



Challenges to Neoliberal Hegemony in Bolivia

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Since 1985, Bolivia has undergone three phases of the imposition of and popular resistance to neoliberal policies. This article charts the uneven course of neoliberal hegemony beginning with the structural adjustment program in the mid-1980s through popular uprisings between 2000 and 2003 that ousted the national government. Even though the current administration may be unable to resist World Bank and IMF pressure to continue neoliberal policies, powerful and diverse popular movements will certainly continue to contest them. This article makes two contributions to discussions of neoliberalism as a hegemonic system: it identifies problems of scale in maintaining neoliberalism, and it reminds us of the importance of coercion in maintaining hegemony.

On 17 October 2003, as 500,000 protestors marched in La Paz, Bolivian President Gonzalo Sánchez de Lozada, popularly referred to as “Goni”, resigned from office and fled to Miami. The country was in the throes of the “gas wars” that had left 81 dead and hundreds injured. The demonstrators, representing a broad coalition of social groups, challenged Goni’s plan to allow international firms to build a pipeline from southern Bolivia through Chile to transport natural gas destined for US markets. They took to the streets chanting slogans such as “Gas for Bolivians, not for multinationals” and “Death to neoliberalism”. When Vice-president Carlos Mesa assumed the presidency, he announced that he would reconsider aspects of the country’s 20-year commitment to neoliberalism and Washington Consensus policies. The hundreds of thousands of Bolivians who drove Goni from office made it clear that they would accept nothing less. World Bank and US embassy officials, however, were quick to warn Mesa of the costs and consequences of changing the policy direction of South America’s poorest country.

This article looks at the events of October 2003 in the context of a globalizing economy that has undergone two decades of the implementation of neoliberal markets and liberal democracy, together commonly known as “market democracy”. The economic focus of these policies was on reducing government deficits, floating exchange rates, privatizing state-owned enterprises, and opening the country to international capital. Conducted in the name of increasing

macroeconomic competitiveness and efficiency, these were often combined with government decentralization and other democratization measures, as formal democracy is perceived as necessary for efficient market functioning. Together they form the basics of the neoliberal doctrine known as the “Washington Consensus” (Williamson 1993, 2000).

Bolivia’s neoliberal restructuring was the most radical in Latin America after Chile, and as Waisman (1999:45) points out, undertaking market liberalization at the same time as political democratization steeply increases the inherent tensions and difficulties of both. The other notable characteristic in Bolivia is that, due to the vision of its primary architect, Gonzalo Sanchez de Lozada (“Goni”), Bolivian neoliberalism has been among the most innovative in the world, introducing programs later adopted elsewhere. Neoliberal restructuring has encompassed three distinct periods beginning with the 1985 neoliberal “invasion”: the structural adjustment program (SAP), renowned for halting hyperinflation, among the world’s highest. The second phase—the consolidation of neoliberalism—begins with the adoption of the *Plan de Todos* (Plan for All) during Goni’s first administration (1993–97), which attempted to “reinvent” the country by privatizing the largest state-owned firms, rewriting the constitution, and decentralizing 20% of national revenues to municipal governments. The third phase starts with the Cochabamba “water war” in 2000, a turning point in the government’s ability to control the public rejection of neoliberalism (Finnegan 2002; Olivera 2004).

The Bolivian variety of neoliberal restructuring constitutes a small part of creating a global hegemonic regime based on an uneven, and often shifting, balance of coercion and consent. Understood in these terms, neoliberalism is subject to asymmetrical and contingent pressures at a number of scales. Globally, the dominance of neoliberalism is largely uncontested in current development discourse and practice, given its hegemony in international institutions like the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO), the shared economic agenda of the United States and the European Union, and the power of highly mobile capital (Friedman 1999; Peet 2003). Nationally, however, governments are often less than successful in convincing their citizens of its “common sense” and benefits as evidenced in protests from Jakarta to Buenos Aires.

In Bolivia, the government initially relied largely on consent to establish neoliberal hegemony after severe political and economic upheaval in the early 1980s. As social movements and their political allies—largely outside (or on the fringes of) the traditional class-based opposition—increased their ability to contest neoliberal policies, the state, constrained by transnational pressures, relied on ever greater levels of

force until it lost its legitimacy and its fragile hegemony collapsed. The state's inability to confront the economic problems exacerbated by neoliberalism and to cope with the changing nature of social protest was rooted in three interrelated factors: (1) political restructuring that has increased spaces for opposition, (2) changes in both the boundaries of citizenship and new forms of constructing citizenship from below, and (3) fundamental transformations in the state's economic role.

During the last ten years, as new organizing tools such as the Internet have allowed local social movements to extend their reach and create hybrid movements and alliances, victories, such as the Cochabamba water war, increasingly serve as an inspiration to progressive social movements worldwide. While Bolivia's successful national challenges to the hegemony of neoliberal globalization illuminate some of the contradictions inherent in neoliberal globalization, I argue that any long-term challenge to neoliberalism must address its fundamental nature as a transnational process. Otherwise, national attempts will be stymied as international firms and national elites move their capital¹ to countries with more favorable investment conditions and international financial institutions (IFIs) turn governments that contest neoliberal hegemony into pariahs.

