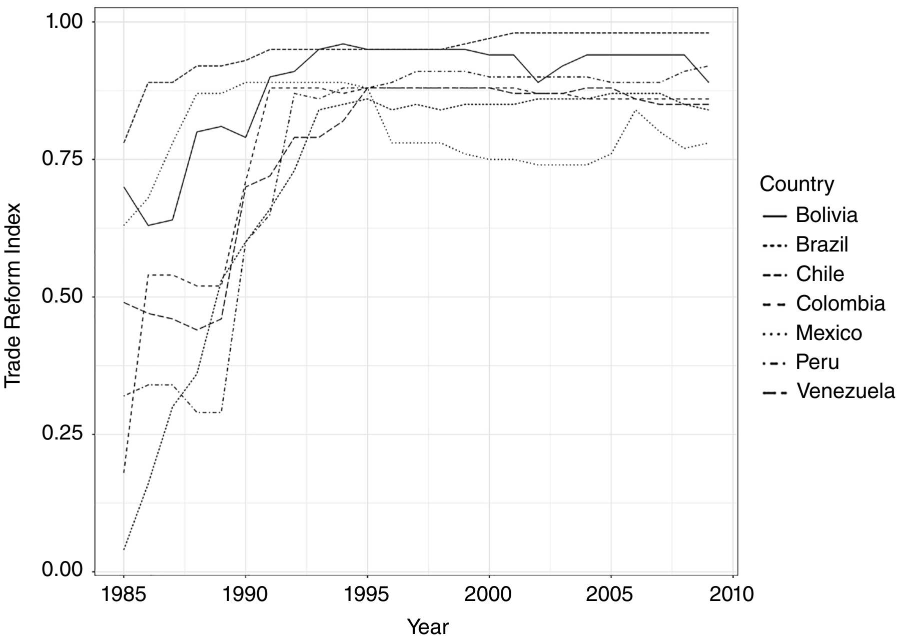

FIGURE 1.1 Trade Reform Index (Lora, 2012). Source: own elaboration, with data from Lora, "Structural Reforms in Latin America;" and Morley, Machado, and Pettinato, "Indexes of Structural Reform in Latin America."

1.2.1 Trade Policy

The trade policy index is the average of two measures, the average rate of import tariffs and the dispersion of import tariffs. Consequently, it is worth noting that this does not capture non-tariff barriers to trade. But the index does demonstrate that trade liberalization was widely and quickly embraced throughout Latin America. Across the region, deep trade reforms occurred throughout the late 1980s, reflecting a pivot toward export-driven growth policies.

The widespread embrace of trade liberalization is further demonstrated by the increasing percentage of GDP attributed to trade. As we see in the figure below, nearly every country in the region saw trade becoming an increasingly significant component of national economic output.

1.2.2 Financial Policy

The financial policy index is the average of multiple measures including reserve ratio requirements, freedom of interest rates, taxation rates on financial transactions, and the quality of banking supervision. As with trade policy, financial

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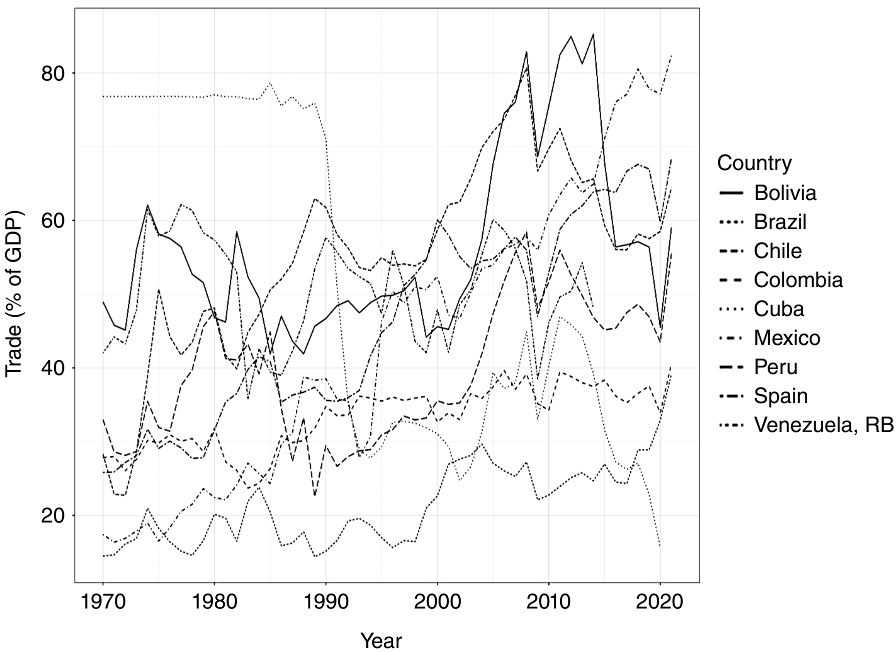

FIGURE 1.2 Trade As Percentage of GDP. Source: own elaboration, with data from Piburn, "wbstats."

reforms were largely in line with neoliberal orthodoxy. But in contrast to trade liberalization, this process occurred more slowly. Moreover, this trend was much less uniform relative to trade reform. That being said, these data underscore that trade and financial liberalization occurred largely in tandem with one another and reflect broader processes of globalization.

1.2.3 Privatization

The privatization index is a simple average, by year and country, of total private sector participation (in millions of dollars) in infrastructure projects as a proportion of GDP. Consequently, it does not capture the totality of privatization arrangements. For example, this measure does not capture the privatization of the management and operation of state services, such as waste collection. While the measure is limited, we do observe a broad shift toward greater private sector participation in state infrastructure projects. Alongside trade and financial policy, this shift is largely consonant with general conceptualizations of neoliberalism. That is, a movement toward an export-driven economy and a decline in state-owned enterprises. Based on this, we might conclude that the region did experience a neoliberal turn. But a review of further metrics complicates this picture.

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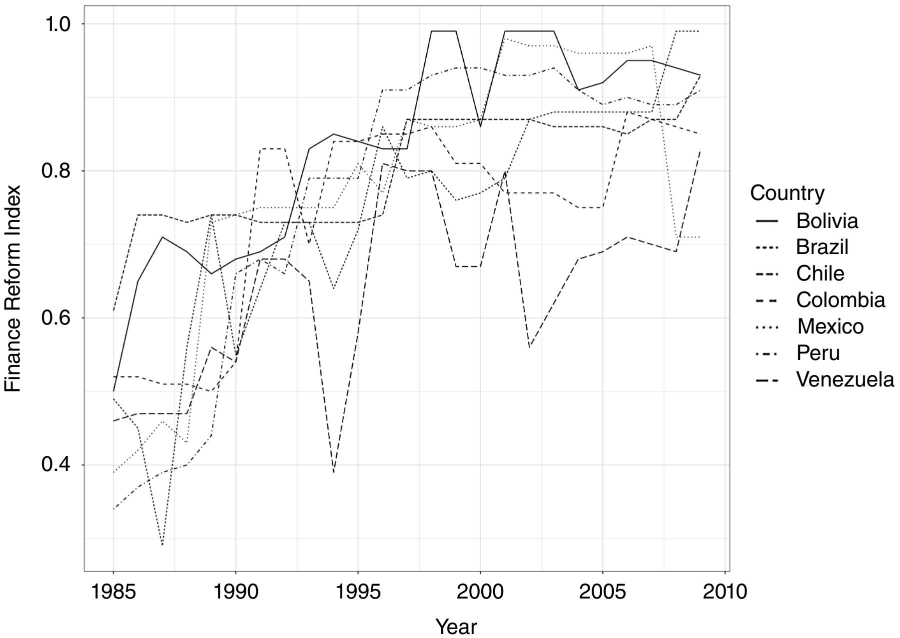

FIGURE 1.3 Finance Reform Index. Source: own elaboration, with data from Lora, "Structural Reforms in Latin America."

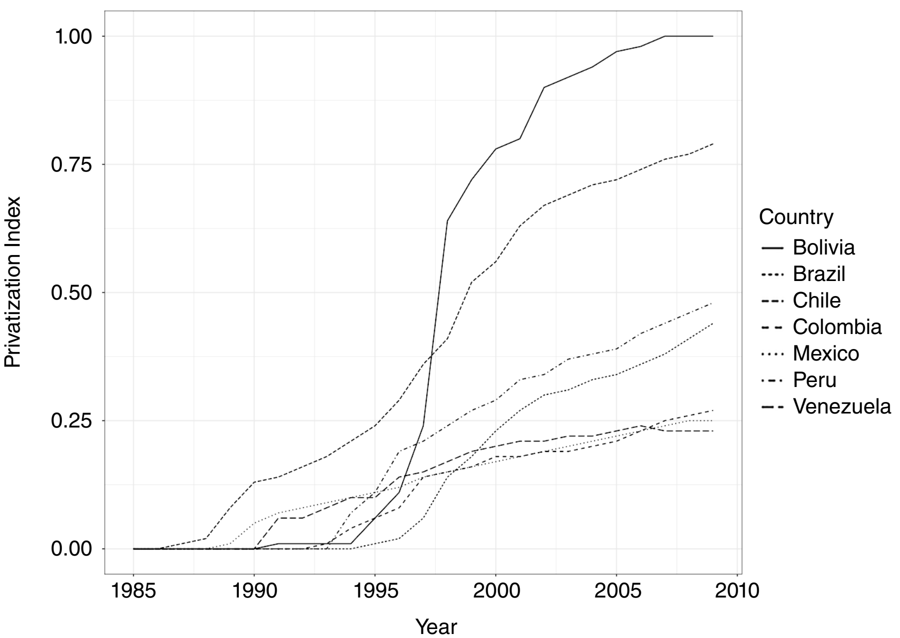

FIGURE 1.4 Privatization Index. Source: own elaboration, with data from Lora, "Structural Reforms in Latin America."

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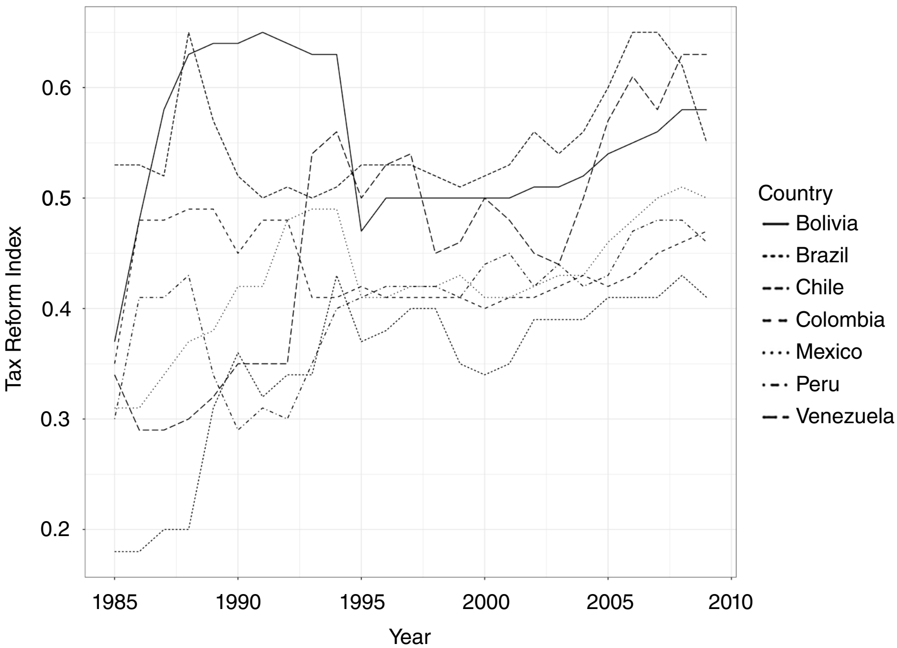

FIGURE 1.5 Tax Reform Index. Source: own elaboration, with data from Lora, "Structural Reforms in Latin America."

1.2.4 Tax Policy

The tax reform index is composed of four measures: the average of the maximum tax rate applied to personal income and to corporate income, the productivity of income tax (calculated as the ratio of revenue to GDP and the average income tax rate), the basic VAT rate, and VAT productivity (calculated as the ratio between the tax revenue and private consumption times the basic VAT rate, also known as C-efficiency).

Unlike trade and finance, tax reform was highly variegated. Broadly speaking, the scale of tax reform was also more muted relative to trade and finance. That is, while changes to taxation largely followed neoliberal prescriptions, the depths of these changes were modest relative to the deep transformations experienced in the domains of trade and finance.

1.2.5 Labor Legislation

The index of labor reform reflects the flexibility of legislation on hiring, expected costs of firing employees, flexibility of working hours, costs of social security contributions and other taxes and payroll contributions, and the level of minimum wage as ratio of per capita income. Unlike the other policy

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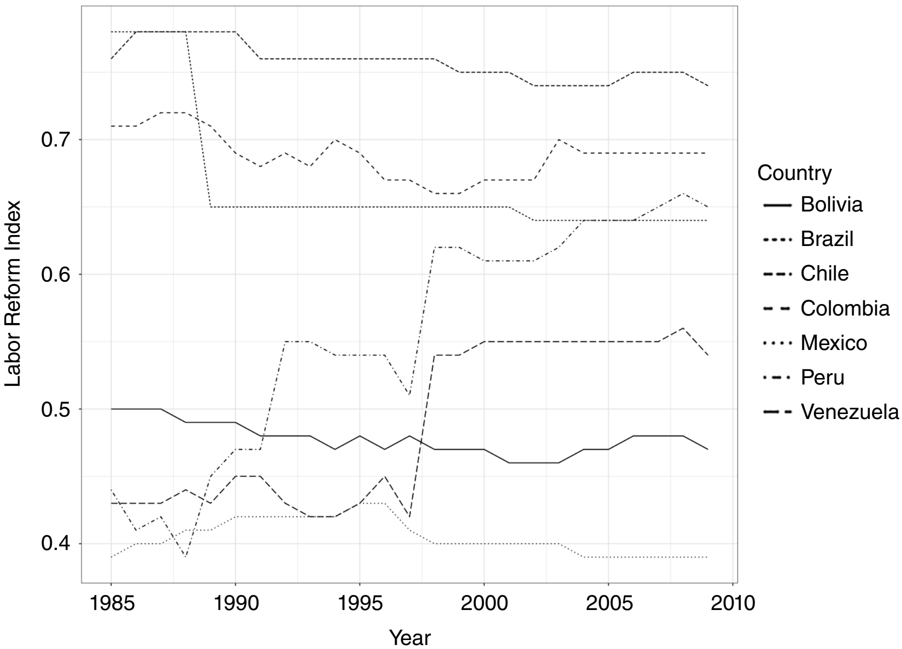

FIGURE 1.6 Labor Reform Index. Source: own elaboration, with data from Lora, "Structural Reforms in Latin America."

domains, labor legislation did not undergo any systemic regional transformation. Indeed, many countries did not introduce neoliberal labor reforms. More than any of the other indices, this severely undermines the Marxist interpretations of neoliberal reform, which views neoliberalism as capital reasserting dominance over labor.

1.2.6 Overall Structural Reform

Based on the overall index of structural reform, we might conclude that Latin America did undergo a general "neoliberal" turn. But as we have seen, the depth of these reforms varied from country to country. Moreover, disaggregating this general measure shows a much more variegated image; through this disaggregation, we see that much of the changes observed in the overall structural reform index stemmed from trade and financial liberalization. The observed changes reflect a broad embrace of export-led growth and a rejection of protectionist economic policies. But other changes typically associated with neoliberalism were less marked, most notably in terms of tax policy and labor legislation. In other words, rather than being a story of the regional embrace of a new economic model, the data instead reflect Latin America's deep integration into the global economy.

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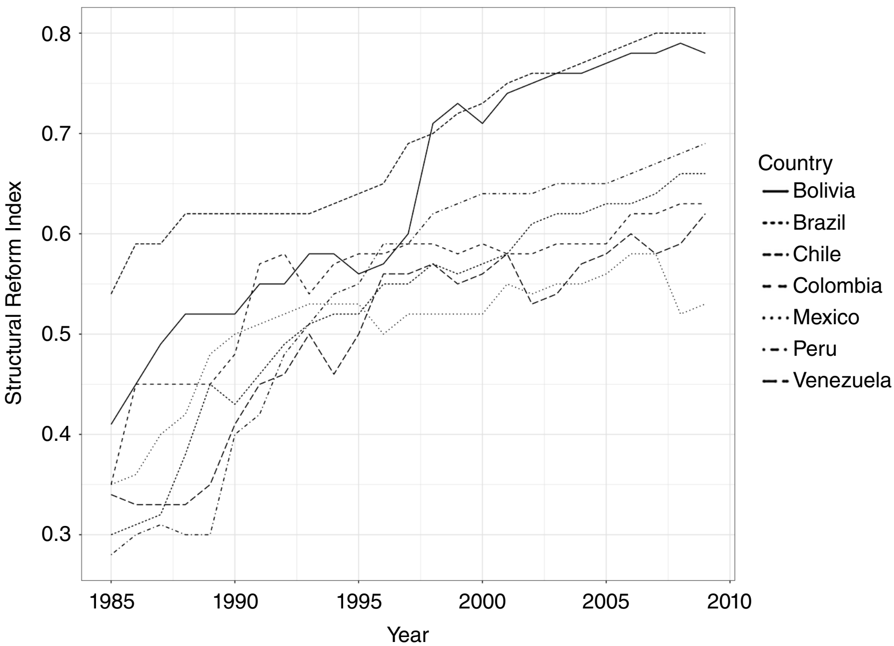

FIGURE 1.7 Structural Reform Index. Source: own elaboration, with data from Lora, "Structural Reforms in Latin America."

