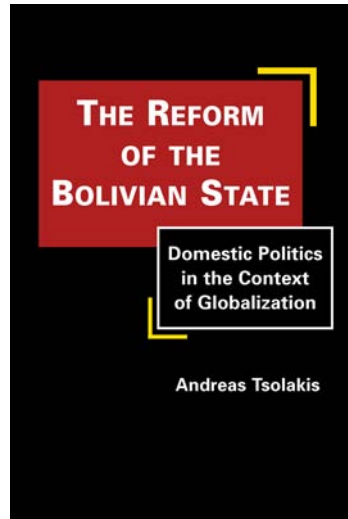


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The Reform of
the Bolivian State:
Domestic Politics in
the Context of Globalization

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1

Bolivia's Political Trajectory Since 1985

Bolivia was part and parcel of the global debt crisis of the early 1980s, which plunged the country into an uncontrollable hyperinflationary and fiscal crisis (Morales and Sachs 1990). In November 1984, total outstanding debt had reached US\$4.1 billion (110 percent of a declining Gross Domestic Product [GDP]), including a \$3.2 billion public sector debt; the Siles government declared a moratorium on debt servicing before calling elections half a year later. By then, inflation had reached 23,500 percent in annualised terms.¹ Virtually bankrupt, the Paz Estenssoro government elected in August 1985 reversed the long-standing state capitalist model of development by vowing to stimulate privatised accumulation and maintain monetary stability. Its economic team, constituted by leaders of the Bolivian business confederation, the *Confederación de Empresarios Privados de Bolivia* (CEPB) and monetarist economists, elaborated a radical stabilisation plan behind closed doors (Supreme Decree 21060, dubbed New Economic Policy [NEP]), before resuming cooperative relations with Multilateral Development Institutions (MDIs), thereby re-engaging with private and public creditors, and renewing the Bolivian state's commitment to debt servicing (Dunkerley 1990; Conaghan 1990; Conaghan and Malloy 1995; Climenhage 1999).

The election of Victor Paz Estenssoro to the presidency and his enactment of the *Decreto Supremo* (DS) 21060 two days after his investiture signalled the commencement of a dual transformation of profound magnitude for Bolivia: economic liberalisation and political democratisation. These two developmental cycles had finally been synchronised. The long crises of authoritarian management and of state capitalism had engendered the first peaceful government turnover through transparent elections and an unprecedented opportunity for liberal restructuring. The 1985 general election and the implementation of DS 21060 simultaneously opened new horizons for sustainable capital

accumulation, liberal hegemony and democratic development. A new era of radical social and state restructuring had apparently emerged with a bang.

By 2005, the optimism that had characterised specialist circles in the late 1980s, 1990s and even early 2000s regarding economic stabilisation, Private Sector Development (PSD) and democratic transition/consolidation/viability, had manifestly waned (Crabtree and Whitehead 2008).² Subaltern violence had become *monnaie courante*, lack of business confidence was prompting capital flight, corruption and nepotism in the state were flourishing, and indianist discourses advocating a clash of Andean and Western civilizations and the creation of a sovereign indigenous republic in the historic territory of *Kollasuyu* were undermining the multi-ethnic/national democracy hailed a decade earlier.³ Sustained restructuring efforts had evidently failed to transform Bolivia into a hub of social progress, and Evo Morales, achieving the feat of congealing nationalist and indigenist ‘currents of opinions’ (Gramsci 1971) in the *Movimiento Al Socialismo* (MAS) and his person (Dunkerley 2007), was elected to the Bolivian presidency in a climate of intense social conflict and disorder.⁴

The landslide election of Morales in December 2005 constituted a milestone in the landlocked country’s historical development. It signalled the conclusion of a long crisis that had defined, for a quarter of a century, the liberalisation of the Bolivian state. The outright majority enjoyed by the political party MAS in general elections is an unprecedented occurrence since the emergence of a liberal democratisation process in 1978. It endowed Evo Morales, the first elected Latin American President explicitly identifying himself as indigenous, with an exceptional legitimacy and significant political space for the drastic reorganisation of Bolivian society. It also symbolised a popular disenchantment with, if not acute bitterness towards the policies implemented by successive Bolivian governments since the hyperinflationary crisis that hit the country in 1985 (see table 1.1). Morales was elected with promises to deconstruct the entire political and economic edifice painfully erected since 1985, by refounding Bolivia through the re-nationalisation of its strategic jewels (gas, mining, telecommunications), by sponsoring the election of a Constituent Assembly,⁵ by ridding the Bolivian state of its corrupt and inefficient comprador lackeys, by promoting traditional coca production and by redistributing Bolivia’s social surplus to its subalterns. Morales promised a dual decolonisation of Bolivia, by challenging external neo-colonialism generated by bilateral and multilateral development agencies (instruments of ‘the Empire’), and by ending the internal

colonialism perpetuated by *criollo* elites (white, of Spanish descent) through the defence of indigenous sovereignties (Crabtree 2005; Dunkerley 2007; Do Alto and Stefanoni 2008; Webber 2008).⁶

Year	President	Coalition
1985-89	Victor Paz Estenssoro (MNR)	<i>Pacto por la Democracia</i> (Congressional - with ADN)
1989-93	Jaime Paz Zamora (MIR)	<i>Acuerdo Patriótico</i> (MIR-ADN)
1993-97	Gonzalo Sánchez de Lozada (MNR)	<i>Pacto por la Gobernabilidad</i> (MNR-MRTKL-MBL-UCS) <i>Pacto por el Cambio</i> (MNR-MRTKL - MBL)
1997-2001	Hugo Banzer Suárez (ADN)	<i>Megacoalición: Compromiso por Bolivia</i> (ADN-MIR-NFR-PDC-CONDEPA-UCS)
2001-02	Jorge Quiroga Ramírez (ADN)	<i>Megacoalición</i> (ADN-MIR-CONDEPA-UCS)
2002-03	Gonzalo Sánchez de Lozada (MNR)	<i>Plan Bolivia Para Un Acuerdo de Responsabilidad Nacional</i> (MNR-MBL-MIR-UCS)
2003-05	Carlos Mesa Gisbert (no party affiliation)	Transitional government – technocrats/intellectuals
2005	Eduardo Rodríguez Veltzé (no party affiliation)	Transitional government
2005-	Juan Evo Morales Ayma (MAS)	MAS incorporates prominent members of smaller parties (MSM-CONDEPA-PCB) and social movements

Source: *Presidencia de Bolivia*

Following the string of anti-neoliberal landslides in Latin American Presidential elections in 2005 and 2006, the mood was euphoric among commentators defending labour and indigenous rights. Protracted resistance had ruptured neoliberal globalisation and Latin America was entering an unprecedented era of alternative development. The conditions surrounding the investiture of Morales generated a honeymoon period lasting about a year, during which the MAS was vigorously supported by organised labour, rural indigenous communities, marginalised urban movements but also sizable fractions of *mestizo* professionals, managers and intellectuals (Stefanoni and Do Alto 2008; Webber 2008). The exotic shape of socialism's new vanguard also attracted a battalion of young left-leaning researchers and

journalists to Bolivia, while a number of organic intellectuals of the transnational bloc, who had collaborated with previous governments as well as the World Bank (WB) and other MDIs were, perhaps opportunistically, jumping on the Morales bandwagon (Gray 2007). Galvanised by the MAS leadership's anti-capitalist discourse, sympathetic analysts explained Evo Morales's investiture as heralding a revolutionary change of the Bolivian state-society complex;⁷ while socialists were actively criticising its un-revolutionary credentials.⁸ The latter emphasised the reformist tendencies of Evo Morales, pointing to his electoral strategy as signalling a conservation of the existing liberal state form. The former hailed the MAS as constituting something new, something more than a political party: an inclusive, grassroots organisation unifying a wide variety of historically oppressed urban and rural social forces, which successfully sidelined the racist alternative on its flank (the indigenist *Movimiento Indígena Pachacuti* [MIP] led by Felipe Quispe). Indeed, in the run-up to the 2005 general elections, the MAS effectively co-opted the leadership of a wide array of communist (*Partido Comunista de Bolivia* [PCB]) and social democratic (*Movimiento Sin Miedo*) parties, well-established socialist and nationalist militants as well as indigenist intellectuals and leaders of labour organisations.

Conservative observers, overshadowed by these radical debates, were left with no alternative but to trace the causes of the demise of restructuring efforts, to emphasise how external conditions (elimination of its entire debt stock with MDIs; high and rising prices for its main export commodities [gas, minerals and soy]) were facilitating the work of a fiscally irresponsible government that, however, was dangerously re-politicising economic management (see *Fundación Milenio* 2008; Gamarra 2007; Morales 2008). They appropriately began to challenge idealisers of the indigenous by questioning their occultation of internal relations of domination (primarily class and gender, but also race) (Lavaud 2007), to reassert the ideal of *mestizaje* (Toranzo 2008) and to re-articulate regionalist discourses (Roca 2008).

What went wrong, then? How and why did restructuring efforts unravel? Why did political democracy fail to be consolidated,⁹ and indeed proved unviable (Whitehead 2002a)? Problem-solving scholarship has tended to lay the blame on domestic factors.¹⁰ These factors include bureaucratic inefficiency, corruption, presidentialism and the weakness of the legislative branch of the state,¹¹ military and trade union embroilment of legitimate policymaking,¹² the exaggerated multiplicity, weakness and traditional structure of political parties (i.e. reliant on one-man caudillo dominance and patron-client relationships),

a breeding ground for patrimonialism,¹³ a generalised lack of education (i.e. indigenous ignorance) and unskilled human resources,¹⁴ inducing undemocratic subaltern worldviews;¹⁵ and the cultural discrepancies between bureaucratised and stagnant highland and modern, dynamic and democratically-oriented lowland regions.¹⁶

The Critical side of the academic spectrum has, in turn, been imbued with dependency and world-system theory critiques of the market and imperialism (Frank 1975, 1978; Wallerstein 1989[1974]). Critical researchers have conventionally incriminated the International Monetary Fund (IMF), the WB, the United States Agency for International Development (USAID) and the Drug Enforcement Agency (DEA) for imposing neoliberal restructuring onto Bolivia and for coercing coca farmers (*cocaleros*) and indigenous people into abandoning their ancestral ways of life, with the collusion of corrupt and racist *criollo* (white) elites.¹⁷ They have attributed neoliberal reforms, in a logic of inquiry characterised by Cartesian dualism, either to structural necessity (chiefly determined by the law of polarisation between core and periphery through the control of terms of trade by the former and ever-unstable market price of agricultural and extractive commodities) or to autonomous agency (actors such as the United States superpower or the IMF and WB) (Lora 1995, Garcia 2001, 2005, Fernández 2003).

The present study returns to historical materialist principles by contending that these failures were, above all, the product of protracted class and intra-elite struggles, beyond and *within* the state. I reassert the need to adopt a holistic, historical and dialectical approach to restructuring in Bolivia from 1985 to 2005 by interpreting and explaining it as elemental to global transformations since the 1970s, which influenced the trajectory of Bolivia's development. I have decided to focus on the restructuring of the Bolivian state. I base this focus upon the principle that states are relations embedded in broader relations, which reflect but also *constitute* these relations, a principle to which I arrived by analysing empirical evidence on restructuring. I will return to this point subsequently, because it is important if one is to systematise research located in *praxis*. I argue here that the dialectical process of state transformation unfolding from 1985 can only be explained by analysing the contradictory social forces constituting the state, and in turn by positing that an understanding of the historical developmental paths of society can only be achieved by explaining state polity. This, however, cannot be analysed merely through the prism of the nation-state, because the internal relationship between state and social forces is constituted by and constitutive of transnational and

interstate relations (Gill 1993; Van der Pijl 1998; Overbeek 2000; Van Apeldoorn 2004).

More specifically, the research analyses whether, how and why processes of state transformations that are commonly dissociated or ignored in the academic literature (i.e., liberal democratisation, internationalisation and depoliticisation) have, in reality, been internally related and mutually supportive in Bolivia since 1985. Whilst the story of democratisation or, to be more accurate, the emergence, consolidation and recent unravelling of Bolivian polyarchy from 1985 to 2005 has been told and retold *ad nauseam*,¹⁸ processes of depoliticisation and internationalisation have on the whole been overlooked. This scholarly gap needs to be bridged if a more nuanced and sophisticated analysis of the Bolivian state is to be made, and if an understanding of contemporary reforms is to be achieved adequately. This study therefore offers an in-depth analysis of the internationalisation, depoliticisation and liberalisation of the state. I demonstrate that these processes have not only taken place but were correlated. The internationalisation of the Bolivian state was not superimposed upon an endogenous process of political and economic liberalisation by external forces; rather, by consolidating a transnationalised elite fraction in Bolivia and the depoliticisation of economic management, the internationalisation of the state sustained polyarchy after the hyperinflationary crisis of 1985. The engagement of MDIs and private banks by a nucleus of competitive and denationalised Bolivian elites in 1985 and in turn their unconditional integration into an expanding transnational historic bloc of elite social forces drove the internationalisation of the Bolivian state. Internationalisation, in turn, consolidated the structural power of the transnational bloc in Bolivia by concurrently depoliticising central government agencies and promoting polyarchy. Polyarchy was an attempt to legitimise elite domination and the restructuring of society and state through a procedural conception of democracy.

The focus of this study is, hence, on the dialectical relationship between the formation of transnational elites, social – in particular state – restructuring and domestic resistance to restructuring between 1985 and 2005. This dialectic helps to explain the constraints under which the transnational bloc acted to liberalise the Bolivian social space. Liberalisation is interpreted as an attempt, by an enlightened transnational fraction of Bolivian elites, to generate development in Bolivia by grafting polyarchy, neoliberal hegemony and the business perspective onto a corrupt, nepotistic, and statist social organism, with the active support of MDIs. Transnational elites were nonetheless part of and dependent on clientelistic social networks for the implementation of

liberal reforms, which helps to explain their failure to generate neoliberal hegemony and legitimise the high social costs of Bolivia's deepening integration into the world market.¹⁹ The re-composition of labour and indigenist forces in the late 1990s, manifested in the intensification of street violence (Water Wars, Febrero Negro, Gas Wars) and the eventual election of Evo Morales in 2005, expressed the gradual unravelling of restructuring efforts in Bolivia.

This study builds on the results of close to five years of research, including several months of field work undertaken between May and September 2003, and May and September 2007 in La Paz, Bolivia, and is based on both primary and secondary sources (Burnham et al. 2004). As primary sources, I relied on classified and publicly available WB, IMF, Development Committee (DC) and Development Assistance Committee (DAC) documents on the reforms of the Bolivian state in the period under study, as well as twenty-four interviews with Bolivian government ministers, business leaders and high-level civil servants. A significant proportion of these interviewees held multiple positions, as businessmen, public officials (in government and MDIs) or academics over two decades of radical social and state restructuring. Many of them have now distanced, or been forced to distance themselves from policymaking, but remain informed observers of recent processes of change currently pursuing private business or consulting activities. The information that they agreed to provide to me was triangulated through documentary analysis and other interviews (Richards 1996; Lilleker 2003; Burnham et al. 2004). The reliability of the empirical evidence used to reflect on the validity of my hypothesis should therefore secure an adequate measurement (in a qualitative sense) of the concepts employed here (Adcock and Collier 2001).

Before explaining in more detail the research questions, hypothesis and theoretical perspective underpinning the research and structure of this book, it is necessary to engage critically with the existing academic literature on liberal democratisation, and on the relationship between MDIs and successive Bolivian governments.

Democratisation and Polyarchy

Problem solving scholarship (Cox 1981: 88) has extensively analysed the institutional and legal reforms accompanying liberal democratisation in Bolivia since 1978 – expressed in concepts of democratic transition, governability (*governabilidad*),²⁰ modernisation,²¹ consolidation,²² viability,²³ and of a seemingly accomplished, consensual multiethnic democracy.²⁴ Until the early 2000s, when the contradictions of

liberalisation had become too manifest to be brushed aside, a generalised optimism and positive appraisal of institutional change had characterised specialist academic circles. It was broadly accepted that ‘Despite a history of political instability and a tumultuous transition process, Bolivia, since 1985, offers an example of a relatively stable political and economic post-transition environment’ (Domingo 1993: 1; Domingo 2001), and demonstrated ‘that neo-liberal economic reforms can be harmonised with political democratization’ (Whitehead 1997: 71).

Institutional reforms in Bolivia after 1985 have been measured according to minimalist, procedural conceptualisations of democracy, understood as *polyarchy*, the most sophisticated exponent of which arguably remains Robert Dahl (1971). Democracy has been measured in terms of *representation* and *participation* (universal suffrage and equality of rights in voting), and *competition* (freedom of association and contestation, resulting in multi-partism and – through elections – in the possible turnover of government representatives and legislators). Thus O’Donnell and Schmitter (1986: 8) suggested that ‘there is likely to exist a “procedural minimum” which contemporary actors would agree upon as necessary elements of a political democracy. Secret balloting, universal adult suffrage, regular elections, partisan competition, associational recognition and access, and executive accountability’.

Scholarship focusing on democratisation in Bolivia has been overwhelmingly informed by *problématiques* restricted by a closed system of meaning and norms (Howarth 2000; Gramsci 1971; Cox 1981, 1987; Gill 1993, 2003). Problem-solving appraisals and prescriptions are in line with hegemonic developmental discourses informed by Parsonian evolutionism (Parsons 1977). Democracy in a liberal representative form (based on heuristic measurements of the rule of law, of the existence of representative institutions of governance, of a cold and rational bureaucratic apparatus, of a balance of power between the executive, legislative and judicial organs of the state, and last but not least, of the necessary retreat of the state from the naturalised invisible hand of the market) hence becomes the institutional device necessary to solve the combined challenges of growth, poverty reduction and *stability*.²⁵

The focus of problem-solving scholarship has consequently been the central role of political parties in democracy-building, their internal stability and sustainability, the nature of electoral law and the problem of Proportional Representation (Domingo 1993), consensus- and coalition-building between dominant parties (O’Donnell and Schmitter 1986; O’Donnell 1992; Valenzuela 1992), the learning-process whereby a technocratic group – ideally business leaders – converge towards a

pragmatic approach to economic management (Conaghan 1992; Climenhage 1999); and the extent to which political parties have demonstrated good will regarding the peaceful resolution of conflicts, the endorsement of constitutional rules of the game, and the elimination of fraud and corruption.²⁶ The prescriptions logically deriving from this multi-causality are simple: better governance including stronger, legitimate and fiscally viable state institutions, ever more representative, consensual, decentralised and inclusive democracy (if possible multi-ethnic), but also financial transparency and the development of a knowledge-based economy.²⁷ Political analysts readily acknowledge the limitations of minimalist definitions – in particular the potential contradictions between economic restructuring and political democratisation – but for various reasons (including political predispositions and convenience) take them as a starting-point for the purpose of empirical measurement.²⁸ Some have gone as far as *advocating* that ‘democratic consolidation ... be linked ... to a minimalist, not maximalist, conception of democracy’ because, after all, ‘even long established democracies rarely have all the attributes that can ideally be associated with such regimes’ (Valenzuela 1992: 60; O’Donnell 1992).²⁹ These approaches may appropriately be criticised for ascribing autonomy to ‘state life’, i.e. for their ‘statolatry’, to use Gramsci’s terminology (Gramsci 1971: 268).