Neoliberalism as a Hegemonic System

Scholars and development practitioners have achieved a critical consensus on neoliberalism's key characteristics, while recognizing that it has assumed hybrid forms in adapting to different contexts around the world (Brenner and Theodore 2002; Dezalay and Garth 2002; Larner 2003; Peck 2004; Peet 2003). Given that attempts to create a globally competitive market economy in low-income countries have generally excluded the majority without access to human and financial resources, technology, and political power, multinational corporations and national elites have emerged as the principal winners around the world. The empirical evidence clearly supports this—in countries that have undergone neoliberal restructuring (often in the form of IMF structural adjustment programs—SAPs), the majority of citizens have seen their standard of living fall (Benería 2003; Kurtz 2004). One of the starkest examples is Russia, where life expectancy has dramatically declined since the adoption of neoliberal policies in the 1990s (Notzon et al 1998).²

Tensions in these countries build as the poor majority, who may have been suspicious of state restructuring in the first place, find that their fears of continued (and in some cases, new forms of) exclusion have been realized. Worse yet, the trappings of new wealth accruing to a successful minority become increasingly visible and, as the disparity grows, people question neoliberalism both as a set of specific

policies and as an ideology (McMichael 2004; Shultz 2005). The demands of these new social movements often crystallize around the negative impacts of neoliberal policies such as increases in costs of basic services and commodities, the job losses and the price hikes that accompany privatization, as well as reductions in social spending and the new taxes demanded by IFIs (McMichael 2004; Ramirez 2000).

Concurrently, neoliberal decentralization programs that aim to reduce the size of the central state, through devolving central state powers and responsibilities to local levels, have often unintentionally encouraged previously disenfranchised groups to internalize new attitudes about their rights as citizens and the legitimacy of the state.³ These new attitudes towards the state develop at the same time that the transfer of economic activity to the private sector forces the government to guarantee greater property rights for firms, especially given the need to attract international capital. The firms' newly acquired civil property rights often trump the social rights of citizens, precipitating a significant shift in the state's relationship to its population (Kohl 2003c). As the state shrinks in size and transfers more of its previous functions to the private sector, it is less able to address the growing demands for social citizenship rights. Tensions arise as citizens striving to construct new rights from "below" confront increasingly constrained states (Feigenbaum and Henig 1994).

That neoliberalism defines conventional wisdom reflects its considerable political and ideological power as its economic results have been so unsatisfactory (Ramirez 2000; Stiglitz 2002). IFIs, such as the World Bank and the IMF, are able to convince even progressive governments from the Worker's Party in Brazil to the United Marxist-Leninist Party in Nepal (Rankin 2004) and the African National Congress in South Africa that, as Maggie Thatcher insisted, there is no alternative to the market. In Brazil, President Lula da Silva has maintained financial reserves that exceed the minimum demanded by IFIs in order to reassure international capital that the country is stable. The IFIs achieve this capitulation not only because of the enormous control they have over access to capital and concessionary credit, but also by their influence on international capital markets and their proven ability and willingness to make and break national markets, as the IMF did during the Asian crisis (Stiglitz 2002). Of course, they do not work in a vacuum: rather they largely follow the directions of the United States and the European Union.

Gramsci's (1971) concept of hegemony provides a useful framework for understanding neoliberalism's imposition in policy arenas. Richard Peet writes that for Gramsci, "ideological hegemony was established mainly by civil rather than state institutions. In this formulation, hegemony is a conception of reality, spread by civic

institutions, that informs values, customs and spiritual ideals, inducing, in all strata of society, “spontaneous” consent to the status quo. Hegemony is a world view, so thoroughly diffused that it becomes, when internalized, common sense” (2003:15). The process of internalizing a hegemonic worldview—“the socio-cultural production of the way people think” (2003:17)—is never complete, but is an ongoing effort by elites to control public opinion.

Peet proposes adding Foucault’s concept of discourse to the Gramscian framework. He argues that the result makes it clear that:

economic policy does not come from science’s ability to mirror the exact structure of social reality in a structure of truthful statements called exact theories. Instead, policy is socially produced by a community of experts who agree, more by convention of political persuasion than factual backing, to call a certain type of thinking and speaking “rational”. (Peet 2003:16–17)

Stephen Gill, focusing on a broader definition, suggests that:

hegemony is not to be understood as simply a relation of dominance between states in the inter-state system; it involves the construction of a relatively consensual form of politics within its sphere of reference, with its combination of power and leadership giving due weight to subordinate forces in a series of institutionalized political settlements. Hegemony is forged in a complex set of historical blocs that link public and private power within and across nations in transnational political networks that seek to sustain, regulate and rule an increasingly global capitalist order. (Gill 2000:69)

Gill observes that this form of neoliberalism is inherently weak because “whilst there has been a growth in the structural power of capital, its contradictory consequences mean that neo-liberalism has failed to gain more than temporary dominance over our societies” (2003:120).

Gill (2003) suggests that “disciplinary neoliberalism”—a combination of the structural power of capitalism with that of institutions that pressure governments into providing an environment that can attract (and keep) foreign direct investment—lacks the consent and integrated support from civil society necessary for creating a “strong” hegemonic system. The result is vulnerability to attack by counter-hegemonic social movements that may be based on combinations of class, gender, ethnicity, religious, territorial, or identity interests. Some of these are local: urban social movements typically based around geographically bounded issues (Castells 1983; Finnegan 2002); others are regional or national, like anti-dam movements in India (Roy 2001); and others are global, like the agglomeration of anti-globalization movements frequently associated with the 1999 World Trade Organization talks in Seattle.