Turning our attention toward government expenditures further undermines claims of a regional turn toward the paradigmatic model of neoliberal reform. Across both Latin America and Spain, government expenditure as a percentage of total GDP did not contract but instead experienced continued relative growth. This conflicts with the common sense of understanding of neoliberalism that equates reforms with state retrenchment.

1.2.7 Inflation

As we have seen, it is difficult to speak off one overarching neoliberal model, but some clear policy goals did emerge during the latter quarter of the twentieth century. Chief among these was the management of inflation. While various Latin America countries experienced inflationary crises during this period, the general trend reflected a more careful management of currency value.

1.2.8 Democratization

Outside of the realms of finance and trade, it is difficult to speak of a broader economic model. But in the political sphere, there was a clear shift.

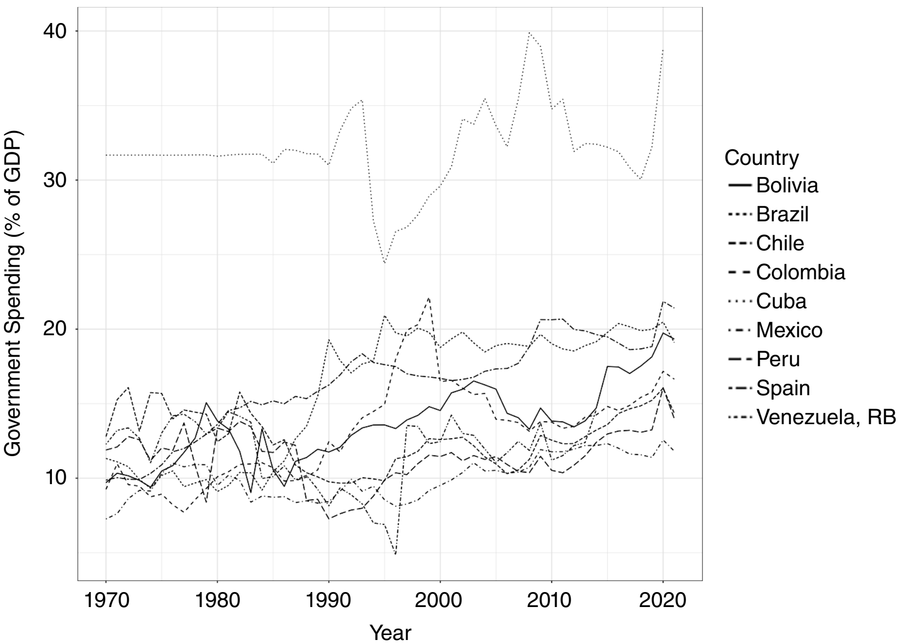

FIGURE 1.8 Government Spending As Percentage of GDP. Source: own elaboration, with data from Piburn, "wbstats."

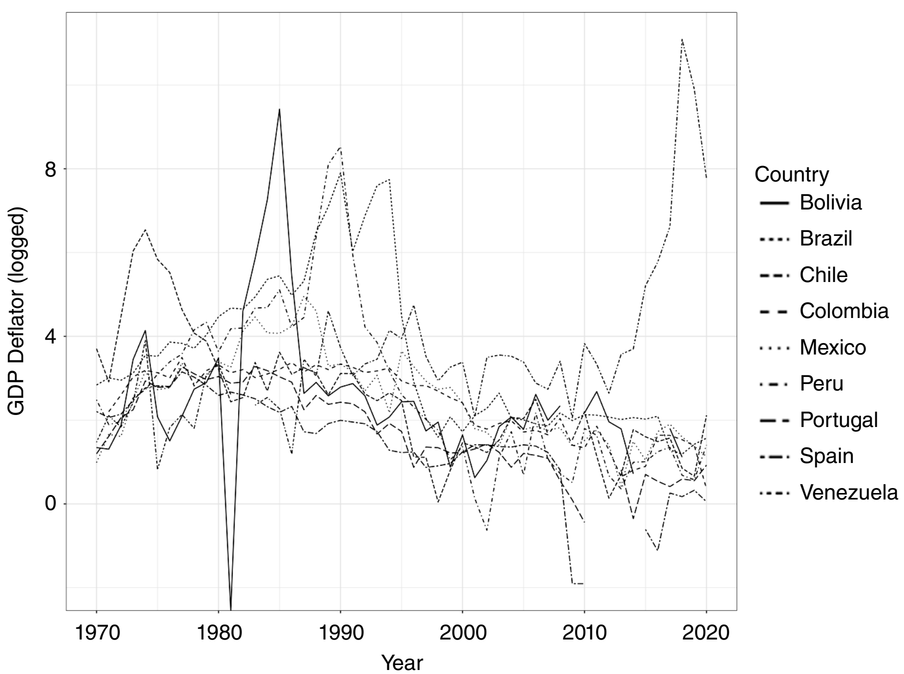

FIGURE 1.9 Inflation, Source: own elaboration, with data from Piburn, "wbstats."

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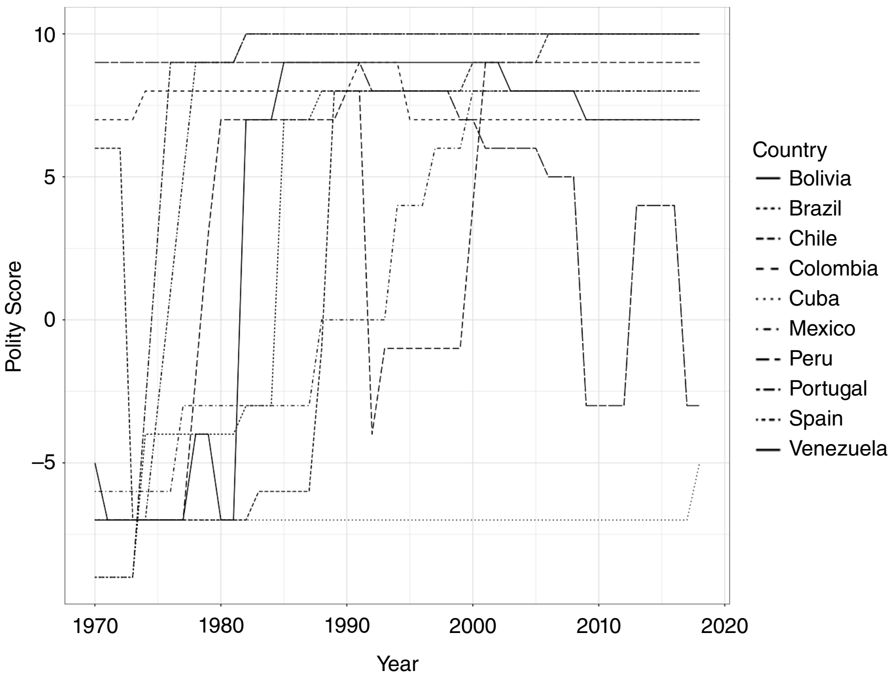

FIGURE 1.10 Polity Score. Source: own elaboration, with data from Marshall and Gurr, "Polity5."

Latin America and the Iberian Peninsula saw a wave of democratization beginning in the 1970s. These changes have largely led to democratic consolidation throughout both regions. In this sense, a double transition did occur, typified by democratization and a pivot toward export-led growth. But the latter change should not be equated with an embrace of the standard neoliberal model.

1.2.9 GDP Per Capita

Despite these changes, growth in the region has remained modest. Indeed, the growth experienced in Spain, as measured by GDP per capita, vastly outpaced what was seen in Latin America. In the latter case, while gains were made across the region, the growth was relatively moderate, with Chile and Brazil standing out as regional exceptions.

Having provided a general overview of neoliberalism in the region, we now turn our attention toward various competing explanations for these changes before discussing the diverse national cases. Focusing on the individual cases further cautions again interpreting changes in the region as being driven by adherence to a generic model of neoliberal reform.

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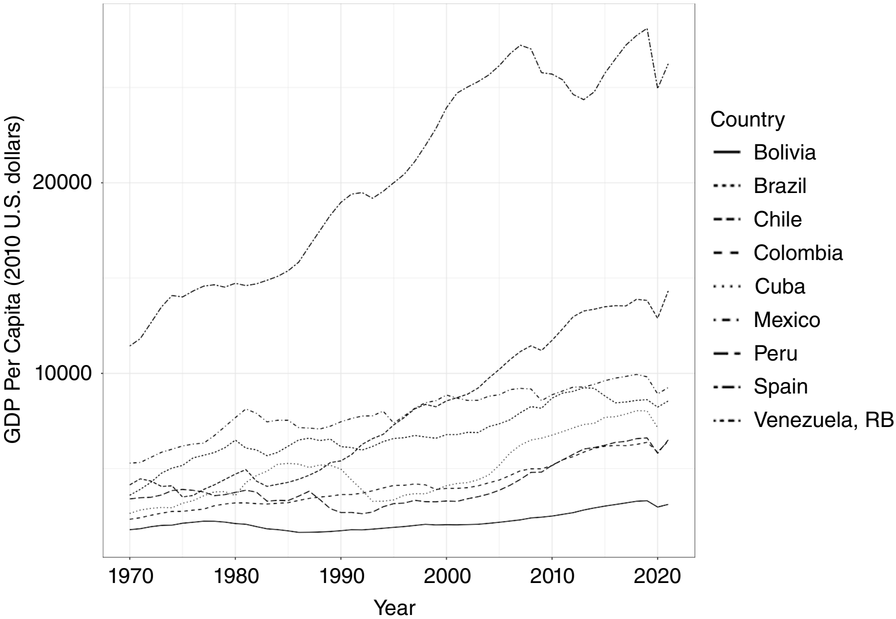

FIGURE 1.11 GDP Per Capita. Source: own elaboration, with data from Piburn, "wbstats."

1.2.10 Explaining Neoliberalism and the State

The work of Sebastián Edwards represents one of the best attempts to present a "Neoliberal" perspective to explain neoliberalism itself, as a historical and political phenomenon.[5] Edwards sees neoliberal economic policies as a natural and necessary response to a crisis generated by irresponsible import substitution policies pursued by Latin American governments, which he claims generated foreign exchange shortages and high inflation, stymied exports, bloated the state sector and thus "crowded out" private investment, and ballooned government fiscal deficits and foreign debt. Latin America distinguished itself from the successful cases of economic development in East Asia during the period 1965–1980 by higher rates of inflation, a *shrinkage* in exports rather than fast export growth, lower savings rates, and higher debt. Edwards sees these differences as the product of excessively interventionist and protectionist Latin American governments that created a situation ripe for economic crisis when the US Federal Reserve dramatically increased interest rates in 1981. Neoliberalism, in this perspective, was a form of "market rationality" imposing itself back on errant economies.

[5] Edwards, *Crisis and Reform in Latin America*, 4.

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But certainly, the Chilean story was much more complicated. Eduardo Silva describes the evolution of "neoliberal" policies in Chile as a product of shifting coalitions underlying the Pinochet regime.[6] An initial policy of gradual reform was replaced in 1975 with a more aggressive program, as a result of a coalition between Pinochet and "radical internationalist" industrialists in more internationally competitive sectors such as food processing. Pinochet's alliance with these sectors allowed him to maintain a personalist dictatorship. Similarly, Judith Teichman emphasizes that even in the context of shifting social coalitions and regime changes, certain sectors of the Chilean bureaucracy were able to develop a considerable amount of policymaking autonomy.[7] Just as in South Korea, then, the export promotion that Edwards celebrates was a product of considerable state intervention in Chile, even under "neoliberalism."

Similar analyses of internal social structure and state continuity have been conducted regarding the case of Brazil. Luciana de Souza Leão claims that Brazil's political economy has retained an important role for the state from the Vargas era up to the present, as evidenced by the continued economic importance of institutions like the Brazilian development bank (BNDES) and particular models of sectoral bargaining.[8] Matthew M. Taylor illustrates how the beginning of the military regime and the transition to democracy – also often considered as the beginning of a shift to neoliberalism – were not decisive changes in determining the Central Bank's role. This leads Taylor to conclude that "critical junctures" – as the advent of "neoliberalism" in Latin America in the 1980s has often been considered – "may prove to be far less significant – or at the very least, far more ambivalent – as moments of institutional change than more quotidian policy paths that respond to the day-to-day challenges of governance."[9]

A very different, "Marxist" version of the rise of neoliberalism is associated with David Harvey who sees neoliberalism as "a vehicle for the restoration of class power" with a genesis in a particularly unfettered iteration of capitalism.[10] Harvey thus echoes Duménil and Lévy, who define neoliberalism as "the expression of the desire of a class of capitalist owners and the institutions in which their power is concentrated, which we collectively call 'finance', to restore – in the context of a general decline in popular struggles – the class's revenues and power."[11] Duménil and Lévy reject the notion, common to neoliberal theories, that popular demands and labor costs fueled the crisis that neoliberalism was meant to resolve. Instead, they propose that a slowdown in technological progress beginning in the 1960s was the fundamental cause

[6] Silva, "Capitalist Coalitions," 535–55 in particular.
[7] Teichman, "The New Institutionalism," 65–68.
[8] De Souza Leão, "Bringing Historical Sociology and Path-Dependence Together," 178–90.
[9] Taylor, "Institutional Development through Policy-Making," 487.
[10] Harvey, *A Brief History of Neoliberalism*, 31.
[11] Duménil and Lévy, *Capital Resurgent*, 2.

behind the decline in profitability. Capital reacted to this decline by squeezing labor in order to maintain profit rates, as illustrated by declines in wage growth and increases in unemployment that were greater in magnitude than the decline in profit rates.[12] Duménil and Lévy thus conclude that traditional Keynesian regulation, typical of the postwar period of capitalist prosperity, was an inadequate policy framework to deal with the problems posed by capitalism as an economic system: "Control of the macroeconomy is not sufficient in the long run. A combination of economic and political circumstances will repeatedly destabilize Keynesian policy frameworks. For example, macroeconomic policies cannot remedy the effects of a crisis in profitability."[13]

In short, for Marxist theory, neoliberalism is essentially a natural product of capital's natural quest to constantly reinvest surplus capital *and maintain a given level of profitability*. This was manifested first in the developed world by capital's squeeze on labor, and then by neoliberalism's expansion into the Global South, including Latin America, in search of cheap labor, cheaper raw materials, and other sources of profit. The implementation of "neoliberal" policies such as trade and financial liberalization, tax reductions, privatization, and "labor market reforms" in Latin America are thus explained, directly or indirectly, as a result of this quest.

Both the "Neoliberal" and the "Marxist" approaches, as described here, encounter difficulties when facing up to several important facts. As a rule, they tend to exaggerate the retreat of the state and underestimate both its continuity and its importance. Edwards, for example, criticizes the fact that Latin American states "severely controlled capital markets, quantitatively allocating credit,"[14] and he also mentions East Asia – with its lower inflation, high savings rates, and export-led growth – as a model for what Latin America should have done during the period of 1965–1985. Yet during most of that same period in South Korea, one of the main East Asian developmental "tigers," virtually all banks were state owned.[15]

Curiously enough, the case of South Korea also punches a hole in Harvey's contrasting theory of neoliberalism. Harvey cites the example of steel

[12] Duménil and Lévy, *Capital Resurgent*, 27.

[13] Duménil and Lévy, *Capital Resurgent*, 196. This analysis is, of course, limited in scope to the developed countries of Western Europe and the United States. However, David Harvey more or less illustrates how Duménil and Lévy's analysis of the *raison d'être* of neoliberalism applies to the Global South in his *Seventeen Contradictions and the End of Capitalism:* "Without uneven geographical development and its contradictions, capital would long ago have ossified and fallen into disarray. This is a key means by which capital periodically reinvents itself.... Start-ups in say, South Korea – where steel production is much cheaper because of lower-cost labor, easier to access raw materials and markets, and the like – drive out the more costly and the less efficient industries in older regions such as Pittsburgh and Sheffield." Harvey, *Seventeen Contradictions*, 147–48.

[14] Edwards, *Crisis and Reform in Latin America*, 12.

[15] Chang, "The Political Economy of Industrial Policy in Korea," 151–52.

production moving to Korea in search of "lower-cost labor" and "easier to access raw materials and markets" as an illustration of international capital's constant search to shore up profit margins, the main force behind the expansion of neoliberalism. Yet here Harvey also seems to ignore the persistent presence of the South Korean state as a political and economic actor, which made the expansion of the South Korean steel industry possible.