In methodological terms, problem-solving studies of Bolivia’s political system explicitly or implicitly rely on Weberian pluralism or structural-functionalism (Durkheim 1982; Weber 1991), which are informed by a positivistic epistemology.³⁰ Structural variability in Weberian pluralism alludes to the inexistence of an underlying historical structure and to the absolute autonomy of the factors (economy, society, the state) constituting a specific social order; it therefore justifies the historical contingency of empirical evidence. As pointed out by Burnham (1991) this approach systematically lapses in empiricism (begging the question why a particular fact has been given more importance than another in a specific historical setting) and in methodological atomism – the simple starting-point is individual world views and motivated behaviour, which has systematically failed to pierce surface market relations. In Weberian pluralism, the historically specific value, commodity, money, and capital forms of production are consciously or unwittingly presented as natural and hence trans-historical social laws: thus the essence of these forms (i.e. the particular manner in which propertied classes historically control the production process to extract surplus, itself the foundation of their social power and supremacy), is occluded (Burnham 1995: 97).³¹

In order to evade statolatry, the state cannot be understood independently from broader social struggles: it simultaneously is shaped by and shapes them. Indeed, Cammack (1991: 541) eloquently problematised the ‘persistent emphasis on institutions and political choice ... vacuous in the absence of any means of conceptualising the structure of constraints upon them, and hence their limits; in particular they undertake no sustained consideration of the links between class interests of elites and patterns of institutional initiatives and political choices’.

Critiques of minimalist definitions of Bolivian democracy abound in specialist circles.³² These critiques are often, and not surprisingly, rooted in the historical materialist tradition. Antonio Gramsci had exposed in the 1930s the classical liberal ideal-type form of state-society relations construed as *laissez-faire* (the nightwatchman state above/beside self-regulating capital) as a legally and ideologically buttressed form of governance subjecting labour to capital: ‘one cannot speak of the power of the state but only of the camouflaging of power’ (Gramsci 1995:217). William Robinson (1996) effectively reinterpreted the meaning of *polyarchy* by integrating it into a neo-Gramscian analysis of transnational elite domination in Latin America within the structural constraints of global capital. He defined polyarchy as the liberal democratic form of social organisation, ‘in which a small group actually rules and mass participation in decision-making is confined to leadership choice in elections carefully managed by competing elites’ (Robinson 1996:49).³³

This is the meaning given in this study to liberal democratisation. However, Robinson’s (2002: 215) instrumentalist conceptualisation of the state is rejected here.³⁴ On their side, Critical analyses of neoliberalism in Bolivian scholarship have systematically adopted an instrumentalist approach to the state, pitting for instance organised labour and indigenous movements *against the state*.³⁵ The state thus becomes reified as a unitary coercive apparatus used by *criollo* (white, of European descent) elites to dominate labour and exclude indigenous movements.³⁶ By implication its executive, legislative and judiciary institutions, at all levels (especially at the level of government), become devoid of internal rivalries and antagonisms. As will be elaborated subsequently, the present analysis embeds Robinson’s definition of polyarchy within a relational approach to the state.

Deepening Democracy: Decentralisation, Popular Participation and Multiethnic Representation

An institutional process interpreted in the literature as integral to the consolidation or viability of polyarchy is the 'audacious' administrative and fiscal decentralisation of the state in the mid-1990s (Grindle 1999; Van Cott 2000; Gray 2001; Faguet 2002, 2003). Decentralisation was among the central measures implemented by the Sánchez de Lozada government (1993-1997), and resulted in the territorial reorganisation of the state into 311 municipalities (including the creation of 187 new municipalities), mandated the assignment of 20 percent of tax revenues to local governments (including autonomous indigenous communities, dubbed *Organizaciones Territoriales de Base* [OTB]), and organised local democracy through the establishment of electoral rules for local government (Grindle 1999; Gray 2001). Decentralisation has been one of the most debated themes in the academic literature, in part because it relates directly to issues of democratisation (more specifically, the territorial expansion and intensification of democratic governance, elemental to democratic consolidation or viability), the redistribution of state resources (from cities to countryside, from wealthier to poorer municipalities), and the relationship between the state and indigenous nations.

The majority of commentators have tended not to question decentralisation *per se*: it has been hailed as a largely commendable and progressive institutional innovation by virtue of its satisfaction of indigenous demands for organisational autonomy while integrating indigenous nations into a viable multi-ethnic democracy (Grindle 1999; Van Cott 1994; Gray 2001; Klein 2003). Some contended that the *imposition* of new consensual and democratic procedures addressing the demands of indigenous movements would potentially herald a 'friendly liquidation of the past' (Van Cott 2000). Debates have therefore been restricted to the adequacy of its implementation and the extent to which it achieved its intended objectives (Gray 2001; Faguet 2003). Yet what were the objectives of an administration whose leaders had implemented the DS 21060, actively sought to depoliticise economic management and concentrated decision-making power in the Bolivian Central Bank (BCB) and economic Ministries, privatised state-owned corporations, promoted micro-credit in rural areas in order to spatially expand market relations, attempted to render the labour market more flexible, and turned a blind eye to (if only for its political survival) patronage and corruption in the state (see chapters 3, 4 and 5)?

Problem-solving research has generally been impervious to the concurrence of government policies – and interpreted decentralisation as a largely autonomous policy response to excessive centralisation, lack of democratic practice, corruption and patronage. The *intent* of agents devising and managing decentralisation reforms remain largely unquestioned: ‘deliberate acts by beneficiaries of political power to divest themselves of some of that power are “puzzling phenomena”’ (Grindle 1999: 2). Did President Gonzalo Sánchez de Lozada (1993–1997), interviewed by Grindle (1999), really take the audacious decision to reduce his government’s hold on the institutions of the state by ‘redistributing power downward’ and ‘opening political competition to new voices, new interests and new demands’ (via local representation) (Grindle 1999: 2)?³⁷ For aforementioned commentators, Sánchez de Lozada and his Popular Participation team genuinely aimed to ‘democratize access to political and economic power’ (Gray 2001: 63) by satisfying the demands (organisational autonomy) of indigenous peoples, and by increasing transparency and administrative efficiency for social and welfare investment (by divesting responsibility for a welfare and productive oriented-infrastructure to municipalities). Popular Participation aimed to enhance the legitimacy of representative democracy by ‘appeas(ing) divergent interests and maintain political stability’ (Grindle 1999: 3).

Indeed, the emergence of organised indigenous movements (more specifically peasant union and political party offshoots of the 1970s *Katarista* movement) has been seen, in both Critical and problem-solving academia, as a major force for administrative decentralisation and the creation of an institutional space for participation and new forms of representation.³⁸ The increasing political clout of indigenous organisation has been problematic for the urban-based COB, because its phoenix-style rise occurred concurrently to the collapse of mining production and of the social and organisational base of labour movements. Indigenous nationalists and urban-based socialists have tended to offer, despite transient historical alliances, contradictory policy programmes, and were historically torn apart by the Military-Peasant Pact (1960s and early 1970s) (see chapter 2).

The intensification of indigenous resistance against agro-business encroachment in the early 1980s – which intersected with resistance to ecological degradation in the tropical rainforest in Bolivia, Brazil, Ecuador, Peru and central America – has been bolstered by an international climate combining environmentalism and a renewed idealisation of Rousseau’s noble savage in the European and US left-wing (see Van Cott et al. 1994). Furthermore, media-friendly indigenous

marches and the increasing efficiency of nationalist Quechua, Aymara and Guarani organisations in the early and late 1990s against neoliberal globalisation, for the defence of the autonomy of the *ayllu* and communal ownership and production, for the promotion of traditional coca-production and of indigenous languages, for the improvement of welfare services in rural areas and for the reduction of poverty have been regarded as legitimate and unquestionable requests. Much emphasis has been placed on the increasing influence of indigenous movements on policymaking, expressed in part by the incorporation of indigenous discourses and their more palatable demands (all of them excluding, notably, redistribution of privately-owned fallow land to *ayllus*) in the programmes of dominant political parties until 2005. These processes informed the notion that Bolivia is and should be a pluri-ethnic and multicultural nation, and that administrative decentralisation and educational reform (incorporating bilingual education) are the main policy instruments to secure this ideal (Gustafson 2002).

The key issues informing problem-solving research on decentralisation have therefore been the degree of indigenous representation through the Law of Popular Participation, i.e. to what extent political power has been diffused to indigenous peoples and generated more meaningful forms of citizenship; whether and to what extent it has increased the state's institutional density and hence facilitated a rapprochement between the state and the people, especially in rural areas; whether and how far decentralisation has improved administrative accountability and the satisfaction of basic needs; and whether it has undermined or upheld the power of local elites or oligarchies. Commentators have offered positive (Van Cott 1994, 2000; Centellas 2000; Faguet 2002, 2003; Ardaya and Thevoz 2001; McNeish 2002) or negative (Hiskey and Seligson 2003; Altman and Lalander 2003; Kohl 2003) answers to these questions.³⁹ The power diffusion generated by decentralisation has been seen as a central reason for the 'bold' alliance between indigenist leaders and the neoliberal political party MNR in the 1993 elections (Albó 1994; Van Cott 2000).

In contrast to aforementioned appraisals of decentralisation, Gustafson (2002) and Kohl (2003, 2006) offer more critical understandings of its purpose and implementation. In their compelling analyses of the law of Popular Participation (1994), they rebuke complacent interpretations of decentralisation by arguing that decentralisation and the inclusion of a multi-ethnic and pluri-cultural definition of the Bolivian nation, rather than concretely including previously excluded indigenous populations, constitute:

‘contradictory shifts of political languages institutions that seek to reorder and legitimate changing expressions of social difference, citizen identity, and hierarchical forms of participation. These new tactics of governance represent a transformative renewal of discourses and institutions through which elites seek to insulate centralized power (spatially, conceptually and institutionally) from various forms of “indigenous” and other “popular” forms of political engagement. Certainly laudable for a reformist sensibility, interculturalist reforms do not, however, pursue robust versions of indigenous rights or overhaul structures of economic inequality’ (Gustafson 2002: 270).

Gustafson rightly emphasised the MNR’s lip service to the notion of interethnic equality rather than active legal and administrative struggles for a meaningful transformation of hierarchical relations of domination. Nevertheless, his approach is ethnographic – and tendentially state-centric – rather than defined by a holistic approach to social relations. He overlooks intra-elite conflicts, transnational elite formation, struggles within the institutions of the state as well as the contradictions between Marxist discourses and indigenous nationalism, and rather focuses specifically on the contradictory relationships between the MNR government and indigenous movements, – in particular their two principal institutional crystallisations, i.e. the *Confederación Sindical Única de Trabajadores Campesinos de Bolivia* (CSUTCB), dominant in the *Altiplano* (highlands) and representing Aymara and Quechua nations, and the *Confederación de Pueblos Indígenas de Bolivia* (CIDOB), representing lowland nations such as the Chiriguano and Guarani.

More importantly, the analysis of depoliticisation cannot be restricted to decentralisation. Other crucial elements included the very implementation of the DS 21060 in the wake of hyperinflation in 1985; the granting of legal autonomy to the BCB, and civil service reform. Furthermore, the present research offers another dimension to Gustafson’s analysis of the insulation of central organs of the state: the process of depoliticisation is, I argue here, internally related to polyarchy and state internationalisation. Each process unfolded as part of, and were reciprocal with, others processes – generating new political opportunities but also constraints that are increasingly apparent under the Morales administration. As demonstrated effectively by Gustafson, the process of depoliticisation has not achieved the strategic objectives of Goni’s government by effectively opening the Pandora’s Box of indigenous nationalism.

Kohl’s (2003) analysis, on its side, is undermined by a definition of neoliberalism as an economic system based on market-based growth,

rather than an ideological underpinning of underlying relations of domination and production. I will return to Kohl's work in the coming section. Like Gustafson, his research is tendentially state-centric, and does not relate processes of decentralisation and internationalisation.

The Transition to a Neoliberal Economy and the Relationship Between MDIs and the Bolivian State

The story of the implementation of neoliberal reforms in Bolivia has already been told many times.⁴⁰ The policymaking process in Bolivia, a model partner in development of the WB and the IMF since 1985,⁴¹ is widely perceived to have formed part of a global convergence pattern informed by the so-called Washington Consensus through the implementation, over fifteen years (1985-2000), of first-generation and second-generation reforms by successive Bolivian governments (Williamson 1990; Biersteker 1995: 174; Climenhage 1999).⁴² First-generation reforms, implemented by President Paz Estenssoro's government between 1985 and 1989, involved stabilisation and structural adjustment.⁴³ These reforms focused on fiscal and monetary stabilisation, essentially through 1) a shift from fiscal to monetarist instruments of economic management, and restraints on public spending; 2) the reduction of tariff and non-tariff barriers to trade and investment; 3) an increase in the flexibility of the labour market (eliminating the preceding government's indexation of wages to inflation; freezing the wages of state employees, and facilitating the hiring and firing of workers in both private and public companies); 4) changes in state practices which affected the balance of payments, such as the simplification of tax regulations (including the introduction of an indirect tax on consumption) and the improvement of tax collection; the decentralisation (transfer to Regional Development Corporations [RDCs])⁴⁴ of loss-making corporations, and their decapitalisation (reduction of investment by the Treasury); and 5) the elimination of imbalances between the national price system and global market prices. The elimination of imbalances involved the removal of subsidies to businesses, the elimination of price distortions – aligning commodity prices, in particular energy and food prices, with global market prices. It was assumed by MDIs that first-generation reforms would encourage private investment.

These policies perpetuated, if not accentuated, the social costs caused by the debt and monetary crisis, as they antagonised the hitherto protected, domestically-oriented manufacturing fraction of capital, and deflated real wages and the purchasing power of labour (WB 1989b,

1989c, 1991c). Although arguments for the privatisation of accumulation were increasingly influential in the late 1970s and early 1980s, and numerous governments were beginning to withdraw the state from the production process, MDIs and governments in the 1980s focused primarily on restructuring or liquidating loss-making state-owned corporations rather than strictly conditioning financial assistance on privatisation – in part a realisation of the further social and political destabilisation that privatisation would generate (WB 1989b, 1992a, 1998a).

So-called second-generation reforms, negotiated by MDIs and the Paz Zamora administration from 1989, and executed under the presidency of Gonzalo Sánchez de Lozada from 1993,⁴⁵ are conventionally understood as involving the privatisation of state-owned corporations and welfare services, and the substitution of targeted safety nets benefiting only the poorest sectors of society for universal health and pension welfare, along with administrative and fiscal decentralisation (Climenhage 1999; Kohl and Farthing 2005). However, these attributes do not convey the comprehensiveness of second-generation reforms, which are centred essentially on PSD. PSD was formalised as a blueprint of MDIs in 1989, but several of its central elements had already been adopted prior to its formalisation (DAC 1989; IBRD 1993; Miller-Adams 1999). The WB and IMF regarded PSD as a continuation of measures implemented in the mid-1980s. The IBRD thus argued in 1993 that:

'relative price reform and macroeconomic stabilization are not sufficient conditions for restoring (or launching) efficient private sector growth. The World Bank Group's (WBG) strategy for supporting PSD reflects a move toward a "second generation" of efforts which integrate institutional changes with policy reforms. The approach aims to help countries overcome legal and institutional obstacles affecting the business environment and relax constraints to firms at the day-to-day operating level' (IBRD 1993: i, 2).

Improving the day-to-day environment in which private businesses operate required a dynamic, reflexive and holistic approach in order to understand the dynamics of capital accumulation. It required understanding that 'The business environment is shaped by a complex interaction of formal policies and laws, informal practices, institutions and infrastructure' (IBRD 1993: 4); it required 'learn(ing) from successful country experiences in implementing PSD reforms', and 'forg(ing) linkages between the various local institutions critical to PSD' (IBRD 1993: iii; 16).

The second generation of reforms thus focused on conditioning private capital accumulation. This involved supporting Foreign Direct Investment (FDI), supporting capitalist class formation (primitive accumulation), and supporting existing domestic businesses in the periphery, through state institutions but also the non-profit private sector. It focused on coordination between MDIs – information sharing, common development projects, and a global centralisation of decision-making and strategies for accumulation; collaboration between the staff of MDIs and national governments, expressed in extensive physical presence of the former and a hands-on approach to development. Most importantly perhaps, it focused on collaboration between dynamic business and technocratic elites (public-private partnerships) (DAC 1989).

However, despite regular mentions in the literature of external leverage or influence on domestic reforms, the institutional connections between the Bolivian state and MDIs has only been superficially addressed until now. Surprisingly few researchers have taken the pains to undertake an in-depth analysis of this relationship (Climenhage 1999; Fernández 2003; Kohl and Farthing 2005). Existing studies, overwhelmingly based on interviews (Climenhage 1999) and secondary and tertiary material (Kohl and Farthing 2005, 2009), have either resulted in contentions that the WB and the IMF, remaining at a distance, reactively offered encouragement and financial support for government reform initiatives (Climenhage 1999), or more often, that MDIs, monolithic entities at the behest of American and British economists and imperialist interests, and utterly devoid of internal contradictions (Kohl and Farthing 2009: 62-63), imposed neoliberal reforms onto Bolivian society. The latter contentions systematically lapse into a structuralist critique of neocolonialism, focusing in particular on US dominance (Kohl and Farthing 2005; Fernández 2003).⁴⁶ Allusions to global governance institutions are made to emphasise US and European imperialism in Bolivia and the rest of Latin America (García et al. 2000, 2002; Fernández 2003; Webber 2008),⁴⁷ without considering the theoretical implications of transnational production and organisational networks for North-South, inter-state but also intra-elite relations (Van der Pijl 1998; Overbeek 2004; Robinson 2005). Furthermore, institutional coordination via technical assistance on the one hand, and civil service reform on the other as processes integral to internationalisation have all too often been neglected in existing scholarship on Bolivia.