These different interpretations of hegemony drawing on Gramsci's intellectual legacy are not surprising. Perry Anderson (1976) notes that Gramsci himself gave hegemony different, and even contradictory, meanings. In his early writings, Gramsci saw hegemony as the way elites primarily use civil institutions to obtain the consent of the governed, contrasting hegemony, which achieves consent through a form of "intellectual and moral direction", with domination, which requires the use of force. He identifies differing locations for these forms of control, arguing that "hegemony (direction) pertains to civil society, and coercion (domination) to the State" (cited in Anderson 1976:21). As Anderson notes, Gramsci's understanding of hegemony evolved when his focus shifted from Russia to an analysis of western democracies where he concluded that hegemony is not "a pole of 'consent' in contrast to another of 'coercion'. *But rather . . . a synthesis of consent and coercion*" (1976:22, my emphasis). Not only does this shift hegemony's location from civil society alone to both the state *and* civil society, but it also changes it from a single concept to a multiple one that incorporates categories of political and civil hegemony (Anderson 1976:25).

As hegemonic systems are permanently contested by social movements, opposition parties in government, and intellectuals, states resort to varying combinations of consent and coercion to maintain them. In fact, many scholars seem to minimize the importance of coercion in maintaining hegemonic systems, focusing on the construction of consent (Laclau and Mouffe 2001; Peet 2003). Even the United States—with a strong hegemony in place—depends on a coercive state apparatus to maintain "order" among marginalized populations as reflected in its dubious distinction of having the largest prison population in the world (Wacquant 2001).

Neoliberalism faces different challenges at the national and subnational scales—in our case, within the national boundaries of a small, landlocked, Andean nation—where the expectations it creates of a better life confront the reality of ongoing hardships for the majority of the population. While national governments may see little option but to bow to IFI pressures, the recent challenges to neoliberalism from social movements in Bolivia and elsewhere suggest that the ability to construct hegemony at one scale does not automatically transfer to another. As seen the world over, the IMF may better be able to persuade a government minister of the inevitability of cutting funding to reach a deficit target than to convince a crowd protesting increased water or food prices that these cuts are in their long-term interests.

Gill recognizes this problem, pointing out that the lack of an integrated support from civil society to create a "strong" hegemonic system in developing countries has led to the imposition of "disciplinary neoliberalism" that combines coercion with consent. As the increasing

use of force signals the loss of consent, a hegemonic regime becomes increasingly coercive. I argue, however, that even a “weak” hegemonic regime, although unstable and dependent on coercion, is still hegemonic as long as the majority of the population accepts its rule as legitimate.

Phase I. The Invasion: Structural Adjustment, the New Economic Policy, and Law 21060

At the beginning of the 1980s—often called Latin America’s lost decade—Bolivia faced a debt crisis similar to that of other countries in the region. The causes are found in the increased public borrowing during the 1970s petrodollar boom, the rise in interest rates in US dollar-denominated loans in the late 1970s, and the corruption of the 1970s military governments. GDP declined every year between 1981 and 1986, with a 9.2% decline during 1982 alone (Malloy and Gamarra 1988, 235). By 1982, the currency had collapsed (Sachs 1987). In 1985 the Bolivian Workers’ Central union (*Central Obrera Boliviana*—COB), one of the strongest and most unified labor movements in the world, called over 450 strikes and work stoppages, and generals took out newspaper ads reminding the military of their patriotic duty to restore order. As the prices of Bolivia’s prime commodity exports fell, the only sector of the economy that thrived was coca-cocaine production, which at one point equaled about 90% of legal exports (de Franco and Godoy 1992). The center-left government of Hernando Siles Zuazo had little option but to call elections one year early. By the time the price of tin, Bolivia’s primary legal export, plummeted on the international market in 1985, the government faced insolvency, leaving it at the mercy of the IFIs, which after the 1982 collapse in Mexico, increasingly pushed SAPs on highly indebted countries.⁴

Three weeks after assuming office for the National Revolutionary Movement (MNR) party, Victor Paz Estenssoro, a principal leader of the 1952 revolution that had nationalized mines, instituted universal suffrage, and undertaken agrarian reform, initiated the New Economic Policy (NEP) that incorporated a SAP designed to a large degree by Goni, then Minister of Planning. The NEP, enacted through Presidential Decree 21060, called for closing state mines, allowing the currency to float against the US dollar, privatizing state-owned enterprises, increasing foreign direct investment, and ending protectionist and import substitution policies. The NEP slowed inflation remarkably in a matter of weeks (Sachs 1987). Its initial success was due to the strong support of the business sector, the absolute weariness of the Bolivian public after years of political instability and economic chaos, a military largely committed to remaining in its barracks, and the weakening of the labor movement.

Neoliberal hegemony, founded as much in collective exhaustion as in active consent, was quickly established. Bolivia's basic model of neoliberal economic and social policies soon became the preferred IMF instrument for structural adjustment in Eastern Europe, Africa, and Latin America (Aguirre et al 1992).

To re-establish civilian state authority, Paz Estenssoro skillfully built on the authoritarianism inherited from military governments to create an exclusionary policy-making environment that concentrated decision-making power in the hands of the president (Conaghan and Malloy 1994:163). Paz Estenssoro's political pact with the second-place Nationalist Democratic Action (Acción Democrática Nacionalista—ADN) party ensured a strong Congressional majority and effectively isolated the opposition (Gamarra 1993:107). This weakened the parliamentary and judicial branches of government to the benefit of the executive (Smith and Acuña 1993:1), which allowed Paz Estenssoro to avoid compromising on the NEP's content (Conaghan and Malloy 1994:214).