An existing comparative-historical literature, meanwhile, emphasizes a greater degree of institutional continuity through the period of neoliberal reforms in Latin America, and it addresses, at least in part, the main hole in the "Neoliberal" and "Marxist" approaches outlined above: an underappreciation of the continued importance of state intervention. This literature also emphasizes the importance of *domestic* social configurations in causing and influencing the neoliberal reforms, a factor that is more or less ignored by the two other theoretical approaches, which see market rationality, international capital, and financial institutions as the main causal actors.[16] In the rest of this chapter, we follow what we might call a Polanyian approach. Paraphrasing Polanyi on laissez-faire, we could say that while neoliberalism was the product of deliberate state action, "subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not."[17] In other words, market society – in nineteenth century England in *The Great Transformation*, or in modern neoliberalism in the case of "neo-Polanyian" literature – *is based* on state structures.

1.3 CASE STUDIES

In the following pages, we provide short summaries of the various Latin American political and economic policies during the past four decades. We begin with a discussion of the two most cited "successes": Brazil under Cardoso and Lula, and Chile following Pinochet. We then consider whether these successes could be said to originate with specific neoliberal policies. We continue with the analysis of other cases in the region who had less dramatic policies and outcomes. One of the most obvious findings of our summaries is that it would be impossible to speak of a regional model. One trend was clear: the democratization of the region beginning in the 1980s. But these newly democratic governments did not follow the same model. Some policies do appear consistent, most importantly, the control of inflation in the 1980s and 1990s. Most of the LA countries also expanded their openness to global trade. Both the policies and their results challenge the idea of a single neoliberal public policy model. We then discuss the three cases of "anti-neoliberal" policies and suggest that these did not represent that radical a break, but essentially followed the historical pattern of relaying on commodity sales or, in the case of

[16] Taylor, "Institutional Development through Policy-Making," 491.
[17] Polanyi, *The Great Transformation*, 141.

Cuba, the largesse of an ally. Following this discussion, we present a summary of policies in the Iberian Peninsula, but also call into question any idea that it represents a neoliberal success story.

1.3.1 Brazil and Chile: Neoliberal Success in Latin America?

Brazil and Chile are often presented, in slightly different contexts and periods, as neoliberal "successes" – to what extent is this the case? Answering this question must begin with the fact that at least the last two-and-a-half decades have seen relatively little change in the productive structures of Latin America's major economies. All of them have remained primarily commodity exporters, with the exception of Mexico, which has served as a low-wage manufactured export platform for the United States. The commodity boom in the former, and the expansion of NAFTA in the latter, has only served to reinforce economic continuity.

Brazil and Chile are no exception; they have remained exporters of commodities and their derivatives throughout the last few decades. Several differences are of note, however: Exports have always played a more important part of the Chilean economy than of the Brazilian one. In 1995, when Chile's new democratic government was largely continuing many of the economic policies of the Pinochet dictatorship and Brazil was implementing the *Plano Real* to control inflation, exports were already much more important to the Chilean economy than to the Brazilian one.[18]

1.3.1.1 Chile

The period between 1975 and 1982 saw the most radical attempts to establish a neoliberal model in Chile. During this period, Pinochet formed alliances with more internationally competitive sectors of the Chilean industrial elite – at the expense of more traditional industrial sectors reliant on import substitution – and placed neoclassical economists trained at the University of Chicago, the

[18] Data obtained by dividing Observatory of Economic Complexity (OEC) data for total export value by population data obtained from the World Bank's World Development Indicators. Note that figures are in current, not real dollars. The *composition* of Brazilian exports has changed significantly during the past 25 years, while that of Chilean exports has remained remarkably stable. In 1995, the top three Brazilian exports were in order of value, iron ore, coffee, and soybean meal; in 2000, aircraft, iron ore, and soybeans; in 2005, iron ore, soybeans, and cars; in 2010, iron ore, soybeans, and raw sugar; in 2015, soybeans, iron ore, and crude petroleum. Chile, in contrast, has kept the exact same three exports in the exact same order, except for one year (2005): refined copper, copper ore, and sulfate chemical wood pulp. In part, this difference is simply attributable to Chile's consistent position as one of the world's primary copper producers. However, behind the difference are also substantial dissimilarities in industrial and economic policy. Take sulfate chemical wood pulp, for example, consistently Chile's third largest export by value. Its importance is largely a result of concerted efforts to promote the forestry sector using a variety of industrial policy incentives, including under the Pinochet dictatorship.

so-called "Chicago Boys," in charge of economic policy. By 1979, tariffs had been reduced to a flat 10 percent rate.[19] The new regime re-privatized firms nationalized under the Allende presidency – reducing the number of state-owned enterprises from 460 to about two dozen by 1980 – and it returned about 30 percent of lands expropriated under agrarian reforms to their previous owners.[20] Although Pinochet did not privatize the state-owned copper company, CODELCO, he did open up copper production to foreign enterprises.[21] Beginning in 1981, workers were required to contribute 10 percent of their incomes into private accounts managed by private *Administradoras de Fondos de Pensiones* (AFPs).[22]

However, the economic challenges of 1982 that ensued from both these draconian policies and a general international crisis allowed a more gradualist coalition of industrialists to assemble behind the Pinochet dictatorship.[23] The result was a more robust industrial policy and a retreat from radical neoliberalism. Organizations like the old *Corporación de Fomento de Chile* (CORFO) and new ones like PROCHILE and *Fundación Chile* supported export sectors like processed forestry and food products with subsidies and credit, while also searching for new export markets. These policies continued under the center-left governments of the 1990s, which extended financing programs toward small and medium enterprises (SMEs) and established the *Fondo de Desarrollo Tecnológico y Productivo* (FONTEC) in 1991 in order to expand support for R&D in the export sector.[24]

Thus, while during the first decade of the dictatorship (1973–1983) exports grew at about the same rate as the previous decade (about 3.5 percent annually), between 1983 and 1999 exports grew at an average rate of about 6 percent per year. At the same time, the importance of copper in Chile's export profile actually decreased. In 1960–1973, mining exports accounted for an average of 86.5 percent of Chile's total export value; by the 1990s, this figure had decreased to about 46 percent. During the same period, manufactured exports increased from 10 percent to 40 percent of total export value.[25] This change in export profile seems to have been permanent; even during the peak of the commodities boom, when copper increased slightly in importance, the top three exports, including copper, never passed 55 percent of total export value, and they had decreased again to about 45 percent by 2015.[26]

[19] Silva, "Capitalist Coalitions," 547.
[20] Petras and Vieux, "The Chilean 'Economic Miracle'," 62.
[21] Riesco, "Chile, a Quarter Century On," 100–101.
[22] Arenas de Mesa and Mesa-Lago, "The Structural Pension Reform in Chile," 150.
[23] See Silva, "Capitalist Coalitions," 549–50; for the privatized pension system, see Arenas de Mesa and Mesa-Lago, "The Structural Pension Reform in Chile," 150.
[24] Teichman, "The New Institutionalism," 65–68.
[25] Alvarez and Crespi, "Exporter Performance and Promotion Instruments," 227–29.
[26] OEC data.

Since the 1990s, meanwhile, Chilean economic policies have been characterized by two innovations. First of all, successive administrations have expanded social spending and redistribution such that the benefits of growth were distributed more evenly (but, as discussed below, not dramatically changing Chile's levels of inequality). Under the Christian Democratic Aylwin and Frei administrations of the 1990s, public spending in the education sector grew by 150 percent, adjusted for inflation, and spending in the health sector grew by 120 percent, while the poverty rate decreased from 38.6 percent to 21.7 percent during the same period.[27] In the early 2000s, the social-democratic Lagos administration (2000–2006) introduced the AUGE program, which somewhat decreased inequality between the country's public and private health sectors by designating fifty-six illnesses to be treated by standard coverage between the two sectors.[28] Meanwhile, the first Bachelet administration (2006–2010) reformed the privatized pension system, which had delivered lower rates of return and higher costs than promised and had not increased the rate of coverage. It established a guaranteed basic pension for those without private pension accounts, as well as a system of supplements for those whose private pensions did not meet a minimum level.[29] During her second term (2014–2018), Bachelet made university education free for students whose household income was in the bottom 60 percent of the distribution and implemented a tax reform increasing the corporate tax and eliminating loopholes; these reforms ultimately increased by 50 percent the amount of taxes paid by the top 1 percent of earners.[30] During his first term (2010–2014), center-right president Sebastián Piñera actually added to the list of illnesses covered by AUGE and expanded conditional cash transfers.[31] In concert, all of these measures seem to have had a positive effect on economic inequality in Chile, as evidenced by World Bank GINI data, which show a gradual but consistent decline in Chile's GINI coefficient over the last several decades, from over fifty-five in the late 1980s to about forty-seven by the late 2010s.[32]

The second important trend in economic policy since the democratic transition has been the consolidation of counter-cyclical fiscal policies. Beginning in 2001, the *Concertación* governments began to implement fiscal policies adjusting for copper prices and GDP growth, which were enshrined in 2006 in the "Fiscal Responsibility Law."[33] Although the name of the law would seem to suggest orthodox economic policy, in practice it facilitated Keynesian spending

[27] Aninat, "Chile in the 1990s," 20.
[28] Huber, Pribble, and Stephens, "The Chilean Left in Power," 88–89.
[29] Huber, Pribble, and Stephens, "The Chilean Left in Power," 92.
[30] Seiler and Raderstorf, "Michelle Bachelet's Underappreciated Legacy in Chile."
[31] Niedzwiecki and Pribble, "Social Policies and Center-Right Governments in Argentina and Chile," 79–83.
[32] John's data.
[33] Rodriguez, Tokman, and Vega, "Structural Balance Policy in Chile," 60–61.

patterns by reserving surpluses in times of economic growth and facilitating greater spending during economic downturns. This came in handy during the recession of 2009 in particular. It also safeguarded social spending, particularly on pensions.[34] Thus, the 5.5 percent average fiscal surplus in between 2004 and 2007 turned quickly into a 4.4 percent deficit in 2009 in order to respond to the world economic crisis.[35] Moreover, Chilean Central Bank economist Michael Pedersen suggests that "the Chilean fiscal rule works in the sense that copper price movements have little impact on the non-mining sector."[36]

Chile has been governed for 24 of the last 30 years by center-left governments. Given the reasonable socioeconomic gains of these years – the consolidation of industrial policy, a gradual decrease in inequality and expansion of the welfare state, and insulation from the worst of international shocks through Keynesian fiscal policy – how is it then that the massive protests of late 2019 erupted? Explanations have abounded. Carolina Tohá, ex-mayor of Santiago and a minister in Michelle Bachelet's first government, provides what seems to be a level-headed analysis. She roots the problem in the institutional legacy of the dictatorship. Taking into account the advances of the center-left after the transition, she argues: "*Lo que ha hecho explotar a Chile es la incapacidad del sistema político de destrabar los debates que no tenían una salida. La derecha estiró demasiado el chicle de las ventajas que le daba el sistema. Hoy probablemente se arrepienta.*"[37] In other words, there came a point at which the practice of tweaking the Pinochet-era framework to address inequality, expand political representation, and institute progressive social changes became insufficient, and further changes to the system were blocked by the institutions of precisely that framework.

This argument seems backed by the limitations of the reforms. The AUGE program has left fundamentally intact the two-tiered health system, of which the public component still serves 85 percent of the population and is burdened

[34] Huber, Pribble, and Stephens, "The Chilean Left in Power," 82–85.

[35] Ffrench-Davis, "Challenges for the Chilean Economy," 64.

[36] Pedersen, "The Impact of Commodity Price Shocks," 1307; Ffrench-Davis, "Challenges for the Chilean Economy," 64–73. Chilean economist Ricardo Ffrench-Davis points out, however, that this counter-cyclical spending pattern seems to have lost its coherence over the next three years after the recession, seemingly as a result of the way GDP growth and copper prices were estimated. He adds that the Chilean economy, in addition to restoring the coherence of Keynesian fiscal policy, needs more aggressive industrial policy, particularly with respect to "long-term local financing, the transfer of technology and labor training" for small and medium-sized firms. Nevertheless, it should be pointed out that while Brazil entered recession during 2015–2016, in Chile growth only slowed, from 5.7 percent in 2010–2012 to 2.3 percent in 2015, even though according to the OEC data Chile experienced a proportionally greater decline in its export value during that period (from $71.9 billion to $64.8 billion in Chile vs. $207 billion to $197 billion in Brazil), and exports constitute a greater percentage of GDP in Chile than they do in Brazil.

[37] See Tohá, "Chile o el vértigo del futuro," 83–84. Tohá also mentions the improvements in the GINI in particular – see p. 80.

by exasperatingly long-waiting lists.[38] The privatized pension system also remains intact, despite the efforts to make it more progressive and establish minimum pension guarantees. "It is therefore not surprising," as Kirsten Sehnbruch and Sofia Donoso argue, "that Chileans state that their top three priority concerns are pensions (65 percent), health care (46 percent) and education (38 percent)."[39] Nevertheless, the government's response to the protests has addressed, perhaps surprisingly, the barrier identified by Tohá, in proposing a "social pact" with a referendum on a new constitution. The *Mesa de Unidad Social*, a coalition of trade unions, NGOs, and representatives of the Communist and Humanist parties, have rejected the proposal due to their lack of consultation in the process. Yet most political parties, as well as 67 percent of Chileans, support it.[40]

1.3.1.2 Brazil

To what extent does Brazil constitute a neoliberal showcase? The Brazilian military dictatorship, which lasted between 1964 and 1985 and thus overlapped substantially with the Pinochet dictatorship, provides a good starting point for a comparison with Chile. The Brazilian dictatorship is not viewed as a paragon of neoliberalism in the same way the Pinochet regime is. Certainly, the regime pursued interventionist economic policies and import substitution, the latter to a greater extent than its Chilean counterpart. But just as the degree of interventionism of the Pinochet regime is underestimated, to say that the Brazilian regime was a pure ISI regime would also be misleading. First, during its first years, the dictatorship substantially reduced inflation by reducing demand, a process that involved the erosion of working-class wages, controlled spending cuts as well as increases in tax collection; not a set of policies typical of Latin American ISI.[41] Second, average tariffs actually decreased more than 20 percent between 1967 and 1973, from 48 percent to 27 percent. Moreover, just like the Pinochet regime after 1982, the Brazilian dictatorship pursued export promotion aggressively, particularly in the area of manufactured exports, which grew at an average annual rate of *30 percent* during the 1970s.[42] This expansion involved a variety of industrial policies including targeted subsidies and state credit and entailed a centralized, bureaucratically efficient authoritarian regime committed both to an alliance with industrial elites and a program of working-class repression. An important caveat to this policy, however, was its substantial reliance on the investment of multinational corporations, which were producing half of Brazil's manufactured exports by the end of the 1970s.[43]

[38] Sehnbruch and Donoso, "Social Protests in Chile," 54.
[39] Sehnbruch and Donoso, 55.
[40] Sehnbruch and Donoso, 53 and 55–56.
[41] Kohli, *State-Directed Development*, 202–03.
[42] Kohli, *State-Directed Development*, 206.
[43] Kohli, *State-Directed Development*, 203, 207, and 216.

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The oil crises of the 1970s threw off the dictatorship's industrial strategy, however. When oil prices increased dramatically in the mid-1970s, rather than accepting reduced growth, the regime bet on financing a continuation of the rapid and import-intensive growth strategy with debt, a strategy that seemed viable in the short term but fell apart with the dramatic increase of US interest rates in the early 80s.[44] Atul Kohli thus calls the dictatorship's approach "a debt-led, high-growth strategy that almost worked."[45]

Brazil's newly inaugurated democratic government, which took office at the end of the 1980s, thus inherited a much more difficult macroeconomic situation than its Chilean counterpart, a fact that must be taken into consideration when evaluating the "success" of its policies. The latter could continue the industrial policies initiated after the recession of 1982, policies that had resulted in consistent export-led growth. The former had to deal with the high inflation and debt that it inherited after a debt-financed process of industrialization was blown out of the water by the exact same crisis of the early 1980s.

Thus, inflation became a constant concern of Brazilian governments in the 1990s; by the end of the administration of José Sarney in 1990, inflation had reached 2000 percent.[46] While the measures used to deal with the debt and hyperinflation often involved significant doses of neoliberalism, they were not the radical neoliberalism of Chile before 1982, for example. Indeed, many of the measures of the 1990s were "heterodox": trying to insulate wages against inflation and curb demand among the middle and upper classes under Sarney; asset freezes and capital gains taxes under Fernando Collor (1990–1992); and a reintroduction of "moderate protectionism" under Fernando Henrique Cardoso (1994–2002).[47] The one neoliberal constant was the privatization of state-owned enterprises. In any case, by Cardoso's presidency (1994–2002), inflation had decreased to about 15 percent per year.[48]

The Workers' Party (PT) government of Luis Inácio "Lula" da Silva thus inherited an economy in 2002 with significantly lower inflation than it had seen in the 1990s. Lula's administration also benefitted from a massive boom in commodity prices. Between 1995 and 2000, for example, the total value of Brazilian exports increased moderately, from $49.5 billion to $58 billion. Between 2000 and 2005, in contrast, the figure skyrocketed to $126 billion.[49] It is thus not surprising that scholars estimate that during the same period 80 percent of Brazil's GDP growth was a direct result of this expansion of exports.[50]

[44] Kohli, *State-Directed Development*, 208–10.
[45] Kohli, *State-Directed Development*, 209.
[46] Kingstone and Ponce, "From Cardoso to Lula," 102.
[47] Skidmore, *The Politics of Military Rule in Brazil*, 276–83; Crabtree, "The Collor Plan," 120–21; Kingstone and Ponce, "From Cardoso to Lula," 103 and 106.
[48] Schneider, "Brazil under Collor," 326–27; Kingstone and Ponce, "From Cardoso to Lula," 103 and 106.
[49] OEC data.
[50] Bonelli and Castelar Pinheiro, "New Export Activities in Brazil," 14.