On their side, Robert Cox's (1981, 1987) original propositions and their reformulation by William Robinson (2002, 2005) have rarely been

employed in empirical research. Exceptions include the work of Andrew Baker (1999) and Stuart Shields (2004) with reference to, respectively, the British and Polish states. Baker's (1999: 80) contention that 'the concept of the "internationalization of the state" suffers from a lack of empirical grounding' remains painfully true to this day. The central purpose of this manuscript is therefore to ground the concept of internationalisation in empirical evidence, by engaging critically with Cox's original understanding of the term, weaving theoretical and empirical elements of research into one reflexive whole. Such praxis may help to produce an alternative, generalisable conceptualisation of internationalisation, thereby allowing the operationalisation of empirical research in other national contexts. By breaking new empirical ground through the documentary analysis of primary evidence – internal documents of the WB and IMF – this book seeks to achieve a more nuanced understanding of restructuring in Bolivia than existing scholarship, by evading platitudes regarding neoliberal restructuring or neoliberal globalisation.

The World Bank, the IMF and the Bolivian State

Scholarly explanations of the relationship between MDIs and Bolivian governments after 1985 have diverged into two polar extremes: either MDIs imposed neoliberal reforms onto Bolivian society or they distantly supported government reform initiatives. Fernández (2003) argues the former, but his argument is problematic: few concepts are defined and measured adequately (for instance 'transnational capitalists'), his analysis of the WBG, the IMF and the Bolivian state is typically instrumentalist, and the empirical evidence used to justify his contention is all too often anecdotal. MDIs are considered as tools of colonial powers (led by the US) acting in concert to impose restructuring on developing countries by attaching neoliberal policy conditions on multilateral loans for the extraction of wealth from Bolivia, which perpetuates, if not increases poverty for the majority (see also Chossudovsky 1998: 33). Fernández presents Bolivia's managerial elite as a group of comprador lackeys who subserviently implemented the emerging Washington dogma. His argument is typically Latin Americanist in exuding a profound structuralist nationalism, imbued (however implicitly) by work of Raúl Prebisch and of the United Nations' Economic Commission for Latin America (CEPAL) in the 1950s. It idealises both state capitalism – state-ownership of strategic means of production, Import Substitution Strategies defined by protectionism, price controls and subsidies for nascent industries – and

locates squarely the causes of Bolivia's underdevelopment in imperialism and neo-colonialism (for an effective, class-analysis critique of structuralism, see Pastor 1987). It offers a relatively myopic and superficial historical analysis, which conveniently overlooks the profound contradictions of state capitalism that led to the hyperinflationary crisis of 1985. The validation of his hypothesis – i.e. the IMF and WB are institutional instruments of Western neo-colonialism, and by extension, so is the debt-ridden Bolivian state – is thus *a priori* undermined by inadequate conceptualisations and historical contextualisation.

Alvaro García Linera and the *Comuna* collective neglected – perhaps as a political strategy – to distinguish between the various elite forces that were constituting and reconstituting the state through internal struggles and class domination, by lumping them all into a neoliberal 'political class' that ruled through a procedural democracy 'empty of content', and whose governments 'followed the blueprint pre-established by international financial organisms, following to the letter the instructions of sale of previously nationalised enterprises' (García and Gutiérrez 2002: 11, 15; author's translation). Alvaro García (2000, 2001, 2002, 2006, 2007), Luis Tapia (2002b) and Raúl Prada (2002) have adeptly conceptualised and analysed the decomposition and re-composition of labour and indigenist movements since the 1980s. They have, however, grossly simplified elite formations and the relationship between governments and MDIs – systematically lapsing, like Fernández (2003) in a structuralist critique of neo-colonialism mediated by MDIs in Bolivia.

In contrast, Climenhage's (1999) analysis of transnational networks and the emergence of a neoliberal epistemic community in Bolivia offers a compelling theoretical model, founded on Haas's (1992) notion of 'epistemic community', and employs it reliably in her empirical study of transnational forces. It identifies transnationalised elements of the Bolivian business and policymaking elite and analyses effectively *how* they internalised the neoliberal approach to economic management through a learning process in think tanks (UDAPE, *Fundación Milenio*), workshops (*Foros Económicos*) and transnational policy and educational networks. It offers an inspiring reflection on the potential emergence of a Harvard school and Harvard boys who devised economic policy in Bolivia (paralleling Chile's Chicago boys) (see also Conaghan 1990). It appropriately rejects the relevance of a Harvard school, emphasising that Jeffrey Sachs's role as an advisor of the Bolivian government for orthodox macro-economic stabilisation in 1985-90 and Bolivia's debt buyback programme in 1988 was certainly influential, but that it has

been vastly exaggerated in the literature (see for example Kohl and Farthing 2005). Sachs was only one organic intellectual among others within a transnational elite social movement: collective action by monetarist economists in key governmental and private policy advice institutions was far more meaningful in creatively implementing neoliberal reforms adapted to Bolivian conditions. Nevertheless, her overreliance on interviews with WB and IMF staff has led her to argue inappropriately that the initiative for restructuring always lay in Bolivian governments; the IMF and WB merely offered post-factum, reactive fiscal and ideological support to Bolivian elements of the transnational epistemic community, rather than systematic, policy-related dialogue and collaboration. Reliance on secondary, rather than primary WB and IMF documents precluded any in-depth analysis of the institutional articulation of MDIs with central government agencies, which is at the core of the internationalisation of the Bolivian state.⁴⁸

The documentary analysis of primary evidence (written sources intended solely for internal distribution) (Burnham et al. 2004), however difficult access may be, is essential to achieve an appropriate understanding of the social contradictions underlying restructuring in Bolivia. Research on the restructuring of peripheral states have either been misled by their over-reliance on interviews (in the Bolivian case, Climenhage 1999; Van Cott 2000; Grindle 2000; Bauer and Bowen 1997) or by the restrictions and distortions generated by the reliance on secondary material (Kohl and Farthing 2005; Petras and Veltmeyer 2005).⁴⁹ The present research analyses both secondary (publicly available) and primary (recently declassified) documents by the DAC, the DC, the WB and IMF as well as semi-structured and unstructured interviews. These primary sources help to explain the global centralisation of authority and decision-making since the 1970s and the strategic shifts informing MDIs' development agenda since the early 1980s. Inferential treatment of the evidence can be achieved because these documents allude to a global strategic blueprint for capital sustainability in first- and second-generation reforms, centred initially on stabilisation and structural adjustment, and subsequently on PSD. Issues of generalisation and contextualisation (respectively valued by quantitative and qualitative researchers) are jointly resolved here by analysing both multilateral policy documents informing the *global* implementation of structural reforms and declassified IMF and WB documents on restructuring in the Bolivian case (King, Keohane and Verba 1994; Adcock and Collier 2001; Brady and Collier 2004).

The evidence indicates the emergence of new patterns of multilateral coordination since the early 1980s, including 1) the

enhancement of ideological cohesion and institutional coordination between national and multilateral technocrats, as national development strategies and programmes began to be devised jointly by governments, the WB, the IMF and the UNDP to facilitate aid coordination, which became the responsibility of the recipient government (DAC 2006: 23); 2) increasing coordination and division of labour between MDIs, originally between the IMF and the WB, and extended through the mediation of the DAC to the UNDP, regional development banks such as the Inter-American Development Bank (IDB) and bilateral development agencies; 3) a consciously *holistic* and reflexive approach to problem-solving, within the structural constraints of global accumulation and capital expansion (including primitive accumulation); and 4) a profound awareness of subaltern resistance to the conditions required (flexible labour market, removal of barriers to trade and investment, fiscal and monetary stability) for capital accumulation and PSD (see DAC 1989; IBRD 1993, DC 1996).

WB-IMF coordination was formalised in 1966 in a memorandum on Fund-Bank collaboration (IMF/WB 2001: 19),⁵⁰ consolidated at the strategic decision-making level by the establishment of the DC in 1974, upgraded by the introduction of the Policy Framework Paper (PFP) in 1987,⁵¹ and reconfigured by the signing of a 1989 Concordat on aid coordination between the two institutions.⁵² In the early 1980s, 'as the two institutions moved to overlapping fields of economic activity, collaboration intensified and produced positive results. However, at times collaboration between the two institutions ran into problems, prompting further periodic reviews of existing practices... When the Bank began making structural adjustment loans (SALs) for medium-term balance of payments financing in 1980, it had to reconcile that activity with the Fund's "primary responsibility" for the balance of payments' (IMF/WB 2001: 18-19).

The crystallisation of a coordinated approach to restructuring in the 1980s between the two institutions, supported empirically by the Bolivian case (see chapter 4), contradicts Joseph Stiglitz's (2002) contention that the WB and the IMF engineered diametrically opposed approaches to development in the 1990s, and that the IMF's 'other approach' founded on 'a curious blend of ideology and bad economics, dogma that sometimes seemed to be thinly veiling special interests', undermined the WB's balanced perspective (Stiglitz 2002: xiii). Indeed, the donor community must not be conceptualised as a bloc or unit devoid of internal contradictions, as disputes regularly arise in relation to overlapping responsibilities and parallel development projects (Taylor 2005; see also chapter 4).⁵³ Nevertheless, MDIs' overall strategic

approach to development, crystallised in PSD reforms and buttressed by the authority of the DC and DAC, indicates ideological convergence and the consolidation of a transnational historic bloc, in part through the activities of MDIs. Efforts by the DC and DAC since the mid-1980s to generate a harmonious and efficient coordination of development activities culminated in the 2005 Paris Declaration on Aid Effectiveness (DAC 2005; 2006).

Kohl and Farthing (2005), on their side, have taken a middle ground by referring to 'collaborative practice' between MDI staff and Bolivian administrations. Nevertheless, they do not attempt to decipher the actual institutional interconnections between MDIs and the Bolivian national state, preferring to present reified 'international governance agencies and financial institutions' as having 'imposed in large part' a 'neoliberal hegemonic regime' upon Bolivia 'in collusion with national elites' (Kohl and Farthing 2005: 7).⁵⁴ They eschew an in-depth analysis of the process of integration into a globally-oriented institutional complex, focusing more specifically on an analysis of an externally imposed neoliberal globalisation and neoliberal hegemony. Despite the use of enlightening empirical evidence and an excellent concluding chapter, Kohl and Farthing's analysis is founded on blurry conceptual foundations and (primarily) tertiary sources.⁵⁵ So many inconsistent meanings are given to the two central concepts of the book, *neoliberalism* and *hegemony*, that meaning is effectively obscured and lost. Kohl and Farthing equates neoliberalism indiscriminately to a 'global system that privileges the market' (2005: 2), to a 'regime' (2005: 7), to a 'project' (2005: 8), or a set of 'policies that subordinate the broader public interest by privileging the private sector while minimizing the role of government in production' (2005: 2; 12). The concept of hegemony, on its side, is applied equally to 'a regime' (2005: 7) or a 'state' (2005: 7) or indeed to a 'set of ideological assumptions' (2005: 15). By referring to nebulous notions of 'neoliberal system' and 'neoliberal globalization', Kohl and Farthing provide the image of an independent ideational variable associated indiscriminately with the state, the market, and an overbearing US hegemon.

Neoliberalism is thus reduced in both Fernández's (2003) and Kohl and Farthing's (2005: 2-3; 2009) texts to shadowy and arbitrary 'manifestations of US imperialism' and 'transnational conditionality',⁵⁶ while the complex institutional relationships between Bolivia's 'national elites' and MDIs is simplified to the extreme through the unproblematised use of the term 'collusion'. A more careful historical analysis of multilateral economic management by the IMF undertaken by such researchers as Fred Block (1977a) and Manuel Pastor (1987)

point adequately to monetarism (supply-side management, often associated with free trade and conceptually related to neoliberalism) and Keynesianism (demand management, conventionally interfaced by trade protectionism) as the two principal ideological forces around which capitalist historic blocs have concretely coalesced and struggled for capital hegemony.⁵⁷ These two heuristic projects, rarely implemented in their pure form but combined with more emphasis placed either on supply or demand, have sought to resolve the fiscal, monetary and trade policy issues that define the organisation of an inherently unstable global capital accumulation process (Van der Pijl 1984).

Broader Limitations in the Academic Literature on Bolivia

Analyses of Bolivia's political economy have been suffused with concepts of democracy, globalisation and neoliberalism. Yet these analyses have generally suffered from interrelated shortcomings, which need to be redressed: Smithian logic, state-centrism, state-market and domestic-foreign dichotomies.

Globalisation As Smithian Magic?

Globalisation has been on the lips of many International Relations theorists since the collapse of the Soviet Union, used and abused to the point of lapsing in an 'empty circularity' whereby 'the *explanandum* – globalisation as the developing outcome of some historical process – is progressively transformed into the *explanans*: it is globalisation which now explains the changing character of the modern world – and even generates "retrospective discoveries" about past epochs in which it must be presumed not to have existed' (Rosenberg 2001: 2-3). Globalisation is consequently interpreted as the unprecedented world-wide extension of an impersonal force (an independent transnational economic variable, or relatively autonomous infra-structure) undermining the capacity of national states to manage their hitherto autonomous, well-protected social economies (Cox 1987; Gill 2003; Robinson 2005).

In order to uncover the underlying mechanisms veiled by Smithian liberalism, one must historicise the emergence and globalisation of capitalist relations of production, the commodification of labour (i.e. turning workers into inputs for production) through a process of primitive accumulation,⁵⁸ the spatial expansion of capital through over-accumulative tendencies and imperialism, and the historical tension between transnational and inter-state relations.⁵⁹ I can only briefly address the latter issue here: in historical materialism, the transnational

is not analysed as a new phenomenon; rather it is seen as old as, and as dialectically inter-related with international relations since the dawn of civilization (van Apeldoorn 2004: 144-145). On their side, the complete circuits of capital (articulating industrial, financial and commercial circuits) were constituted transnationally as a structure essentially distinct from and contradictory to international relations and their territorial logic.⁶⁰ The a-spatial and expansionary development of capital since the eighteenth century from its transnational 'Lockean' heartland (defined by a form of social regulation based on the rule of law and the protection of private property, and in which political power has tended to operate consensually rather than through direct coercion) has gradually accentuated the historical contradiction between transnational and international relations.⁶¹

From that perspective globalisation accompanied the birth of capital, and capital determines the global essence of contemporary society. Van der Pijl (1998: 38) suggests that the expansion of capital 'into uncharted territory' has occurred both in temporal and spatial, concentric phases, causing the contemporary perpetuation of processes of primitive accumulation. The rhythmic, non-linear expansion and intensification of capitalist relations of production has equally generated variegated forms of primitive commodified labour, semi-proletarianised peasants, vagrants hired on a temporary basis into workhouses, employed in small family enterprises (putting-out systems), or suffering the dissolution of artisan guilds and forced to work in new factories.

Beyond primitive accumulation, the maturation of capitalist relations of production through industrialisation has deepened commodification processes by generalising the wage relation (Hobsbawm 1995). Under industrial circuits of capital, market exchange of commodities veil the subordination of the labour process to capital self-valorisation, or value expansion. From this perspective, the state prior to the 1970s was unable to achieve autonomy from transnational capital circuits just as it is unable to manage capital circuits now. Therefore, the transformations occurring since the early 1970s have not constituted a new transnational structure of capital, but are rather defined by new social contradictions caused by the emergence of a dominant, transnationally organised elite bloc, which struggled to restructure economic, ideological and institutional relations through its appropriation of revolutionary technological developments (chiefly in transport and information technologies).

Dependency and Underdevelopment

Processes of capital globalisation and transnational elite formation, if seen in this light, problematise dependency and world-system theories, which have conditioned analyses of the post-colonial state and of its weakness or strength.⁶² World-system theorists define capital as the appropriation, by metropolitan states, of the surplus of the entire world economy through a 'system of hierarchical economic organisation Centre/Periphery/Semi-Periphery, recognisable ... since the first agrarian/colonial capitalism' (Espasandín and Iglesias 2007: 44). These chains of dependency and hence domination are founded on a conception of capital as a world market of exchange, i.e. as circulation of commodities.⁶³ The attempt to unveil the magic of the world market is immediately veiled by reducing capital relations to commercial circuits: relations of production have been turned into relations of exchange between core and peripheral states (Rupert 1995, Robinson 1996). The circulationist definition also implies that the mercantile and chiefly agrarian economic structure of sixteenth century Europe and Americas was essentially capitalist. This loose definition could (and has) lapse(d) into an understanding of slave, feudal or hacienda structures of production as capitalist. I will rather follow in the historical materialist tradition by arguing that capital emerged as a complete structure of production in England during the eighteenth century, where the imposition of land rents onto peasants triggered early forms of (primitive) accumulation and the development of an urban-based, industrial circuit of capital as the central axis of capitalist social relations.⁶⁴

The world-system/dependency models also over-emphasises the causal relationship between the underdevelopment of peripheral social complexes and the circulation and exchange of commodities within a capitalist world market, which has been empirically contradicted by rising capitalist formations (East Asian Tigers, India, Russia and Brazil). Besides, it unwittingly reproduces the ontological (and thus analytical) primacy of the infrastructure, or forces of production ('the methods and means of appropriating and transforming nature, including tools, technology, work organisation'), which implicitly veil the underlying class content of worldwide production relations (Roseberry 1989: 17). From that perspective, the essential problem of constructed peripheral nations and of the states protecting them is the unfair trade regime that defines their relations with the capitalist metropolis. Consequently, the only viable and justifiable political course of action for them to take is national emancipation either through 'delinking', or through state

capitalism involving import-substitution strategies (Amin 1990; Antezana 1983; Fernández 2003).

State-Centrism and Neoliberalism as Tools of the US Government

The empty circularity of globalisation theory has all too often been resolved by understanding globalisation as world-wide Americanisation – i.e. the global imposition, by US administrations and US-based multinational corporations, of (neoliberal) capitalism and epiphenomenally, of American culture.⁶⁵ Within this global metaphor, prevalent in world-system and dependency theory but also in Gramscian thought,⁶⁶ one national hegemonic state, or the metropolis as a whole dominates the world system by suppressing the development of the periphery through imbalanced commodity trading. From that perspective, global governance institutions are perceived as instruments of metropolitan elites (see Cammack 2003 for a Marxist critique). While understanding globalisation as *explanans* reproduces Adam Smith's understanding of market forces as an invisible hand enjoying magical qualities that cannot be comprehended (Van der Pijl 1998), perceiving neoliberalism as a tool of the US is fundamentally state-centric.

