



Università
Ca' Foscari
Venezia

Corso di Laurea magistrale in Relazioni Internazionali Comparete – International Relations

Tesi di Laurea

The development issue: from Latin America to Bolivia

–

Ca' Foscari
Dorsoduro 3246
30123 Venezia

Relatore

Ch. Prof. Giovanni Favero

Correlatore

Prof. Luis Fernando Beneduzi

Laureando

Claudia Fagan

Matricola 811141

Anno Accademico

2012 / 2013

A tutta la mia famiglia

*Development is a journey
with more shipwrecked people than sailors.*

Eduardo Galeano

The development issue: from Latin America to Bolivia

Table of Contents

Introduction	6
1 Development theories and actors	16
1.1 Development meanings	16
1.2 Classic approaches	20
1.3 Bretton Woods System	25
1.4 Development economics.....	29
1.5 Modernization theory	31
1.6 Dependency theory.....	35
1.7 1970s as a watershed	39
1.8 Neoliberal policies	44
1.9 Challenges to International institutions and new approaches	48
1.10 The new millennium initiatives	56
1.11 Post-development theories	58
1.12 Why underdeveloped countries failed to thrive?	70
2 Critical aspect of the Latin America development	79
2.1 A different colonization framework	80
2.2 A history of political instability	84
2.2.1 The pattern towards independence	85
2.2.2 The post-independence period	88
2.2.3 Changes at the beginning of the 20 th century	90
2.2.4 The footprint of the populist regimes	92
2.2.5 Leftist opposition and reprisals	95
2.2.6 The advent of the military order.....	98
2.2.7 The neoliberal policies	102
2.2.8 The pink wave of the 21 st century	106
2.3 The Latin American economy	111
2.3.1 Export-led growth	111
2.3.2 Import Substituting Industrialization (ISI).....	118
2.3.3 The neoliberal adjustment.....	123

2.3.4	The double way of the pink wave	127
2.3.5	An unbroken economic dependence.....	128
2.4	The financial troubles	132
2.5	The relationship between US and the Latin American countries	138
2.6	Steps towards regionalism	149
2.7	International relationships	158
2.8	Problems of identity	160
2.9	About the development of the Latin American region	164
3	The case study: Bolivia	166
3.1	The late 19 th century	167
3.2	The first decades of 1900.....	169
3.3	The Chaco war and its effects	171
3.4	The National Revolution of 1952.....	174
3.5	The military regime	178
3.6	The implementation of the neoliberal formula	182
3.6.1	The NEP of 1985.....	183
3.6.2	The second phase of the neoliberal policies.....	187
3.6.3	The deepening of the neoliberal package and its social effects	190
3.6.4	The agricultural sector during the neoliberal era.....	193
3.7	The advent of the Aymara president	196
3.8	About the development of Bolivia	201
3.8.1	An alternative pattern towards development	204
3.8.2	The alternatives activities of PROBIOMA.....	205
	Conclusions	208
	References	221
	Acknowledgements	228

List of Figures

Figure 1: Dilma Rousseff welcoming Pope Francesco	8
Figure 2: Dilma Rousseff, president of Brasil, Cristina Fernandez, president of Argentina, and Evo Morales, president of Bolivia, took place at the last Mess at Copacabana in the World Young Day.....	13
Figure 3: Political map of Latin America.....	79
Figure 4: Population Growth in Latin America and the Caribbean	163
Figure 5: Map of Bolivia	166
Figure 6: The Chaco dispute.....	171
Figure 7: National contention between the different use of the coca cultivation..	186
Figure 8: Popular protest against the sales of gas to the US	193
Figure 9: Evo Morales, President of Bolivia in 2005.....	199
Figure 10: Internship in PROBIOMA.....	207

Introduction

From the 23rd to the 28th July of 2013, the city of Rio de Janeiro in Brazil has hosted the 28th World Youth Day welcoming more than a million young people and the rousing visit of Pope Francesco. This meeting of the Catholic Church represents a global event not only for the high number of young people involved, but also for the messages the Pope decides to focus on. Although Brazil is an emerging country that has been able to become the sixth-largest economy of the world, Pope Francesco has spoken about the rising economic inequalities and the poverty that still characterize a large part of the Brazilian population and many other countries of the world of the new millennium.

This aspect really represents a relevant socio-economic trouble and particularly features the developing nations. Visiting the community of Varginha, a pacified favela of the city of Rio de Janeiro, Pope Francesco gave an important message touching on various topics among which the issue of development plays a particular role. He called for a stop of the pervasive inequalities and vigorously stated that the unequal realities can change in spite of the persistent corruption¹. The economic inequalities in effect distinguishes not only the relations between different nations but also the gap existing between the rich and the poor part of the population of a single country.

As a matter of fact, the protests erupted in the main cities of Brazil in mid June of 2013 clearly shows the increasing pressure brought by these inequalities. From the 15th June of 2013 Brazil hosted the FIFA Confederations Cup organized as a preliminary test for the 2014 Football World Cup and for the 2016 Summer Olympics and Paralympics. The administration of the actual Brazilian president Rousseff has been proud of the opportunity of hosting such global events that would attract the international medias enjoying a global resonance over the economic improvements of the country. For the occasion, the Brazilian government had partially rebuilt the famous Maracanã Stadium of Rio de Janeiro and rearranged the vicinity in order to accommodate all the athletes, inevitably incurring high expenses.

If it is true that in recent years Brazil has experienced a rapid economic growth, the country is still dealing with the problems of the intensification of the slums, the poverty of a large share of the population, the unequal distribution of the

¹ “L’urlo del papa in favela Basta diseguaglianze la realtà può cambiare”, *Il Gazzettino*, 26 luglio 2013, p. 11.

wealth, and the social pressure. Indeed, the previous days of the beginning of the FIFA Confederations Cup were characterized by the protests of the Brazilian population against the waste of the public funds used to finance the sporting event. Protest marches took place in many Brazilian cities occupying the streets of Rio de Janeiro, San Paulo, Brasilia, Belo Horizonte, Bélem and Porto Alegre² and requiring the intervention of the local armed forces. The people of the middle class and the students involved in the protests raged against the fact that the money used for the expenses of hosting the FIFA Confederations Cup represents a waste as it did not provide services benefiting the national population. The public funds should conversely be spent to the improvement of the national hospitals, schools and building. In fact, the trigger element of the contestations of the riots laid the high costs of the public transports and also in the high corruption of the Brazilian politicians³.

During the course of the football matches the protests slowly quieted down. However, although the president Rousseff tried to mitigate them repeating her commitment to the enhancement of the public services, the social tensions remain high.

About a month after those protests, Pope Francesco expressed himself not only over the social conflicts occurring in Brazil, but also on the global issue of development. As a sign of the global range of the Pope's words, the main celebrations of the World Young Day took place in the city of Copacabana. On the one hand, the name of this place is due to the fact that the city guards a copy of the Our Lady of Copacabana, held by the homonymous Bolivian village situated on the Bolivian shore of the Lake Titicaca. Our Lady of Copacabana is also called the Black Virgin and is venerated throughout the South America and worldwide. On the other hand, as the beach of Copacabana is known for its transgressions, the Pope openly challenge a symbol of the modernity⁴.

² "Brasile, rivolta contro il governo di Dilma Rousseff e la gestione dei mondiali". Available at: <http://www.linkiesta.it/immagini-proteste-brasile> (consulted on July 29, 2013).

³ *Ibidem*

⁴ M. Caverzan, "Via Crucis e movida Francesco sposa diavolo e acqua santa", *Il Giornale*, 27 luglio 2013, p. 16.



Figure 1: Dilma Rousseff welcoming Pope Francesco
Source: www.lapresse.it

The words of Pope Francesco touched various aspect of the development issue. Firstly, in a speech to the Brazilian ruling class, the Pope called for the importance of the political dialogue as an efficient option between the two extremes of the egoist indifference and the violent protests⁵. He stated that the dialogue among the generations and with the population is the best way to improve the national conditions of a country. The warning of the Pope was directed not only to the Brazilian politicians, but also to all the Latin American leaders and to all the political presidents. Secondly, Pope Francesco focused on the need and possibility of a true change supporting the young people that have lost both the trust in the political institutions, due to a pervasive corruption, and the faith in the Catholic Church, due to the incoherence of the ministers of the Gospel⁶. Finally, the Pope underlined the persistence of the inequalities and the consequent importance of the eradication of the poverty. Pope Francesco asked for responsible policies of the political rulers and for a true development. He claimed that for the true development of the man a country should respect its fundamental pillars, that is its immaterial goods: the life, the family, the integral education, the health, and the security⁷. In addition, the economy should embrace a humanistic vision and the politics should realize the participation of the people and the eradication of the poverty, so that no one may be deprived of the necessary goods.

The Pope actually entered the meaning of the development clarifying that the economic aspect is not sufficient to achieve the true development as it neglected the real solution of the social troubles of the countries. Nowadays, many countries are in fact facing this problematic issue and the traditional definition of

⁵ F. M. Ragona, “Gesù è meglio di un Mundial”, *Il Giornale*, 28 luglio 2013, p. 13.

⁶ F. M. Ragona, “La Croce unisce chi combatte le ingiustizie”, *Il Giornale*, 27 luglio 2013, p. 16.

⁷ M. Caverzan, “Il Papa abbraccia gli opposti “La Croce è uno scandalo””, *Il Giornale*, 26 luglio 2013, p. 15

development is increasingly put in question. Thanks to the diffusion of the technological advances, the focus on the economic growth brought many improvements of the living conditions of the people. Nonetheless, the poor still represent 2.5 billion of people, among which 1 billion, a sixth of the humanity, are the poorest of the poor, fighting for survival each day⁸.

As events like the Brazilian protests are becoming more and more frequent, the issue of development highlighted by Pope Francesco is of primary importance and of global resonance.

This work inserts itself in this topical discussion attempting to analyze and understand the wide field of the theories of development and the main points of the recent questioning of the prevailing schemes. Although the troubles and the failures of the main models are spread worldwide, this investigation focuses on the difficulties faced by the Latin American area, which can interestingly been verified at the national level of the country of Bolivia.

In order to clearly enter the development issue, a review of the theories and researches realized on the subject is doubtless needed. In fact, this work will firstly focuses on the various meaning acquired by the word development examining at least a part of the vast literature existing on the development matter, and on the different positions took by the actors involved in the topic.

Since the Industrial Revolution the meaning of development have been associated to the idea of the economic growth that was supposed to be reached through the processes of industrialization and specialization. While the first path was mainly undertook by the Northern countries, the second way guided the countries of the South of the world, which specialized in the raw materials they had in abundance devoting to their exports. After the World Wars and the 1929 crisis, new international institutions were created to organize the reconstruction and the world economic order. The International Monetary Fund, the IMF, the World Bank, the WB, and the United Nations, the UNs, were founded mainly receiving the directives on the development issue dictated by the US President Truman's speech of 1949. The speech clarified the existence of a developed and rich group of countries and of underdeveloped and poor areas that evidently needed to be assisted. As a consequence of this statement, the development studies intensified

⁸ J. D. Sachs, *The End of Poverty Economic Possibilities for Our Time*, New York – USA: Penguin Group, 2005, p. 18

trying to outline the pattern the underdeveloped countries should follow to achieve the development targets.

In the post-war period and in the 1950s Development Economics claimed the relevance of the attainment of the process of industrialization, while the Modernization Theory stated that industrialization and the consequent urbanization should be matched with the modernization of both the values and the institutions that guided the path towards development. During the 1960s, a different framework emerged from the Latin American area. The Dependency Theory highlighted that the flows of the international trade had already established a double structure: on the one hand, the economic prevalence of the industrialized centers, and on the other, the exploitation and the underdevelopment of the peripheral areas rich in raw materials. This configuration was seen as a close system of dependence from which the peripheral countries should detach in order to pursue an autonomous economic growth.

A huge amount of loans were granted to these countries during the seventies thanks to the availability of monetary liquidity coming from the petrodollars recycling arranged by the increasingly powerful US and the organization of the petrol exporters of the Middle East. Unfortunately, the cost of servicing the loans turned to be so high in the eighties that the countries that were benefitting from the borrowed sums coped with a serious debt crisis. As their economic stability risky tottered, the international institutions took the field to solve the critical situation. Under the rigid guide of the IMF and the WB, the development targets became part of a tight scheme of adjustment that the indebted countries should follow in order to restore their ravaged economies. As the suggested set of policies was an unique formula to be implemented worldwide, it did not take into account the different circumstances of each country creating an inflexible rule far from the true needs of the indebted nations.

The problematic implementation of the policies of structural adjustment and their ambiguous impacts on the developing countries led to a questioning of their arrangement primarily focused on a strict economic and financial perspective. In fact, the Post-Development theory strongly criticized the previous development theories that merely promoted the idea of the economic growth, neglecting the vital importance of a parallel human, social, political and environmentally friendly growth. Although the international institutions have recently modified their approaches trying to incorporate these further aspects of the development issue,

their actions continue to be questioned. The Post-Development theory is highlighting the critical points of the insufficient economic focus, while elaborating an alternative way able to account for an interdisciplinary view embracing the various traits that characterize the true development of a country. Interestingly, this approach is partnered by an increasing pipe up of the population of the countries of the Southern of the world and by a South-South cooperation.

If the Southern part of the world was historically exploited by the Northern and richer powers that had imposed their positions and interests, the voice of the South is now increasingly emerging showing the gap and the damages creating by the prevailing capitalist economic model.

This confrontation is clearly true in the American continent as it hosts both the global power of the US and the unsteady economies of the Central and South countries. The choice of the analysis of the development issue in the Latin American region grounded first on my university studies concerning the international relations with a focus on the Latin American area, and secondly on my trips to Paraguay, Argentina and Bolivia that allowed me to get in touch with the attractive complexity of the Latin American realities.

Several factors have historically hindered an effective development path of the Latin American countries. Although each nation has its own particular pattern, this work attempts to gather the common features shared within the Latin American region. Firstly, since the political independence from the colonial powers, the Latin American countries experienced a heavy political instability that saw the alternation of the civil and the military forces, both guided by an oligarchic authority, and numerous uprisings of the populations which had different impacts depending on the characteristics of the national contexts. Under a general overview, if at the end of the 19th century the political power was in the hands of a conservative oligarchy, nationalistic trends emerged during the 1930s and in particular after the World War II. Populist regimes advanced promoting reforms that aimed at the economic independence of the Latin American countries. The Cuban Revolution marked the emergence of the leftist movement demanding better living conditions and wealth distribution, which was promptly repressed by the military regimes that took charge of the reestablishment of the national order. The mismanagement of the economic and financial resources led the Latin America countries to align to the strict adjustment policies promoted by the international institutions. The failures of the implementation of those policies drove a recovery

of the leftist forces, which presented various political nuances according to the political setting of each country. Often characterized by a moderate approach, this new left was able to gradually win the political election of the 21st century.

From the economic point of view, the Latin American countries based their development on the export-led growth devoting their trade to the external demand of the raw materials they abundantly possessed. Although the countries attempted to diversify their production and to undertake a national substitution of the imported goods, their economies remained weak. On the one hand, the export model hindered the growth of the domestic market and left the countries to depend on the high volatility linked to the fluctuating revenues that changed according to the variations of the international prices and consumption preferences. These two dynamics created corresponding financial troubles. The Latin American countries should deal with frequent inflationary spirals, and with serious public and external debt. The foreign presence dominating their economies from the colonial period intensified through the increasing role played by the foreign investments and the foreign loans. Unfortunately, they represented misleading tied-aids that aggravated the instable conditions of the Latin American economies.

Among the foreign influence, the US presence was really determinant for the Latin American countries. Considered as a prolongation of the North American nation, the South American countries were supposed to follow and implement the political directives of the US. The US investments and economic interests pervaded not only the Latin American economies, but also their policies, that should comply with the US directions. Any possible opposition would directly or indirectly be punished. In addition, as the US established bilateral agreements with the Latin American countries, the growth of strong regional organizations in the South area able to oppose the Northern influence is still on the way. However, the US influence is somehow contrasted by the fact that the Latin American countries can rely on their European partners, that seem more inclined to a constructive dialogue and development assistance, and to the new markets, especially the Chinese one, emerging on the Pacific side.

Last but not least, the Latin American countries also deal with a problem of identity. While the names used to indicate the region reveal different connotations characterizing these countries, the mixed composition of their population is a source of multi ethnicity but also of numerous social conflicts.

In such a complex context, a true development pattern of the Latin American area results to be really difficult to achieve, even though the region is struggling to move forward.



Figure 2: Dilma Rousseff, president of Brazil, Cristina Fernandez, president of Argentina, and Evo Morales, president of Bolivia, took part at the last Mess at Copacabana in the World Young Day.

Source: <http://www.corriere.it/esteri/foto/07-2013/papa-giornata-mondiale-della-gioventù>

Among the various Latin American realities, this investigation points the focus on the country of Bolivia, which represents a good case to explicate the circumstances limiting the Latin American development. On the one hand, despite of its economic stabilization, Bolivia is still one of the poorest Latin American countries and on the other, the political power of the country is now led by radical leftist forces headed by an indigenous president.

From the political point of view, the economic oligarchy has been governing the country later on the attainment of the political independence. The 1950s were the scenery of the National Revolution proclaiming the universal suffrage, the nationalization of the mines and the Agrarian Revolution, whose implementation shook the socioeconomic equilibrium. The military forces consequently advanced to recompose the order of the country lasting in power for almost thirty years. The return of the civil governments saw the alignment to the tight adjustment policies promoted by both the IMF and the WB until the unsatisfactory results led to general uprisings of the population and to the surprising and challenging election of an indigenous president.

Economically, Bolivia firstly suffered of important territorial losses. After the independence struggle, conflicts with the neighboring countries led to the loss of the Bolivian access to the sea, of the East area of the Acre and of the Chaco region in the South East. Secondly, its economic production has mainly be devoted to the exports-led growth favoring the foreign demands rather than the domestic needs. The corresponding dependence on the international prices has often induced inflationary spirals which unfortunately reached risky high levels. In addition, the foreign investments and the foreign loans entering the Bolivian economy led to a financial dependence on the foreign resources and to a pervasive influence of the foreign presence, while worsening the public debt of the country.

The development planning of the Bolivian governments has particularly focused on the promotion of the growth of the East region of the country fostering its sectors of agriculture and hydrocarbons. This approach led to a dual structure of the country: the vivid economic center of the city of Santa Cruz de La Sierra and the backward agriculture supporting the rest of the country. The economic duality reflects then the social differences. While the population of the East region is used to the comforts of the modernization and is devoted to the activities linked to the foreign trade, the still high percentage of indigenous population is not taking advantage of all the economic enhancements of the country continuing to follow its traditional customs.

As it happens in other Latin American countries, the reconstruction of the economic history of Bolivia demonstrates that its political, economic, financial and social conditions have been hindering a stable evolution of its true development. In addition, even though Bolivia has implemented the development policies elaborated by the international institutions and considered to be the best way to achieve the growth of a country, the results have been disappointing. The recent uprisings occurred in Bolivia are in line with the emergence of the Post-development theory that highly criticized the univocal economic approach promoted by the previous development theories.

The complex setting of the Latin American region and even more of the country of Bolivia shows that the various aspects converging to the development issue call for a more comprehensive approach able in particular to weight the connections among the economic and sociopolitical variables. Although the theoretical statements of the international institutions have recently moved to this type of directives, this investigation on the Latin American and Bolivian realities

points out their still critical development pattern. The impacts of the policies undertaken in the past are till today endangering their socioeconomic stability maintaining the constraints that prevent a true comprehensive growth.

The investigation of the Bolivian reality clearly fits into both the framework of analysis of the economic, social and political difficulties limiting the true development of the Latin American region and the current criticism against the prevailing theories of development highlighting the significance of substantial changes in the conception of the development issue.

1 Development theories and actors

The development problem starts from the evidence of the international divide between rich and poor countries. It is largely recognized that this separation, which contemplates various shades, is principally due to the different paths of growth undertaken worldwide by countries. The main reasons of this divergence lie in historical and economic factors, explicated within the evolution of development theories. Actually, the level of achieved development is considered the chief point of detachment among countries. What is crucial is the fact that the meaning of this discriminating factor is increasingly questioned. The significance of development has been altered over the years identifying different guideline to be followed. Essentially, the dominant principle entailed less developed countries to pursue the successful blueprint accomplished by developed nations in order to attain the same goals of growth. However, a closer assessment reveals that in spite of scrupulous studies and detailed programs implemented to depict a development pattern, less developed countries have not lined up to richer nations. The aim of this chapter is to investigate the main frameworks and the principal actors taking part in the definition of development theories and the policies that less developed countries were expected to execute. The section takes into account the different roles played by developed countries, underdeveloping countries, State policies, market forces, and international institutions.

1.1 Development meanings

Although the word “development” was already used in previous economic analysis, it gained international relevance with the speech the US President Harry Truman gave in his Inaugural Address, on January 20, 1949. By his words, President Truman gave worldwide recognition to three main concepts concerning the development issue. First, his speech identified and described the main features of less developed countries:

More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas⁹.

As President Truman recognized the level of underdevelopment of certain areas of the world, at the same time, he underlined the need to provide help and support to these countries with the purpose of building up an enhanced international order. Primarily, he confirmed the US commitment within the European recovery program, and secondly, he stated that developed countries should take charge of providing assistance to less developed areas, in a sort of mission to sustain the step up of those countries, sharing technological advancements and boosting investments.

We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. [...] I believe that we should make available [...] the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development¹⁰.

Thirdly, President Truman also explicated the path underdeveloped countries should undertake. The essential goal for development to succeed involved an increase in production, entailing technology application, better use of resources and industrialization.

All countries [...] will greatly benefit from a constructive program for better use of the world's human and natural resources.[...] Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of

⁹ H. S. Truman, "Inaugural Address", 1949, p.3. Available at: <http://www.bartleby.com/124/pres53.html> (consulted on October 22, 2012).

¹⁰ *Ibidem*

modern scientific and technical knowledge. [...] This program can greatly increase the industrial activity in other nations and can raise substantially their standards of living¹¹.

Therefore, President Truman presented a development formula for underdeveloped areas: they should make efforts to increase their output and to industrialize and they could attain it together with the cooperation offered by richer nations. Even though this perspective was promising, it must be stressed that it has been formulated as US foreign policy at the end of World War II. In that historical moment, the US was imposing its hegemony internationally, demonstrating its economic and financial expansion within the two World Wars, in opposition to the Soviet Union rising. In point of fact, President Truman strongly criticized the Communist thinking of representing a threat and a deceit to the development progress of nations. Thereafter, democracy was the complementary principle promoted to empower governments to protect the rights and freedoms of individuals. In addition, the proposals supported by the President Truman could be associated to the particular historical moment of the post-war period as they reflected both the expansion of the US policy and the wake of the political victory against the Nazi-Fascist forces.

In the following years, between the two blocks constituted in the Cold War, which saw the contraposition of United States and the Soviet Union, and consequently of two different political, economic and social models, a third element emerged in the international setting. A series of new independent countries of the South of the world tried to elaborate a different proposal. The Conference of the Afro Asian People held in Bandung (Indonesia) in 1955 declared these countries claim for worldwide peace¹². The NAM, Non-Aligned Movement, raised at the beginning of the 1960s gathering the group of these countries, identified as the Third World (after the supremacy of US and the Soviet Union blocks). In the Conference of Belgrade (Serbia) in 1961, it confirmed the need for a peaceful international

¹¹ *Ivi*, p. 4

¹² G. Formigoni, *La politica internazionale nel Novecento*, Bologna: Il Mulino, 2007, p. 230.

coexistence¹³. Afterwards, in 1964 at the United Nations Conference on Trade and Development (UNCTAD)¹⁴, this movement focused on the problems of the economic underdevelopment of the Third World countries. The crucial obstacle to poor countries economic expansion was recognized to lie in the domination and exploitation by developed countries started from the colonialism and carried on through the alleged economic and financial assistance. A decade of President Truman encouraged cooperation among rich and poor countries showed the predominance of developed nations interests at the expenses of underdeveloped countries resources and growth. This represented the grounds of a different proposal from the standpoint of the NAM countries. What they insisted on was a New International Economic Order, that would permit their effective economic independence from the colonialist powers. The international market conditions were perceived as the crucial aspect to be modified. These countries principally asked for terms of international trade more favorable to Third World nations allowing them to enter the international market in the democratic fair-dealing announced by President Truman. During the UNCTAD, they demanded for a proper path of development, for freedom to set up associations to control the prices of their raw materials, fair prices, differential levels of tariff, and economic assistance without political and economic conditions.

The NAM position underscored the hidden side of the proposal sponsored by President Truman. As Gustavo Esteva states, President Truman's speech actually opened the era of development¹⁵, but the policies undertaken on behalf of the development process hid developed countries interests to maintain underdeveloped areas to be exploited. The fact that a weak but opposing voice coming from the less developed countries emerged, represented a sign that developed nations policies facing development question triggered unfavorable dynamics for poor countries to grow up.

¹³ *Ibidem*

¹⁴ *Ivi*, p. 23

¹⁵ G. Esteva, "Development", in S. Wolfgang (edited by), *The Development Dictionary A Guide to Knowledge as Power*, London & New York: Zed Books, 2010, pp. 1-23.

Fundamental to be highlighted is that this contrast on the geo-political arena has found its basis in the prolific economic debate concerning the successful development path to be implemented. The reconstruction of the evolution of economic theories of development is therefore relevant to understand the different aspects related to the development issue and the suggested policies intended to obtain economic growth.

1.2 Classic approaches

Development was initially connected with the idea of economic growth, identified in the increase of production. It represented the means through which a nation could conquer more power and strength both internally and internationally.

The most important phenomenon influencing countries economic growth was undoubtedly led by the onset of the Industrial Revolution during the 18th century in England. Actually, since then, growth was conceived to be led by technical advances. After the invention of the steam-power machine in 1776, it was applied to the textile production and to the minerals extraction, piloting England to its economic boom. Central to be noted is that economic investigations on the Industrial Revolution underlined that the ground for its implementation was doubtless prepared by the Agronomical Revolution experienced in England¹⁶. This Revolution brought a change in the agricultural system, which conduced to a full use of the land, without the traditional part left fallow to reestablish the fertility of the soil and the introduction of chemical fertilizers to accelerate the pace of production. This agronomical turn created several decisive effects. First of all, it increased the agricultural productivity¹⁷, which allowed a decline in food prices and a resulting population growth. As food prices were lower, a higher share of income could be spent in manufactured goods, rising the demand for industrial products. Secondly, improvements in agricultural productivity implied a lower need for labor force. The exceeding labor force

¹⁶ J. D. Sachs, *The End of Poverty Economic Possibilities for Our Time*, cit., pp. 32-33.

¹⁷ *Ibidem*

consequently moved from the land to the city where it was disposed to receive low wages. These two dynamics of growing demand of manufactured goods and availability of labor force at lower wages represented a push for industrial production and therefore in the application of technical advances to boost it¹⁸. As Sachs appropriately underlines, these transformation changed the people way of life:

industrialization meant a shift of people from overwhelmingly agrarian activities to industrial activities, giving rise to urbanization, social mobility, new gender and family roles, a demographic transition, and specialization in labor¹⁹.

Moreover, the expansion of English economy allowed a renewed international position of the country. England in the 19th century was willing to support the free trade approach, instead of the old imperialistic one, abolishing trade barriers, such as custom duties, and the slave trade. Secondly, thanks to technical innovations it concentrated on the improvements of communication and transport, chiefly building steams and railways, which allowed to enlarge its trade connections with other countries. This aspect permitted a lowering of transport costs for commodities, but also for capitals and labor force, in particular within the relationships with the American areas which could enjoy an increase of trade, investments and migration of labor force.

As the Industrial Revolution actually pushed English economic growth and international dominance, it represented a model to be reproduced elsewhere and a subject for further economic research on issues concerning the economic growth.

The first contribution closely linked to economic politics goes back to 1776, when Adam Smith (1723-1790) wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*. Focusing on the theory dealing with the

¹⁸ *Ivi*, p. 36

¹⁹ *Ivi*, p. 35

economic development, Smith claimed that the economic growth was based on the division of labor, or better, on the technical division of labor, which implied the separation of tasks within the single unit of production²⁰. The implementation of this subdivision would lead to an increase in productivity as it augmented specialization, avoided waste of time and stimulated innovations coming from the bottom. In addition, Smith pointed out that the crucial drives of the economic growth were represented by the industrial activity and the market forces. The famous Smith's principle of the invisible hand, provided that a deregulated market, in which individual interests prevail, can produce the maximum wealth for the entire community. According to Smith thinking, market forces would automatically drive economic growth.

If Smith strongly encouraged necessary industrialization and specialization to achieve economic growth, at the beginning of 1800 economists started to perceive some contradictions within the industrial progress. The agricultural and industrial growth had provoked an increase of wealth but also of poverty among the worker classes²¹. Thomas Robert Malthus (1766-1834) tried to identify the cause of the spread out of poverty acknowledging that it resided in the scarcity of natural resources compared to the population. The critical aspect consisted in the fact that the rate of growth of the population is more than proportional to the rate of growth of natural resources products. Hence, Malthus alerted on the need for an effective use of resources and for brakes to population increase²².

In spite of the recommendation elaborated by Malthus, the enthusiasm fomented by the successful outputs of the Industrial Revolution continued. In the same years, David Ricardo (1772- 1823) writings reinforced the specialization theory. His starting point was the observation that labor represented a limited resource for a country. Therefore, a country producing two goods (A and B), inevitably experiences a tradeoff between the

²⁰ M. Tamperi, *Lo sviluppo economico: crescita, territorio e istituzioni*. Torino: G. Giappichelli Editore, 2005, p. 49.

²¹ G. F. Davanzati, "Appunti di storia del pensiero economico", 2007, pp. 9-12. Available at: <http://creativecommons.org/licenses/by-nc-nd/2.5/it> (consulted on November 12, 2012).

²² *Ibidem*

production of the two goods: to produce more of the good A, it must produce less of the good B. Ricardo focused his analysis on the productivity index of each good, that is the quantity of good produced in one hour of work. The ratio between the two indexes of productivity (PrA/PrB) reveals the opportunity cost of the choice between the two products, that is the number of unities of the first good to which the economy has to renounce to produce one more unit of the second good²³. Assuming that two countries both produce the same goods A and B, Ricardo stated that they would have different opportunity costs. Precisely, Ricardo added that each country should implement the technical specialization on the production of the good in which it has a lower opportunity cost in comparison to the other country. Therefore, a country should identify its compared advantage in the minor opportunity cost comparing its ratio of productivity with the one of other countries. Hence, Ricardo's theory proposed an international reorganization of production in which each country should specialize in its more efficient production, that is in the lower compared opportunity cost. In this way, each country will produce more of a single production fostering scale economies with a resulting increase of the worldwide output. Furthermore, Ricardo as Finance Minister of England theorized the benefits of free trade. The decline of commodities prices and the abolition of obstacles to trade would lead to a worldwide convergence in prices of both luxury and basic commodities, in the wealth of nations, as investments would go where they were more profitable, and in income, as labor force would move to high-wages areas, successively lowering them. This shifts would permit a renewed equilibrium reducing the gap between rich and poor nations.

In this pattern, the world economy of the end of the 19th century was actually divided in two main parts: a core of industrialized countries and a periphery composed by agricultural and raw material producers. Their trade relations underlined a structural core surplus, due to the higher value of industrial products, and a periphery deficit, constrained by lower value of primary goods. Again, economic theories argued that the trade gap would be

²³ P. R. Krugman, M. Obstfeld, *Economia Internazionale Teoria e politica del commercio internazionale*, Milano: Editore Ulrico Hoepli, 2003, pp. 13-22.

covered by capital exports from the core side. Periphery countries could use the incoming investments to push their economic growth and industrialization path²⁴. As England was experiencing an economic boom and according to its renewed international approach, it was effectively using its trade surplus to invest abroad, especially in the bonds of railways companies, that represented the flourishing sector of the period. This economic discourse was particularly significant for the American territories. Between 1820-1825, the Spanish colonies in Latin America became independent, while the English colonies in North America already independent since 1776, were experiencing an accelerated economic growth. By the last decades of the century both areas were recipients of England foreign investments.

Given this economic frame, it can be added that from 1880 to the beginning of the World War I, a corresponding International Monetary System was in place. The so called Gold Standard System required all currencies to be convertible into gold at a fixed exchange rate, restricting the world monetary stock, and therefore creating deflationary pressure²⁵. This monetary system had stabilizing effects on the international trade as it included an automatic adjustment of countries balance of payment. For countries having a trade surplus, that is a value of exports higher than imports, the adjustment mechanism would work via inflation. Trade surplus meant an increase of money entering the countries that would produce a consequent increase in commodities prices. With higher prices, exports would decrease becoming more expensive for their importers while imports would increase becoming more convenient for the country. This gearing would produce a stabilization of the balance of payment. On the other hand, countries having a trade deficit, that is a value of imports higher than exports, would experience deflation. Deficit trade actually meant a decrease of money circulating within the country, resulting in a decline of prices

²⁴ A. W. Lewis, *The Evolution of the international economic order*, New Jersey: Princeton University Press, 1977.

²⁵ This assertion derives from the quantitative monetary theory. It states that the level of prices varies according to the ratio between the total circulating money and the amount of commodities exchanges multiplied by the velocity of circulation: $P = (M/C) \times V$.

level. This would engender an increase of exports, now cheaper for the importers, and a parallel decrease of imports, more costly for the country. These two opposite and automatic dynamics would actually permit the payments arrangement of the countries. According to Smith's principle of the invisible hand and Ricardo's convergence theory, the Gold Standard System was then based on the automatic forces of the market functioning as rebalancing process until exchange rates were kept fixed and the money issue was proportional to gold stock. These mechanisms actually operated thanks to England foreign investments, as it continued to be the main surplus country.

The stability of this international structuring entered into crisis by the end on the century. The destabilizing element resided in the emerge of the United States economy. As already said, the US had become the main absorber of England foreign investment. The US was becoming the major exporter of agricultural products and raw materials, and undertook an industrial development as a result of protectionist policies towards nascent industries. Conversely, England began to lose its hegemony. Firstly, England did not invest its surplus internally or in its colonies, but in American countries where higher profits were assured. Secondly, it maintained free trade policies, not protecting and stimulating the innovation of its domestic industries innovation. Thirdly, after the shift of most European countries to Gold Standard System, the Bank of England should have protect its gold stock.

1.3 Bretton Woods System

The subsequent historical events settled the interwar period. In those years, in addition to the political and military clashes, the world economy experienced various changes. Primarily, the US continued its emerging growth. During the war, its agricultural and industrial expansion, mostly related to specialization and scale economies, became a vital source of imports for the Allied powers, fostering US economic surplus. The US government also allowed US New York banks to open credits to the Allied

Powers (England included), permitting additional financial surplus. Thanks to these augmented revenues, US was able to invert its position: from a net international debtor, it became the main international creditor replacing England role both in Europe and in South America, where its investments took advantage of high interest rates. In a short time, these US moves generated a financial boom in Wall Street stock exchange market²⁶. Successive imprudent decisions of the young US central bank (FED) led to the well-known Great Depression of 1929. Actually, the Depression entailed global effects due to worldwide range of US credits and exports: as they became more costly, they met other countries economic and financial difficulties in coping with their expensiveness, which consequently decreased their global demand.

The described alterations of the international scenario must be stressed in order to understand the changes in development thinking. The financial bubble experienced at the end of the 1920s led to question the automatic adjustment of market forces. John Maynard Keynes (1883-1946) strongly highlighted the need for State intervention in economy. Keynes' theories tried to explain the underlying dynamics of the Great Depression. His focus was on the role played by the aggregate demand, composed by consumption and investments propensity, State revenue and expenses, and the net trade balance between exports and imports. Such a demand determined the overall level of the economic activities. Keynes argued that in a period of inadequate demand causing high unemployment, its rebalancing with the supply side should be supported by State intervention. Market mechanisms were not able to guarantee an automatic adjustment. The State should then intervene through fiscal and monetary measures to efficiently correct market malfunctions and restore full-employment within the economy.

At the end of World War II turmoil, US and England actually agreed on the need for a new monetary system. In spite of different positions on its possible arrangement, 1944 Bretton Woods Conference provided a compromise solution. Firstly, the System established a fixed exchange rate

²⁶ G. Formigoni, *La politica internazionale nel Novecento*, cit., p. 148.

regulating international trade. The US dollar and the UK pound were considered as international currencies that were as good as gold. Gold remained the last resort reference of the System, but international transactions were operated in dollar and sterling terms. Other national currencies could be exchanged on the basis of fixed amount of US dollars or UK pounds. As only few modifications were allowed, this structuring would actually enable stable international trade among countries. Secondly, two main international institutions were created: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), successively known as the World Bank (WB). As Taylor explains, these two institutions had separated roles within the new international arrangement.

The IMF was set up to oversee the working of the system and to manage any potential disruptions. Each member country paid into the IMF a quota of its own currency, as well as some gold or dollar holdings based on the size of its economy. When facing severe economic problems, such as a balance-of-payments crisis [...], countries would be permitted to draw temporally on the reserves of the IMF to pay international debts²⁷.

The IMF was therefore instituted in order to manage the international order by supporting countries in economic and financial difficulties and by supervising the stability of international transitions. By means of withdrawals from their IMF quotas, countries were allowed to face their economic difficulties without devaluating their currencies, which should remain stable in order to maintain a worldwide financial equilibrium. On the other hand, the purpose of the World Bank was initially identified in sustaining the recovery of European countries after the economic and financial losses suffered during the wars period.

At the same time, the UK, the United States and the Soviet Union also agreed on the establishment of another body, namely the United Nations

²⁷ M. Taylor, "The International Financial Institutions", in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, Oxford: Oxford University Press, 2012, p. 161.

Organization (UN)²⁸. As an international organization, it would undertake initiatives to promote a peaceful and prosper world, primarily coping with Western Europe reconstruction. In addition, through the Marshall Plan established in 1947 and in operation since April 1948, the US government decided to intensity its participation in the European recovery amplifying its loans to European countries. As a consequence, the WB role seemed to be limited at its beginning. Nonetheless, the rapid process of decolonization started after WWII, which involved several Asian and African countries, together with the assistance still needed by South American countries, brought up a new target for WB actions. Accomplishing the international significance of President Truman speech, WB had to deal with *a new and expanding clientele*²⁹ formed by underdeveloped and developing countries. Its involvement provided loans at low interest rates in order to finance development projects, focused on infrastructure building, such as highways, hydroelectric dams, electricity grids and airports.

The assistance to development therefore acquired an increasing role within international interactions and followed two main channel. It could be bilateral, known as government-to-government aid, as governments of developed countries directly financed governments of the developing countries, or multilateral, if the donors' funds passed through multilateral organizations, such as the WB or the UN agencies, or through non-governmental organizations (NGOs)³⁰. The flows of official financing directed to the promotion of the economic development of developing countries were identified as official development assistance (ODA)³¹.

²⁸ C. Focarelli, *Lezioni di Diritto Internazionale I Il Sistema degli Stati e i Valori Comuni dell'Umanità*, Padova: Cedam, 2008, p. 61.

²⁹ M. Taylor, "The International Financial Institutions", cit, p. 161.

³⁰ S. Brown, "National Development Agencies and Bilateral Aid" in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 143.

³¹ *Ibidem*

1.4 Development economics

According to the commitment of the two international institutions and following Keynes' theory, national governments should then strive to improve their development pattern. The directives to reach a higher level of development had already been identified. President Truman's speech had specified that the goal of development was an increase in production, then the growth of economy. Moreover, Keynes highlighted that the State was the actor that should guide the development path implementing appropriate policies able to correct demand leaks through fiscal and monetary interventions. Finally, the Bretton Wood institutions, chiefly the WB, should assist the development route providing the financial and economic tools to foster it. This was perceived as the best way for underdeveloped and developing countries to speed up their national development.

Development economics was the theory of development that emerged after World War II³² and during the 1950s. This theory principally advocated Keynesian policies assuming that economic crises depended on demand fractures that should be corrected by the State through public spending and credit expansion. The main goal to achieve was economic development on the model of industrialization already undertaken by developed countries.

One of the major supporters of this theory was William Arthur Lewis (1915-1991). In 1954 Lewis published an essay, explaining the path countries should reproduce in order to develop their economy³³. Lewis elaborated a dual-sector model. The agrarian sector, called the traditional sector, is supposed to have underemployment. This labor surplus had to be channeled to the industrial sector, namely the modern sector, that should exploit it without raising wages³⁴. This dynamic was actually reflected in the industrialization process. As already said, as long as technical advances were introduced in the agricultural sector, it would expel the exceeding

³² R. Desai, "Theories of development" in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 52.

³³ A. W. Lewis, "Economic Development with Unlimited Supplies of Labour", *The Manchester School*, XXII (1954), pp. 139-191.

³⁴ R. Desai, "Theories of development", cit., p. 53.

labor force that would move from the countryside to the urbanizing centers. The industrial sector could experience high rate of growth chiefly thanks to low wages: the labor force was in fact willing to receive the same low wages provided by the traditional sector. The higher returns obtained by industrialists could be reinvested in further capital accumulation that would allow the growth of the industrial sector, and therefore the expansion of needed employment. This pattern should actually lead to a self-sustained growth path and to economic development³⁵. There would be a turning point at which the level of wages in the modern sector would diverge from the level of the traditional sector. The increase in wages in the industrial sector would then decelerate the pace of growth, indicating that modernization had been achieved (full-employment crisis).

Another economist of those years focused his analysis on the relation between economic growth and inequality in the distribution of income. Simon Kuznets (1901-1985) argued that, even though economic growth would initially increase the inequality in the distribution of income within a country, the general conclusion of his investigations suggested that there would be a subsequent movement toward equality³⁶. This would occur through a trickledown effect of growth benefits³⁷ that would spill over the whole economy of a country. Actually, Kuznets underlined that in developed countries the shift to a more equal distribution of income would be possible only thanks to important rises in the real income per capita for the entire population of the country³⁸. In his article *Economic Growth and Income Inequality*, Kuznets explained that two main factors were conducive of an increase of inequality in the distribution of income. The first was the concentration of savings in the hands of the upper-income classes, as it perpetuated an escalating absorption of economic and financial assets by this group. The second factor concerned the shift of labor force

³⁵ A. W. Lewis, "Economic Development with Unlimited Supplies of Labour", cit.

³⁶ S. Kuznets, "Economic Growth and Income Inequality", *The American Economic Review*, XLV (1955), pp. 1-28.

³⁷ S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, Torino: Bollati Boringhieri, 2005, p. 19.

³⁸ S. Kuznets, "Economic Growth and Income Inequality", cit, p.5.

toward the industrialized sector in which the inequality of income distribution was higher than in the agricultural sector. Nevertheless, these elements could be counteracted: the first by means of legislative and political decisions creating a dynamic and free economy enabling lower classes to rise; and the second by means of lower classes' gains of efficiency and political power within the industrialized sector.

Interestingly, Kuznets stated that although the forces fostering inequality could be opposed, underdeveloped countries would experience further difficulties. Underdeveloped countries during the post-WWII period experienced a more unequal income distribution than the developed countries. Underdeveloped countries should deal with a lower level of average income per capita, a higher concentration of assets in upper-class hands, a low rate of growth (more limited opportunities to industrialize) and failure of government policies in bolstering development pattern³⁹. Therefore, their escalating pattern to achieve economic development would inevitably be more complex.

1.5 Modernization theory

At the end of 1950s, albeit underdeveloped and developing countries were experiencing development practices, they did not undertake the path to self-sustained growth suggested in Lewis' theory. Even though, the main objective of development theories remained economic growth, economic research began then to introduce new issues. As Kuznets indicated, the economic models should be supported by further studies on trends and factors that determined them, taking into account technological, demographic, and social changes⁴⁰. This aspect has been revised within the Modernization theory, which complemented economic analysis with sociology and political sciences⁴¹.

³⁹ *Ivi*, pp. 23-24

⁴⁰ *Ivi*, pp. 27-28

⁴¹ R. Desai, "Theories of development", cit., p. 53.

In order to support the growth of underdeveloped countries promoted internationally by the President Truman's speech, Walt Rostow (1916-2003) explained that economic growth required a specific path allowing traditional societies to modernize⁴². First of all, Rostow underscored the need for a dynamic theory of production able to identify best ways of production not only for the whole country but also for the leading sectors of the economy, taking into account economic and social aspects. Secondly, Rostow clarified each stage of the economic growth path. The starting point was represented by the traditional society, in which production was predominantly concentrated in the agricultural sector and social structures were mainly dominated by hierarchy both in land tenure and in political power. In the second stage the preconditions for the take-off emerged. According to Rostow, these preconditions were the gradual evolution of modern science and the widening of market economy, previously experienced by Western European countries⁴³. In order to sustain industrialization, fundamental changes and investments in complementary sectors were required: the enhancement of transport networks, the use of technological advances in agriculture to increase productivity, and the expansion of imports. These elements, together with efficient government policies, would lead to the third stage, namely the take-off. Rostow described the take-off as the realization of rapid growth in some leading sectors applying industrial techniques⁴⁴. It actually entailed a transformation of the society spurred by the intensification of capital investments and by technology applications. This progression toward modernization would pilot the economy into the fourth phase of the drive. i.e. to maturity. This stage was characterized by a differentiated industrial process with emerging leading sectors determined by the country's resource endowments and government economic policies. Industrialization also brought about an urbanization process and an increased urban population composed by a more skilled working force able to perceive its social and political weight. The final stage to which countries growth aimed, was the age of high mass consumption. In this phase in

⁴² W. W. Rostow, "The Stages of Economic Growth", *The Economic History Review*, XII (1959), pp. 1-16.

⁴³ *Ivi*, p. 4

⁴⁴ *Ivi*, p. 7

which modernization had been reached, the country could focus on the increase of public measures of welfare, the enlargement of private consumption of technological goods on a mass basis, and on the rise of its international position⁴⁵. Rostow's model delineated the subsequent steps a country should follow to succeed in its path towards development goals, assuming that the pattern undertaken by the so called First World was the right model underdeveloped countries should imitate. As Sachs argued, underdeveloped countries were supposed to climb the ladder of economic development, primarily rising per capita income, expanding the range of good to be acquired, and improving their welfare conditions⁴⁶.

In addition to the described economic shift from the traditional society to the modern society, the supporters of the Modernization theory claimed that development also involved the diffusion of modern values and institutions⁴⁷. In order to enter the industrialized society, people should approach its defining principles. The ideas of collectivity, reciprocal help and social restrictive status describing the traditional society should give way to modern values entailing roles based on economic performance and achievements promoted by private self-interest⁴⁸. These different attitudes would be essential to stimulate entrepreneurship and to increase productivity. Sachs again gave an attractive description of these concepts:

modern economic growth was not only a question of "more" (output per person) but also of "change"⁴⁹.

As Rostow served important charges in the US foreign policy, the Modernization theory influenced the US policies directed to less developed areas characterizing the US government's involvement in assisting their economic advancement⁵⁰.

In 1958 another significant work emerged in the international debate on development issues shifting the focus from the pattern of development

⁴⁵ *Ivi*, pp. 8-13

⁴⁶ D. J. Sachs, *The End of Poverty Economic Possibilities for Our Time*, cit., p. 19.

⁴⁷ R. Desai, *Theories of development*, cit., p. 54.

⁴⁸ *Ivi*, p. 56

⁴⁹ D. J. Sachs, *The End of Poverty Economic Possibilities for Our Time*, cit., p. 38.