Both fiscal and monetary policy were orthodox during Lula's administration. As finance minister, Lula installed the neoliberal Henrique Meirelles; in 2005, the Brazilian Central Bank raised interest rates to 19.23 percent from a rate of 16.24 percent the previous year. At the same time, Lula consolidated a program of conditional cash transfers that had been initiated under the Cardoso administration as *Bolsa Escola* – the program was already reaching 5 million families by the end of Cardoso's term – which allowed the economic effects of the commodity boom to trickle down. As a result, the poverty rate decreased from 38.7 percent in 2003 to 30.3 percent in 2007, while the Gini index declined from 57.7 to 55 during the same period.[51]

But what about industrial policy? Something of a program began to come together toward the end of Lula's presidency with the promulgation of the *Programa de Aceleraçâo do Crescimento* (PAC) in 2007, and it would carry over to the beginning of Dilma's administration. The basic pillar of the new developmentalism was an attempt to use local content requirements to create an internally articulated industrial structure. The policy was heavily reliant on oil, especially in wake of the discovery of massive new oil reserves under Lula's administration.[52] By 2011, a study was estimating that "61.5 percent of all industrial investment in the period between 2011 and 2014 will be linked to the exploration, production and refining of oil and gas"; indeed, oil revenues were funding 35 percent of the PAC's investment by 2012.[53] Local content requirements did have something of an effect, however. The shipbuilding industry is a case in point, particularly as it related to the oil industry. In 2012, Petrobras reached an agreement for the construction of twenty-six oil rigs with local content requirements of 55–65 percent.[54] As a result of this type of policy, the number of workers employed in the shipbuilding industry increased from 1900 to 80,000 between 2000 and 2010.[55]

Success did not last, however. Perry Anderson essentially argues that the economic success of Lula's government had rested on two factors: the growth in commodity exports and an expansion of consumer credit, the latter used to finance a boom in domestic consumption. Thus, Lula's presidency saw the share of commodities in Brazil's export profile increase from 28 percent to 41 percent – during Dilma's first term, the figure would surpass 50 percent – while total private sector debt more than doubled as a percentage of GDP between 2005 and 2015, from 43 percent to 93 percent. At the same time, beginning precisely in 2011, when oil seemed to be one of the key pillars of Brazil's

[51] Kingstone and Ponce, "From Cardoso to Lula," 106–14 and 117; Melo, "Unexpected Successes," 163.
[52] Romano Schutte, "Brazil: New Developmentalism," 50–53.
[53] Romano Schutte, "Brazil: New Developmentalism," 61.
[54] Singer, "The Failure of the Developmentalist Experiment in Three Acts," 360.
[55] Romano Schutte, "Brazil: New Developmentalism," 62.

industrial development strategy, the price of crude petroleum began to tumble, eventually reaching $50 a barrel from a high of $140, with the prices of iron ore and soybeans experiencing similarly dramatic declines.[56]

These economic vulnerabilities were compounded by a shift in social support for Lula's PT. Brazilian political scientist André Singer sees the ultimate failure of the Lula-Dilma development strategy as rooted in the collapse of the implicit social alliance that underpinned it – between the industrial bourgeoisie and the working class, the latter as represented by the PT. During her first term in office, Dilma attempted to "deepen" the developmentalist advance under Lula by expanding credit, planning to channel 600 million *reais* of industrial investment through the BNDES, applying selective tax incentives for private industrial investment, expanding infrastructure spending, reintroducing some capital controls, attempting to lower the prices of energy inputs in the industrial sector, and devaluing the real. Dilma also went after Brazil's very high interest rates, an effort that failed in April of 2013 when the Central Bank raised them again. Singer's basic point is that, in a wave of panic in the international business press about the return of statism, "the industrial bourgeoisie turned 'against its own interests' to avoid what was seen as the greater evil: an excessively strong State, allied with the workers and out of control."[57] In any case, waves of protest began in June 2013, organized not by the right but rather by left-wing groups, in response to hikes in public transit fares in Sao Paulo; these protests then became generalized.[58] Moreover, after winning reelection in 2014, Dilma's administration actually began to impose austerity measures.[59] Brazil entered recession in the next two years, during which it lost a cumulative 8 percent of GDP relative to 2014 and saw a 76 percent increase in the unemployment rate, to 12.6 percent.[60]

1.3.2 Middling Cases: Mexico, Peru, and Colombia

These three cases have received much less attention and have not been used as exemplars of neoliberal success. The history of their public policy programs over the past 40 years again argues against a reductionist model of neoliberalism and once again demonstrates the critical role of the state.

[56] Anderson, *Brazil Apart*, 102–03. Romano Schutte (2013) also mentions the expansion of consumer and housing credit, though not in the same critical fashion as Anderson, likely because he lacked the benefit of hindsight; see pp. 53–54.

[57] Singer, "The Failure of the Developmentalist Experiment," 362. A brief summary of Singer's analysis can be found in this article; for a more extended analysis in Portuguese, see Singer, "Cutucando onças com varas curtas."

[58] Singer, "From a Rooseveltian Dream to the Nightmare of Parliamentary Coup," 19–20.

[59] Anderson, *Brazil Apart*, 102.

[60] "Brazil's Recession Worst on Record."

1.3.2.1 Mexico

The presidency of José López Portillo, who took office in 1976 from Luis Echevarría, is a good point to start a survey of Mexican public policy at the beginning of the neoliberal era, because during this administration the economy went to a structural shift. The discovery of massive oil reserves during López Portillo's presidency coincided with a global increase in oil prices in the wake of the Arab oil embargo. While annual oil production increased from about 0.7 million barrels to just under 2.5 million barrels during the first four years of López Portillo's presidency, oil *revenues* increased twelvefold, from $0.5 billion to $6 billion. As a result, the López Portillo administration went on a massive spending spree, funding it with extensive borrowing from foreign banks in addition to oil revenues. When oil prices began to decline in the early 80s, however, the calculation the administration had made in incurring this debt was shown to have maximized risk. The result was a financial and economic crisis – inflation, capital flight, and a collapse of the value of the peso, which slid from 26 to 100 pesos to the dollar during López Portillo's administration.[61] In 1982, just before leaving office, López Portillo introduced foreign exchange controls and nationalized private banks as a measure to temper capital flight.[62]

López Portillo was succeeded by Miguel de la Madrid, who pursued a much more orthodox economic policy. This included a re-privatization of the banks, trade liberalization through a significant loosening of import licensing restrictions, and entrance into the GATT in 1986. The *Pacto de Solidaridad Económica* (PSE) of 1987 with business leaders included the marketization of exchange rates, wage indexation, price increases, and further trade liberalization.[63] De la Madrid also pursued further privatizations and harsh austerity measures in the public sector, including wage reductions and layoffs of public sector workers.[64]

De la Madrid's successor, Carlos Salinas de Gortari (1988–1994), continued the liberalizing course, including further privatizations and deregulation.[65] Another significant measure was a liberalization of Mexico's land reform sector. A new law allowed *ejidos* to be sold and rented and allowed for individual ownership.[66] Perhaps the most important economic policy of Salinas's *sexenio*, however, was of course the negotiation and ratification of NAFTA, which came into effect on January 1, 1994.[67]

Salinas also kept the peso at a tight peg to the dollar, resulting in substantial overvaluation and culminating in the peso crisis of 1994, accompanied by

[61] Meyer and Sherman, *The Course of Mexican History*, 678–84.
[62] Thacker, *Big Business, the State, and Free Trade*, 52.
[63] Thacker, *Big Business, the State, and Free Trade*, 53, 81–82, and 86.
[64] Meyer and Sherman, *The Course of Mexican History*, 687.
[65] Kleinberg, "Strategic Alliances," 75.
[66] Meyer and Sherman, *The Course of Mexican History*, 698.
[67] Staudt, "How NAFTA Has Changed Mexico," 43.

capital flight and foreign exchange depletion. Ernesto Zedillo (1994–2000), Salinas's successor, thus entered the presidency with a crisis on his hands. The unemployment and annual inflation rates reached 40 percent, GDP declined by 7 percent in 1995, and interest rates skyrocketed. The Zedillo administration thus let the exchange rate float, pursued more privatizations, and tried to lure in foreign investment with tax incentives. The result was some economic improvement – foreign investment, exports, and economic growth picked up, while inflation declined.[68] The Zedillo administration also saw the implementation, in 1997, of a new conditional cash transfer program called *Progresa*, which paralleled the installation of *Bolsa Escola* in Brazil.[69]

Zedillo was followed by Vicente Fox of the Partido Acción Nacional (PAN), the first time the PRI lost the presidential election since 1929, a critical juncture that marked the consolidation of the transition to democracy in Mexico. Fox inherited several years of decent growth in the second half of the Zedillo administration. However, his economic policy efforts mostly fell short. Fox struggled to work with a Congress dominated by the opposition, and Mexico suffered from the effects of the US recession in the early 2000s. Only in 2004 did GDP begin to grow again, and even then, at 4 percent, growth was well below Fox's targeted average rate of 7 percent. The Fox administration was also unable to expand tax revenues and continued to rely on oil sales to finance the budget. Thus, tax revenues were stuck at 11 percent of GDP, as opposed to 25 percent in Chile, for example. As far as NAFTA and international trade were concerned, Fox did inherit a marked increase in the importance of manufactured exports within the total export profile – by the turn of the millennium, they had finally surpassed oil exports in value. However, despite Fox's effort to strengthen industrial policy and consolidate it in a *Comisión Intersecretarial de Política Industrial*, linkages between multinational exporters and smaller local firms continued to be weak. The Fox administration did see a slight improvement in levels of inequality, as the bottom 80 percent of households increased its share of national income slightly, relative to the top 20 percent.[70]

The main policy focus of the administration of Felipe Calderón (2006–2012, also of PAN) was the so-called War on Drugs, which included the deployment of the military and a massive expansion of the Federal Police, from 6,500 to 37,000 officers.[71] In terms of economic policy, Calderón continued the long-term program of liberalization pursued by previous presidents since De la Madrid. This included further deregulation – Calderón boasted of having "eliminated 16,000 rules or regulations at the federal level" – and trade liberalization, for which he claimed, "the average tariff on manufacturing supplies

[68] Kleinberg, "Strategic Alliances," 80–83; Thacker, *Big Business, the State, and Free Trade*, 195.
[69] Parker and Todd, "Conditional Cash Transfers," 866.
[70] All the above facts and figures are taken from Pastor and Wise, "The Lost Sexenio," 143–55.
[71] Rodríguez, "Calderon Sees Security as Legacy."

reduced from 12% to 4%."[72] However, GDP growth continued to slow: It averaged only 2.2 percent over the course of Calderón's tenure. Some analysts also pointed to an absolute increase of 14 million in the number of people under Mexico's poverty line.[73]

Enrique Peña Nieto (2012–2018) signaled a return of the PRI to the national executive power in Mexico, under a system of fair elections. In terms of economic policy, continuity was the rule. Interest rates remained high, and GDP growth continued to be rather disappointing (less than 3 percent on average during Peña's *sexenio*). Tax collection increased slightly as a percentage of GDP, from about 11 percent to just under 14 percent toward the end of Peña's tenure. Industrial policy continued to be weak, however, compared not only to the industrial powerhouses of East Asia but also to other Latin American countries. Thus, for example, even though the Peña administration channeled more resources into Mexico's development bank, *Nacional Financiera*, by 2016 its portfolio represented still only 3 percent of GDP, compared to 15 percent for Brazil's BNDES. Peña's landmark piece of economic policy was an attempt at reform in the energy sector, in which the state-owned oil company, PEMEX, was opened up to greater levels of private investment. There is a strong argument to be made that the reform was a product of pragmatic, rather than ideological/neoliberal considerations. Between 2000 and 2013, PEMEX provided the Mexican national government with 40 percent of its total income. Yet the company was increasingly in financial disarray, unable to invest sufficiently in production. It was hoped that opening PEMEX to the private sector would allow for increased investment, although it does not seem that the company has seen the levels of investment that were promised.[74]

Rhetorically, Peña's successor, Andrés Manuel López Obrador (AMLO, 2018–2024), has consistently critiqued the liberal economic policies of his predecessors. In practice, however, AMLO's presidency has not constituted a radical break with the past. Several policy developments have been of note so far. Toward the beginning of his presidency, AMLO cancelled the construction of a new international airport in Mexico City, already partially underway, after an electoral "consultation" with low turnout and numerous irregularities. Under the banner of "republican austerity," (*austeridad republicana*), AMLO has undertaken austerity measures in certain parts of the public sector, notably by cutting the salaries of upper-level government officials including his own, which he reduced by 40 percent. He has focused significant attention on several landmark public works projects, including a new international airport project in the Mexico City metro area, a tourist railroad construction project in the southeast of the country (the so-called "tren maya"), and the construction

[72] "Looking Back on the Calderon Years."
[73] Huérfano, "El crecimiento económico con Felipe Calderón fue magro."
[74] The statistics above and the summary of Peña's tenure are from Bizberg, "El fracaso de la continuidad," 638–72.

of a new oil refinery. The latter in particular has been part of a broader project to revitalize PEMEX's productive capacities. Despite AMLO's ostensibly leftist orientation, his administration has been remarkably conservative in terms of public spending. Even in the area of social welfare, which has been an important part of AMLO's platform, $2.5 billion in allocated resources had gone unspent by the end of 2019.[75]

1.3.2.2 Peru

Peru transitioned to electoral democracy in 1980 from a military government that had pursued cautious neoliberal reforms. Led by Juan Morales Bermúdez, the regime had undone some of the policies of the preceding left-wing nationalist military government of Juan Velasco Alvarado, particularly by cutting social spending and subsidies.[76] The first elected government, led by Fernando Belaúnde (1980–1985), accelerated neoliberal reforms. His program included privatizations, trade liberalization, currency devaluation, and a program of investment in public works, particularly those linked to primary goods exports. The program met limited success, even by its own measures. Privatizations were limited, in part because of political reluctance and also due to lack of demand in the private sector. The administration did make significant advances in trade liberalization – lowering the average tariff rate from 46 to 32 percent and increasing the percentage of goods that entered duty free from 38 to 98 percent – although this had detrimental effects on domestic manufacturing. The public investment program did not meet its targets, nor did the administration's measures bring in the levels of foreign investment promised. Macroeconomic results were quite disappointing. Growth slowed in 1982–1983, with GDP contracting by 12 percent in 1983 and manufacturing by almost 17 percent, with a slight recovery in the next two years. Meanwhile, annual inflation increased from 60 percent to over 150 percent over the course of Belaúnde's administration, while gross fixed investment declined from 24 percent to less than 17 percent of GDP during the same period.[77]

Belaúnde was succeeded by Alan García of the center-left APRA party (1985–1990). García tried to formulate a social-democratic economic policy based on heterodox macroeconomic policy, industrial policy, political sensitivity to the interests of labor, and consultation with major industrialists (*concertación*). Specific policies included a cap of 10 percent on the debt service ratio, interest rate reduction, price controls, and deficit spending. For a variety of reasons, including hostility from creditors and international financial institutions, a drain in foreign exchange reserves, demand spikes in areas without price controls, and a decline in tax revenue, the program failed; Peru entered into a recession starting in 1988. In 1989, GDP shrunk by 10 percent, the

75 Bravo Regidor, Beck, and Iber, "El primer año del México de AMLO."

76 Silva, *Challenging Neoliberalism in Latin America*, 234–36.

77 Pastor and Wise, "Peruvian Economic Policy in the 1980s," 86–91.

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manufacturing sector contracted by almost 20 percent, and inflation surpassed 2700 percent.[78]

Alberto Fujimori (1990–2000) was elected on a promise to tackle this economic crisis in a gradual manner that considered the interests of the working class and the poor, in contrast to the "shock" of public sector layoffs, quick elimination of price controls, and privatizations offered by his opponent, writer Mario Vargas Llosa. Soon after taking office, however, he quickly embarked on a neoliberal agenda of removing subsidies, trade liberalization, privatizations, labor reforms, and financial deregulation. Soon after Fujimori removed price controls and subsidies in 1990, the price of gasoline skyrocketed by more than 3000 percent, and the price of bread by over 1500 percent.[79] Although the Fujimori presidency saw some economic growth, it was not translated into improving living standards, and indeed the poverty rate increased from 42 percent to 53 percent between 1993 and 2000. The Fujimori regime was able to maintain power despite these negative results with relatively little resistance from social movements because of the fight against the Sendero Luminoso and Tupac Amaru guerrilla insurgencies as well as a consolidation of authoritarian power backed by the military.[80]

A corruption scandal unveiled in 2000 resulted in massive protests against the Fujimori regime, and Fujimori was quickly forced to resign. After a brief transition government, he was succeeded by centrist Alejandro Toledo (2001–2006).[81] In political and rhetorical terms, Toledo's administration repudiated the Fujimori regime, most notably by establishing a "Truth Commission" to investigate crimes committed during the counterinsurgency of the 80s and 90s. In terms of economic policy, however, Toledo's administration largely "deepened" the neoliberal program of the Fujimori regime. Toledo tried to finance expanded social and public investment by conducting further privatizations and trying to attract foreign investment; however, tax collection remained remarkably low, at 13 percent of GDP. The administration promulgated a decentralization law that, while devolving some powers in areas like education and health, did not devolve tax powers. Finally, Perú under Toledo signed several free trade agreements, most notably with the United States. Riding a rise in demand for Peru's primary exports, the administration experienced increased growth, which surpassed 5 percent in 2004 and 6 percent in 2005.[82] This economic growth did not imply popularity for the government, which saw its approval rating drop dramatically below 10 percent.[83]

78 Pastor and Wise, "Peruvian Economic Policy in the 1980s," 96–104 and 90.
79 Stokes, "Democratic Accountability and Policy Change," 211–15.
80 Silva, *Challenging Neoliberalism in Latin America*, 240–45.
81 Silva, *Challenging Neoliberalism in Latin America*, 245–46.
82 Gonzales de Olarte, "La economía política peruana de la era neoliberal," 305 and 311–16; Contreras and Zuloaga, *Historia mínima de Perú*, 278–79.
83 Gonzales de Olarte, "La economía política peruana de la era neoliberal," 316.