While the NEP stabilized the economy, it did not address the fundamental economic problems. Twenty thousand miners—the core of the labor union movement—lost their jobs in one year. As imports flooded the market, 35,000 private sector manufacturing jobs were eliminated during the following five years (Crabtree, Duff and Pearce 1987:8; Farthing 1991:8). This not only reduced the strength of organized labor, but a newly reinvigorated business coalition, centered around the La Paz-based Bolivian Confederation of Private Companies (Confederación de Empresas Privadas de Bolivia—CEPB), embraced civilian neoliberalism as a considerable improvement over the discredited model of military nationalist rule (Conaghan and Malloy 1994).

The manufacturing jobs in Bolivia's fledgling industrial sector were lost for good and by 1988 the informal economy had expanded to include almost 70% of the urban working population (Arbona 2004; Farthing 1991). The anticipated growth in private investment was not forthcoming; despite their neoliberal rhetoric, Bolivian business leaders pressed for public, not private, investment to overcome the deep recession (Conaghan and Malloy 1994:200).

To counter the devastating social impact, the World Bank introduced a Social Emergency Fund (SEF), one of Goni's many innovations, that spent US\$239.5 million over four years on hundreds of small projects in "economic infrastructure, social infrastructure social assistance—such as school feeding programs, and productive support—such as credit groups" (Graham 1992:1234). Thousands of short-term, sub-minimum wage jobs, many of them administered by the burgeoning number of NGOs, led critics to argue that the projects served as a tool to stabilize poverty, destroy the gains made by labor since the 1930s, and facilitate neoliberalism (Arellano-López and

Petras 1994). NGOs played a critical role in obtaining consent for neoliberal policies as a significant sector of the critical left-leaning middle class were able to find jobs within the growing and relatively well-financed development sector (Arellano-López and Petras 1994; Kohl 2003b; Kruse 1994).

After four years, when it became apparent that long-term job growth was not forthcoming, the program was renamed the Social Investment Fund (SIF). Not only has it become a permanent fixture in Bolivia, but the World Bank deemed it so successful that it has become a standard component of SAPs implemented throughout Latin America and Africa (Benería and Mendoza 1995; Graham 1992; Mohan 1996; Peet 2003).

Yet the informal and coca economies along with contraband and remittances, which dwarfed the contribution of the SEF and the SIF, were most crucial in the NEP's success as they absorbed labor and dissipated broad-based resistance. From the mid-1980s through 1997, coca leaf and semi-processed cocaine paste provided an estimated 5% of GDP (Kohl and Farthing 2001). These revenues, while only a fraction of the billions US consumers spent on cocaine, circulated through the regional economies of Cochabamba and Santa Cruz. Coca income of US\$1000–2000 a year guaranteed survival to 50,000 peasant families—equal to the number of families directly displaced by the NEP. Narco-dollars from the processing and sale of cocaine and semi-refined cocaine paste were laundered through contraband and funded a regional construction boom. A 1997 study estimated that contraband smuggled in from neighboring countries and sold in street markets equaled all legal imports (*Nueva Economía* 1997:10).

In 1989, Jaime Paz Zamora of the centrist Movement of the Revolutionary Left Party (MIR) became president (1989–1993) and continued the economic policies began under Paz Estenssoro. Economic stability was reflected in low inflation and annual GDP growth of about 4%. The underlying economic situation, however, remained unchanged. The country was dependent on commodity exports, with oil and gas increasing in importance. Coca and cocaine exports combined with remittances from Argentina continued to prop up the balance of trade. Around 70% of new jobs were in the informal economy. As ineffective and regressive tax policies provided insufficient revenue for the government to direct national development, international assistance played an increasingly important role, increasing the leverage of the IFIs (López Montaña 1997:78).

This gave the state little choice but to follow the IFIs' general guidelines and to confront protests against the increasing reduction of social services by normalizing low-intensity repressive measures. Such protests were almost daily phenomena in the nation's capital.

During budget negotiations in ritualized midday demonstrations, university students demanded increased funding for education by blocking the main street in front of the university in La Paz and throwing rocks at police, who fired tear gas in return as commuters—my children and I among the crowd—skirted the edges of these encounters before everyone broke for lunch. The streets around government offices constantly hosted marches as groups of ex-miners, teachers, retired workers, or transport drivers demanded increased support or the reversal of some neoliberal policy. But the formerly mighty labor confederation, the COB, was reeling from the mine closures, its miner leadership struggling to hold onto power even as unemployed miners were struggling to find enough to eat. As a result, the COB was unable to mount the scale of protest that could change the course of government policy, and the government was able to maintain hegemonic control with a limited use of force, simply by ignoring the COB's demands (Davila 1991).

Between 1985 and 1993, a neoliberal hegemony was established in Bolivia that balanced the demands of IFIs with those of a local elite committed to neoliberal ideology. The memory of 17 years of military rule followed by three years of inflationary chaos served to convince the majority of the population that the stability neoliberal restructuring promised was the best available option. The crushing defeat of the labor movement left a relative vacuum slowly filled by new social movements. Even in this changed environment, the basic relationship between the state and the citizenry changed little. The state maintained its nominal responsibility to provide basic social rights to education, health, and public services; but given its limited capacity and Bolivia's tradition of confrontational politics, the citizenry maintained the custom of mobilizing to demand those services through public protest. That was about to change.