⁵⁰ *Ibidem*

toward the most advantageous management of the investments able to drive it. In that year, Albert Otto Hirschman wrote *The Strategy of Economic Development*, attacking the idea of balanced growth⁵¹. Hirschman firstly argued that an economy cannot be considered to have a fixed amount of resources able to guarantee an optimal point of efficiency, as assumed in the theories balanced growth: it dealt instead with sectors imbalances, involving an unbalanced growth⁵². Initially, sector imbalances would manifest various inefficiencies, such as losses on the one hand, excess profits on the other, bottlenecks, wastes, and shortages. These economic derangements would induce both private entrepreneurs and public authorities to invest in the lagging sector in order to foster its output⁵³. Hirschman stated that as long as resources imbalances called for more investments and research for better resource use, they entailed self-correcting mechanisms able to speed up the economic growth through an increased resource mobilization⁵⁴. Consequently, there was not a specific point of equilibrium to aim at, but thanks to inventions and technical progress, various combinations of resource use could be advantageous. In order to push the economic growth, Hirschman secondly recognized the crucial relevance of investments targets focusing on the effects of development decisions on the overall economy.

Specifically, every decision should be analyzed to discover its possible “linkages” with other decisions that might follow it⁵⁵.

In point of fact, Hirschman claimed that economic bottlenecks should steer investments. The development process could be seen as a bottle with a thin neck, from which inputs free flow is hindered by the obstruction represented by the scarcity of complementary elements such as technology, infrastructures and capital investments⁵⁶. Hirschman’s proposal tried to unhinge these hindrances by fostering investments in key industries able to trigger a flow back in the requirement for inputs at the beginning of the

⁵¹ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, New Haven and London: Yale University Press, 1971, p. 63.

⁵² *Ivi*, p. 64

⁵³ *Ibidem*

⁵⁴ *Ivi*, p. 65

⁵⁵ *Ivi*, p.81

⁵⁶ P. Franko, *The Puzzle of Latin American Economic Development*, United States: Rowman & Littlefield Publishers Inc., 2007, p. 60.

production chain (backward linkages) and a flow forward in the consumers demand for new and refined products (forward linkages), stimulating industrial integration⁵⁷. Therefore, if private and public investments could be managed to boost the industries connected with the wider backward and forward linkages, development could successfully be fostered. According to Hirschman's theory, underdeveloped countries should not follow a strict preconceived pattern of development, but they should rather center their efforts on efficient investment decisions in those industrial sectors able to spur an interrelated economic growth.

1.6 Dependency theory

While the Modernization theory was elaborating the best way conducting to the panted economic development, another theory was coming into view. The focus of this theory was not on the identification of the better pattern to be implemented, but rather on the investigation of the grounds of underdevelopment. The Dependency theory actually centered its studies on the causes of underdevelopment. The central factor was recognized to lie in the imperialist structure which had diverted trade relations among countries⁵⁸. Instead of analyzing the transition of countries to modern society, the Dependency theory took into exam the dynamics of the international trade system that were believed to be the critical obstacle precluding growth to underdeveloped countries.

This theory originated in Latin America, where economists and policymakers investigated the development issue after the instability on exports brought by the World Wars and the Great Depression⁵⁹. The Dependency theory was chiefly based on the theoretical views of Raúl Prebisch (1901-1986). Between 1935 and 1943, Prebisch was the general director of the Argentine Central Bank and could observe the effects of the Great Depression on Argentine economy, which should deal with falling

⁵⁷ *Ibidem*

⁵⁸ R. Desai, "Theories of development", cit., p. 56.

⁵⁹ P. Franko, *The Puzzle of Latin American Economic Development*, cit., p. 56.

prices and debt payment difficulties⁶⁰. Taking into account the dynamics causing the Argentine economic crisis, in 1949 Prebisch explained them writing *The Economic Development of Latin America and Its Principal Problems*⁶¹.

Prebisch brought the fundamental problem back to the structure of the international economic system. He argued that capitalism had divided the world into two parts: the center, namely the advanced countries that were the producers of industrial goods, and the periphery, which included the underdeveloped and developing countries producing primary products, mainly food and raw materials⁶². The core issue lied in the asymmetrical economic relation between these two actors. Firstly, the gains from trade were not equally distributed between the center and the periphery⁶³. Actually, as explained in the Prebisch-Singer thesis, industrial countries benefitted from technological advances. Although technical progress permitted a decrease in the price level, industrial countries kept their advantage preserving high prices on their products⁶⁴. On the other hand, the periphery was characterized by slower productivity both in agriculture and in mining which represented an obstacle from the point of view of international competition. Therefore, the economic interactions between the center and the periphery were structurally unequal entailing declining terms of trade for primary goods producers, that should have to increase their exports in order to obtain the same quantities of industrial products imports⁶⁵. Through the examination of these economic dynamics Prebisch rejected Ricardo's theory of comparative advantages and on the contrary highlighted the fact that

⁶⁰ Ivi, p.57

⁶¹ R. Prebisch, *The Economic Development of Latin America and Its Principal Problems*, United Nations Dept. of Economic Affairs, 1950, pp. 1-59.

⁶² P. Franko, *The Puzzle of Latin American Economic Development*, cit., p. 57.

⁶³ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, cit., p. 282.

⁶⁴ R. Desai, "Theories of development", cit., p. 57.

⁶⁵ P. Franko, *The Puzzle of Latin American Economic Development*, cit., p. 57.

trade can be a vehicle for exploitation rather than a means of increasing welfare all-round⁶⁶.

The central body of the Dependency theory was organized in 1948 as it was created the United Nations Economic Commission for Latin America and the Caribbean, known as ECLAC, or simply ECLA. ECLA was a United Nations' regional commission established to foster economic cooperation. Its headquarters were set in Santiago, Chile, and its members were twenty Latin American countries, the United States, and three European countries, England, France, and the Netherlands⁶⁷.

As Prebisch became its influential chairman, ECLA conveyed to the deepening of the Dependency theory during the 1960s. Other economists actually added further contributions. Paul A. Baran (1909-1964), agreed that underdevelopment was essentially produced by capitalism. Capitalism embodied a hierarchical international system marked by the transfer of surplus from underdeveloped countries to advanced countries carried out by the multinational corporations⁶⁸. These corporations actually played a more and more significant role in international trade obstructing an effective economic growth of the developing countries. Moreover, Baran underlined that as the owners of the resources in poor countries took advantage from international arrangements, they formed alliances with international capitalists and multinational corporations⁶⁹, deceiving the expectations for economic development in favour of their private profits.

Correspondingly, Andre Gundar Frank (1929-2005) argued that the historical process of the evolution of capitalism caused both development and underdevelopment, as advanced countries became rich by keeping the underdeveloped countries poor⁷⁰. These two economist both claimed that the center identified by Prebisch was the critical factor hindering underdeveloped nations' growth and that, in order to unhinge the local élite

⁶⁶ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, cit., p. 282.

⁶⁷ *Ibidem*

⁶⁸ R. Desai, "Theories of development", cit., p. 57.

⁶⁹ P. Franko, *The Puzzle of Latin American Economic Development*, cit., p. 58.

⁷⁰ *Ibidem*

from its international alliances, a revolution was needed. On the other hand, other theorists, such as Fernando Henrique Cardoso and Enzo Faletto Verné (1935-2003), stated that poor countries could achieve development through an active state policy acting in the national interest and contrasting local and international private interests⁷¹. On the same line, a Structuralist position emerged within the ECLA arguing that the local and international economy was actually driven by power and interest-group policies⁷². The Structuralist theorists underscored the fact that oligopolies and international companies shaped the rules of the international trade increasing inequalities, imbalances and preventing underdeveloped countries from undertaking a true development path. The subsequent step within ECLA was the plan of diminishing the dependence from advanced countries products trying to produce them nationally through the Import-Substituting Industrialization strategy, ISI. As Hirschman summarized,

The “ECLA doctrine” has essentially consisted in assuming a critical and militant attitude toward the industrial “center” on behalf of the underdeveloped “periphery” and in calling upon the governments of the latter to undertake new responsibilities in the promotion of economic development⁷³.

The ECLA doctrine experienced a broad diffusion matching the claims of the NAM countries. Most of the developing countries actually gathered in the Group 77 and attended the 1964 UN Conference on Trade and Development (UNCTAD)⁷⁴. The Third World perspective emerged claiming three main directives: a faster economic growth, a greater integration into the world trading system, and an increase in foreign aid⁷⁵, chiefly calling for fairer trade dealings. In point of fact, during the 1960s the

⁷¹ *Ibidem*

⁷² *Ivi*, p. 59

⁷³ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, cit., p. 288.

⁷⁴ D. Sogge, “The United Nations and Multilateral Actors in Development” in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 192.

⁷⁵ *Ibidem*

UN interventions shifted towards initiatives promoting development in the decolonized countries, fighting to achieve economic improvements⁷⁶. In 1965 the UN established the Development Program, in order to enhance the coordination of foreign aid efforts⁷⁷. Meanwhile, even the Catholic Church during the pontificate of John XXIII and Paul VI approached the claims of the Third World countries⁷⁸. The Church actually opened itself to the demand of workers of the industrialized countries and of poor people in the developing countries taking position against their exploitation. The Liberation Theology elaborated in Latin America had particular relevance in the Catholic Church's defense of the poorest people. Nonetheless, the demands of the Group 77 were mostly disregarded by the industrialized nations, which were grouped in the Development Assistance Committee (DAC) within the Organization for Economic Co-operation and Development (OECD)⁷⁹, created in 1961⁸⁰.

1.7 1970s as a watershed

The events characterizing the decade of 1970s represented a watershed in the international setting and in the evolution of development theories. Firstly, as the post-WWII recovery of Western Europe and Japan was mainly completed, the growth in the whole economy slowed down⁸¹. As that recovery had required to national economies big efforts and large US loans, it had stimulated worldwide growth. Once it was achieved, some few industrialized countries experienced a deceleration of growth that induced an interconnected decline in the growth rate of the Third World countries. As these countries chiefly remained dependent on primary

⁷⁶ *Ivi*, p. 176.

⁷⁷ *Ivi*, p. 186

⁷⁸ G. Formigoni, *La politica internazionale nel Novecento*, cit., p. 243.

⁷⁹ The OECD was formed by 18 European countries, the United States and Canada, which jointed to create an organization dedicated to boost global development.

⁸⁰ S. Brown, "National Development Agencies and Bilateral Aid", P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p.144.

⁸¹ R. Desai, "Theories of development", cit., p.59.

commodities exports to advanced countries, they consequently dealt with trade restrictions⁸².

Actually, even the US superpower was facing economic difficulties. In spite of the huge profits coming from foreign investments, its monetary resources were diminishing⁸³. During the Cold War years, the US enlarged its commitment in financing its military presence abroad and in purchasing sophisticated weapons in order to counterattack the Soviet Union's advances. The US began to cope with a balance of payment deficit that reduced the speed of its economic growth and the availability of gold reserves. Nonetheless, the US dollar did not depreciate immediately as it had become the international currency used in most international transactions and supported by the central banks of other industrializing countries since they kept US dollar reserves⁸⁴. However, as the financial pressure augmented ceaselessly and the US gold reserves diminished, the maintenance of the international monetary equilibrium got in troubles. In 1971, the Nixon administration unilaterally decided a move of paramount importance: the exit of the US dollar from the fixed exchange rate established against gold and its resulting devaluation destabilized the basis of the Bretton Wood arrangement⁸⁵. Although various attempts were made to save the monetary system, countries should face floating exchange rates and a consequent tough financial instability of the international economic scene.

On the other hand, there was an harsh reaction from a particular Third World area. Since 1960, the oil-producer countries had gathered in the OPEC, the Organization of Petroleum Exporting Countries. It represented a cartel among oil-producers, mostly Arab and Muslim countries, for concerted actions on the oil sales, as oil had become a dominant source of energy both for the industrialized and the industrializing world. In fall 1973, the OPEC countries decided to raise the oil price: in a few months they quadrupled the oil price from 3 dollars per barrel to 12 dollars and they

⁸² *Ibidem*

⁸³ G. Formigoni, *La politica internazionale nel Novecento*, cit., p. 250.

⁸⁴ *Ibidem*

⁸⁵ *Ivi*, p. 258

froze oil sales⁸⁶. This move inevitably had an overwhelming impact on oil-importing countries as their source of energy suddenly became very expensive contributing to the general growth rate decline. On the contrary, OPEC countries could gain enormous profits from the high prices of oil sales, which revenues continued to be denominated in US dollars, then inflating their US dollar reserves. As the US administration was able to negotiate with the biggest oil-producer, Saudi Arabia, only US dollars were accepted in oil transactions payments and US dollars revenues would be reinvested in US bonds and in US private banks, in exchange of US military and technological assistance⁸⁷.

In connection with the slowdown in the growth pace and the low demand of capital due to high prices of oil, which were causing widespread inflation, the financial system presented low and even negative real interest rate⁸⁸. The low interest rates together with the increase of US dollars reserves due to the flows coming from the oil sales, permitted the process known as the “petro-dollar recycling”, in which the US banks became yearning to lend money⁸⁹. Actually, during the 1970s there was a boom in the US banks’ lending, primarily directed to the Third World countries eager to find financial means to foster their weak development pattern. The petro-dollars transactions actually inflated the development assistance flows.

In the meanwhile, several changes occurred at the level of the international institutions. Due to the shocking impact of the US unilateral move that suspended the US dollar convertibility into gold, the Bretton Woods system was destabilized and as floating exchange rates were permitted, even the IMF function as the guarantor of currency stability was undermined. Consequently, the IMF reshaped itself as an international lender of last resort⁹⁰. Countries experiencing economic or financial crises could still advocate injections of money from the IMF, but their demands

⁸⁶ *Ivi*, p. 260

⁸⁷ D. Yergin, *The Prize*, New York: Simon & Schuster, 1989, pp.613-632.

⁸⁸ Real interest rates can be calculated as the difference between the nominal interest rate and the rate of inflation.

⁸⁹ R. Desai, “Theories of development”, cit., p. 60.

⁹⁰ M. Taylor, “The International Financial Institutions”, cit., p. 163.

were now uncoupled from the fixed exchange rate conditioning. Within a floating exchange rates arrangement, the IMF encouraged currency devaluation to obtain further resources from increased exports, contravening its original principle to avoid it⁹¹. Moreover, given the economic turbulences of the period, the IMF began to attach more conditions to the issue its loans and to increase its vigilance on the borrowing countries. On the other side, the WB dealt with various changes. Its president, Robert Mc Namara, in charge from 1968 to 1981, modified the WB international approach. His speech of 1973 identified renewed functions and tasks to be undertaken. Mc Namara actually claimed the need to combat the extreme poverty in developing and underdeveloped countries through a Basic Needs' Approach focusing on social programs, chiefly on health and education projects.

I emphasized the need to design development strategies that would bring greater benefits to the poorest groups in the developing countries⁹².

McNamara explained that with the previous Five-Year Program for the fiscal years 1969-1973, the WB had already increased its operations and the areas of interventions, shifting its attention to agriculture, education, and nutrition projects and to technical and financial assistance. In the subsequent Five-Years Program for the fiscal years 1974-1978, McNamara argued that further efforts were required. The WB President recognized that underdeveloped countries faced three main difficulties: the insufficiency of the earnings coming from the international trade, the inadequate and deficient flow of the Official Development Assistance (ODA), and the increasingly burden of the external debt⁹³. The principal problem lied in the fact that the rapid growth had benefited only the upper class of the population, leaving the majority of people in a pervasive poverty. Developing countries were experiencing a severe degree of inequality due to

⁹¹ *Ibidem*

⁹² R. S. McNamara, "Address to the Board of Governors", Nairobi-Kenya, September 24, 1973, pp. 1-31. Available at: http://siteresources.worldbank.org/EXTARCHIVES/Resources/Robert_McNamara_Address_Nairobi_1973.pdf (consulted on November 19, 2012).

⁹³ *Ivi*, p. 2

a greater maldistribution of their national income⁹⁴. While the people managing the mining, industrial and public sectors strongly increased their revenues, the productivity and income of small farmers have stagnated⁹⁵. The WB would therefore committed to a further enlargement of its operations, to a large program of technical and financial assistance, to renewed programs and projects counterattacking the extreme poverty conditions and increasing the productivity and income of the poorer people.

On the other hand, national governments were required to reorient their development policies in order to provide a more equitable distribution of the economic growth benefits. Governments should take into account multiple objectives, undertaking socially oriented measures and integrated assessments of economic projects. The main purpose should be the increase of the productivity of small-scale agriculture to solve the poverty issue, primarily widespread in the rural areas. The problem actually concerned a large share of world population and its poor living conditions, and the goal to achieve enhancements required an increase of the productivity rate. Although McNamara stated that the WB did not exactly know the right formula to be undertaken, he proposed several important measures to improve the rural environment. The WB President called for a strategy of rural development involving an efficient organization of local farm groups and institutions, such as rural associations and cooperatives, a land and tenancy reform, able to achieve a equitable legislation over large and small estates, a better access to credit and financial tools, and a real access to water sources and public services, which should be well-branched within the territory. The WB was willing to bestow \$4.4 billion dedicated to the enrichment of the agricultural sector⁹⁶. The assumption of the Basic Needs' Approach was that projects financing big infrastructure should be accompanied by the necessary progress in smallholder agriculture in order to reduce the level of extreme poverty and to achieve stable economic growth. As a result, the international role of the WB was reinforced facing

⁹⁴ *Ivi*, p. 5

⁹⁵ *Ibidem*

⁹⁶ *Ivi*, p. 12

the issue of the poverty eradication in the developing and underdeveloped countries running after the economic growth.

At the same time, even the UN increased the commitment to development assistance. In 1970, the UN General Assembly approved a resolution in which it stated that donor countries would provide at least 0.7 per cent of their GNP in ODA by 1975⁹⁷. Although they largely failed to meet the target, the 1970s saw an increase in ODA flows and a widespread optimism in the role of foreign aid to promote development advancements. In fact, following the approach promoted by the WB President McNamara, also the US Agency for International Development (USAID) was mandated to concentrated on the human and social needs of the poorer countries.

In 1973 there was a further Conference of the NAM held in Algeria capital, still demanding for a New International Economic Order. The Third World countries needed an increase in foreign aid and a complementary radical change in the organization of the international economy, able to diminish the widening gap between the developed and developing countries. Through this meeting, they actually obtained the UN 6th Special Session on Raw Materials and Development. Although the pressure of the Third World countries was able to capture the foreign aid flows, they lacked effective political capacities and economic power⁹⁸ and consequently, continued to play a secondary role within the international scenario.

1.8 Neoliberal policies

During the 1970s, the development assistance promoted by the new WB approach was expanding. Even though aid loans were inflating the Third World foreign debt, they were contracted at very low interest rates allowing a feasible remuneration of the borrowed funds. However, serious problems arose by the end of the decade, as the US dramatically changed its monetary policy.

⁹⁷ S. Brown, "National Development Agencies and Bilateral Aid", cit., p. 145.

⁹⁸ G. Formigoni, *La politica internazionale del Novecento*, cit., p. 284.

At the end of the 1970s, serious conflicts emerged in the Middle East, primarily involving the confrontation between Iran and Iraq. The political clashes weakened oil production⁹⁹ and, as the oil supply became insecure, oil prices suffered a second surge, causing a consequent wave of general inflation.

In 1979 Paul Volker was appointed President of the Federal Reserve, the US central bank, which led to very different turn of events. In order to attract financial capital and fight inflation, the Federal Reserve decided to raise interest rates¹⁰⁰. This unilateral US decision would rapidly show its worldwide effects. Firstly, as international transactions were principally denominated in US dollars, increased interest rates reduced international financial flows. Secondly, the US move was inevitably a harsh financial shock to indebted Third World countries as the huge loans applied to foster their economic development would now have to cope with outrageous rates of repayment¹⁰¹. In a short time, their debt burden became unbearable, critically undermining the stability of their economies. In August 1982, Mexico was the first country to threaten default, announcing to the IMF and the WB that it was unable to meet the repayment of its foreign debt¹⁰². This event triggered a domino effect as many other developing countries, such as Poland, Brazil, and Argentina, defaulted on their debt causing an explosion of the debt crisis.

By October 1983, some 30 countries, owing a total of \$239 billion had or were attempting to reschedule debt payments [...] Given the magnitude of the loans potentially facing default, a number of major US banks faced collapse, which raised the spectre of a financial crash¹⁰³.

⁹⁹ *Ivi*, p. 282

¹⁰⁰ *Ivi*, p. 272

¹⁰¹ R. Desai, "Theories of development", cit., p. 60.

¹⁰² M. Taylor, "The International Financial Institutions", cit., p. 165.

¹⁰³ *Ibidem*

As countries were more and more interconnected through broader trade relations and inflated capital transactions, the debt crisis suffered by developing countries consequently affected even the advanced nations, who brought the issue to the attention of the international institutions. The IMF and the WB took the crisis in hand, imposing radical reforms to resolve the financial emergency. The two institutions assumed that the development policy pursued in the preceding decades had been misguided, principally contesting the role of the State in controlling and managing the path towards national development¹⁰⁴. They principally argued that governments, rather than promoting national development, had hindered it as they were undisciplined, corrupt and inefficient pursuing only the interests of their own property¹⁰⁵.

Accordingly, the two institutions arranged a double track strategy to relieve the economies of the developing countries: together with other restrictive austerity measures to stabilize the economies, a profound process of structural transformation was required to overcome the crisis. The development arrangements would shift towards market-friendly policies¹⁰⁶. The state should draw back decreasing its interventions in the economy, and leaving the market forces to operate freely in order to improve resources and wealth distribution¹⁰⁷. Therefore, market dynamics would enter both the national economies and the foreign trade arrangements supporting the recovery of the Third World countries.

This planned transformation was described as “structural adjustment”. The first phase of the adjustment program demanded shock measures, which consisted of a rapid liberalization of prices, currency devaluation, and restrictive fiscal discipline¹⁰⁸ in order to allow defaulting countries to restore their balance of payments stability. A subsequent stage required rapid liberalization of trade, deregulation of markets, privatization of state-owned industries, cuts in state spending on welfare and subsidies, shifting the

¹⁰⁴ R. Desai, “Theories of development”, cit., p. 60.

¹⁰⁵ *Ivi*, p. 61

¹⁰⁶ *Ivi*, p. 60

¹⁰⁷ M. Taylor, “The International Financial Institutions”, cit., p. 165.

¹⁰⁸ *Ibidem*

provision of public goods to the private sector¹⁰⁹, permitting market forces to drive economic recovery. These measures made up the package of neoliberal policies imposed by the IMF and the WB to cope with the financial crisis in the developing countries: they were intended to guarantee debt repayment and to re-establish international financial integrity. The key policies of the two international institutions' new approach were defining a liberal international economic order (LIEO) committed to free markets, private property, individual initiative, and a limited role for governments¹¹⁰. To ensure that developing countries complied with these complex measures, the IMF and the WB linked their loans to the elaboration of structural adjustment programs (SAPs) and to numerous conditions, the most important of which was that the release of further loans would be conceded only if countries were successfully implementing the neoliberal policy requirements decided by the IMF and the WB¹¹¹. Both institutions imposed increasing restrictions creating harsh cross-conditionality on international lending. This common working on loan provisions and structural adjustment implementation led the two international institutions to implement a shared economic and financial doctrine, later known as the Washington Consensus¹¹². To combat the debt crisis, the Washington Consensus actually recommended a precise formula to be followed. Firstly, governments should pursue the stability of their economies by fighting inflation and reducing their fiscal debt; secondly, they should open their economies to the international market, and finally, liberalized their internal market through privatization and deregulation¹¹³. Most of the Third World countries committed to SAPs were in fact prompted to open their economies to international trade and finance, conforming to the LIEO principles. In order to be able to pay back their debt, they should expand their exports shares and throw open their financial account to the private and mostly foreign

¹⁰⁹ *Ibidem*

¹¹⁰ C. Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", *World Development*, XXVIII (2000), pp. 789-804.

¹¹¹ M. Taylor, "The International Financial Institutions", cit., p. 165.

¹¹² C. Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", cit. p. 789.

¹¹³ *Ibidem*

capital flows, that should trigger the structural recovery able to restart their economic growth.

While the structural adjustment measures primarily pertained to the developing countries, they were implemented worldwide. The first advanced countries undertaking the IMF and the WB formula were the UK under the Thatcher's administration and the US during the Reagan's mandate, chiefly engaged in financial deregulation and state spending cuts. Other Western countries were therefore recommended to follow the same tenets. While the effects of the neoliberal dictates largely varied among countries, they were leading to the universal convergence designed in the Washington Consensus doctrine¹¹⁴.

Although the 1980s represented a decade oppressed by the burden of debt effects, the neoliberal formula seemed to embody the best solution to overcome the economic difficulties promising a secure revitalization of the international environment. It was actually able to reduce the inflation rates, to diminish the governments' foreign debt and to improve their balance of payment problems¹¹⁵. Conversely, it did not pilot the announced period of rapid economic recovery as many Third World countries actually experienced relative stagnation¹¹⁶.

1.9 Challenges to international institutions and new approaches

In a more and more interconnected economic world, interactions among countries were expanding and deepening within a increasingly globalization process. The IMF and the WB actually spurred the neoliberal recipe celebrating its potential positive outcomes. Countries which would pursue neoliberal policies would be able to capture foreign direct investments, bringing technological advances and opening new markets, and

¹¹⁴ *Ivi*, p. 790

¹¹⁵ M. Taylor, "The International Financial Institutions", cit., p. 166.

¹¹⁶ *Ibidem*

to augment their national saving thanks to international capital flows¹¹⁷. On the contrary, countries that would not conform would be penalized as they would be excluded from these advantageous economic benefits. Although neoliberal measures required restrictive policies and economic and financial temporary efforts, they would improve the national economies results driving a better resource allocation¹¹⁸. However, as they were not successfully accomplishing the craved economic upturn, during the 1990s the structural adjustment package elaborated by the two international institutions began to be questioned.

Even though many Latin American and sub-Saharan African countries largely committed to structural adjustment programs, their economies were not experiencing significant improvements, but were rather facing stagnant economic conditions and social worsening¹¹⁹. As State interventions and spending were dramatically reduced, political conflicts arose paralleled by the deterioration of the living conditions of population. In these countries characterized by poor economic performances, the market forces were not boosting economic growth. In point of fact, the liberalization policies opened the national economies to the foreign investments, and therefore to the foreign interests, which did not pursue national exigencies. In addition, developing countries should also cope with the increasing conditionality of further loans required to enforce the rescheduled debt payments. In these countries, the structural adjustment policies did not bring stability neither true economic growth, as the economic advances depended on foreign investors who cared their own interests and should bear the weight of the foreign debt. These evidences actually challenged the efficiency of the Washington Consensus policies and the meaning of development itself.

Since all the economic and financial policies elaborated by the most important international institutions did not lead to proper development in the developing countries, it became clear that those policies alone were not sufficient to reach the established goals. Development did not involve only

¹¹⁷ C. Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", cit. p. 793.

¹¹⁸ *Ivi*, p. 794

¹¹⁹ M. Taylor, "The International Financial Institutions", cit., p. 166.

economic growth that, according to the idea of the trickle-down effect, would in sequence reach all economic sectors and the whole society. Other factors were needed to achieve it. In this respect, the social factors began to acquire an increasing relevance. In 1993, Robert Putnam published a book in which he explained the critical role played by the social capital¹²⁰. In analyzing the performances of regional governments in Italy, he highlighted several differences between the North and the Centre areas and the Southern zone. His studies highlighted that the discriminating factor among the different performances of the regional governments lied in the different degree of what he called “civic engagement”, that was measured in terms of political participation, newspaper readership, and density of horizontal voluntary associations of different kinds¹²¹. Social relationships and participation within the social and political setting were then considered as productive resources or assets, that is as capital. The innovative aspect argued by Putnam stated that:

a region’s chances of achieving socio-economic development during this century as of having effective democratic government, have depended less on its initial socio-economic endowments than on its civic endowments (level of civic engagement). In so far as we can judge [...] the contemporary correlation between civics and economics during this century [...] reflects primarily the impact of civics on economics, not the reverse¹²².

Although Putnam’s work has been largely criticized, the content of his book has been really challenging. Putnam actually claimed that the explanation of differences not only in government performances, but also in socio-economic development depended on the density of social networks, that is of social capital. It was a quite revolutionary statement after years of neoliberal policies advocating the absolute dominance of market forces and of restrictive economic and financial policies.

¹²⁰ R. Putnam, *Making Democracy Work: civic traditions in modern Italy*, Princeton, NJ: Princeton University Press, 1993, pp. 7 and 21.

¹²¹ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, London: Anthem Press, 2002, p. 62.

¹²² R. Putnam, *Making Democracy Work: civic traditions in modern Italy*, cit., p. 157.

Moreover, Putnam explained the reasons of the diversity between the two areas of the Italian territory. In his opinion, the South has been locked into a vicious spiral, in which unproductive social institutions, such as those of clientelism and patron-client relations, and feudal agrarian structures have spread a pervasive sense of mistrust and suspicion¹²³, that hindered both a good level of government and economic performance. On the other hand, the North and the Centre have built up a long history of networks of civic engagement and social norms, and an industrial economy that allowed the rise of a virtuous spiral of effective collaborative institutions and organizations¹²⁴. This characterization was true not only for the South and North of Italy, but also for the parallel circumstances of the South and North of the world, representing a lesson especially for the Third World countries¹²⁵. According to Putnam, the crucial aspect was therefore represented by the constructability of the social capital in social and economic environments like that of the Italian South¹²⁶, and he posed it as a new challenge within the development discourse.

These problematic aspects were firstly taken into account by the UN Development Program which promoted a sustainable human development (SHD) approach¹²⁷. Within its perspective, the increase of economic growth was actually not sufficient to foster development, but a complementary improvement of people living conditions was considered crucial. The GDP index of countries' economies should be supplemented by a further indicator able to account for social factors, such as education, health and nutrition¹²⁸: the Human Development Index (HDI). The HDI data describing the majority of the Third World countries revealed that those social factors were in fact neglected by neoliberal policies and were aggravating poor people livings.

¹²³ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, cit., p. 23.

¹²⁴ *Ivi*, p. 24

¹²⁵ *Ibidem*

¹²⁶ *Ivi*, p. 25

¹²⁷ C. Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", cit. p. 795.

¹²⁸ S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, cit., p. 38-39.

Nonetheless, other areas of the world were instead experiencing a path of economic growth. The countries of South Korea, Taiwan, Hong Kong, and Singapore were dealing with the so called East Asian miracle¹²⁹. The challenging aspect lied in the fact that they were not undertaking the neoliberal policies. Following a different pattern, these Asian countries were embracing an export-oriented model, involving a sustained intervention of the state in fostering certain selected industrial sectors to compete on the international markets¹³⁰. Several researches on the successfully economies of the East Asia shared that their achievements did not depend on the action of market forces, but on a well-organized governance of the market, based on an active industrial policy pursued by the State¹³¹. The East Asia experience highlighted the role of the State as an active protagonist of he renewal that could foster development investing in leading economic sectors. Opposing the dominant neoliberal theories that claimed the superiority of the market forces, the tiger economies of the East Asia suggested to “bring the state back in”¹³² in order to revitalize the economic development. Furthermore, among the Third World countries, the Asian successful performances actually showed an alternative growth pattern capable of restarting their stagnant economies, giving rise to a latent Southern Consensus. The Southern Consensus principally gathered Asian and Latin American economists, who challenged the prevailing theory of structural adjustment promoted by the IMF and the WB. They primarily rejected the idea that development growth could be achieved undertaking a general and uniform blueprint, and they rather claimed that policy measures should be adapted to initial conditions characterizing a country’s domestic and external environment, and should change over time as conditions varied¹³³.

Challenged by these emerging oppositions, the IMF and the WB should modify their directives. On the one hand, the WB argued that the

¹²⁹ M. Taylor, “The International Financial Institutions”, cit., p. 166.

¹³⁰ *Ibidem*

¹³¹ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, cit., p. 77.

¹³² *Ibidem*

¹³³ C. Gore, “The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries”, cit. p. 796.

leaks of the neoliberal package did not depend on the structural adjustment policies, but they were rather ascribed to the deficiencies of developing countries' governments. The benefits of neoliberal measures were often lost because the corrupted and weak institutions of the state hindered the market forces to work efficiently¹³⁴. While the structural adjustment was the right healing for the economic stagnation of developing countries, its results had been undermined by fragile political and legal systems of those countries. By these claims, the WB actually referred to Putnam's work. Further factors than the economic ones were in fact needed to achieve concrete development. Good social networks among people should be constructed in order to foster civic engagement, which could give rise to the enhancement of the social capital, which in turn improved general cooperation and trust that lead to better government and economic performances. The WB specialist identified the social capital as the "missing link"¹³⁵ the Third World countries have not achieved, undermining the results of neoliberal policies. In order to repair their leaks, the WB claimed that the developing countries should first develop good governance arrangements. The good governance formula contemplated the advancement of institutions established by the State, and of the bureaucratic organizations which implemented them¹³⁶. More specifically, it entailed an efficient political architecture able to support market economies, mechanisms enforcing transparency and accountability of the government arrangements, and an independent juridical force and police force allowing to effectively implement the rule of law¹³⁷. To work properly, the market forces should rely on an accountable, transparent, responsive and efficient political system¹³⁸, able to guarantee efficient market dynamics. Changing its position, the WB was now encouraging a revitalization of the State as the actor that should improve the social and legal institutions of the country in order to sustain the market outcomes. According to this WB's perspective,

¹³⁴ M. Taylor, "The International Financial Institutions", cit., p. 167.

¹³⁵ C. Gootaert, "Social Capital: "The Missing Link"", in *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*, Washington DC: World Bank, 1997.

¹³⁶ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, cit., p. 78.

¹³⁷ M. Taylor, "The International Financial Institutions", cit., p. 167-168.

¹³⁸ *Ibidem*

the State should commit in an institution building process, enhancing the national information networks concerning all markets dynamics, that is rules, norms and conventions that shaped the economic field.

The wider socio-political context was actually taken into account by Peter Evans' research studies. First of all, he highlighted the crucial aspect of the efficiency of public institutions and political regime, and secondly, the essential role of the relationship between the state agencies and people¹³⁹. Evans focused on the critical nexus represented by the relations among the different social and political actors, such as the communities, the social movement organizations, the political parties, the NGOs, and the local governments. Evans argued that complementarity among the actions of these actors and the fact the public officials felt themselves embedded in social relations with other social forces, represented the two key social factors that should be built up to reinforce the potential of the social capital¹⁴⁰. Accordingly, the WB took into account the importance of the participation of these social actors, which would have an increasing role in the WB's design and evaluation of projects and policies¹⁴¹.

Actually, from 6 to 12 March 1995, a world Conference on Social Development was held in Copenhagen. But Serge Latouche pointed out that, although social factors were taken into account, the main thread remained the faith in the economic forces of the market, recalling the trickledown effect of the economic growth stated by Kuznets¹⁴². As already said, the WB specialists did not question the validity of the neoliberal policies, but they rather found out other crucial elements, such as the networks among social and local actors, that developing countries were missing to catch.

The IMF in fact maintained its focus on the policies established to guarantee the macroeconomic stability of the developing countries. During the 1990s, the IMF actually insisted that the developing countries should further open their economies to foreign capital as the international market

¹³⁹ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, cit., p. 62-23.

¹⁴⁰ *Ivi*, p. 61-66.

¹⁴¹ *Ivi*, p. 94

¹⁴² S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, cit., p. 32-38.

was expanding within the globalization process. The IMF indicated that these countries should open the stock market to foreign investments representing an essential financial source for their development pattern. It was promoting the so called capital account liberalization¹⁴³, which should complement the market liberalization started by the structural adjustment policies. Although many Third World countries pursued the policies suggested by the IMF, the capital account liberalization was rapidly questioned due to the Peso crisis in Mexico in 1994, and the Thai crisis in Thailand in 1997, which its impacts in the East Asian area¹⁴⁴. These crisis were due to a rapid loss of confidence of foreign investors on the stock market, causing a quick withdrawal of their investments from the recipient countries, which should cope with a consequent financial and economic paralysis. Counterattacking the widespread crisis, the IMF underscored that it was principally due to an overestimation of the financial markets. The IMF argued that the local governments and businesses had misguided the foreign investors' evaluations of the real conditions of the local markets, leading to a fragile overinvestment which run off once true circumstances emerged¹⁴⁵. Jointly with the WB, the IMF focused on the need for good governance arrangements of developing countries. Recipient governments should be able to guarantee a secure financial environment to foreign investors in order to avoid capital flight. As the WB stated, developing countries should enhance the accountability, the transparency and the responsiveness of their governments and their financial market. Therefore, the crucial point both for the implementation of neoliberal policies and for the capital liberalization was identified in weaknesses of the political and fiscal systems of the developing countries that should be enhance to permit a true economic development.

Nonetheless, the major burden of developing countries continued to lie in their foreign debt account. Actually, by 1990 their total debt had

¹⁴³ M. Taylor, "The International Financial Institutions", cit., p. 169.

¹⁴⁴ *Ibidem*

¹⁴⁵ *Ibidem*

reached \$1,208 billion¹⁴⁶ and new loans were demanded only for the debt service repayment. The IMF and the WB should therefore realized that although the debt crisis was fought by means of the neoliberal formula, the developing countries incapacity to cope with their foreign debt had not be solved. In 1997, an international campaign called Jubilee 2000 began to ask for the cancellation of the unpayable debt of the world's poorest countries pressuring the international financial institutions. In point of fact, in the previous year the IMF and the WB initiated the Heavily Indebted Poor Countries Initiative (HIPC)¹⁴⁷, that provided the reduction of some debts contracted with the two international institutions and with richer governments, members of the Paris Club of state creditors. A second alternative concerned the private creditors (gathered in the London Club) provided the transformation of the debt in bonds, namely the debt equity swaps¹⁴⁸. These revisions of the financial debt was seen as a further aid strategy proposed by the international institutions in order to help the developing countries to exit their economic slump.

1.10 The new millennium initiatives

At the beginning of the new millennium, problems concerning the Third World countries represented one of the most important international concern. Actually, these countries continued to deal with unresolved political, social and economic difficulties. After the recognition of several leaks in the governance system of developing countries, the IMF and the WB focused on the poverty issue. Together with the rescheduling of the debt repayment, developing countries were asked to elaborate Poverty Reduction Strategy Papers (PRSPs), indicating the national exigencies required in order to improve the social conditions of their poorer people. The policies must be identified by the borrowing country's government and the needed projects were supposedly negotiated jointly by donors and

¹⁴⁶ J. Hanlon, "Debt and development" in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 266.

¹⁴⁷ *Ivi*, p. 267

¹⁴⁸ C. Focarelli, *Lezioni di Diritto Internazionale Il Sistema degli Stati e i Valori Comuni dell'Umanità*, cit., p. 458-459.

recipients countries in order to undertake coordinated actions¹⁴⁹. However, the PRSPs should be approved by both the IMF and the WB, which would inevitably imposed their guidelines in the best policies to be followed¹⁵⁰.

In the meanwhile, the UN contributed in the struggle against poverty launching the Millennium Development Goals (MDGs) to be reached by 2015. The Millennium Assembly, that took place in September 2000, gathered one hundred forty-seven heads of state and government¹⁵¹ engaged in expressing their global commitment in fighting the determinants of the extreme poverty. They actually identified eight main targets to be achieved. The MDGs aimed at the eradication of extreme poverty and hunger, the achievement of the universal primary school, the promotion of gender equality and the empowerment of women, the reduction of child mortality, the improvement of maternal health, the fight against HIV/AIDS, malaria and other diseases, the ensuring of environmental sustainability, and the advance of a global partnership for development¹⁵². All these objectives identified the principal social problems characterizing the Third World countries and hindering their development take-off. As they were widespread, their resolution would require intense investments and a substantial increase in ODA flows, as the missing assets should be provided by the richer nations and the international institutions. The raise of the financial flows dedicated to the development assistance should witness a considerable expansion as poverty required to be fought both at the rural and at the urban level. According to Sachs, the interventions in the rural area should ameliorate the living conditions of the poorest people of villages, entailing improvements in the agricultural inputs, using the new technologies, investments in basic health and education, enhancements in the power, transport and communication services, and save drinking water and sanitation¹⁵³. On the other hand, the urban area exigencies were slightly

¹⁴⁹ D. R. Morrison, "Poverty and Exclusion: from Basic Needs to the Millennium Development Goals" in P. A. Haslam, J. Schafer, P. Beudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 243.

¹⁵⁰ M. Taylor, "The International Financial Institutions", cit., p. 171.

¹⁵¹ J. D. Sachs, *The End of Poverty Economic Possibilities for Our Time*, cit., p. 210.

¹⁵² *Ivi*, p. 211-212

¹⁵³ *Ivi*, p.243-235

different. The main problem consisted in the growth up of big slums surrounding the cities centers. In this case, together with investments in the basic infrastructures, the main challenge was the empowerment of slums dwellers¹⁵⁴. They should be able to acquire a political and social voice in order to negotiate solutions with the city government.

In the following years, further world economic meetings worked on the poverty reduction objective. In 2001, there was a global trade round in Doha, Qatar, and the Doha declaration focused on reforms in the trading system in order to support the poorest countries¹⁵⁵. An international conference on financing for development was then held in 2002 in Monterrey, Mexico. Addressing the issue of the providing of financial means for development, there emerged a Monterrey Consensus underlining the complementary role of both ODA flows and private investments¹⁵⁶ as essential external financial sources. In this occasion, the US government announced an increase in its foreign assistance flows within a new project named the Millennium Challenge Account (MCA)¹⁵⁷.

In spite of repeated international commitments in the participation in the poverty reductions plans, the actual records show that again many donors have been failing to meet the promised investments¹⁵⁸. Actually, if in 1999 in a meeting in Köln, Germany, the richer countries agreed on the increase of the share of debt cancellation from \$55 billion to \$100 billion, in 2006 the WB admitted that the HIPC initiative had only achieved \$62 billion¹⁵⁹. Moreover, even the great tasks of the MDGs projects have not been accomplished. Although financial flows for development initiatives have been increased all over the world bringing improvements in poverty eradication, the road ahead is still very long and criticisms are becoming more and more harsh.

¹⁵⁴ *Ivi*, p. 238-243

¹⁵⁵ *Ivi*, p. 217

¹⁵⁶ *Ibidem*

¹⁵⁷ *Ibidem*

¹⁵⁸ D. R. Morrison, "Poverty and Exclusion: from Basic Needs to the Millennium Development Goals", cit., p. 243.

¹⁵⁹ J. Hanlon, "Debt and Development", cit., pp. 268-269.

1.11 Post-development theories

Even though the PRSPs and the MDGs were elaborated to fight poverty and to help developing countries to ascend the ladder of economic development, at the beginning of the new millennium the people living in poverty still represented around 40 percent of humanity¹⁶⁰. Around one billion of the population of the world (roughly one sixth) is still living in extreme poverty, which means that the households cannot meet basic needs to survive, and another 1.5 billion people live in moderate poverty, reaching the level of subsistence but facing chronic economic difficulties and lacking basic services¹⁶¹. Although a good proportion of the world has achieved economic progress increasing the level of income and improving the general living conditions, there is still an important percentage of people caught in grave poverty. Reasonably, the dominant economic and financial policies enforced to reach the development goals have been largely questioned.

During the 1980s, as the neoliberal policies were not succeeding in restarting the economic progress in the developing countries hit by the debt crisis, a number of social movements began to oppose the neoliberal formula. Many non-profit voluntary associations and non-government organizations (NGOs) questioned the structural adjustment policies, asserting that those policies were the main cause of the increase in social inequalities, widening the gap between rich and poor countries¹⁶². According with these claims, the neoliberal policies and the globalization process had fostered the richness of businessmen trading all over the world, while worsening the poverty conditions of developing countries¹⁶³. These emerging ideas went back to the Dependency theory statements as they argued that the deepening of poverty in the developing countries had been

¹⁶⁰ J. D. Sachs, *The End of Poverty Economic Possibilities of Our Time*, cit., p. 19.

¹⁶¹ *Ivi*, pp. 19-21

¹⁶² H. Veltmeyer "Civil Society and Development" in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., pp. 223-224.

¹⁶³ *Ibidem*

caused by the same policies that had driven the progress of the advanced countries¹⁶⁴.

Nonetheless, the people excluded from the benefits of the globalization process did not remain passive but formed social movements of opposition, spreading their voice worldwide. Indigenous communities, peasants farmers, urban unemployed people, students, women and anti-globalization movements enlarged the range of their protests asking for radical changes in the world policies. For these movements, the protest of Seattle during the 1999 meeting of the World Trade Organization, had a great resonance, while the famous Movement of the landless workers in Brazil has expanded also in other countries of Latin America. The Fair Trade network is constantly trying to spread a concept of fair commercial arrangements, selling the local products of the developing countries at right price that could be remunerative of the hard handwork productions of their people, and that could reorient the unequal exchange characterizing the primary commodities trade¹⁶⁵

The same directives have recently been undertaken at the theoretical level as even many economists have questioned the dominant development theory. Several voices have risen criticizing it from different points of view, gathering in the so called Post-development school¹⁶⁶. The first group of critics has formed on the use of language and knowledge within the prevailing development theory, accused to have elaborated a sham “myth of development”¹⁶⁷.

Reasoning on how words generate meanings and form mental representations, Stuart Hall has highlighted the fact that words operate as symbols of the meaning they should communicate and are therefore used to channel the spread of certain concepts, especially in the economic, political

¹⁶⁴ *Ibidem*

¹⁶⁵ G. Fridell, “Free Trade and Fair Trade” in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., pp. 279-294.

¹⁶⁶ E. N. Sahle, “Post-Development and Alternatives to Development” in P. A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issue*, cit., p. 70.

¹⁶⁷ *Ivi*, p. 71

and social fields¹⁶⁸. A clear example of this power of the words can be searched out in the descriptions of indigenous people given by the first colonizers. As they were portrayed as backward and savage natives, this image was inflated within the imaginary of the dominant countries justifying the conquer and the exploitation of those degraded human beings.

Accordingly, Latouche has argued that words are strongly linked to representations and symbols which often escape the minds of the interlocutors, but are able to grip on the emotions of people, putting them in turmoil and limiting their ability of critical judgment¹⁶⁹. Latouche stated that the word “development” is actually part of this type of worlds. The idea of development primarily embodied the economic take-off experienced by the Western countries since the boost given by the Industrial Revolution. In these terms, it had actually been proposed by President Truman’s speech and then scheduled by the Rostow’s theory of stages, representing a huge hope for the developing countries. The leading richer countries had constructed a model the Third World countries should imitate in order to achieve economic growth and offered their investments and assistance to foster the development run-up. What Latouche stressed is that although the word “development” referred to welfare enhancements of people, it had historically hidden the economic interests of richer countries and spread their social values considered superior to the ones of the populations living in “developing” countries¹⁷⁰. The harsh criticism of Latouche has actually described development as the Westernization of the world and as the continuation of the colonization process under different means¹⁷¹.

Similarly, Arturo Escobar has drawn attention to an underlying construction of a development discourse¹⁷². The President Truman’s speech definitively identified the pervasive poverty characterizing the Third World

¹⁶⁸ S. Hall, “Introduction” in S. Hall, *Representation: Cultural Representation and Signifying Practices*, London: The Open University, 1997, pp. 5-7.

¹⁶⁹ S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell’immaginario economico alla costruzione di una società alternativa*, cit., pp. 28-29.