State-centrism generates a duality between structure and agency by ascribing a unilateral, agency-driven power to nations or states, pitting national elite blocs against each other, and/or metropolitan against peripheral formations. This in turn causes a neglect of the constitution of structure by agency, and hence their dialectical, internal relationship.⁶⁷ State-centrism is directly related to globalisation theory, which perceives transnational market forces as undermining the sovereignty of the state. It thus persists in implicitly or explicitly perpetuating the problematic assumption in mainstream International Relations and International Political Economy (IPE), of a zero-sum relationship between market and state.⁶⁸ It also is a fertile breeding ground for national starting-points.

National and Local Starting-Points: Creating Internal-External Dichotomies

Scholarship on Bolivia has been predominantly informed by a national epistemological and ontological starting-point.⁶⁹ The research core here is the peculiar national or local essence of social relations, which may or may not be influenced by external constraints (capital, changing world prices, globalisation, neoliberalism). On the one hand, the fact that a majority of the Bolivian population appears 'still deeply enmeshed in an ancient autochthonous culture' (Dunkerley 1984: xiii), has favoured an

anthropological focus upon rural, pre-capitalist forms of social organisation and their articulation with the capitalist mode of production, rather than holistic historical analyses of its political economy; a problem identified by anthropologists themselves in the late 1980s.⁷⁰ This issue has prompted anthropologists to broaden their methodological horizons towards urban-rural linkages (Assies 2003), as well as regional or national spaces.⁷¹ Yet they continue to see the national as a valid object of study in and of itself. On the other hand, Realist and Pluralist theories of International Relations and Political Science have predisposed researchers to assign an a priori, absolute primacy to the national unit, even if seen as part of an anarchic international system (Waltz 1990-1). Bolivia, with its peculiar indigenous makeup and relative geographical isolation is all too often wrapped with eternal qualities reminiscent of Niebuhr's (1932: 83) assertion that the nation is 'the most absolute of all human associations'.

However, studies of the relationship between MDIs and the Bolivian state, have adopted top-down, and external-internal perspectives on the establishment of a neoliberal market. Influenced as they continue to be by structuralism, they have systematically lapsed into nationalist critiques of neo-colonialism. They have thus focused in particular on the unchallenged dominance of the US superpower in international relations through veto rights in the IMF and its bilateral leverage on Latin American governments to lower existing barriers to trade and investments.⁷²

This tendency has been evident in much classical Marxist, including Gramscian scholarship.⁷³ Neo-Gramscian approaches' most important departure from Gramsci is their revival of Marx's (2003: 386-7) holistic starting-point (world-wide social relations), which posits that the social whole is greater than the sum of its parts. They have accordingly focused their inquiry on *global* relations of production, rather than the internal/domestic political struggles and hegemonies defining national formations.⁷⁴ In doing so, they have consciously opened up Gramscian thought by breaking away from its contention that domestic hegemonies and domestic economic relations between social forces should be the prior, essential level of analysis, from which external interactions between national state-society complexes unfold. In other words, the Bolivian or Aymara nation is not an ontology – it does not exist as an entity defined by essential and exclusive attributes – and is not worthy of study in and of itself but always as constitutive of global social relations.

States vs. Markets

State-centrism, globalisation theory, statolatry and national starting-points are correlated to the states-vs.-markets dichotomy (Strange 1995; Krasner 199). Statolatric analyses of democratisation have, for example, systematically sought to rigidify the state, the market and society into absolute, autonomous structures or factors (Holloway 1995a). National starting-points inevitably perceive the world market – or indeed globalisation – as an external and somehow overbearing force. It is important to problematise the distinction between market-based (pre-1952 and post-1985) and state-led (1952-1985) development as ontologically distinct in the literature on Bolivia. This has contemporary political relevance, as the Morales administration is seeking to revive state capitalism through the renationalisation of corporations privatised in the 1990s.

Critical research has effectively undermined problem-solving attempts at reducing economic relations to technical specificities – ideologically framed in a way that persistently naturalises liberal democracy (the political sphere) and the world market of commodity exchange (the economic realm), concurrently veiling the worldwide, underlying structure of capital accumulation defining the contemporary social world.⁷⁵ Nevertheless it persists in assuming a zero-sum relationship between state and market. In the specialist literature on Bolivia, either growth is market-based (a neoliberal system/economy) or effected via the state (state-based economies, state capitalism, state socialism) and these two forms of growth are defined by distinct, mutually exclusive, if not contradictory logics.⁷⁶ Kohl and Farthing (2005), as already pointed out, refer to notions of market-led neoliberal system and neoliberal globalization. Climenhage begins her work with these words: ‘In the last two decades, nations all over the world have been undergoing transitions to neoliberal, market-based economies’ (Climenhage 1999: 1). Lesley Gill (2000) borrows Susan Strange’s (1996) conceptual framework to describe the implementation of Bolivia’s neoliberal reforms as a militarised ‘retreat of the state’.⁷⁷ Herbert Klein (2003), Fernando Mayorga (1991), and Pilar Domingo (1993), on their side, refer to the occurrence of a ‘structural revolution’ in 1985, just as sympathetic analysts with a privileged access to the MAS leadership have explained Evo Morales’s investiture as heralding a ‘revolutionary’ change of Bolivian society and economy (Stefanoni and Do Alto 2006).⁷⁸ One should be reminded of Malloy’s (1991: 54) wise suggestion: ‘What was new in Bolivia was not the neoliberal program of the New Economic Policy but the political creativity that backed it up’.

A Historical Materialist Alternative: The State As Contradictory Organisation of Subjection

The alternative suggested here seeks to transcend external-internal and state-market dichotomies, statolatry and economic determinism by focusing on patterns of collaboration between the staff of MDIs and a transnational elite fraction in Bolivia, incorporated into an expanding transnational bloc as equal partners in development in the struggle for the restructuring of social relations, including of the state, since 1985. Transnational elite networks are seen here as transcending bilateral relations between Bolivia and the United States of America (US), which have all too often been rigidified in Critical scholarship.

This study contends that private-public and market-state dichotomies obscure meaning and restrict our understanding of what constitutes growth by applying a circular and fetishised logic to its conceptualisation:⁷⁹ growth becomes a process defined merely by the exchange of commodities abstracted from the very labour relations that defines their specific value (Bonefeld 2000), an abstract distancing permitted by the reification of market and state (turning internally related economic and institutional processes into mutually exclusive entities). It has been pointed out before (Cliff 1955; Picciotto 1978) that state-owned corporations integrated into the world market do not essentially evade the logic of surplus appropriation and the containment of labour power; labour remains employed by state managers in order to generate surplus value. Resistance to elites *within* the state is an expression of the fact that capital accumulation, via private or state ownership always constitutes exploitative labour relations.⁸⁰

Theoretical Underpinning

The alternative offered here is a historical materialist approach grounded in substantive (historically-constituted) dialectical logic. Historical materialist research is grounded in reflexive *praxis*, in the fused unities of dialectics and history, of abstract and concrete thought (theory and practice), and of subject and object. Each unity presupposes and is the result of the other. The philosophy of praxis obliges the theorist to constantly confront and adapt concepts abstracted in prior knowledge constructions to changing historical conditions, and if necessary replace them with more valid, *practical*, ones. Hence the ever-incomplete nature of scholarship and the ever-open nature of concepts.⁸¹ These perspectives induce a readier emphasis on the historical specificity, subjectivity and therefore partiality of any social theory. Yet far from

being relativist, they abstractly-concretely develop, using substantive dialectical logic, a synthetic ontology: social relations of production, in other words antagonistic class relations (Marx 2003: 'The Grundrisse'; Overbeek 2000; Van der Pijl 2002). Dialectics is located both in concrete history and in the intellectual process (logic grounded in praxis) itself.⁸²

Substantive dialectical logic helps us to overcome superficial distinctions between state and market by understanding growth as capital accumulation. Accumulation only exists as capital-in-movement, which is a movement of exchange-value. Value can only be generated through labour; hence capital accumulation can only exist via the appropriation of labour surplus, which in effect constitutes exploitation.⁸³ The social reality, the ontological premise and result of dialectical thinking, is therefore the *class struggle*: the contradictory labour (or production) process is the essential contradiction-in-movement, the underlying social relation which defines and constitutes the totality of apparently distinct forms (Overbeek 2000; Bonefeld 1991: 99-100). Class antagonisms, manifested in the power struggles arising from the ownership of the means of production and the distribution of wealth, are the dynamic core of imagined social constructions and as such drive social history. The class struggle as movement entails constant change both of social reality and of the forms expressed in and through that reality; hence the unpredictability of struggle itself and the rejection of any dogmatic historical determinism; and hence the ever-incomplete nature of scholarship and the ever-open nature of concepts (Gill 2003; Burnham 2001).

The ontological *concept* as an abstract, synthetic totality is analytically prior to its apparent manifestations.⁸⁴ To interpret the ontological concept as a social whole greater than the sum of its parts helps to unveil the invisible essence that lies underneath the sensory surface of the social world, and to identify recurring historical patterns as structures (Bonefeld et al. 1991, 1992; Archer et al. 1998; Van Apeldoorn 2004). To consider the concept of class struggle as essential, synthetic starting-point is not a purely logical (metaphysical) exercise, but is also, and concurrently, the result of historical analysis: capitalism is seen as a historically specific and transitory social structure defined on the one hand by the separation of labour from the means of production and its corollary, the commodification of labour, and on the other by 'a particular social form of production within which the production of useful goods is subordinated to the expansion of surplus value' (Burnham 2000: 16). The class struggle in capitalist form emerges out of a plethora of historical evidence of the expropriation, by emerging

capital, of the means of production (land, tools, technology) hitherto in the hands of labourers. Capital exploits and dominates labour by extracting surplus-value on a daily basis, thereby generating resistance and inducing the constant intervention of the state to sustain the reproduction of the total circuits of capital. Capital as self-valorising value exists only through the appropriation of labour because labour is the substance of value.⁸⁵

Class struggles are not economic struggles separate from cultural or ideological relations. They are underlying *social* antagonisms expressed in complementary economic, ideological and institutional forms. Social structures take plural local, national and regional forms (yet these levels of analysis cannot be distinguished because each is constitutive of the others): economies, ideologies (including religions) and institutions are necessarily varied expressions of historical relations of production (Apeldoorn 2004: 144). Such an approach precludes any determinism, economic or otherwise, because social change is not predetermined by class relations but has historically been generated also by struggle (expressed in domestic and foreign wars, in imperialistic relations) between contending elite forces (Overbeek and Pijl 1993).

The holistic approach used here entails placing the liberalisation of the Bolivian state within the context of the latest phase of capital globalisation that emerged in the early 1970s. Liberalisation is understood here as social restructuring, involving struggles to adjust the Bolivian space to global market prices and privatise accumulation; to achieve the hegemony of capital via the diffusion of neoliberalism; and to secure the viability of polyarchy.⁸⁶ The central attribute of this phase has been the increasing predominance of what Stephen Gill (2003) termed a transnational historic bloc of elite social forces, incorporating fractions of capital, technocrats, and organic intellectuals.

Generating the Research's Hypothesis

Debates between critical and problem-solving scholars on the causes of underdevelopment; on the limitations of a democratic structure informed by various pacts and coalitions between the three dominant political parties in the 1985-2003 period (the *Movimiento Nacionalista Revolucionario* [MNR], the *Acción Democrática Nacionalista* [ADN], and the *Movimiento de Izquierda Revolucionaria* [MIR]); on the morality, modernising inevitability or efficiency of so-called neoliberal restructuring generate important empirical and philosophical issues, which continue to inform contemporary appraisals of nationalisation and land redistribution implemented by the current Morales administration.

Normative questions relating to the nature or desirability of a democratic polity, to the appropriate form of such democratic polity must certainly not be brushed aside and should be tackled with the ingenuity of conceptual openness. It is, however, not the purpose of the present study to enter normative debates, but rather to identify and analyse thoroughly research areas that have been overlooked or glimpsed at.

In light of the limitations of Weberian pluralism and of instrumentalist conceptions of the state, I began my research by asking myself: how did the Bolivian state transform itself to sustain the general interest of capital in the period under study? In other words, how did the state achieve its function: the (re)production of capital through labour exploitation? This functionalist hypothesis challenged existing Critical research on the Bolivian state and on its relationship with MDIs since 1985, which have systematically lapsed into critiques of neo-colonialism and instrumentalist understandings of the state. I subsequently encountered evidence that threw a reflexive light on the validity of the hypothesis itself and forced a change in the questions I had to ask myself. The questions driving this investigation consequently became: did the Bolivian state act as a whole, as a bloc, to sustain capital reproduction? Is it ever unitary? Does it always know what it is supposed to do? Is it an 'it' or several 'it's'? What are the forces that constitute the state and how do their struggles unfold? How did the relationship between Bolivia's central government and multilateral development agencies in the period under study affect, and was affected by what is conventionally seen as domestic struggles? Evidence from Bolivia meant that I had to reconsider my understanding of the state.

The concept of the state is elusive and subject to endless debate and controversy. However, despite its centrality to the unnecessarily fragmented disciplines of political science, International Relations and IPE, and probably because of its ambiguous and contested nature, its conceptualisation has often been obscured or neglected in empirical analyses of the political (Burnham 1994b). The result of under-labourer analyses of the state has been a set of assumptions regarding the role or functions of the state and its relation to the market, which undoubtedly informed my initial hypothesis (Bonefeld and Psychopedis 1991; Gunn 1992). This fixation all too often results in a consideration of the state as a unitary institution under the overarching leadership of its executive agencies, hence tending towards a conflation of state and government.⁸⁷

The State as Contradictory Organisation of Subjection

I approached the research on the Bolivian state with a view to generate theoretical propositions that can be coherently integrated into a historical materialist approach. The concept of the state has been a major preoccupation of so-called political Marxist, German Marxist, Open Marxist and neo-Gramscian theorists since the late 1970s,⁸⁸ who attempted to transcend the two conventional historical materialist approaches to the state elaborated respectively by Ralph Miliband (1968) and Nikos Poulantzas (1978 [1968]): instrumentalism and structural-functionalism. Yet, Open Marxist and neo-Gramscian scholars have persisted in reproducing the Miliband-Poulantzas debates of the 1970s on the state:⁸⁹ in a variety of forms, they either conceptualise the state as an instrument of the ruling class (Morton 2000; Robinson 2002, 2005) or as a relatively autonomous structure that functionally reproduces capital.⁹⁰

The basic instrumentalist approach to the state defines it as an expression of the interest of the ruling-class, used (like a tool) to sustain its structural domination over labour: 'an instrument has no will of its own and is thus capable of action only as the extension of the will of some actor. To understand the state as an instrument of the capitalist class is to say that state action originates in the conscious and purposive efforts of capitalists as a class' (Finegold and Skocpol 1995: 176). Instrumentalism has been criticised from various perspectives. It offers an image of capitalist forces as an economic bloc capable of consciously ruling through the institutions of the state; tainting the theory with agency-centeredness and voluntarism (Hay 1999). It also fails to identify fractures and power struggles within dominant social forces (Van der Pijl 1984), and overlooks the substantive distinctions between strictly technocratic (employees of the state) and business forces (private owners of the means of production) which generates contradictions in their approaches to social reproduction and accumulation strategies (Block 1977b).

The cruder version of structural-functionalism, on its side and in direct contrast to instrumentalism, views the state as possessing or being attributed a set of functions (such as the defence of private property, the reproduction of labour, the provision of infrastructure), which sustain the long-term interest of capital (Poulantzas 1975, 1978 [1968]; Holloway and Picciotto 1978). It has been criticised for subduing conscious agency to the causal pre-eminence of the structure, creating an artificially mechanistic metaphor for the internal dialectic between production relations and the cold, rational, state class managing them

(Hay 1999). Poulantzas emphasised the relatively autonomous existence and self-reproduction of an institutional/political structure sustaining the general interest of capital through its functional achievement of accumulation. Relative autonomy generated two essential problems: structural-functionalism and factorial analysis. As pointed out by Burnham (1994b: 2), the basic flaw of functionalist approaches is that they 'define the state by its consequences': the state is a bearer of social functions such as the maintenance of order and the reproduction of capital, and 'knows best' what these functions are. Hence there is no space for struggle within the institutions of the capitalist state, since the logic of accumulation and class domination always structures state behaviour and role. However, the disjuncture between autonomous infra- and superstructures has been appropriately disputed by Marxists for its covert association with a Weberian pluralistic methodology (Burnham 1991; Holloway 1995). Economic (infra-) and political (super-) structures were studied by Poulantzas as autonomous factors obeying distinct logics of inquiry ('autonomous and specific objects of science'), exemplified by the usage of different conceptual frameworks for each structure – the economic level would be explained by concepts such as value, surplus value, accumulation and indeed capital while the political level would be analysed using alternative concepts such as hegemony or power bloc (Holloway and Picciotto 1978; Picciotto 1990).⁹¹

Poulantzas and Miliband did move away, in their later work, from this structure-agency dichotomy by making significant concessions to each other's arguments. Poulantzas began seeing the state in more relational terms, while Miliband began emphasising the relative autonomy of the state from ruling-class interests (Miliband 1977; Poulantzas 1978). Indeed, Poulantzas's conceptualisation of the state as a 'condensation', in its institutional midst, 'of the relationship of forces between classes and class fractions' is a perfect starting-point for relational approaches to the state (Poulantzas 1978: 132). Nevertheless Poulantzas and Miliband ultimately failed to move debates on the state far beyond early structuralist and instrumentalist positions (Hay 1999: 164-168). The central problem of neo-Gramscian theories of the state is that they have remained fixed in these early propositions.⁹²

The present research is firmly grounded in the neo-Gramscian movement, applying reflexively concepts of transnational bloc, hegemony, internationalisation, global governance and polyarchy. Neo-Gramscian research has, in my view, been at the cutting-edge of historical materialist scholarship, seeking to understand and explain emerging social phenomena that, neo-Gramscians would argue, do not

fit readily in conventional Marxist categories. My analysis of the Bolivian case espouses neo-Gramscian attempt to rescue historical materialism from its naturalistic, deterministic and monistic tendencies by weaving ideological struggles into an analysis of transnational relations, global elite formation, and the emergence of supranational regulatory forms, but it also seeks to evade their instrumentalist and structural-functionalist iterations.