Phase II. The Consolidation: Goni and El Plan De Todos (The Plan for All)

In 1993, four decades after the 1952 Bolivian revolution, a new generation of MNR leaders, this time neoliberals under a strong coalition government led by Gonzalo Sanchez de Lozada ("Goni"), again reinvented the role of the Bolivian state through "The Plan for All" (*El Plan de Todos*, or Plan) (MNR-MRTK-L 1993). Just as the NEP had gone beyond economic stabilization, the Plan represented the conscious creation of a new relationship between the Bolivian government and its citizens through the privatization of state owned enterprises (SOEs), administrative and fiscal decentralization, a "second agrarian reform", and an Education Reform (Bedregal Gutiérrez 1994; Kohl 2002). These changes consolidated

neoliberalism in Bolivia and introduced a new set of tensions to the neoliberal hegemonic regime that dominated the country.

An innovative privatization plan, the Law of Capitalization, sold 50% of the state industries that had provided 60% of all government revenues to multinational corporations (Bauer and Bowen 1997; Brada and Graham 1997). Capitalization was conceived as an enlightened form of privatization because the government sold only 50% of the shares, transferring the remainder to the bankrupt pension system and to pay an annual social insurance benefit for senior citizens.⁵ Goni predicted that Capitalization would bring international investors with new capital, technology, and management systems, driving economic growth to 11% and creating hundreds of thousands of jobs (MNR-MRTK-L 1997).

The outcome was not as predicted (Peirce 1997; Whitehead 1997). While foreign investment did increase, especially in oil and gas exploration and pipeline construction following the Capitalization of the state-owned oil and gas company (YPFB), these investments provided little stimulus to the broader economy. The informal sector continued to be the primary sink for labor, workers lost jobs in the privatized industries, and economic growth remained sluggish. Most important, although the government imposed significant increases in energy consumption taxes, which provoked considerable social unrest, these only replaced a part of the 60% of state revenues that had come from YPFB and telecommunications, forcing the government into increased deficit spending.

The disastrous economic and political results of Capitalization more closely resemble those predicted by scholars and activists who warn that neoliberalism is part of a “long range political project to ‘lock in’ the power gains of capital on a world scale” (Gill 2000:6). Not only did the government sacrifice key revenues, but it failed to create a regulatory structure that could ensure that the newly privatized firms paid their share of taxes and met basic accounting and environmental standards (Calle Quiñonez 2000). Instead, the effect was to transfer control of Bolivian resources, previously under state control, to transnational corporations (Kohl 2004).

The Law of Popular Participation (LPP) restructured government in Bolivia to the same degree that Capitalization restructured the economy. Most important, the LPP incorporated a democratization component that created new spaces for political participation for Bolivia’s poor majority. The LPP gave municipalities 20% of national government revenues and a new set of powers while also mandating participatory planning and citizen budget oversight (Crabtree and Whitehead 2001; Kohl 2003a). With the new revenues, municipal governments also assumed responsibility for the physical infrastructure of schools, health clinics, secondary roads, micro-irrigation systems, and sport facilities.

Critics charged that shifting responsibilities from national to local government was a pretext for reducing the overall provision of public services (SNPP 1995). In fact, government transfers to municipalities peaked in 1999 as the economic crisis deepened and the IMF demanded reductions in deficit spending. Yet few disputed the law's principal innovations: the combination of mandating participatory planning and fiscal oversight by organizations representing poor urban neighborhoods and the rural indigenous population.

Envisioned by its creators as a way to improve local level democracy and provide an impetus for local development, the LPP had a number of unanticipated consequences (Molina Monasterios 1997). The creation of over 250 new, largely rural municipalities not only set a new stage for local electoral politics, but also provided a training ground for indigenous political actors. By 2002, indigenous political parties had become the country's leading national opposition for the first time in history, and in 2004, these parties and independent citizens' groups were the big winners in the municipal elections.

The second "land reform" as National Agrarian Reform Institute Law (INRA) was known, reverses the basic tenet of the 1953 reform, which granted ownership to the tiller, recognizing the social function of land. In contrast, the INRA privileges lands' commercial function and guarantees ownership to the taxpayer. In many cases, absentee landlords can show they have not "abandoned" a property—previously proven by residence—by paying minimal property taxes (Berríos Gosálvez 1995:10). Rather than promote a broadening of access to land, INRA has contributed to continued concentration of land ownership. Rejection of the law was widespread among the mostly indigenous peasant farmers who dominate Bolivia's rural areas and it played a significant role in mobilizing their protest against neoliberalism, feeding into a nascent landless peasant movement.

Before the 1995 education reform, universal access to education was part of a citizen-creating, nation-building project (Serrano Torrico 1995:7). The 1995 reform changed the primary goal of education to emphasize the preparation of workers to enter a globally competitive labor market, although it simultaneously introduced bilingual education in rural areas. The Education Reform, like other parts of the *Plan de Todos* reflected international as well as national influences as it was shaped in large part by the 1990, UN-sponsored World Conference on Education for All in Jontien, Thailand, which led to similar educational reforms in other low-income nations with financial support provided by multilateral and bilateral aid agencies (Luykx 1999). Teachers' unions, always among the most militant of the country's labor movement, fiercely resisted the Reform, arguing that its chief goal was to destroy the union.