Toledo's successor was Alan García (2006–2011), who returned to the presidency after his less than successful first stint in the late 1980s. García further continued the neoliberal model. He backed the free trade agreement with the United States. Somewhat parallel to Toledo's program, he implemented austerity measures with the expressed purpose of redirecting funds to social spending. He used tax exemptions, such as those on imported capital goods, to attract investment, particularly foreign investment in extractive industries. The government violently repressed protests against the implementation of neoliberal measures. Nevertheless, growth continued to be propped up by a favorable international environment.[84]

García's successor (2011–2016), Ollanta Humala, had run previously on an anti-neoliberal platform. In the 2011 elections, however, he presented himself as a candidate of the moderate center-left on the model of Lula in Brazil. There was little discontinuity with the neoliberal model during this presidency, as evidenced by his government's repression of protests against an enormous gold mining investment project in Cajamarca backed by transnational corporations and his backing of both negotiations for the Trans-Pacific Partnership (TPP) and the Pacific Alliance, a trade agreement with Mexico, Colombia, and Chile.[85] Meanwhile, demand for primary exports, particularly mining goods, decreased, and as a result per capita GDP growth slowed to less than 2 percent by 2015.[86]

The last several years have seen the quick succession of two presidents, Pedro Pablo Kuczynski and Martín Vizcarra. Pedro Pablo Kuczynski only lasted 20 months, having resigned when he was implicated in an extension of the massive Odebrecht scandal. Vizcarra's administration, meanwhile, has seen two major events. The first was Vizcarra's dissolution of Congress and call for new elections in late 2019, and the second the COVID-19 pandemic. In terms of the latter, although Vizcarra took quick action, the outbreak seems to be particularly severe, emphasizing the fact that Peru has made less progress in terms of social development and redistribution than it has in terms of macroeconomic indicators.[87]

1.3.2.3 Colombia

Colombia largely escaped the severe economic crises affecting many Latin American countries during the 1980s and 1990s.[88] Foreign investment did, however, decrease as a result of the worldwide recession of the early 1980s that hit Latin America particularly hard. Moreover, unemployment increased

[84] Gonzales de Olarte, "La economía política peruana," 316–18; Contreras and Zuloaga, *Historia mínima de Perú*, 280; Avilés and Rosas, "Low-Intensity Democracy," 168–69.

[85] Avilés and Rosas, "Low-Intensity Democracy," 170–74.

[86] "Choosing a New Broom."

[87] See "Peru's President Pedro Pablo the Brief"; "Dubious Dissolution"; Taj and Kurmanaev, "Virus Exposes Weak Links in Peru's Success Story."

[88] Holmes, Gutiérrez de Piñeres, and Curtin, *Guns, Drugs, and Development in Colombia*, 28.

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from 10 percent to 14 percent between 1982 and 1986. Monetary policy in the early 1980s, under the presidency of Belisario Betancur (1982–1986), was relatively restrictive, with increased imports eating up foreign reserves, increasing interest rates, and a shrinking monetary base. In terms of fiscal policy, an increase in top marginal income taxes and an expansion in the value-added tax, along with increases in the ability of the president's ability to manipulate the VAT, did not fully counteract a decrease in tax collection. However, spending continued apace, which increased the budget deficit but had positive counter-cyclical effects.[89]

In the late 80s, under the presidency of Virgilio Barco (1986–1990), the Colombian economy benefitted from increases in coffee and oil prices (two principal exports), which hastened an economic recovery. The unemployment rate decreased to 10 percent by the end of the decade. Monetary policy was expansive, as the monetary base increased. Tax collection increased 3 percent as a percentage of GDP as a result of tax reform, and the deficit shrunk with a less expansive fiscal policy. The minimum wage grew at a slower rate than GDP per capita, however, and its real level declined by 8 percent during the second half of the 80s. The inflation rate was generally high, surpassing 20 percent.[90]

By the inauguration of Liberal president César Gaviria (1990–1994), Colombia was on the brink of crisis – not so much because of economic problems, but because of security issues. Violence between the army, left-wing guerrillas, and drug cartels was becoming extreme, such that the country was practically in a state of civil war. Moreover, several important political figures, including Luis Carlos Galán, the original Liberal candidate for the 1990 election, had been assassinated (Galán by the Medellín cartel). The situation became ripe for some sort of political reform. This demand materialized when voters approved elections for a constituent assembly to form a new constitution. In addition to hot-button political issues like extradition – a ban on which was advocated by politicians paid by the cartels – the constituent assembly also dealt with numerous economic issues. Ultimately, Colombia's 1991 Constitution promoted land reform programs, guaranteed a right to work, established a mandate for full employment and an independent central bank, and established pension indexation as a right. In the meantime, continued focus on security issues allowed technocrats in the Gaviria administration to quietly undertake numerous economic reforms including fiscal decentralization, labor reforms, liberalization of trade, and privatizations. Several factors, however, including a deterioration in the electricity sector that caused power to be rationed to eight hours a day, substantially eroded Gaviria's popularity halfway through his term (although the new constitution had established non-reelection).[91]

[89] García Echeverría, *La economía colombiana y la economía mundial*, 207, 217, and 227–30.
[90] García Echeverría, *La economía colombiana y la economía mundial*, 236–37 and 239–43.
[91] Edwards and Steiner, "On the Crisis of Economic Reform," 464–74.

In the medium term, Gaviria's economic reforms, collectively known as the *Apertura*, resulted in significant economic problems, however. Financial liberalization, which also allowed cartels to bring their illegal earnings into the legal economy, resulted in a flood of capital into the economy. This both caused substantial inflation (21 percent in 1995) and resulted in the appreciation of the peso. These factors, combined with trade liberalization, hurt both import-substitution and export-oriented industries, such that the Colombian economy suffered over the course of the 1990s; by 2000, the unemployment rate was 20 percent, compared to 7.5 percent in 1994.[92]

The administrations of Ernesto Samper (1994–1998) and Andrés Pastrana (1998–2002) had to deal not only with the worsening economic situation but also with increasing violence. Right-wing paramilitary groups such as the *Autodefensas Unidas de Colombia* (AUD) were responsible for three quarters of extrajudicial killings between the late 90s and 2004, but left-wing guerrilla groups like the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) and the *Ejército de Liberación Nacional* (ELN) were also heavily involved, with the two of them responsible for a combined total of over 7,000 kidnappings during the 1990s. To add to this, Samper was accused in 1995 of having received $6 million in campaign contributions from the Cali cartel. The government developed a heavily militarized response to the violence that was funded in large part by the United States. Between 2000 and 2006, the United States sent over $5 billion in aid to Colombia through the so-called "Plan Colombia," while the country's military budget increased from 3.2 to 4.2 percent of GDP between 2000 and 2005.[93]

Meanwhile, the state had been unable to keep up fiscally to fund its increased social spending obligations under the new constitution. In 1999, concerned over the fiscal situation – although the central government debt was not necessarily high, it nearly doubled from roughly 15 to roughly 30 percent of GDP between 1998 and 2000 – the Pastrana administration enacted a series of fiscal reforms in collaboration with the IMF, which included both tax reform and adjustments to transfers to local governments. Additionally, efforts began to change the composition of the debt from either foreign currency-denominated debt or inflation-indexed debt to fixed-rate peso-denominated debt, which began to have effects beginning in the early 2000s.[94]

Pastrana was succeeded as president by Álvaro Uribe (2002–2010), who led a military crackdown on violence. Although it incorporated criminal elites linked to paramilitaries, and although it systematically violated human rights,

92 Holmes, Gutiérrez de Piñeres, and Curtin, *Guns, Drugs, and Development in Colombia*, 35 and 42–44.

93 Paul, Clarke, and Serena, *Mexico Is Not Colombia*, 2–3 and 6–8.

94 Vargas, González, and Lozano, "Macroeconomic Gains from Structural Fiscal Policy Adjustments," 40–41, 44, and 46; Edwards and Steiner, "On the Crisis of Economic Reform," 446–47.

the Uribe government did see a reduction in violence. Under the banner of "democratic security," it instituted a progressive "security tax" to finance an expansion in defense expenses and an increase in the size of the army, from 203,000 to 283,000. Homicides and kidnappings decreased significantly. Largely as a result of increased security, macroeconomic indicators improved. GDP growth averaged slightly over 4 percent between 2000 and 2011, the government debt decreased from 60 to just over 40 percent of GDP between 2002 and 2013, and foreign direct investment skyrocketed from $1.5 billion to $13 billion between 2003 and 2013. Uribe also succeeded in modifying the constitution to allow for his re-election.[95]

Uribe's successor, Juan Manuel Santos (2010–2018), broke with him in terms of security policy. Santos's most notable achievement was the development of a peace agreement with the FARC, which, rejected by voters in a referendum (although by a very small margin), was passed in the legislature in 2016. Economic results were mixed. The poverty rate decreased, and the rate of formal employment increased over the course of Santos's whole presidency, but GDP growth slowed to 1.8 percent in 2017 and the unemployment rate increased slightly from 9.1 percent to 9.4 percent during Santos's second term; both of these developments were likely in large part a result of a decrease in oil prices.[96]

Several structural trends in the Colombian economy since the 1990s are of note. First of all, some evidence suggests that the *apertura* since the 1990s has exacerbated a long-term characteristic of the Colombian economy: economic inequality between regions.[97] Moreover, economic inequality in the country overall remains stubbornly high; the ratio of the average income in the top 10 percent of the income distribution relative to that of the bottom 10 percent was 37:1 as of 2012, compared to 25:1 in Chile and Mexico and 9:1 on average in the OECD.[98] Finally, industrial policy remains weak; the Gaviria, Samper, Pastrana, and Uribe administrations all relied on different institutions to channel industrial policies, for example, with weak implementation and unclear results.[99]

1.3.3 Bolivia, Cuba, and Venezuela: Viable Alternatives?

We now turn to the most dramatic cases of at public political rejection of the neoliberal model. Bolivia, Cuba, and Venezuela have all been discussed as "alternatives" to neoliberalism, or to the penetration of the market in society in general. Do the three countries constitute *successful* alternatives?

[95] Robinson, "Colombia," 43–44 and 47–48.

[96] Taylor, "Will Duque Maintain Santos' Other Legacy in Colombia"; "Colombia's Peace Deal Has Taken Effect, But the Country Remains Divided."

[97] Franz, "Why 'Good Governance' Fails," 777–78.

[98] "Colombia: Policy Priorities for Inclusive Development," 3.

[99] Meléndez and Perry, "Industrial Policies in Colombia," 5–7.

1.3.3.1 Venezuela

It is unfortunately easy to answer this question with respect to Venezuela because the answer is a resounding no. In terms of industrial and fiscal policy, the Chávez and Maduro administrations – the carriers of the "Bolivarian" alternative to neoliberalism – were a disaster. In sharp contrast with Chile in the 2000s, for example, the Chávez administration undermined Venezuela's oil stabilization fund through various measures "and by 2008, had simply ceased putting money in it," electing instead to spend freely in the middle of the oil boom of the 2000s; fiscal spending was thus pro-cyclical, not counter-cyclical.[100] In terms of industrial policy, the Chávez government pursued what at face would seem a productivist import-substitution policy insofar as it involved nationalizations and an expansion of the state's role in the economy. In practice, it was not an import-substitution policy at all, because it did not substitute imports. Instead of channeling foreign exchange toward the import of capital goods for domestic production, the Chávez administration relied "on an avalanche of imports to combat inflation … and to alleviate consumer goods shortages."[101] Meanwhile, between 2003 and 2007, state-sector investment in both the oil and non-oil sectors actually declined, from 9 to 8 and 7 to 4 percent of GDP, respectively.[102]

Already in the late 2000s, Venezuela had begun to accrue enormous amounts of foreign debt, especially with Chinese banks. The government had also changed restrictions on the use of foreign exchange in order to channel a larger amount of it toward public spending. Already by 2011, debt servicing was equivalent to 20 percent of the value of exports, a figure that reached 55 percent in 2015. The import bonanza became untenable with these levels of foreign exchange depletion. Rather than restructuring the foreign debt, Maduro opted to cut imports, which fell from $66 billion in 2012 to barely $12 billion in 2017. This, on top of the mismanagement of the large state-owned sector that had grown from the numerous nationalizations of the 2000s, resulted in massive disruptions of productive chains as firms were unable to obtain the necessary raw materials and inputs for production. In the economic collapse that followed, Venezuela has seen drastic shortages of goods, including of food and medicines.[103]

1.3.3.2 Bolivia

Needless to say, Bolivia benefitted immensely from the commodity boom of the 2000s; its top three exports for the past several decades have usually been some combination of minerals like zinc ore and gold, agro-exports like

[100] Corrales, "The Repeating Revolution," 35.
[101] Corrales, "The Repeating Revolution," 43.
[102] Corrales, "The Repeating Revolution," 41–43.
[103] See Vera, "¿Cómo explicar la catástrofre económica venezolana?," 85–90.

soybeans, and hydrocarbons like crude petroleum and petroleum gas.[104] The boom, combined with the re-nationalization of natural resources, allowed the government of Evo Morales (2006–2019) to considerably expand social expenditures. This included conditional cash transfers, a universal pension of $300 a year to the elderly, and a tripling of the value of the minimum wage; between 2005 and 2013, the poverty rate decreased from 60 percent to 39 percent. At the same time, GDP growth, which had averaged about 5 percent between 2006 and 2014, fell only slightly to 4 percent in 2015 and slightly more thereafter.[105]

There are several possible reasons for this relative continuity in growth. First of all, while Argentina, Brazil, Chile, Colombia, Cuba, Venezuela, and Peru all saw absolute declines in their export values (of very varied degrees, especially with Venezuela) between 2010 and 2015, Bolivia's actually continued to grow during that period, from about $7 billion to $9 billion.[106] Additionally, Bolivia seems to have counteracted the slowdown in export *growth* with counter-cyclical fiscal policies, and the use of the foreign currency reserves accumulated during the boom. Thus, while in 2006 there was a fiscal surplus of 4.5 percent of GDP, this had turned into a deficit of 7 percent in 2017; foreign exchange reserves, which had increased from 12 to 52 percent of GDP between 2003 and 2012, had declined to 27.5 percent by 2017.[107]

Bolivia seems to have performed less impressively in terms of industrial policy and has not really reduced the problem of the reliance on commodity exports. As in Venezuela, the commodity boom years actually saw a decline in investment in certain key sectors. Total investment in the hydrocarbons sector decreased from $344 billion in 2002 to just short of $200 billion in 2006. This figure picked up to $211 billion in 2007; extractive industries increased their share of total public investment from 1.18 percent in 2006 to 5.5 percent in 2009. Yet this may have come at the expense of public investment in the non-extractive productive sector, which saw its share of total public investment decline from 15.06 percent in 2007 to 11.8 percent in 2009; infrastructure spending seems to have taken the lion's share of public investment during this period.[108] Manufacturing does not seem to have been the driver behind overall growth. Thus, between 2008 and 2011, while GDP grew at an average rate of 4.6 percent per year, the manufacturing sector only grew at an average rate of 3.6 percent. Meanwhile, average growth in the utilities sector was almost 7 percent, in construction it was 9.1 percent, and in commerce and hospitality it was 7.4 percent.[109]

[104] OEC data.
[105] Postero, *The Indigenous State*, 97–99.
[106] OEC data.
[107] Kehoe, Machicado, and Peres-Cajías, "The Monetary and Fiscal History of Bolivia," 20–21.
[108] Molero Simarro and José Paz Antolín, "Development Strategy of the MAS in Bolivia," 545–46.
[109] Webber, "Evo Morales and the Political Economy of Passive Revolution," 1868.