There have been sophisticated and creative attempts to transcend the caricatured theoretical dichotomy between relative autonomy and instrumentalism, most notably by Fred Block (1977b), by Poulantzas in his later work (1978) and by Bob Jessop (1990, 2007). Although the present conceptualisation of the state draws significantly on the work of Bob Jessop (1990; 2007) and especially Poulantzas (1978), it emphasises that Poulantzas, in his later work, did not resolve the tension between his earlier structural-functionalism and his tentative relational approach (Bruff 2008). Jessop's strategic-relational theory of the state, on its side, mistakenly rejects class relations as integral to the state.⁹³ Crucially, they remained ethereal, i.e. ungrounded, and exceedingly difficult to ground in history. I aim here to evade Poulantzas's and Jessop's respective structural functionalist overhang and neglect of class, and to define the concept of the state through empirical evidence.

I suggest that an appropriate way of opening up historical materialist theories of the state involves grounding the state in relations of production. As already pointed out, relations of production are relations of domination in the sense that capital exists only through the extraction of surplus value from labour (i.e. exploitation), while free labour resists exploitation (Burnham 1994; Overbeek 2004). These relations are coercively organised by the institutions of the state. However, these institutions are relations themselves. Hence the state is a complex set of social relations embedded within broader relations (as suggested by Bieler and Morton [2003]): it reproduces and coercively expresses the power relations between the social forces constituting it and that it necessarily organises; hence it is the organisational and coercive constitution of domination itself. The state is thus seen as a fluid, *contradictory organisation of subjection*.⁹⁴ a necessary coercive and regulatory expression of relations of domination – which are the premise and result of production relations.

In principle, all relations of domination exist through and as organised subjection. As such, whenever relations of domination have historically arisen, they have been organised by a distinct institution, or set of institutions attempting to legitimise these relations and to monopolise authority and the means of coercion: in other words, a state.

Societies defined by domination are state societies. The state is internally related and conceptually indispensable to the underlying reality of structural domination: rather than conceptualised as social form (Bonefeld 1991; Burnham 1995, 2002; Holloway 1995), the state must therefore be seen as *social content*: it is not a level of abstraction below the substantive, dialectical abstraction of class relations, but constitutes and is constituted by this abstraction. The state is always presupposed in production relations, always a specific apparatus of coercive and regulatory institutions, of which the government, the legislative apparatus and the judiciary system in capitalist form are a part but not the whole (Burnham 1994: 5). This approach allows the clear delimitation of the institutions constituting the state, hence avoiding the shortcomings of the Gramscian ‘integral state’, which unwittingly allows any institution in civil society – the information media, the Church, trade unions – to be considered part of the state if they sustain the legitimacy of existing class relations (Burnham 1994: 2).

This approach however rejects the tendency in Marxism to conceptualise the state as a unitary entity.⁹⁵ To paraphrase Holloway’s ‘capital is class struggle’, form-as-relation is form-as-struggle; hence organised subjection must be reflexively examined, as pointed out briefly but obscured subsequently by Holloway (1995a). The fact that the state most often acts in the interest of capitalist forces (and appears not only to provide social stability but also to be stable itself) is indeed a reflection of the structural (economic, ideological, institutional) power of these forces, but does not negate the reality of institutions as loci of antagonism and instability. Social organisation is always contested, always a movement of struggle, in which the power of a social force is expressed in its ever-unstable control of (or influence on) state institutions as well as civil society organisations. Hence the contradictory, unstable and fluid existence of its historical forms.

As a contradictory relation, the state is constantly torn, as is society, by social antagonisms: hence state policy is never perfectly implemented in the interest of the dominant class, is always an expression of struggle (however silent, invisible and apparently non-violent). Hence, the state is constantly subject to dissolution by social forces outside and within it. Given that the state is a site of struggle, it may be temporarily dominated by fractions of capital (in particular, transnationalised capital fractions) or indeed by dominant fractions of labour.⁹⁶ This proposition is not inconsistent with Jessop’s (1990; 2007) strategic-relational approach, but places far greater emphasis on class struggles within the state: the state is always an expression of broader production relations and of the

organisational capacities of social forces. State legislation itself reflects institutional struggles: the constitution of the state by organised labour induces political struggles generating legal compromise limiting the capital accumulation process and precluding absolute subjugation by dominant social forces. The state necessarily expresses the social (economic, ideological, organisational, coercive) power of elite forces (whether national or transnational) and of organised labour at a particular moment of its history, but also redirects and transforms these power relations: in capitalism, it is therefore not functionally related to the capital accumulation process and neither is it relatively autonomous from the production relations that constitute it.

Fluid, conflict-ridden production relations are reproduced in all state institutions – whether formally (clearly defined positions and functions) or informally (influence and tacit authority of certain social agents in an organisation). Fiscal policies, such as the reduction or increase of public spending (on services, investment and wages), and of direct and indirect taxes (on businesses and/or labour in the formal economy), reflect multiple contradictions and demands within the state, between the state and MDIs, and between the state and civil society. Government initiatives are never implemented in a political vacuum but are responses to external and domestic constraints. Historical analyses of class-relevant social forces and social struggles must therefore always address *how* the state is materialised by and shapes the material existence of these forces. The trajectory of class and intra-elite struggles is internally related to and exists through the state. As a terrain of intra-elite and class struggles, the state never fully manages to manage the antagonistic content of capital accumulation.

This approach places far more emphasis on struggles between dominant and subjugated social forces within the state than existing scholarship. The question then is, how do we delineate these social forces (Gramsci's currents of opinions)? How can we systematically identify and measure them, in a qualitative sense? Delineation – with a view to always understand forces as *movements* and *processes* in order to avoid reification – is indispensable in order to operationalise research (Cox 1996; Gill 2003; Robinson 2005; Bieler and Morton 2001). Once the synthetic reality of class relations has been established, the movements or forces (the two terms are used interchangeably here) that shape its contours must be concurrently conceptualised and analysed empirically. This is the fundamental precondition of any analysis of the national state, because it links generalising principles (worldwide labour relations) to contextual (local, national, or regional) specificities. The notion of movement provides a metaphor for apparent social forms as

fluid, socially constructed, and undergoing constant changes. It also problematises the positivistic undertones of Marxism, which understands the class struggle not merely as essential social reality but all too often as directly observable also in the forms taken by the confrontation of capital and labour, perceived as a conflict between two rigid class blocs (Bieler and Morton 2003).

Yet using the terms force and movement interchangeably forces an engagement with the social movements literature, which in turn induces a clarification of the concepts under focus: what characterises a social movement/force? What are its attributes? What unites, or distinguishes it from more precisely defined (yet equally contentious) concepts such as class? The social movements literature conventionally confines movements (and civil society by implication) to subalternity and resistance (Tarrow 1998; Eckstein 2001; Tilly 2004).⁹⁷ Sidney Tarrow (1998: 3-4) thus defines a social movement as ‘collective challenges by people with common purposes and solidarity in sustained interactions with elites, opponents and authorities’. He explicitly distinguishes social movements from political parties and interest groups. Tilly (2004: 3), on his side, understands social movements as vehicles for ‘ordinary’ people’s participation in the public sphere (in reactive form, through public displays of resistance to specific policies, and in proactive form through specific demands). These public displays are manifested in various ways (a ‘repertoire’ of political action – including public meetings, solemn processions, rallies and demonstrations, campaigns, special-purpose associations and coalitions, vigils, petition drives, statements to the media, and pamphleteering campaigns).

These definitions beg the questions: resistance to what and whom, in the first place? Are owners of capital and dominant social forces (i.e. elites) to be considered as something that exists beyond the realm of social movements and hence of resistance – what do we make of struggles between elite forces, conspicuous in native elite resistance to colonialism and to restructuring, for instance? To reduce the notion of movement to subalternity implicitly confines administrative and business elites to a condition of permanence and stability. More importantly perhaps, conventional approaches to social movements beg the same question as Weberian pluralism: how do we distinguish between relevant and irrelevant movements? In other words, how can we operationalise the investigation of social movements/forces by avoiding a focus on transient or meaningless issues? Ontological pluralism forces an arbitrary choice of objects of study (social movements), but it also potentially negates the primacy of class relevant social forces in politics. A study underpinned by the substantive

abstraction of class must distinguish between relevant and irrelevant movements in this chaotic multitude, in part because social analysis cannot rely on an aggregation of any one of these movements but rather on the social relations of production as a totality.

Studies of the rise of social movements in Latin America (Eckstein 2001) are problematic because the questions raised above are brushed aside to analyse any civil society conflict with, or resistance to the state (see Espasandín and Iglesias 2007 on Bolivia). Social movements in the literature are necessarily outside of and dominated by the state (García et al. 2001; Gutiérrez et al. 2002). Social elites, in contrast, *are* the government or, in other words, they instrumentalise the state. This involves a regression from the advances made in the theorisation of the state by implying the autonomous and static existence of state *and* elites. Yet substantive dialectics demonstrates that elite forces exist precisely by virtue of their exploitation of labour power (Burnham 2001).

For our research purpose, a broader and more comprehensive understanding of social movement is suggested here: social movements are *forces* in the sense that they are involved in politics, in power struggles to impose or defend collectively constructed interests and identities. They may or may not act within the confines of class discourses, and may or may not coalesce and find an organisational expression. Yet, for the purpose of measurement, the present study relates social *forces* coalesced in social *organisations*, and focuses on class-relevant organisations. The issue of conceptualisation and its adequate measurement is central to this definition, and affects every abstraction, from 'democracy' and 'democratisation' (O'Donnell 1992; Mainwaring 1992) to 'internationalisation'. After all, collective action is effective only as organised action and the notion of social forces has little meaning if it cannot be measured in one way or another (Adcock and Collier 2001). Identifying social organisations helps to identify forms of collective action and helps the empirical measurement of a social movement's attributes.⁹⁸ However, social organisations must also be *relevant* to a historical materialist ontology: this entails a focus on organisations that act within the framework of class struggle by consciously seeking to control or to dominate state institutions, or even to eliminate the state, in order to maintain a particular order or generate a new one (Tapia 2002b: 32-34). Social forces must be related to class because the relation between classes is the underlying mechanism defining the specific forms through which social forces emerge, are reproduced and eventually disappear. The state is constituted by and in turn shapes class-relevant social organisations. I will therefore focus my analysis on formal organisations driven by the explicit aim to sustain the

capitalist structure, to change it, or to isolate social spaces from it – such as political parties, business organisations and trade unions.⁹⁹ The unstable and ever-shifting balance between labour and capital, is expressed through complex organisational manifestations, some formally attempting to control the executive and legislative agencies of the national state (political parties), others attempting to influence state policymaking informally, through economic and ideological pressure (lobbies, business associations, research institutes, trade unions, worker councils).

The following chapters empirically ground these propositions by analysing state reform in Bolivia since 1985. Chapter 2 will place these reforms in the historical context of the 1952 National Revolution, the first wave of state internationalisation from 1956 onwards, and the subsequent consolidation and unravelling of state capitalism.

I am aware that Open Marxist and neo-Gramscian approaches have preoccupied themselves essentially with theorising metropolitan capitalist rather than neo-colonial or post-colonial states – although Morton (2000) and Robinson (1996) did focus their analysis on Latin American elites and states, offering broadly instrumentalist interpretations. Yet the approach offered here, while taking into account the fact that the concrete forms taken by creditor and debtor, by pre-colonial and post-colonial, by metropolitan and peripheral states are not, and cannot be, the same, seeing the state as a strategic terrain of struggle opens up the possibility of studying the state in its multiple concrete historical and spatial forms by adapting conceptual attributes to empirical specificities, yet without necessarily discarding the concept itself (Collier and Mahon 1994).

The Bolivian case is thus used to reflect on the concept of the state and to show that understanding and empirically analysing the state in explicitly relational terms, as contradictory organisation of subjection, may enrich and consolidate historical materialist perspectives and political theory in general. However, beyond its reflection on how to best theorise the Bolivian state, the study seeks to answer this set of inter-related questions: are internationalisation, depoliticisation and liberal democratisation (polyarchy) valid explanatory concepts for the post-1985 transformations of the Bolivian state? Are these processes of institutional change correlated at all? If so, how and why has the Bolivian state been undergoing these changes? What is the relationship between domestic institutional transformations and broader processes of social change? How are we to understand capital globalisation, what social formations have constituted the latest era of capital globalisation, and how have they articulated their social interest and power? How

have intra-elite and class struggles transformed and been shaped by the reform of the Bolivian state since 1985? In other words, how have transnational elite forces restructured the state, and how have domestically-oriented elite and labour forces reacted to and distorted, in turn, state restructuring?

The hypothesis underpinning the present study is that following the global debt crisis of the early 1980s, a transnational capitalist elite bloc expanded to incorporate a small elite faction in Bolivia. This bloc has attempted to liberalise the Bolivian state since the hyperinflationary crisis of 1985. I further hypothesise that the Bolivian state concurrently underwent mutually reinforcing processes of internationalisation, liberalisation, and depoliticisation of its polity from 1985 onwards. The transnational bloc struggled to entrench the hegemony of capital by grafting polyarchy and a business perspective onto the Bolivian social organism. Nevertheless, restructuring efforts were distorted and undermined by protracted resistance by domestically-oriented elites on the one hand (manufacturers, sugarcane owners and family-owned banks, professional politicians, including leaders of minor coalition partners in government, high-level civil servants and managers of state-owned enterprises); and subaltern social forces on the other (miners, teachers, civil servants and employees of state-owned enterprises, coca farmers [*cocaleros*], smallholding farmers and the urban unemployed and underemployed). Failure to achieve neoliberal hegemony regularly compelled the transnational bloc to reveal the coercive underpinning of capital domination. I will elaborate these propositions below.

The conceptual tools generated by neo-Gramscian and Open Marxist scholarship concurrently help to explain holistically the three-dimensional transformations of the Bolivian state.¹⁰⁰ Similar analyses of the processes under focus, or similar concepts are, as emphasised in the review of the literature, not altogether absent in mainstream and Critical research. The conceptual framework, research questions and hypothesis have driven my analysis of state transformations in Bolivia since 1985. Yet the elaboration of the concepts and questions themselves did not occur immaculately: it necessarily derived from evidence uncovered and analysed by other scholars adopting other theoretical perspectives. The very same legislation, government policies and discursive constructs can be interpreted in multiple ways (Cox 1983, 2002; Howarth 2000). However, these processes have been underpinned by an inadequate theory of the state (Zavaleta 1987; Tapia 2002a, Gutiérrez and García 2002; García 2006; Fernández 2003; Kohl and Farthing 2005), studied from theoretically implicit perspectives, or analysed separately

(Gustafson 2002, Dunkerley 1990, 2007 [1998]; Conaghan and Malloy 1995; Malloy 1991; Malloy and Gamarra 1988; Gamarra 1996).

Contribution and Limitations of Present Study

In light of the theoretical limitations of historical materialist approaches to the state, the provision of an empirically-based theoretical alternative constitutes not just a valid intellectual exercise but also becomes a political necessity. The present research therefore seeks to make a contribution to knowledge in political science, both theoretically and empirically. Its theoretical originality lies in its attempt at opening up historical materialist conceptualisations of the Bolivian state: the latter has in my view been inadequately theorised – whether by separating it ontologically from the market (i.e. statolatry) or by viewing it as a mere instrument of the ruling class. However, it is empirically original because certain historical processes affecting the Bolivian state, in particular transnational elite formation and the internationalisation of the state, have been neglected or obscured in the existing literature. The empirical grounding of the concept of a transnational historic bloc of elite social forces remains thin, especially in the Latin American context. This book offers an in-depth analysis of transnational elite formation in the Bolivian case. It deciphers the anatomy of capital in Bolivia and challenges fractionalism as theorised by the Amsterdam school of transnational historical materialism. It identifies key Bolivian agents of the transnational bloc and analyses *how* the transnational bloc expanded from its transatlantic heartland to restructure economic, ideological and institutional relations in the Bolivian space. The transnational bloc is not analysed as external to capitalist formations in Bolivia but rather as domestically rooted.

As emphasised previously, only two scholars (Baker 1999; Shields 2004) have attempted a critical reflection on Coxian concepts of state internationalisation or transnationalisation through in-depth empirical analysis. The logical and historical compatibility of the concepts of internationalisation, depoliticisation and polyarchy has not yet been established in relation to the Bolivian case; and a reflexive application of these concepts to the Bolivian case has not yet been attempted. The present study, based on primary documents, offers a more nuanced analysis of collaborative practice between transnational social forces through internationalisation than existing Critical studies (Fernández 2003; Kohl and Farthing 2005, 2009): institutional *coordination* via technical assistance on the one hand, and civil service reform on the other are analysed as processes integral to internationalisation. They

unfortunately have all too often been neglected in existing scholarship on Bolivia.

However, Open Marxist and neo-Gramscian approaches have preoccupied themselves essentially with theorising metropolitan capitalist rather than neo-colonial or post-colonial states – except for Morton (2000) and Robinson (1996). The present historical materialist study aims to shift our object of study towards a state that offers lessons for Latin America and the developing world in general. Investigating the institutional transformations engendered by Bolivia's deepening integration into the world market helps to understand broader processes and issues derived from globalisation.

The period under study (1985–2009) is a valid subject of scholarly focus (as already identified in both problem-solving and critical analyses to restructuring) because it spans almost two decades of intensive and extensive economic, ideological and institutional reforms and resistance. The year 1985 was a watershed for Bolivia because it was a period of crisis-as-rupture that effectively marked the formal collapse of its pre-existing relations of production and domination (see chapter 2). Following eighteen years defined by liberalisation efforts, another national watershed occurred in 2003: the unravelling of restructuring under worldwide market constraints and systematic resistance by labour was accelerated through widespread upheavals met with heavy military repression, which eventually caused the demise of the Gonzalo Sánchez de Lozada administration and the *in extremis* escape of the President and his key ministers to Washington DC and Miami (García 2005; Hylton and Thomson 2007). The re-composition of labour in the late 1990s and its increasingly successful struggles against restructuring have involved a gradual retraction of some of the most unpalatable elements of liberalisation since 2000, and opened new opportunities and challenges for labour movements, especially under the Morales government (2005–2009).