Taken together, the Plan's components changed the role of the state and its focus. The 1952 vision of a modern, culturally unified nation was replaced by a vision of a postmodern, decentralized, multi-cultural state that would mediate global access to the country's low-cost natural and human resources (Bedregal Gutiérrez 1994; GOB 1994). The innovations in the *Plan de Todos* added cultural pluralism to Washington Consensus neoliberalism. While the restructuring was largely the creation of Bolivian lawmakers, it was shaped and paid for by international development and financial institutions and fit within the broader ideological vision of neoliberalism.

The COB labeled the three most important proposals—Capitalization, Popular Participation, and Education Reform—the *Leyes Malditas*, “accursed laws”. Even the Law of Popular Participation, which eventually became quite popular, initially was bitterly opposed by peasant and labor unions that saw it as a mechanism to “decentralize poverty”, undermine traditional political organizations, and shift tax burdens to rural municipalities (Vargas 1994:4). Given the continued weakness of a COB characterized by internal squabbling over a shrinking power base and ideological disagreements about how best to resist neo-liberalism, protests against these proposals typically followed sectoral lines, with specific unions or social groups protesting the individual laws that directly affected them.

Opposition to the Plan by civil society and the Congressional minority was fragmented. Resistance to the LPP also dissipated as many of the important actors across civil society—and even some of its early critics—competed for the new resources that were available through municipalities. Goni was also able to reinforce the hegemony of neoliberalism at the national scale through a governing coalition that allowed him to break the legislative gridlock common in Bolivia and successfully limit Congressional debate. The constant protests against privatization and specific government programs assumed the level of background noise that was accepted, like the intermittent water or power shortages that were part of daily life. The government maintained its legitimacy through controlling inflation and was able to maintain relative order without the excessive use of force. Yet tensions grew as the promised growth of the Plan failed to materialize. The underlying economic problems, perhaps the most important being the load of a bankrupt pension system, would eventually boil over.

Part III. The Rejection: Water, Tax and Gas Wars

In August 1997, General Hugo Banzer took office at the head of a far weaker coalition just as the economy began to decline due to the loss of petroleum income. Without a coherent strategy for confronting the

impending economic crisis, Banzer built his administration around two policy initiatives: coca eradication and micro-enterprise development.⁶ Both of these reflected the loss, not just of state sovereignty, but also of the ability to imagine a proactive state role in economic development. After years of very limited results in pressuring Bolivian governments to eliminate coca destined for cocaine processing (as they all recognized the country's dependence on coca income), the US embassy found in Banzer, who had headed a military government (1971–78), a partner willing to begin forced eradication. Banzer's other initiative, focused on micro-enterprise promotion, reflected the inability of the neoliberal development model to absorb the country's labor force (Arbona 2003). Micro-enterprises, due to their low productivity and self-exploitation, are more appropriate as a survival strategy than as a national development strategy.

By 1999 the economic effects of the "Zero Coca" policy, which used the military to eradicate unprecedented quantities of coca, began to ripple through the Bolivian economy. Despite Banzer's repeated pleas, the United States did not provide substantial aid to replace the lost coca revenues (Kohl and Farthing 2001). At the same time, Argentina's economy collapsed, which was of special importance as Bolivia depended on its southern neighbor to absorb surplus workers and on the remittances they sent home. As the economic crisis deepened, social unrest grew and took new forms. Although the labor unions were still active, two large rural movements played key roles in keeping constant pressure on the government: the largely indigenous coca growers from the tropics and Aymara peasants from the highland plateau surrounding La Paz. Separately, or sometimes in coordination, these groups formed broad coalitions of rural and urban social movements that not only challenged neoliberalism as an ideology, focusing on the predatory privatization of resources and basic services, but also pushed to end forced coca eradication and for greater public investment in rural development.

In late 1999 the Bolivian government sold the municipal-owned Cochabamba water company to *Aguas del Tunari*, a consortium led by US-based Bechtel, one of the world's largest construction companies, under terms defined within a confidential contract. Two months after taking control but before improving service, *Aguas del Tunari* raised rates, in some cases by as much as 400% (Finnegan 2002). The people of Cochabamba responded by forming the Committee to Defend Water and Life and between January and April 2000, the Committee shut down the city on three occasions. With each round, the government used increasing levels of force to control protesters, finally calling in military troops and declaring a state of siege on 8 April. Two days later, the government capitulated to public pressure

and rescinded the contract with Bechtel. This marked the first significant popular success in the Bolivian battle against neoliberalism since 1985 (Assies 2003).

Fueled by the “people’s victory” in Cochabamba, under the charismatic leadership of their leader Evo Morales, coca growers, who had already instituted blockades of their own both before and in support of the Cochabamba protests, redoubled their efforts. Demanding an end to forced eradication and a role in defining development policy in the Chapare, they coordinated with rural and urban teachers’ unions for another round of demonstrations in September. At the same time, in the highlands, another dynamic indigenous leader, Felipe Quispe, an ex-Marxist, “indigenist-nationalist revolutionary”, mobilized campesinos against the 1996 INRA law and a new water law: the latter an easy target as it symbolized the worst of neoliberalism—the privatization of water, a gift from the heavens and the essence of life. The protesters blockaded roads and shut the country down for three weeks. The government employed its long established strategy of negotiating sector by sector in order to divide the opposition but was still forced to offer a number of concessions. The increasingly fragile hegemony was maintained when the state agreed to donate 1000 tractors to communities throughout the highland plateau to Quispe and his supporters. The coca growers won agreements on previously non-negotiable items and stopped the building of US-financed military bases in the Chapare. The victories, however, did nothing to change the fundamental economic or coca policies of the government.