1.3.3.3 Cuba

Cuba faced tremendous difficulties over the past 30 years: the collapse of its principal economic partner, the continued US embargo, and the persistent attachment to some of the least productive aspects of socialist economic policy. Yet, the transformations Cuba has undergone somewhat resemble those in other Latin American countries, insofar as the country has seen an increased penetration of the market in the allocation of economic resources.

By 1989, Cuba had clearly failed to address two of its chronic economic problems: the reliance on both a narrow set of agricultural exports (principally sugar), and on a narrow set of export markets. That year, sugar constituted 80 percent of Cuba's exports by value and 80 percent of the country's trade was conducted with the socialist bloc. Not surprisingly, the next few years, when the latter countries and especially the Soviet Union collapsed, were disastrous for Cuba. The purchasing power of Cuba's exports decreased by 72 percent, while imports of crucial inputs declined even more dramatically. Imports of machinery and transport equipment declined at a rate of 44 percent *per year* between 1989 and 1993, while the figure for fuels was 28 percent.[110] The effects of this collapse in imports of crucial inputs on Cuba's productive capacity were intense; between 1990 and 1993, the country's GDP decreased by 35 percent.[111]

Cuba had to react to this collapse in its international economic fortunes by substantially reorienting its foreign exchange-earning activities. In addition to allowing Cubans to receive remittances and hold foreign currency and permitting increased opportunities for self- and non-state employment,[112] export opportunities had to be found in other sectors. In the medium term, these shifts in economic policy did begin to show results. Cuba's export profile diversified away from sugar: Mineral exports (especially nickel) increased from 7.5 percent to over 30 percent of total exports between 1990 and 2009, while pharmaceutical products increased from 1.6 percent to 18 percent; meanwhile, sugar's presence in Cuba's export profile decreased precipitously during the period, from 80 percent to 7.5 percent.[113]

Indeed, between 2000 and 2015, the composition of Cuba's top three exports varied, but usually included semi-processed primary exports like nickel mattes, rolled tobacco, and raw sugar as well as, in certain years, packaged medicaments and refined petroleum.[114] It is also important to note that while between 1995 and 2010 many Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Peru, and Venezuela) experienced significant increases in the value share of their top three exports in their total export profiles as a result of the commodity boom, in Cuba this value actually decreased significantly,

110 CEPAL, *La economía cubana*, 200–201; Enríquez, *Reactions to the Market*, 126–28.
111 Enríquez, *Reactions to the Market*, 126.
112 Enríquez, *Reactions to the Market*, 140; Chomsky, *A History of the Cuban Revolution*, 129.
113 Quiñones Chang, "Cuba's Insertion in the International Economy," 104.
114 OEC data.

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and during this whole period the *monetary* value of Cuba's exports remained quite low.[115]

Tourism has been as important as exports in providing Cuba with foreign exchange since the Special Period.[116] Perhaps even more important than this simple increase in foreign exchange earnings has been the development of "domestic chains of production" related to the tourism sector, since Cuban production was supplying only 12 percent of the tourist industry's inputs during the beginning of the Special Period. As Cuban economist Miguel Alejandro Figueras explained in 2013, "success in this regard was significant and rapid, with national suppliers meeting up to 68 percent of the needs of the industry by the early 2000s and remaining at roughly that level today."[117] This process involved a wide variety of investments and technology upgrades in different sectors of Cuban production.[118]

At the same time, Cuban fiscal policy has exhibited counter-cyclical tendencies. Thus, between 1990 and 1993, when the GDP consistently shrunk – by a maximum of 15 percent in 1993 – the public deficit as percent of GDP increased from 9.4 percent to 30.4 percent; in 1994–1996, growth resumed, peaking at over 10 percent in 1996, and the deficit was reduced to 2.2 percent of GDP by that year.[119]

Economic policy since the Special Period has also seen substantial transformations in agrarian land tenure that in concert can be considered a species of land reform. Over the course of the nineties, most of agricultural production shifted to the non-state sector. This included the concession of small *parcelas* of land for individual cultivation as well as the organization of various kinds of cooperatives. The transformation of state farms into cooperatives took place quite rapidly; while the non-state sector accounted for about 18.5 percent of total agricultural production in 1990/1991, this figure had increased to 95 percent by 1993/1994.[120] The reduction of the state sector was accompanied by the legalization, in 1994, of farmers' markets.[121] Cuba's land reform had more impact on domestic food production than on agricultural exports. Production of root crops, for example, a staple in the Caribbean diet, had decreased from about 700,000 tons in 1989 to less than 485,000 tons in 1994; however, by 1999 root crop production had surpassed a million tons and by 2004 it had almost reached 2 million.[122]

[115] Data obtained by dividing OEC data for total export value by population data obtained from the World Bank's World Development Indicators. Note that figures are in current, not real dollars.

[116] OEC data; Figueras, "The Evolution of International Tourism in Cuba," 241–42.

[117] Figueras, "The Evolution of International Tourism in Cuba," 244.

[118] Figueras, "The Evolution of International Tourism in Cuba," 244–46.

[119] U-Echevarría Vallejo, "The Evolution of Cuba's Macroeconomy," 71 and 76.

[120] Enríquez, *Reactions to the Market*, 129–32.

[121] Enríquez, *Reactions to the Market*, 133–34.

[122] Enríquez, *Reactions to the Market*, 140–41.

Finally, the Cuban state seems to have persisted with social provision as much as it could through the Special Period. The most difficult years at the beginning of the 1990s saw the return of nutritional deficiencies as a serious health problem due to food scarcity, while secondary school enrollment decreased from over 90 percent to barely 75 percent between 1989 and 1994.[123] On the other hand, guaranteed social services still distinguished Cuba from the rest of Latin America in that over the course of the 1990s, in the midst of the crisis, physician density continued to increase, and infant mortality continued to decrease.[124]

1.3.4 Spain and Portugal

Latin America is often considered one of the developing regions whose countries most ardently embraced neoliberal policies. Already we have seen how such a view hides substantial heterogeneity. But what about the old metropoles, Spain and Portugal?

In measuring whether Spain constitutes a neoliberal success story, we can examine the evolution of two main indicators – GDP per capita (and particularly convergence of this indicator with the Western European, or EU-15 average) and unemployment. A comparison with the case of Portugal is particularly fruitful.

Starting from a low point of less than 50 percent in the 1940s, Spanish GDP per capita began to converge with the EU-15 average in the 1950s, reaching about 80 percent of that average by the time of Franco's death in 1975.[125] Between 1975 and 2000, Spain actually lost some of this convergence before regaining it at the end of the 1990s. Sociologist Robert M. Fishman suggests that the figure has remained flat during the 2000s, at around 75–80 percent.[126]

Spain's unemployment rate since the transition has not been any more promising. Indeed, high unemployment in Spain is not simply a novel result of the 2008 recession; it has been a chronic problem since the 1970s. Even in the late 1990s, for example, Spain's unemployment rate was around 14 percent.[127] The "neoliberal" explanation of this phenomenon is that excessive labor protections for certain workers in the Spanish labor market have encouraged employers to rely on temporary contracts. *The Economist* explains it this way: "High unemployment also reflects a long-standing feature of southern labour markets: a relatively large share of workers cycle in and out of temporary jobs. Cushy contracts for permanent workers, with high severance pay and lengthy

[123] Farber, *Cuba since the Revolution of 1959*, 73 and 77.
[124] Farber, *Cuba since the Revolution of 1959*, 73–74.
[125] Alcaide Inchausti, *Evolución económica de las regiones*, 70. The EU-15 consists of all countries in the EU before 2004. www.fbbva.es/en/publicaciones/evolucion-economica-de-las-regiones-y-provincias-espanolas-en-el-siglo-xx-2/.
[126] Fishman, "Anomalies of Spain's Economy and Economic Policy-Making," 68n1.
[127] Fishman, "Anomalies of Spain's Economy and Economic Policy-Making," 68.

appeals procedures, make it costly for bosses to sack them. Instead they hire lots of temporary staff, and respond to downturns by cutting their wages or not renewing their contracts. Collective-bargaining agreements for permanent staff can be inflexible – in Portugal, for example, they cannot include wage cuts, making it hard to cope with downturns."[128]

A common argument among orthodox economists has been that Spain's failure to generate an employment-generating model of growth in the post-Franco period has been a result of labor market "rigidities." In fact, during the late 90s and 2000s the rate of temporary contracts in Spain, at over 30 percent, was the highest in the European Union.[129] Indeed, a comparison with neighboring Portugal undermines conventional explanations of Spain's chronic economic problems. In 1995, the rates of independent and part-time employment were about the same in the two countries, while Portugal's labor force participation rate, at 67 percent, was significantly higher than Spain's, at 58 percent. Both countries had similar levels of deficit spending; government debt was 60 percent of GDP in Spain and 68 percent in Portugal. Collective-bargaining practices were largely similar in the two countries. The countries also had similar levels of labor protections; an OECD survey actually ranked Portugal as the country with the strictest labor protections at the time. Blanchard and Jimeno suggest that the difference in unemployment rate between the two countries may have been due to differences in the structure of unemployment benefits; in Spain, benefits were contingent on a less strict period of previous employment. Even then, however, the authors were quite cautious about this finding.[130]

The unemployment gap seems to have been about more than just differences in the structure of unemployment benefits, however. Moreover, there seems to have been fundamental differences in economic policy in Portugal and Spain since their transitions to democracy that are reflected in more than just unemployment rates. Fishman characterizes the "Iberian Employment Paradox" as part of a broader substantive difference in economic policy between the two countries related to the nature of their democratic transitions.

The data suggest that Portugal began to overtake Spain in the 1990s in terms of a variety of indicators – generation of permanent employment; growth in labor productivity; growth in capital formation, investment and availability of credit among small manufacturing firms; and convergence with average European levels of consumption (although Spain still remained ahead due to its initial advantage). Fishman argues that the pattern of divergence between the two Iberian countries is largely a product of their transitions to democracy; in particular, he argues that in Spain the center-left PSOE has been more timid and the center-right PP more conservative than their Portuguese counterparts.

128 "Work in Progress."

129 De Arriba, "Crisis Política, Económica y Desigualdad En España," 72.

130 Blanchard and Jimeno, "Structural Unemployment: Spain versus Portugal."

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The timidity of the PSOE in Spain with respect to economic policy was most evident in the government of Felipe González, which lasted from 1982 to 1996. In 1984, the González government initiated a "Law of Reconversion and Reindustrialization," which aimed at promoting industrial restructuring and involved the layoffs of more than 80,000 workers. It also promulgated several labor market reforms that made it easier to fire workers and expanded the use of temporary labor contracts. The government's consistently neoliberal economic policies resulted in tensions with the labor movement. A general strike in 1988 led the government to pursue an expansionary fiscal policy, increase public works investment, and improve the welfare system (including, especially, the national healthcare system, which became a European model); monetary policy remained conservative, however. As the latter began to be limited by EEC membership and foreign investment began to decline, the country began to face a recession in the early 1990s.[131]

Unemployment decreased in Spain during a period of significant growth during the 2000s. During this same period, Spain's growth also overtook Portugal's.[132] However, Spanish growth was based on a construction bubble that burst with the world recession of 2008. Ever since, the pattern of the 1990s seems to have returned. The PSOE government of José Luis Rodríguez Zapatero (2004–2011) and the PP government of Mariano Rajoy (2011–2018), both pursued austerity programs in response to the economic crisis of 2008. After a brief fiscal stimulus of about 1 percent of GDP in 2008, the PSOE government promised to cut the budget deficit, raised the value-added tax, reduced public employee salaries and froze their pensions, passed a labor reform making layoffs easier and reducing the layoff compensation package, and reduced the generosity of social security pensions. The *Partido Popular* continued the austerity program with further belt-tightening for public employees, €10 billion budget cuts in health and education, further labor reforms, and reductions in unemployment benefits. Austerity measures worsened the recession, and, contrary to their intention, resulted in an increase in the public debt and the budget deficit.[133] In turn, the new PSOE-Podemos government has pursued more progressive economic policies but came to power relatively recently and has had to face the explosive issue of Catalan independentism.[134]

In contrast, as Fishman points out, Portugal's Carnation Revolution bred a stronger left and a less conservative center-right than did Spain's transition to democracy. In Portugal, the center-right has generally shared the commitment to the state's role in industrial policy, including continued state ownership of the *Caixa,* Portugal's largest bank.[135] Since 2015, Portugal has been governed

[131] Kennedy, *The Spanish Socialist Party*, 57–59, 62–66, 67–71, and 75–79.
[132] Fishman, "Rethinking the Iberian Transformations," 283 and 286.
[133] De Arriba, "Crisis Política, Económica y Desigualdad En España," 73–76.
[134] Ubasart-González and Martí i Puig, "España: ¿un nuevo ciclo político?"
[135] Fishman, "Rethinking the Iberian Transformations," 289 and 293.

by the center-left Socialist Party, with support from the Communist Party and other parties of the left. The new government has stood out for reversing austerity policies – it increased the minimum wage, public sector salaries, and pensions. In addition to these measures, it has also used a combination of industrial policy measures, including "development subsidies, tax credits and funding for small and midsize companies," to stimulate manufacturing exports in sectors like paper and aerospace.[136] Critics point out that the combination of the government's turn away from austerity policies and more aggressive industrial policy with its continued commitment to tame the deficit has come at the cost of public spending in other areas such as housing, infrastructure, and other public services.[137] Nevertheless, the contrast with Spain is still evident.

1.4 A NOTE ON COVID

Latin America has not fared particularly well during the COVID-19 pandemic. As of December 2021, the region had reported the highest rate of COVID-19 deaths per 1,000 inhabitants of any in the world – at a rate of 2.34, surpassing the next-highest regions of Europe (2.34) and North America (2.16). That Latin American death rates were higher than other parts of the developing world might have something to do with better reporting – indeed, Africa's rate of 0.16 COVID deaths per 1,000 inhabitants is very likely a vast underestimate. Paradoxically, then, the region's high rate may actually reflected comparably higher levels of state capacity. Nevertheless, that Latin America's death rate has been higher than Europe's and North America's, where underreporting of deaths should be comparably lower, reflects how severe the pandemic has hit the region (Table 1.1).

Despite the generally poor performance of the Latin American region in the pandemic, conditions varied significantly between countries. To what extent have these variations had to do with the trajectories of neoliberalism discussed so far? The two tables below describe pandemic performance in the nine Latin American countries we have analyzed so far along two axes – health and socioeconomic conditions (Table 1.2).

The first details performance on two standard measures of public health during the COVID pandemic, as of January 2022: the COVID death rate (generally considered a better indicator than case rate due to lower levels of underreporting) and the percentage of the population fully vaccinated. Several patterns are of note. First of all, Venezuela's particularly low reported rate death rate is likely a product of underreporting in the context of a country in general economic, social, and political crisis; indeed, such a low death rate (less than 19 per 100,000, by far the lowest of all nine countries) does not line up

[136] Alderman, "Portugal Dared to Cast Aside Austerity."

[137] Correia, "The Dark Side of Portugal's Economic Success Story"; Bugge and Goncalves, "Portugal's Economy."

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TABLE 1.1 *COVID-19 deaths per 1,000 inhabitants, December 2021*

Latin America and the Caribbean	2.34
Europe	1.89
Asia	0.26
North America (the United States and Canada)	2.16
Africa	0.16
Oceania	0.1

Note: Social Panorama of Latin America, 2021, 18.

TABLE 1.2 *Health measures – deaths and vaccinations*

Country	Deaths per 100,000 (Jan 2022)	% Fully vaccinated (Jan 2022)
Argentina	263.51	75.37
Bolivia	176.24	43.29
Brazil	294.62	69.91
Chile	208.04	88.57
Colombia	260.77	59.46
Cuba	73.63	86.22
Mexico	236.31	59.42
Peru	626.4	68.69
Venezuela	18.88	40.71

Note: Sullivan and Meyer, "Latin America and the Caribbean: Impact of COVID-19."

with the country's particularly low vaccination rate of 41 percent (the lowest of all nine countries). Bolivia's death rate may also be relatively underreported; despite having the second-lowest vaccination rate of all nine countries, it also reports the third-lowest death rate.

Two countries stand out as relatively good performers on COVID health measures: Chile and Cuba. Both had achieved vaccination rates of more than 85 percent by January 2022 – higher than the United States and most developed countries. Cuba had a particularly low death rate of 73.63, the lowest excluding the likely unreliable data for Venezuela. Cuba's particular advantage may have had to do with its status as an island nation – indeed, the Dominican Republic also saw a particularly low death rate, as did many other island nations during the pandemic, and the lowest rates in the United States were seen in island states and territories like Hawaii, Puerto Rico, and the Virgin Islands.[138] Chile's rate, although significantly higher than Cuba's at 208, was lower than those of Argentina, Brazil, Colombia, Mexico, and Peru. That these two countries performed relatively well in the pandemic would concord with our analysis. They

[138] See "Coronavirus in the U.S.," accessed April 25, 2022.