¹⁷⁰ *Ivi*, p. 27

¹⁷¹ *Ivi*, p. 25

¹⁷² A. Escobar, *Encountering Development The Making and Unmaking of the Third World*, Princeton: Princeton University Press, 1995.

countries and started a sort of mission of the Western countries in sustaining the improvements of those areas. The solution entailed economic growth, whose means resided in the technological and financial assistance provided by the richer countries as the developing countries inevitably needed a guidance to implement their economic take-off. The development was therefore represented as a pattern requiring a transition process towards industrialization and modernization, following regulated practices of capital accumulation¹⁷³. The strength of this development arrangement lied in the substantial infantilization of the Third World countries, assumed to be unable to carry on the development pattern alone, as they should conform and homologate to the advanced model driven by the richer countries. Although the First World countries have tried to lead the development path of the poorer countries proposing different policies over more than fifty years, they have failed to reach the main objectives, and Escobar argued that it is time to listen the increasing protests coming for the Third World people and to begin to rethink the same development concept¹⁷⁴.

The three authors suggest that the development concept has been created and diffused according with the main interests of the developed countries, which have packed their own experience of development pattern and pretended the developing countries to implement the same outline.

Within this criticism, even the dynamics of geopolitics played a crucial role. As the richer Western countries were seen as the drivers of the development process, they were supposed to help the Third World countries, concentrated in the South of world. As Latouche said, these dynamics preserved a colonization process, although continued in a different way. The Northern advanced countries provided the technological knowledge and the financial assistance to the Southern developing countries, deciding how the developing countries should reach the development objectives. The commercial and financial flows towards the Third World countries increased incessantly and, as a result, the First World countries increased their interventions and their power over the countries

¹⁷³ *Ivi*, pp. 3-20

¹⁷⁴ *Ivi*, pp. 213-226

they should have helped. Actually, already in 1971 Hirschman boldly highlighted the critical role played by those flows of foreign investments¹⁷⁵. On the one hand, foreign investments had an essential function in bringing capital, entrepreneurship, technology and management skills, and in enhancing market connections in the developing countries¹⁷⁶. As the foreign investments provided inputs that were scarce in developing countries, they permitted a hopeful increase of the output of the recipient countries. Moreover, foreign investments flows could have a teaching role in improving the quality of the local factors of production, acting as a boost to enhance the efficiency of the production capacity of the local enterprises¹⁷⁷. On the other hand, Hirschman underscored that foreign investments could also mean economic pillage of the natural and human resources of the recipient countries and the political domination of the donor countries¹⁷⁸. If local businessmen could not respond with adequate dynamism and skills and the use of local resources were not improved effectively, the pervasive influence of foreign investments could even lead to a decrease in the quantity of inputs available locally and in the total output of the economy of the recipient country. In addition, foreign investors could even take control on the local banks as representing the major providers of financial resources. In this way, the inputs of production would continually be provided by the donors countries and consequently, the developing countries would not be able to enhance their scarce economic and financial means. For this reason, Hirschman argued that foreign investments could actually delay or hinder the development path of recipient countries¹⁷⁹.

The Post-development school actually stated that the interventions of the richer countries into the economy of the developing nations have always been characterized by underlying dynamics of power, governed by the Western States. Nonetheless, these dynamics of power were not taken into

¹⁷⁵ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, cit., p. 225.

¹⁷⁶ *Ivi*, p. 226

¹⁷⁷ *Ivi*, pp. 226-227

¹⁷⁸ *Ibidem*

¹⁷⁹ *Ivi*, p. 229

account within the discourse on development, neither when the WB approached the idea of the enhancement of the social capital arrangements. In his book published in 2002, John Harris actually underlined that the various elaborations of the concept of social capital led to a depoliticization of development, as they systematically occulted the recognition of power and class relations¹⁸⁰. The WB in fact used the idea of social capital to shift the attention from the failing neoliberal policies to the social setting the people of the developing countries were now pushed to improve in order to achieve good governance and successful economic development. But the clientelism and patron-client relations disseminated within the society of the developing countries and in respect of the flows of foreign investments have not been questioned, even though they corresponded to precise strategic policies¹⁸¹.

Conversely, the Post-development thinking strongly criticized the strategic deployment of those dynamics of power. Latouche convincingly argued that the policies undertaken by the developing countries to follow the official discourse of development have gradually destroyed their local potential, increasing the industrial and financial poles of power¹⁸². In this respect, he described the process experienced by the banks. If during the previous century, the developing countries have established their small local and regional banks, the policies of development have created the national banks, and later the transnational banks¹⁸³. These types of banks have absorbed the local saving and financed the activities of the multinational enterprises, primarily ensuring fiscal advantages and beneficial regulation¹⁸⁴. The big industries installed in the developing countries were operating in the local territory, but they usually constituted subsidiaries of foreign companies, whose profit was transferred back to the parent company. Therefore, although the presence of multinational enterprises' branches stimulated the economic activities within the developing

¹⁸⁰ J. Harris, *Depoliticizing Development The World Bank and Social Capital*, cit., p. 112.

¹⁸¹ *Ibidem*

¹⁸² S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, cit., p. 41.

¹⁸³ *Ivi*, p. 42

¹⁸⁴ *Ivi*, p. 44

economies, there was not a true revitalization of the local fabric since revenues were not reinvested locally to advance the capital endowment, the entrepreneurship, the training of employees or the financial arrangements. Latouche consequently stated that historically the developing countries can be considered as territories without power at the mercy of the big powers without territory, constituted by the multinationals able to organize a remote management thanks to the innovative technologies of communication¹⁸⁵.

Furthermore, these territories without power have also suffered a real plunder of their local heritage. The Indian scientist Vandana Shiva clearly underlined this aspect. She stated that colonialism and industrialism have destroyed the ancient relationship of harmony between nature and humans, as resources were transformed into material inputs for industrial production and trade¹⁸⁶. The natural resources were considered as manipulable matter in order to generate increasing revenues and growth of capital. Since the colonial period, the resources of the Third World countries have been exploited greedily, as they were judged to be abundant, while those countries were supposed to lack adequate capital and technology. At the same time, even indigenous people should be moved away from their primitive and backward living conditions, strictly correlated to the processes of nature, in order to be transformed into skilled human resources¹⁸⁷. Natural and human resources of the developing countries were therefore largely exploited within the industrialization pattern and the development proceedings presided by the Western powers.

This exploitation, primarily led by the economic activities of the multinational enterprises, provoked a deep degradation of the environment of many Third World countries. Big Western companies have proceeded to cut down the forests, to drain marshes, to abuse of barren soils, to enlarge farmed estates, and to spread the use of chemical fertilizers. The thirst for economic gain firstly overexploited the natural resources, causing their subsequent scarcity, and secondly damaged the properties of other

¹⁸⁵ *Ibidem*

¹⁸⁶ V. Shiva, "Resources" in S. Wolfgang (edited by) *The Development Dictionary A Guide to Knowledge as Power*", cit., p. 228.

¹⁸⁷ *Ivi*, p. 229

correlated resources. Shiva actually argued that the dissolute actions undertaken within the industrialization and then globalization process induced to the desacralization of the nature, as the limits of the renewability of the nature were violated, ultimately deteriorating the ecological processes and the natural regenerative capacity¹⁸⁸.

The Conferences of Rio in 1992 and of Johannesburg in 2002 have actually established the critical importance of a sustainable development that should be respectful of the natural environment in order to preserve its same potential even for the future generations¹⁸⁹. The management of the non-renewable resources has become crucial, involving the research studies of many scientists and the elaboration of new technologies. Nonetheless, Shiva claimed that the severe damages caused to the prosperous environments of the poor countries could not be mend and, worse, their sequence would continuously be repeated, principally because this ravage do not directly corrode the economic affairs of the North powers and of the élites of the South countries¹⁹⁰.

Actually, the policies decided under the dominant theories of the Washington Consensus were led by the two international institutions, mastered by the industrialized countries and by their commercial and financial interests¹⁹¹. In his book published in 2002, Joseph E. Stiglitz, who has been the Senior Vice President and Chief Economist at the WB from 1997 to 2000, strongly criticized the policies undertaken by the IMF and the WB itself during the 1980s. Stiglitz vigorously stated that the policies of neoliberalism and globalization had imposed the model of the triumphant capitalism underpinned by the US as the only way to achieve progress, and therefore as the blueprint that should be undertaken worldwide¹⁹². The two international institutions had actually imposed the policies of structural adjustment in order to reorganize the international setting around these coordinates. Stiglitz recognized that the programs of austerity imposed

¹⁸⁸ *Ivi*, pp. 234-235

¹⁸⁹ S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, cit., pp. 45-47.

¹⁹⁰ V. Shiva, "Resources", cit., p. 236

¹⁹¹ J. E. Stiglitz, *El malestar en la globalización*, Buenos Aires – Argentina: Taurus, 2002.

¹⁹² *Ivi*, p. 32

jointly by the IMF and the WB have in fact driven the opening of the developing countries to the international trade, which actually had several positive effects. It definitely helped the developing countries to increase their rate of growth, to foster their exports, to improve their access to knowledge and technological advances, to ameliorate the living conditions of their population, and to reduce the feeling of insulation¹⁹³. Moreover, some projects of the WB even focused on irrigation plans to support the agricultural sector, on education programs and on the struggle against the AIDS disease¹⁹⁴, in order to increasingly help the population of the developing countries.

What Stiglitz harshly questioned are the economic and financial solutions imposed by both the IMF and the WB. The liberalization of the market and the conditionality on the ODA loans were taken as absolute, within a true sacralization of the free market¹⁹⁵, but without weighting their negative impacts on the economies of the developing countries. Stiglitz argued that forcing a developing country to brakeless open to imported products, inevitably infringe its national competence and competitiveness, damaging the infant industries¹⁹⁶. In the case of neoliberal policies, the liberalization process has additionally been premature and poorly organized, incrementing the instability of the developing economies. Moreover, the privatization policies have been implemented without first establishing a proper regulatory plan able to secure the rights not only of foreign investors, but also of the national citizens¹⁹⁷. According to Latouche's view, Stiglitz highlights how local banks grew rapidly but in a unruly way, as the developing countries lacked an adequate financial and banking legislature¹⁹⁸. As already Hirschman said, Stiglitz states that the foreign investments, aside from compromising the local competitiveness, could

¹⁹³ *Ivi*, p. 30

¹⁹⁴ *Ivi*, p. 31

¹⁹⁵ *Ivi*, p.44

¹⁹⁶ *Ibidem*

¹⁹⁷ *Ivi*, p. 63 and p. 92

¹⁹⁸ *Ibidem*

easily take control of the central national banks, and play a pervasive role within the government's decisions in order to obtain particular privileges¹⁹⁹.

On the other hand, the ODA loans were expanded to sustain the structural adjustment policies, but only under the approval of the IMF and the structural adjustment conditions imposed by both the IMF and the WB. The developing countries should inform of everything that could be relevant to the obtained loans²⁰⁰, and if a country could not meet some of the requirements established by the two institutions, the IMF could decide to suspend the loan²⁰¹. As the developing countries desperately sought to get loans as they needed to obtain further money to sustain their economies, the IMF and the WB could easily enforce the terms of the loan agreements, exacerbating the conditionality over the ODA loans²⁰². This process inevitably smothered any discussion with the recipient government²⁰³: the negotiations were evidently unequal and the severe conditionality undermined the national sovereignty²⁰⁴. Furthermore, as the two international institutions did not know in detail the features of the local economies, they actually adopted standard solutions enforcing a one-size model²⁰⁵ that should be replicated worldwide, without taking into account the different economic, political, and social circumstances characterizing the developing nations.

Stiglitz even claimed that although the neoliberal policies have represented a relevant boost for the economies of the developing countries, they did not accomplish the objective of the poverty reduction, nor the goal of economic, financial and political stability²⁰⁶. Stiglitz explained that this failure was due to several factors, among which the strict conditionality of loans, the logic of which was inadequate and chiefly political²⁰⁷ rather than economic. This last aspect had been largely hidden thanks to a deliberate

¹⁹⁹ *Ivi*, pp. 106-110

²⁰⁰ *Ivi*, p. 61

²⁰¹ *Ivi*, p. 58

²⁰² *Ivi*, p. 75

²⁰³ *Ivi*, p. 76

²⁰⁴ *Ivi*, p. 36

²⁰⁵ *Ivi*, p. 82

²⁰⁶ *Ivi*, p. 32

²⁰⁷ *Ivi*, pp. 80-81

lack of transparency²⁰⁸, which precluded the governments and the people of the developing countries to acknowledge the real extent of the neoliberal policies. However, the price of these failing policies primarily relapsed on the developing countries, which should cope with a persistent economic underdevelopment, depredated natural environments, corrupted political processes, urban violence and ethnic conflicts²⁰⁹.

Radical changes are consequently needed. In this respect, in 1974 Louis Lefebvre interestingly claimed for a crucial change in the paradigm for economic development²¹⁰. Lefebvre argued that the underlying problem of the dominant development model was that it did not take into account the fact that the conditions the developing countries dealt with were not the same experienced by the Western powers at the beginning of their ascent in the industrial development. The dominant development paradigm, still founded on the Kuznets' work, in which development was principally equated with urban industrial growth²¹¹, failed to identify the relevance of economic differences between the two areas and the two historical periods. Lefebvre actually stated that the industrial development of the advanced nations had modified and then presided the dynamics the developing countries should afford starting from the post-war period. Firstly, the advantageous transfer of capital benefited by the Western nations, that basically permitted the boost of industrialization, was not experienced by the developing countries, as they had been the sources from which that capital was drained. The subsequent result was that the developing countries should cope with general economic stagnation²¹². Secondly, the technological advances exploited by the advanced countries were not efficiently experimented by the developing countries, disappointing the hope for upgrading their vast agricultural sector and to start an efficient process of industrialization. Thirdly, the quantity and quality of the output of the developing countries were not competitive on the international

²⁰⁸ *Ivi*, pp. 83-87

²⁰⁹ *Ivi*, p. 36

²¹⁰ L. Lefebvre, "On the Paradigm for Economic Development", *World Development*, II (1974), pp. 1-8.

²¹¹ *Ivi*, p. 1

²¹² *Ivi*, p. 2

market, as these countries lacked the capital and the technology to powerfully enhance their productivity rate. Finally, these countries strongly suffered of economic and social bottlenecks that impeded a real income distribution among their population. Therefore, the dominant paradigm of development had to be modified in order to meet the different circumstances the developing countries should deal with.

As seen throughout this paragraph, the Post-development school is then robustly challenging the dominant policies concerning the development process. This trend is present worldwide, and there are three main networks: The International Network for cultural Alternatives to Development (Incad), based in Montréal; the Réseau Sud/Nord cultures et développement, based in Bruxelles; and the Réseau des objecteurs de croissance pour l'après-développement (Rocade), which gathers several important French magazines²¹³.

The essential concept shared by the Post-development school and by the civic movements is the urgent need to reorient the development theory, in order to foster not only the economic output, but also to highlight and manage the many social and political issues ignored by the neoliberal policies of the 1980s.

1.12 Why underdeveloped countries failed to thrive?

Although the model of economic development has spread worldwide and its implementation has been attempted by the majority of the countries, there are several nations where it has not worked properly. Over the years, many authors, above all economists, have investigated the reason why the underdeveloped countries did not succeed in reaching the desired development goals. As suggested by the Post-development school, the main problem lies in the definition of the development concept itself and in the dynamics of the international economic system, as they both throttled not

²¹³ S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, cit., p. 13.

only the economic growth, but also the social and political enhancement of the underdeveloped countries. Therefore, understanding the real causes of the persistence of underdevelopment has become a crucial point for research studies.

Already in 1971, Albert O. Hirschman identified some problematic issues characterizing the development path of the underdeveloped countries. Hirschman argued that the economic policy decisions of the governments of these countries played a considerable role²¹⁴. Among these decisions, the programming of economic development had a huge importance, as it was a matter of prestige²¹⁵ within the international arena. The elaboration of a plan for economic development in fact presented several advantages. As such a plan expressed the universal aspiration towards better living standards, it constituted a source of popularity for the government that issued it²¹⁶. Moreover, a plan for economic development was necessary for a country to be eligible for foreign assistance and financial aid by international institutions, and made it easier for a government to impose taxation or other financial measures as they became necessary to achieve the established economic development goals²¹⁷. In spite of these attractive aspects, the development plans of the underdeveloped countries imitated the programs undertaken by the advanced countries, and they often hid rigid constraints, which finally the same governments of the underdeveloped countries found themselves unable to follow²¹⁸. In addition, the commitment to substantial investments often lacked the appropriate knowledge of investment criteria and of the differentiation of financial mechanisms required in order to efficiently boost each economic sector, so creating serious financial troubles for the governments and the entire economy. Hirschman highlighted the fact that the underdeveloped countries needed to work out development plans that took into account the local features of each country, and that left space to experimentation in order to identify the economic sectors conducive to

²¹⁴ A. O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, cit., p. 255.

²¹⁵ *Ivi*, p. 257

²¹⁶ *Ibidem*

²¹⁷ *Ibidem*

²¹⁸ *Ivi*, p. 258

economic progress and take advantage of the changing trends in the international markets²¹⁹.

Secondly, Hirschman drew the attention to the problem of inflation. In underdeveloped countries, the inflation process is usually explained by an imbalance in their monetary system, due to the fact that the demand for investment funds outrun the supply of savings, aggravated by the lack of appropriate institutions and instruments able to efficiently mobilize the reserves of savings²²⁰. Hirschman argued that the crucial aspect characterizing the underdeveloped countries was their constant difficulty to avoid inflation, due to the fact that the conditions for monetary equilibrium were more precarious for them than for developed nations²²¹. Hirschman states that in underdeveloped countries the monetary equilibrium is achieved by balancing separately the accounts of governmental activities and of the nongovernment sector, instead of the overall balance practiced by the advanced countries²²². Moreover, the national debt is constantly increasing as many projects need to be undertaken and social and political forces make pressure for their implementation. In order to control their revenues, the underdeveloped countries should pay particular attention on the economic decisions concerning the foreign exchange rate and the fiscal policy, that is the choice between multiple or unitary exchange rate, and the dynamics of the system of taxation²²³.

A third aspect detected in Hirschman's analysis focused on the deficiencies characterizing the public administration of the underdeveloped countries. These countries dealt with severe difficulties in creating a effective and durable administrative structure, especially in the economic field²²⁴. Moreover, the public institutions suffered continuous changes without a sense of integration and continuity, the political structures

²¹⁹ *Ivi*, p. 260

²²⁰ *Ivi*, pp. 260-261

²²¹ *Ivi*, p. 261

²²² *Ivi*, p. 262

²²³ *Ivi*, pp. 264-265

²²⁴ *Ivi*, p. 266

themselves were unstable and ill-defined and the legitimacy of the government was often in doubt²²⁵.

According to Hirschman, this ambiguous arrangement of the public administration, the recurrent cycle of inflation and the mismanaged economic development planning could not represent a solid base to which the underdeveloped countries could entrust their development pattern.

In 1983, Arthur W. Lewis further investigated the unfair relationship between the developed and the underdeveloped countries, analyzing the underlying causes of this divergence. Lewis firstly underlined that the effective entry of the underdeveloped countries into the international market occurred after the middle of the 19th century, as the transport revolution kicked off, permitting to reach even the more internal areas of those countries²²⁶. The Industrial Revolution of the 19th century involved few richer countries, while for the rest of the world it entailed two main alternatives: the attempt to imitate the same path of industrial development or to undertake the challenge of increasing the economic exchanges (commercialization)²²⁷. But the first option was hindered by various constraining elements. Even though by the middle of the 19th century, most of the underdeveloped countries were politically independent, the imperial powers were hostile to the industrialization of their former colonies, over which they still exerted economic, political and social influence. In addition, Lewis argued that the process of industrialization necessarily required a prior or contemporary Agricultural Revolution, which would allow the production of an agricultural surplus to be channeled to the industrial sector of the domestic market, which subsequently could enlarge the range of exported products²²⁸. The underdeveloped countries were not experiencing this sequential process, but they rather concentrated their efforts on the export flow, omitting the crucial enlarging of the domestic market. These countries were then characterized by a critical economic climate, adverse to

²²⁵ *Ivi*, pp. 267-268

²²⁶ A. W. Lewis, *L'evoluzione dell'ordine economico internazionale*, Torino: Einaudi, 1983.

²²⁷ *Ivi*, p. 6

²²⁸ *Ivi*, pp. 8-9

the investments that would have fostered the industrialization process. While the advanced nations dealt with capitalist economies, in the underdeveloped countries the economic power was concentrated in the hands of few landowners and the industrial entrepreneurship was mostly absent²²⁹.

For these reasons, Lewis stated that if some countries were able to catch the industrial process, many of the underdeveloped countries did not undertake that path, but steered their economies on the exports of agricultural products and raw materials. In this way, the international economy became divided into exporters of primary goods and exporters of manufactured products²³⁰. Over the years, this division was increasingly deepened due to the low value of the agricultural products, whose production did not incorporate the substantial technological advances undertaken in the industrial production, and of the labor force, which was not skilled, but rather included immigrants willing to receive subsistence wages²³¹. These two aspects determined critical disadvantageous terms of trade for the underdeveloped countries, as already Raúl Prebisch had claimed within the Dependency theory.

Interestingly, Lewis highlighted that increasing exports, positively affected national incomes and, consequently, the demand for industrial products, but that the underdeveloped countries did not develop their own industries answering that increasing demand²³². There were some explanations. Lewis argued that in these countries the commercial flows were primarily controlled by foreigners, investing in the more profitable activities, such as the wholesale trade, the banking, and the transport and insurance companies²³³. Foreign entrepreneurs were focused on their own interests, and their activities eroded the availability of funds and resources for the domestic investments. Moreover, the participation in the international trade stimulated itself the demand for foreign products, as it

²²⁹ *Ivi*, p. 9

²³⁰ *Ivi*, p. 1

²³¹ *Ivi*, pp. 12-17

²³² *Ivi*, p. 18

²³³ *Ivi*, p. 19

changed the preferences of the consumers²³⁴. These dynamics destroyed the local activities, especially when the State did not recognize the right to protection of its national activities²³⁵. The revenues coming from the export sales also fostered the interest of the local richer people directly dealing with the international trade²³⁶, who implicitly resisted the industrialization process, in order to preserve the economic, political and social structure assuring their economic privileges.

Finally, Lewis claimed the fact that the underdeveloped countries were affected by a financial and economic dependence. On the financial side, the underdeveloped countries presented a deep dependence on international loans. The foreign debt of these countries largely overcame the export revenues, causing a serious financial deficit that endangered their national economies²³⁷. Due to the pressing speed at which the financial charges on the debt service accumulated in periods of high interest rates, many of the underdeveloped countries experienced a financial default, as they were not able to pay back the loans contracted to finance projects that should have fostered their economic development. On the economic side, the underdeveloped countries lacked the industrial and managerial entrepreneurship and, consequently, depended on the foreign companies investing in their economies²³⁸. As already said, foreign investors did not serve the goals of the development of the host countries, but rather acted to increase their own profits, even at the expenses of the resources of the underdeveloped countries. Moreover, these countries depended excessively on export revenues, considered as the sole engine of their development pattern. These revenues were in fact highly vulnerable due to both the fluctuations of the prices of primary goods on the international market, and to the instable presence of international investments²³⁹. The underdeveloped countries depended overly on foreign resources, without relying on the enhancement and enlargement of national potentialities.

²³⁴ *Ivi*, p. 20

²³⁵ *Ibidem*

²³⁶ *Ivi*, p. 21

²³⁷ *Ivi*, pp. 50-52

²³⁸ *Ivi*, pp. 38-40

²³⁹ *Ivi*, pp. 41-45

In his 2005 book, Jeffrey Sachs described the elements characterizing the inability of the very poor countries to enter the ladder of economic development, that is the critical gears of their economic machine²⁴⁰.

Firstly, Sachs explained that the underdeveloped countries have been affected by the poverty trap²⁴¹. Poor people have not had the capability to get out of their poor conditions, principally because they could not save. As their population was not able to save, the underdeveloped countries could not experience capital accumulation and human capital training. Moreover, this process has further been undermined by the fact that their natural resources have been exhausted by foreign economic activities. Secondly, Sachs highlighted the role played by physical geographical conditions²⁴². For example, when countries are landlocked, transport costs are higher, geographical features are more adequate to one cultivation rather than another, geographical isolation can hinder the international trade, and particular diseases can be a serious problems for the population²⁴³. Thirdly, the underdeveloped countries have been suffering a financial trap²⁴⁴. Their governments have lacked the financial means to invest in infrastructures and essential public goods. Sachs identified three main reasons explaining this leak. First, the population of these countries have been too poor, for an effective taxation being feasible; second, their governments have too often been incompetent, corrupted and weak; third, the foreign debt has been so high that it has drained their tight resources²⁴⁵. In addition, geopolitical dynamics have been critically important. Foreign countries and the international institutions have often erected trade barriers both for economic and political reasons, affecting the development path of the underdeveloped countries, and principally impoverishing their population²⁴⁶

Moreover, Sachs argued that the governments of the poor countries have been unable to perform the basic function the State should accomplish,

²⁴⁰ J. Sachs, *The End of Poverty Economic Possibilities for Our Time*, cit. p. 56.

²⁴¹ *Ibidem*

²⁴² *Ivi*, p. 57

²⁴³ *Ibidem*

²⁴⁴ *Ivi*, p. 59

²⁴⁵ *Ibidem*

²⁴⁶ *Ivi*, p. 61

provoking its failure²⁴⁷. This resulted in the mismanagement of the infrastructural projects, the providing of social services, the investment climate, the preservation of internal peace and safety, and of the juridical system²⁴⁸. These aspects have been relevant in front of cultural or religious barriers that usually affected the position of women and minorities within the society, especially regarding the respect of human rights, and the indiscriminate access to job and public services²⁴⁹. Additionally, the underdeveloped countries had to deal with the demographic trap, as their fertility rate, after the decline of the mortality rate due to medical innovation, were pressing on the weak domestic economy and on the exhausted environmental resources, thereby exacerbating the poor living conditions of the population²⁵⁰.

Finally, Sachs recognizes that the underdeveloped countries have suffered a crucial lack of innovation²⁵¹. On the one hand, for poor countries it has been difficult to start a innovation process, as their governments could not afford to back research studies and the cost of new products was too high to be managed²⁵². On the other hand, although technological knowledge could be imported, in order to be successfully acquired, it needed to be effectively integrated within the local production²⁵³. Unfortunately, this process largely failed, as the branches of foreign firms concentrated on the coastal areas of the host countries, precluding the hinterland from any real economic advancement²⁵⁴.

This reconstruction of the economic, political and social dynamics undermining the development pattern of the underdeveloped countries clarifies the reasons why the development model elaborated by both the Western powers and the international institutions is more and more questioned as a misleading framework, which has conversely worsened the

²⁴⁷ *Ivi*, pp. 59-60

²⁴⁸ *Ibidem*

²⁴⁹ *Ivi*, p. 60

²⁵⁰ *Ivi*, pp. 64-65

²⁵¹ *Ivi*, p. 61

²⁵² *Ivi*, p. 62

²⁵³ *Ibidem*

²⁵⁴ *Ivi*, pp. 62-64

potential growth of the poor countries. It has created a complex network of relations of dependence and exploitation from which the underdeveloped countries have not yet been able to get rid of.

2. Critical aspects of the Latin American development

Among the areas defined as underdeveloped, Latin America represents an interesting subject of study. Firstly, its historical underdevelopment is in contraposition with the economic and political success of the neighboring North American countries. Secondly, its conditions of underdevelopment can be explained by several political, economic, financial and social factors characterizing the Latin American reality.



Figure 3: Political map of Latin America

Source: <http://www.colonialvoyage.com/america/it/images/foto9.jpg>

2.1 A different colonization framework

In order to explain the fundamental differences between the two regions of the American continent, it is important to go back to the diverse pattern of colonization they experienced. Marcel Hénaff stated that the colonization path followed two different models, which reflected the two main traditions prevailing in Europe²⁵⁵. Hénaff claimed that the differences between the Anglo-Saxon tradition and the Latin or Roman tradition, corresponding respectively to the Protestant and Catholic religion, shaped a dissimilar colonization of the two Americas, which inherited different economic and political arrangements²⁵⁶. Within the colonization of America, these two traditions were embodied by England, whose colonization took place in the North America, and Spain and Portugal, which territorial expansion was mainly in the Central and South America.

From a political point of view, within the Spanish colonization the expeditions for the conquest of new territories in the South America were affairs of the State. The acquisition of new territories was proclaimed through a solemn and symbolic act in the name of the king of Spain, and the entire organization of the colonies depended directly on the authority of the State. Moreover, the colonized areas were merely considered as a prolongation of the Spanish territory, and the centralized administrative institutions were simply transplanted in a direct and massive way in the conquered regions²⁵⁷. Indeed, the Roman tradition instituted the absolute character of the sovereign power: the ruler was the center from which the organization and administration of the State proceeded²⁵⁸. The State separated itself from the nation and imposed its ruling over it.

On the other hand, the expeditions departing from England and directed to the North America were initiatives of English pioneers, traders or adventurers. Although these colonizers dedicated the conquered

²⁵⁵ M. Hénaff, "Utopía Latina, American Dream", in Casa de Altos Estudios Don Fernando Ortiz, *Utopía y Experiencia en la idea americana*, La Habana: Imagem Contemporanea, 1999, pp. 11-12.

²⁵⁶ *Ivi*, p. 13

²⁵⁷ *Ivi*, p. 15

²⁵⁸ *Ibidem*

settlement to the English crown, England did not attend their political and administrative organization²⁵⁹. The organization of the colonies was left in the hands of the colonizers, who organized themselves locally, expanded the territorial occupation following their personal interests and gradually shared a common sense of community. In fact, according with the tradition of the Anglo-Saxon political right, the sovereignty was delegated, leaving space to delocalized decisions. The central power was conceived as the result of the will of the people, following the famous principle established in the Magna Carta of 1215 “No taxation without representation”, that gave rise to the English Parliament²⁶⁰.

These two political models entailed corresponding differences in the economic field. In the Spanish colonies, the entire economy served the interests of the Spanish crown²⁶¹. The peripheral conquered territories were submitted to the motherland, who exploited their riches to its total benefit. Therefore, any local need was eventually subordinated to a corresponding advantage for the motherland. In the tropical lands of the Latin American countries flourished the production of sugar, tobacco, coffee and then precious minerals, such as gold and silver, representing new and valuable products that could enrich the coffers of the Spanish and European nations²⁶². As a consequence, the European powers recognized a great economic importance to the Latin American territories, imposing their control over those sources of wealth. Conversely, the English colonizers established in the North America could developed an independent economy, as it was not exclusively oriented to the needs of the mainland, but it answered also to local necessities²⁶³. Due to the similar climate and characteristics of the soil, the colonies of the North America produced what was usually produced in England so that they did not offer an essential complementary production to the motherland²⁶⁴. In this way, the low

²⁵⁹ *Ibidem*

²⁶⁰ *Ivi*, p. 14

²⁶¹ *Ivi*, p. 16

²⁶² E. Galeano, *Le vene aperte dell'America Latina*, Sperling & Kupfer Editori S.p.A., 1970, p. 156.

²⁶³ M. Hénaff, “Utopía Latina, American Dream”, cit., p. 16.

²⁶⁴ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 157.

economic importance of the colonies of the North America allowed an early diversification of their exports and the development of a manufacturing industry²⁶⁵. Indeed, the states of the North America were able to develop their commerce, a proper industry and a merchant fleet, supplying the neighboring countries at competitive prices²⁶⁶. The relative autonomy experienced by these states and by their people led to the subsequent American War of Independence, through which they definitively separated from the English crown. The Declaration of Independence of the United States of America was signed on July 4, 1776, stating that the thirteen English colonies of the Atlantic coast of the North America declared their independence from the motherland. The United States of America organized themselves in a federation, and could at once enjoy a good level of economic dynamism.

The process of colonization undertaken by the European powers considered the American continent as a source of wonder due to the descriptions given by the first colonizers. In those astonishing territories, European colonizers were supposed to realize a second Europe²⁶⁷. Due to the different models underlying the two main flows of European colonization, that process resulted in two directions. Even though the Anglo-Saxon colonization in the North America transplanted the English tradition, as already said, English colonizers established in the region were mainly solitary pioneers, who mostly relied on their hard work and commitment to enrich themselves and the environment to which they had moved, in order to improve it and create new communities²⁶⁸. However, it is worth noting that this aspect represents a peculiarity of the North American area, as the English colonies established in the Central America area, such as Jamaica, experienced a different colonization pattern more close to the Spanish one.

²⁶⁵ *Ibidem*

²⁶⁶ M. Hénaff, “Utopía Latina, American Dream”, cit., p. 16.

²⁶⁷ S. Regazzoni, “America Latina: storia di un’invenzione”, in *Rassegna Iberistica*, Bulzoni Editore, n. 83, Aprile 2006, p. 27.

²⁶⁸ *Ivi*, p. 28

Particularly in North America, the English pioneers aimed at building up new settlements as their desire was to settle with their families and to reproduce the same system of life they experienced in England²⁶⁹. They could do it as they remained free workers committed to the creation of a new society. This type of settlement had its originality²⁷⁰ and gave rise to the so called *American Dream*. It represented a dream of granted opportunities offered to individuals, in which the forces of the society and of the market were considered as instruments for the realization of individual projects²⁷¹. On the other hand, the Spanish colonization of South America was undertaken by conquerors, who dedicated to a life of idleness and parasitism in the courts of the Spanish administrations²⁷², without taking care of the local development, but rather voraciously exploiting the natural and human resources offered by their new possessions²⁷³. These conquerors imitated and transplanted the political and social order dictated by the Spanish crown and by the Latin tradition, embodying the absolute power of the sovereign. They imposed it on the reality to which they had moved, abusing of the hierarchical system they had established and serving they own interests, without building any foundations for the growth of the territory they were living in. This occurred as the profits of the dominant class of the colonial society were primarily linked to foreign markets: its task was in fact to provide the European centers with gold, silver and tropical food products coming from the conquered colonies²⁷⁴.

For these reasons, the gap in the development path between the North and the South of the American continent went back to the two different cultural traditions that drove the colonization process. Since the 18th century, the North America experienced a plus at the technological, industrial, commercial, and financial level²⁷⁵, evolving in an independent capitalistic power, competing with the European countries. As the South

²⁶⁹ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 155.

²⁷⁰ Regazzoni, "America Latina: storia di un'invenzione", cit., p.28.

²⁷¹ M. Hénaff, "Utopía Latina, American Dream", cit., p. 18.

²⁷² S. Regazzoni, "America Latina: storia di un'invenzione", cit., p. 28.

²⁷³ *Ibidem*

²⁷⁴ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 156.

²⁷⁵ M. Hénaff, "Utopía Latina, American Dream", cit., p. 10.

America was governed by disinterested Spanish conquerors, it continued to remain under the domination of the motherland and to be primarily exploited. Consequently, it was not able to enter the dynamics of the technological and industrial development, accumulating a historical delay and increasingly suffering the imposition of the foreign exploitation²⁷⁶.

Within this comparison, the Brazilian case is quite peculiar. Since the 17th century, Portugal renounced to its role of economic metropolis on its Brazilian domains²⁷⁷ and the colonial economy based on the sugar monoculture and on the sales of precious minerals soon entered the international markets. In the next century, the Brazilian area was experiencing a particular circumstance in which Portugal continued to be the political motherland, while England has become the economic metropolis to which the local oligarchies referred to²⁷⁸. As a consequence, Portugal exercised a less centralized power on its South American colonies and the Brazilian oligarchies could enjoy more autonomy in both the political and the economic contexts. As a matter of fact, the principal revolts occurred in the area, such as the one of 1789 in the area of Minas Gerais and the uprising of Recife in 1817, were neither against the abuses of colonial officers nor for the political independence, but they were rather linked to regional economic crisis²⁷⁹.

2.2 A history of political instability

In order to understand the different path of development experienced by the Latin American countries, a review of the most important political events and periods is essential. This region has a history of fights of the population in order to free first from the colonial power and later from oligarchic or oppressive regimes. Even though the political structure saw the alternation of various forces in power, which undertook different formulas

²⁷⁶ *Ibidem*

²⁷⁷ M. Carmagnani, C. Vangelista, *I nodi storici delle aree latino-americane Secoli XVI-XX*, Torino: Otto Editore, 2001, p. 334

²⁷⁸ *Ibidem*

²⁷⁹ *Ibidem*

to lead the nations, the discontinuity and instability of the political governance were not solved. They rather represent a critical factor that has undermined an efficient development of the Latin American nations. Although each country has its own political pattern, there are some common features and transitions that can be summarized in a overall view of the political evolution of the Latin American region.

2.2.1 The pattern towards independence

Since the discovery of the new Indies by Columbus in 1492, the Latin American colonies experienced an exploiting colonial system managed by the Spanish crown, which lasted about two centuries. The colonial relationship with the motherland began to turn during the 18th century²⁸⁰. Between the end of 1600 and the beginning of the 1700, Spain and Portugal dealt with a weak control over their colonies, which indicated a poor ability in sustaining an organic administration of their overseas possessions, and an insufficient knowledge of the Latin American reality and of its transformations²⁸¹.

Under the reign of Charles III (1759-1788), Spain undertook several reforms with the aim of establishing a modern reorganization of its colonies and intensifying the presence of the Spanish crown²⁸². Those reforms focused on the economic and administrative spheres. First, they favored the development of local productions, according to the demand coming from the European markets, under a gradual liberalization of trade between the colonies and the motherland. Second, they entailed a reorganization of the administrative structure of the colonies; in addition to the existing viceroalties of Mexico and Peru, the latter was divided into two new viceroalties: New Granada (Columbia) and Rio de la Plata (Paraguay, Uruguay, Argentina), meanwhile Portugal divided its Brazilian territories

²⁸⁰ *Ivi*, p. 311.

²⁸¹ *Ivi*, p. 312

²⁸² *Ibidem*

into Brazil and Gran Pará²⁸³. This subdivision responded to the need of a better control on the flows of gold and silver. Finally, the Spanish crown reaffirmed its sovereign power over the colonies, increasing the number of Spanish public officials and their accountability in the management of finance, trade and tax revenues within the colonial territories²⁸⁴.

As those public officials entered these positions usually held by the local élites, the local oligarchy felt threatened by the renewed interference of the motherland, starting to perceive it as a foreign exploiter. Moreover, the Spanish control over the trade of the colonies clashed with the underground exchanges they were undertaking with England, which was looking for raw materials and new markets to foster its industrialization path. In this way, the reforms conceived to modernize the colonial structure, to tighten controls and to boost the colonial economy resulted in a disequilibrium within the traditional colonial system. During the 1700, there were numerous protests. The local élites became aware of their political and commercial role and moved against the Spanish officials that were eroding it, while the indigenous people, more and more exploited, revolted against the excesses of the public officials and the oppressive tax system²⁸⁵.

In addition, foreign events influenced the discontent of the local élites and population. The Industrial Revolution developed in England required new resources and new markets; the economic liberalism was spreading the ideas of autonomy of countries and of free trade driving their exchanges; the French Revolution showed a rupture with the absolute power of reigns; the Independence of the United States of North America demonstrated the possibility of detachment from the motherland. At the end of the 18th century, Spain and Portugal were occupied due to the Napoleonic Wars, and focused their efforts on the internal conflicts²⁸⁶.

In this climate of political confusion and uncertainty, in the viceroyalties of Peru and Mexico, the spread of the popular discontent was

²⁸³ *Ivi*, p. 313

²⁸⁴ *Ibidem*

²⁸⁵ *Ivi*, p. 314

²⁸⁶ *Ivi*, pp. 320-322

further aggravated by an internal agricultural crisis²⁸⁷. In 1810, a popular movement revolted in Mexico. It was guided by the priest Miguel Hidalgo y Costilla, under the symbol of the Virgin of Guadalupe²⁸⁸. Even if it was repressed by the Spanish army, the discontent increased and fomented subsequent rebellions. In the other colonial possessions, the local élite exerted its pressure to reorganize the colonial reality, promoting the opening of committees to govern the territories during the Spanish political crisis²⁸⁹. In a short time, the opened committees began to express intentions for independence and were opposed by the Spanish forces, who tried a restoration of the traditional colonial order²⁹⁰.

Nonetheless, in the first decade of the 19th century, the pressure of the local élite, now motivated by the repressive order established by the Spanish crown, was embodied by some valiant men, later known as *caudillos*²⁹¹, who formed the cause of independence. In the present Venezuela, Simon Bolivar guided the separatist faction, even though Caracas had become a center of the Spanish monarchic restoration. Within the viceroyalty of Rio de Plata, the separatist movement led by José Artigas emerged in Uruguay, while in Chile it was guided by Bernardo O'Higgins²⁹².

Between 1815 and 1824, the fight for independence intensified. In the Andean region, the General José de San Martín received the Chilean separatists, guided by O'Higgins, organizing a conjoint army, which in 1817 was able to defeat the monarchic army, taking the control over the Chilean capital, Santiago²⁹³ and definitely proclaiming Chile's independence in 1818. Subsequently, the separatist army arrived in Peru, where San Martín temporarily occupied the city of Lima²⁹⁴. On the other separatist front, guided by Simon Bolivar, the crucial turn occurred when the landowners of the internal regions of the present Venezuela and Colombia decided to

²⁸⁷ *Ivi*, pp. 323-324

²⁸⁸ *Ibidem*

²⁸⁹ *Ivi*, pp. 322-323

²⁹⁰ *Ivi*, p. 328

²⁹¹ *Ivi*, p. 350

²⁹² *Ivi*, pp. 324-328

²⁹³ *Ivi*, pp.329-330

²⁹⁴ *Ivi*, p. 330

support the separatist struggle. The army guided by Bolivar defeated the monarchic forces first at Boyacá, in Colombia, in 1819, and secondly at Carabobo, in Venezuela, in 1821²⁹⁵. In 1822, the lieutenant Sucre was able to occupy the city of Quito, and to join the advance of the army guided by Bolivar. In 1824, the conjoint military effort was able to definitively defeat the monarchic troops at Ayacucho, determining the end of the Spanish domination in the South of America²⁹⁶.

In 1822, in spite of internal disagreements between two groups of separatists, respectively guided by Augustín de Iturbide and Vicente Guerrero, even Mexico was declared independent. In the same years, Brazil too became independent, although its pattern dealt with direct clashed with the Portuguese crown, as due to the Napoleonic invasion the Portuguese rulers moved to their colonial possessions in Brazil²⁹⁷.

The heroic actions and courageous will of these liberators would characterized the myth of the struggle for independence in Latin America.

2.2.2 The post-independence period

The process of independence in Latin American region ended in 1825, almost forty years after the independence of the United States of North America. Together with this delay, the effects of the wars for independence were not so promising for the development path of the Latin American newborn countries. As it happens during any war, the armed conflicts not only caused material damages, but they also seriously affected the economic and sociopolitical situations. From the economic point of view, the productive capacity resulted to be highly disorganized and notably reduced, as only the production responding to the requirements of war and to the weakened export flows was maintained²⁹⁸. Additionally, foreign investments diminished because of the risks due to political instability.

²⁹⁵ *Ivi*, p. 331

²⁹⁶ *Ivi*, p. 332-333

²⁹⁷ *Ivi*, p. 334

²⁹⁸ *Ivi*, p. 335

Finally, the high military expenses induced a deficit in the public accounts. Therefore, the available economic resources were heavily limited. On the other hand, the conflicts involved a militarization of the society, in which the military represented the leading power and the symbol of the victory over the colonialist structure. The viceroalties did not strive for a regional cohesion; the colonial territories experienced instead a geographical and political fragmentation, according to the influence of the different *caudillos*, leading the local élites and substituting the central government²⁹⁹. These were the features characterizing the first decades after the conflicts for independence: although the old colonial order had been defeated, economic and political instability undermined the recovery of the newborn Latin American states.

Only in the 1840s and 1850s, the conservative forces imposed on the political arena a recomposition of the political and social order. They centralized the political power, taking control over the administration and bureaucracy of the State. They promoted the intervention of the State in the economy and in the development of transport infrastructures. The economic production had slowly resumed, so that it could again foster the flows of exports, while foreign capitals re-entered on the basis of a commitment to political stability³⁰⁰.

The conservative forces organized in an oligarchy within the Latin American countries and since the 1870s most of them constituted governments based on the ideas of social order and economic development³⁰¹, as these were necessary requirements to attract foreign capitals. Therefore, the oligarchy structured a tight bureaucracy, mainly based on the maintenance of the hierarchical organization existing in the colonial period³⁰². The social order was kept through the rigid action of the army, which became the armed defender of the stability of the State. Social relationships were actually based on exchanges of favors weighted on political loyalty, the so called *peonaje*, that guaranteed the sociopolitical

²⁹⁹ *Ivi*, pp. 335-337

³⁰⁰ *Ivi*, pp. 342-343

³⁰¹ *Ivi*, p. 361

³⁰² *Ibidem*

status of the oligarchy³⁰³. The economy continued to be focused on the satisfaction of the foreign demand, increasing the production responding to the export demand and creating an economic élite made up of big land and mines owners. In this period, the Latin American countries were made part of the international market in the wake of the economic dependence: they were exporters of primary goods and importers of industrialized products. There also was a harsh increase in European immigration, which brought new labor force and knowledge that raised the productive capacity, especially in the agricultural sector³⁰⁴. Additionally, investments augmented thanks to the foreign capitals coming from the US, England and Germany. Within this strict organization, the oligarchy took an authoritarian control over the countries, maintaining the same economic and sociopolitical dynamics of the colonial structure.

2.2.3 Changes at the beginning of the 20th century

Between the end of the 19th century and the beginning of the 20th century, the rigid and hierarchical structure of the governments led by the conservative forces began to show its own weaknesses.

The economic growth entailed a beginning of the industrialization process, partnered by a corresponding urbanization of the population moving to the most important economic centers. As a consequence, new social pressures emerged: the urban workers were able to approach to schooling and to organize themselves in order to assert their own needs, creating political parties and rallies to increase their participation in the political life. Moreover, although immigration gave a contribution to the increase of productive capacity, bringing further labor force and knowledge, it also brought different perceptions of the State, the social organization, the political representation, and the way of life, together with new habits, especially in the food tastes³⁰⁵. The majority of the population exploited in

³⁰³ *Ivi*, p. 363

³⁰⁴ *Ivi*, pp. 235-245

³⁰⁵ *Ibidem*

the mines and in the large landholdings accumulated more and more discontent for its precarious living conditions. The conservative forces leading the governments of that period were not able to answer those changes and needs within the social network, but rather reinforced the police actions granting more and more authority to the army as a defender of the established sociopolitical order, with powers of intervention in the decisions of the State³⁰⁶. The blind actions of the dominating political group conversely led to a situation of social disorder.

Additionally, with the advent of the two World Wars and the crisis of the 1930s the weakness of the economic structure inevitably emerged³⁰⁷. The idea of economic progress and modernization primarily based on the export demand, depending on the foreign consumption, and on capitals deriving from foreign investments began to be questioned. During the period between the two World Wars, and particularly in the 1930s, both foreign demands and investments fell, blocking the exports and the entry of foreign capitals (particularly from the European countries), and causing a general devaluation of the Latin American currencies. During the crisis, Latin America experienced a decrease of 20% of the exported goods and a reduction of almost 60% of the price of the primary goods³⁰⁸. The volume and the revenues of the foreign trade considerably reduced, hitting even the business of the local élites.

This complex sociopolitical and economic circumstances brought various consequences. Firstly, if for a long time Latin American élites had perceived Europe as the place of power, dreams and beauty, the two big wars converted it in the place of fighting and brutalities, and Latin American élites moved to a nationalistic perspective. Secondly, new social forces increased their strength: they demanded free elections and organized in socialist parties, incrementing the political plurality, which the local élites were mostly unable to manage. Finally, the economic crisis showed the

³⁰⁶ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, Bari: Editori Laterza, 2007, pp. 6-7.

³⁰⁷ M. Carmagnani, C. Evangelista, *I nodi storici delle aree latino-americane, secoli XVI-XX*, cit., p. 97.