Morales and Quispe became household names throughout rural Bolivia. In the 2002 presidential elections, both ran for president and Morales, on the Movement towards Socialism (MAS) ticket, came in a surprising second, only 1.5% behind Goni. Quispe split the indigenous vote, winning 5% nationally, which placed him ahead of the party of Banzer’s outgoing administration. Some observers suggest that Morales owed as much as 5% of his vote to the offense many Bolivians took to the threat by US Ambassador Manuel Rocha that the United States would reconsider its aid program if Morales won the election. The elections demonstrated two important changes. First, almost 70% of voters supported candidates whose often nationalist rhetoric espoused anti-neoliberal policies. Second, for the first time in the country’s history, a significant fraction of the indigenous majority—both urban and rural—mobilized to support indigenous candidates.

Although Goni was the only major candidate who supported neo-liberal policies, he was able to win the runoff vote in Congress between the two top candidates and form a weak governing coalition. One observer commented that for members of the traditional parties who still dominate Bolivia’s Congress, the choice between “getting

into bed with a gringo [referring to Goni's accent stemming from his US upbringing] or an *indio* [a derogatory term for a person of indigenous ancestry] was easy". Goni's win at the head of a fragmented coalition was a convincing display of identity politics trumping economic interest.

Even in its new role as the leading opposition in Congress, the MAS had little success in shaping national policy, which led Morales to promise to fight neoliberalism both in Congress and on the streets. Goni began his second administration in August 2002 and quickly found he had little ability to maneuver, given the lack of support in Congress. Economic stagnation and an inability to collect taxes from the privatized industries only worsened the situation. Opposition groups were able to tie a common nationalist thread around what (to outsiders) often seemed disparate protests. For example, coca producers linked their objections to coca policy to the privatization of hydrocarbon resources.

The government also faced pressure from above to address deteriorating economic conditions. In February 2003, the IMF demanded that Goni's administration reduce the national deficit from 8.5% of GDP to 5.5%. In response, Goni proposed tax hikes including a 12.5% flat income tax. Predictably, his proposal led to protest. Only this time the police went on strike against the income tax and demanded a long overdue wage increase. The strike turned violent when soldiers fired on police marching in front of the presidential palace (*La Razón* 2003). When the dust settled, 23 people were dead and hundreds wounded, provoking three days of riots and looting throughout the country. Even though Goni withdrew his tax proposal, his weak governing coalition had lost much of its legitimacy.

Protestors continued to pressure to reverse the privatization of gas and oil, generally perceived to be at the root of the country's economic problems (Orgáz García 2003). With the second largest natural gas reserves in Latin America but limited financial ability to develop them, Bolivia lacks ready markets. LNG, a consortium that includes British Gas, British Petroleum, Repsol (Spain), Elf (France), and Exxon (United States), proposed building a gas pipeline to export to North America. Initial proposals called for the construction of a gas liquefaction plant in either a Chilean or Peruvian port. In economic terms, constructing the pipeline through Chile represented the best option because it would be hundreds of millions of dollars cheaper, not only because the route was hundreds of miles shorter but also because loans for Chilean projects are cheaper because it has a better political stability rating than Peru.

In political terms, however, a Chilean pipeline was unfeasible. One hundred and twenty-five years after the 1879 War of the Pacific when Bolivia lost its access to the sea, the pain of the loss and strong

nationalist, anti-Chilean emotions are still close to the surface. When local anti-globalization activists pointed out that for almost 500 years the majority of benefits from Bolivian resources have served international over national interests, these nationalist sentiments were inflamed. Chile became the surrogate for the broader global economic system that has always appropriated Bolivian primary exports.

A National Coordinator for the Defense and Recovery of Gas (NCDRG) formed in July 2002 to mobilize against the LNG proposal to ship gas through Chile and what it perceived as the potential loss of an opportunity to use Bolivia's resources in a project of collective modernization. This unlikely coalition included military leaders, local anti-globalization activists, veterans of the Chaco War (1932–36),⁷ union representatives, highland peasants, and coca growers. In early September 2003, the NCDRG called for a nationwide series of civil actions. In a separate action, highland indigenous leader, Felipe Quispe, mobilized highland peasants to demand the release of a community member arrested for killing two cattle rustlers, adding the NCDRG demands to the list. Peasants blockaded roads stranding tourists in Sorata, and soldiers killed four civilians during a "rescue" operation (AIN 2003; Assies 2004).

Across the country people poured to the streets to demand Goni's resignation and an end to the military slaughter of civilian demonstrators. When troops continued to kill civilians through the first half of October, the number of people in the streets rose to the hundreds of thousands. Finally, on 17 October 2003, Goni resigned and boarded a plane for Miami.

Resistance to Hegemony: Neoliberalism's Contradictions

Neoliberal economic restructuring is clearly a key cause of the current political instability in developing and transition economies. Where resistance grows, whether through the institutions of electoral representative democracy or direct action, the political stability needed for markets and, in some cases, for liberal democracy itself to function may be threatened.