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TABLE 1.3 *Pandemic effects on various socioeconomic measures, as of 2020*

	% Change per capita income	% Change Gini	% Change poverty	% Change in CT coverage
Argentina	−12.7	0	7.1	8
Bolivia	0.6	4.4	1.4	27
Brazil	−5.3	−3.5	−1.8	–
Chile	−1.3	4.6	3.5	27
Colombia	−13.4	4.3	8.1	2
Mexico	−5.3	−2.6	1.9	0
Peru	−20.9	8.2	13	33

Note: Data for % changes in per capita income, Gini index, and poverty rate are from *Social Panorama of Latin America, 2021*, 79. Pandemic figures are from 2020; prepandemic figures are for 2019 for all countries except Chile and Mexico, for which they are for 2017 and 2018, respectively. Data for % change in CT coverage are from Stampini et al., "Adaptive, but Not by Design," 10 and 16. Prepandemic data for CT expansion are for the years 2017–2019, while pandemic data are from 2020.

are Latin American states with particularly high state capacity, and, as we have seen, amid the turn to economic liberalization in the previous several decades, they have both maintained or strengthened systems of social protection.

Argentina has been somewhat behind Chile and Cuba in its pandemic health performance. As of January 2022, its vaccination was the third highest among the nine countries, but it had seen a relatively higher rate of deaths. Brazil, Colombia, and Mexico were all middling performers, with vaccination rates of around 60–70 percent and death rates well over 200. Peru had a decent vaccination rate of around 70 percent. Its death rate was astronomical – over 600 – but this may have had to do with a difference in the way it counted COVID deaths.[139] Bolivia and Venezuela had by far the lowest vaccination rates, and their death rates, although comparatively low, may be less reliable.

The second table below compares data on pandemic performance, as of 2020, in various socioeconomic measures for those countries for which it is available – all of them except Cuba and Venezuela. The pandemic had significant economic effects on the region as a whole; two thirds of households experienced a decline income, while 16 percent of workers lost employment. In general, Latin American governments responded to these and other economic effects by expanding existing cash transfer (CT) programs; while 22 percent of the region's households received such transfers before the pandemic, during the pandemic this increased to almost half of households (Table 1.3).[140]

[139] "Peru revised its official COVID-19 death toll in May 2021 to account for excess deaths attributed to COVID-19 not previously counted, which tripled the country's reported death toll" – Sullivan and Meyer, "Latin America and the Caribbean."

[140] Jaramillo, "Social Protection and COVID-19 in Latin America."

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Examining the second table above, however, trends are somewhat less clear. In an environment where the pandemic largely caused decreases in employment and income, we should expect increases in cash transfers to prevent increases in inequality or poverty. The table above suggests this is not necessarily the case, however. Peru seems to have performed particularly poorly in economic terms during the pandemic, just as it did in health terms: It experienced the greatest decrease in per capita income (21 percent). It also, however, experienced the largest expansion in cash transfer coverage among households, which grew by 33 percentage points over the pandemic. However, this did not prevent Peru from also experiencing by far the greatest increase in its Gini index and poverty rate – an alarming 8.2 and 13 percent, respectively.

Brazil seems to have performed the *best* of all seven countries in the table in purely economic terms – the only place where both inequality and poverty actually have *decreased* during the pandemic. Comparable data on the precise percentage increase of households receiving cash transfers were not available; however, the country did see a significant expansion in such programs. After the pandemic began, the Brazilian government announced "emergency aid" payments of $112 dollars a month to a third of the country's population, with the combined costs of cash transfer and job-retention programs increasing to 8 percent of GDP.[141] What is particularly surprising is that these developments occurred under the presidency of the right-wing populist Jair Bolsonaro.

Along with Brazil, Mexico seems to have done relatively well; although per capita income decreased by more than 5 percent in 2020, the Gini index decreased, and poverty increased only slightly. Yet the percentage of households receiving cash transfers did not budge at all. This may be a product of most people continuing to work as usual rather than staying at home – indeed, Mexico has not done particularly well in terms of pandemic deaths – or an expansion of benefits to families who already received transfers.

Besides particularly disastrous effects in Peru and surprisingly positive ones in Brazil and to some extent Mexico, socioeconomic effects of the pandemic seem to have been not catastrophic but still bad in the remaining countries. In Argentina, for example, inequality remained steady, but poverty increased by 7 percent. In Bolivia, poverty increased by 1.4 percent, but the Gini index grew by 4 percent. Colombia and Chile also saw increases in their Gini index of more than 4 percent; in Chile, poverty grew by 3.5 points and in Colombia by an alarming eight.

Looking at the effects of the pandemic on the Latin American countries we have studied, then, several general points are worth emphasizing. First of all, performance on *health* measures during the pandemic – COVID death rate and vaccination rate – is not necessarily correlated with performance on socioeconomic measures. Most notably, Brazil experienced decreases in inequality and poverty, despite performing relatively poorly in terms of death rate.

[141] "Just Keep Us Alive."

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Conversely, Chile has done relatively well in having a comparably low death rate and a very high vaccination rate, but its performance in terms of inequality and poverty was worse than Brazil's.

Overall, however, a general pattern of correlation can be drawn between pandemic performance and the trajectories under neoliberalism that we have discussed so far. The two countries that have performed relatively poorly on both the health and socioeconomic axes during the pandemic – Colombia and Peru – also had very uneven trajectories during the period of neoliberalism. They did not see the expansions in social provision that other Latin American countries saw in the 1990s and 2000s. Conversely, the three countries that stand out as better performers – Cuba and Chile because of their health performance, and Brazil because of its ability to decrease poverty and inequality during pandemic – can have this better performance traced to their trajectories under neoliberalism. As we have emphasized, Chile and Cuba stood out in the 1990s and 2000s in their ability to maintain or expand social provision. Meanwhile, Brazil was one of the first countries to implement cash transfer programs and was one of the most generous in doing so (see the chapter by Souza Leão in this volume).

1.5 DIMENSIONS OF STATE STRENGTH AND PLAN OF THE BOOK

The present book studies state and nation building in Latin America and Spain during the time of ascendance and consolidation of neoliberal political ideology. This period of analysis, commonly designated as *the neoliberal era*, begins around 1975, and it was connected from the start with Latin America, a region that has been described as the "birthplace" of neoliberalism. More specifically, the foundational moment of neoliberalism as a comprehensive government program happened in Chile, during the dictatorship of Pinochet, as discussed by Silva in his chapter for this volume. Several of the case studies in the book include, furthermore, the analysis and discussion of political movements that tried to confront neoliberalism and reverse neoliberal public policy reforms. Such a reversal happened in many cases – with varying levels of success – after movements opposing neoliberalism reached government positions. As shown in the table of contents, the parts of the book are organized according to their focus on four different dimensions or categories of state capacity: economic, territorial, infrastructural, and symbolic. In the present section, we explain the organization of the book, as well as its conceptual framework.

Since the first book in our three-volume collection on state and nation building in Latin America and Spain, we have employed the same four categories or dimensions of state strength as analytical tools.[142] The first dimension of state

[142] Previous volumes are Centeno and Ferraro (eds.), *State and Nation Making in Latin America and Spain. Republics of the Possible*; and Ferraro and Centeno (eds.), *State and Nation Making in Latin America and Spain. The Rise and Fall of the Developmental State*.

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capacity we call territorial power, and it involves the classic Weberian notion of monopoly over the means of violence. Note that we explicitly do not specify the legitimate use of violence as we wish to distinguish between a simple capacity to coerce from the much more complex notion of justifying and making acceptable such coercion. Mann called this category of power despotic, and it represents the influence that state elites are able to exert over the population of a certain territory, without having to enter into routine negotiations with non-state actors.[143] The concept of despotic power captures the conventional perception of power as the actual capacity to issue and impose commands. This form of state strength is the simplest to wield, as it merely requires the acquisition and utilization of enough coercive force to impose control on a certain region. It is the state as military and disciplinary institution, and it takes place on two fronts: first, in relation to other states defining sovereignty and, second, against internal or domestic rival claimants and subjugated groups. As we will further explain below, the majority of states analyzed in this book maintained a relatively high level of capacity with regard to territorial power, during the period under discussion; however, the control of the national geography was far from completely assured in all cases, and serious deficiencies of territorial power had sometimes catastrophic consequences.

We define the second category of state capacity as economic power, and this involves diverse connected processes. First, economic power is about the state promoting the general prosperity of a society. Prior to the Keynesian revolution, states mostly contributed to prosperity in the course of the unification of an economic space through the creation of a national market. Of greater relevance for our cases, states may also increase prosperity by creating the physical and legal infrastructure supporting the insertion of their domestic economy into a global system of exchange. A second aspect of economic power involves the control over and appropriation of resources through the establishment of an efficient tax system, which includes the training and recruitment of professional tax bureaucracies, able to work in public agencies protected from political interference. The third and perhaps most extensive aspect of economic power concerns the formulation and implementation of long-term economic policies. After the neoliberal turn, some countries in the region adopted policies that stressed the necessity and desirability of transferring economic power and control from governments to private markets. Somewhat paradoxically, however, this transformation required the extensive use of state intervention. Three national cases, discussed in the first part of the book, were emblematic in this respect. Chile, Mexico, and Spain had to concentrate and strengthen their economic state capacity in a substantial manner, in order to be able to impose and maintain long-term neoliberal public policy programs. This required many kinds of political transformations, struggles, and reorganizations, discussed

[143] Mann, *The Sources of Social Power*.

in single national case studies by Silva, Knight, and Döpking in the present volume. Some of such transformations resulted in new forms of state organizations and state structures. As we will discuss in the conclusions of the book, Mexico was not coincidentally the first country in the world where a "neoliberal state" was described by social science.

The essays in the first part of the book focus on territorial and economic power, two categories of state strength that are intrinsically related. In order to implement the economic and institutional transformations required by long-term neoliberal government programs, three of the national cases considered in this part of the book, Chile, Mexico, and Spain, had to confront diverse kind of protest movements, reaching into massive civil disobedience, armed insurrection, or attempted secession by regional separatist groups, depending on the case. Chile, Mexico, and Spain were able to confront and either defeat or neutralize such protest or insurrection movements, securing the control of their national territories without severe operational difficulties – although certainly suffering a negative impact on their democratic legitimacy. However, the national case discussed by Yashar in the last chapter of this part of the book, Chapter 5 on Guatemala, shows the possibility, and the pitfalls, of a massive deficiency of territorial power during the neoliberal era. The author considers also two neighboring countries affected by the same category of state failure, and with similar destructive consequences for the population: El Salvador and Honduras. Although these three Central American countries represented outliers in certain respects, it is important to observe that deficiencies in territorial power remain generally endemic in Latin America to this day, as was described by O'Donnell with the concept of "brown areas," which remains a widely accepted characterization of the phenomenon.[144]

The third category of state strength corresponds to the notion of infrastructural power. Originally defined by Mann, infrastructural power refers to the capacity of the state to coordinate society by means of the diffusion of law and administration in many areas of social life that had remained outside the scope of state concern before the vast expansion of its capacity during the second half of the nineteenth century.[145] Infrastructural power involves organizational and technical skills to collect and process information, build organizational structures, and maintain communication and interaction networks. Infrastructural power is a key category among the dimensions of state capacity because it is what makes modern states exceptionally strong.[146]

The expansion and diversification of bureaucratic organizations increases the penetration of the state in terms of infrastructural power. However, according to Mann, such an increase in infrastructural power does not imply, as Weber mistakenly assumed, a more vertical concentration of power in a

[144] O'Donnell, "Why the Rule of Law Matters."
[145] Mann, *The Sources of Social Power*.
[146] Mann, *The Sources of Social Power*, 60 and 66.

central authority. Infrastructural capacity does not involve centralization of power; rather, the contrary is the case. First of all, modern state administration "almost never forms a single, bureaucratic whole."[147] The infrastructure of the modern state is formed by an array of bureaucratic organizations variously linked to power networks in civil society. Secondly, the expansion of infrastructural penetration predictably goes both ways: As a result of the embeddedness of relatively autonomous bureaucratic organizations, civil society's capacity to bring influence to bear on the state also increases. The expansion of infrastructural power occurs simultaneously with the widespread politicization of civil society.[148]

The second part of the book focuses on infrastructural power, and it examines the advances and failures of this form of state capacity under neoliberal and postneoliberal administrations, in diverse national cases. Camacho and Dargent, in Chapter 6 of the volume, discuss the implementation of neoliberal higher education reforms in Peru and Chile. The concentration of economic and political power was characteristic of neoliberal administrations, under both dictatorial and democratic regimes in Latin America and Spain, and the initial implementation of neoliberal reforms was characteristically fast and comprehensive in many public policy areas. In Chile and Peru, the privatization of higher education was imposed without hesitation at the beginning of the neoliberal turn – much earlier in the case of Chile, where a murderous dictatorship made any opposition to neoliberal reforms dangerous. However, the subsequent management of the reforms depended on the infrastructural capacity that each state was able and willing to develop, both in terms of the creation of bureaucratic structures, as also in terms of engagement with civil society groups affected by the reforms. Camacho and Dargent show that, against the usual expectations of the literature, it was Peru – a country ranked low for state capacity in comparative studies – that succeeded in creating a regulatory framework that contributed to the steady improvement of the quality of higher education. Most crucially, a professional and independent regulatory agency was created, in order to take charge of this public policy framework. The agency was protected from political interference due to its strong relative autonomy, and its increasing legitimacy among citizens. In Chile, meanwhile, widespread disappointment with the low quality and bad results of private higher education was one of the main factors in the development of a vast protest movement against neoliberal policies, which resulted in a general crisis of legitimacy of the democratic system consolidated after the transition – more on this below. The long-term implementation of reforms, in comparing both cases, reveals the key relevance of infrastructural power not only as bureaucratic capacity but also as embeddedness, which is to say, as the connection and involvement of civil society actors in public policy management.

147 Mann, *The Sources of Social Power*, 68.
148 Mann, *The Sources of Social Power*, 56.

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The next chapter in this part of the book, Chapter 7 by Schenoni, addresses state and public administration reforms in four national cases, Argentina, Peru, Chile, and Brazil. In Argentina and Peru, administrations with concentrated executive power were able to enforce fast neoliberal "first generation" reforms, neutralizing in advance almost every political opposition. Bureaucracies were rapidly downsized and reorganized with little meaningful input from civil servants themselves. The result was a degradation of the quality and efficiency of the civil service, and a widespread loss of confidence among bureaucrats. Infrastructural power revealed in these cases a remarkable vulnerability, which classics of the field, such as Weber, did not fully recognize. The continuous advancement of professional bureaucracies was sometimes described by Weber as an increasing necessity (*steigende Notwendigkeit*) in modern states once the process of bureaucratization had started.[149] However, the first two cases discussed by Schenoni reveal a regression or involution of state bureaucratization, and therefore of infrastructural power. In contrast, in Brazil and Chile reforms were more gradual, and the state bureaucracy in these countries was much better prepared to lead "second generation" reforms. Alarmed by the potentially disruptive impact of first-generation reforms on state administrations, experts and international financial organizations promoted a second generation of reforms, which aimed precisely at improving the quality, rather than reducing the size, of public administration systems. By virtue of the fact that Brazil and Chile preserved stronger state bureaucracies, second-generation reforms were much more successful.

Chapter 8, by Souza Leão, shows that infrastructural power does not correspond to the mere technical competence of high-ranking officials; it would be a mistake to associate infrastructural power with technocratic styles of government. The author compares how conditional cash transfer programs were implemented to fight poverty in Brazil and Mexico. In both cases, the new programs sought to deliver payments to a targeted sector of society, poor families, in exchange for a set of "conditionalities" – mainly sending children to school and healthcare services. However, in Mexico conditional cash transfer programs were implemented by an administration that emphasized the concentration of presidential power, and that insulated presidentially appointed technocrats from the input of social movements, political parties, and the media. The result was that technocrats in charge of the programs sought to legitimize their public policy strategies, in the eyes of their "natural" constituency of academics and international policy networks, by emphasizing the "efficiency" of the programs – efficiency defined as the use of rigorous statistical algorithms to identify poor people, with no input or involvement by social actors. In contrast, the Brazilian program was implemented, beginning in the mid-1990s, and especially under the Lula administration 2003–2010, in the context of a

[149] Weber, *Gesammelte Politische Schriften*, 327; see English translation Weber, *Political Writings*, 152.

more gradual application of neoliberal policies and more robust multiparty democracy. Instead of top-down implementation by an insulated group of appointed technocrats, the Brazilian program opted instead for "legitimation by inclusion," relying heavily on the meritocratically recruited civil service to implement and regulate a system in which the first emphasis was placed on expansion of the system to as many poor families as possible. Instead of efficiency as a technocratic ideal, the Brazilian program measured itself by a civic ideal of inclusion.