³⁰⁸ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 51.

weakness of a growth based only upon foreign demand and foreign capitals and fostered protest movements of the poorer people.

2.2.4 The footprint of the populist regimes

Albeit for certain countries such as Argentina and Uruguay it occurred at the turn of the 19th and 20th century, it was since the 1930s that the leading political élites of the Latin American countries tried to respond to the critical situation affecting their sociopolitical and economic reality. Although their implementation largely varied between each country, the measures undertaken can often be classified as the so called populist policies³⁰⁹. Generally, the populist policies entailed a direct relationship between a charismatic political leader and the people, activating a false perception of political involvement and representation of the masses, in the guise of a strong nationalism and economic independence of the country³¹⁰. These themes were presented to the people making a large use of a redundant rhetoric and demagoguery able to manipulate the listening public. This political framework was undertaken by the dominating political forces, who proclaimed their will and ability to resort the fortune of their countries.

On the economic side, the populist policies started during the 1930s and involved a series of measures aiming at boosting the economy while avoiding social conflicts³¹¹. There was an expansion of public spending to sustain the national production³¹². Due to the crisis brought by the excessive dependence on foreign demands and investments, the new perspective was focused on the improvement of the national productive capacity. An industrialization process should be fostered to enlarge the capacity to produce nationally those products that Latin American countries were used to import, moving towards an economic independence. These domestic dynamics entailed the so called import substitution industrialization (ISI). The State therefore amplified its interventions: it controlled the exchange

³⁰⁹ *Ivi*, p. 52

³¹⁰ *Ivi*, pp. 9-10.

³¹¹ *Ivi*, p. 52

³¹² *Ibidem*

rates, implemented protectionist measures and tried to guarantee minimal wages³¹³. All this structure was managed through a political authoritarian system, in which the military forces continued to play a crucial role³¹⁴.

The sociopolitical and economic structure commonly defined as populist regime saw different degrees of implementation. In Brazil, after years of disagreement among its productive regional centers (San Paulo, Mines Gerais and Rio Grande do Sol) and the fall of the prices of its main products of export, the long government of Getúlio Vargas aimed at the stabilization of the country. Vargas headed a first provisory government (1930-1934), then a constitutional government (1934-1937), and finally an authoritarian phase (1937-1945) in which he attempted to institute an efficient order through a sort of democratic dictatorship³¹⁵. Vargas undertook a direct relationship with the masses, assuring the political instrument of plebiscite to evaluate their consensus, and social reforms guaranteeing minimal wages, subsidies and the action of unions. On the other hand, Vargas created a social legislation protecting the workers and economically supported the national manufacturing and mechanical industries, and the oil sector. Moreover, he nationalized the railway companies. His actions were inspired by the so called *trabalhismo*, aiming to subtract a share of the revenues of the big local lords to finance the infrastructure works³¹⁶.

In Mexico, after the peasant insurrections during the 1910s, led by Emiliano Zapata and Francisco Pancho Villa, followed by the rigid government of Álvaro Obregón and the General Calles³¹⁷, the government of Lázaro Cárdenas (1934-1940) tried to implement social and economic reforms. Cárdenas undertook social reforms, particularly focused on combating illiteracy, and an agrarian reform in order to redistribute the land concentrated in the hands of big landowners. The State interventions saw the nationalization of railway and electricity companies, public investments

³¹³ *Ibidem*

³¹⁴ *Ivi*, p. 53

³¹⁵ *Ivi*, p. 26

³¹⁶ *Ivi*, pp. 25-28

³¹⁷ *Ivi*, pp. 28-29

in the industrial sector and the valorization of the mineral resources, giving new impulse to the economy³¹⁸.

In some cases, the military itself took the leadership of the country. In Paraguay, after the dramatic War of Chaco, since 1936 the Colonel Rafael Franco took the power, and promoted a redistribution of land, a nationalization of businesses, and the control of the State over domestic resources. His successor, the General Félix Estigarriba undertook an agrarian reform and strongly sustained the industry of the country³¹⁹. In Uruguay, the military intervention followed similar directions. In 1938, the government of the General Alfredo Baldomir assumed a populist character, allowing a recovery of the agriculture production and promoting a social legislation³²⁰.

Where the economic and social traits were more weak, the military forces acted independently from the civil authorities and undertook military regimes. This occurred particularly in Central American countries, which since the 1930s experienced years of military despotism, backed by the US. Since 1933, the General Tiburcio Carías Andino started his dictatorial regime in Honduras; in 1936, the General Anastasio Somoza seized the power in Nicaragua³²¹. From 1930 to 1961, the General Rafael Leónidas Trujillo dominated the political scene of the Dominican Republic³²².

A wider expression of the populist regime came later in Argentina during the government of Juan Domingo Perón (1946-1955), a Colonel of the Argentine army³²³. The regime was based on the charismatic figure of Perón and his wife Evita, very active in the social field, who both gave particular importance to their public nationalistic speeches³²⁴, as the basis of his regime was supposed to be the workers movement. The public positions were entrusted to men of confidence of the President, the press was largely

³¹⁸ *Ivi*, pp. 30-32

³¹⁹ *Ivi*, pp. 36-38

³²⁰ *Ivi*, p. 40

³²¹ *Ivi*, p. 33

³²² *Ibidem*

³²³ *Ivi*, p. 55

³²⁴ C. Vai, *Evita Regina della comunicazione*, Roma: Centro di Documentazione Giornalistica, 2009.

controlled end eventually censored, harsh police measures were undertaken against the opposition³²⁵. Perón established direct interventions of the State in all the sectors of the country and incremented the public spending, not only with interventions in favor of the class of workers, such as the increase of wages or the improvement of the working conditions, but also with projects of industrialization expected from the middle class³²⁶. He focused on the mechanic and steel industry, supporting the local entrepreneurship; nationalized the railways and commercial companies; undertook the expropriation of the big estates of the landowners and the drainage of the uncultivated lands³²⁷. He tried to contain the amount of the external debt, even attempting a devaluation of the national currency, the *peso*³²⁸.

The critical issues of the various populist and authoritarian regimes lied in two main facts: first, they promoted a direct relationship with the people and in order to recompose a sociopolitical order, the regimes tried to accommodate even the needs of the lower classes, incubating the disagreements of the richer social forces, who were afraid to lose their privileges and wealth³²⁹. Secondly, the idea of incrementing the national productive capacity was again based on public spending and on foreign capitals, exacerbating the public debt and the external debt of the countries³³⁰. These two directives led again to a climate of political and economic confusion, in which different political forces, coups, social conflicts, economic recoveries and relapses succeeded one another in a tumultuous period.

2.2.5 Leftist opposition and reprisals

The advance of the popular class, including the indigenous people, and of the political left began to be threatening with the Cuban Revolution

³²⁵ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 57.

³²⁶ *Ibidem*

³²⁷ *Ivi*, pp. 57-58

³²⁸ *Ibidem*

³²⁹ *Ivi*, p. 22

³³⁰ *Ivi*, p. 54

of 1959. The military dictatorship of Fulgencio Batista (1952-1959) was characterized by an oppressive and corrupted political system, by the harsh violence of the military and by an increasing social and civil degradation³³¹. Since 1953, with the assault on the Moncada Barracks, a guerilla group called *barbudos*, led by Fidel Castro, his brother Raúl Castro and Ernesto Che Guevara, was fighting against the Batista's regime³³². The group was able to get the support of the peasants in the countryside, and of the middle class, students and workers in the urban area. It claimed the will to restore freedom and dignity within the country in a national and democratic rebirth of Cuba³³³. After continuous reprisals, on 1st January 1959, Batista escaped from Cuba and Fidel Castro seized the power on the country. Castro undertook challenging measures: the agrarian reform, based on the expropriation and occupation of lands; the nationalization of the sugar industry, led by big US companies; the substitution of the national army with popular militias; the union of the Castro's movement, the Movement of the 26th July, and the Socialist Popular Party into the Cuban Socialist Party; the grant of financial aids from the Communist Soviet Union³³⁴. A Socialist regime was established in Cuba during the Cold War, threatening the US block fighting against the red enemy of the Soviet expansion. Additionally, Ernesto Che Guevara was spreading the fight against the dictatorships stimulating the creation of more conflicts like the one in Vietnam, in order to give voice and power to the leftist struggles³³⁵. In the mid of the 1960s, Che Guevara went to Africa, particularly to Congo and Tanzania, to sustain the revolutionary reprisals, and later reached Bolivia, where he aimed at supporting a revolution against the General Barrientos' regime. He was captured and then murdered by the Bolivian Army on the 8th October 1967³³⁶.

Beyond the Socialist experience of Cuba, other groups of opposition developed within Latin American countries. In Venezuela, due to the

³³¹ *Ivi*, pp. 105-106

³³² *Ibidem*

³³³ *Ivi*, p. 107

³³⁴ *Ivi*, pp. 107-108

³³⁵ *Ivi*, p. 127

³³⁶ *Ivi*, pp. 127-128

dictatorship of Gómez and Jiménez and in spite of the center-leftist government of Raúl Leoni established in 1964, a constant armed struggle was carried out by the Movimiento de Izquierda Revolucionaria and by the Fuerzas Armadas de Liberación Nacional³³⁷. In Colombia, at the beginning of the 1960s a worsening of the economic situation, the stranding of the agrarian reform, and the miserable living conditions in the countryside led to the armed struggle of the Fuerzas Armadas Revolucionarias de Colombia (Farc) and of the Ejército Popular de Liberación (Epl)³³⁸. Even though the reprisals had been harshly repressed, the resistance of the armed struggle was very strong. In Uruguay, a coalition of the leftist political group and a robust workers movement developed. Since 1967, the government of Jorge Pacheco Areco undertook severe policies of austerity to combat the fall of export, which were opposed by a movement of extreme left, called the *Tupamaros*³³⁹. The group aimed at conquering the power through a combined strategy of terrorism in the countryside and revolts in the cities. It was roughly repressed by the army through mass arrests³⁴⁰. In Argentina, the military took the power since 1966 and by 1969 the country experienced a wave of strikes, leftist demonstrations in the street, revolts of the movement of urban guerrilla of young people of extreme left, called *montoneros*, and protests of the workers of the principal industrial districts, called *descamisados*³⁴¹. Even in Chile, where the democratic government of Eduardo Frei Montalva (1964-1970) was undertaking various reforms, among which the agrarian reform and the modernization of the schooling system, the leftist opposition was pressing. It asked for more incisive reforms, protesting against the slowness of the agrarian reform and the sacrifice required to the agricultural sector in favor of the industrial one³⁴². At the presidential elections of 1970, the coalition of Unidad Popular, formed by socialists, communists and radicals, obtained the victory of the socialist candidate, Salvador Allende³⁴³. Allende nationalized the big US

³³⁷ *Ivi*, p. 129

³³⁸ *Ivi*, pp. 130-132

³³⁹ *Ivi*, p. 132

³⁴⁰ *Ivi*, p. 133

³⁴¹ *Ivi*, pp. 135-137

³⁴² *Ivi*, pp. 138-139

³⁴³ *Ivi*, p. 140

companies of mines and telecommunications without compensation and claimed an integral agrarian reform³⁴⁴. Unfortunately, his government had to cope with a sharp fall of the price of copper, which provoked a hard worsening of the public finance and a spiral of inflation that led to a serious deterioration of the Chilean economy³⁴⁵.

Even in the other Latin American countries the opposition to the government policies was increasing, causing a general political instability and confusion within the region. The protests were in fact due to an unsteady and fickle process of development, in which the weak political forces were not able to answer the different needs of the increasing population of the countries they governed. The social composition had become more complex: together with the big holders of mines and large estates of land, the middle class was leading the sector of industries and services. The urbanization process had created a class of urban workers, often competing with the agricultural workers. The indigenous people continued to be economically exploited and relegated in the peripheral areas of the countries. Foreign investors, especially the US companies, pursued their own businesses protected by the commercial power of their home countries. While all these groups claimed their own needs, interests and rights, the unstable political structure was not able to organize a cohesive socioeconomic framework for an effective government of the country.

2.2.6 The advent of the military order

In these complex sociopolitical circumstances, the military forces tried to accomplish their mission of keeping order within the country. Their intervention in politics went back to the wars for independence and had been a constant in the management of sociopolitical troubles. Starting from the 1960, and especially during the 1970s, various elements spurred the direct intrusion of the military in the political administration of the countries. Firstly, the demographic expansion was accompanied by a strong

³⁴⁴ *Ibidem*

³⁴⁵ *Ivi*, pp. 141-143

shift of the population from the rural areas to the urban centers, which were not able to absorb all the people, who were forced to organize in slums. Popular demonstrations increased involving a higher number of people and creating a sense of fear among the richer classes and the middle classes, who asked for the support of the military forces. In addition, the fear of the mass of poor people was fostered by the political activism of the leftist opposition that was spreading among all Latin American countries, following the leading example of the Cuban Revolution. Thirdly, there was a general deterioration of the economic situation, that fed insecurity. In many Central and Latin American countries, the military, considered the only institution capable of restoring the sociopolitical order and the national identity, definitely seized the power³⁴⁶.

Backed and trained by the US, the military forces undertook the doctrine of the national security³⁴⁷. Under this doctrine, the world was divided in two parts: the good, represented by the capitalist development and the evil or the enemy, embodied in the communist power³⁴⁸. The military forces should defend the State from the enemy that was both external and internal to the nation. As the enemy was widespread in the society, the repression had no precise limits as anyone could be a betrayer of the State. As a consequence, persecutions, tortures and arrests became the main weapon of defense³⁴⁹. The military should also recreate the social peace. In order to achieve this aim, strict political arrangements were needed. In many countries, the parties and the parliament were closed, the press was censored, the opposition was persecuted, and the unions were severely controlled. On the economic side, the military forces resumed a development policy. The economic efforts were oriented to a process of industrialization and modernization of the nation, under a more technological system of production, centrally guided by the projects elaborated by the military administration³⁵⁰. The economic recovery was

³⁴⁶ R. Nocera, *Stati Uniti e America Latina dal 1945 a oggi*, Roma: Carocci Editore, 2005, p. 66.

³⁴⁷ *Ivi*, p. 67

³⁴⁸ *Ibidem*

³⁴⁹ *Ivi*, p. 66

³⁵⁰ *Ivi*, p. 68

primarily led by foreign investment and loans, although they would require a subsequent pressing repayment.

In Chile, after the fall of the government of Allende, the military junta took the power undertaking a violent repression. Executives of the party of the Popular Union, leftist militants, and union representatives were killed or imprisoned; the Parliament was dissolved and the parties suspended; newspapers and press instruments were censored; the nationalized companies were given back to their foreign owners; the distributed lands returned to their old owners³⁵¹. In 1974, the power passed completely in the hands of the General Augusto Pinochet (1974-1990), who established a personal dictatorship and continued the bloody persecution of the dissidents³⁵².

In Argentina, the military forces acted a coup to depose the widow of Perón, and instituted a military junta presided by the General Jorge Rafael Videla (1976-1981)³⁵³. Videla undertook a systematic persecution of anyone suspected of opposition using arbitrary arrests, imprisonments, abuses, deportations, and kidnappings³⁵⁴. Moreover, many supposed dissident people were made disappear, creating the phenomenon of the *desaparecidos*. The same persecution of the internal enemy was put into effect by the Aparicio Méndez (1976-1981) in Uruguay, by the General Velasco Alvarado (1968-1975) in Peru, and by Alfredo Stroessner (1954-1989) in Paraguay³⁵⁵.

Although the military forces claimed to foster the economy of their nations, the results were profoundly different as they did not provide a restructuring of the economy. On the one hand, if some big industries were created, it occurred using principally foreign capitals; on the other, the primary sector was neglected as it did not receive an adequate modernization. When, at the end of the 1970s, the US central bank, the

³⁵¹ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 149.

³⁵² *Ibidem*

³⁵³ *Ivi*, p. 152

³⁵⁴ *Ibidem*

³⁵⁵ *Ivi*, pp. 153-161

FED, decided to raise the interest rates, the precarious progress obtained by the military regimes suffered a setback. The repayment on the foreign loans and investments became harshly unsustainable and the military regimes should cope with a huge mass of debts and with a pressing inflation. Furthermore, the sociopolitical repression had strongly torn the population, who struggled a silent resistance. In some cases, the leftist opposition fueled by the Cuban revolution continued, like in Colombia with the Fuerzas Armadas Revolucionarias and in Peru with the Sendero Luminoso movement, while it culminated in civil wars in Guatemala, Nicaragua and El Salvador³⁵⁶.

In Brazil the circumstances were once again different. From the mid-sixties the military forces established a tight political dictatorship suppressing the reformist policies and all the political parties. All the people who appeared to be leftists or suspected of opposing the directives dictated by the regime were severely persecuted by the military squads that spread terror in the country³⁵⁷. What made the military power strong were the good economic results it was able to achieve. Thanks to the reorganization of the national budget and to the solid guarantees the government gave to the foreign capital, the foreign loans and investments increased. The military regime was then able to reduce the rate of inflation fostering the industrial structure of the nation³⁵⁸. In 1971, the military power also elaborated a plan of development that entailed the recovery of the North East and Amazon areas for agricultural purposes, the hydroelectric exploitation of a part of the river Paraná and the construction of a huge Trans-Amazonian highway³⁵⁹. Although the land mainly remained in the hands of few big owners and the slums of the biggest economic centers swelled, the military forces were proud of their policies since they could boast a constant growth of the Brazilian GDP (Gross Domestic Product) so as to talk of an economic miracle of the country³⁶⁰.

³⁵⁶ *Ivi*, pp. 168-195

³⁵⁷ *Ivi*, p. 157

³⁵⁸ *Ivi*, p. 158

³⁵⁹ *Ivi*, p. 159

³⁶⁰ *Ivi*, p. 160

2.2.7. The neoliberal formula

Between the end of the 1970s and the beginning of the 1980s, the economic crisis of the Latin American countries was widely diffused. The Latin America region experienced a period of economic depression so that the 1980s have commonly been named as the “lost decade”³⁶¹. The huge mass of foreign debt brought a harsh worsening of the public debt and an inflationary spiral, followed by a fall in investments and a capital flight due to the loss of credibility on the international arena³⁶². In addition, the economic crisis inevitably caused a deterioration of the living conditions of the population that fostered social tensions and conflicts. In front of the critical financial balances of the Latin American countries and of many other developing countries, the international financial institutions, namely the World Bank (WB) and the International Monetary Fund (IMF) launched a package of policies of austerity and liberalization, later known as the neoliberal policies, in order to reconstruct those devastated economies. Since the middle of the 1980s and during the 1990s, the developing countries tried to conform to the neoliberal package as it represented a necessary requirement to obtain further loans from the two international institutions. In Latin America countries, the implementation of these policies also implied the fall of the military regimes and a path towards democratic governments³⁶³.

In Mexico, after the proclamation of default in 1982, in 1984 the president Miguel de la Madrid negotiated a new agreement with the IMF, obtaining a refinancing of the foreign debt, and established the required set of policies of austerity and liberalization, which focused on a process of privatization to attract again foreign investments³⁶⁴. On the other hand, since 1983 the country experienced the uprising of the peasants of the Chiapas, the poorest region of Mexico. The so called Zapatista Movement fought for the rights of indigenous people and peasants and increasingly intensified its

³⁶¹ *Ivi*, p. 201

³⁶² *Ibidem*

³⁶³ *Ivi*, pp. 207-220

³⁶⁴ *Ivi*, p. 202

actions³⁶⁵. The subsequent president, Raúl Salinas de Gortari, in charge since 1989, strengthened both the austerity policies and the relationships with the US. When the 1st January 1994, the agreement for an area of free trade between US, Canada and Mexico, the NAFTA (North America Free Trade Agreement) entered into force, the Zapatista Movement assaulted various cities of the Chiapas region for two weeks to the point that it was necessary the intervention of the national army³⁶⁶. In addition, the two subsequent presidents were murdered.

In Argentina, the new president Raúl Ricardo Alfonsín (1983-1989) initiated an investigation over the persecutions perpetrated by the military, and in 1985 Videla was sentenced to life imprisonment³⁶⁷. Due to the severe economic crisis of the country, that defaulted in 1982³⁶⁸ after the defeat in the Falklands war, Alfonsín had to undertake austerity policies, in order to obtain a new loan from the IMF³⁶⁹. Those policies involved large cuts in the social spending and wages, causing the uprising of unions and workers. In 1989, Carlos Saúl Menem, a representative of the Peronist Party, which claimed populist directives, was elected as president of the country³⁷⁰. Once in charge, the serious economic and social crisis forced Menem to follow the guidelines of the IMF. Domingo Cavallo was appointed Minister of Economy and started a policy of emergency to combat the inflationist spiral and the increasing public debt, focusing on deregulation and privatization of the public services³⁷¹. Through these policies, the economy of Argentina grew, but the increasing rate of unemployment and the harsh cuts to subsidies to social care would have caused further tensions.

In Chile, in order to reconstruct the critical economic situation, the president Pinochet called to Santiago a group of young US students of the monetary control claimed by the theories of Milton Friedman, the so called

³⁶⁵ *Ivi*, p. 226

³⁶⁶ *Ivi*, pp. 226-229

³⁶⁷ *Ivi*, pp. 210-211

³⁶⁸ M. Damill, R. Frenkel, M. Rapetti, "The Argentinean Debt: History, Default and Restructuring", *Revista Economía*, Vol.6, n.3, 2005, pp.29-90.

³⁶⁹ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 211.

³⁷⁰ *Ivi*, p. 236

³⁷¹ *Ivi*, p. 237

“Chicago boys”³⁷². Neoliberal policies were implemented, involving the liberalization of the markets, the privatization of the public services, the incentive of investments, the reduction of social spending, and the revision of the pension system³⁷³.

In Bolivia, since 1982 the power returned in the hands of civilians and the president Siles Zuazo implemented a program of austerity, which involved massive cuts in public spending³⁷⁴. The constant increase of inflation, that reached huge levels, and the stagnation of exports led to social uprisings and strikes throughout the country. As the economic crisis did not slacken, the subsequent presidents Victor Paz Estenssoro (1985-1989), Jaime Paz Zamora (1989-1993), and Gonzalo Sánchez de Lozada (1993-1997) continued to follow the directives of the IMF imposing strict policies of austerity, fostering popular revolts³⁷⁵.

Even Venezuela, a country that during the 1970s enjoyed the high revenues coming from the raise of the oil price, experienced a harsh economic crisis. In the mid 1980s, the oil prices had fallen inducing cuts in the public spending and international loans accompanied by the enlargement of the amount of the foreign debt. Since 1983, the president Jaime Lusinchi undertook austerity policies, tightly pursued by the subsequent president Carlos Andrés Pérez³⁷⁶. He froze the wages, fired many public employees, and reduced the social subsidies and the social spending. In February 1989, a violent social revolt exploded in Caracas and in the neighboring cities, quelled only with the intervention of the national army³⁷⁷.

In Brazil, the military itself prepared the shift of power to the civilians and in 1985 Tancredo de Almeida Neves was elected president of the country³⁷⁸. After few months, he died and the vice president José Sarney substituted him carrying forward a program of national unity³⁷⁹. He

³⁷² *Ivi*, p. 204

³⁷³ *Ivi*, pp. 204-205

³⁷⁴ *Ivi*, p. 203

³⁷⁵ *Ivi*, pp. 232-235

³⁷⁶ *Ivi*, p. 224

³⁷⁷ *Ivi*, pp. 224-225

³⁷⁸ *Ivi*, pp. 212-213

³⁷⁹ *Ivi*, p. 214

established the direct universal suffrage, the redistribution of the larger estates, the freezing of wages and the creation of a new currency, the cruzeiro, for a new parity with the US\$³⁸⁰. Since 1992, the government of Itamar Franco (1992-1995) had the task to undertake the economic recovery of the country. The Minister of Finance, Fernando Henrique Cardoso realized an economic plan, called the Plan Real, creating another currency, the real, opening to the foreign capitals, liberalizing imports, and fostering the research in the oil, informatics and communications sectors³⁸¹. In 1995, Cardoso was elected president and undertook further neoliberal measures to combat the pressing inflation. The country experienced a raise in the interest rates, a fall in investments, an increase of unemployment and of the public debt, with an intensification of the social tensions. Reelected in 1998, Cardoso should continue to follow the guidelines of the IMF, especially privatizing the State companies and reducing the public spending, in order to obtain a further loans³⁸². Cardoso also launched an agriculture reform, but laborers and peasants did not wait for the realization of the measure, and united under the Movimento dos trabalhadores rurais sem terra, they directly occupied parts of the large estates³⁸³.

In Peru, the economic mismanagement of the government of Alan García (1985-1990) led to high levels of inflation that deeply destabilized the economy. The Peruvian currency was changed three times and the per capita annual income suffered a severe decline. In 1990, Alberto Fujimori was elected as president of the country and undertook drastic measure to lower the inflation rate and privatized many State-owned companies. Facing the opposition to his policies, Fujimori decided an authoritarian rule dissolving the Congress in 1992 and harshly repressing the guerrilla movement. The period in fact known for the atrocities committed by the both sides: the Barrio Alto and La Cantuta massacre acted by the governmental military forces and the bombing of Tarata and Frecuencia Latina by the insurgents of Sendero Luminoso.

³⁸⁰ *Ivi*, pp.214-215

³⁸¹ *Ivi*, p. 252

³⁸² *Ivi*, p. 253

³⁸³ *Ivi*, p. 254

2.2.8 The pink wave of the 21st century

The neoliberal policies undertaken in Latin American countries attempted to restore the critical economic situations, especially reorganizing the public accounts. As the policies focused on privatization, liberalization and investment arrangements, to combat inflation and unemployment, and to reduce the foreign and public debt, the attention was channeled to the business sector. Unfortunately, these measures did not solve the structural problems characterizing and obstructing the economic development of the region. Indeed, the uprisings of the population occurring throughout the Latin American countries represented clear signs of a general discontent and more and more difficult living conditions of the majority of the people. These were the reasons why, at the beginning of the new millennium, a different political orientation took place in the Latin American region. A leftist less radical position emerged, claiming the need to complement the economic pragmatism directed to economic stability with indispensable social reforms focused on the weaker part of the population. The Latin American countries not only needed economic stability, but also social equilibrium. Therefore, economic plans should be integrated with social programs relieving the deep malaise of the majority of the population. This leftist position characterized by a progressive and nationalistic rhetoric mixed with an economic pragmatism, was generally defined social democratic and associated to the pink color to differentiate it from the red color linked to socialism³⁸⁴. In addition, this political position strongly recognized the importance of the State intervention as the engine of both economic and social development.

This trend took two different patterns. The first one believed in the importance of a radical revolution that would create a deeper and more immediate transformation, breaking away from the previous set of policies. It actually focused on an authoritarian figure and on a transformation both in the relationship with the population and with the international actors, especially closing the dialogue with the US, considered as an enemy of the

³⁸⁴ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, Roma: Carocci Editore, 2009, p. 13.

Latin American countries³⁸⁵. Conversely, the second way was based on a moderate reformism: it avoided a direct clash with the previous policies and maintained the established international relationships. There was a continuity with the measures undertaken to achieve a decrease of the public and foreign debt, with gradual and designed reforms aiming at redistributing the national wealth³⁸⁶. This alternative was possible in the countries with a higher economic growth.

The first revolutionary orientation was undertaken in Venezuela and Bolivia. In Venezuela, after various uprisings, in 1999 Hugo Chávez, leader of the new Movement for the 5th Republic, seized the power³⁸⁷. Chávez designed his figure as a new caudillo fighting for the nation and against the big enemy represented by the economic interests of the US. Thanks to the relative high prices of oil and its nationalization, he was able to redistribute the wealth, investing in social services and in public infrastructures³⁸⁸. He was able to maintain the support of the military forces and of the population, representing itself as the new savior of the country and controlling the press and the telecommunications³⁸⁹.

On the other hand, Bolivia was experiencing an internal separation between the Eastern region of Santa Cruz, rich in hydrocarbons and agriculture production, and the pressure of the indigenous people asking for a radical transformation of their poor living conditions³⁹⁰. In fact, since 2003 the Movimiento al Socialismo (MAS) began to spread within the country fighting for the needs of the indigenous people. Emblematic was the uprising in Cochabamba of 1999, when the government of Lozada privatized the company entrusted of the water distribution, with a consequent 200% increase of the prices of water³⁹¹. In addition, another significant revolt broke out in September 2003 against the exports of gas to the US: while gas resources were exported abroad, the poor part of the

³⁸⁵ *Ivi*, p. 14

³⁸⁶ *Ibidem*

³⁸⁷ *Ivi*, p. 37

³⁸⁸ *Ivi*, p. 38

³⁸⁹ *Ivi*, pp. 39-41

³⁹⁰ *Ivi*, pp. 44-45

³⁹¹ *Ivi*, p. 45

population did not have access to them³⁹². In 2005 the leader of this movement, Evo Morales, belonging to the indigenous Aymara population, won the presidential elections. Morales nationalized the companies of gas and oil, considered products of the national subsoil, and proposed the increase of the minimum wage, the redistribution of wealth and lands, and fiscal equity³⁹³. In the implementation of these measures, Morales was largely supported by Chávez, as both were pursuing the revolutionary orientation of the new leftist orientation.

Conversely, the reformist trend was followed in Brasil, Argentina and Chile. Even in Brazil, the neoliberal policies undertaken by the president Cardoso neglected the social problems of the nation. The presidential elections of 2002 saw in fact the victory of Luiz Inácio Lula da Silva, a syndicalist³⁹⁴. Lula had tried various times to seize the power, but in a revolutionary way. This time, Lula presented himself in a light version. Once in power, he maintained an equilibrium between two elements: the economic policy organized by Cardoso and the needed social interventions to help the poorest part of the nation. His policies focused on the expansion of small entrepreneurship throughout the national territory, the increase of wages, and the increase of productivity and exports to obtain more revenues to be reinvested in infrastructures and industrial advances³⁹⁵. Lula also preserved good relationships with the US and the European countries, and established new commercial links with China. His figure had a strong impact on the population: his poor origins attracted the support of the poorest people, while the fact that he later became an urban worker moved the support of the middle class too. Indeed, he has often been named as the “president of the poor” or as the “worker president”³⁹⁶.

³⁹² V. Castronovo, *Piazze e Caserme, I dilemmi dell’America Latina dal Novecento a oggi*, cit., p. 329.

³⁹³ G. L. Gardini, *L’America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., pp. 45-48.

³⁹⁴ *Ivi*, p.19

³⁹⁵ V. Castronovo, *Piazze e Caserme, I dilemmi dell’America Latina dal Novecento a oggi*, cit., pp. 291-292.

³⁹⁶ G. L. Gardini, *L’America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 19.

In Argentina, the strict austerity policies planned by the Minister Domingo Cavallo did not achieve an economic and social improvement of the country, but they rather led to popular uprisings. After a deep economic crisis and State bankruptcy, Menem withdraw from the runoff³⁹⁷ and in 2003 the presidential election were won by Néstor Kirchner, an unknown politician coming from the marginal region of the Patagonia. Once in power, he undertook a pragmatic economic policy. He favored the industrial recovery and the employment, fostered the export flows adopting a flexible exchange rate, and renegotiated the foreign debt diminishing the dependence on the loans of the IMF³⁹⁸. The Argentine economy actually started a renewed growth. Moreover, Kirchner also struggled against poverty, inequalities and unemployment³⁹⁹.

In Chile, the civilians finally returned at the political power after the long government of Pinochet. The presidential election of 2000 saw the victory of the socialist Michelle Bachelet⁴⁰⁰. Her orientation was more moderate as Chile had already experienced years of economic adjustment and relative social stability. She kept the neoliberal orientation, entrusting the management of the Chilean economy to economic technicians, while undertaking a social and redistributive policy to improve the living conditions of all the population⁴⁰¹. Bachelet also distinguished herself for struggling for a participatory democracy and for the rights of the women⁴⁰².

With a different degree of intensity, other countries of the Latin American region dealt with political changes that entered the complex political setting experienced by the area at the beginning of the millennium. In Peru, after being reconfirmed in the elections of 1995, in 2000 the president Fujimori resigned due to an increasing opposition and a bribery scandal and exiled in Japan. Alejandro Toledo, the leader of the reformist opposition, was then elected president in 2001 and tried to restore some degree of democracy after the tight presidency of Fujimori. Even though

³⁹⁷ *Ivi*, p.28

³⁹⁸ *Ibidem*

³⁹⁹ *Ivi*, p. 29

⁴⁰⁰ *Ivi*, p. 35

⁴⁰¹ *Ibidem*

⁴⁰² *Ibidem*

Toledo attempted various reforms, the economic difficulties of the country augmented also because in 2000 it was hit by a devastating earthquake. In Ecuador, the presidential elections of 2002 saw the defeat of the banana magnate and wealthiest man of the country, Álvaro Noboa, and the victory with the 55% of the votes of Lucio Gutiérrez supported by a partnership between the leftist party, Movimiento Popular Democrático, and the indigenous Pachakutik party. Once in power, Gutiérrez alienated many of his supports as he continued the neoliberal policies of his predecessors, increased the bonds with the US, and was accused of corruption and nepotism. The political protests became so harsh that in 2005 the president declared the state of emergency in Quito and, after a week of massive demonstrations, the Congress decided to remove Gutiérrez from office and to appointed the vice president Alfredo Palacio as president.

In spite of the different national patterns and although the governments of the pink wave adopted a mixture of policies aiming at both economic and social equilibrium, trying to integrate the two aspects, structural problems and difficulties generally persisted and continued to challenge a successful path of the Latin American countries. The economic growth hinged on the revenues of exports, which effectively increased during this period. Unfortunately, in this way, the path of growth continues to depend on the volatility of the prices of the exported products, which can suffer positive but also negative variations⁴⁰³. In addition, the privatization and liberalization processes have open the doors to foreign capitals, especially brought by foreign multinationals. If capital injections were actually needed, they came from abroad, and they are therefore guided by foreign interests that rarely take care of the development of the host country. Then, even though some advances have been made, the majority of the population continues to deal with critical living conditions and with social, political and working exclusion⁴⁰⁴. This aspect is often at the basis of widespread criminality and violence as poor people negatively adjust to increasing poverty and unemployment. Moreover, the leader figures of the

⁴⁰³ *Ivi*, p. 21

⁴⁰⁴ *Ivi*, p. 22

pink wave again concentrated political power in their own hands⁴⁰⁵. Although numerous social reforms have been undertaken and the relationship with the population has been more direct, the political power again results to be personalized, without a concrete pattern of democratic representation of the people.

These difficulties constitute important challenges for the Latin American countries, especially in the increasingly globalized world. Efficient policies targeting the mentioned problem are more and more necessary, but their implementation continue to be hard to realize.

2.3 Latin American economy

The economy of Latin American countries has been based on different models trying to foster a successful economic development. Initially, the economic revenues depended on the export flows; secondly there was an attempt of domestic industrialization; finally, the Latin American countries experienced again a dependence on export demand. Unfortunately, all these different efforts entailed critical features that undermined a successful pattern towards an efficient growth of these countries. The explanation of these various phases represents an useful evaluation of the obstacles and obstructions the development of Latin American countries should deal with.

2.3.1 Export-led growth

Since the first travels overseas of Cristoforo Colombo (1492), the lands of the Latin American territories were described as wonderful places, rich in crystal clear water, flourishing landscapes, beautiful animals and queer indigenous people⁴⁰⁶. That representation gave birth to the myth of “El Dorado” and of the heaven on earth⁴⁰⁷. The conquered lands were supposed to hide countless natural resources unknown by the courageous

⁴⁰⁵ *Ivi*, p. 29 and p. 41

⁴⁰⁶ E. Galeano *Le vene aperte dell'America Latina*, cit., p. 16-17.

⁴⁰⁷ *Ivi*, p. 18

European travelers. The subsequent expeditions of the Spanish and European conquerors were in fact driven by the thirst of gold: the local population met in the new territories was largely exploited for the search of the yellow precious metal. While the indigenous population were used to use the metals to worshipping their gods, the colonizers began a true plunder of the precious metals⁴⁰⁸, which were shipped to their motherland, that was embellished and enriched with the twinkles coming from overseas possessions. The goods began to follow established routes: from the colonized territories to the hub of the most important ports towards the European cities. The framework of the flows of exports from the colonies to the motherlands was therefore created and increasingly intensified.

The mines of the Latin American region were transformed in focal points of the overseas kingdom. Huge flows of gold and silver were sent to Spain and then traded over Europe, as the German, French, English, Genoese and Flemish bankers managed the exchanges⁴⁰⁹. The extraction of the minerals depended on the demand coming from Europe so that, in order to meet it, the exploitation of mines and of slaves became limitless. From the point of view of the colonizers, Latin American colonies not only were rich in metals but also in new tropical food products that in a short time pervaded the European diet. In the subsequent centuries, a multitude of ships left Latin American ports laden with minerals and tropical foods to satisfy the desires of the European courts.

As the European demand constantly increased, each region of the Latin American territory specialized itself in its main productions, which became its own destiny or vocation⁴¹⁰. During the 16th and 17th centuries, the area of Potosí, in the present Bolivia, became the principal source of all the silver shipped to Europe⁴¹¹. The colony of Brazil became famous firstly for its wood, secondly for the sugar plantations of the North East area (Salvador de Bahía) and for the mines of gold in the South (Minas Gerais and Ouro Preto), and thirdly, since the middle of the 18th century, even for

⁴⁰⁸ *Ivi*, p. 25

⁴⁰⁹ *Ivi*, p. 29

⁴¹⁰ *Ivi*, p. 35

⁴¹¹ *Ivi*, pp. 24-26

the diamonds of the area of Serra do Frio⁴¹². Beyond the share produced in Brazil, the cultivation of sugar became a sort of white gold for the Caribbean islands, especially in Cuba, where a real sugar élite, known as the *sacarocracia*, developed, managing all the sugar production and export flows⁴¹³. The present Venezuela principally exported cocoa and coffee⁴¹⁴, while Ecuador also exported high quantities of bananas⁴¹⁵. Cotton was largely produced in the North of Brazil, in Paraguay, and in Peru⁴¹⁶. Copper was principally provided by Chile, while deposits of iron were abundant in Brazil and Venezuela, and Bolivia became famous for its tin⁴¹⁷. Coffee was cultivated in Colombia and also in Brazil, where a new élite of landowners, called *cafetaleros*, born⁴¹⁸.

As suggested by the theories elaborated by D. Ricardo and by A. Smith, the colonies specialized in one or few cultivations or in the extraction of a certain minerals, providing primary products at low and competitive prices and increasing the profits of the few lords possessing big estates or precious mines, who enriched exploiting the low cost of the labor force. Each country identified itself in its main production in order to increase the flows of exports and the corresponding revenues: each product was in fact transformed into a destiny⁴¹⁹ in order to sustain the rapid economic growth of the country⁴²⁰.

As a consequence, a sort of initial weakness of the Latin American economies resided in the colonial economic arrangements that through huge flows of exports generated a big accumulation of wealth in the metropolitan poles and a converse decumulation in the colonial areas⁴²¹. The colonizers exploited the local producers whose work was regulated by slave and feudal

⁴¹² *Ivi*, pp. 59-63

⁴¹³ *Ivi*, p. 81 and R. González, *Cuba un'epopea meticcica*, Firenze: Giunti Gruppo Editoriale, 1995, pp. 98-104.

⁴¹⁴ E. Galeano *Le vene aperte dell'America Latina*, cit., p. 104.

⁴¹⁵ *Ivi*, p. 111

⁴¹⁶ *Ivi*, pp. 111-113

⁴¹⁷ *Ivi*, pp. 293-304

⁴¹⁸ *Ivi*, pp. 114-117

⁴¹⁹ *Ivi*, p. 74

⁴²⁰ E. Grilli, "Political economy and economic development in Latin America in the second half of the 20th century", *Journal of Policy Modeling*, N. 27, 2005, pp. 1-31.

⁴²¹ A. Cueva, *El desarrollo del capitalismo en América Latina*, México: Siglo XXI Editores, 1990, p. 13.

conditions and whose production was sent abroad to become profitable capital. In this way, the colonial period established an original decumulation of the colonies based on the expropriation of the local resources, which represented a restraint for the economic growth of the colonized areas⁴²².

For a long period, the economy of the Latin American countries had indeed been based on this export led model, which brought some wealth but also determined certain social and economic dynamics that undermined the true development of the region. Firstly, the specialization on one or few food products established first the regime of the colonial plantations and then of the large estates, large possession of land in the hand of few big lords. Similarly, the extraction of precious minerals headed to big owners of mines. This structure led to a strong concentration of power and welfare in a restricted part of the population, while the majority of the people lived in poverty⁴²³, exploited and subjugated by the big lords. While the colonial plantations relied on the work of indigenous and African slaves, the landlordism was based on the low cost of the labor force, the remuneration of services in kind, the free labor in exchange for the assignment of a small piece of land, and the expansion of the estates at the expenses of the small plots of land owned by the poor people⁴²⁴. The landlordism is one of the principal causes of the marginalization and the poverty of the Latin American masses⁴²⁵.

As a matter of fact, the conquer of the political independence did not achieve the dissolution of the colonial structure. Instead of being channeled to new arrangements of the local economies, the possessions in the hands of the colonizers simply passed to the big local landlords who enlarged their estates that became the central economic poles of the countries. This process of concentration of lands led to the strengthening of the feudal institutions⁴²⁶. The agricultural productivity continued to remain low as the

⁴²² *Ivi*, pp. 13-14

⁴²³ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 76.

⁴²⁴ *Ivi*, p. 73

⁴²⁵ *Ibidem*

⁴²⁶ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 20.

increase of production was primarily attained exploiting the labor force and enlarging the frontier of the cultivated lands.

In addition to the exploitation of the labor force and the local reserves, the system of ownership of large estates and mines constituted a filter for the flight of natural resources⁴²⁷. While the majority of the population was forced to poor living conditions, often suffering from hunger, the local élites organized the overseas shipments of food products and valuable minerals to satisfy the demand of the international market. In this way, the local élites did not focus on the evolution of their possessions and of their own countries, but simply accomplished the demand of the consumers of the commodities they produced, intensifying the exploitation of the human and natural endowments. The flight of national resources entailed also the impoverishment of the national territories, as the expansion of the large estates caused the destruction of forests and the loss of the fertility of the soils, while the mineral extraction produced the devastation of the surrounding areas⁴²⁸.

Furthermore, the primary products exported by the Latin American countries were highly exposed to the volatility of the price trends. In the 19th century, the international demand of raw materials expanded due to the industrialization process in Europe and also in the United States, and the Latin American countries became the main providers of key minerals and food⁴²⁹. Unfortunately, the primary product exports depend on the instability of the prices, which depend on the variations in the international markets: periods of economic boom can be followed by serious busts due to a sharp change in the level of prices⁴³⁰. As Latin American economies specialized in a single production and sold to fixed markets of destination, variations in prices or in the consumption demand could heavily affected the national account. This occurred also because the revenues accumulated in the boom period were detained and squandered by the local élites but not invested in

⁴²⁷ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 73.

⁴²⁸ P. Franko, *The puzzle of Latin American economic development*, cit., pp. 47-48.

⁴²⁹ *Ivi*, p. 41

⁴³⁰ E. B. Berbier, "Agricultural Expansion, Resource Booms and Growth in Latin America: Implications for Long-run Economic Development", *World Development*, Vol. 32, N. 1, pp. 137-157.

the development of the national economic structure in order to create further growth opportunities⁴³¹. Hence, monoculture export did not boost the overall economic growth also because it had weak linkages with the rest of the national economy. As little attention was devoted to domestic production and demand and the export production was mainly isolated from the rest of the economy⁴³², once the international market for the single commodity fell, even the export led economy fall.

Moreover, this structure of the export-led growth created an internal division within the Latin American countries as their foreign trade guided by few economic poles had some disruptive effects on the national setting. If Brazil presented the dispersion of the productive centers that led to regionalism trends of the major poles, such as Minas Gerais and Rio Grande do Sul, Argentina dealt with the confrontation between the inland and the coastal areas. While the inland areas claimed for a productive focus on the domestic market, the coastal section was devoted to the international trade, neglecting and spurning the claims of the rest of the country⁴³³. As the economic activities answering the foreign demand led to a process of accumulation of wealth in certain areas and in the hands of few big landlords and of foreign investors, the Latin American societies coped with a domestic gap between the part of population enjoying the benefits of the foreign trade and the part that was exploited and deprived of its small but vital possessions.

In addition, as highlighted by the Dependency theory, the Latin American exports were mainly constituted by primary products exchanged for manufactured products, which had an higher value due to the inherent technology. This occurred also because the dominating classes led by the economic élites identified the idea of progress with the luxury consumption rather than with the enhancement of the output of the national economy⁴³⁴. The trade experienced by the Latin American countries was therefore basically unequal. Moreover, the primary goods are particularly price and

⁴³¹ P. Franko, *The puzzle of Latin American economic development*, cit., p.35.

⁴³² *Ivi*, p. 45

⁴³³ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 34.

⁴³⁴ *Ivi*, p. 28.

income inelastic: as their demand responded to needs of necessity, it is quite fixed and does not vary that much with the respect to different level of price or income because of the Engel's law⁴³⁵.

Although the export-led model considered the flows of exports as the engine of the economic growth of a country, all the described factors explain that it is an unstable basis as it is characterized by declining terms of trade. Even if a boom of the sales of certain primary goods increases the revenues of the producing country, it alone is not enough to lead to an effective economic development⁴³⁶.

The Latin American countries experienced these structural weaknesses during the period of the two World Wars. During the European conflicts, the trade with the Latin American countries weakened and the European investments decreased. The 1929 crisis brought further economical and financial instability, determining the fall of prices of various commodities⁴³⁷. In addition, the industrial advances continued: new synthetic products, such as rubber or nitrogen, were created, and the use of new raw material, such as oil, displaced the traditional raw materials, like coal, whose prices declined⁴³⁸. In general, the supply of primary products was larger than the real demand, causing a fall in prices that heavily affected the economies of the Latin American countries. The Latin American area indeed experienced an economic stagnation that lasted until the end of the World War II⁴³⁹. Both in the Central American countries and in Mexico, Argentina and Uruguay, the productive capacity did not increase, the public investments diminished and the per capita income declined⁴⁴⁰.

⁴³⁵ P. Franko, *The puzzle of Latin American economic development*, cit., p. 43.

⁴³⁶ *Ivi*, p. 44

⁴³⁷ *Ivi*, p. 48

⁴³⁸ *Ivi*, p. 49

⁴³⁹ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 170.

⁴⁴⁰ *Ivi*, pp. 171-173.

2.3.2 Import Substituting Industrialization (ISI)

The fall in the prices of products that Latin American countries exported represented a real shock for their economies so that an adjustment was needed.

As already said, in 1948 the United Nations Economic Commission for Latin America (ECLA) was created and later led by Raúl Prebisch, the supporter of the Dependency theory. Prebisch analyzed and criticized the export-led model claiming some main arguments. Firstly, he focused on the risky volatility of both the flows and the prices of the exports of primary goods and on the unequal international trade based on the exchange of technological products of the industrialized centers against primary goods yielding limited returns⁴⁴¹. In fact, Prebisch also highlighted that the principal problem of the economies of Latin American countries lied in the kind of goods they offered: primary goods deal with declining terms of trade that undermine the pattern of growth⁴⁴². Moreover, the structuralist group within the ECLA added the conviction that the economy was primarily driven by centers of powers representing strong oligopolies of local élites able to establish prices and politics in a mechanism that fostered inequalities⁴⁴³.

The Dependency and Structuralist theories spread throughout the Latin American region promoting a change of the economic orientation. While the export-led model highly depended on the foreign demand of consumption orientating itself outwards (*hacia afuera*), the ECLA theories pushed for a turn inward (*hacia adentro*) in order to promote the internal sources of economic growth⁴⁴⁴.