The concept of *social crisis* at the core of historical materialist approaches (expressed in economic instability, the de-legitimisation of dominant discourses and state crises – i.e. fiscal and monetary imbalances), can arguably be validated more effectively by undertaking empirical analyses of the global periphery rather than more effectively ordered metropolitan social formations. Indeed, the contradictory mechanism (structural domination and resistance to it) underlying apparent forms, understood through substantive dialectical logic rather than through positive observation or hermeneutic analysis (Marx 2003; Bonefeld et al. 1991, 1992; Van der Pijl 2002), is more clearly manifest in the global periphery: domination takes rawer forms, while the

relatively and, I would argue, increasingly developed class consciousness of Bolivia's oppressed social strata renders a historical analysis of the Bolivian state all the more useful if the aim of Critical research is to identify historical points of rupture in national (dis)order and to analyse the processes generating structural transformation (Cox 1981, 1983). Class struggle must not be reduced to the structural determination of all relations by a pure form of capitalism: to argue that all the problems of Bolivia are 'caused' by capitalism simplifies to the point of distortion its crisis-prone historical development (Marx 2003; Lora 1978; Zavaleta 1987). Class struggle is defined by, and in turn defines pre-existing relations of production, which are often located in the *longue durée* of world society and of its localised forms of domination (Braudel 1980; Cox 1996, 2002). Hence a constant process of primitive accumulation and its dialectical destruction of, and reconfiguration by, pre-existing production relations defines the *refracted* and *dialectical* globalisation of capital (Van der Pijl 2002; Bonefeld 2000).

For reasons of space and in order to retain a specific research focus, the study must unfortunately overlook some social relationships, constructed identities and interests that would ideally constitute a more accomplished and reflexive research agenda. I will have to disengage from controversies regarding complex issues of identity formation, production and territory, which invariably revolve around the dialectic between class, race and gender (Arnold and Spedding 2007).¹⁰¹ What is it that constitutes the uniqueness of the Bolivian nation,¹⁰² of indigenous formations and,¹⁰³ indeed, of the *Cambas* of the lowland region of Santa Cruz?¹⁰⁴ The issue of social constitution, prone to reification and to spurious analyses of the clash of Andean and Western civilizations (Huntington 2002[1996]; Mamani 2007), problematises the historical process of *mestizaje*.¹⁰⁵ It also underpins contemporary attempts to generate hegemonic discourses aiming at the articulation of new societal projects or refoundations in a period of crisis and disorder (Whitehead 2008).

The Bolivian case certainly forces a reflexive analysis of the ontological result and precondition of dialectical thinking: the class struggle. At the same time, empirical analyses of race and gender relations in Bolivia have generally been informed by a Weberian pluralist methodology. The necessary integration of race and gender relations into substantive dialectical logic requires a substantial reworking of historical materialism's synthetic abstraction, the result of which is constituted by but cannot be reduced to class relations. Rather than considering domination as an epiphenomenon of class, a more

accomplished research project would see domination as both precondition and result of production relations. This negates in no way the achievements of historical materialism, but would help to overcome its scholarly limitations – which spring essentially from the consideration of class as the essence of historical order and change, and may consequently induce economic determinism. I am therefore aware of the present study's core shortcoming: its conscious silencing of gender and race relations as constitutive of and constituted by the state. Yet I do not regard it as inherently flawed, but incomplete and in need of further theoretical analysis and empirical study.

Book Structure

The concepts internationalisation, depoliticisation and polyarchy have been generated through two closely related but distinct strands of historical materialism: neo-Gramscian and Open Marxist perspectives (Bieler et al. 2006). I do not find any incoherence between these concepts, and indeed, Burnham's (2000) approach to depoliticisation, bears some resemblance to the concept of new constitutionalism coined by Stephen Gill (2000, 2003), which explains the legal mechanisms used by transnational capital to lock-in neoliberal policies. Through depoliticisation, state managers seek to detach themselves from the capital-labour dialectic by improving rationally the efficiency of state regulation. They strive to 'place the political character of decision-making at one remove' via the use of new 'governing strategies ... involving a shift from discretion to rules in economic policy, a reassertion of the boundaries separating "legitimate" political, economic and industrial activity and a fragmentation/devolution of decision-making in numerous arenas' (Burnham 2000: 10).

The research suggests accordingly that an approach conciliating *compatible* elements of these theoretical currents be adopted in the analysis of the post-1985 transformations of the Bolivian state. It is crucial at this point to emphasise that the present contribution integrates *specific* arguments made by scholars whose theoretical approaches are mutually inconsistent. This may induce accusations of eclecticism. Nevertheless, the point made here is that precisely because every approach (including my own) is incomplete and limited, it is valid to integrate *compatible* arguments into a specific, coherent whole. This allows me, in turn, to develop a distinctive argument in relation to the analysis of the Bolivian state.

The following chapter offers a contextualisation of Bolivia's post-1985 state reforms by focusing on the development of the state since the

National Revolution of 1952. In order to be consistent with Braudel's (1980) concept of *longue durée*, and to adequately identify continuity within structural and formal changes, a historical analysis of the rigidified Bolivian social space must start with Quechua and Aymara social structures, but also that of the Spanish Empire within the international European system, prior to their violent encounter and synthesis.¹⁰⁶ Nevertheless, there is no space to undertake such a macro-historical analysis of social change. All that can be attempted is a brief exposition of the *longue durée* of social relations in Bolivia, and of conjunctural conditions leading to the 1952 revolution. This is followed by a broad analysis of the early years of the revolution, the 1956 restructuring accompanying a first wave of state internationalisation, the post-1964 attempts at privatised accumulation under authoritarian regimes, and the long social crisis of 1978 to 1985.

The third, fourth and fifth chapters offer a reflexive analysis of interrelated processes of transnational elite formation and state transformations articulated in the research hypothesis. Chapter 3 focuses on the historical formation and expansion of a bloc of transnational elite forces beyond its Lockean transatlantic heartland (Van der Pijl 1998). It expounds briefly global economic, ideological and institutional restructuring since the early 1970s, including the crystallisation of a global strategy for restructuring in global MDIs since the profound debt crisis of the early 1980s. It then focuses on the anatomy of capital in Bolivia and the emergence of a small nucleus of transnationalised capitalist modernisers in the 1970s. Empirical evidence on portfolio diversification in Bolivia challenges the notion that divisions between industrial, commercial and banking capital are necessarily translated into contradictory interests and political strategies between business fractions (Poulantzas 1975; Van der Pijl 1984, 1998; Van Apeldoorn 2001; 2004; Overbeek 2004). It then analyses the process of transnational bloc expansion into Bolivia. This process unfolded primarily through official channels of development assistance, but also through the creation of new business organisational networks, International Finance Corporation (IFC) investments, and FDI in the mining, hydrocarbons, banking, and telecommunications sectors.

Chapter 4 builds on the preceding analysis of transnational bloc formation and of the first wave of internationalisation by analysing the second wave of the internationalisation of the Bolivian state since 1985. It uses the Bolivian case to reflect on the validity of Cox's original concept and Robinson's reformulation. I define internationalisation broadly, as the integration of the state into a consolidating global governance complex through elite collaboration and institutional

coordination. Internationalisation alludes to the fact that supranational constraints upon national policymaking have become so severe that the national state may perhaps be perceived as a contradictory administrative component of MDIs. Yet paradoxically, supranational constraints are (inter)nationally constituted and are not simply caused by multilateral institutions but, at least in the case of Bolivia, were often generated by government policy decisions following the 1985 hyperinflationary crisis. Most often, decisions were negotiated and agreed upon through cooperative mechanisms. National policy decisions thus absorbed supranational constraints, adapted them to Bolivian conditions and used the authority of MDIs to implement accumulation strategies in the face of systematic resistance in the state (including in government) and in the street. The internationalisation of the state configured a systematic attempt, by transnational elite forces, to depoliticise economic management by shielding the Ministry of Finance, the BCB and regulatory agencies (SBEF, SIRESE) from attempts, by domestically-oriented elites and labour, to instrumentalise them.

I have refrained from focusing on the ways in which the US-sponsored war on drugs affected the internationalisation of the Bolivian state. It cannot be denied that internationalisation was affected by the existence of narco-trafficking capitalist forces, by the continued (if rescinding) financial dependence of the Bolivian state on USAID credits and preferential trade agreements with the US contingent on the DEA's repressive management of coca and cocaine circuits. However, I am focusing here primarily on the relationship between successive governments, the WB and the IMF, because we can witness a clear division of labour between these MDIs and USAID, and a geographical confinement of the latter's activities to the coca-producing Chapare region. The WB (1998b; 1999), when assessing how multilateral efforts to sustain restructuring were to be effected into the twenty-first century, explicitly left Banzer's 'Plan Dignidad' (which referred to a policy of 'coca zero') to be a domain of activities of USAID and, to a lesser extent, the European Commission. However, it is undeniable that the military repression of cocaleros with USAID technical, financial and military assistance fuelled the projection of the MAS's organisational power beyond the department of Cochabamba and its subsequent electoral success at the national level (see chapters 5 and 6). US intervention has also defined the trajectory of the Morales government by actively supporting an elite opposition movement on the defensive since the widespread rebellions of 2003.

Internationalisation precedes other institutional transformations (not in time but logically) in the sense that it legally locks-in liberal

principles such as the protection of private property and the generalisation of privatised forms of capital accumulation. It generates a virtuous process of capital globalisation by bolstering liberal hegemony and transnational capital centralisation through institutional integration: by deepening the institutional presence of a transnational bloc of experts and technocrats unified by liberal concepts of control (Overbeek 2004), internationalisation enhanced the technical know-how and legal conditions facilitating the attraction of FDI, joint ventures and organisational synergies; economic integration thereby generated (however loose and embryonic) new transnational interconnections and attracted denationalised elite fractions into the transnational bloc. Transnational elite linkages in turn socially consolidated the integration of national state agencies into the global governance complex through supranational legal covenants and accords underpinned by hegemonic, cosmopolitan liberal norms. Therefore, internationalisation generated new and increasingly powerful constraints on national policymaking. These supranational ‘legal padlocks’ (*BBC News* 2006b), have effectively neutralised the revolutionary changes desired by prominent members of the current Morales government. The logical precedence of an institutional process that has been broadly ignored in the literature warrants greater empirical detail than polyarchy in the present study.

For reasons of space and despite their relevance, the present study does not analyse relations between labour and elite movements, Non-Governmental Organisations (NGOs) and bilateral aid agencies in Bolivia but focuses primarily on the WB, the IMF, and in the second and sixth chapters, on USAID. Analysing the integration of Bolivia into regional organisations such as the Andean Pact and Mercosur – as well as the particularly unpopular US pressure for the creation of a hemispheric Free Trade Area (*Area de Libre Comercio de las Americas*) is also beyond the scope of this study. The focus on the articulation between national state agencies, macro-regional and global organisations, civil NGOs and bilateral aid agencies should be the subject of further research.

Chapter 5 analyses the liberal democratisation of the state, defined by the concept of polyarchy. *Polyarchy* is the ‘liberal democratic’ regulatory model, ‘in which a small group actually rules and mass participation in decision-making is confined to leadership choice in elections carefully managed by competing elites’ (Robinson 1996: 49). The concept was first coined by Robert Dahl (1971) and incorporated by Robinson (1996) in his neo-Gramscian analysis of US democracy promotion in Latin America. It purposely sustains the apparent separation of political and economic relations under a hegemonic liberal

democratic form, thereby maintaining elite fractions organised in political parties in control of the national state apparatus.

The consolidation or viability of polyarchy has, not surprisingly, been the institutional transformation most widely investigated in specialist circles. Indeed, such national changes are easily linkable to a Ricardian approach to political economy in which the international system is an aggregate of essentially autonomous national economies (and hence institutions). Going beyond and overcoming the confines of national institutions (via the concept of internationalisation) constitutes a more tentative and dangerous path to tread. This research, however, explicitly links democratisation processes to global institutional change: it was an integral element of internationalisation and depoliticisation strategies. Polyarchy was sustained essentially through electoral legislation, coalition building and ideological convergence between the three dominant parties of the era under study. Yet polyarchy did not achieve its legitimising function. Organised violence – or the threat of violence – remained the primary means of generating order. However, the social costs of restructuring efforts – on domestically-oriented elites as well as labour, *within and beyond* the state – and the gradual reorganisation of the latter, conditioned an intensification of social struggles in the late 1990s. The disjuncture between the emergent liberal state form and the socio-economic content defining the Bolivian population generated explosive social contradictions, and opened new ‘revolutionary horizons’ for labour movements in the early twenty-first century (Hylton and Thomson 2007).

Chapter 6 analyses how the Morales government closed these revolutionary horizons over four eventful years of struggle. The Morales administration has certainly opened new historical possibilities for the Bolivian state by organising a Constituent Assembly, promoting land reform and re-nationalising corporations in the hydrocarbons, mining and telecommunications sectors (Dunkerley 2007; Hylton and Thomson 2007; Do Alto and Stefanoni 2008; Webber 2008). The Morales-sponsored reforms have generated vigorous and sometimes violent resistance by Bolivian elites, both within and beyond the state, spearheaded by business organisations, regional Civic Committees, and conservative political parties (Eaton 2007). Bastions of the opposition in the state – the senate, the prefectures, municipalities – have hindered and redirected social change (Do Alto and Stefanoni 2008). How have broader social struggles transformed the Bolivian state in the past three years, and how has the penetration of government agencies by indigenist, nationalist and socialist forces represented by or allied with the MAS affected the institutional balance of social forces in Bolivia?

How has, in turn, the MAS leadership been transformed by its newfound capacity to organise subjection in Bolivia? Contemporary state transformations validate a conceptualisation of the state as a contradictory organisation of subjection, and internationalisation, depoliticisation and polyarchy have been entrenched despite (or perhaps because of) the Morales administration.

These domestic developments – traversed by transnational elite collaboration with domestic forces to oppose MAS-sponsored reforms – should be placed within worldwide and macro-regional processes of social and institutional change. The election of Evo Morales in 2005 formed part of a hemispheric rejection of neoliberalism and US imperialism. It has therefore significantly changed relationships between the Bolivian state, the US, and MDIs. How have the US government, the multilateral donor community and transnational capital reacted to Morales's investiture and his reform project? How has, in turn, the Morales government managed its relationship with transnational elite forces? How have alternative macro-regionalist projects such as the *Alternativa Bolivariana Para los Pueblos de Nuestra America* (ALBA) transformed Bolivia's foreign relations? Has the internationalisation of the Bolivian state been entrenched, and if so, how are emerging multilateral lines of conflict transforming its form?¹⁰⁷

The Bolivian electorate ratified the new Constitution by referendum on the 25th of January 2009, and Evo Morales was re-elected with an astounding 64.22 percent of the vote in the December 2009 general elections (*Corte Nacional Electoral* [CNE] 2009). To use the Gramscian terminology imbuing the language of Vice-President García Linera, the ratification of the new Constitution closed a cycle of both war 'of position' and 'of movement'.¹⁰⁸ The firm control of both congressional houses by the MAS following the 2009 elections, buttressed by the indubitable popularity of Morales on the one hand and by unprecedented capital accumulation on the other, has temporarily stabilised the Bolivian space and crystallised a (transient) hegemonic order organised by the MAS.

I will refrain from the attractive, yet self-defeating temptation to predict future events – for instance, how the institutional changes mandated by the Constitution will affect production relations, in particular in rural areas of the *Oriente*; how the intensifying regionalisation of commerce and growing Chinese and Indian demand for Bolivia's commodities (including lithium for the car industry) are changing the geo-economics of Bolivia's production relations; whether Evo Morales will be re-elected, and how the worldwide economic crisis will affect, in the longer term, the nationalisation project of Morales and

the government's relationship with MDIs. Prediction is a particularly redundant exercise in a social space defined by recurrent political crisis, instability and erratic historical directions. One can only discern past directions as a way to understand present forms. I will conclude, however, that in view of the fact that the Morales government has not erased capitalist social forms, and that the Bolivian space remains integrated into worldwide market relations, incessant elite resistance and class struggles, including within state institutions will most likely continue to imperil the Morales government.

Notes

¹ 'Crisis' was an expression of democratisation pressures, capital flight and military coups – compounded by declining terms of trade and the drying up of external financing. By mid-1985, public sector debt accounted for 78 percent of total debt (\$3.2 billion; 93 percent of GDP), including \$650 million for the nine major state-owned companies, and \$115 million for state-owned banks. The state capitalist model of development (whereby 70 percent of GDP was generated by state corporations) was collapsing under the weight of its contradictions. Over five consecutive years, GDP had declined by 16 percent, GDP per capita by 27 percent, unemployment had increased from 10 percent to 18 percent, and tax revenues had declined from 9 to 3 percent of GDP. Real wages had already begun to plummet (32 percent between 1978 and 1982); thus, following its election in 1982 and in an attempt to satisfy labour demands, President Siles Zuazo's government intensified the balance of payments crisis by increasing state employment (from 201,000 in 1981 to 245,000 in 1985), by offering bonuses to state employees and by indexing wages to inflation. The latter policy proved unmanageable with the acceleration of inflationary pressures (IMF 1986a: 16, 18, 78; WB 1986: 5).

² Salient examples of the vast literature on democratic transition/consolidation/viability include Mayorga (1988, 1999); Lavaud (1990, 1991); Morales and Sachs (1990); Mayorga et al. (1991); Mansilla (1994); Campero Prudencio et al. (1999); Grindle (1999); Van Cott (2000); Crabtree, Whitehead et al. (2002); Klein (2003); Grindle, Domingo et al. (2003).

³ See Huntington (2002 [1996]); Gustafson (2002); Kohl (2003); Mamani (2005, 2007). The Kollasuyu refers to the Andean territories controlled by the Aymara nations before being conquered by the Inca Empire in the early sixteenth century. It is now incorporated in Northern Chile, Argentina, Peru and Bolivia.

⁴ For adequate descriptions of political conflicts between the downfall of the Sánchez de Lozada government in October 2003 and the general elections called in urgency in 2005, see Kohl and Farthing (2005); Crabtree (2005) Hylton and Thomson (2007); Petras and Veltmeyer (2006); Do Alto and Stefanoni (2006, 2008). This period of rebellion (Skocpol 1979: 4) was characterised by the increasing assertiveness of subaltern social forces coalescing around nationalist and indigenist discourses (road blockades and

marches on the Presidential *Palacio Quemado* in La Paz); the entrenchment of white elites in the Prefectures of the so-called *Media Luna* (lowland provinces) elected for the first time in Bolivian history in 2005, and in the lower and upper houses of Parliament; and the passivity of the Carlos Mesa government. This period of acute crisis witnessed a territorialisation of indigenist and white supremacist discourses. These conditions accentuated capital flight and unemployment, which was partially offset by rising (from 2004 onwards) world market prices for Bolivia's exports.

⁵ The Bolivian electorate ratified the new Constitution by referendum on the 25th of January 2009, and new Presidential elections are to take place in December of this year (*Corte Nacional Electoral* [CNE] 2009).

⁶ Elite is understood here as dominant social force, rather than ruling class *per se*. This opens the space to conceptualise transnational social formation while acknowledging that the elite does not necessarily 'rule', in the sense of 'managing' social relations (see Block 1977b; Pijl 1998; Hay 1999).