In Chapter 9, Bersch uses the transport sector as a lens through which to examine the broader viability and success of reform implementation in Latin America. Through case studies of Argentina, Brazil, and Chile, she argues that some neoliberal reforms in the transportation area were "powered" through by executives, in collaboration with appointed technocrats, and without input from social actors and civil servants. These powered reforms generally resulted in unsuccessful outcomes. In contrast, reforms that were conducted gradually and respected the acquired expertise of professional civil servants, as well as involving diverse social actors, were more successful.

Bersch analyzes first the case of Argentina, where the Menem administration rapidly privatized the country's railroad system in the 1990s by means of a top-down process led by a team of insulated technocrats. The Argentine transport bureaucracy experienced severe cutbacks that accompanied the privatizations. Therefore, the much diminished and demoralized bureaucratic staff proved unable to lead and regulate the transition to a privatized system. As a result, the transportation system became mismanaged, poorly funded, inefficient, and unsafe, and the whole system came crashing down with the infamous *Once crash* on the Sarmiento line in 2012. This failure also prompted a new wave of "powering" reforms as the postneoliberal administration of Cristina Fernández rapidly re-nationalized the railroads.

Second, Bersch looks at the case of Brazil, which constitutes something of a counterpoint to the Argentine case. Here, attempts to rapidly privatize Brazil's highway transport system, initiated by the Collor administration and Congress in the 1990s, ran into obstructions, whereas the Cardoso, Lula, and Rousseff administrations implemented more gradual changes that maintained mostly intact a professionalized civil service running the system. Finally, Bersch turns to the Chilean case, which constitutes something of a mixed case as well. She finds further evidence for the weakness of "powered" reforms in the botched effort to revamp the Santiago bus system under the Bachelet administration, led by an insulated group of technocrats that did not consult with citizens on any aspect of the project. On the other hand, a reform process that was less sudden than the Argentinean one resulted in a less spectacular failure of the transport system overall.

In Chapter 10, the last chapter of this part of the book, Riggirozzi and Grugel examine the strengths and weaknesses of economic and social redistribution efforts initiated by postneoliberal political orientations during the

2000s. As an attempt to overcome neoliberalism, New Left or "Pink Tide" administrations challenged fundamental tenets of the neoliberal understanding of social welfare. In particular, these administrations expanded social welfare programs, many of which were made universal rather than targeted, since the latter had been the common practice under neoliberalism. They thus created a new social discourse rooted in human rights, citizen identity, and social responsibility, rather than the neoliberal principles of personal responsibility, individuals considered as human resources, and the search for market solutions to social and other public policy issues. However, despite this successful and widely legitimate conceptual reformulation of social programs, Riggirozzi and Grugel show that the New Left encountered two major difficulties in their successful implementation.

On the one hand, New Left administrations did not attempt consensus-building strategies, which could have increased public trust in government institutions. The policy focus was instead on short-term redistributive gains, premised on partisan-based, unilateral political decisions to apply new export taxes and thus capture the profits of rising commodity prices at the time. Paradoxically, this short-term public policy approach increased the region's dependency on a growth model based on the export of primary goods, and it also enabled agrarian elites to acquire extraordinary power by organizing opposition and blockades to the new taxes and subsequently oppose any further attempt to introduce more progressive tax reforms. On the other hand, the implementation of social programs was not preceded or complemented with any attempt to establish or consolidate independent and professional bureaucratic structures, that is to say, a general neglect of infrastructural power. Therefore, Riggirozzi and Grugel describe how social policies were plagued with significant difficulties of implementation, monitoring, and evaluation, with frequent cases of mismanagement, political clientelism, and corruption.

The next part of the book focuses on symbolic power, both as a capacity deployed by the state and as a series of contestation strategies, which were widely adopted by social and political actors in Latin America and Spain. The notion of symbolic power as a state capacity was amply discussed by Bourdieu,[150] and this category shows similarities to what Weber discussed as legitimacy. Chapters 11 to 15 examine the institutional consolidation of symbolic power during the early implementation of neoliberal regimes, and its increasing contestation by postneoliberal movements in later periods of the neoliberal era. As Bourdieu notes, "what appears to us today as self-evident, as beneath consciousness and choice, has quite often been the stake of struggles and instituted only as the result of dogged confrontations."[151] The study of the state's symbolic capital is the history of how it attempts to construct its own sense of inevitability. It is a set of devices that state elites employ to try to place

[150] Bourdieu, "Rethinking the State."
[151] Bourdieu, "Rethinking the State," 15.

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the authority of public institutions, as such, out of the bounds of contention. Regarding this symbolic dimension, Joseph Strayer assigns a central role to what he calls "loyalty" during the consolidation of state power in the modern era, a "shift in the scale of loyalties" from earlier societies, and a new "priority of obligation" toward public institutions, or what he later calls a "cult of the state."[152] As the chapters of this part of the book discuss, neoliberalism employed from the beginning strong cultural discourses and images, which contributed to the perception of its inevitability as an economic and political regime. Nevertheless, the contestation of symbolic state power kept increasing during the whole neoliberal era, and it became very intense after the Global Financial Crisis of 2007–2008.

In the first chapter of this part of the book, Chapter 11, Schild examines the era of neoliberalism in Chile as a radical cultural transformation. The author points out that, far from just an economic project, as often described in the literature, neoliberalism was a strategy aimed at a fundamental reorganization of Chilean society, including the development of new practices of social integration, and new personal identities. It was not the market alone that transformed the identities of subjects into autonomous, responsible individuals but, rather, cultural images and discourses embedded in sweeping reforms applied to a wide range of institutions. Connecting to a thesis of Bourdieu about the left and the right hand of the state, one more protective and caring (social left hand), and the other focused on resources and spending (financial right hand), Schild proposes a gendered analysis of the neoliberal cultural transformation in Chile, showing that supposedly gender-neutral, entrepreneurial ideals of citizenship were actually carried out by inflicting a series of social costs on women, including the imposition of heavy family and community burdens. This analysis helps to explain the key fact – nowadays rather neglected – that the vast movement of social protest in Chile, which led to a profound legitimacy crisis of the neoliberal model, began with massive women's marches from 2018 to 2020. These marches represented at the time the largest social mobilizations in Chile's history. The Chilean neoliberal state was able to consolidate for decades a perception of its inevitability, which was almost unanimously embraced by the political elites and also supported – or endured with resignation – by ample sectors of society. However, the social and political rebellion against neoliberalism, when it happened, began with women's defiance of the set of gender norms and expectations inscribed in this cultural model.

Müller further discusses, in Chapter 12, the symbolic capacity of the state under neoliberalism, as well as its contestation in Spain. The author examines, in the first place, the difficulties of the Spanish Socialist Party (PSOE) to reconcile its long periods in government, during the neoliberal era, with the party's working-class identity. Socialist government reforms involved the

[152] Strayer, *On the Medieval Origins of the Modern State*, 47.

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implementation of neoliberal policies in certain key areas, such as the labor market and fiscal austerity. This was almost impossible to reconcile with the party's traditional working-class social basis and identity, and its long-established organizational structures, which depended on close cooperation with workers' unions. During the 2000s, attempts by the party elites to transition into a postmaterial, values-based political identity were only modestly successful, and by the beginning of the next decade, the popularity of the Spanish Socialist Party was severely damaged by neoliberal labor reform and austerity policies, particularly among the youth. A vast protest movement against neoliberalism developed swiftly, questioning the legitimacy of the whole political system established since the negotiated democratic transition of the 1970s and 1980s in Spain.

Müller examines, in the second place, the fact that the social protest against neoliberalism, in Spain, deliberately employed mechanisms of social mobilization initially developed by the New Left in Latin America. Such mechanisms, often described as counter-hegemonic, are based on the construction of new political identities. In the next years, similar symbolic strategies were to become very influential in all of Southern Europe. The concept of "Latinamericanization" of political protest was adopted as early as 2011 by left-wing activists of the political movement Podemos in Spain, under the declared influence of Laclau and Mouffe.[153] The notion of Latinamericanization of social protest, in Southern Europe, went on to become a well-known concept in scholarly analysis.[154] However, Müller suggests that the adoption of such counter-hegemonic, identitarian strategies made it more difficult to reach political agreements or alliances in support of specific programs. Such strategies, in other words, could be difficult to reconcile with electoral and coalition tactics, as seen in the Spanish case. The problem results in part from the "agonistic" dimension of identitarian strategies, which emphasize a fundamental conflict "us vs. they," as a component or source of political identity for the movement. Agonistic framing can make political coalitions difficult, although certainly not impossible, considering that Podemos finally agreed to integrate a coalition government with the Socialist Party in 2020.

In summary, the framing and organizational strategies of social protest against neoliberalism involved a widespread contestation of the state's symbolic power. Moreover, these counter-hegemonic forms of political discourse and organization demonstrated a considerable flexibility: It was shown that they could be employed to build new political identities without specific connections to the material basis of individuals and social groups, such as ethnic, gender, or class membership. For example, the next chapter of this part of the volume, Chapter 13 by Garay, examines how unions and social movements

[153] Iglesias, "Understanding Podemos," 14; Laclau and Mouffe, *Hegemony and Socialist Strategy*.
[154] Padoan, *Anti-Neoliberal Populisms*.

in Latin America, as a response to globalization, technological changes, and neoliberal labor market reforms, developed new types of political alliances between "insiders," defined as workers with formal employment, and "outsiders," defined as informal, rural, and unemployed workers. The literature has neglected generally the political movements based on such alliances and coalitions, among other reasons, because of their unexpected character, particularly considering that conventional scholarship always assumed that insiders and outsiders of the labor market have inherently opposing interests. However, Garay shows that one of the key factors enabling the development of new labor movements across Latin America was the construction and empowering of new workers' identities, disengaged from each individual's legal status in the labor market. This represented another of the several forms of contestation of the state's symbolic power, which is also based, among other resources, on the perceived certainty of legal categories.

Nevertheless, the malleability of symbolic politics, although a powerful tool in principle, also enabled its opportunistic employment, either by political movements or by the state, and such opportunism resulted often in a certain ambiguity and confusion about this power's consequences. The ambiguity of symbolic power is examined from different perspectives in the last two chapters of this part of the book. In Chapter 14, Lucero analyzes the rise of indigenous movements and their response to neoliberalism in Abiayala – the word for the Americas that Aymara leader Takir Mamani suggested that indigenous peoples use to refer to the continent. As a result of generations of Indigenous struggles and negotiations, by the year 2000 the political constitutions in many Latin American countries recognized Indigenous collective rights, languages, and territories. However, Lucero shows that such Indigenous recognition could actually correspond to the increased dispossession of Native peoples. The 1990s, in fact, marked also the beginning of new booms in extractivism across the region, including legal and illegal seizures of Indigenous land, and depletion of natural resources, under both administrations of the left and of the right. Recognition functioned thus as an ideological tool, conditioning Native peoples into a self-understanding that was compatible with colonial asymmetries, and even with the neoliberal exploitation of their territories. The literature has discussed this phenomenon as "multicultural neoliberalism." The symbolic recognition of Indigenous peoples could lead to a range of outcomes. In some cases, extensive neoliberal reforms coexisted with a modest set of multicultural policies, the latter limited primarily to language, education, and restricted collective land rights. In other cases, more expansive sets of multicultural policies included considerable political representation and autonomy rights for Indigenous peoples, and they could lead to more radical experiments in political and economic reforms. The success, failure, and ambiguity of multiculturalism as symbolic politics are examined by the author in the national cases of Bolivia, Ecuador, and Chile.

It is interesting to consider that innovative forms of political protest were not exclusive of the New Left, either in Latin America or in Southern Europe. Latinamericanization, in other words, has not been a trend developed only by left-wing protest movements. Vom Hau and Srebotnjak, in Chapter 15, analyze another phenomenon that the literature has neglected: the fact that neoliberal political orientations were able to adopt and effectively employ, during the 2010s, the same counter-hegemonic and identitarian strategies that were previously characteristic of the Latin American New Left. The three cases considered by the authors are the territorial, either regional or national autonomy movements in Catalonia (Spain), Santa Cruz (Bolivia), and Guayas (Ecuador). In all the three cases considered, the fiscal motive was certainly important, as it was pointed out by Piketty for the case of Catalonia.[155] All three regions are substantially wealthier on average than the rest of their countries, and an important political motive for political protest has been the demand to keep taxes in the territory, drastically reducing social and fiscal solidarity with other, less-wealthy regions.

Vom Hau and Srebotnjak confirm that fiscal motivation played a role for social mobilization in favor of greater territorial autonomy or secession and that wealthier groups predominated in the social composition of the territorial and nationalist movements in all three regions considered. However, the authors also indicate that the development of a political protest movement with strong identitarian components was built on a broader social base in Catalonia and involved constituencies of different class backgrounds. The traditional neoliberal political elite remained influential among the leadership of nationalist protest in this region, and its members occupied government positions as leading partners of the governing coalition from 2010 to 2021. Nevertheless, the key for the political success of nationalist Catalan politics, at the local level, was the adoption of identitarian, counter-hegemonic strategies. Again, this phenomenon is not as paradoxical as it sounds, because neoliberal elites could successfully develop a socially much broader and therefore powerful protest movement, employing similar strategies in Santa Cruz and Guayas.

Finally, in the concluding chapter of the volume, Ferraro, Fondevila, Rastrollo, and Centeno begin by discussing the concept of the "internal structure" of the state, which was proposed by the classic German scholar Otto Hintze as the foundational principle for state-building theory. Furthermore, recapitulating the results of the previous chapters, and additional literature on the diverse national cases, the concluding chapter examines and compares the internal structure of the neoliberal state, and the internal structure of the preceding state model, the developmental state. Based on this discussion, the authors address the two questions mentioned at the beginning of

[155] Piketty, *Capital and Ideology*, 921.

the present introduction: Considering the national cases discussed in the book, as well as the fundamental principles of state-building theory, can we consider that the neoliberal state represented an institutional model as clearly defined as the developmental state? Did the neoliberal state exist as a historic formation?

1.6 CONCLUSION

Much has been made in Latin America of supposed neoliberal showcases and alternatives. Yet, insofar as these countries have been successful, they have been so for an ideologically mixed set of reasons: The development or maintenance of a social safety net, the use of counter-cyclical fiscal policies, and the implementation of robust industrial policies aimed at diversifying away from a few primary exports and promoting manufacturing, and particularly processed/manufactured exports.

Spain and Portugal transitioned to democracy at roughly the same time and have been at reasonably comparable levels of economic development during the last few decades. An examination of economic policy in the two countries during this period would suggest that Portugal's outperformance of Spain puts the neoliberal model of economic policy into serious question. It seems that the conventional "orthodox" explanation fails to explain the divergence in performance. During the last few decades, Portugal has *not* embraced austerity measures more intensely than Spain, nor has it exhibited a less interventionist economic policy; quite to the contrary, it has intervened more successfully in its economy through a variety of industrial policies. Nor does the difference in unemployment rates between the two countries seem satisfactorily explained by the "orthodox" analysis – namely, more generous unemployment benefits and less "flexible" labor markets as the cause of unemployment. In this sense, Spain since the democratic transition *cannot* be called a neoliberal success story.

Did the state represent during the neoliberal era, following the Marxist perspective discussed at the top of the chapter, a clear set of class interests, and did state organizations consistently work toward this goal? The answer is no, since we cannot speak of any coherent class-based strategies in the turns and dynamics of economic and social policy during this historical period. However, the state was characterized during this time by a set of policy norms and expectations defined by the post-1989 global context. Each state was neoliberal in its own way, but there were clear patterns in the policies and their outcomes across the region.

First, all the countries that followed what may be called neoliberal policies were operating under democratic rules and processes, at least after an early period of authoritarian neoliberalism in Chile and Mexico. The link between democratic governance and the imposition of supposedly unpopular policies remains one of the great mysteries of the neoliberal era. Second, most of the region did experience some economic growth during this period even after the 2007–2008 crisis. Third, despite the general view of neoliberalism shrinking the state, there was a clear upward trend in the size of the state during these years measured by both expenditure and tax revenue. Again, unlike stereotypical accounts, the share of government expenditure that was oriented toward health and education also increased. Finally, there were considerable consistencies in policies as measured by general neoliberal policy indices. There was something of a neoliberal wave throughout the region, even if each case adopted them in different ways and at different times. The major trends included a taming of inflation, an opening to world markets, and a great deal of privatization.

Yet, several major structural problems remained unchallenged in the neoliberal era. First of all, much of economic growth may have been derived from exogenous sources: commodity booms or EU money. Second, there was a significant improvement in inequality and a decline in the poverty head count across these years. This was a product of both government policy and the commodities boom, which raised government revenues. However, these advances remain extremely fragile, and as the COVID-19 crisis of 2020 demonstrated, structural inequality remained a defining part of the region's political economy. Third, as COVID-19 has pointed out, the LA political economies persistently have high informal wage forces as a percentage of labor constraining efforts to increase state capacity and also reform inequality. Fourth, the endemic corruption that characterizes almost all LA civil services and that may also be partly responsible for a continued atmosphere of random violence and drug trafficking indicates that whatever boom may have occurred, it did not translate into deep political reform.

In the end with this third volume, we find that while Spain addressed many of the concerns described in the first volume of this series, the developmentalist and neoliberal turns did not produce the kinds of successful republics of the possible that once made up the Latin American dream.

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