Although the export-led model had several weaknesses, it gradually brought an expansion of the Latin American economies that could adjust in front of the fall of both the prices and the flows of their exports. Thanks to the exports boom, incomes and markets had grown, new activities and

⁴⁴¹P. Franko, *The puzzle of Latin American economic development*, cit., p. 58.

⁴⁴² *Ibidem*

⁴⁴³ *Ivi*, p. 59

⁴⁴⁴ A. O. Hirschman, *A Bias for Hope: Essays on Development and Latin America*, cit., p. 88.

products had become profitable and some industries came into being⁴⁴⁵. Dealing with the fall of the export demand and a decline of the flows of international trade, the Latin American policy makers moved towards a domestic focus fostering a national industrial development. The framework forecasted the establishment of industrial productions able to substitute the imported products: a import substituting industrialization (ISI)⁴⁴⁶.

In the post-war years, the ECLA researchers in fact promoted the ISI package: the Latin American countries should create industries capable of producing substitutes of imported goods, focusing on the leading role of technology, and expand the internal markets⁴⁴⁷. On the other hand, the fall of the export-led model showed the failure of the markets forces alone and spurred the importance of the intervention of the State. The State would firstly promote the national technological capabilities and secondly, as an economic actor, should counterbalance the adverse dynamics of the market and deliver the needed public investments⁴⁴⁸. The realization of the ISI strategy entailed some main instruments. Firstly, the ISI involved an active industrial policy based on the creation of State-owned enterprises (SOEs), which were mainly heavy industries, particularly oil, petrochemicals, telecommunications, and aircraft industries, and could enjoy of several financial and fiscal advantages, such as the assistance of ministers to negotiate technology transfer and investments or available resources to hire brightest scientists, engineers, and managers⁴⁴⁹. Secondly, the inward strategy required protective instruments. The new born industries were considered as infant industries which needed to grow without the competition of large multinational firms⁴⁵⁰. Therefore, high tariff and trade restriction were required to foster the industrial development. In addition, fiscal and monetary policy should sustain the industrial sector: the State should in fact provide subsidies to domestic firms, tax credits and selected

⁴⁴⁵ *Ivi*, pp. 89-90

⁴⁴⁶ *Ivi*, p. 86

⁴⁴⁷ P. Franko, *The puzzle of Latin American economic development*, cit., p.60.

⁴⁴⁸ *Ibidem*

⁴⁴⁹ *Ivi*, p. 61

⁴⁵⁰ *Ivi*, p. 62

tax exemptions, investments in key industries, but also mediate the foreign investments and create national development banks⁴⁵¹.

The initial phase of the ISI strategy began with the manufacturing of finished goods that were previously imported. In order to get the required inputs for the start up of the industrial processes, national imports augmented while the State tried to keep an over evaluated exchange rate to facilitate the purchase of imports⁴⁵². In this way, the ISI could experience a second exuberant phase when various imported products were replaced by the manufactured goods nationally produced, fostering high rates of growth⁴⁵³.

The ISI strategy had been embodied by the populist political regimes that largely undertook the interventionist policies. Researchers have spoken about an “economic populism”⁴⁵⁴, that emphasized domestic growth and the redistribution of income within the nation through the sly rhetoric of the charismatic leader. Indeed, the State interventions within the economic field increased. The populist governments undertook investments to economically sustain the industrial sector and also the overall economy, nationalized the railway companies, increased the public spending and attempted a redistribution of land. Moreover, from the 1950s to the 1970s there was a rapid expansion of the number of the SOEs that multiplied throughout the region⁴⁵⁵. During these years, the Gross Domestic Product (GDP) of most of Latin American countries grew as well as the rate of consumption⁴⁵⁶. While the industrial sector was fostered, there was also a parallel emerging of a urban middle class and of labor union movements.

Unfortunately, even the ISI formula entailed some inner weaknesses. The exuberant phase of growth produced by the manufacturing sector led to

⁴⁵¹ Ivi, pp. 63-65

⁴⁵² Ivi, p. 63

⁴⁵³ A. O. Hirschman, *A Bias for Hope: Essays on development and Latin America*, cit., p. 98.

⁴⁵⁴ P. Franko, *The puzzle of Latin American economic development*, cit., p. 60.

⁴⁵⁵ Ivi, p. 61

⁴⁵⁶ A. A. Hofman, “Economic growth and performance in Latin America”, *Serie Reformas Económicas*, No. 54., March 2000, pp. 5-12, available at: www.cepal.org/publicaciones/xml/6/4576/lc11350i.pdf (consulted on April 04, 2013).

an overestimation of some economic variables and a disregarding of both financial and economic critical aspects of the process⁴⁵⁷. In fact, the enthusiastic economic orientation undertaken under the populist governments neglected both the internal and external constraints, mainly constituted by the risks of inflation, fiscal deficit and financial imbalances⁴⁵⁸. The ISI process, that was pursued even during the military political regimes of the 1970s, was however an imbalanced strategy that mainly failed in the 1980s⁴⁵⁹. This occurred for several reasons. Firstly, after a first boom of substitutes of imported goods, there was an exhaustion of the products that could easily be replaced by the national production as higher steps of manufacturing were required⁴⁶⁰. This gap was due to the fact that the initial technology was principally brought in by flows of international trade and imitated, as the required machinery was mainly imported, but the Latin American economies did not experience a subsequent national technological experimentation and innovation training⁴⁶¹. The Latin American countries actually lacked a scientific research able to create their own technology⁴⁶² to be applied in their industrial process and development. As a consequence, the manufactured products of the Latin American industries coped with many difficulties in meeting the international levels and standards⁴⁶³, as the technology employed by the advanced countries was more and more sophisticated. As a matter of fact, the ISI had been implemented without creating a sector of assets of production, which continued to be provided by the foreign industrialized countries⁴⁶⁴

Moreover, as the industries developed as isolated centers without effective connections with the rest of the economy, that is without paying attention to the backwards and forwards linkages highlighted by the studies of A. O. Hirschman, the Latin American economies did not experience an

⁴⁵⁷ A. O. Hirschman, *A Bias for Hope: Essays on development and Latin America*, cit., p. 99.

⁴⁵⁸ P. Franko, *The puzzle of Latin American economic development*, cit., p. 60.

⁴⁵⁹ *Ivi*, p. 70

⁴⁶⁰ A. O. Hirschman, *A Bias for Hope: Essays on development and Latin America*, cit., p. 100.

⁴⁶¹ *Ivi*, p. 94

⁴⁶² E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 253.

⁴⁶³ P. Franko, *The puzzle of Latin American economic development*, cit., p. 70.

⁴⁶⁴ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., pp. 177-178.

overall growth involving an efficient improvement of the connections among all the economic sectors. As a matter of fact, the ISI process was undertaken by the already strong economic forces, practically remaining in the hands of the old local élites who were in strict relation with the foreign investors. Therefore, the ISI strategy failed to create a vivid new entrepreneurial class⁴⁶⁵ really devoted to the national development.

The promised domestic development of the Latin American economies had then been undermined by further elements. On the one hand, the foreign influence had been high. Firstly, the new industries were often created as delocalized branches of big foreign firms, the majority of which were US big companies that accomplished their own economic interests⁴⁶⁶. Secondly, the State had mainly financed the ISI process by borrowing in the international financial market at very low interest rates and by welcoming foreign investments⁴⁶⁷. In order to boost the industrial development, the foreign investment were not limited, but rather encouraged under the same regulation of the domestic investments⁴⁶⁸. The industries and particularly the machinery and the technology were in fact in the hands of the foreign investors. For example, in Brazil:

Between 1964 and the first half of 1968, fifteen industries of automobiles or of pieces for auto were swallowed up by the Ford, the Chrysler, the Willys. The Simca, the Volkswagen or the Alfa Romeo; in the electric and electronic sector, three important Brazilian companies passed in Japanese hands; [...] the American Can, the American Machine & Foundry and members took possession of six national mechanic and metallurgic companies⁴⁶⁹.

⁴⁶⁵ P. Franko, *The puzzle of Latin American economic development*, cit., p. 70.

⁴⁶⁶ A. O. Hirschman, *A Bias for Hope: Essays on development and Latin America*, cit., p. 101.

⁴⁶⁷ P. Franko, *The puzzle of Latin American economic development*, cit., p. 78.

⁴⁶⁸ E. Galeano, *Le vene aperte dell'America Latina*, cit., pp. 220-224.

⁴⁶⁹ *Ivi*, p. 223

Consequently, in order to simplify the transactions of foreign loans, the foreign banks proliferated in the Latin American region⁴⁷⁰. Industrialization landed in the Latin American region but its arrival did not change the fundamental structures of the economies⁴⁷¹, which continued to be led by the foreign capitals and interests. On the other hand, the attention to the national overall economy was scarce. The agricultural sector was in fact largely neglected causing a decline in the agricultural production⁴⁷². This consequently meant an increase of food imports, pressuring on the accounts of the balance of payments (as the amount of import overcame the amount of export) and weakening an important source of income of the population.

As a result of these critical features of the ISI strategy, when the interest rates were raised by the US central bank, the Latin American economies collapsed both for the incapacity to repay the accumulated external debt and for their fragile domestic economic structure, that had not been strengthened but rather enfeebled. The ISI formula that had based on the external debt had omitted to recognize the leaks of the market of capital that can suddenly change its general conditions⁴⁷³.

2.3.3 The neoliberal adjustment

During the 1970s, the international markets experienced the two oil shocks of 1973 and 1978, in which the oil price increased sharply swelling the US\$ reserves of the Arab countries providing oil worldwide. On the one hand, the trade surplus obtained by the Arab countries was invested outside, especially in the English and Swiss banks, creating the circuit of the petrodollars recycling lent at very low interest rates due to the abundant availability of the currency. On the other hand, the countries importing oil were consequently importing inflation as the increase of oil price caused a

⁴⁷⁰ Ivi, pp. 230-231

⁴⁷¹ Ivi, p. 217

⁴⁷² P. Franko, *The puzzle of Latin American economic development*, cit., p. 70.

⁴⁷³ J. Ramos, "El cuestionamiento de la estrategia del desarrollo y del papel del Estado a la luz de la crisis", *Cuadernos de Economía*, Año 26, N. 29, Diciembre 1989, pp. 299-310.

corresponding general augmentation of prices, and attempting a competitive devaluation of their exports. These dynamics, which worsened with the second oil crisis of 1978, inevitably led to a decline of investments and of productivity capacity. In order to stop the general situation of inflation and stagnation, the US central bank, the FED, decided that a rise in interest rates was needed notwithstanding its depressive effects. Once in 1979 the FED implemented the rise of interest rates, the Latin American countries, which had extremely enlarged their external debt thanks to the petrodollars abundance, suffered a harsh blow.

Since the ISI strategy had been carried forward borrowing abroad, when the interest rates surged its financial circuits fostered a deep debt crisis⁴⁷⁴. It generally occurs when a country is no more able to repay the outstanding value of the loans it has received. In Latin America, the situation was worse as the loans requested abroad represented the principal support of the majority of the development projects and the major share of the economic activities⁴⁷⁵. The economic growth was therefore fueled by the external debt. As a result, when the Latin American countries faced the rise in interest rates decided by the FED, the real cost of the loans outpaced their ability to service the debt to the point that their economies mainly collapsed under the burden of the foreign debt, falling in the so called *debt trap*⁴⁷⁶. As in the Latin American countries the financial transactions were generally dollar-denominated, the rise in interest rates, that in 1981 reached the 18.8%⁴⁷⁷, added up to the reevaluation of the US dollar, representing a real shock for their countries.

In order to contrast the rough economic and financial crisis, the Latin American countries had no other choice but to follow the measures imposed by the international financial institutions as prerequisites to obtain further loans⁴⁷⁸. Under a strict collaboration, the IMF and the WB established a set of policies that would restore the stability of the national and international

⁴⁷⁴ P. Franko, *The puzzle of Latin American economic development*, cit., p. 78.

⁴⁷⁵ *Ibidem*

⁴⁷⁶ *Ibidem*

⁴⁷⁷ *Ivi*, p. 86

⁴⁷⁸ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 226.

economies. As the management of the economy driven by the State intervention in the economic field led to a deep economic and financial crisis, the common strategy of the IMF and the WB, later known as the Washington Consensus, entailed reverse policies. For underdeveloped countries, including the Latin American countries, the IMF and the WB elaborated a plan of monetary stabilization imposing neoliberal policies of privatization of the businesses and of liberalization of the trade⁴⁷⁹. The State should exit the economic field, which would rather been led by the private enterprises⁴⁸⁰. Moreover, the countries should undertake policies of austerity, cutting the public spending and freezing wages and subsidies to the population⁴⁸¹. The States should also undertake a restrictive monetary policy and measures of devaluation⁴⁸². This package of policies was conceived by the international institutions in order to solve an alleged liquidity crisis of the high indebted countries of the Latin American region. The adjustment process forecasted a reduction of the domestic expenses and consumption of goods and services to allow a higher surplus within the national accounts that could be used to restore the financial conditions of the countries⁴⁸³.

As a result, together with the critic amount of the external debt, the Latin American countries experienced a tight worsening of the living conditions of the population⁴⁸⁴. The effects of the neoliberal policies were serious. The people working in the SOEs were laid off and experienced a widespread unemployment, while the people receiving State's subsidies faced a dramatic increase of prices⁴⁸⁵. On the other hand, the domestic companies dealt with high international competition and with the fall of investments. In addition, the measures of devaluation led to an increase of

⁴⁷⁹ *Ivi*, p. 227

⁴⁸⁰ *Ivi*, p. 228

⁴⁸¹ *Ibidem*

⁴⁸² P. Franko, *The puzzle of Latin American economic development*, cit., pp. 89-90.

⁴⁸³ *Ivi*, p. 89

⁴⁸⁴ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 229.

⁴⁸⁵ P. Franko, *The puzzle of Latin American economic development*, cit., p. 90.

the price of imported goods and services, and to the intensification of the agricultural exports accompanied by high environmental costs⁴⁸⁶.

As already seen in the review of the politics undertaken in the region, even though the Latin American countries closely accomplished the package of the policies prescribed by the IMF and the WB, their efforts were not sufficient to restore their economic conditions. The interest rates remained high, the prices of the Latin American exports were depressed and the economic activities did not recover⁴⁸⁷. The criticism therefore raised and the structuralist school attacked the IMF approach, that appeared to be too much standardized⁴⁸⁸ as the same recipe was used for all countries, without taking care of peculiar political, economic and social differences. Moreover, the structuralist theorists argued that the IMF approach had focused on restrictive short-run targets that had exacerbated the economic difficulties of the Latin American countries, without working on long-term goals able to efficiently restructure the economy⁴⁸⁹. Towards the end of the 1980s, the failure of the measures elaborated by the IMF and by the WB to solve the problem of the deep debt crisis of the Latin American region led to a shift in the understanding of the issue. At first interpreted as a short-term problem of liquidity, the debt crisis was then understood as an issue of long-term structural adjustment concerning the domestic dynamics of development⁴⁹⁰. The two international institutions should rearrange their functions: the IMF focused to the design of lending facilities to sustain long term structural changes, while the WB assisted the management of the required adjustment of the economic structures⁴⁹¹. As a consequence, during the 1990s, the neoliberal policies became more and more tight in order to accomplish the structural changes expected by the international institutions and the economic and social costs of the policies of adjustment got increasingly high, inflating the social tensions among the population.

⁴⁸⁶ *Ibidem*

⁴⁸⁷ *Ivi*, p. 91

⁴⁸⁸ *Ibidem*

⁴⁸⁹ *Ibidem*

⁴⁹⁰ *Ivi*, pp. 96-97

⁴⁹¹ *Ibidem*

2.3.4 The double way of the pink wave

At the beginning of the 21th century the neoliberal policies were strongly criticized for the failures of the harsh efforts they had required to the underdeveloped countries. As already said, in the Latin American region, the political stage saw the advent of a new progressive and nationalistic position, which again changed the economic orientation of the countries. A first wing, led by the president of Venezuela, Hugo Chávez called for the detachment from the neoliberal measures and from the strict relationship with the US, in order to undertake a pattern towards an independent development free from the foreign interference⁴⁹². The other wing, led by the president of Brazil, Lula, moved within a reformist orientation that followed the policies of economic austerity undertaken by the previous administration, trying to give a sense of continuity to the efforts supported by the population.

In both cases, the governments of the pink wave took into account the needed social reforms to help the population facing difficult living conditions⁴⁹³. For example, Chávez realized several social programs called *missiones* to reach various goals, such as the ameliorating of the primary health care in the poorest areas, the fight against the adult illiteracy, and the protection and promotion of the indigenous communities⁴⁹⁴. Lula elaborated the program called *Bolsa Familia*, in which the government transferred funds to the poorer families that should be used for the healthcare and the education of their children⁴⁹⁵.

But even in these alleged progressive governments, the flows of exports and the entry of the foreign capital continued to play an essential role in the national economies. While Chávez could enjoy the revenues coming from the profitable exports of the Venezuelan oil, the government of Lula took benefit from the high prices of foodstuff and minerals and of a

⁴⁹² *Ibidem*

⁴⁹³ *Ivi*, pp. 41 and pp. 19-20

⁴⁹⁴ *Ivi*, p. 41

⁴⁹⁵ *Ivi*, p. 20

low exchange rate of the real⁴⁹⁶. If and when these prices will fall again, the economic growth could suffer a harsher tottering⁴⁹⁷, putting in question the relative stability achieved by the Latin American countries.

2.3.5 An unbroken economic dependence

Unfortunately, although the changes in the economic orientation of the Latin American countries, their main problem lies in the uninterrupted economic dependence on foreign demand and capital. The export-led model was extremely dependent on the demand of consumption coming from abroad un subordinated to the volatility of the prices of the exported primary goods. A change in the preferences of consumption or the fall of international prices had in fact strongly affected the Latin American economies. On the other hand, the ISI strategy, which should have focused on the national industrial development, depended on the import of technology and machinery from abroad, and on the investments offered by big foreign companies willing to establish their subsidiaries in the host countries. Moreover, the infant Latin American industries were not adequately protected by the international competition. Thirdly, the neoliberal policies further opened the door to foreign capital through the measures of privatization and liberalization of the economic structuring. The arrangements of austerity imposed on the population were accompanied by a sharp increase of the private foreign investments, considered to be the engine of the economic development of the Latin American countries through the capital and knowledge contributions they would bring in. Finally, the mixed strategy undertaken by the governments of the pink wave run into the same weaknesses of the previous models.

According to Eduardo Galeano, the economic dependence on foreign resources represents the main evil of the Latin American economies. He stated that since the colonization period, the Latin American region had

⁴⁹⁶ *Ivi*, p. 21

⁴⁹⁷ *Ibidem*

specialized in acting as a servant of the economic needs of the others⁴⁹⁸. The region had continued to offer raw materials and foods staff to the richer countries where their consumption is much more profitable than the gains obtained by the Latin American producers⁴⁹⁹. On the other hand, the economic and financial international system offered high rates of profits to the loans and investments made by the advanced countries, looking for more favorable terms of inputs in the underdeveloped economies⁵⁰⁰. The low prices of the raw materials and of the unskilled workforce represented a strong attraction for the dominant economic centers. Galeano confirmed the thesis of Raúl Prebisch arguing that the Latin American region had continually been strangled by the unequal exchange of its primary goods against the specialized products and investments of the powerful central economies⁵⁰¹. Galeano also added that during the course of the years,

the dependence is not broken, it only changes in the quality⁵⁰².

According to Galeano, this unchanged structure of the economic dependence experienced by the Latin American countries had firstly been fostered by the national dominant class. The leading classes had continually followed the directives given by the liberalism doctrine promoted by the powerful Western countries. In this way, they had represented an integral part of the capitalist gears of exploitation⁵⁰³. The local élites had followed their own interests strictly linked with the ones of the foreign investors, without creating and promoting a real development of their own countries as the structures of the foreign domination had not been disrupted but rather perpetrated inflating the traditional centers of power.

Secondly, the Latin American region had in fact continually depended on foreign markets. The region depended on the European demands during the colonial period, than on the English capital mainly promoting the infrastructural development, especially in the railways sector, and later on

⁴⁹⁸ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 3.

⁴⁹⁹ *Ibidem*

⁵⁰⁰ *Ivi*, p. 245

⁵⁰¹ *Ivi*, p. 249

⁵⁰² *Ibidem*

⁵⁰³ *Ivi*, p. 6 and p. 252

the investments of both the government and the big companies of the United States, while these and other foreign powers have largely exploited the low costs of the inputs available in the region. Moreover, as already said, the technology and knowledge potentially brought by the foreign investments in the Latin American countries had largely been received and imitated but not elaborated in order to start a domestic and independent pattern of modernization. Therefore, Galeano highlighted the fact that in Latin America

the symbols of prosperity are also the symbols of dependence⁵⁰⁴.

In addition, even though it used an obsolete and imported technology, the weak industrial advancement experienced in the Latin American region had a second negative impact on the economy. It expelled a big share of workforce, swelling a huge mass of poor people and concentrating it in the suburbs of the industrialized centers, forming the so called slums. These slums spread all over the region assuming different denominations: *favela* in Rio de Janeiro, *callampa* in Santiago de Chile, *jacal* in Mexico, *barrio* in Caracas, *barriada* in Lima, *villa miseria* in Buenos Aires and *cantegril* in Montevideo⁵⁰⁵. These places also received the unemployed agricultural workers migrating to the cities in order to find alternative ways of subsistence. The huge marginalization of the population has led to a further reduction of the level of wages, as people are willing to do any work against a miserable remuneration, increasingly frustrating the internal economic development⁵⁰⁶.

The neglect of the agricultural sector has been another leak of the pattern of the Latin American development. Firstly, the establishment of the latifundio regime originated during the colonial scheme of huge plantations to expand the exports of food products, continued to characterize the rear structure of the agricultural sector and to represent the main source of plunder of the Latin American natural resources⁵⁰⁷. The complementary

⁵⁰⁴ *Ivi*, p. 253

⁵⁰⁵ *Ivi*, p. 257

⁵⁰⁶ *Ibidem*

⁵⁰⁷ *Ivi*, p. 148-149

agricultural forms of the minifundio and of the communitarian agriculture had been undertaken by the small and poor farmers to sustain their subsistence⁵⁰⁸. The consequent unequal distribution of land and gains among these different structures had distinguished the Latin American agricultural sector that had not been able to develop efficiently, as the power and most of the land continually remained in the hands of the owners of the larger estates, that is in the hands of the local élites or of foreign investors⁵⁰⁹. Moreover, the Latin American agricultural sector experienced an excessive exploitation and a continuous deforestation to expand the arable land. Tropical forests and other natural habitats were converted to agricultural use with a consequent degradation of important natural resources⁵¹⁰. Once that the agricultural frontier has been opened by the large-scale activities of big landowners or multinational enterprises, it has then been expanded by the small-farmers and landless households in search of new livelihood, aggravating the land plunder⁵¹¹.

In addition, during the ISI period, the policies undertaken to foster the industrial sector often hurt the agriculture terms of trade⁵¹², while the agricultural reforms that began to be promised since the post-war period were not able to assure a real and equal redistribution of the land⁵¹³. The main problem of the structure of the Latin American economy lies in the mismanagement of property rights, which have continued to be ill-defined and to lack a real enforcement⁵¹⁴. As the land entitlement regulation has not been efficiently implemented by the Latin American administration, the agricultural sector has remained at the mercy of the foreign interests, embodied by the local élites or by the subsidiaries of the multinational

⁵⁰⁸ T. F. Carrol, "The land reform issue in Latin America" in A. O. Hirschman, *Latin American Issues Essays and Comments*, New York: the Twentieth Century Fund, 1961, pp.163-170.

⁵⁰⁹ *Ibidem*

⁵¹⁰ E. B. Barbier, "Agricultural Expansion, Resource Booms and Growth in Latin America: Implications for Long-run Economic Development", cit., p. 137.

⁵¹¹ *Ivi*, p. 150

⁵¹² G. E. Schuh, R. Junguito, "Trade and agricultural development in the 1980s and the challenges for the 1990s: Latin America", *Agricultural Economics*, V. 8, 1993, pp. 377-400.

⁵¹³ T. F. Carrol, "The land reform issue in Latin America", cit., pp. 170-186.

⁵¹⁴ E. B. Barbier, "Agricultural Expansion, Resource Booms and Growth in Latin America: Implications for Long-run Economic Development", cit., p. 150.

enterprises, hindering a national development craved by the poor population.

As a consequence of these internal dynamics, although the economic development of the Latin American countries has been attempted following different orientations, it still represents a huge challenge as a true and effective pattern towards its goals requires a profound changes of social and economic structures rooted for centuries in the everyday life of the Latin American population.

2.4 Financial troubles

If the Latin American countries have been suffering a deep economic dependence on foreign dynamics, their financial resources have been even much more correlated to the international flows. The money entered the coffers of the states depended on the foreign purchasing of the Latin American exports and on the flows of foreign investments towards the Latin American countries. As the Latin American economy has been devoted to the satisfaction of the foreign demand, its financial sources largely depended on the foreign markets. The Latin American region experienced a first financial shake during the World Wars period: if during the armed conflicts the region represented a good supplier of raw materials, the recovery period showed a decline of the purchasing of its exported products and of the investments of the powerful countries committed to the restoring of their own economies.

As already seen, the Latin American countries attempted a inwards orientation of their economies through the ISI strategy and the richer Western countries were again ready to offer their technological products and their capital to supposedly help the development of the South of America. The multinational companies undertook many private direct investments opening overseas their subsidiaries and helping in the management and financing of the local firms⁵¹⁵. This occurred especially after the US

⁵¹⁵ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 233-234.

president Truman speech of 1949 that, identifying the existence of underdeveloped areas of world, boosted the diffusion of the scientific and industrial advances obtained both by the US and other richer countries⁵¹⁶.

The flows of the Official Development Assistance (ODA) reached the Latin American countries through the international institution dedicated to it, such as the International Development Association (IDA) and the United States Agency for International Development (USAID). As a consequence the Latin American countries could entrust several development projects to the funds coming from the international assistance to development issues. Therefore, the economic growth of the region had been fueled by increased injections of foreign capital. The flaw of the foreign aid offered by the richer countries lied in the fact that it had often been a tied aid, that is conditioned to the principle that the donor's economy should somehow take advantage from the aid it provided⁵¹⁷. The foreign aid had often be conditional to the purchase of goods and services from the donor country, even if it did not represent the best acquisition on the markets⁵¹⁸ increasing the costs of the recipient country. Many flows of ODA have been linked to requests of economic and political liberalization, democratic strengthening, and emphasis on the activities of the private sector⁵¹⁹ as the international financial institutions have often decided the economic policy of the countries asking for loans⁵²⁰. As a result, although the foreign financial aid of development assistance had certainly been a valuable support for the Latin American countries, it had also required the implementation of several conditions binding the economy of the recipient countries.

Since the 1970s, due to the large availability of financial resources coming from the petrodollar flows of the oil revenues of the Arab countries, the Latin American governments largely and easily borrowed abroad to finance the development policies. Between the 1970 and the 1980, the external debt of the Latin American countries from US\$ 30 billion passed to

⁵¹⁶ H. S. Truman, *Inaugural Address*, cit., p. 3.

⁵¹⁷ S. Brown, "National Development Agencies and Bilateral Aid", cit., p. 148.

⁵¹⁸ *Ivi*, p. 149

⁵¹⁹ *Ibidem*

⁵²⁰ E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 235.

US\$ 240 billion, while in 1985 it exceeded US\$ 380 billion⁵²¹. The huge external debt reached by the Latin American countries led to the financial collapsed when the initially low or even negative interest rates were suddenly raised. The Latin American countries experienced serious problems of insolvency as they lost the capacity to serve the debt obligations, that had become increasingly high. Nonetheless, even if the reliance on the foreign capital clearly resulted to be highly risky, the neoliberal policies that came to solve the critical financial situation encouraged a further opening of the economies and the privatization of the businesses, which incremented the presence and the influence of the foreign capital. Therefore, even during the distressing recovery of the 1990s, Latin American countries were still relying on the foreign resources provided by external investors and consumers, whose preferences can suddenly experience sharp changes.

The Latin American country lacked a true development of their internal markets and an advantageous assessment of their natural resources and domestic production able to internally provide financial sources to foster and manage the national development. The foreign aid and the foreign loans inevitably tied the economy of the recipient country preventing it from obtaining real advantages as they rather worked to benefit the donor nations. The development linked to the foreign financial support cannot truly advance. As the president of North America Woodrow Wilson interestingly highlighted, a country is ultimately owned and dominated by the capital that is there invested⁵²² and when that capital is the foreign capital, the national power is definitely limited.

As a matter of fact, the high presence of the foreign capital has led to some disruptive effects on the Latin American economies. Firstly, it caused a distortion of the local productive system as the foreign investments have focused on the strategic economic activities consequently dominating the circuits of the local economy. Indeed, the foreign investments have constituted the main tool of appropriation of the economic surplus achieved

⁵²¹ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 96.

⁵²² E. Galeano, *Le vene aperte dell'America Latina*, cit., p. 4.

by the financed activities. Moreover, as the foreign investors have come to possess more and more local businesses, the Latin American countries have experienced a critical denationalization of their economies⁵²³. The Latin American countries have in fact suffered a significant dependence on the foreign financial resources. As a matter of explanation, if in 1945 the US subsidiaries of manufacturing activities in the Latin American area were 182, they became 259 in 1950 and then 357 in 1955, achieving a total of 612 in 1960 and of 888 in 1965⁵²⁴. As the same process occurred for the US banks and for the US direct investments, the Latin American countries also registered a pattern of decapitalization of their economies that have been ruled by the foreign capitals⁵²⁵

The second financial issue plaguing the Latin American economies lies in the inflationary trend. During the period of economic crisis, mainly in at the beginning of the 1930s and 1980s, and as a consequence of devaluation of the national currencies, the Latin American countries had experienced a general rise of the level of prices, that had harshly burdened on the population. On the one hand, the general increase of costs led to the fall of the real wages reducing the purchasing power of the people, and on the other hand, the consequent uncertainty undermined the climate of investments entering the countries and the people propensity to save⁵²⁶. Moreover, as the Latin American economy did not diversify their production and were primarily based on the foreign capital, the impacts of the changes occurring in the international markets were inevitably wider.

The inflationary trend particularly hit the Latin American countries during the crisis of the 1980s. The region suffered the high interest rates imposed on the repayment of the large foreign debt, which caused a financial squeeze within the national economies. The general increase of costs on the financial side represented one the variables influencing a rise of the level of prices. As the purchasing power of people diminished, people preferred to buy more than they saved, driving a further increase of the

⁵²³ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 98.

⁵²⁴ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 194.

⁵²⁵ *Ivi*, p. 195

⁵²⁶ P. Franko, *The puzzle of Latin American economic development*, cit., p. 108.

prices of goods and services⁵²⁷. This process also eroded the tax basis the government could obtain as the percentage of tax collection was consequently low contracting the capability of the government spending⁵²⁸. As also the access to the foreign loans was dried, the governments were pressured to augment the domestic availability of money printing more money. This move definitively confirmed an inflationary pressure over the level of prices. The same procedure was then acted as the package of stabilization decided by the IMF often required the devaluation of the national currencies: even if it implied a slight increase of the national exports as they became cheaper for the foreign consumers, it also meant the increase of the value of the external debt in domestic terms as the national currency worth less⁵²⁹. In many Latin American countries, the rate of inflation reached extremely high peaks.

In order to solve this critical situation that fed itself, two main schools of thought developed: the monetarist and the structuralist school. The monetarist school stated that inflation was generally caused by the rising of the level of money in circulation that consequently led to rising prices⁵³⁰. Indeed, the general increase of prices had often been fought by printing more money. If the increased availability of liquidity was supposed to finance the deficit of the government, the augmenting of the supply of money had further inflated the raise of the level of prices. The inflationary trend had become incompatible with development and must be stopped quickly⁵³¹. The monetarist theorists suggested that in order to lower the rate of inflation, the governments should decrease their spending and undertaken a rigorous management of the deficit through restrictive monetary and fiscal policies⁵³². These perspective had then been followed within the directives of the IMF.

On the other hand, the structuralist school evolved within the studies of the ECLA, argued that the problem of inflation is due to both the

⁵²⁷ *Ivi*, p. 112

⁵²⁸ *Ibidem*

⁵²⁹ *Ibidem*

⁵³⁰ *Ivi*, p. 109

⁵³¹ A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., p. 69.

⁵³² *Ivi*, p. 69-70

monetary disequilibrium and also the weak structure of the underdeveloped countries⁵³³. The structuralist theorists claimed that the Latin American economies should be understood as incomplete markets that experienced numerous bottlenecks both in the agricultural and industrial sectors and suffered heavy external price shocks from the international markets⁵³⁴. Some of these bottlenecks are due to the remiss investment in transport infrastructures that kept high costs of production, the ability of the government to decide the prices of the basic foodstuffs, the rigidity of the function of savings of the population, and the low import purchasing power leading to the chronic imbalance in the foreign trade⁵³⁵. The Latin American economies suffered an inelastic supply, as the range of goods and services had not expanded and their composition had not adjusted sufficiently fast to the changes of the demand side⁵³⁶. The distribution of income had continued to be very unequal among the population, while the instability of the government revenues due to low tax collection and unsteady export gains, had led to the rigidity of government expenditure⁵³⁷. Moreover, the Latin American markets were mainly oligopolistic, experiencing a high concentration of resources and profits in the hands of few large firms that ultimately controlled the level of prices⁵³⁸. In addition, the central banks often were not independent but were rather subjected to the political pressure that induced them to accommodate the demand of the governments⁵³⁹. As a consequence, the structuralist school promoted a combined program involving both heedful monetary policy and the correction of these basic bottlenecks. In particular, the structuralist directives recommended the lessening of the vulnerability of the Latin American economies to foreign trade, the increasing of the elasticity of the supply, the efficient orientation of the national resources toward high-

⁵³³ P. Franko, *The puzzle of Latin American economic development*, cit., p. 113.

⁵³⁴ *Ibidem*

⁵³⁵ A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., p. 74-75.

⁵³⁶ *Ivi*, p. 110

⁵³⁷ *Ivi*, p. 113-114

⁵³⁸ P. Franko, *The puzzle of Latin American economic development*, cit., p. 114.

⁵³⁹ *Ibidem*

priority economic activities, and the increasing of the real income of the masses⁵⁴⁰.

These two approaches to fight the inflationary trend has both seen attempts of implementations. After the crisis of the 1930s, the Latin American economies had primarily followed the structuralist orientation focusing on the ISI strategy that tried to stimulate the economic recovery fostering the economic development through a domestic process of industrialization. On the other hand, the programs driven by the IMF and the WB to manage the debt crisis of the 1980s primarily followed the monetarist perspective centering the economic efforts on the monetary equilibrium.

Unfortunately, as seen in the previous paragraphs, none of these strategies did really solve the constrains binding the Latin American economies, and the inflationary trend as well as the weight of the external debt remain dangerous threats for the economic and financial stability of the region.

2.5 The relationship between US and Latin American countries

Discussing the theme of the development of the Latin American region, it is essential to give attention to the relationship with the neighboring power of the United States. This link had continued to be characterized by a net supremacy of the United States, that had considered the Central and Latin American region as a natural extension of their territory over which they could logically widen their economic and political influences, inevitably conditioning its development pattern.

Since the 19th century, the United States had been richer and stronger than the Central and Latin American countries and their strategy had more or less explicitly focused on the predominance over the rest of the continent in the belief that their nation was economically, politically, militarily and

⁵⁴⁰ A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., p. 117-118.

socially superior⁵⁴¹. As a consequence, the Central and Latin American region was expected to accept the decisions of the United States and to align to their directives, that were assumed to be the right solutions to act. The means used to submit the region had depended on the goals the US wanted to achieve generally involving diplomatic pressure, military interventions, programs for economic assistance, and political skullduggeries.

As a matter of fact, the US policy modified itself during the years according to the US political, economic and financial interests adjusting the pressure exerted on the Central and Latin American governments. Nonetheless, the US policy has not always had the same response in the region as if the financial assistance has largely been welcomed, the political and economic interferences represented a relevant burden. The recent leftist governments of the pink wave in effect move between a firm opposition and a prudent pragmatism.

A reconstruction of the relationship between the two parts of the continent is crucial to understand the impositions of the United States over the Central and Latin American countries.

The first phase of this relationship saw the establishment of the pertinence of the Central and Latin American region to the sphere of influence of the United States. In fact, already in 1823 the US president James Monroe formulated the so called Monroe doctrine: an unilateral pronouncement of the United States claiming that the European powers should not interfere in the events of the American continent⁵⁴². The European should have left America to the Americans⁵⁴³. As a consequence, the Central and South regions of the continent would in case be helped by the powerful United States, that indeed expanded their influence over Mexico, the Caribbean area and the Latin American countries. If at first the doctrine was more a statement of intent than a reality, starting from the late 19th century the actions of the United State became more concrete.

⁵⁴¹ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 7.

⁵⁴² *Ivi*, p. 8

⁵⁴³ M. Morazzoni, *Geopolitica dell'America Centrale Le inquietudini, l'eredità, il futuro*, Bologna: Archetipolibri, 2010, p. 9.

In 1904 Theodore Roosevelt announced an integration to the Monroe doctrine, that further clarified that the American continent must be an American affair⁵⁴⁴, and also stated that the United States would have played an Inter American police role: when necessary, the US would be ready to intervene in any of the American countries⁵⁴⁵. This approach was later known as the *big stick policy* and lasted until the 1930s. At the same time, this policy was also matched with the promotion and expansion of the economic and financial influence of the US\$ within the strategy known as the diplomacy of the dollar⁵⁴⁶. In this way, the United States had spread their political, economic and military primacy over the rest of the continent, that inevitably found itself bound to the decisions, concessions and constrains dictated by the North American power.

The approach of the United States changed during the period of the World Wars, when they dealt with the weakening of the European markets damaged by the armed conflicts. The US should turn to their own continent and began to reassess the Central and South regions as important sources of raw materials and agricultural goods⁵⁴⁷. The industrial development of the United States could have found a strategic trading bloc with the neighboring countries. Indeed, since 1933, the US president Franklin Delano Roosevelt abandoned the big stick policy and established a policy of good-neighborliness⁵⁴⁸ in order to promote a Pan-American system and to reject any other foreign influences. To support the new approach, the US promoted several Inter American conferences between 1936 and 1940 to the discussing of the issues of continental security and economic cooperation. These conferences were held in 1936 in Buenos Aires, in 1938 in Lima, in 1939 in Panama, and in 1940 in Havana⁵⁴⁹. During the conference held in 1945 in Chapultepec (City of Mexico), that discussed the issues of war and peace, important documents were signed. The Act of Chapultepec established the principle according to which any attack against an American

⁵⁴⁴ *Ibidem*

⁵⁴⁵ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 8.

⁵⁴⁶ *Ivi*, p. 9

⁵⁴⁷ *Ivi*, p. 10

⁵⁴⁸ *Ivi*, p. 11

⁵⁴⁹ *Ibidem*

state should be considered as an attack against all the signatory countries requiring a collective response, while the Declaration of Mexico stated that the goals of peace and democracy should have guided the relations among the American countries⁵⁵⁰. Moreover, in the economic field the US fostered the principle of free trade, the reduction of the customs barriers, and the opening to the foreign investments, in order to enable the other American countries to follow the US model of development based on the private initiative⁵⁵¹. The dialogue and the way towards a continental cooperation seemed to near the two regions even though they pursued different perspectives: while the United States aimed to assure a trading bloc for their own economy, the Central and Latin American countries hoped a true regional collaboration that would have improved their weak economies.

This underlying discrepancy emerged in the following years, when the Latin American countries experienced some progressive trends that saw free political elections, the presence of Communist parties and the activism of the workers unions, together with the populist political regimes, especially the ones of Vargas in Brazil and Perón in Argentina⁵⁵². These trends started to represent a threat to the order established by the United States that promptly oriented the ruling class of the local élite to undertake a reactionary turn. They should firstly controlled the movement of workers and secondly fight the penetration of the Communist influence as they both constituted dysfunctional elements for the political and economic security of the continent. On the one hand, in 1947 the United States adopted the Taft Hartley Act that stated the need of restriction to strikes and collective contracts and the prohibition of Marxist unions⁵⁵³, clarifying the directives the local Latin American élites were expected to follow. On the other hand, the risk of the advance of the Communist and Marxist political influence was exacerbated by the tough climate of the Cold War confrontation between the United States and the Soviet Union. The antithesis between the

⁵⁵⁰ *Ivi*, p. 12

⁵⁵¹ *Ivi*, p. 29

⁵⁵² *Ivi*, p. 14-17

⁵⁵³ *Ivi*, p. 20

two powers led to the formation of two geopolitical opposite blocs and to a global struggle to avoid any penetration of the enemy front.

Indeed, the United States strived against the Soviet advance. In 1947 within the Inter American Conference of Rio de Janeiro, a further regional military pact for joint actions against any aggressor was signed⁵⁵⁴. Within the Organization of the American States (OSA) created in 1948, an Inter American Defense Council was established⁵⁵⁵. In 1949, the speech of the US president Truman clearly argued the struggle against the Communist enemy and the required efforts to avoid its penetrations in the continent, proclaiming the policy of containment against any Soviet influence fostering leftist orientations of the Central and Latin American governments.

the United States and other like-minded nations find themselves directly opposed by a regime with contrary aims and a totally different concept of life. That regime adheres to a false philosophy which purports to offer freedom, security, and greater opportunity to mankind. Misled by this philosophy, many people have sacrificed their liberties only to learn to their sorrow that deceit and mockery, poverty and tyranny, are their reward. That false philosophy is communism.

the actions resulting from the Communist philosophy are a threat to the effort of free nations to bring about world recovery and lasting peace⁵⁵⁶.

The United States therefore engaged in a severe struggle against any sign of the Communism germ, directly and indirectly opposing any leftist governments and its reform measures. The US secured that their political and economic interests were not prejudiced by the leftist policies posing the problem as an issue of continental and global security. From the point of view of the United States, the ideas of the economic cooperation among the continent were therefore overshadowed by the priority represented by the Communist threat. In order to better eradicate the red evil, since 1949 the United States provided the military training and assistance to the Central

⁵⁵⁴ *Ivi*, p. 22

⁵⁵⁵ *Ivi*, p. 24

⁵⁵⁶ H. S. Truman, "Inaugural Address", cit., p.2

and Latin American military élite creating the *Escuela de Las Americas*, based first in Panama and later in Fort Benning⁵⁵⁷, that pursued the Doctrine of the National Security to protect the continent from the Soviet penetration. In this way, the local military became the best allies of the United States both in the fighting against any suspicion of Communist influence and in the accomplishment of the North American economic and political interests. As stated by the president Eisenhower, the United States would provide economic and financial assistance only to the anticommunist governments⁵⁵⁸ committed to combat the red enemy, but not to the governments that tolerated or supported the existence of Communist hotbeds.

An example of the US political opposition can be found in Guatemala. Since 1944 the government of Juan José Arévalo followed a leftist political program carried forward by its successor, the Colonel Jacobo Arbenz Guzmán. In 1952, the Parliament adopted a law of agrarian reform that assigned to the government the right to expropriate and distribute the uncultivated lands of the big estates⁵⁵⁹. This directive was considered as a serious threat for the US strategic interests as the bigger landowner and employer of the country was the United Fruit Company of Boston, that acted in Guatemala since the 1800 thanks to a strict relationship with the local élite⁵⁶⁰. After a firm opposition to the agrarian reform and a tight request of reimbursement, the US government decided secretly to prepare a plan to destabilize the leftist government of Arbenz. The secret operation of the CIA (the US Central Intelligence Agency) called Operation Success supported and guided a hard invasion of the border between Guatemala and Honduras by 200 exiles⁵⁶¹. The army did not support the government of Arbenz, but rather sustain his resignation and in 1954 the Colonel Castillo Armas, trained by the CIA and leader of the counterrevolution, became the

⁵⁵⁷ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 39

⁵⁵⁸ *Ivi*, p. 38

⁵⁵⁹ *Ivi*, p. 43

⁵⁶⁰ *Ivi*, p. 44

⁵⁶¹ *Ivi*, p. 46

new president and established a harsh repression of the alleged Guatemalan communists⁵⁶².

It is important to point up that the assistance to the development of the Latin American countries promoted by the president Truman speech had highly been conditioned to the implementation of the anticommunist directives imposed by the United States and was mated with the exacerbated persecutions acted by the trained local military. Moreover, where the assistance was granted, it was channeled to the economic sectors that were strategic for the interests of the United States economy⁵⁶³. In 1959, the Inter American Development Bank (IADB) was in fact created in Washington with the scope to provide loans for the economic development of the Latin American countries, but as the US contribution amounted to US\$ 450 million, they controlled the major percentage of the share capital and therefore the economic decisions⁵⁶⁴.

In the same year, the advent of the Cuban Revolution required a strong stance of the United States. The decisions took in Washington established a firm opposition against the government of Castro, the trade embargo against the Cuban economy, and the support to the counterrevolutionaries⁵⁶⁵. Cuba also became the battle ground between the two blocs of the Cold War confrontation, and the Missiles Crisis of 1962 led to a deep diplomatic clash between the two superpowers. In addition, as Cuba was receiving financial support by the Soviet Union, the United States attempted a different strategy to fight the red enemy. In order to avoid the spread of the leftist guerrilla, the United States tried to alleviate the problems of underdevelopment and the need of social reforms suffered by the Central and Latin American countries. In 1961, the US president Kennedy launched the Alliance for Progress, as a continental economic plan to support structural reforms within the Latin American economies turning the attention back to the development issue and representing the US as the major source of development assistance.

⁵⁶² *Ivi*, p. 47

⁵⁶³ *Ivi*, p. 21

⁵⁶⁴ *Ivi*, p. 49

⁵⁶⁵ *Ivi*, p. 53

Throughout Latin America – a continent rich in resources and in the spiritual and cultural achievements of people – millions of men and women suffer the daily degradations of hunger and poverty. They lack decent shelter or protection from disease. Their children are deprived of the education or the jobs which are the gateway to a better life.

If we are to meet a problem so staggering in its dimensions, our approach must itself be equally bold, an approach consistent with the majestic concept of Operation Pan America. Therefore I have called on all the people of the hemisphere to join in a new Alliance for Progress – *Alianza para el Progreso* – a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for home, work and land, health and schools⁵⁶⁶.

The US plan of development assistance kindled big expectations in the subcontinent that continued to welcome the US support to the improvement of its socioeconomic conditions. The US financial and economic assistance sustain the attempt of Import Substitution Industrialization (ISI) undertaken by the Latin American countries to boost their national progress. Moreover, in 1964, the undersecretary of State for Latin American affairs, Thomas Mann, marked the new orientation of the US administration, later known as the Mann doctrine⁵⁶⁷. It was based on four main points: the promotion of the regional economic growth; the protection of the US private investments; the disregard for the type of political regime; and the unchanged opposition against the Communism⁵⁶⁸. This doctrine largely supported the military regimes that established in the Latin American countries as they observed its main directives. The United States in fact supported the military governments that took power in Brazil, Argentina, Chile, and Uruguay. In addition, during the Nixon administration, the United States undertook a strategy of indirect influence in the Latin American affairs. Washington proceeded to the indirect destabilization of the hostile governments, undermining the capacity of governance, weakening the local economy,

⁵⁶⁶ J. F. Kennedy, “Preliminary formulations of the Alliance for Progress”, 1961. Available at: <http://www.fordham.edu/halsall/mod/1961kennedy-afp1.html> (consulted on October 29, 2012).

⁵⁶⁷ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 69.