Popular resistance to neoliberalism should come as no surprise. Over 50 years ago, Polanyi wrote that "the dynamics of modern society was governed by a double movement: the market expanded continuously but this movement was met by a countermovement checking the expansion" by those "most immediately affected by the deleterious action of the market" (Polanyi 1957:130). The repeated uprisings, strikes, and roadblocks in Bolivia during the past 20 years of the NEP are manifestations of this resistance.

Neoliberal hegemony in Bolivia began when the Paz Estenssoro government implemented fundamental changes to political and

economic policy and gained the fiscal stability provided by IMF loans. Yet neoliberalism as part of a global hegemonic project cannot effectively operate just on the level of government; it necessarily affects people's daily lives. While experts within state ministries were convinced of the common sense of neoliberal policies, obtaining the consent of the citizenry was another matter.

As the impacts of neoliberal restructuring were felt more deeply, it became increasingly difficult to convince people that the policies were working. At some point, the realities of daily life trumped neoliberalism as a hegemonic discursive formation. The water war provided the opposition a mechanism to organize across sectors, building on the symbolic importance of water. At the same time, a weak coalition government was perceived as using force—not to protect the rights of Bolivians—but to enforce the property rights of foreign corporations.

The water war represented an important turning point as a broad-based popular movement won its first fundamental victory since 1985, inspiring the coalition building that fueled successive rounds of protests. The common rallying cry of “down with neoliberalism” was heard at demonstrations, whether the issue was retirement benefits, revision of land tenure laws, tax protests, or even education reform. Increasingly counter-hegemonic movements, whether rooted in nationalist or indigenous discourses, identified neoliberalism as the root of most of the country's difficulties. The exception here, of course, was the coca producers who argued that the US-sponsored drug war was a manifestation of imperialism—related to, but not identical with, neoliberalism.

While the Bolivian case has sparked the imagination of the international anti-globalization movement, it is still too early to predict neoliberalism's demise. In July 2004, months after Mesa's initial call to reexamine Bolivia's commitment to neoliberal policies, the country voted in a nonbinding referendum on the country's massive gas reserves. While the questions were vaguely phrased and there has been little consensus about what the vote actually meant, Bolivian nationalists across the political spectrum read it as a resounding defeat for neoliberal policies. The World Bank and the IMF, however, have clearly stated that continued international financial support depends on the country's willingness to allow multinational firms access to those resources (*La Razón* 2004). Regardless of the outcome, it is certain that the Mesa administration will be squeezed between the demands of an international neoliberal regime and a local population well aware of its ability to contest them.

The Bolivian case illustrates that it is easier to implement neoliberal policies than to maintain them, much as Machiavelli (1998) argued when he pointed out that it is easier to win a military victory than to maintain an occupation. Ultimately, over the medium term,

the state has been unable to sell the idea of the “common sense” of neoliberalism to the mass of Bolivians. Despite the government’s ability to decimate the labor movement, social movements have adapted to changed circumstances and developed new strategies. While such adaptability is found worldwide, these national social movements, whether in Bolivia, Brazil, or South Africa, have yet to develop effective transnational strategies to challenge the global hegemony of neoliberalism. To achieve such a goal will require something the world has not yet seen: a transnational movement with the ability to not only prevent global capital from crossing international borders at will, but also to limit the enormous, non-democratic power of the IFIs to control countries’ futures.

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Endnotes

¹ Not all capital is equally mobile. Yet, even oil companies make decisions based on a combination of resource availability, production costs, tax regimes, and political and social risk.

² In contrast, during the rapid economic takeoff in Asian countries such as Indonesia and South Korea during the 1980s, governments protected national industries as well as public investment in both education and infrastructure—all actions that run counter to the neoliberal idea of reducing the role of the state in the economy (Gelinas 2003; Walton 2004). Neoliberal restructuring was only adopted after the 1997 Asian crisis. The results in South Korea were an increased dependency on exports and domination by foreign capital while wages and internal consumption dropped simultaneously (Hart-Landsberg and Burkett 2001).

³ Decentralization programs have notable limitations. As the newly decentralized local and regional governments generally lack both human and material resources, local elites often take advantage of the new institutions to extend their power (Bienen et al 1990; Wade 1982). This outcome was not foreseen by political reformers who aimed to exclude the state from the sphere of politics through a process of “low-intensity democracy” “aimed not only at mitigating the social and political tensions produced by elite-based and undemocratic status quos, but also at suppressing popular and mass aspirations for more thoroughgoing democratization of social life” (Robinson 1996:6). It is not clear how common this paradoxical reaction is.

⁴ This pattern continues: in late 2004, international creditors had announced that they would forgive 80% of Iraq’s debt in three stages, 30% on signing an agreement,

another 30% on agreeing to the conditions of an IMF bailout, and a final 20% on completing a three-year IMF adjustment program (Associated Press 2004).

⁵ One percent of the shares on average were transferred to the workers in the industries as part of the privatization of their pension benefits.

⁶ Banzer's governing plan was discursively organized around four "pillars": dignity (coca eradication), opportunity (support for micro-enterprise development), institutional quality (good governance and control of corruption), and equity.

⁷ Bolivia lost 234,000 km², about 20% of its territory, in this war with Paraguay.

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