⁷ See Stefanoni and Do Alto (2006); García (2006); Stefanoni (2005); Dunkerley (2007: 25-26); Williams (2008: 168).

⁸ See Webber (2005; 2006; 2008); Petras (2006; 2008); Petras and Veltmeyer (2005); Spence and Shenkin (2006).

⁹ See O'Donnell and Schmitter (1986); O'Donnell (1992); Valenzuela (1992); Mainwaring (1992).

¹⁰ Theoretical and empirical analyses of state restructuring in Bolivia may be broadly categorised as 'traditional' ('mainstream' or 'problem-solving') and 'critical' (Horkheimer 1982; Cox 1981, 1983). Cox defines a problem-solving theory as one that 'takes the world as it finds it, with the prevailing social and power relationships and the institutions in which they are organised, as the given framework for action. The general aim of problem solving is to make these relationships and institutions work smoothly by dealing effectively with particular sources of trouble' (Cox 1981: 88). Cox's definition of problem-solving is congruent with Huntington's (1999) understanding of conservatism: 'classic conservatism is not directed to realizing a particular vision of the good society. It embodies instead a general attitude toward order and change, defending the former and constraining the latter. The goal of conservatism is to "preserve, protect and defend" existing social, economic and political culture and institutions. Conservatives, however, may well support modest changes in the existing order so as to maintain it against revolutionary change or collapse'. The purpose of problem-solving theories is to stabilise existing relations of domination by legitimising the established social order.

The purpose of Critical theories is accordingly to identify the particular interests and values that give birth to and orient a theory (Cox 1981: 88), and to explain crisis as open ended struggle, not only as peril or menace but as *opportunity* to alleviate or overcome relations of domination (Bonefeld and Psychopedis 1991). I place the present study firmly in the Critical theoretical movement.

¹¹ See Malloy and Gamarra (1988); Mayorga (1988); Mayorga et al. (1991); Gamarra (1994); Conaghan (1992); O'Donnell (1992); Crabtree, Whitehead et al. (2002).

¹² See O'Donnell (1992); Lavaud (1990, 1991); Grindle, Domingo et al. (2003).

¹³ See Malloy and Gamarra (1987, 1988); Domingo (1993); Gamarra (1994, 1996); Campero et al. (1999); Klein (2003).

¹⁴ See Morales and Sachs (1990). Jeffrey Sachs (1999: 24; author's translation), for example, contends that Latin America's dependency on natural resources as a 'symptom of more profound traits. To a significant measure, Latin America's dependence reflects its geography and natural riches. Yet it also reflects its principal failure: the insufficient development of its human resources, caused primarily by problems in education and democratisation'.

¹⁵ See Mansilla (1994); Gamarra (1996); Lavaud (2007).

¹⁶ See Roca (1980; 2008).

¹⁷ Key proponents of this view include García et al. (2000, 2002); Patzi (2001); Fernández (2003); Kohl and Farthing (2005); Petras and Veltmeyer (2005); Mamani (2005, 2007); Webber (2008).

¹⁸ See Mayorga (1991); Gamarra (1991, 1994, 1996, 2002); Morales (1994); O'Donnell (1992, 1993); Domingo (1993); Van Cott (2000); Crabtree, Whitehead et al. (2002), among numerous others.

¹⁹ In contrast to realist understandings of 'hegemony' as dominance in inter-state relations, neo-Gramscian approaches define hegemony as the ideological power of ruling over subaltern classes within a given national social formation but also globally, which generates and sustains social cohesion and order (Gramsci 1971: 169-170; Van der Pijl 1998: 51).

²⁰ For discussions of democratic transition and governability, see Toranzo (1991); Mayorga (1991); Lazarte (1993); Malloy and Gamarra (1988).

²¹ See for instance Mayorga (1988; 1999).

²² Discussions of democratic consolidation are developed in Domingo (1993); Conaghan (1992); Gamarra (1996); Van Cott (2000).

²³ See Whitehead (2002a) on concepts of consolidation and viability in relation to democracy.

²⁴ See Klein (2003) and Grindle (1999).

²⁵ This argument has been made by Morales and Sachs (1990); Toranzo (1991); O'Donnell (1992); Valenzuela (1992); Morales (1994); Crabtree et al. (2002); Van Cott (2000).

²⁶ See Mayorga (1991, 1993); Domingo (1993); Grindle (1999); Whitehead (2002a); Toranzo (1999); Berthin (1999); Van Cott (2000).

²⁷ See Sachs (1990, 1999); Toranzo (1991); Mayorga (1991); Lavaud (1991); Faguet (2002, 2003); Klein (2003); Crabtree et al. (2002); Grindle (1999); Grindle, Domingo et al. (2003); Van Cott (2000).

²⁸ These limitations have been discussed before endorsing minimalist definitions by Domingo (1993); Gamarra (1994, 1996); Whitehead (2002a); Van Cott (2000); Grindle (1999). On issues of conceptualisation and measurement, see Adcock and Collier (2001); Brady and Collier (2004).

²⁹ Valenzuela (1992: 60) justifies his preference for minimalist definitions with the questionable teleological contention, well critiqued by Whitehead (2002), that: 'If such and other assorted ills can be found in democracies whose "consolidation" is not at issue, situations that have recently made the transit out of authoritarian rule should hardly be held to strict and comprehensive standards either. Otherwise no democratic regime is truly "consolidated" for the lack of an ingredient deemed essential, and it is impossible to assign a reasonable closure to the second transition process'.

³⁰ O'Donnell (1992: 18) explicitly sees the consolidation of a democratic 'regime' as one limited to 'political democracy (or polyarchy)', because 'the conquest of political democracy is worthwhile in its own right; and second, because the distinction between political democracy on the one hand and socioeconomic and cultural democratization on the other is precisely what allows us to explore the various relationships between the two'. Political, cultural and socio-economic spheres are therefore seen as ontologically distinct, driven by mutually exclusive internal mechanisms, which may or may not enter in 'various relationships'. However, O'Donnell is adamant that the consolidation of polyarchy in the 'political sphere' is a condition sufficient for a definition of society as 'democratic'. In other words, polyarchy itself is to be analysed as independent variable. This tendency to 'emphasise the autonomy of political factors', and to understand democracy/polyarchy as a 'product of political elites and arrangements' has accompanied the revival of institutionalism in Latin American Studies in the 1980s and 1990s (Mainwaring 1992: 326). Malloy and Gamarra (1987, 1988) Seligson (1987) and Mainwaring (1992: 327) helped to break the 'autonomy' of politics by striking a 'balance between socioeconomic and political factors'. Yet they continue to see these 'factors' as externally related, thereby keeping a veil on underlying social mechanisms that dialectics (Marx 2003; Bonefeld et al. 1991, 1992; Overbeek 2000) and the Critical Realism of Roy Baskhar (Archer 1998) have helped to reveal.

³¹ These problems affect Critical theory. Burnham (1991) and Bonefeld (2000) have criticised effectively the pluralist tendencies of Coxian IPE, expressed in the relative autonomy of economic, ideological and institutional 'structures'. Cox contends that 'the method of historical structures is one of representing ... *limited totalities*. The historical structure does not represent the whole world but rather a *particular sphere* of human activity in its historically located totality' (Cox 1996[1981]: 100; emphasis added). These heuristic structures enjoy no 'predetermined hierarchy of relationships', being essentially autonomous (Cox 1996: 100). However, Cox suggests that 'the question of which way the lines of force run is always a historical question to be answered by a study of the particular case' (Cox 1996: 98). The exaggerated focus of Coxian IPE on the ideological structure as an independent variable (as 'limited totality') has resulted in two interrelated logical problems: the negation of the dialectical logic through which the synthetic concept (the class struggle) is abstractly reached and, under the weight of a sophisticated base-superstructure metaphor (see Cox's definition of civilizations 2002), the unwitting suppression of history as 'contradiction-in-movement'.

³² See for example García (2001, 2004); García et al. (2000, 2002); Assies and Salman (2003); Kohl and Farthing (2005); McNeish (2006); Hylton and Thomson (2007); Dunkerley (2007, 2007[1998]); Webber (2008).

³³ Democracy in its strictest sense refers to rule by the *demos* (the people), a horizontal form of policymaking involving every single member of society, equal in rights, power, and access to resources. Questions regarding the viability and desirability of this heuristic model of governance will be avoided here. I rather focus on why and how liberal democratisation developed and unravelled in the period under study.

³⁴ Instrumentalism, as will be elaborated subsequently, conceptualises the state as permeable, and immediately responsive to the interests of the ruling-class (Lenin (1965[1917]; Miliband 1969; Mandel 1975).

³⁵ An instrumentalist understanding of the state pervades the work of Lora (1977); Grebe (1983); Zavaleta (1983, 1987); Rivera (1983, 1984); García (2001, 2006); Gustafson (2002); Tapia (2002a, 2002b); Kohl (2003); Kohl and Farthing (2005); McNeish (2006); Hylton and Thomson (2007). This is the implicit underpinning of Gray's (2007, 2008) line of analysis of a 'weak state' facing a 'strong society', combined with the proposition that the Bolivian state is a 'state with holes'. He writes: 'the historical form taken by a "weak state/strong society" trajectory in Bolivia helps to explain a number of features that puzzle social and political analysts and policymakers' (Gray 2008: 109). He neglects to conceptualise either 'weakness' or 'strength', and indeed the 'state' and 'society', thereby resting his analysis of 'various forms of institutional pluralism that accommodate social pressures from above, and a society that takes on many features of de facto statehood from below' on rather shaky grounds. He implicitly conflates the state ('from above') with 'government', 'elite' and 'ruling-class', and quite explicitly did so at a seminar organised in Oxford University in June 2007, in which he asserted that Evo Morales and the *cocalero* association that he presides constitute a new 'elite'. Gray under-theorises the relationship between the state, capital and labour, and thereby misjudges where structural power lies by equating (claims to) authority with power. Crucially, his 2008 article fails to analyse the state as a social relation.

The UNPD-sponsored conceptualisation and empirical analysis of the Bolivian state is far more interesting, and departs from conventional definitions as the 'monopoly of the legitimate use of force' (UNDP 2007: 92), by viewing it 'as a labyrinth of unresolved tensions – struggles and divisions related to the colonial legacy, the property of national resources, regional diversity and the intercultural character of democracy' (UNDP 2007: 83). This fruitful beginning lapses in a view of the 'state with holes' that obscures relations of exploitation internal to the state.

³⁶ Exceptions include Dunkerley (1984, 1990, 2007), Malloy and Gamarra (1987) and Conaghan and Malloy (1995). It must be emphasised that contemporary institutional struggles under the Morales administration are rendering intra-state contradictions so apparent that they perhaps compel a reconsideration of classical conceptualisations of the state.

³⁷ Grindle (1999: XI) thus asks the question: 'why would politicians be experimenting with changes that would diminish their control over political resources?', which misconceives the essence of power by reducing it to the control of the central agencies of the national state. She accordingly answers: 'for the dilution of power' (Grindle 1999: 3).

³⁸ See Van Cott (1994, 2000); Albó (1994, 1999); Gray (2001); Patzi (1999); García (2001, 2002, 2006); Gustafson (2002); Kohl (2003); Kohl and Farthing (2005).

³⁹ Worries of some Bolivian commentators (Blanes 1991) that decentralisation may have resulted in greater wealth discrepancies between municipalities are alleviated by Faguet's (2002: 1) conclusions: 'In Bolivia, decentralization made government more responsive by re-directing public investment to areas of greatest need. Investment shifted from economic

production and infrastructure to social services and human capital formation, and resources were rebalanced in favour of poorer districts'. Klein (2003) buttresses this point by contending that these reforms have led to the 'creation of a multiethnic democracy'.

⁴⁰ Authoritative accounts, from various perspectives, include Crabtree (1987); Dunkerley (1990, 2007); Morales and Sachs (1990); Conaghan (1990); Malloy (1991); Conaghan and Malloy (1995); Gamarra (1994); Hollis Peirce et al. (1997); Klein (2003); Kohl and Farthing (2005).

⁴¹ 'Bolivia is one of the best performing IDA portfolios' (WB 1998b: i).

⁴² Williamson (1990) coined the term 'Washington consensus', referring to the policy measures that the institutions of the US state (both the 'political' and 'technocratic' Washington) agreed should constitute the framework of adjustment programs in the global periphery.

⁴³ Stabilisation refers to 'policies (generally relying on demand management) to achieve sustainable fiscal and balance of payments current account deficits and to reduce the rate of price inflation' (WB 1990a: 8). However, structural adjustment consists in the reform of institutions involved in micro-(taxes and tariffs) and macro-economic (fiscal policy) management (WB 1990a: 8).

Neoliberal restructuring involved ten key policy instruments, according to one of its key ideologues (Williamson 1990): fiscal discipline, necessitating the reduction of public expenditure, especially for welfare (which should focus on primary education and preventive medicine), and the scrapping of subsidies; tax reform that broadens the tax base and moderates marginal tax rates; the privatisation of unprofitable state-owned corporations and the deregulation of the domestic market are directly related to fiscal discipline and are assumed to increase industrial efficiency, while promoting competition and reducing corruption. With regards to monetary policy, interest rates should be positive but moderate (in order to encourage growth) and determined by the market; the exchange rate should also be market-determined, and sufficiently competitive for export-led growth. Trade policy should strive to eliminate any barrier to trade (if protectionism there is, it should only involve tariffs for infant and transitory industries and be ridden of import licensing), in order to facilitate FDI. To buttress all these measure, the state should establish clear property rights and secure private property.

⁴⁴ RDCs were established between 1967 and 1971 to decentralise investment projects. Financed with royalties from regional commodities such as oil, gas and minerals (or the Treasury for Beni and Pando), and authorised to seek external financing, RDCs were primarily used by the Banzer government to accelerate the development of Santa Cruz relative to the rest of the country (Barragán 2008). In the 1970s and 1980s, Santa Cruz's RDC thus administered a budget between 7 and 12 times greater than that of La Paz, the second RDC in terms of resources (Lavaud 1991: 202), inducing Roca (1980) to argue that 'the RDCs have institutionalised regionalist practices'.

⁴⁵ However, various elements of what is considered as second-generation reforms, such as privatisation and administrative decentralisation, were already being addressed by the economic teams of the ADN and MNR political parties, and debated with the WB and the IMF from 1985 onwards (WB 1986, 1989a, 1989b, 1989c).

⁴⁶ Nkrumah (1965), who with Che Guevara coined and theorised neo-colonialism, offered a valuable definition of the concept, which however illustrates its economic determinism, or base-superstructure underpinning: 'The essence of neo-colonialism is that the State which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside'.

⁴⁷ Imperialism is conventionally defined in two ways, which are not inconsistent but rather perceived to have historically sustained each other: 1) imperialism as an over-accumulative need by metropolitan capital to appropriate resources and labour on its periphery – through portfolio capital or, increasingly, FDI (Cox 1981 1987) – in order to expand the market for commodities produced in the metropolis and thereby alleviate structural crises of over-production; and 2) as political-military domination in international relations. See Kemp (1972); Clarke (2001); Halliday (2002); Sutcliffe (2002).

⁴⁸ In her defence, at the time of her research, the vast majority of relevant WB and IMF documents were classified and very difficult to access.

⁴⁹ This is particularly manifest in the work of Paul Cammack (2003, 2006), who presents the WB, IMF and OECD as institutions achieving relative autonomy and utterly devoid of internal tensions over accumulation strategies (Taylor 2005).

⁵⁰ The WB was assigned 'primary responsibility for the composition and appropriateness of development programs and project evaluation, including development priority', while the IMF dealt with exchange rates, adjustment of payments imbalances, and the evaluation of countries' stabilisation programmes (IMF/WB 2001: 18-19).

⁵¹ The creation of the Structural Adjustment Facility in 1986 and of the Enhanced Structural Adjustment Facility in 1987 by the IMF 'required borrowers to negotiate medium-term structural reform programs with the IMF. While conditionality was similar in many respects to that of the EFF, these facilities called for a more formal coordination with the Bank than in the past and required explicit procedures to avoid cross-conditionality. The principal innovation was the introduction of the Policy Framework Paper (PFP), a document to be negotiated by the borrowing country with the staffs of both the Fund and the Bank and approved by the Executive Directors of both institutions' (IMF/WB 2001: 20).

⁵² The 1989 Concordat reiterated the 1966 memorandum on WB-IMF collaboration and clarified their respective responsibilities. The IMF was to manage 'public sector spending and revenues, aggregate wage and price policies, money and credit, interest rates and the exchange rate', and the WB dealt with 'development strategies; sector project investments, structural adjustment programs; policies which deal with the efficient allocation of resources in both public and private sectors; priorities in government expenditures; reforms of administrative systems, production, trade and financial sectors; the restructuring of public sector enterprises and sector policies' (IMF/WB 2001: 20-21).

⁵³ For instance, the WB's creation of Structural Adjustment Loans (SALs) for medium-term fiscal support in 1980 encroached on the IMF's balance of payment turf and required reviews of collaborative practices. Tensions did arise

between the WB and IMF, as overemphasised by Stiglitz. ‘While most disputes were resolved before they disrupted the provision of assistance to countries, the willingness of staff in the field to defer to each other in assessing countries’ balance of payments or development requirements was not uniformly high’ (IMF/WB 2001: 19-20).

⁵⁴ In their latest work, Kohl and Farthing (2009: 66) reiterate previous assertions that the fiscal dependence of the Bolivian state on IMF and WB assistance ‘ensured an almost slavish following of the institutions’ prescriptions in order to guarantee a steady flow of funds’.

⁵⁵ Despite useful empirical evidence, these authors’ analysis of ‘international influences’ is based essentially on tertiary (and some secondary) sources.

⁵⁶ Potential and real contradictions between the US government and transnational elite forces are all too easily brushed aside in the analysis of Bolivian dependency. It is also notable that transnational corporations (TNCs), transnational elites and MDIs are presented as overbearing entities, external to domestic political relations.

⁵⁷ Influenced by the work of Friedrich von Hayek (1944) and Milton Friedman (1962), monetarism understands inflation as an imbalance between the supply and demand of money – the former being larger than the latter. By controlling the money supply, Central Banks regulate inflationary pressures, but also consumption and investment patterns.

⁵⁸ For sophisticated analyses of commodification and primitive accumulation, see Bonefeld (1991, 2000) and Van der Pijl (1998). Primitive accumulation refers to a process whereby labour power is turned into a commodity among other items required for the production and circulation of commodities on the world market. This process is interlinked with the emergence and increasing social power of a capitalist class.