⁵⁶⁸ *Ibidem*

supporting the opposition, and influencing the public opinion and the international assessment of the government in power⁵⁶⁹.

This occurred against the Marxist government of Salvador Allende in Chile until the coup of the General Augusto Pinochet Ugarte in 1973. Moreover, several covert actions were decided within the so called Operación Cóndor, a clandestine operation decided by the dictatorships of Chile, Argentina, Brazil, Bolivia, Paraguay and Uruguay and supported by the CIA undertook to eliminate any political dissident⁵⁷⁰.

The administration of the US president Carter conversely approached a diplomatic turn. He focused on moral issues, especially on the respect of the human rights disregarded by the military regimes⁵⁷¹. He eliminated the US assistance to the military regime, promoted a general democratization process and the improvement of the hostile relationship between the US and Cuba⁵⁷². However, the path to democracy was still far. While in Chile the dictatorship denied to accept the US directives, in Peru the leftist forces registered an increase of consensus and Brazil experienced the protests of the urban class of the industrial area of São Paulo⁵⁷³. In addition, the administration had to subscribe the Torrijo-Carter Treaties for the future reintegration of canal zone to Panama in order to appease the claims of the country⁵⁷⁴. Besides, by the end of the 1970s a new wave of leftist revolutions characterized the Central and Latin American region reactivating the critical issue of the national security. The Sandinista guerrilla in Nicaragua was unceasing, as well as the guerilla in Guatemala, in Colombia, and in Salvador, and as the revolutionary actions of the Sendero Luminoso movement in Peru⁵⁷⁵. In 1979 the Sixth Summit Meeting of the Non-Aligned Countries was held in La Habana and the Sandinista movement was able to progress⁵⁷⁶.

⁵⁶⁹ *Ivi*, p. 75

⁵⁷⁰ *Ivi*, p. 80

⁵⁷¹ *Ivi*, p. 83

⁵⁷² *Ivi*, pp. 83-84

⁵⁷³ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., pp. 253-254.

⁵⁷⁴ *Ivi*, p. 254.

⁵⁷⁵ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., pp. 86-89.

⁵⁷⁶ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 255.

As a consequence, when Ronald Reagan took the power in 1981 the US foreign policy returned to be quite strict. Reagan decided to fight the guerilla movements spread in the Central and Latin American countries through a roll back strategy against the advances achieved by the leftist movement⁵⁷⁷. The plan entailed the use of a mixture of covert actions, economic and diplomatic pressures and masked interventionism⁵⁷⁸. The so called Reagan Doctrine again stated that when necessary, the US military action would be used and that it would have been rapid, short and of intense force in order to quickly restore the political stability within a idea of a low intensity warfare⁵⁷⁹. As a matter of fact, the Reagan administration harshly opposed the Sandinista guerrilla and the leftist forces of El Salvador and Guatemala, pursued the cancellation of the Torrijo-Carter Treaties, and in 1983 occupied the island of Granada⁵⁸⁰. The opposition between the political forces was so tight than within the decade of the 1980s the sub-continent has counted around 250 thousand deaths for political reasons⁵⁸¹.

Reagan also dealt with the deep debt crisis of the subcontinent and established the neoliberal formula of austerity policies in order to foster the economic recovery. In 1985 the secretary of the Treasury, James A. Baker III, proposed an injection of US\$ 29 billion for the underdeveloped countries to be channeled by the commercial banks and by the international financial institutions⁵⁸². Even though the initiative failed, the successor Nicholas F. Brady in 1989 again offered the US financial support to the countries that continued to undertake the neoliberal policies⁵⁸³. Other two critical issues invested the Reagan administration. Firstly, the US should fight the expanded drug trafficking. The US policy focused on the supply side pursuing the objective of arresting the cultivation and the production, especially in Colombia, Bolivia, Peru, Ecuador and Mexico, and of increasing the border controls⁵⁸⁴. In 1986 Reagan adopted a directive stating

⁵⁷⁷ *Ivi*, p. 252

⁵⁷⁸ R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., pp. 90-91.

⁵⁷⁹ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 252.

⁵⁸⁰ *Ivi*, pp. 258-262

⁵⁸¹ *Ivi*, p. 275

⁵⁸² R. Nocera, *Stati Uniti e America Latina Dal 1945 a oggi*, cit., p. 97.

⁵⁸³ *Ibidem*

⁵⁸⁴ *Ivi*, p. 110

that this fight was a task of the US army, that was allowed to operate abroad behind the request of the national government⁵⁸⁵. The US Drug Enforcement Administration (DEA) would have manage the needed operations and indeed, in June 1986, Washington started the Blast Furnace Operation, the biggest anti drug operation in the Andean territories⁵⁸⁶. Secondly, the other main problem lied in the illegal immigration leaving the subcontinent to reach the US, as it was considered to represent a dangerous threat for the economic and social stability of the United States. The US government tried to discourage the US companies to employ the workforce immigrated illegally and to promote the regularization of immigrants already present in the US territory. The Immigration Reform and Control Act of 1986⁵⁸⁷ actually worked in this sense.

The subsequent US administration of Bush and Clinton continued the programs undertaken by Reagan. The Latin American countries were now led by civil government and were committed to the neoliberal recipe dictated by the US power. Moreover, with the end of the Cold War the Western European countries and Japan concentrated on the new East European markets and as a result, the American subcontinent increased its dependence on the US investments and loans⁵⁸⁸. Internationally, during the 1990s the events in the Middle East shifted the political and economic attention away from the American disputes.

As a consequence, at the beginning of the 21st century, even though new events would have shaken their political scenario, the Central and Latin American countries were still considered a pertinence of the United States, that continued to act their political, economic, financial and cultural influence. In fact, during all the 20th century the US had perceived the subcontinent as their own backyard over which extent their power⁵⁸⁹.

⁵⁸⁵ *Ivi*, p. 111

⁵⁸⁶ *Ibidem*

⁵⁸⁷ *Ivi*, p. 114

⁵⁸⁸ *Ivi*, p. 109

⁵⁸⁹ V. Castronovo, *Piazze e Caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 3.

2.6 Steps towards regionalism

Although the Northern power had prevailed over the Central and South countries, some initiatives for an economic and cultural cooperation within the American continent were however undertaken. The underlying idea was the creation of an Inter American system as a set of political, economic and social institutions able to operate at the continental level⁵⁹⁰. As already said, while the United States saw valuable opportunities to boost their economic interests, the subcontinent was conversely committed to the improvement of the overall economic fabric in order to strengthen its weak national economies.

The leading institution fulfilling this role is represented by the OSA, the Organization of the American States (*Organización de los Estados Americanos*) created in 1948. The OSA born after the WWII with the scope of promoting the cooperation and the political dialogue among the states of the continent and the protection the human rights so often violated. In order to serve the last purpose, the OSA makes use of four main instrument: the American Declaration of the Rights and Duties of Man of 1948; the Inter American Commission of the Rights of Man active since 1960; the American Convention of the Rights of Man created in 1969; and the American Court of the Rights of Man operating since 1979⁵⁹¹. Even if this articulation of the system in favor of the protection of the human rights has represented an important achievement, it has suffered significant problems. For example, the Convention and the Court can extend their jurisdiction only on their signatory countries of which the United States are not part⁵⁹². In addition, the system has taken into account the most severe violations, often neglecting the play of forces characterizing the social fabric of the daily life of the Central and Latin American countries⁵⁹³.

For what concerns the political and economic cooperation, during the period of the Cold War the OSA passed to be ultimately dominated by the

⁵⁹⁰ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 86.

⁵⁹¹ *Ivi*, pp. 88-90

⁵⁹² *Ivi*, p. 91

⁵⁹³ *Ibidem*

political and economic interests of the United States⁵⁹⁴. For example, after the Missiles crisis, Cuba was promptly excluded by the organization under the US pressure. Only after the end of the Cold War confrontation, the OSA could find a new impulse in the promotion of the democratization throughout the subcontinent. In 1991 the member states signed the Santiago Commitment to the protection of the human rights and to the promotion of the representative democracy, given more power of action to the organization⁵⁹⁵. The resolution n. 1080 established that in case of a sudden danger to the democratic arrangement of one of the member states, the Foreign Ministers should meet to assess the situation and in case, the OSA can directly intervene to manage the threatening political stability⁵⁹⁶. In addition, the Washington Protocol of 1992 established that the General Assembly of the member states also has the power to suspend the governments not democratically elected, while the Declaration of Managua of 1993 confirms the commitment to the goal of democracy, the promotion of democratic institutions and the protection of the human rights⁵⁹⁷. Even in this aspect, the organization experienced several limitations, among which the fact that its dependence on the financial funds of the United States has largely orientated its interventions according to the US foreign policy⁵⁹⁸, far from playing a supranational role over the continent.

The second Inter American institution more concentrated on the economic field is constituted by the BID, the Inter American Bank of Development (Banco Interamericano de Desarrollo) created in 1959. The BID was born as an engine for the technical and financial development and as intellectual incentive for the growth of the continent⁵⁹⁹, due to the renewed interests of the United States in the development of the subcontinent as a planned strategy to combat the Soviet advance during the Cold War period. During the 1960s, the BID concentrated its efforts on the economic growth of the subcontinent led by the ISI programs, financing

⁵⁹⁴ *Ivi*, p. 86

⁵⁹⁵ *Ibidem*

⁵⁹⁶ *Ivi*, p. 87

⁵⁹⁷ *Ibidem*

⁵⁹⁸ *Ivi*, p. 88

⁵⁹⁹ *Ivi*, p. 92

works in the construction industry, industrial investments and health and education programs⁶⁰⁰. But even in this case, the United States have represented the only net contributor for the financial funds, consequently dominating their orientations. During the 1980s, the years of the severe debt crisis, the BID role shifted from the financing of development to interventions to guarantee the financial subsistence of the indebted countries and to support their deficit of the balance of payment. Moreover, the BID then sustained the implementation of the neoliberal policies promoted by the IMF and the WB, particularly promoting the trade liberalization and the opening to the foreign investments⁶⁰¹. The BID in fact created the Multilateral Fund for Investments aimed at the technical assistance and financial support to the creation of private firms and the training of the humans resources⁶⁰². During the recent years, the BID commitment has also focused on the social issues, promoting social reforms, the goals of the good governance and the fighting against poverty, following the new approach of the WB.

On the other hand, the continent also experienced regionalist trends. During the 1950s the ECLA (the United Nations Economic Commission for Latin America) developed some researches to achieve an expanding of the regional trade, mainly by means of bilateral agreements, customs union and payment union⁶⁰³. The main idea was to protect and boost the economies of the subcontinent increasing closer relationships among the countries, while limiting the exchanges with the foreign countries through high customs barriers to the outside⁶⁰⁴. This type of regionalism evolving during the 1960s was later called close regionalism due to the focus on the internal markets⁶⁰⁵.

The first efforts were focused on the Central American region. In 1958 El Salvador, Guatemala, Honduras and Nicaragua signed the Agreement on

⁶⁰⁰ *Ibidem*

⁶⁰¹ *Ivi*, p. 93

⁶⁰² *Ibidem*

⁶⁰³ A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., pp. 126-127.

⁶⁰⁴ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 67.

⁶⁰⁵ *Ibidem*

the Regime for the Central American Integrated Industries, involving joint planning and certification of manufacturing firms⁶⁰⁶. In 1961 the same countries also signed the Managua Treaty for the construction of the Central America Common Market (CACM)⁶⁰⁷. In spite of these treaties, the level of economic integration and political coordination remained low and the market broke up in 1969 due to the conflicts between Honduras and El Salvador⁶⁰⁸. The friction between the two countries dated back to the years of independence and concerned border issue, as El Salvador complained about not having an access to the Pacific Ocean while the neighboring country could control the Gulf of Fonseca, one of the most important harbors of Central America⁶⁰⁹. This situation evolved in open hostility in 1969, when the two national football teams disputed the playoff race to enter the World Cup of Mexico in 1970, while the Honduras government decided to expel 300 thousand Salvadoran peasants, that during the 1960s settled within the Honduras borders, and to expropriate their possessions⁶¹⁰. The game were therefore played in a climate of tight violence and when the playoff race of June 27, 1969 was won by El Salvador, furious fights opened not only between the two groups of supporters, but also between the two countries. In Honduras there were violent reprisals against the Salvadoran immigrants and the armed forces of El Salvador attacked the neighboring country, beginning the Football War. After four days of bloody conflict, the OSA should intervene imposing the cease-fire to the contenders, which began long and laborious negotiation, ended only in 1992 with the recognition of the “status quo ante”⁶¹¹.

In 1956 a Trade Committee was created within the ECLA in order to plan regional markets among the Latin American countries⁶¹². In 1960 the Treaty of Montevideo was signed identifying a free trade zone among

⁶⁰⁶ A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., p. 128.

⁶⁰⁷ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 68.

⁶⁰⁸ *Ibidem*

⁶⁰⁹ E. Silvestri, “Persi i mondiali in Messico, l’Honduras dichiara guerra al Salvador”. Available at: <http://www.ilgiornale.it/news/persi-i-mondiali-messico-lhonduras-dichiara-guerra-salvador-935279.html> (consulted on April 10, 2013).

⁶¹⁰ *Ibidem*

⁶¹¹ *Ibidem*

⁶¹² A. O. Hirschman, *Latin American Issues Essays and Comments*, cit., p. 129.

Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay⁶¹³. Although the treaty was only a first step towards the regional integration, it received the support of many economists and business leaders as they recognized that the craved industrial development of their countries inevitably required a broadening of the markets for the manufactured commodities⁶¹⁴. The treaty in fact expected tariffs reduction, the principle of reciprocity of the most favorable trade conditions establishes among the countries, and a planned complementary trade of industrial commodities⁶¹⁵. In 1969 the countries of the Andean area established the Treaty of Cartagena, signed by Bolivia, Ecuador, Peru, Colombia and Chile instituting the Andean Community⁶¹⁶. The goal of the treaty were the integration among the Andean economies and the creation of a common market.

Unfortunately, none of these scheme of integration was then able to work properly. Even if the trade and the economies of the involved countries improved, the positive results have been undermined by a scarce political will and ability to maintain the commitments of the treaties⁶¹⁷. The high level of dependence on the richer advanced nations, which represent external partners of the regional market providing industrial products and technological knowhow, and the fact that the industrialization process was primarily based on the foreign capitals decidedly hindered the regional integration process. In addition, the financial resources available for the regional integration were insufficient to cover the established goals and as the local economies were similar to each other, they often resulted to be rival rather than complementary⁶¹⁸. The path towards integration was therefore depressed at its own beginnings.

As already seen, the decade of the 1980s was characterized by the deep economic and financial crisis: it undermined the advances towards the regional integration, while spreading the neoliberal policies of trade

⁶¹³ *Ivi*, p. 130

⁶¹⁴ *Ivi*, p. 132

⁶¹⁵ *Ivi*, pp. 137- 141

⁶¹⁶ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 68.

⁶¹⁷ *Ibidem*

⁶¹⁸ *Ivi*, p. 69

liberalization and investment privatization. However, the pattern of regionalism was then resumed in the 1990s.

Since the half of the 1980s and within the neoliberal policies of economic opening, Brazil and Argentina began a process of diplomatic approach. Already in 1979, the two countries signed the Treaty of Itaipú, that established cordial and friendly relationships among them⁶¹⁹. In 1986, Brazil and Argentina launched a process of bilateral integration through the Buenos Aires Acts, that formed a system of protocols of sector in order to reduce the customs barriers within their bilateral trade, and in 1988, the Treaty of Argentine-Brazilian Integration stated the constitution of an area of free trade within ten years⁶²⁰. But it was at the beginning of the 1990s that the process experienced a real leap. The neoliberal presidents Collor in Brazil and Menem in Argentina supported the integration process and even promoted it as an instrument of global competition. They actually promoted a constitution of a single, regional, open and competitive market for the entire South American cone⁶²¹. The Treaty of Asunción of 1991 established the creation of the Mercosur between Argentina, Brazil, Paraguay and Uruguay⁶²². From the political point of view, the Mercosur supported the process of democratization. Indeed, its members and the associated countries (Chile, Bolivia, Peru, Ecuador and Colombia) have all democratic governments. In 1998 there was the introduction of the democratic clause: the existence of a democratic government as stated as a necessary condition for the membership of the Mercosur⁶²³. From the economic point of view, the Mercosur has become a continental and international interlocutor, able to increase the economic negotiating power of the region. On the other hand, it did not evolve a clear institutional position: it seems to be an hybrid between a zone of free trade and an incomplete customs union⁶²⁴. Moreover, it lacks a supranational organism with independent powers as the members

⁶¹⁹ *Ivi*, p. 73

⁶²⁰ *Ibidem*

⁶²¹ *Ibidem*

⁶²² Official website: <http://www.mercosur.int/> (consulted on February 18, 2013).

⁶²³ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 74.

⁶²⁴ *Ibidem*

of the Mercosur, especially Brazil and Argentina, preferred to elaborate an intergovernmental negotiating process in order to maintain a certain level of control over the path of integration⁶²⁵. In addition, the issue of the enlargement of the membership resulted to be problematic both for the political and economic cohesion and commitment required by the guidelines of the Mercosur⁶²⁶.

Even the Andean Community experienced a revival during the 1990s. The members countries decided to accelerate the constitution of an Andean zone of free trade and in 1995 they adopted a common external custom barrier⁶²⁷. In addition, the Community struggles to the defense of the natural resources of its territories, the respect of the rights of the indigenous people, the agricultural development, the improvement of the health and education services and the enhancement of the trade of the area⁶²⁸. In spite of these advancements, the Community still suffers a scarce cohesion between the members and a lack of a clear and stable orientation.

The other important regional bloc is instead constituted by the NAFTA, the North American Free Trade Agreement, instituted in 1992 and operating since 1994 among the United States, Canada and Mexico. It represents a scheme of economic integration negotiated at the intergovernmental level. It covers commercial issues, but also the regulation of investments, the liberalization of the sector of services, the intellectual property rights, and the procedures to solve political and economic disputes⁶²⁹. Although its range of issues is largely articulated, the constitution of the NAFTA has been highly criticized. Firstly, the NAFTA gathered three countries with broad cultural differences putting in question the real functioning of the agreement. Moreover, even if it institutionalized an existence economic interdependence among the three countries, the inclusion of Mexico had posed problems of identity given its similarity to the Central and Latin American culture and economy. The NAFTA has

⁶²⁵ *Ivi*, p. 75

⁶²⁶ *Ivi*, pp. 77-78

⁶²⁷ *Ivi*, p. 83

⁶²⁸ Official website: <http://www.comunidadandina.org/> (consulted on February 20, 2013).

⁶²⁹ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 79.

often been seen as a power action of the United States over Mexico. As a matter of fact, if Mexico has certainly benefited of a guaranteed and regular access to the North American market and of a boost of the foreign investments, several crucial issue continued to be unresolved. Nowadays, Mexico still remains a key country for the drug trafficking and the illegal immigration towards the Unites States, and it still suffers environmental disasters at the industrial area of border⁶³⁰. In addition, the local development has not experienced concrete and effective benefits. Indeed, wave of opposition spread within the country and in the same year in which the NAFTA entered into force, in the Southern Mexico the group of Zapatistas representing the indigenous communities arose in armed insurrection against the NAFTA and the related neoliberal policies⁶³¹.

In recent years new projects for the Latin American integration have emerged. The first is the plan for the Area of Free Trade of the Americas that shaped within the project called Enterprise for the Americas of 1990 launched by the US president George Herbert Bush and fostered under the Clinton administration⁶³². Although the negotiations were supposed to be finalized within 2005, the pattern encountered several difficulties in the sharing of the terms of the agreement primarily dictated by the Unites States. In addition, Brazil, the emerging economic power of the subcontinent, opposes to the realization of the project, while the Unites States seems to prefer bilateral agreements as their priorities are focused on the Middle East scenario⁶³³. A second alternative resides in the proposal elaborated by the Venezuelan president Hugo Chávez, the so called Bolivarian Alternative for the Americas (ALBA, Alternativa Bolivariana par alas Américas). The ALBA intended to orient the integration process to the strengthening of the regional and national development in order to reduce the high level of poverty and inequality suffered by the population. It

⁶³⁰ *Ivi*, p. 81

⁶³¹ P. Beaudet, "Globalization and Development", in P. A. Haslam, J. Schafer, and P. Baudet, *Introduction to International Development Approaches, Actors and Issues*, cit., pp. 118-120.

⁶³² G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 95.

⁶³³ *Ibidem*

entailed a focus on the agricultural sector and social issues requiring different arrangements according to the peculiarities of each country⁶³⁴. The project results as an unilateral proposal of the Venezuelan governments within its opposition to the United States policies and lacks the necessary financial resources to be implemented⁶³⁵. A third approach is instead based on the Summit of Cuzco of 2004 that presented the plan for the Community of South American Nations. The Community should be realized among the South American countries, more similar to each other, involving the cooperation in certain economic sectors, especially the ones of infrastructures and energy⁶³⁶. With the advent of the governments of the pink wave, the project enlarged its goals resulted in common efforts to the struggle against poverty and unemployment, and the improvement of the health and education services. In 2008 at Brasilia it is signed the constitutive treaty of the Union of the South American Nations (UNASUR, Unión de Naciones Suramericanas)⁶³⁷ establishing an intergovernmental union that should integrate the two existing customs union promoted by the Mercosur and the Andean Community. The objectives of the union expects the creation of a single market and of a Bank of the South, the promotion of military cooperation and regional defense, the cooperation for the infrastructures enhancements, and the free movement of people within the union⁶³⁸. As the constitutive treaty entered in force in 2011, the results of the UNASUR will be verified in the future.

The efforts to build up a regional bloc within the subcontinents exist and are working to obtain progresses, but the way to achieve a real sharing among the countries is still uphill. The economic and financial dependence on the United States and in general on the foreign resources is high and inevitably hinder the process. The national differences in the political views and in the economic interests require a strong will of cooperation that is often missed by the countries of the subcontinent. In order to form a

⁶³⁴ *Ivi*, p. 96

⁶³⁵ *Ibidem*

⁶³⁶ *Ivi*, p. 97

⁶³⁷ Official website: <http://www.unasursg.org/> (consulted on February 21, 2013).

⁶³⁸ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 97.

cohesive bloc on the continental and international level, the Latin American countries should first align their intents for the common good of their people.

2.7 International relationships

Beyond the complex relation with the neighboring and powerful United States and the regional organizations established in the subcontinent, the Latin American countries also deal with other partners, such as Europe and China.

The relationship with the European countries barked to the colonization era and saw a double interaction. On the one hand, the European colonizers had conquered and exploited the natural and human resources of their colonies, while on the other, they had tried to spread the economic and cultural modernization within the indigenous populations. The trade with the European countries born in that period and was highly concentrated on the European demand and interests. The native population suffered the political, social and economic impositions of the conquerors. Once the Latin American countries became independent, the European countries remained important markets for the exports of the Latin American raw materials and food products, determining a wide share of the foreign trade revenues. With the advent of the two World Wars the European territories became the setting of bloody armed conflict, overshadowing the idea of the beauty and splendor the Latin American élites felt with respect to the European courts and cities and weakening the connections between the two areas⁶³⁹.

Since the half of the 20th century, the European reality regained its prestige with the process of the constitution of the European Community. The creation of an area of free trade with the abolition of customs barriers, the free circulation of goods and also of people, and the formation of a single markets give a strengthened economic and political position of the

⁶³⁹ *Ivi*, p. 126

European area. In 1986 Spain and Portugal joined the European Union and the relations between Europe and Latin America experienced a new boost⁶⁴⁰. Firstly, the system of the European Union represented a desirable model of integration for the Latin American countries. Secondly, the historical and cultural links continued to keep the two regions in contacts, especially for the migration of people in the both directions. Thirdly, the European Union represents the second trade partner and foreign investor in the Latin American region. While the Latin American countries export important raw material and food products, the European countries provide capital goods, chemical and technological products and invest in the sectors of banking, transport, telecommunications and energy⁶⁴¹. Finally, the European Union is the principal provider of the development cooperation in Latin America. The European Union acts a soft approach primarily based on dialogue, positive values and incentives, and on fairer commercial relationships⁶⁴². The political dialogue between Europe and Latin America occurs through two main channels. The UE-Latin America and Caribbean Summits are meetings among heads of State and Governments that occur every two years and decide the main directives and objective of the bilateral relationships. In addition, the European Union meet the Group of Rio at the ministerial level. The Group of Rio was created in 1986 by a some Latin American countries – Argentina, Brazil, Colombia, Mexico, Peru, Uruguay, Venezuela and Panama – in order to support the process of democratization receiving the subsequent support of all the countries of the subcontinent⁶⁴³. The Summit of 2007 held in Santo Domingo established priority actions in five critical issues affecting the subcontinent : the social cohesion, the regional integration, the transparency of the governments, the education and the sustainable development⁶⁴⁴.

On the other hand, also the recent relationship with the emerging power of China becomes important. As China is experiencing a significant industrial growth, it is looking for raw materials and food products. China

⁶⁴⁰ *Ibidem*

⁶⁴¹ *Ivi*, p. 127

⁶⁴² *Ivi*, p. 128

⁶⁴³ *Ivi*, p. 129

⁶⁴⁴ *Ibidem*

has indeed invested in Africa, but also in Latin American countries, especially in the infrastructures, in mines and in the financial speculation⁶⁴⁵. The Chinese presence can clearly represent a boost for the Latin American economies and an alternative to the strict dependence of the US investments⁶⁴⁶. Within this relationship, a crucial role is played by the emerging economy of Brazil: if Brazil will lead the growth of the Latin American region, it could be able to negotiate favorable terms of trade with China that would benefit the entire region. The China-Brazil relation is then crucial within the current South-South cooperation, especially in the initiative of IBSA (India, Brazil and South Africa) and in the group of emerging economies called BRIC (Brazil, Russia, India and China)⁶⁴⁷. As said in the first chapter, the BRIC countries are trying to renegotiate the dynamics of the international economic system in order to improve their position within the global economy and within the international institutions⁶⁴⁸. With the leading power of Brazil, Latin American countries are crucially involved in the proposal of an increasing South-South cooperation so as to move towards a true economic independence.

2.8 Problems of identity

A further problem affecting the development of the Latin American countries is given by the difficulties in establishing a clear and shared identity. Although this aspect appears to be strictly social, it generates various impacts at the economic level. The identity issue is present both at the regional and at the national level and constitutes an additional brake to the overall development of the region.

Regionally, the Latin American area has been defined according to various meanings. The region was firstly described as the New World by the European colonizers that found a reality so different from their homeland to portray it as a wonderful paradise. After the trip of Amerigo Vespucci, the

⁶⁴⁵ *Ivi*, pp. 137-138

⁶⁴⁶ *Ibidem*

⁶⁴⁷ *Ivi*, p. 140

⁶⁴⁸ P. Beaudet, "Globalization and Development", cit., p. 117.

region took the name of America and subsequently, it became Hispano-America as this denomination recalled the fact that it turned to be a possession of the Spanish empire. As the colonization had been both Spanish and Portuguese, since the beginning of the 20th century, the region was named Ibero-America⁶⁴⁹. During the 1920s, the diffusion of the term Indo-America underlined another aspect of the region: the history of exploitation and the emerging claims of the indigenous populations living in the area long before the invasion of the colonizers⁶⁵⁰. In the same period, even the concept of Afro-America spread out indicating the strong presence of former African slaves and the survival of the African culture within the social fabric of the region⁶⁵¹. Although the notion of Latin America took place later, its first appearance backed in 1856, when the Chilean Francisco Bilbao and the Colombian José María Torres Caicedo used it⁶⁵². In this case, the term is used to express the opposition against the colonization, the imperialism and later the interventions of the United States, and it suggests the union between the Latin and the American, that is the indigenous, traditions⁶⁵³.

The multiple aspects highlighted by the different denominations of the South American region disclose the ethnic mix present at the national level⁶⁵⁴. During their history, the Latin American countries have accumulated a multicultural society composed by numerous ethnic groups⁶⁵⁵, each of which wants to defend its own interests and rights. The colonial period built the basis of these multi-ethnicity. The white colonizer brought their European culture and their alleged cultural superiority imposing their power, their culture and their language over the indigenous people. The white people assumed the higher economic positions becoming big owners of lands and mines and forming the apparatus of the public administration and of the customs service. They disregarded the local

⁶⁴⁹ M. R. Mix, *I cento nomi d'America*, Firenze: Le Lettere, 2006, p. 24.

⁶⁵⁰ *Ivi*, pp. 96-145

⁶⁵¹ *Ivi*, pp. 183-211

⁶⁵² *Ivi*, p. 213

⁶⁵³ *Ivi*, pp. 221-225

⁶⁵⁴ N. G. Canclini, *Latinoamericanos buscando lugar en este siglo*, Barcelona: Ediciones Paidós Iberica, 2003, p. 115.

⁶⁵⁵ *Ivi*, p. 16 and 69

development and were rather focused on the accomplishment of their own interests. The descendants of the European colonizer constituted the class of the so called *criollos*, who inherited the rich possessions and the linkages with the homelands, becoming the local élite within the territories of the colonies. The richer and aristocratic families employed and exploited a huge number of slaves, both African and indigenous people, in the housework, in the plantations and in the mines. The alliance between the master and the slave led to their union and integration through the phenomenon of miscegenation and transculturation⁶⁵⁶. The *mestizos* characterize the composition of the Latin American societies, and in the common imagery the mestizo woman became the sly seductress of the white and rich men increasing the adulteries and the illegitimate children⁶⁵⁷. In addition, the African people preserved their own culture through their music, their traditions and the masked practice of their religion, while the indigenous people continued to represent an important share of the entire population.

The described social framework remained a constant over the centuries until our days. The white influence is currently exercised through economic and financial mechanisms consisting in the pervasive presence of the subsidies of big multinationals, the foreign private investments and the international loans. Obviously this external presence is not focused on the local development, but it pursues its own economic and financial interests trying to maximize its gains and not the enhancements of the host country. Moreover, the local élite continues to be strictly linked to this foreign presence and to its own revenues and privileges without taking care of the overall progress of the country. On the other hand, the indigenous people are rising their voice to obtain the respect of their rights organizing uprising and protests, supported by several NGOs, by the recent global movements sustaining these populations and the other minorities and by local organizations. These people want to preserve their collective traditions and their customs, claim their rights over the land stolen by the multinationals and the foreign private investors and defend the natural resources and

⁶⁵⁶ R. González, *Cuba Un'epopea meticcia*, cit., pp. 3-5.

⁶⁵⁷ *Ivi*, p. 123

environment of the national territory. Moreover, they now directly oppose to government decisions or policies that adversely affect their rights.

These opposing social forces are not joining their strengths and objectives to achieve a common pattern towards the local socioeconomic development of their nation, but they are rather objecting each other hindering efficient advances. The uninterrupted clashes concerning the different economic interests and frameworks, and the different customs, languages and religions constituted the basis of the daily confrontations among the different components of the Latin American population.

The shift to the political left of the recent governments of the Latin American countries reflects not only the increasing importance of the social issues neglected by the neoliberal policies, but also the significant weight of the protests of the population. In addition, the Latin American population is also continuing to augment in spite of the economic and social difficulties. It becomes increasingly clear that the governments should commit even to the social stability as it represents a further crucial aspect of the national solidity and of the international reputation of their country.

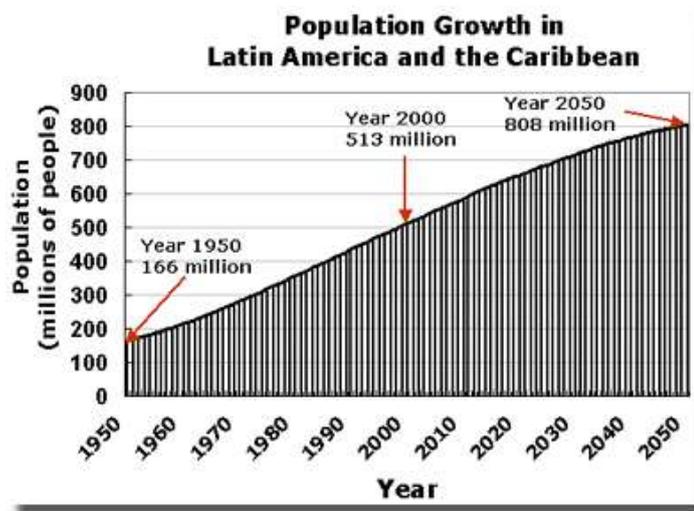


Figure 4: Population Growth in Latin America and the Caribbean
Source: <http://gisweb.ciat.cgiar.org/population/>

2.9 About the development of the Latin American region

Speaking about the development of the Latin American countries, the conclusions of the book of professor Cueva are quite interesting. Cueva states that the region continues to be blocked within its process of development as it has not been able to ensure fairer political, economic and social structures. The area failed to achieve the fundamental goal of a more equitable distribution of income, ownership and power⁶⁵⁸.

As of the issue of income, the Latin American countries continue to suffer a big gap between the wealth of the landlords and entrepreneurs of the urban areas and the poverty in which a still high percentage of the population lives. While the economies of the region have dealt with the severe problems of the huge external debt, the galloping inflation and the financial dependence on the foreign capitals, the privatization policies have diminished the public services on school, health and housing, worsening the living conditions of the mass of people. In addition, the people fighting for their small plots of land that have been subtracted by the big owners and the foreign companies, experienced the continuing concentration of resources and wealth, instead of enjoying the enhancement of fairer legal instruments. As a matter of fact, the agricultural, industrial and even commercial activities concentrate more and more leading by the interests of the foreign trade. What is worse is that aside from being concentrated, the economic activities of the region are mainly denationalized. Instead of fostering the domestic growth and welfare representing a guiding center of the national development⁶⁵⁹, the richer class has teamed up with the foreign investors boosting the transnational outlook and neglecting the local enhancements⁶⁶⁰.

In parallel with these economic and social contradictions, the political setting of the Latin American region has been a mirror of the difficulties experienced by the Latin American countries. On the one hand, it dealt with authoritarian regimes and tight military dictatorships that have harshly persecuted the political dissidents and on the other, the leftist and popular

⁶⁵⁸ A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., p. 220.

⁶⁵⁹ *Ivi*, p. 43

⁶⁶⁰ *Ivi*, p. 234

forces have tenaciously fought for economic and political changes and for a real participatory democracy⁶⁶¹. The opposition and guerrilla movements have been very active and resistant to the attacks of the conservative forces, even proposing challenging and alternative patterns to achieve a real and widespread development of their countries.

Unfortunately, neither the rigid regimes nor the leftist forces have been able to organize and undertake an inclusive national path of development as the intricate network of interests dominated by the foreign resources has prioritized the expansions of the export production without taking care of the crucial growth of the domestic markets.

⁶⁶¹ *Ivi*, p. 235-237

3. The case study: Bolivia

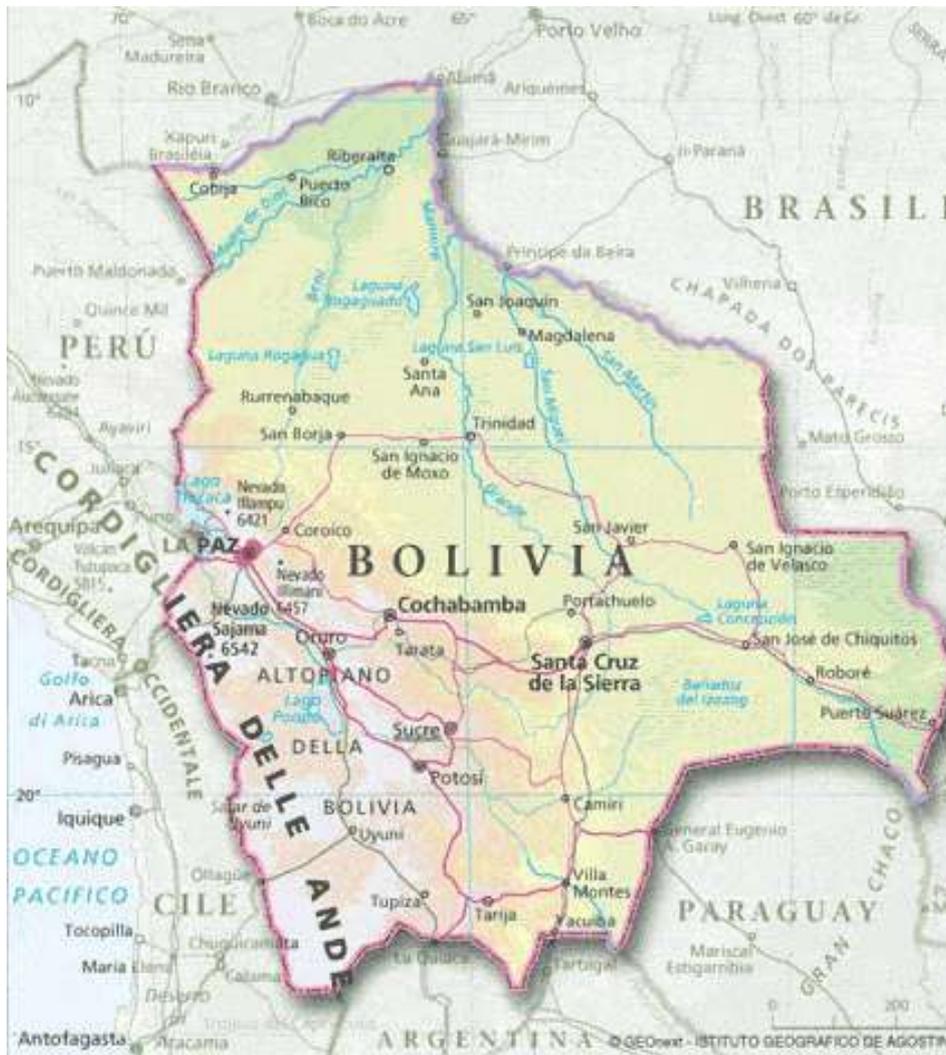


Figure 5: Map of Bolivia.

Source: limes.espresso.repubblica.it/indexc79d.html?p=448

The country of Bolivia offers a good example of the described policies and limits characterizing the Latin American development. As well as the Latin American area does not enjoy a homogenous identity, Bolivia shares some of the common traits characterizing the subcontinent but also presents remarkable political, economic, social and ethnic peculiarities. The review of the economic history of the country will highlight this double aspect and will also reveal the influence and the implementation of the explained dynamics concerning the development issue.

Since the colonial period, Bolivia experienced the specialization on a single commodity that dominated the export-led growth, later coping with the inner limits of this vulnerable model. In addition, the post-independence conflicts with the neighboring countries had straight undermined the economic potential of the Bolivian Republic. Even though the country attempted the diversification of the production and insisted on the development planning, its weak economic structure, continually based on the export of few primary goods, increased the dependence on the foreign economic and financial resources. As many other countries belonging to the so called Third World, Bolivia consequently faced a severe economic and debt crisis that inevitably required the recourse to the neoliberal policies established by both the IMF and the WB. On the other hand, the political setting of the country had continuously been eventful: the government saw the alternation of the civil and the military power, while the varied composition of the population led to numerous social clashes and to increasing social pressures on the government policies. All these factors hindered a solid and efficient path towards a true and widespread development of the country.

In spite of the economic potential of Bolivia, made up of wide lands, resourceful mines, and astonishing landscapes with an invaluable biodiversity, a large share of the Bolivian population still cope with poor living conditions to the point that the education and the health inequalities between the different groups of people are very striking⁶⁶².

3.1 The late 19th century

As the other Latin American colonies, Bolivia was colonized by the Spanish crown and only towards the first decades of the 19th century it began the struggle for independence. The criollos and the mestizos rebelled against the central power, first in 1809-1810 and then, guided by the leader Simón Bolívar, in the 1820s. The country reached the political independence in 1825 and the Republic of Bolivia was created, dedicating its name to its liberator. Nonetheless, the country continued to dedicate its economy to the European demand, exporting the precious minerals offered by its soil. Even though the mining trade enlarged the economic revenues of the country, the miners owners only pursued their own interests of personal enrichment.

⁶⁶² CESR, “Bolivia”, available at: <http://www.cesr.org/section.php?id=103> (consulted on May 6, 2013).

Between the 1879 and the 1884, Bolivia fought a war against Chile, known as the Pacific War, in which Bolivia lost its unique access to the sea. This loss would represent a critical issue for the Bolivian economy as it clearly obstructed its commercial trade. Fortunately, during the 1880s the mining production reorganized on a massive scale through the consolidation of the mining companies and the liberalization of the production⁶⁶³. In the previous decades, the exports of silver, primarily coming from the Potosí region, reached a high level as to demand for more capital to be invested. The local mining élite was able to impose its pressure on the political stage underlining the need for further public and international financing and for an efficient network of infrastructures. As the Chilean capital was crucial in the financing of the mining sector, the mining élite formed a conservative and pacifist party for a rapid end of the conflict with the neighbor, deciding that the indemnity received against the lost territories would be invested in the construction of needed infrastructures⁶⁶⁴.

Following these two main directives, the conservative oligarchy governed the country until the end of the 19th century. The pursued modernization of the mining sector led to the growth of the principal mining centers, increasing the urban population and its consumption. Since the demand of the primary commodities consequently raised, even the agricultural sector experienced a revival characterized by the intensification of the large estates system that heightened its production⁶⁶⁵. However, as the Bolivian economy was focused on the mining and agricultural exports, it was doubtless vulnerable to the variations of the international prices and investments, on which both the local élite and the governments were dependent⁶⁶⁶.

At the end of the 1890s, the international price of the silver fell and in a short time, the tin took its place. The miners of the tin could enjoy of the advances in the infrastructures and the expansion of the urban centers already brought by the silver trade. The new élite formed a liberal party that was guided by an emerging class of lawyers and scholars taking charge of the political issues⁶⁶⁷. This group, later called the *Rosca*, represented a government of professional politicians which acted in favor of the interests of the lords of the tin, directly influencing the

⁶⁶³ H. S. Klein, *Historia de Bolivia*, La Paz – Bolivia : Librería Editorial Juventud, 1982, p. 165.

⁶⁶⁴ *Ivi*, p. 166

⁶⁶⁵ *Ivi*, pp. 166-167

⁶⁶⁶ *Ivi*, p. 172

⁶⁶⁷ *Ivi*, p. 177

economic and social life of the country⁶⁶⁸. The so called barons of the tin were three. Simon Iturri Patiño owned several mines, among which the mine of Oruro, La Salvadora, Uncia and Llallagua, and from the 1920, he controlled about the 50% of the Bolivian production of tin, some of the US and European process of refining⁶⁶⁹ and the Bolivian merchant bank⁶⁷⁰. The other two lords were the Bolivian Aramayo and the European Hochschild, whose companies enjoyed of important participations of the European capital⁶⁷¹. The tin production led by these rich lords could exploit the existing railways, that permitted to easily transport the tin to the coast areas and to export it. The lords of the tin were able to dominate the political and economic arrangements of the country. They enjoyed the revenues coming from the tin exports within the traditional policy of the *laissez-faire*, while the rest of the country was excluded by the results of the mining growth.

However, as well as the silver trade, even the tin trade sent the real revenues of the precious mineral out of Bolivia, without an effective improvement of the economic conditions of the country⁶⁷². In fact, the 73% of the population was still linked to the backward agricultural sector, while the 51% of the population was represented by the indigenous population and the country dealt with a pervasive illiteracy⁶⁷³.

3.2 The first decades of 1900

At the beginning of the 20th century, the liberal governments maneuvered by the Rosca were focused on the economic interests of the tin mining highly influencing the political decisions of the country. Meanwhile, the neighboring countries, particularly Brazil, Chile and the US, entered the Bolivian economy.

Under the Rosca decisions, the liberal government of Pando (1899-1904) should solve the issue of the region of Acre contended with Brazil. As the area of Acre and the North East of Bolivia were rich in rubber, Brazil aimed to conquer that zone. In 1867, Brazil obtained a first concession of the territory and later, it began a penetration policy supporting the migration of Brazilian people and

⁶⁶⁸ A. Cespedes, *El dictador suicida*, La Paz – Bolivia: Librería Editorial “G.U.M.”, 1956, p. 31.

⁶⁶⁹ H. S. Klein, *Historia de Bolivia*, cit., pp. 178-179.

⁶⁷⁰ A. Cespedes, *El dictador suicida*, cit., p. 30.

⁶⁷¹ H. S. Klein, *Historia de Bolivia*, cit., p. 179.

⁶⁷² A. Cespedes, *El dictador suicida*, cit., p. 25.

⁶⁷³ H. S. Klein, *Historia de Bolivia*, cit., p. 168.

entrepreneurs in order to colonize the entire region⁶⁷⁴. Brazil then fostered a separatist uprising of the Brazilian people, while the weak and far Bolivian army was defeated. The pacifist liberal party signed the Treaty of Petrópolis of 1903 through which the territory of the Acre was definitely in the hands of Brazil⁶⁷⁵. The defeat suffered by Bolivia subtracted another important resourceful territory to its economy. Indeed, in 1904, the first government of Montes (1904-1909) reached a Treaty of Peace with Chile. In this agreement, Bolivia ceded the disputed coastal territory and abandoned its claims for a port in the Pacific, definitely losing any access to the sea. On the other hand, Chile committed to the construction of a railway connecting Arica to La Paz, to the payment of an indemnity and to the concession of loans to the improvement of the Bolivian railway network⁶⁷⁶.

While Brazil and Chile acquired significant areas of the Bolivian territory, the US power began its financial penetration in the country. Since 1920, the lawyer Bautista Saavedra seized the power supported by the newborn Republican Party⁶⁷⁷. Since its government repressed not only the students and the indigenous uprisings, but also the liberal claims, Saavedra shortly lost the support of the mining élite⁶⁷⁸ and in order to sustain the public finance, he should appeal to the foreign capitals. Saavedra negotiated a private bank loan of 33 million of US\$ with the US Nicolaus group to finance the railway construction, accepting very heavy conditions⁶⁷⁹. In addition, the oil reserves of the Eastern region of Bolivia were opened to the foreign companies: the US Standard Oil Company bought the concessions over those areas creating in 1921 the Standard Oil Company of Bolivia⁶⁸⁰. Moreover, Saavedra established a duplication of the governmental taxes over the tin production provoking the reaction of the lord of the tin, Patiño, who decided to move the headquarter of its mining companies to the US, in the state of Delaware⁶⁸¹. The successor of Saavedra, Hernando Siles, should deal with the difficulties of serving the foreign loans. The US pushed for the creation of a Central Bank charged to control the monetary equilibrium of the country, that was in fact aggravated by the falling international prices of the tin and the subsequent

⁶⁷⁴ A. Cespedes, *El dictador suicida*, cit., p. 15.

⁶⁷⁵ H. S. Klein, *Historia de Bolivia*, cit., p. 181.

⁶⁷⁶ *Ibidem*

⁶⁷⁷ *Ivi*, p. 184

⁶⁷⁸ *Ivi*, pp. 184-185

⁶⁷⁹ A. Cespedes, *El dictador suicida*, cit., p. 67.

⁶⁸⁰ H. S. Klein, *Historia de Bolivia*, cit., p. 187.

⁶⁸¹ *Ibidem*

slump of the government revenues⁶⁸². In addition, the effects of the Great Depression of 1929 worsen the economic and financial situation of the country.

3.3 The Chaco War and its effects

In the following years, Bolivia experienced further particular events. The country fought a harsh conflict against Paraguay facing another severe defeat that deeply hit its population. With the aim of reviving the fortunes of the country, the government was later led by a tight military power that should deal with emerging social forces inflating the leftist movement and its political and economic demands.