⁵⁹ See Marx (2003); Holloway (1995); Van der Pijl (1998); Overbeek (2000, 2004); Van Apeldoorn (2004); Bonefeld (1991, 2000).

⁶⁰ See Harvey (2003); Lacher (2002, 2003); Lacher and Teschke (2007).

⁶¹ On the transnational essence of the British (Lockean) heartland of capital, see Van der Pijl (1998).

⁶² See Frank (1975; 1978); Wallerstein (1989[1974], 2000); Boswell and Chase-Dunn (2000). With reference to the Bolivian formation, see Vandycke (1987); Espasandín and Iglesias (2007); Gray (2008).

⁶³ Espasandín and Iglesias (2007: 43) brush aside rather swiftly Laclau’s (1971) critique of the conflation, by Wallerstein and Frank, of *world market* (or world economy articulating various forms of labour relations, primarily through merchant capital) and *global capital* (founded on wage/free labour and industrial production). They justify their contention that ‘one cannot force a definition of capitalism conditioned by the existence of wage labour’ by referring to Wallerstein’s (1989[1974]: 99-101) notion of agrarian capitalism: ‘in the era of agrarian capitalism wage labour is only one form of recruitment among others’ (Espasandín and Iglesias 2007: 44; author’s translation). This induces them to reiterate Boswell and Chase-Dunn’s (2000) three attributes of global production relations: capitalism, an inter-state system showing continuity as ‘units of administrative ordering at least since 1648’, and institutional mechanisms of surplus appropriation by the core. See Lacher (2002, 2003) and

Lacher and Teschke (2007) for convincing rebuttals of images of the (capitalist) world market as an inter-state system arising (out of what?) in 1648 with the Westphalia Treaty.

⁶⁴ See Marx (2003: 'Capital Vol.1'); Hobsbawm (1995); Meiksins Wood (1981, 2002a); Van der Pijl (1998).

⁶⁵ See Jameson (1998); Augelli and Murphy (1988). Constant diatribes against US supremacy and its imperial, worldwide infliction of neoliberal reforms and plunder of Latin America through FDI are endemic in publications such as *Le Monde Diplomatique* and pamphlets by ATTAC in France, *Open Democracy* in the UK, *The Nation* and *Znet* in the US. In critical academic approaches, this argument has been made by Petras and Veltmeyer (2002), Chomsky (2003), Amin (2004), Bellamy Foster (2006) and Wallerstein (2006), among numerous others.

⁶⁶ See the earlier work of Robinson (1996), Augelli and Murphy (1988).

⁶⁷ For critiques of the dichotomy between structure and agency, see Jessop (1990); Bonefeld and Psychopedis (1991); Bieler and Morton (2001, 2003).

⁶⁸ See Kohl and Farthing (2005); Climenhage (1999); Fernández (2003); Hirst and Thompson (1995); Strange (1996); Krasner (1999, 2001).

⁶⁹ See Lora (1977); Zavaleta (1983, 1987); Grebe (1983, 2002); García et al. (2000, 2001, 2004, 2005); Tapia (2002a).

⁷⁰ Salient examples include Orlove (1989); Orlove and Foley (1989); Foley and Lambert (1989); Parkerson (1989).

⁷¹ See Assies and Salman (2003); Salman (2006, 2007); McNeish (2006).

⁷² See the studies of Fernández (2003); Kohl and Farthing (2005); Webber (2008); De La Cueva (1983).

⁷³ A close reading of the *Prison Notebooks* arguably warrants an understanding of Gramsci's methodological starting-point as national, despite his emphasis on the need for an 'international perspective' (Gramsci 1971: 176-177; 240). Gramsci thereby conceptualises the international system as the sum of nation-state entities and their unrelated (or at best analogically posited) political processes. In contrast to this atomistic position, holism (inherent to the dialectical method) asserts that the social whole cannot be understood by the sum of its components but must originally be interpreted as a conceptual totality (Marx 2003, 'The Gundrisse': 386; Burnham 1994: 227). See for instance Gramsci's (1971) almost exclusive focus on Italian relations of production, Augelli and Murphy's (1988) focus on US imperialism in the Third World, and Robinson's (1996) analysis of US promotion of polyarchy in Latin America. Gill (1993) has rightly identified the limitations of Gramscian thought, reproduced in nationalistic Latin American scholarship. For a salient Bolivian example, see Zavaleta (1987).

⁷⁴ See Cox (1981, 1987); Gill (1993, 2003); Van der Pijl (1998); Van Apeldoorn (2004); Overbeek (2000, 2004).

⁷⁵ See for example Crabtree (1987); Dunkerley (1984, 1990); Conaghan and Malloy (1995); Kohl and Farthing (2005).

⁷⁶ For notable exceptions, which focus more specifically on business-state relations, see Malloy and Gamarra 1988; Conaghan 1990, Dunkerley 1990; Malloy 1991; Conaghan and Malloy 1995.

⁷⁷ Strange's (1996) approach has been rejected by historical materialist scholars because it misconceives state restructuring and the reconfiguration of

its regulatory capacities – which have tended to improve administrative efficiency and often augment its institutional density – as retreat or deregulation (Burnham 2000; Cerny 2005).

⁷⁸ Evo Morales himself has referred to the implementation of an ‘agrarian revolution’ and to his socialist goal of ‘changing the structure of the state’, in <http://www.zmag.org/>. Accessed 21 November 2007.

⁷⁹ They furthermore induce diatribes against neoliberalism leading to the reformist prescription that ‘a reinvented state will be faced with the challenge of simultaneously maintaining legitimacy in the eyes of its citizens while also creating and maintaining the conditions for markets to operate’ (Kohl and Farthing 2005: 5).

⁸⁰ Indeed, it has long been argued that what had been defined as Soviet state-socialism is essentially a capitalist endeavour by a bureaucratic class appropriating the product of labour (Cliff 1955, available at <http://www.marxists.org/>. Accessed 21 September 2007).

⁸¹ See Gramsci (1971); Bonefeld et al. (1991); Gunn (1992); Burnham (2001, 2002); Overbeek (2000); Bieler and Morton (2003).

⁸² Cox’s (1981: 95) exemplary definition of dialectics is worth quoting: ‘At the level of logic, it means a dialogue seeking truth through the exploration of contradictions. One aspect of this is the continual confrontation of concepts with the reality they are supposed to represent and their adjustment to this reality as it continually changes. Another aspect, which is part of the method of adjusting concepts, is the knowledge that each assertion concerning reality contains implicitly its opposite and that both assertion and opposite are not mutually exclusive but share some measure of the truth sought, a truth, moreover, that is always in motion, never to be encapsulated in some definitive form. At the level of real history, dialectic is the potential for alternative forms of development arising from the confrontation of opposed social forces in any concrete historical situation’.

⁸³ See Bieler and Morton (2003); Overbeek (2000); Van der Pijl (1998); Bonefeld et al. (1991); Marx (2003); Holloway (1995); Burnham (2001).

⁸⁴ Holism (inherent to the dialectical method), in contrast to positivistic atomism, posits that the social whole cannot be understood by the sum of its components but must originally be interpreted as a conceptual totality. Burnham writes: ‘dialectical research starts with the whole and then proceeds inwards to the part, conceiving all parts as processes in relation of mutual dependence. Notions of externality and structure are replaced by the dialectical categories of process and internal relationship. [...] The dialectical method rejects the seemingly fragmented nature of society and instead seeks to trace out the inner connection between social phenomena, searching for the substantive abstraction which constitutes their social reality as complex, interconnected forms, different from, but united in, each other’ (Burnham 1994a: 227). This epistemological principle is not followed by Marxist frameworks implicitly reproducing a positivist epistemology relating economic forces of production (infrastructure) and political superstructure as autonomous, externally interacting structures. For an early critique of structural Marxism, see Holloway and Picciotto (1978).

⁸⁵ The labour theory of value is central to NG theories, especially the THM variant. The conscious focus of NG scholarship on ideological relations and

transnational elite formation does not invalidate this appreciation (Bieler and Morton 2003: 481-482).

⁸⁶ The central tenets of neoliberalism are: fiscal and monetary stability, structural adjustment to global market pricing, monetarism and the privatisation of accumulation. Considering the systematic emphasis on 'state-', in particular 'government-building' in internal documents produced by neoliberal multilateral institutions (IBRD 1993: 12; DAC 1989: 31), understandings of neoliberalism as a 'retreat of the state' is rejected here (Strange 1996; Gill 2000).

⁸⁷ These tendencies are evident in critical approaches such as Open Marxism (Burnham 1994b; 2002; Bonefeld 1991, 2000; Holloway 1995), world-system and dependency theory (Wallerstein 1974, 2000; Frank 1969), and neo-Gramscian perspectives (Cox 1981, 1987; Robinson 2002, 2005; Rupert 1995).

⁸⁸ Neo-Gramscian approaches to International Political Economy (IPE) have been growing, since their emergence in the late 1970s on the fringes of Marxist academia, into a highly dynamic and reflexive intellectual movement. Under the impetus of Robert Cox, Kees van der Pijl, and later Stephen Gill, Henk Overbeek, Otto Holman, Mark Rupert, William Robinson, Andreas Bieler, Adam Morton and Bastiaan van Apeldoorn among others, Gramsci's heterodox Marxist categories (hegemony, historic bloc, *trasformismo*, passive revolution) have authoritatively informed empirical research on international relations, transnational processes and historical forms of world order.

The neo-Gramscian movement, founded on a purposive synthesis between naturalistic materialism and idealism (van der Pijl 2002), must not be considered as a homogenous bloc of intellectual labour, and is subject to internal controversy as well as significant criticisms from the Marxist movement as a whole (Morton 2001; Burnham 1991, 2000; Bonefeld 2000). However, a central trend may be identified with regards to the neo-Gramscian research agenda: its organisation around the study of the dynamic formation of strategic consciousness and ideological projects of ruling classes in international relations. These projects, when successfully achieving a hegemonic form, become the core 'motivation for action' of historically contingent constellations of social forces clustered into 'historic blocs', which sustain 'world order' (Cox 1981, 1987; Gill 2003; Van der Pijl 1984, 1998, 2002; Overbeek 2000, 2004).

Without oversimplifying, we can identify two broad variants of neo-Gramscian theory: the discrepancies between Coxian IPE (defended by Anglo-Saxon NG theorists such as Cox, Gill, Rupert and Robinson) and the 'Amsterdam School' of transnational historical materialism (THM), best expounded by Overbeek (2004) are significant: these include, for instance, Cox's integration of Weberian methodological and conceptual elements into his historical materialist model, leading to charges of eclecticism. Neo-Gramscian understandings of the state have similar roots (chiefly Marx, Gramsci, and Poulantzas) and hence build similar explanations of what the state is, how and why it has historically emerged and changed. Nonetheless, variations in prominent theorists' conceptualisation of the state and empirical application (and adaptation to empirical evidence) of the concept warrant a separate focus on the strengths and shortcomings of each understanding and explanation, although this chapter will point out the inter-connections between them

On their side, since the late 1980s, Open Marxist theorists have consciously furthered and ameliorated the theoretical paths traced by so-called political Marxism and especially German 'state derivation' approaches, which sprang in the late 1970s in reaction to structuralism. Andreas Bieler and Adam Morton (2003) expounded appropriately the three constitutive elements of Open Marxist critiques of political economy: firstly, a rejection of problem-solving dichotomies between society and state, and between politics and economics. Secondly, a reassertion of the class struggle as ontological presupposition and result of substantive dialectical logic, which entails a rejection of the crude base-superstructure metaphor immanent in classical Marxism. The third and most creative element of Open Marxist scholarship is its reformulation of Marxist state theory via an understanding of national states as multiple political manifestation of class relations of production in global(ising) capitalist form (Holloway 1995: 136). Major Open Marxist theorists include Simon Clarke (1988, 1991, 2001), Werner Bonefeld (1991, 2000), John Holloway (1978, 1995), and Peter Burnham (1994b, 1995, 2000, 2002).

Political Marxism is embodied in the work of Brenner (1977) and Meiksins Wood (1981). Prominent participants in the German debates include Gerstenberger (1978), Hirsch (1978) and Von Braunmühl (1978).

⁸⁹ For a comprehensive analysis of the Poulantzas-Miliband debate, see Hay (1999).

⁹⁰ See Cox (1981, 1987); Van der Pijl (1998); Clarke (1988, 1991); Burnham (1994, 1995, 2002); Bonefeld (1991, 2000); Holloway (1995).

⁹¹ Coxian IPE has reproduced this covert Weberian pluralism (Burnham, 1991). Gill, for instance, follows Gramsci's 'persuasive' contention that there is 'no necessary relationship between economic and political crises, or vice versa' (Gill 1993: 52).

⁹² See Cox (1987); Morton (2000); Bieler and Morton (2003); Robinson (2005).

⁹³ Jessop (1985: 341) interpreted Poulantzas's (1978: 43) argument that although 'class division is not the exclusive terrain of the constitution of power...in class societies all power bears a class significance' as a 'residual penchant for essentialism and class reductionism'.

⁹⁴ This definition is embedded in the historical materialist tradition that finds its roots in the more open work of Marx. The definitions offered by theorists from sometimes incompatible approaches are surprisingly similar: thus Bonefeld (1991: 120) appropriates Marx's definition of the state as the 'concentrated and organised force of society'. Abrams (1988: 63) understands the state as 'politically organized subjection'. This definition is adopted by Burnham (1994b: 2), who sees the state 'as a set of distinct institutions, grounded within particular social relations, whose specific concern is with the organisation of domination (in the name of common interest), within a delimited territory'. Ironically, Burnham's Marxist definition of the state is highly congruent (despite his recurrent criticism of Weberian pluralism) with Weber's (1991: 82-83) own conceptualisation as a 'compulsory association which organises domination', and 'monopolises the legitimate use of physical force as a means of domination within a territory'. Jessop (1990: 341), on his side, reinterprets the work of Poulantzas by defining the state as a 'distinct ensemble of institutions and organizations whose socially accepted function is to define and

enforce collectively binding decisions on the members of a society in the name of their common interest or general will'. However, these authors do not envisage the state as a site of class struggle.

⁹⁵ See Tsolakis (2010) for an explanation of this contention.

⁹⁶ This is apparent in contemporary left-wing governments throughout Latin America (from former trade unionist Lula Da Silva's administration in Brazil, to Evo Morales's MAS in Bolivia).

⁹⁷ For a convincing critique of the social movements literature, see Cohen and Rai (2000).

⁹⁸ It is crucial at this point to clarify that potentially various movements constitute and thus may divide organisations: 'one' organisation does not equal 'one' movement – the institution is twisted by the social contradictions defining it and may or may not accommodate these contradictions. If it fails to do so, a scission occurs.

⁹⁹ It is not incidental that indigenist movements, miners and cocaleros only became meaningful historical forces in Bolivia from the moment that they took the organised form of trade unions and political parties (Zavaleta 1983; Rivera 1983; 2007).

¹⁰⁰ Neither Open Marxist nor neo-Gramscian theories have individually been applied to research on Bolivia, not to mention a historical approach attempting to incorporate, in a coherent manner, concepts generated through these two strands. One must acknowledge the creative use, by René Zavaleta in the 1980s and intellectuals of the collective *La Comuna* (Gutiérrez and García 2002, Tapia 2002, Prada 2002) in the late 1990s and early 2000s, of Gramscian categories such as hegemony and historic bloc to explain the recomposition of labour in a 'plebeian' form since the late 1980s (García et al. 2000, Tapia 2002). However, their national starting-point and quasi-exclusive focus on Bolivian social movements (pitted against the state) renders their work rather idiosyncratic and neglects to place Bolivian social relations within broader structural developments. The valid attempt by Espasandín and Iglesias (2007) to do just this, however, employs a world-system approach to explain Bolivia's bilateral relations with the US government, and Bolivia's dependent underdevelopment within worldwide commodity circulation, thereby overlooking transnational processes of elite formation and the concrete transformations of the state in Bolivia.

¹⁰¹ Arnold and Spedding (2007: 161-164) problematise the contention, in indigenist ideologies, that 'in a "pure" indigenous culture, there would be absolute equity between women and men', which obscures and subsumes gender relations under an ethnicist discourse. This belief is reminiscent of the socialist ideologies that brought cohesion to the urban workers and miners' unions in the 1940s and 1950s. Arnold and Spedding appropriately compare politicised women in contemporary *ayllus*, farmers' unions or 'neighbourhood micro-governments' in El Alto (Mamani 2005, 2007) to the subalternity of women sections (the so-called "*barzolas*") in the MNR party of the early 1950s.

¹⁰² For sophisticated discussions of the Bolivian nation, see Démélas (1980); Zavaleta (1983), Antezana (1983); Tapia (2002a).

¹⁰³ For reflections on indigenous movements and nations, see Lora (1977); Rivera (1983, 1987, 2007); Albó (1990, 1996; 1999; 2008); Toranzo (2008); Patzi (2000); Mamani (2007).

¹⁰⁴ See Roca (1980, 2008), Barragán (2008).

¹⁰⁵ The emergence, through miscegenation, of a 'crucial middle cultural and economic layer between the whites and the Indians [...] greatly modified the bipolarity' of early colonial society (Klein 1971: 30). For nuanced discussions of mestizaje in Bolivia, see Sanjinés (2004); Dunkerley (1984, 2007); Klein (1982, 2003).

¹⁰⁶ A perfectly holistic approach would offer an in-depth explanation of global processes of change generated by the emergence and increasing predominance of industrial capital as the social pivot of global capital accumulation since the eighteenth century, and then locate the creation of 'Bolivia' and its post-independence social development within global relations of domination. See Van der Pijl (1998) and Hobsbawm (1995) for comprehensive historical materialist analyses of long-term change.

¹⁰⁷ For reasons of space, I will not analyse how the intensifying regionalisation of commerce and growing Chinese demand for Bolivia's commodities (including lithium for the car industry) are changing the geoeconomics of Bolivia's production relations.

¹⁰⁸ See the recent interview of Alvaro García, in which he exposes with remarkable clarity his interpretation of the recent cycles of elite 'wars of position' and 'movement' against the popular masses represented by the MAS. See: <http://alternativabolivariana.org/>. Accessed 9 September 2009. In Gramscian thought, the complexity of modern social relations requires the avoidance of a frontal assault (war of movement) against the bourgeoisie and the state by the working class (akin to trench warfare). Instead, systematic ideological struggle, cunning political leadership and if necessary guerrilla tactics, conceptualised as a war of position will undermine capital hegemony and thereby generate the conditions required to undertake a war of movement (Gramsci 1971: 108-111; 229-234).