Figure 6: The Chaco dispute

Source: <http://kc-johnson.com/history-30-8-oct-1/chaco-war-locar-map/>

The 1930s were characterized by the severe conflicts between Bolivia and Paraguay. The desert region of Chaco was claimed by the two countries firstly for reasons of national borders and secondly for the oil resources present in the area. While the conquer of the territory became a national flag to fight for, the conflict was also promoted by two oil companies: the US Standard Oil, already present in Bolivia, and the Royal Dutch Shell supporting the Paraguayan struggle⁶⁸³. The conflicts lasted from 1932 to 1936: four years during which there was a constant

⁶⁸² *Ivi*, p. 168

⁶⁸³ A. Cespedes, *El dictador suicida*, cit., p. 112.

military confrontation that involved the entire population of the two countries and caused huge human and material losses.

In spite of the national will and commitment to win the war, the Bolivian actions dealt with several limits. Firstly, the Bolivian army did not know the difficulties of the fighting in a desert area, while the complexity and the distance of the battles were often neglected by the government directives⁶⁸⁴. Secondly, the Bolivian president Salamanca managed the conflict as a demonstration of power of its nation over evaluating its potential and under estimating the force of the enemy⁶⁸⁵. Indeed, while the Paraguayan forces advanced, the aids coming from the center of Bolivia often did not reach the fighting field, leaving the Bolivian defenders without provisions. In spite of the harsh conditions of the conflict, Salamanca ordered to not leave the battle, but to resist, especially in the famous battle of Boquerón⁶⁸⁶. Predictably, Bolivia was defeated by the Paraguayan army and in the Conference of Buenos Aires of 1943, the two countries signed the Treaty of Peace.

The losses of the war were so heavy that the Chaco conflicts affected the entire country remaining impressed in the consciousness of the Bolivian population. To express these impacts, the term *Generation of Chaco*⁶⁸⁷ is often used to indicate the perception of national defeat and mistrust against the government directives felt by the fighting population. After the end of the war, the situation worsened. There was a general disagreement on both the political disorganization of the country and the disorder within the hierarchy of the army, that underlined the inefficiency of the political choices and the backwardness of the military forces⁶⁸⁸. The collective suffering led to a common push of protest. The radical political left emerged, claiming against the national government led by the mining interests and neglecting the needs of its population. There were several uprisings of the indigenous population and the creation of the Revolutionary Workers Party (POR, Partido Obrero Revolucionario)⁶⁸⁹. The sociopolitical conditions became so severe that the young national army wanted to seize the political power in order to recompose the national stability. In 1936 the Colonels David Toro and Germán Busch organized a military coup.

⁶⁸⁴ *Ivi*, p. 117

⁶⁸⁵ *Ibidem*

⁶⁸⁶ *Ivi*, p. 118

⁶⁸⁷ H. S. Klein, *Historia de Bolivia*, cit., p. 198.

⁶⁸⁸ A. Cespedes, *El dictador suicida*, cit., p. 133.

⁶⁸⁹ H. S. Klein, *Historia de Bolivia*, cit., pp. 208-209.

Although the government of the Colonel Toro tried to respond to the claims of the population, the economic élite perceived the radical movements as a potential threat for the already weak political and social conditions of the nation, that was also dealing with an acute inflation. Consequently, Toro attempted a bold move for the country: on March 13, 1937 Toro proclaimed the official confiscation of the Standard Oil in Bolivia and the passage of all its possessions and equipments in the hands of the Bolivian State, that should become an active protagonist of the national economy⁶⁹⁰. In addition, Toro created a Bank for the Mineral Buying in order to help the small and medium miners, while, through the Central Bank, he tried to control the revenues of the big mining lords⁶⁹¹.

As the measures undertaken by Toro stirred up the claims of the mining élite, the subsequent government was led by the Colonel Busch. Although Bush established a military dictatorship through which he prohibited the functioning of all the political parties, the strengthening of the leftist movements led the Colonel to undertake some reforms to improve the social arrangements of the country. Busch enacted new laws and codes, such as the Labor Code of 1939, and maintained a certain control over the exports of the Bolivian tin⁶⁹².

At the beginning of the 1940s, the political scenario saw the amplification of the leftist wing, formed by the POR, the PIR (Partido de la Izquierda Revolucionaria) and the MNR (Movimiento Nacionalista Revolucionario), contrasted by the traditional parties united under the name of the *concordancia*⁶⁹³. The government guided by the General Peñaranda (1940-1943) allowed the coexistence of the various parties within the Parliament and was able to obtain further loans by the United States. The US conceded loans and technical assistance to the Bolivian government in exchange for military, political and economic advantages. As a consequence, in 1942 Bolivia decided to join the US entry in the WWII aligning to the US political positioning⁶⁹⁴. Supported by the US economic mission analyzing the Bolivian economy, in the same year the government elaborated a plan of development of the country, called the Plan Bohan⁶⁹⁵. The plan required a boost of the public expenses in order to enlarge the domestic market. The country would have to diversify its production, substitute its imports, integrate

⁶⁹⁰ *Ivi*, p. 214

⁶⁹¹ *Ivi*, p. 218

⁶⁹² *Ibidem*

⁶⁹³ *Ivi*, p. 223

⁶⁹⁴ *Ivi*, pp. 224-225

⁶⁹⁵ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, La Paz – Bolivia: Editorial Quatro Hermanos, 2009, p. 20.

the road network, encourage the internal migration especially towards the East region, and the oil exports towards Argentina and the North of Chile⁶⁹⁶. The Corporación Boliviana de Fomento (CBF) was created exactly to manage the boosting of the internal economic development.

Nonetheless, the internal strifes continued: in 1944, after the uprisings in the mines of Oruro and Potosí, the mining workers created the Federación Sindical de Trabajadores Mineros de Bolivia (FSTMB); in 1945 it took place the First Indigenous National Congress; and in 1946 a teachers strike evolved into a wide popular revolt⁶⁹⁷. On the economic side, during the postwar period the international price of the tin fell again, and as a result, Bolivia coped with a fiscal crisis and with both the stagnation and the inflation of the domestic market. The government was losing the control of the political situation and the national development was inevitably affected by the political and economic instability.

3.4 The National Revolution of 1952

By the mid of the 1950s, the country was experiencing a severe political instability. In that confused context, the MNR led by Paz Estenssoro and Hernán Siles Zuazo was gaining consensus⁶⁹⁸. The two main objectives of the party were a program for the stability of the Bolivian economy and the nationalization of the main economic resources of the country.

Although it was largely opposed by the military government, in the presidential elections of 1949, the MNR emerged as the second party triggering the repressive actions undertaken by the army against the party and any other uprising⁶⁹⁹. Nonetheless, the MNR organized an uprising in 1949, fighting during months against the army in the main cities of the country, and in 1950 it supported a revolt of urban workers taking place in La Paz. Although in the election of 1951, the MNR obtained the majority of the votes, the army promptly intervened to impede that the party could take possession of the presidency⁷⁰⁰. As a consequence, the MNR decided that the armed way was the only possible alternative to achieve the power and ousted the military conservative government. The popular armed

⁶⁹⁶ *Ivi*, p. 21

⁶⁹⁷ *Ivi*, pp. 228-229

⁶⁹⁸ *Ivi*, p. 229

⁶⁹⁹ *Ivi*, p. 231

⁷⁰⁰ *Ivi*, pp. 232-233

uprising of 1952 entailed three day of harsh fighting that allowed the MNR to get the political power and to proclaim Paz Estenssoro as the new president of Bolivia (1952-1956).

Once in power, the MNR undertook the promised reforms within the traditional system of the country, implementing three main actions. Firstly, the MNR decreed the universal suffrage eliminating the requirement of literacy to access the electoral vote. In this way, the indigenous mass before excluded from the vote passed to widely enlarge the electorate. The importance of this reform would emerge in the political elections of 1956, in which the participation passed from 105 to 958 million voters to the polls⁷⁰¹. In addition, the MNR supported the creation of the national center of the mining workers, the COB (Central Obrera Nacional) joining the already existing FSTMB⁷⁰².

Secondly, according to the demands of the two organizations, the MNR undertook the nationalization of the mines forming the state-owned enterprise called COMIBOL, Corporación Minera de Bolivia, that became the new state employer of the mining sector⁷⁰³. Predictably, the disagreement of the three big lords of the tin and of the US companies operating in the sector was immediate. Thirdly, the critical economic issue to be solved was represented by the unequal distribution of the land, that was mainly in the hands of few big landowners within an inefficient, unproductive and unfair latifundia system. Driven by the revolutionary wave, the indigenous communities of peasants attacked the latifundia system creating popular militias and occupying the large estates of the big landowners. Under the pressure of the peasantry protests, through a decree of 1953, the MNR started an Agrarian Reform that entailed the expropriation of the uncultivated lands of the large estates providing an indemnity to the lords and the distribution of the lands to the unions or the communities of the indigenous peasants⁷⁰⁴. In particular, the expropriation process concerned the Andean areas where the lands were divided in small parcels and effectively distributed to the

⁷⁰¹ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, Santa Cruz de La Sierra – Bolivia: H. Loza, 2006, p. 22.

⁷⁰² Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 239.

⁷⁰³ F. M. Saravia, *Historia Económica de la República de Bolivia (1952-2009)*, La Paz – Bolivia: Creativa, 2010, pp. 39-40.

⁷⁰⁴ *Ibidem*

peasants, while the East area of the country would have experienced a different pattern⁷⁰⁵.

In order to manage the economic measures, the growth of the country was planned through the issue of the Immediate Plan of the Economic Policy of the government of the National Revolution, known as the Plan Guevara, that, resuming the Plan Bohan, called for the diversification of the production and the widening of the domestic market⁷⁰⁶. The plan proposed the industrialization of the agricultural production and the boosting of the oil sector, especially in the East area around the city of Santa Cruz de la Sierra⁷⁰⁷. The plan entailed the so called *Marcha hacia el Oriente*, promoting the colonization of the East lands of the country, called the low lands, widening the national agricultural frontier and production⁷⁰⁸. Focusing on the cultivation of the sugar and also of the rice, the promotion of the plan involved firstly, the internal mobilization of people towards the low lands of the East region and secondly, the transference of the revenues created by the mining sector to the agro industrial sector that would have been developed in the area of Santa Cruz de La Sierra⁷⁰⁹. In addition, the intervention of the state played a leading role in the growth of the East region. The East area enjoyed the enhancement of the road connections, the creation of the electric lighting, and the improvement of the train connections, with the line Santa Cruz-Yacuiba, in Argentina, and Santa Cruz-Puerto Quijarro, in Brazil⁷¹⁰. Moreover, the internal migration towards the East region provided cheap workforce, and the credit of the Bolivia's Agricultural Bank was devoted to the region till to a 66,6% of the total⁷¹¹.

As a result, the agricultural sector of Bolivia dealt with two different directives: the Andean region and the Western valleys enjoyed the fragmentation of the large estates, the so called *haciendas*, experiencing a farmer pattern, while in the East region the *haciendas* turned to be big capitalistic companies, undertaking a different junkers path⁷¹². In parallel, the *Marcha hacia el Oriente* contributed to this double structure. While the East region was experiencing an increase of the

⁷⁰⁵ H. S. Klein, *Historia de Bolivia*, cit., p.. 241.

⁷⁰⁶ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 22.

⁷⁰⁷ *Ibidem*

⁷⁰⁸ R. V. Suárez, M. Camburn, S. Crespo, *El pequeño productor en el "cluster" de la soya Caso Cruceño*, Santa Cruz de la Sierra – Bolivia: PROBIOMA, 2010, p. 22.

⁷⁰⁹ *Ivi*, pp. 23-24

⁷¹⁰ *Ivi*, pp. 24-25

⁷¹¹ *Ivi*, p. 25

⁷¹² E. Ormachea Saavedra, *Transformaciones en la sociedad rural boliviana*. Available at: <http://www.cedla.org> (consulted on May 8, 2013).

production, aiming to become the Bolivian agro industrial center, the poor farmers of the Andean area cultivated small parcels of land and constituted the cheap reserve of labor force employed by the big landowners of the East.

In order to finance all these reforms, the MNR took from the governmental resources. As in a short time, the public reserves diminished and the government was induced to print more money engendering a consequent and increasing inflation⁷¹³. Hence, the party should look for foreign assistance that was again conferred by the US. Bolivia signed a contract of minerals sales in the US markets, receiving foods to feed its population and financial aids to afford the public expenses⁷¹⁴. On its side, the US asked for the support of the US companies investing in Bolivia, the reduction of the pressures exerted by the COB and a new code for the investments in the oil sectors, allowing the US companies to increase their presence in the oil field⁷¹⁵.

In the presidential election of 1956 the MNR reconfirmed with the majority of the votes. The new president was Siles Zuazo, an exponent of the centrist wing of the party and of the middle class. As he faced the increasing economic difficulties of the country, Zuazo should accept the stabilization plan proposed by the US and supported by the IMF. In 1956, the government established the Program of the Monetary Stability, also called Plan Eder⁷¹⁶. The plan required the reduction of the social expenses of the government and the adjustment of its financial budget⁷¹⁷. These restrictive measures inevitably saw the reaction of the leftist wing of the MNR, led by Juan Lechín Oquendo and supported by the COB. The leftist claims were strongly opposed by the US, which perceived them in the logic of the Cold War: those claims were the communist drift to be fought, or better, the internal enemy influenced by the Soviet experience.

En 1960 Paz Estenssoro returned at the power and undertook an intransigent approach against the communist advance of the leftist wing, invigorating the national army and permitting the US military to enter and train the national military command⁷¹⁸. On the economic side, in 1962 Estenssoro issued the National Plan of the Economic and Social Development, the Plan Decenal, that

⁷¹³ H. S. Klein, *Historia de Bolivia*, cit., p. 243.

⁷¹⁴ *Ivi*, p. 244

⁷¹⁵ *Ivi*, p. 246

⁷¹⁶ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 22.

⁷¹⁷ H. S. Klein, *Historia de Bolivia*, cit., p. 248.

⁷¹⁸ *Ivi*, p. 249

would have overcome the economic weaknesses and the spread poverty of the country, incrementing the productivity and creating new employment⁷¹⁹. The plan had to keep the monetary stabilization, in order to solve the problems of the balance of payments, but also to boost the economic exploitation of the East region continuing the so called *Marcha hacia el Oriente*⁷²⁰. In addition, as the COMIBOL was coping with a tight crisis due to the high costs of production and with the descending returns of the mineral extraction, the government attempted its restructuration asking for foreign capitals. Bolivia signed the Triangular Plan that involved the financial participations of the US, the BID (Inter American Bank of Development) and the German government⁷²¹.

The 1950s therefore showed some critical changes within the Bolivian reality. Firstly, the strengthening of the social forces emerged, pressing the national government and demanding for different interests to be defended. Secondly, the backwardness of the Bolivian economy based on the vulnerable exports of a single mineral and other few food products, on the unfair distribution of land, and of the few and weak industries hindered any structural reform of the traditional economic system. Conversely, these features of the country laid the foundations of a dual pattern of the Bolivian economy. Finally, the presence of the US in the country began to be pervasive through the increasing financial tied-aid and the intromission in the decisions of the political and economic management.

3.5 The military regimes

The reforms undertook by the MNR governments were in part responding to the leftist claims of the population, while undermining the economic stability of the country. If the MNR actions were seen as the engine of important national changes, the economic and financial difficulties called for a rearrangement of the country. In this messy context, the military forces once again prevailed to quell the political disputes. In order to recompose the economic troubles of the country, the military imposed tight political regimes.

At the end of 1964, the military forces ousted Paz Estenssoro through a coup and the political power was seized by a military junta led by the general René

⁷¹⁹ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 23.

⁷²⁰ *Ibidem*

⁷²¹ *Ibidem*

Barrientos⁷²². The military returned at the political power and would last until 1982, imposing itself as the unique force able to stabilize and modernize the country. As already said, this approach was widely diffused in the Latin America countries due to the Doctrine of Security promoted by the US. The US trained the national military forces so that they could follow and implement the Washington directives of fighting the communist threat. In Bolivia, the military regimes characterized themselves for an alleged alliance with the peasantry, the acceptance of the socioeconomic reforms undertaken by the MNR governments and the undertaking of pragmatic moves to manage the different political forces⁷²³.

Indeed, if the government of Barrientos supported the Agrarian Reform incrementing the land distribution and the programs to improve the welfare and the education of the peasantry, on the other hand, Barrientos firmly opposed the leftist movements and unions particularly contrasting the FSTMB and the COB. As in those years the international price of the tin raised, the mining sector experienced another wave of expansion, increasing its production and its revenues, allowing further US investments and incrementing the presence of the US Gulf Oil. These economic results gave more prominence to the government of Barrientos that could continue his fighting against the communist movement, that was fostered by the arrival in the country of Ernesto Che Guevara in 1966⁷²⁴. The subsequent leftist uprising of 1967 was repressed by the national army, while the leader Che Guevara was captured and killed. Barrientos also tried to achieve the political and social stability of the country but the corruption within the government was really high and in 1969 the president died in a plane crash⁷²⁵.

The successor of Barrientos, the general Alfredo Ovando attempted to arrange the critical situation with the leftist movements, legalizing the actions of the FSTMB and of the COB and nationalizing the Gulf Oil Co. of Bolivia in 1969⁷²⁶. The Socio-economic Strategy of the National Development issued in 1970 indeed focused on a productive organization of the country with a larger popular participation. In order to obtain new revenues to be invested in social programs, the strategy would boost not only the agricultural production, but also the process

⁷²² H. S. Klein, *Historia de Bolivia*, cit., p. 249.

⁷²³ *Ivi*, p. 250

⁷²⁴ *Ivi*, p. 252

⁷²⁵ *Ivi*, p. 253

⁷²⁶ *Ibidem*

of industrialization, the mining sector and the oil and gas exports⁷²⁷. Unfortunately, these decisions appeared to be far from the military doctrine and Ovando was soon substituted with the trusty General Juan José Torres.

As the Bolivian economy continued to enjoy a good economic conjuncture of high international prices, increased investments, improved transport infrastructures and growth of the agricultural East region of Santa Cruz de La Sierra, the economic dependence on the US aids gradually decreased. Torres could accept the financial aid of the Soviet Union and tried to adjust the ties with the political leftist wing, allowing the COB to organize an Assembly of the Population⁷²⁸. As a result, a subsequent coup occurred in 1971 by the Colonel Hugo Bánzer supported by the new élite emerging in the East region that firmly opposed the advance of the leftist movements. If on the political and social side, Bánzer confiscated the political and union freedoms⁷²⁹, on the economic side the regime could enjoy the increasing boom of the Bolivian economy. As already said, the East area of Santa Cruz de la Sierra experienced a rapid development due to the increased investments in the sector of agriculture and of hydrocarbons. The economic surplus derived by the exports revenues was channeled to the construction field: in a short time, the region became an urban area, with urban constructions, well connected road and an international airport⁷³⁰. The roads network connected the East region with La Paz, and from there to Oruro, to the lake of Tititaca and to the Chapare, in the region of Cochabamba, which was an area known for the cultivation of the coca leaf and the emerging drug trafficking⁷³¹.

The economic resources of Bolivia augmented not only with the economic results of the East region, but also thanks to the duplication of the price of tin between 1973-1974, the increase of the international sales of sugar, cotton, and oil, and the new exploitation of the sources of natural gas, whose exports began in 1972⁷³². As a consequence, although Bánzer supported the extension of the Agrarian Reform, he should listen to the claims of the powerful élite of the region of Santa Cruz. Bánzer should accept the Soviet Union investments and the prominence of the Brazilian participations over the traditional Argentine

⁷²⁷ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 24.

⁷²⁸ H. S. Klein, *Historia de Bolivia*, cit., p. 254.

⁷²⁹ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, cit., p. 15.

⁷³⁰ H. S. Klein, *Historia de Bolivia*, cit., p. 257.

⁷³¹ *Ivi*, p. 261

⁷³² *Ivi*, pp. 259-260

primacy⁷³³. In 1975, he also issued the five-years Plan of Development that strongly promoted the exports of primary goods supported by the public investments⁷³⁴. The plan focused primarily on the hydrocarbons production in the area of Santa Cruz de la Sierra, while its financing depended both on the revenues coming from the hydrocarbons exports and on the foreign loans⁷³⁵. Bánzer also deepened his antidemocratic approach against the union mobilization, led by the FSTMB and the COB, that according to the economic élite were hindering the development of the nation. The élite often accused the indigenous people and the peasants to not provide any support to the national economy, but rather to slacken the development pattern due to their firm link to the collective management of the resources⁷³⁶.

However, under the Bánzer administration, the mismanagement of the resources brought by the economic boom led to a severe increase of the public expenses. The public accounts worsened so much that in 1976 a devaluation of the national currency was required, causing an inflationary spiral. The subsequent freezing of the salaries and the rise of the prices of the consumption goods, that between 1971 and 1978 reached an annual average of 19%⁷³⁷, provoked a severe loss of the purchasing power of the workers, triggering widespread uprisings and strikes⁷³⁸. While the larger share of the population became more and more poor, the restrict group at the power increased its consumption adding imported luxury goods⁷³⁹. The revenues coming from the profitable exports and from the foreign loans were diverted towards the luxury consumption, the financial speculation and the smuggling⁷⁴⁰.

Due to these economic and financial troubles, at the end of the 1970s the true development of Bolivia was still a problematic issue. Although the increase of the national exports had been high, the economic funds had been mishandled due to the corruption of the public officers and the over estimations of the performance of

⁷³³ *Ivi*, pp. 258-259

⁷³⁴ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 24.

⁷³⁵ *Ibidem*

⁷³⁶ Maela (Movimiento agroecológico para Latinoamérica y el Caribe), *Análisis de las políticas neoliberales y sus implicancias en la agricultura campesina andina*, Cochabamba – Bolivia: AGRUCO, 2004, p. 60.

⁷³⁷ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, cit., p. 17

⁷³⁸ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 261.

⁷³⁹ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, cit., p. 18

⁷⁴⁰ H. Grebe, *El excedente sin acumulación. La génesis de la crisis económica actual, in Bolivia, hoy*, México: Siglo XXI, 1983, p. 116.

the public enterprises, such as the YPFB and the COMIBOL⁷⁴¹. In order to attend the economic plans, the government and its enterprises had resorted to the foreign financial loans created a huge deficit in the public accounts. As a consequence, when at the end of the decade the international prices fell provoking a drop of the economic revenues, the positive economic indices suffered a harsh decrease. If in 1972-1973 the rate of growth reached the annual 6%, between 1977 and 1978 it touched the zero⁷⁴². The public debt multiplied more rapidly than the output produced by the country: if in 1970 it was US\$ 482 million, in 1980 it reached the threshold of US\$ 2229 million⁷⁴³. There was a general and deep crisis with an inevitable augmenting of the protests of the poorest part of the population and of the workers. The military forces tried to keep the power imposing their ruling on the elections of 1979, but the political opposition was very intense, involving general strikes and widespread violence. The military subsequent attempts to govern the country, ousting the civil governments of Guevara and Lidia Gueiler, resulted to be a failure⁷⁴⁴.

3.6 The implementation of the neoliberal formula

The military junta definitively renounced in 1982 and the recomposed Parliament elected Hernán Siles Zuazo as the new civil president⁷⁴⁵. Unfortunately, Bolivia was dealing with critical economic conditions: the oil price was diminishing after the second oil shock driven by the OPEC, the oil and mining production was decreasing as it lacked the adequate technology, and the public sector and the private economy were largely depressed. In addition, the agricultural production coped with a severe famine in 1983, while the tin production was experiencing a decreasing returns and the hydrocarbons, especially the gas, replaced it, conquering the principal share of the Bolivian exports⁷⁴⁶.

Even though the revenues were augmented also by the increasing parallel market of the cocaine trafficking, the government was not able to manage its expenses and the public deficit continued to increase. In order to afford the

⁷⁴¹ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 266.

⁷⁴² *Ibidem*

⁷⁴³ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, cit., p. 16.

⁷⁴⁴ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., pp. 265-266.

⁷⁴⁵ *Ivi*, p. 260

⁷⁴⁶ *Ivi*, p. 270

financial troubles of the country, the administration of Siles Zuazo saw no other solution than the issue of more currency augmenting the circulating money. The move inevitably resulted into an inflationary spiral. From 1984, Bolivia experienced hyperinflation with prices increasing of more than 50% per month and reaching an annual increase of 2000%⁷⁴⁷. As the inflation trend was out of control, in a short time, Siles Zuazo lost the political support and should accept a reduction of his presidential period.

3.6.1 The NEP of 1985

Since the economic conditions of the country were closed to a collapse, the subsequent political leaders found no other choice than undertaking the neoliberal formula strongly suggested by the international institutions, which elaborated it to help the underdeveloped countries to deal with their economic difficulties. The neoliberal package was already known in the Latin American region as its countries were experiencing deep economic difficulties induced by the harsh increase of interest rates over the huge amount of loans contracted by the governments of the previous decade. After the shocking declaration of default of Mexico in 1982, also Chile and Argentina entered a severe debt crisis. These countries soon started a tight policy of austerity following the dictates of both the IMF and the WB. The Bolivian economic crisis led the country to follow the same recovery policies.

In Bolivia, the first phase of the neoliberal period began with the presidential elections of 1985 that brought Paz Estenssoro back at the power. Paz Estenssoro still enjoyed large support among the peasantry masses as in the collective imaginary he was still seen as the leader of the Agrarian Reform and the political changes of 1952. Conversely, in order to manage the devastated economy of the country, Paz Estenssoro should implement a drastic austerity policy joining the directives promoted both by the IMF and the WB to solve the international debt crisis exploded in the 1980s⁷⁴⁸.

⁷⁴⁷ *Ibidem*

⁷⁴⁸ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 234.

The decree 21060 established the New Economic Plan of 1985⁷⁴⁹ (NPE, Nuevo Plan Económico). The plan fitted the neoliberal policies planned by the Washington Consensus and was imposed over the other laws of the country⁷⁵⁰. Although the liberalization of the prices and the further opening of the economy constituted the main directives to increase the national revenues, the NPE involved further shock measures. Firstly, it entailed the monetary stabilization achievable by both devaluating the national currency and controlling the monetary emission. The government should reduce the public expenses and limit the fiscal credit to the public sector⁷⁵¹. On the finance side, the decree liberalized the reserve of the pension funds of the workers in favor of the private banks and the financial speculation; decided the sale of the gold reserves of the Central Bank and linked the economy to the value of the US\$⁷⁵². Secondly, as the private sector was supposed to be the dynamic force of the economy, the privatization process was fostered to attract the foreign investments. The distribution and the commercialization of the hydrocarbons managed by the YPF were passed in the hands of the private sector⁷⁵³. Thirdly, in the field of employment, the decree 21060 disposed the free recruitment and the freezing of the wages⁷⁵⁴. In this way, the workers remained without the protection of the fixed wage established by the State and were left to the free negotiations with the single employer that could individually decide the level of wages. As the private companies aimed to the reduction of the costs, the immediate result of these measures was the firing of more than 20 000 mining workers⁷⁵⁵. Consequently, the unemployment increased and the relocalization of the unemployed people became a severe social problem.

As a fourth aspect, the NPE created the *Bolsin*, an exchange regime in which the exchange rate was subjected to a controlled fluctuation that served as a regulator of the price of the national currency⁷⁵⁶. Moreover, a stricter taxation was decided. The Tax Reform introduced the VAT (Value Added Tax) in order to allow the government to collect more from the taxation system⁷⁵⁷. Finally, there was a regularization of the banking system: the Central Bank should provide more

⁷⁴⁹ F. M. Saravia, *Historia Económica de la República de Bolivia (1952-2009)*, cit., p. 108

⁷⁵⁰ E. González, M. Gandarillas, *Las multinacionales en Bolivia*, Barcelona – Spain: Icaria Editorial, 2010, p. 20.

⁷⁵¹ F. M. Saravia, *Historia Económica de la República de Bolivia (1952-2009)*, cit., p. 108

⁷⁵² E. González, M. Gandarillas, *Las multinacionales en Bolivia*, cit., p. 20.

⁷⁵³ *Ibidem*

⁷⁵⁴ *Ivi*, p. 21

⁷⁵⁵ *Ibidem*

⁷⁵⁶ F. M. Saravia, *Historia Económica de la República de Bolivia (1952-2009)*, cit., p. 110.

⁷⁵⁷ *Ivi*, p. 111

guarantees for the credit emission assuring that its own assets were proportional to the loaned capital⁷⁵⁸. In response to the commitment of the country to the economic stabilization, the WB itself provided a credit of US\$ 70 million, that represented a financial injection to be used to reduce the foreign debt and to help the banking and the business system⁷⁵⁹.

In line with the NEP, the government of Estenssoro also issued the Strategy of the Economic and Social Development establishing that the free trade arrangement would be able to guarantee a real improvement of the social and economic conditions of the population providing a wider availability of goods and services and appraising the human and natural resources of the nation⁷⁶⁰.

Due to the implementation of the package of the neoliberal policies, the financing of the Bolivian development had been more and more linked to the foreign aid. The main international providers of the capital have been the IMF, the WB and the BID (Inter American Bank of Development), followed by the US Agency for International Development (USAID)⁷⁶¹. As these organization provided millions of US\$ to the country, the Bolivia government should recognize a preferential status of the principal foreign donors, mainly the US and the European countries, as they were the principal members of those international institutions⁷⁶².

Anyhow, the results of the implementation of the NEP were not so efficient. If the set of the established policies was able to reach a rapid reduction of the index of inflation, it also led to a recession of the national economy⁷⁶³. The accomplishment of the NEP dealt with the stagnation of the tin production. Due to the effects of the decreasing returns, the inefficiency of the mining technology and the still high costs of production, the Bolivian tin was no more able to compete on the international market and its production was gradually abandoned. Conversely, the production and exports of the cocaine coming from the area of Chapare increased sharply due to the rise of its international demand, especially from the US rich population. Many of the unemployed miners jointed the cultivation, and

⁷⁵⁸ *Ivi*, p. 114

⁷⁵⁹ *Ibidem*

⁷⁶⁰ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 39.

⁷⁶¹ F. De La Cruz Prego, "Ayuda externa en Bolivia (1985-2003) : auge y caída del neoliberalismo", *Documentos de trabajo sobre cooperación y desarrollo*, Santander – Spain: Cátedra de Cooperación Internacional y con Iberoamérica – Universidad de Cantabria, 2011, pp. 14-18.

⁷⁶² *Ibidem*

⁷⁶³ H. S. Klein, *Historia de Bolivia*, cit., p. 273.

the Chapare and the near regions of Beni, Cochabamba and Santa Cruz de la Sierra became the centers of the drug smuggling directed to rich people of the biggest US cities⁷⁶⁴. At the national level, this production of cocaine clashed with the tradition of the peasantry of the Yungas region of the Andean plateau, migrated to the Chapare. In the mountain and rural areas mainly inhabited by the indigenous population, the chewing of the coca leaf was considered as an antidote to the fatigue and stiffness due to the geographical and climatic conditions of the environment⁷⁶⁵. Therefore, when in 1986 the government asked for the US military intervention to fight the increase of the drug trafficking and in 1987 decided to block the cultivation of the coca leaf, the opposition of the indigenous peasantry largely emerged⁷⁶⁶. The conflicts concerning the coca cultivation expanding the ranks of the already widespread protests claiming against the harsh measures undertook through the NEP.



Figure 7: National contention between the different use of the coca cultivation
Source: M. Lifsher, “In US Drug War, Ally Bolivia Loses Ground To Coca Farmers”, in *The Wall Street Journal*, May 13, 2003.

⁷⁶⁴ Ivi, p. 277

⁷⁶⁵ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 44.

⁷⁶⁶ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 234.

3.6.2 The second phase of the neoliberal policies

The successor of Paz Estenssoro was Paz Zamora, elected in 1989. The persisting difficult economic conditions led Zamora to continue and deepen the austerity measures began by Estenssoro, still following the directives of the IMF and the WB.

In 1990 the government of Zamora promulgated the Law of Investments, that recognized to the foreign investor or to the company or society of which he is part of, the same rights, duties and guarantees granted to the national investors⁷⁶⁷. In addition, the law recognized the joint investments between the foreign and national investors and confirmed the private recruitment sanctioned by the decree 21060⁷⁶⁸. Zamora signed bilateral agreements for the protection of the investments. Even though these agreements were alleged to be reciprocal, they primarily defended the foreign investors operating in Bolivia, as Bolivia did not realize investment operations abroad⁷⁶⁹. During the Zamora mandate, this type of agreements was signed with Germany, Sweden, UK, France, Spain, Belgium and Italy with the commitment of Bolivia to protect the foreign investors, to provide the necessary help for the development of their activities, and to allow the free circulation of the foreign capitals⁷⁷⁰. In addition, in 1992 the issue of the Privatization Law allowed the sale of state-owned companies⁷⁷¹, which became an attractive pole for the incoming foreign investments. On the social side, the government also established the National Strategy of Development with a particular emphasis on the struggle against the poverty suffered by the largest part of the population⁷⁷². The plan aimed at the creation of the economic, social and institutional conditions able to respond to the basic needs of the Bolivian citizens in terms of employment, income, health, nutrition, education and housing⁷⁷³. Moreover, in order to fight the drug trafficking Zamora again asked the help of the US forces, obtaining the almost permanent allocation of the US troops in the Bolivian territory⁷⁷⁴.

⁷⁶⁷ E. González, M. Gandarillas, *Las multinacionales en Bolivia*, cit., p. 24.

⁷⁶⁸ *Ivi*, p. 25

⁷⁶⁹ *Ivi*, p. 29

⁷⁷⁰ *Ivi*, p. 30

⁷⁷¹ *Ivi*, p. 34

⁷⁷² Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 52.

⁷⁷³ *Ibidem*

⁷⁷⁴ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 235.

In 1993 the presidential power passed in the hands of Sanchez de Lozada. The new president undertook a further implementation of the neoliberal measures established by his predecessors, adding some social reforms in order to mitigate the required efforts.

The opening of the Bolivian economy was enlarged by the Law of Capitalization (law 1544) of 1994⁷⁷⁵. The law established that the state-owned companies would not be alienated but rather capitalized: the capital would be doubled by the contributions of the foreign investors, mainly transnational companies, but the State would continue to own the 51% of the shares⁷⁷⁶. Although these shares were supposed to directly belong to the Bolivian citizens, they were channeled to two institutions managing the pension funds. The capitalization not only concerned the public airlines, railways and electricity companies, but also concerned a large share of the state oil company and of the public mining sector⁷⁷⁷. Unfortunately, this procedure led to a subsequent denationalization of the natural resources of the country⁷⁷⁸. The national natural resources were at the service of the transnational companies thanks to the mechanism of the concession. Even though the use of the resources was just conceded to the big investors, the concession was soon converted into a real right over the resources, that the multinationals could dispose as inherited assets⁷⁷⁹. In this way, the foreign companies also acquired the derived rights over the use of the resources expanding their activities beyond the areas covered by the initial concession⁷⁸⁰. As a matter of fact, the real meaning of the capitalization process was the transfer of the State owned companies in the foreign hands and a further accentuation of the duality of the national economy⁷⁸¹. The drift of the Law of Capitalization worsened the existing gap among the Bolivian population, While the activities of the big foreign companies constituted a sort of economic and technological enclaves, the background of the national economy was still led by a backward structure based on the small plots of land owned by the poor Bolivian peasants⁷⁸².

⁷⁷⁵ E. González, M. Gandarillas, *Las multinacionales en Bolivia*, cit., p. 34.

⁷⁷⁶ *Ibidem*

⁷⁷⁷ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 43.

⁷⁷⁸ E. González, M. Gandarillas, *Las multinacionales en Bolivia*, cit., p. 41.

⁷⁷⁹ *Ivi*, p. 32

⁷⁸⁰ *Ivi*, p. 33

⁷⁸¹ C. Arze Vargas, "Bolivia: 20 años de economía bajo un mismo patrón", p. 1. Available at: <http://www.cedla.org/content/2188> (consulted on May 15, 2013).

⁷⁸² *Ibidem*

Nonetheless, Lozada firmly encouraged and supported the capitalization process as he promised that the obtained revenues would be used to finance two important projects in favor of the population. Firstly, the revenues would serve the Pension Law, through which a Solidarity Bonus, called Bono Solidario (Bonosol), would be annually provided to the people over the 65 years⁷⁸³. Secondly, the process of capitalization would finance the social projects promoted by the General Plan of Economic and Social Development of the Republic, denominated The Change For All and nationally known as the Plan de Todos⁷⁸⁴. In addition, the revenues provided by the capitalization process would be managed by a foundation for the development of the country, called FUNDESOL, Fundación de Desarrollo Solidario⁷⁸⁵. The objective of the plan was a global strategy of development able to radically improve the living conditions of the Bolivian people and to pursue the true democracy and the social justice⁷⁸⁶. The democratic process should be advanced involving participatory mechanisms, the enlargement of the political influence of the interests of the Bolivian people and a more equal distribution of the national resources among the population⁷⁸⁷. Within the context of the economic liberalization, the plan also asked for an integrated vision of the economy of the country and of the public management of it; a new style of the economic planning able to involve the popular participation in the decisions making; a selective investment planning focused on the boosting of the economic potentialities of the country; and the rational exploitation of the natural resources contemplating the preservation of the environment⁷⁸⁸.

As a complement of the plan, in 1994, Lozada established the Popular Participation Law, which should have ensured the transferences of funds from the central government to the local municipalities in order to better manage the needs of the populations⁷⁸⁹. Moreover, Lozada endorsed a new law for the agricultural sector. The INRA law of 1996 stimulated the distribution of land started with the

⁷⁸³ J. L. Roca, *Bolivia, después de la capitalización Una crítica al gonismo y sus "reformas"*, Santa Cruz de la Sierra – Bolivia: Plural Editores, 2000, p. 188.

⁷⁸⁴ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 62.

⁷⁸⁵ J. L. Roca, *Bolivia, después de la capitalización Una crítica al gonismo y sus "reformas"*, cit., p. 189.

⁷⁸⁶ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 63.

⁷⁸⁷ *Ibidem*

⁷⁸⁸ *Ibidem*

⁷⁸⁹ J. L. Roca, *Bolivia, después de la capitalización Una crítica al gonismo y sus "reformas"*, cit., p. 161.

Agrarian Reform of 1952 and recognized to the indigenous people the collective rights of ownership and use of their native lands⁷⁹⁰.

Although the development planning promoted by the administration of Lozada was really ambitious, it presented several limiting traits. If the Pension Law had a perishable character due to the huge amount of money it required, the Plan de Todos was not efficiently implemented and the government funds was captures by the departments and the provinces before reaching the municipalities. Understandably, the intentions of Lozada resulted to be unfulfilled. Conversely, the foreign presence in the country was growing out even requiring a new legislation for the capitalized societies (the so called *sociedades capitalizadas*, SOCA)⁷⁹¹. The foreign business was so pervasive that Lozada was accused to sell the nation to foreigners to the point that a violent uprising forced him to resign one year before the expiry of his term of office⁷⁹².

3.6.3 The deepening of the neoliberal policies and its social effects

In spite of the resignation of Lozada, the policies indicated by the international institutions continue to represent the best blueprint to achieve the necessary economic stabilization of the country and to obtain the international development aids.

In 1997, the ex dictator Hugo Bánzer was reelected as the president of Bolivia, giving continuity to the policies undertaken by Lozada. The development planning of the government of Bánzer saw the issue of the General Plan of the Economic and Social Development, named Bolivia XXI, primarily fighting against the widespread poverty of the country⁷⁹³. The government planning called for the boost and the efficiency of both the internal and the external markets, the generation of employment possibilities, the equal distribution of the wealth and the national security of the Bolivian people⁷⁹⁴.

⁷⁹⁰ *Ivi*, p. 167

⁷⁹¹ *Ivi*, p. 177

⁷⁹² V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 235.

⁷⁹³ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 76.

⁷⁹⁴ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 77.

In order to receive the international loans to undertake this struggle, the government also elaborated the Bolivian Strategy for the Poverty Reduction and issued the Supreme Decree 24963 of 1998 defining the Bolivian Strategy of the Struggle against the coca trafficking, also known as the Dignity Plan⁷⁹⁵. These plans for the national development and the corresponding efforts to attend the neoliberal prescriptions allowed Bolivia to be the first Latin American country to receive a debt relief under the HIPC (Highly Indebted Poor Countries) initiative promoted by the international institutions⁷⁹⁶. In 1997, the WB together with the IMF agreed to support a package of debt relief in order to reduce the external debt of Bolivia by about one-seventh of the its net value⁷⁹⁷. A second reduction will be concede in 1998 through an agreement reached by the IMF, the BID and the IDA (International Development Agency, part of the WB)⁷⁹⁸.

While the debt relief allowed the country to better support the investments needed for the improvement of the basic health and the education of its people, the struggle against the drug trafficking became very harsh. The military undertook a brutal repression against the peasants entering the lands with military trucks and extirpating the roots of the coca plants⁷⁹⁹. The strikes and the marches of protest of the peasants increased and the coca growers soon organized in the Peasants Federation of the Tropic of Cochabamba⁸⁰⁰. Their struggle continued to underline the difference between the traditional cultivation of the coca leaf and the drug trafficking: the poor peasants were not responsive of the illegal trafficking of cocaine, and the eradication policy was not hitting the real source of the problem. Instead of imposing the eradication of the coca cultivation, the US government should have cope with the increasing demand of cocaine coming from the US people.

Together with the Dignity Plan, and within the process of capitalization, in 1999, the government of Bánzer privatized the state water company of

⁷⁹⁵ *Ibidem*

⁷⁹⁶ World Bank, “World Bank Approves Debt Relief Package for Bolivia”, p. 1, available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20012680~menuPK:64166659~pagePK:64166689~piPK:64166646~theSitePK:469043,0.html> (consulted on May 21, 2013).

⁷⁹⁷ *Ibidem*

⁷⁹⁸ *Ibidem*

⁷⁹⁹ D. De Marco, “Reportage: Bolivia tra i cocaleros”, p. 1. Available at: www.danilodemarco.it/reportage/boliviatra-i-cocaleros (consulted on May 28, 2013).

⁸⁰⁰ Colective Rojnegro, “Kausachun coca, Wanyuchun Yankis”, 1998, p. 1. Available at: chilemir.tripod.com/rebelde2.html (consulted on May 28, 2013).

Cochabamba assigning the distribution of water to an international consortium, the Agua del Tunari⁸⁰¹. While the indigenous population of the area was used to a communitarian supply of the water, the privatization required the payment of the provided services and a license for the possible communitarian use of water⁸⁰². The consequent increase of the price on the water supply was unsustainable for the majority of the population of the Cochabamba area and the succeeding protests that arose, known as the Water War, totally paralyzed the region for months, until the government decided the recession from the contract with the consortium and the return to the original prices of the water services⁸⁰³. Moreover, as Banzer also supported a rigid wage policy, the set of all these policies represented a further weight for the entire country, that soon experienced a wave of popular uprisings, roadblocks and strikes⁸⁰⁴.

In 2002, Lozada regained the presidential charge and continued the implementation of the neoliberal policies, while the social pressures worsened. Although Lozada carried forwards the struggle against the poverty and established an alignment with the Millennium Development Goals (MDGs)⁸⁰⁵, the political and social context continued to be very tense. In February 2003 the police itself rebelled against the government measures, reaching some direct clashes with the national army⁸⁰⁶. The population protests converged to the creation of the Movement to Socialism (MAS) led by Evo Morales, an Aymara indigenous and former coca grower. In the same year, Lozada elaborated the project for the selling of the national gas to the US using the Chilean port of Patillos. According to that plan, Bolivia would have kept only the 18% of the gas sales and suffered the entire cost of the social and environmental damages⁸⁰⁷. After the first manifestations and the governmental repression, the opposition became harsher. The MAS guided a strong popular uprising: from the city of El Alto millions of indigenous, peasants, workers, unemployed people and students went down to La Paz, the capital of the country⁸⁰⁸. The popular protest was asking for the resignation of the president

⁸⁰¹ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 45.

⁸⁰² E. González, M. Gandarillas, *Las multinacionales en Bolivia*, cit., p. 131.

⁸⁰³ *Ivi*, p. 132

⁸⁰⁴ *Ibidem*

⁸⁰⁵ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 77.

⁸⁰⁶ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 266.

⁸⁰⁷ G. De Marzo, *Buen Vivir, Per una nuova democrazia della terra*, Roma : Ediesse, 2010, p. 134.

⁸⁰⁸ *Ibidem*

Lozada⁸⁰⁹ and was so tough to require the intervention of the national army⁸¹⁰. As a result of the social chaos that pervaded the nation, in October 2003 Lozada fled by helicopter towards the US and the contracts he signed with the multinationals were suspended⁸¹¹. Lozada was substituted by the vice president Carlos Mesa, who also resigned in August 2004, due to the unrestrainable popular protests.



Figure 8: Popular protest against the sales of gas to the US
Source: <http://sucre.indymedia.org/es/2005/03/15331.shtml>

3.6.4 The agricultural sector during the neoliberal era

During the implementation of the neoliberal policies, the agricultural sector experienced some changes.

As already said, since the middle of the 1970s, the production of the coca leaf increased due to the rising demand coming from the more industrialized countries, especially from the US. The area of Chapare, in the East of Bolivia, became the principal center of supplying of the coca leaf for the production and export of the cocaine drug⁸¹². The production of coca required an intense use of labor and it was mainly cultivated in small parcels of land. The coca growers

⁸⁰⁹ *Ibidem*

⁸¹⁰ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 329.

⁸¹¹ G. De Marzo, *Buen Vivir, Per una nuova democrazia della terra*, cit., p. 135.

⁸¹² H. S. Klein, *Historia de Bolivia*, cit., p. 276.

grouped together creating colonies of production and big unions defending the interests of the small landowners⁸¹³. Although this production remained clandestine and enlarged the ranks of the informal market, during the 1980s the coca exports became so high that their revenues represented the most important source of the economic growth of the country, elevating the level of corruption characterizing this illicit trade⁸¹⁴. As seen, the policies implemented by the neoliberal government undertook a harsh struggle against this production, requiring the firm intervention of the US. Although the political fighting for the eradication of the coca cultivation coped with the opposition of the indigenous population, it was able to obtain a decrease of both the price and the production of the coca, reducing its illegal market.

During the 1990s, two new areas of economic growth emerged. The first was represented by the resources of the natural gas managed by both the YPF and the foreign private companies. As the gas was highly required by the industrial and modern centers, it was promptly devoted to the foreign exports, without becoming an useful service for the Bolivian citizens. As a matter of fact, the joint actions of the YPF and the Brazilian Petrobras led to the construction of a gas pipeline, ended in 1999, that starting from Santa Cruz de La Sierra reached the industrial centers of São Paulo⁸¹⁵. In addition, the US constituted another big market for the Bolivian gas. The dedication to the foreign demand of the Bolivian natural gas, and the consequent neglecting of the domestic needs led to the uprisings of the population claiming against the sell-off of the national resource.

In the meanwhile, Bolivia also experienced the expansion of the cultivation of the soy. Its production augmented due to the crisis of the production of cotton and the increase of the global demand of soy, especially from Europe and China. The soy cultivation was established in the developing area of Santa Cruz de la Sierra and was primarily controlled by foreign investors, principally Brazilians, that owned big estates of land and that introduced high-tech practices and machinery⁸¹⁶. Thanks to the improvement of the roads network, the fertility of the soil and the possibility of a double harvest, the volume of the soy production grew by a 22% per year: if in 1979 the soy cultivation involved 10,000 hectares of land, in 1987 it reached 70,000 hectares of land and in 1999 even more than 610,000

⁸¹³ *Ibidem*

⁸¹⁴ *Ivi*, p. 278

⁸¹⁵ *Ibidem*

⁸¹⁶ R. V. Suárez, M. Camburn, S. Crespo, *El pequeño productor en el "cluster" de la soya Caso cruceño*, cit., p. 34.

hectares⁸¹⁷. Unfortunately, the expansion of the soy production again revealed the unequal distribution of land and of the revenues obtained by the agricultural exports. The big landowners representing the 3% of the total of the farmers owned the 56% of the lands, while the smallholders constituted the 84% owning only the 24% of the lands⁸¹⁸. The big landowners have been able to develop an agribusiness within the region of Santa Cruz de la Sierra at the expenses of the smallholders. In fact, the cultivation of the soy requires a mechanization of the production practices and a high level of technology in all its phases. The production of soy asks for technical machinery, such as the tractors, the seeder, and the combine harvester⁸¹⁹; for technical inputs, as the seeds, the chemical fertilizers, the pest controllers and the fuel; for the availability of trucks for the transport and for big silos for the storage⁸²⁰. Consequently, the cultivation of soy requires significant investments that the smallholders have not been able to afford. They have to rent the machinery and the trucks needed for the transport, and have no other choice than to debt in order to obtain the required inputs⁸²¹. In addition, the price of the soy is primarily decided by the big companies and the international markets, leaving the small farmers to deal with a high degree of vulnerability.

Together with these socio-economic limits, the cultivation of soy has also brought severe impacts on the national environment. The need of new lands to be cultivated led to a rapid and massive deforestation that neglected the respect and the needs of the natural ecosystems. The deforestation of woods and forest reserves has led to big losses of the biodiversity of the national environment. The subsequent disequilibrium of the natural system led to the erosion of the soil and to the loss of the fertility of the lands⁸²². Furthermore, the rivers and the lagoons have been clogged by the agro toxic products provoking inundations and severe damages for both the animals and the people living in the neighborhood⁸²³. The advancement of the agricultural frontier has also met the opposition of the indigenous people struggling for the preservation of their native environment.

The main problem is represented by the fact that the production of the agro fuels (sugar, corn, soy) was presented to the poor peasants as a rentable cultivation

⁸¹⁷ *Ivi*, pp. 27-29

⁸¹⁸ *Ivi*, p. 31-32

⁸¹⁹ *Ivi*, pp. 80-81

⁸²⁰ *Ivi*, p. 76

⁸²¹ *Ivi*, pp. 78-88

⁸²² Coalición Holandesa de la Soya, *Otra mirada sobre la soya El lado oscuro del grano milagroso*, Buenos Aires – Argentina: BunteGraf, 2008, pp. 25-26.

⁸²³ *Ivi*, p. 26

that would be able to alleviate their poor living conditions. Conversely, as the price of the soy is decided in the stock exchange market, which is unknown by the small farmers, it remains out of their control⁸²⁴. Together with the increasing debt of small peasants undertaking the soy cultivation and the environmental contamination, the soy production also displaced the food production⁸²⁵. In order to make room for the soy cultivations, the peasant often abandoned the food production creating a shortage of the food products, which increases the price of food. The agronomists are therefore claiming the damages provoked to the food production and alerting about the issue of the consequent food insecurity of the country⁸²⁶.

As a result, although the soy production has represented the main source of the economic growth during the 1990s, its social and environmental effects have been severe and permanent that many NGOs committed in the region are fighting for the recuperation of a responsive and natural management of the soil and of the natural resources of the Bolivian territory.

3.7 The advent of the Aymara president

Among the increasing popular protests and the economic difficulties of the small farmers, the Movement to Socialism, the MAS, was gaining more and more support gathering the claims of the coca growers and of the indigenous population, including Aymaras, Quechuas, Uros, Chipayas and Guaraníes, that still represented the 60% of the total population of the Bolivian nation⁸²⁷.

During the electoral campaign for the presidential elections of 2005, the Aymara leader Evo Morales promised the increase of the minimum wage, the increase of the coca production, the fiscal equity and the nationalization of the hydrocarbons industry⁸²⁸. Thanks to a strong political electioneering parallel to a widespread discontent of the population, in December 2005 Morales gained the

⁸²⁴ PROBIOMA, “Agrocombustibles e inseguridad alimentaria” in *Voces del Pantanal Boliviano*, *Boletín No. 42*, Santa Cruz de La Sierra – Bolivia: PROBIOMA, May 2011, p. 3.

⁸²⁵ *Ibidem*

⁸²⁶ PROBIOMA, “La crisis alimentaria en Bolivia” In *Voces del Pantanal Boliviano*, *Boletín No. 41*, Santa Cruz de La Sierra – Bolivia : PROBIOMA, March 2011, p. 3.

⁸²⁷ V. Castronovo, *Piazze e caserme, I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 331.

⁸²⁸ *Ivi*, p. 330

political elections collecting 53.7% of the votes⁸²⁹ and became the new indigenous president of Bolivia. His figure represented a new political leader and the symbolic victory of the indigenous presence and claims over the capitalist management of the country. Morales in fact kept the traditional Aymara dress even in the official events, and before receiving the official investiture ceremony, he celebrated the traditional Aymara rites⁸³⁰. Indeed, the election of Morales was seen as the opportunity to regain the national dignity and autonomy and to realize social policies in favor to the peasantry, the poor and the indigenous people of the Bolivian country.

From the sociopolitical point of view, the MAS presented itself as the political instrument of the social movements it gathered allowing them to be directly present in the political space⁸³¹. This will of a direct political representation reflected the deep mistrust felt by the peasants and the indigenous people against the political system. This part of the Bolivian population believes that the political system operates only to the advantage of the political and economic élite of the country and that it works through a collusive democracy, in which the main parties negotiate their share of the power by way of parliamentary agreements⁸³².

Indeed, the MAS emerged as an anti-system party that did not want to enter the game of negotiations existing among the traditional parties⁸³³. The MAS in fact proposed to fight not only against the socioeconomic injustices, but also the internal colonialism, which is led by the political and economic élites and by the foreign multinationals and excluded the indigenous majority of the country⁸³⁴. The decolonization of the national power was therefore pursued in order to allow a real political participation of the Bolivian population.

Once in power, the MAS has focused its efforts on the so called agenda of October that entailed two main objectives: the nationalization of the natural resources and the institution of a Constituent Assembly⁸³⁵.

⁸²⁹ Alternatives Sud, *La Bolivia di Evo Democratica, indianista e socialista?*, Milano: Edizioni Punto Rosso, 2010, p. 9

⁸³⁰ G. L. Gardini, *L'America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, cit., p. 46.

⁸³¹ Alternatives Sud, *La Bolivia di Evo Democratica, indianista e socialista?*, cit., p. 9.

⁸³² *Ivi*, p. 10

⁸³³ *Ibidem*

⁸³⁴ *Ivi*, p. 5

⁸³⁵ *Ivi*, p. 12

The government of Morales also issued a further General Plan of the Economic and Social Development of the Republic, called National Plan of Development: worthy, sovereign, productive and democratic Bolivia to Live Well⁸³⁶. The plan established the need of a new economic model and the reconfiguration of the role of the State within the economy, which would have to sustain the transformation of the productive mold⁸³⁷. The project entailed the dismantlement of the colonial and neoliberal schemes changing the productive pin of the economy. From a development led by the exports of primary goods, the economy would now be focused on a different paradigm of development based on the harmonic coexistence between the respect of natural resources and the satisfaction of the human needs⁸³⁸. The MAS proposed a return to the traditions of the Aymara communities living in harmony with the equilibrium and the timing of the natural environment they inhabited. In order to continue to enjoy the use of its resources, the human beings should first respect the Nature, the so called Pachamama⁸³⁹. Within this setting, Bolivia was supposed to become worthy, that is able to eradicate the poverty, the social discrimination and marginalization, allowing the full exercise of the social, political, economic and cultural rights thanks to a fair distribution of the national wealth⁸⁴⁰. Bolivia would also become more democratic and participatory, allowing all the components of the Bolivian population to take part of the political decisions and to be co-responsible of the national development⁸⁴¹. On the economic side, Bolivia would be productive, investing in the diversification of its productions with the support the State as protagonist and promoter of the national development. Finally, Bolivia should turn to be sovereign, taking autonomous decisions, managing its own international positioning and affirming its sovereignty in the energy and alimentary sector⁸⁴².

Unfortunately, the ambitious objectives pursued by Morales clashed with the real dynamics and weaknesses characterizing the country. The wish of increase the workers' wages faced the lack of the necessary monetary resources, while the promised increase of the coca production bumped with the firm opposition of the

⁸³⁶ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 95.

⁸³⁷ *Ibidem*

⁸³⁸ *Ibidem*

⁸³⁹ G. De Marzo, *Buen Vivir, Per una nuova democrazia della terra*, cit., pp. 146-148

⁸⁴⁰ Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, cit., p. 100.

⁸⁴¹ *Ivi*, p. 101

⁸⁴² *Ibidem*

international community⁸⁴³. In spite of the opposition of the area of Santa Cruz de La Sierra, Morales carried forward the project of the nationalization of the hydrocarbons and on May 1st, 2006 the government nationalized the local reserves of gas and oil⁸⁴⁴. With this political move the national resources seemed to return to their original owners, that is to the indigenous communities to which the use of those resources was still precluded. The MAS soldiers were in fact sent to guard the oil wells and the gas pipelines.



Figure 9 : Evo Morales, President of Bolivia in 2005
Source: <http://www.ilfarosulmondo.it/wp/?p=6783>

On the other hand, the measure clashed with the fact that Bolivia lacked specialized technicians, adequate facilities, efficient connections for both the internal and external distribution, and the direct access to the sea⁸⁴⁵. All these deficiencies hindered a real and competent public management of the national reserves. Moreover, the additional taxes imposed by the government on the trade of the national resources met the opposition of the neighbors importers, such as Argentina, Brazil, Chile and Uruguay⁸⁴⁶. Morales only received the support of the Venezuelan president, Hugo Chávez, as both of them was fighting against the economic US domination within their nations. On the domestic side, if Morales was sustaining the rights of the poor and indigenous population of the Andean area,

⁸⁴³ V. Castronovo, *Piazze e caserme I dilemmi dell'America Latina dal Novecento a oggi*, cit., p. 330.

⁸⁴⁴ *Ibidem*

⁸⁴⁵ *Ivi*, p. 331

⁸⁴⁶ *Ivi*, p. 332

and reactivating the Agricultural Reform, the economic élite of the East region of Santa Cruz de la Sierra strongly opposed the measures undertaken by the Aymara president, claiming that his initiatives were obstructing the economic development and the technical progress of the nation.

As the new constitutional text, which was approved by the Constituent Assembly in December 2007 and ratified with 62% of votes in the popular referendum in January 2009, involved the legal recognition of the indigenous majority of the Bolivian population⁸⁴⁷ and defined Bolivia as a Plurinational State, it inevitably fostered the opposition of the Eastern region of the country. The Eastern departments of Santa Cruz de La Sierra, Beni, Pando and Tarija that hosted the main reserves of hydrocarbons and the largest estates⁸⁴⁸ decided to hinder the political project of the MAS. The élite of the East made up of criollos and mestizos elaborated autonomist claims in order to defend itself from the indigenous program of the MAS⁸⁴⁹. The Eastern region has actually experienced a more rapid growth than the rest of the country and the autonomist feeling reflected the need of getting rid of the burden represented by the poverty, the population, the backward economy and the ideological traditions of the Andean area⁸⁵⁰. The recognition of the indigenous communities would therefore undermine the economic interests of the élites of the East and of the Eastern scheme of development based on the agricultural exports. Nonetheless, the Eastern élites have not been able to elaborate an alternative national project to oppose the MAS national plans⁸⁵¹ and inflated their hostility enjoying the dominion of the principal medias.

Therefore, although the approval of the constitutional text achieved an high percentage of approval, its ratification occurred in a sociopolitical climate of confrontation between the majority of the Bolivian population and the powerful minority of the economic élite. It did not exist a national consensus able to unify the Bolivian people as wished by Morales⁸⁵².

Conversely, the social pressures between the inhabitants of Santa Cruz de La Sierra, the so called *campesinos*, and the indigenous people, the *collas*, became more and more present creating a further split among the nation. As a result, although Morales have promised reforms to support the indigenous population of

⁸⁴⁷ Alternatives Sud, *La Bolivia di Evo Democratica, indianista e socialista?*, cit., p. 91

⁸⁴⁸ *Ivi*, p. 16 and 21

⁸⁴⁹ *Ivi*, p. 43

⁸⁵⁰ *Ivi*, p. 61

⁸⁵¹ *Ivi*, pp. 81-82

⁸⁵² *Ivi*, p. 15

Bolivia, his government should deal with the strong influence and the claims of both the East people and of the foreign investors.

As a consequent, the hopeful presidency of Morales coped with several political and social difficulties that clearly undermined his electoral success and the ideas of a resolution of the plagues affecting the true development of Bolivia. In fact, in spite of the radical purposes of the MAS that gave voice to the popular protests against the neoliberal policies and the interferences of the foreign power, Bolivia is still struggling to built an inclusive nation⁸⁵³.

3.8 About the development of Bolivia

This brief description of the political, economic and social dynamics characterizing Bolivia can easily explain the critical level of its national development.

The pattern towards development had been led by the exports of a single product, that was changed according to the variations of the international demand, but was supposed to guarantee the economic accumulation. If initially Bolivia exported huge quantities of silver, it was then substituted by the boom of the tin exports. Subsequently, the boosting of the growth of the East region focused on the sugar (and rice) cultivation, followed by the cotton production. Since the 1970s, the country experienced an increasing expansion of the cultivation of the coca leaf, while recently, the soy production conquered the highest share of the national exports. The specialization in the more profitable production temporarily increased the national revenues, but at the same time reveled its inner limits linked to the vulnerability of the international prices and to the changes of the demand of consumption. In addition, this economic structuring had created a local élite primarily focused on its own interests and neglecting the importance of an overall growth of the nation. The corruption of the wealthy people has been a widespread plague of the economic and social arrangements of Bolivia. As already said, the local élite had been strongly connected with the foreign investors, as they were seen as carriers of further capital and wealth. The majority of the capital resources has continuously been in the hands of the foreign companies.

⁸⁵³ *Ivi*, p. 36

As a matter of fact, the penetration of the US power has been both economic and political. While the US companies primarily led the mining sector and the hydrocarbons reserves, the US loans has been largely required by the Bolivian governments to cope with the weight of the public expenses and the public deficit. In addition, as in the other Latin American countries, the US have also spread the tight fight against the communist threat pursued during the Cold War period. The US trained the local military and maneuvered their political elections. Bolivia has also followed the dominating policies of both the IMF and the WB, especially after the severe debt crisis it dealt with. The implementation of the neoliberal policies dictated by the Washington Consensus has characterized the political and economic setting of the 1980s and the 1990s.

The programs of adjustment elaborated for the development of the country brought several changes without solving the real weaknesses of the Bolivian economy. If the Agrarian Reform backed to the 1952, its objective of a fairer wealth distribution have mainly been slow and inconclusive. The natural resources have been nationalized in 1937, in 1952, in 1969 and in 2005, but they suffered a tight privatization during the years of the neoliberal policies that led to the foreign domination of the Bolivian resources. The fostering of the development of the East region of Santa Cruz de La Sierra brought to a dual structure of the Bolivian economy and society. While the East region experienced a rapid economic and capitalistic growth, and the corresponding urbanization, modernization, and improvement of the living conditions, the Andean region is still characterized by a high presence of indigenous people, of their communitarian traditions and of amazing green landscapes. This dualism inevitably reflected in the tense relationships existing among the different components of the Bolivian population.

For all these reasons, the development of Bolivia is still an open issue that suffered of deep and severe weaknesses, primarily anchored in its economic structure. It can be said that instead of developing the backward and forward linkages explained and supported by the Hirschman analysis, Bolivia did not create an interconnected domestic economy able to assure an efficient growth. The country has rather experienced an isolated enhancement of the economy of the East region, neglecting a true development involving the entire nation. Moreover, as the economy has been devoted to the foreign exports, much of the national wealth left the country without being enjoyed by the Bolivian citizens.

Bolivia has also joined the Andean Community, the CAN, created in 1969, which could have represented a further instrument to defend the regional trade against the penetration of the foreign activities. Conversely, even though in 1995 the CAN established a common external custom barriers, the organization is characterized by a weak cohesion and by a pragmatic direction that undermine the growth and the efforts of the community. In addition, since 1996 Bolivia is also an associated country of the MERCOSUR, and in December 2012 the president Morales signed the protocol defining the different stages and commitment to achieve the full incorporation of Bolivia to the common market⁸⁵⁴.

Therefore, although Bolivia disposed of various resources that could provide economic and social wealth, it could be said that they have not been efficiently used. The economic surplus could be given by the export of the raw material and the food product, by the boom of the international prices of the exported goods, by the financial resources coming from the foreign loans, and by the low remuneration of the unskilled workforce⁸⁵⁵. Unfortunately, the potential surplus of the Bolivian economy has been squandered by the poor economic policies undertaken by the governments. The revenues of the exports has principally been in the hands of the local élite or dominated by the private investments and, as the State has not proficiently taxed the export flows, the tax income of the State has been scarce and mismanaged⁸⁵⁶. In addition, the external debt has increased becoming a real burden for the public accounts and the projects undertaken under the development programs were planned without ascertaining their true profitability and neglecting all the instruments needed for a well-organized implementation⁸⁵⁷. As a consequence, the severe plagues of the corruption and the speculation have pervaded the Bolivian economy hindering any attempt towards radical changes.

Indeed, even though Bolivia is a country that disposes of a good potential of growth, the numerous obstacles in the realization of radical changes continue to prevent the real development of the country.

⁸⁵⁴ “Bolivia signs the Mercosur incorporation protocol and becomes sixth member”. Available at: <http://en.mercopress.com/2012/12/08/bolivia-signs-mercosur-incorporation-protocol-and-becomes-sixth-member> (consulted on June 17, 2013).

⁸⁵⁵ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, Santa Cruz de La Sierra – Bolivia, 2006, pp. 10-11.

⁸⁵⁶ *Ivi*, pp. 14-15

⁸⁵⁷ *Ivi*, pp. 16-18

3.8.1 An alternative pattern towards development

Due to the failure of the development planning promoted by the Bolivian government, the Bolivian population is really active in defending its political and social rights. As seen during the historical reconstruction of the country, the protests, the uprisings and the marches have been numerous and nowadays continue to be the voice of the Bolivian people. The popular opposition to the governmental decisions is supported also by many NGOs present in the country.

These organizations try to sustain the social and political struggles of the Bolivian population, promoting an alternative path of development able to respect the needs and the traditions of the indigenous and peasant people of the country. A wide share of the population lacks not only the services of the basic health and education, but also the food safety. The struggle of the indigenous people and of the peasants in order to obtain their own plots of land and to defend their possessions and the forests reserves is still a current hot issue. On the other hand, the penetration of the multinationals in these territories is unstoppable.

A clear example of this situation is given by the recent marches organized against the project of a big road crossing the heart of one of the Natural Park of Bolivia. The indigenous territory of the National Park Isiboro Sécure (Territorio Indígena Parque Nacional Isiboro Sécure – TIPNIS) is a protected area of 1,2 millions of hectares hosting a wide ecologic biodiversity and the traditions of the indigenous people⁸⁵⁸. The construction of the road Villa Tunari – San Ignacio de Moxos agreed by the government of Morales and some big multinationals⁸⁵⁹, would inevitably caused the disappearance of the biological ecosystem and of the indigenous people that inhabited the TIPNIS area. The reason justifying the road project is the existence of oil resources within the territory of the TIPNIS. Some oil companies, such as the society formed by the Brazilian Petrobras and the French Total YPFB, are already operating in the area and the construction of the road has been financially supported by Brazil, as a promotion of its economic growth⁸⁶⁰. In order to impede the realization of this project, the indigenous population had to assume a real defense of the so called Pachamama, the Mother Earth, and of the

⁸⁵⁸ CIDOB BOLIVIA, “VIII Marcha Indígena: La Defensa del TIPNIS unió a Toda Bolivia”, in *Boliviaplurinacional*, Santa Cruz de La Sierra – Bolivia: CIDOB BOLIVIA, Año 3, No. 4, March 2012, p. 2.

⁸⁵⁹ *Ibidem*

⁸⁶⁰ *Ivi*, p. 8

life, the dignity and the rights of the indigenous people⁸⁶¹. The 8th Indigenous March started on August 15, 2011 from Trinidad, in the department of Beni, and crossing more than 900 km, it lasted 66 days until the indigenous people were able to reach the city of La Paz⁸⁶². The march suffered a brutal repression by the governmental military forces, but was able to progress thanks to the support of the Bolivian population recognizing the significance of the defense of the TIPNIS area.

3.8.2 The alternative activities of PROBIOMA

The action of the indigenous marches are sustained even from Santa Cruz de La Sierra, where several NGOs and local organizations are supporting the indigenous people migrated to the East region.

One of this organization is PROBIOMA, a private institution of social development with a national scope created in 1990⁸⁶³. The mission of this organization is the promotion of a different framework of the national development. PROBIOMA sustains not only the promotion of the ecologic agriculture, the scientific investigation, the food sovereignty, the environmental remediation and the sustainable management of the natural resources, but also the efficient management of the water and the political advocacy⁸⁶⁴. As the majority of the Bolivian people are still employed in the agricultural sector, the activities of the institution are focused on the agro ecology. PROBIOMA primarily supported the indigenous people living in the periphery areas of Santa Cruz de la Sierra concretely helping the improvement of the management of the land providing biotechnical knowledge and information, cooperating with the municipalities, and teaching how to efficiently work the land avoiding the use of agro toxics and of the transgenic seeds that both weaken the fertility of the soil. In addition, PROBIOMA supported the indigenous communities living in the protected areas of the country, such as the Parque Nacional Amboró, the Chiquitanía and the Pantanal⁸⁶⁵. On the other hand, the institution also promoted the eco tourism training local young people to become competent guides able to valorize the natural and cultural resources of their land⁸⁶⁶. The personnel of the organization travelled all around

⁸⁶¹ *Ivi*, p. 2

⁸⁶² *Ivi*, pp. 6-7

⁸⁶³ PROBIOMA, "Quienes Somos". Available at: <http://www.probioma.org.bo/web/index.php/quienessomos> (consulted on June 24, 2013).

⁸⁶⁴ *Ibidem*

⁸⁶⁵ *Ibidem*

⁸⁶⁶ PROBIOMA, "Ecoturismo – Alternativa local", in *Voces del Pantanal Boliviano*, *Boletín No. 42*, cit., p. 5.

Bolivia trying to help the population and to spread the information and the training about the alternative ways of management of the natural resources. In addition, PROBIOMA realized interesting multimedia materials in order to encourage the involvement of the populations.

PROBIOMA denounced the mismanagement and the exploitation of the Bolivian resources acted by the capitalist interests of the richest élite of the country. The organization is highly critic not only against the past neoliberal governments, but also against the present administration of Evo Morales. PROBIOMA pays particular attention to the issue of the laws and codes analyzing the real legislative system underlying the approved provisions. In order to accomplish this commitment, PROBIOMA also published several books about the natural management of the cultivations, about the negative impacts of the public policies and the foreign investments, and about the critics of the legislative activity.

PROBIOMA and many other institutions are trying to fight the excluding economic structuring characterizing Bolivia, in order to promote a widespread economic and social development able to enhance the living conditions of all the Bolivian population. Even though the Bolivian economy is still dominated by the wealthy élite and by the foreign interests, the fact that the indigenous people are strengthening their protests and many NGOs are working to support their struggle doubtless indicates the political and social activism fighting for an alternative pattern to reach the national development. The numerous uprisings showed the willingness to fight for a sovereign Bolivia, able to undertake autonomous decisions in favor of its own people and able to protect and preserve its fundamental natural resources, ending the pervasive foreign exploitation. Although many critics see this struggle as an utopist dream, the fervor and the determination of the Bolivian people, indigenous and not, clearly demonstrate the importance and the conviction of the advent of different conceptualization of the development coordinates.



Figure 10: Internship in PROBIOMA

Source: self-elaborated during my internship in PROBIOMA

Conclusions

Investigating the development topic was both interesting and challenging due to the complexity and the interdependency of the factors involved in the issue and to the global resonance acquired by the subject.

The aim of this work was to present a part of the wide literature about the development issue and to examine and understand the development troubles of the Latin American area and in particular of the country of Bolivia. Starting from the evolution of the meaning ascribed to the concept of development has been useful to better enter the dispute and to better value the steps of the policies adopted in both the Latin American area and Bolivia. The theoretical ideas established by the development studies have in fact been widely reflected in the policies adopted worldwide and specifically in the Latin American countries.

Although the primary focus of the development theories has been on the economic aspects of the issue, the analysis of the Latin American scenario and of the Bolivian national context shows that even other factors play an important role in the pattern towards a true development of a country. If the economic results are doubtless relevant, other non economically-accountable factors, such as the political and social elements, the financial variables and the trade relations, constitute crucial dynamics highly affecting the path to achieve the development targets.

The analysis of the accomplishment of the development theories in the Latin American region highlights that the established schemes of development could not be duly and successfully implemented because the standardized policies have not taken into account the different obstacles the countries encountered in the implementation of the development plans. In spite of the governments' alignment to the statements on development of the international institutions, the complexity of the Latin American setting clearly demonstrates the relevance of both the national economic and non economically-accountable factors. Indeed, the Post-development approach claims that as the formulation of development theories has mainly be based on the growth pattern undertook by the advanced countries, it could not efficiently account for the economic, but also political and social limitations characterizing the realities of the so called underdeveloped countries.

As a matter of fact, the multiplicity of features characterizing the Latin American realities is actually questioning the prevailing economic models while

approaching the theories promoting a different vision of the development issue. Nonetheless, in the past the region has doubtless tried to respond to the main development schemes not achieving the desired targets of development. Although each country of the Latin American region has had its own and peculiar path, a correspondence with the development theories can be found in general terms.

When the classical approach suggested that economic growth would be brought in by the specialization in the more profitable production looking for compared advantages, the Latin American region had already devoted its economy to the supply of the raw materials it abundantly owned. The core of the Latin American activities was based on the export-led growth which was supposed to incessantly increase the wealth of the countries.

In addition, according to the speech of the US president Truman of 1949, the Latin American region was considered part of the so called underdeveloped countries that should be helped and assisted by the industrialized nations. The Latin American countries asked and welcomed the funds coming from the official development assistance (ODA) supported by both the international institutions and the neighboring US power, especially when in the 1970s the president of the World Bank, Robert McNamara, relaunched the development assistance highlighting its importance to the fulfillment of the basic needs of the high percentage of the poor population of the world.

The main scheme of the free trade led the Latin American countries to increasingly open their economies appreciating the foreign investments in their economic activities and the concession of foreign loans in order to obtain further financial resources to realize the development objectives. The foreign economic aid was a great help for the Latin American region and its influence became more and more prominent in the economic and political life of the area.

The interferences of the foreign forces turned to be clear between the end of the seventies and the beginning of the eighties, when the tight increase of the interest rate made the Latin American countries unable to afford the repayment of the foreign loans. In this case, the indebted countries of South America again responded to the warning of the international institutions. The Latin American governments of the eighties and the nineties strictly implemented the package of neoliberal policies elaborated by both the IMF and the WB to realize the adjustment plans arranged at the international level.

Once the difficulties and the failures of the neoliberal formula clearly emerged, both the IMF and the WB tried to modify the strategies devoted to the development issue. While the indebted countries were required to elaborate their own strategy to reduce the poverty of their population, the international institutions promoted a debt relief to alleviate the economic and financial difficulties of those country and launched the Millennium Development Goals (MDGs) principally aiming at the eradication of poverty and at the improvement of the health and education conditions. The Latin American governments once again embraced the international statements adding some social reforms to the rigid adjustment policies pursued in order to recompose their economies.

If the governments of the Latin American countries have been strongly influenced by the international debate due to the existing trade relations and foreign investments, the population of the region has suffered the harsh effects of this connection not experiencing the good results of a true development path.

The export-led growth has seen the accumulation of wealth in the hands of the owners of the profitable resources and of the traders, preventing a wide distribution of the high revenues obtained thanks to the hard work of the exploited laborers. In addition, the gains from the export flows depended on the variations of the international prices and consumption preferences, leaving the Latin American economy highly vulnerable and prone to inflationary spirals. The recurrent increase of prices fell back on the everyday expenses of the Latin American people.

Similarly, the high presence of foreign business has favored the foreigners' interests, neglecting the importance of the growth of the local economic activities and increasing the gap between the rich and the poor population of the Latin American countries. When the tight debt crisis was treated with the neoliberal package, the restrictive policies had severe repercussions on the Latin American people who should deal with the freezing of wages, with the decrease in their purchasing power, with the cut of the public spending on welfare and subsidies and with the costly privatization of the public services. Although these efforts allowed an improvement of the economic indicators, the burden borne by the population did not efficiently enhance its living conditions.

In addition, the pervasive US interference in the Latin American region dominated not only the economic sector, but also the political decisions. It imposed

both the persecutions against the Communist enemy fought during the Cold War confrontation with the Soviet Union and the subsequent Security Doctrine that led to the rigid military regimes established in the Latin American countries. The Latin American people experienced the limitation of their political rights hardly conquered after the independence fighting.

The leftist movements were in fact active in the region asking for a better distribution of the national wealth and struggling against the increasing inequalities. The presence of various NGOs and the voice of the poor population and of the indigenous people acquired more and more relevance claiming for the need of substantial changes in the political and economic structure governing their countries. These emerging actors are embracing the Post-development theories that promote a wider concept of development able to take into account the political and social aspects neglected by the prevailing economic studies.

What is remarkable is that in the run-up to the development economic schemes promoted by the development researchers and institutions, the Latin American region appears to have chiefly missed the breakthrough of the industrialization process. As a matter of fact, some of the relevant passages of the industrialization theories turn out to be persistent hot spots of the development issue of the Latin American countries.

Firstly, as stated by Arthur William Lewis, the process of industrialization requires a prior or contemporary Agricultural Revolution to allow the agricultural surplus to be channeled to the industrial sector of the domestic market⁸⁶⁷. Unfortunately, although agrarian reforms have been pursued by the governments of the Latin American countries, the agricultural sector has not been efficiently renovated. First of all, the system of the large estates has long dominated the structure and the relations within the Latin American agriculture. Secondly, the sector has not experienced an adequate technicization able to enhance its productivity and as a consequence, the majority of the Latin American farmers still use traditional agricultural practices mainly based on hard manual work. The innovation brought in the sector is essentially locked in the hands of the foreign investors, who bought large stretches of land and introduced the mechanization and techniques imported from their homelands. Thirdly, the crucial problem concerning the true identification of the land rights still represents a topical plague of the Latin American agricultural sector. The sector continues to be characterized by an

⁸⁶⁷ A. W. Lewis, *L'evoluzione dell'ordine economico internazionale*, cit., pp. 8-9.

unsolved gap: while few big and often foreign owners dominate the majority of the land, the large number of small farmers still deal with poor living conditions and struggle to obtain their one piece of land. A high percentage of the population still lacks the satisfaction of the basic needs leaving the demand for the industrialized products to the few urban centers grown thanks to the foreign capitals.

As a matter of fact, the Food First Information and Action Network (FIAN), an international NGO claiming the right to food of poor people, and the Via Campesina, an international movement grouping the farmers organizations, created in 1997 the Global Campaign for the Agrarian Reform to allow the poor people to access the agricultural resources and to obtain the needed subsistence and education services⁸⁶⁸.

A second aspect distinguishing the missing industrialization of the Latin American region is represented by the complementary services. As theorized by Rostow within the Modernization Theory, the path towards the industrialization process required relevant investments in the complementary services, which included not only the use of technological advances in the agricultural sectors, but also the enhancement of the transport connections and of the infrastructures of the country in order to widen the domestic market⁸⁶⁹. Conversely, the Latin American countries have often neglected this crucial factor. Usually, good road connections are present in the surroundings of the big urban centers, of the airports and of the ports, but the rest of the territory lacks a well integrated network linking up the various areas and the considerable distances of the country.

Thirdly, the Latin American economic system also lacked the interconnection among the economic activities strongly promoted by Albert Otto Hirschman. As seen, Hirschman stated that the industrial integration requires the fostering of the key industries able to generate backward and forward linkages: they should trigger a flow back in the requirement of further inputs and a flow forward increasing the consumers demand for new and refined products⁸⁷⁰. As the Latin American economy has been focused on the export flow directed to the foreign markets, this interconnection among the domestic activities has not been spurred. The export-led growth of the Latin American countries was in fact based on the foreign demand for raw materials and agricultural goods: they put their

⁸⁶⁸ L. Martinelli, A. Messina, *Terra é libertà La questione agraria in America Latina*, Bologna: Editrice Missionaria Italiana, 2005, p. 20.

⁸⁶⁹ W. W. Rostow, "The Stages of Economic Growth", cit., pp 1-16.

⁸⁷⁰ P. Franko, *The puzzle of Latin American Economic Development*, cit., p. 60.

economic efforts at the disposal of the vulnerability of the trends of the international prices and of the consumption preferences. In addition, an economic structure centered on the export of primary goods prevented the Latin American economies to exit their peripheral position within the international trade. As claimed by the Dependency Theory, the export-led economies trading primary products constitute the disadvantaged periphery of the international market led by the advanced countries, which represent its nerve centers producing technological industrial goods⁸⁷¹. As a matter of fact, neglecting the factors able to foster the growth of the domestic markets, the Latin American countries have long continued to hold the deprived peripheral position suffering from an economic dependence on the richer countries.

However, the region has made an effective attempt under the import substituting industrialization (ISI) promoted as a way out of the peripheral dependence. The strategy provided for the fostering of the domestic industrial production in order to nationally substitute the imported goods⁸⁷². The State intervention became crucial to achieve the aim. In fact, many State-owned enterprises were created and the public investments and protectionist industrial policy played an essential role. Although the industrial sector was effectively energized, the ISI initiative soon failed for several inner weaknesses. Firstly, as the strategy lacked national investments in scientific research, in a short time the imported technology became obsolete and the Latin American countries dealt with the exhaustion of the range of the industrial products that could easily been nationally replaced. Secondly, the few industrial centers remained in the hand of the old élite who had the economic possibilities to enter the initiative, and the presence of the foreign capital constantly increased as it represented the main source of financing used by the State to spur the process. Consequently, the ISI boosted the national industrial sector, but was not able to change the fundamental economic dynamics which continued to be based on foreign resources.

Under these deep-rooted constrains, the start of a real industrialization process able to stimulate a widespread growth of the domestic economic activities still constitutes a challenging problem for the Latin American region. Nonetheless, some countries led by the emerging escalation of Brazil are gradually approaching the upward path.

⁸⁷¹ Ivi, p. 57

⁸⁷² A. O. Hirschman, *A Bias for Hope: Essays on Development and Latin America*, cit., p. 86.

A further examination of the Bolivian economic history can better explain both these aspects concerning the missed industrialization process and the social and political changes connected to this. These two elements highlight some crucial points of the development issue on which the case of Bolivia shows interesting peculiarities.

As seen, the country is still fighting to achieve many of the development targets: the difficulties are particularly due to its economic structure. On the one hand, the economic growth has been primarily concentrated around the city of Santa Cruz de La Sierra, neglecting the parallel advancement of the rest of the country. On the other, although Bolivia is rich in raw materials, the resulting economic surplus has been largely mismanaged⁸⁷³.

Indeed, the Bolivian economy has been almost uniquely devoted to the production and export of its raw materials accommodating the demand of the foreign markets. Depending on the export of a single commodity, the economic structure has evolved with the characteristics of economic enclaves⁸⁷⁴. The economic forces have focused on the export of a single product exploiting the region where it was present, bringing a rapid growth of the affected area and creating an economic élite that enjoyed the revenues of the profitable trade. This economic dynamics occurred at the time of the huge exports of silver, were repeated during the era of the tin, returned with the illegal commerce of products of the coca leaf and recurred once again with the exports of the national reserves of natural gas.

Unfortunately, the emergence of these enclaves even brought some economic illnesses. Firstly, they were based on the export-led growth, which, as already said, depended on what was sold out of the country and on the fast fluctuations of both the international prices and the foreign investments. Secondly, the economic enclaves attracted the economic forces to the flourishing export trade neglecting the relevance of other economic sectors. And thirdly, they did not establish any links with the other economic activities, preventing the generation of an efficient economic network within the country. Conversely, as the export trade was in the hands of economic élites and the growth affected only the area of the enclave, the structure led to a critical social exclusion involving the majority of the population.

⁸⁷³ H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, cit., pp. 13-20

⁸⁷⁴ F. M. Saravia, *Historia Económica de la República de Bolivia (1952-2009)*, cit., p. 319

Decisive for the development issue has therefore been the neglect of the domestic connections between the Bolivian enclaves and the rest of the economy, as both the agricultural sector and the industrialization process have been critically disregarded.

The effects of the creation of economic enclaves based on the export of natural resources not only represent a peculiarity of the Bolivian economy but were also theorized by economists in terms of “resource curse”. A growing literature is in fact focusing on the impacts on the economy of a booming sector of natural resources. The main research work is based on a core model presenting three main sectors: the energy or booming sector focused on the exploitation of profitable natural resources, the manufacturing or lagging sector and the service or non-tradable sector⁸⁷⁵. The boom of the first sector could primarily be caused by an exogenous technical improvement, by a discovery of a new supply of natural resources or by an exogenous rise in the price of a certain resource in the world market⁸⁷⁶. In all the three cases, the investments in the booming sector as an initial effect entail a raising aggregate income of the factors employed in the sector.

The boom of the sector dealing with the natural resources has two main impacts. Firstly, as the booming sector produces extra income, a part of it is spent in the service sector generating a rise of the price of the services relatively to the price of the tradable products. This represents an appreciation of the service sector, called Spending Effect, which would attract resources coming from both the booming and the manufacturing sectors⁸⁷⁷. Secondly, as the marginal product of the booming sector rises, its demand for labor consequently rises inducing a movement of labor out of both the manufacturing and the service sectors. This shift is known as the Resource Movement Effect⁸⁷⁸.

What is crucial is that both the effects entail a spillage of labor force from the manufacturing sector preventing an industrialization process of the economy. The Resource Movement Effect, which implies the movement of the labor force from the manufacturing sector to the booming sector, reduces the output of the former causing a direct de-industrialization impact⁸⁷⁹. Additionally, even the

⁸⁷⁵ W. M. Corden, P. Neary, “Booming sector and De-industrialization in a Small Open Economy”, *The Economic Journal*, Vol. 92, No. 368, 1982, pp. 825-848

⁸⁷⁶ W. M. Corden, “Booming Sector and Dutch Disease Economics: Survey and Consolidation”, *Oxford Economic Papers*, New Series, Vol. 36, No. 3, 1984, p. 360

⁸⁷⁷ *Ibidem*

⁸⁷⁸ *Ivi*, pp. 360-361

⁸⁷⁹ *Ivi*, p. 361

appreciation within the service sector brings about a further movement of labor out of the manufacturing sector called indirect de-industrialization⁸⁸⁰. This double loss of labor force inevitably reduces not only the output but also the advancement of the manufacturing sector.

A third effect is then connected to the export structure. Although the booming sector in which the exports are focused on can employ a low labor force, such as the extractive sectors of oil and gas, its production has a great influence on the national commercial results. What occurs is that the exports of that sector increase and as a consequence, the balance of trade of the country records a surplus. The country can face two cases concerning the exchange rate. On the one hand, when the exchange rate is fixed and the government introduces the revenues coming from the increased exports in the national economy, except when the government is able to sterilize them, the system experiences an inflationary trend. On the other, if the exchange rate is flexible, the increased exports lead to a higher demand of the national currency and to its revaluation, which is nationally suffered by the competition of the lower prices of the imported goods. In both cases, the inflationary trend and the currency revaluation due to the exported good of the booming sector make the other national products less competitive. These dynamics generate in small open economies, which are price takers on the international markets as they have not a monopolistic power on the good sales and they bear the competition between the national and the foreign goods.

Owing to these mechanisms, the surplus coming from the increased exports is used to buy foreign products as they result to be less expensive than the national inflated ones. The production of the local industries is consequently damaged and the labor force moves to the service sectors leading to a deindustrialization of the economy of the country experiencing the export boom⁸⁸¹.

Therefore, although the booming sector focusing on the increased production of a natural resource brings a significant rise of the national revenues, it is considered as a negative phenomenon for the development pattern of a country. The resource curse is in fact also known as the Dutch Disease as it refers to the adverse impacts that the discovery of the Dutch natural resources of gas of the 1960s induced on the national manufacturing sector.

⁸⁸⁰ *Ibidem*

⁸⁸¹ W. M. Corden, P. Neary, "Booming sector and De-industrialization in a Small Open Economy", cit., pp. 825-848

As a matter of fact, the univocal focus on the booming sector leads to various negative effects. As the natural resources are usually owned by a small rich élite, the sharp increase of income brought by the booming sector is enjoyed only by this small percentage of the population, while the majority of it is cut off from the economic advances. Consequently, the country deals with a higher level of social and regional inequalities. Secondly, the fact that the country is so much reliant on the exports of the natural resources subjects it to the volatility of the international prices of the resources, whose eventual fall could negatively affect not only the value of the exchange rate, but also the trade balance and the public debt causing a severe macroeconomic instability. What is worse is the irreversibility of the impacts on the national economy. When the boosting external shock ends, the losses suffered by the manufacturing sector are not easily reversible. The reactivation of the industries is really difficult, the employed technology remains obsolete, the reduction of the domestic market is hardly recoverable and new investments are hardly undertaken. Therefore, the idea of the economic enclave can be better described as a typical monopolistic concentration of capital within a weak economy that has no linkages with the rest of the economic activities of the country and that focused on the drainage of the economic surplus⁸⁸²

Although the model involve various particular cases, this general description offers a good explication of the dynamics experienced by both the Latin American region and the country of Bolivia. As the economies of these area have largely been based on the exports of natural resources, the industrialization process and the efficient growth of their internal markets have been prejudiced. As already highlighted, the enhancement of the agricultural sector has been neglected, the industrialization is still on its first steps, the exploitation of the natural resources has severely damaged the environment, and the prevalence of the economics interests of both the foreign investors and the local élite have fostered an economic growth that excluded the majority of the population. Moreover, the excessive reliance on the foreign markets and on the foreign financial resources have entailed an economic and financial dependence that prevented an autonomous development pattern.

If the analysis of the features of the Bolivian economy can be interpreted in the light of the Dutch Disease model that can interestingly enlighten the economic backwardness of both the country and the Latin American area, the

⁸⁸² A. Cueva, *El desarrollo del capitalismo en América Latina*, cit., pp. 109-110.

recent characteristics of the political and social setting of Bolivia underscore the importance of other non-economically accountable factors that are fundamental within the development debate.

The peculiarity of the country of Bolivia lies in the challenges launched by the party leading the political power. Although the program promoted by the MAS, Movement to Socialism, has found several limits and its true implementation is still far, its objectives represent relevant steps in the questioning of the prevailing development schemes. In this sense, the Bolivian experience is quite striking.

Much more than in other Latin American countries, the social organizations and movements have showed a remarkable capacity of mobilization that enlarged both the basis of the claims and their representativeness⁸⁸³. As seen, these social forces led by the poor majority of the Bolivian population conveyed in the MAS and agreed on two main aims: the nationalization of the natural resources and the elaboration of a renewed constitutional text.

From the economic point of view, the popular mobilization that started in the mid-nineties fighting for the coca leaf, for the water and for the national gas and the economic program of the MAS shows the will to break the economic relations of sway of the élites on the country. If the main ideas are the diversification of the productive basis of the nation and a more equitable distribution of the wealth, the structure of economic dominion is so deep-rooted that changing it is extremely difficult. The economic enclaves and the dominance of the economic élite have confirmed and strengthened the colonial configuration⁸⁸⁴ through silent mechanisms of power arranged not only in the political and economic setting, but also in the educational field, strategically channeling the possibilities of access to academic careers⁸⁸⁵.

In spite of these constrains, the MAS proposed a different scheme of economic growth that aim to challenge the capitalist way of production supported by the economic development theories. The model entails the nationalization of the hydrocarbons, attained in 2006, the modernization and industrialization of the economy under the guide of an active State and the recognition of the communitarian economic view of the indigenous people. If the true implementation of these directives is hard to achieve, essential changes in the economic structure of

⁸⁸³ Alternatives Sud, *La Bolivia di Evo Democratica, indianista e socialista?*, cit., p. 42

⁸⁸⁴ *Ivi*, p. 40

⁸⁸⁵ *Ivi*, p. 129

the country are now demanded by the majority of the population in order to improve the living conditions of millions of Bolivian poor⁸⁸⁶.

Although the economic struggle is slow and embedded in the power relations of the economic enclaves, the presidential victory of the MAS brought in a symbolic social revolution that has had a notably resonance. Firstly, the election of an indigenous president in 2005 symbolically redeemed the indigenous people from the subjugation and the repression suffered since the colonial period⁸⁸⁷. Secondly, the new Constitution approved in 2009 recognized that the indigenous people and their communities represent the principal component of the Bolivian population⁸⁸⁸, giving them a new political identity. The majority of the population is now constituted by the indigenous people who have their own cultural and social practices that differ from the ones of the rest of the population. Thirdly, the constitutional text also defined the country as a Plurinational State⁸⁸⁹ legally equalizing the different ethnic component of the Bolivian population and affirming their coexistence within the country.

Even if the reality of the Bolivian society is still characterized by tensions, fighting and discriminations, the indigenous people enjoy the recognition of various collective rights and can now cast in the national political functions and experience a direct political representation⁸⁹⁰. The acknowledgement of the collective rights of the indigenous communities represents an innovative and challenging aspect even for the traditional legal thought based on private property⁸⁹¹.

The statement of the plurinational aspect of the country underlines and affirms the heterogeneity of the Bolivian people. As seen, the development policies that encouraged the revitalization of the Eastern region sustained the *Marcha hacia el Oriente* of the peasants of the West Andean region. Consequently, even the center of the opposition to the MAS actually deals with the multi ethnicity characterizing the country. The constitutional recognition of this element would prompt both the Eastern economic élites and the indigenous people to leave the social confrontation and to rather begin a process of integration and inclusion.

⁸⁸⁶ *Ivi*, p. 35

⁸⁸⁷ *Ibidem*

⁸⁸⁸ *Ivi*, p. 91

⁸⁸⁹ *Ivi*, p. 34

⁸⁹⁰ *Ivi*, p. 27

⁸⁹¹ *Ivi*, p. 47

Unfortunately, as the economic and cultural differences are wide and the reciprocal resentment is deep, a common path represents a huge challenge for the Bolivian population. Nonetheless, it is worth to notice that the president Morales has attempted a first step collaborating with a mestizo vice president, Alvaro Garcia Linera, in the leadership of the nation.

Accordingly, even though the results of the MAS policies are ambiguous and suffered of several weaknesses, the relevance of the activity in 2005 stands in the economic and sociopolitical challenges brought by its directives. Nationally, if the party was to lose the next elections, the mobilization of the indigenous peoples has been so high that even a different government could not completely ignore their claims and the innovations introduced by the constitutional text. Regionally, the struggle of the poor part of the Bolivian population against the unequal distribution of wealth and of the land property links with similar mobilizations experienced in other Latin American countries. In addition, the Bolivian political events are clearly inserted in the debate concerning the troubles of the Latin American development. Internationally, the political and economic evolution of the country critically enter the development issue and the questioning of the neoliberal schemes proposing several challenging changes of the old and unequal structure of the Bolivian society.

How the Bolivian events evolve will determine the effective outcomes of the rise of the MAS and of the popular forces that support the leftist “pink wave” emerging in the Latin American governments and to the critical position of the Post-Development theories.

References

- A. A. Hofman, "Economic growth and performance in Latin America", *Serie Reformas Económicas*, No. 54, March 2000. Available at: <http://www.cepal.org/publicaciones/xml/6/4576/lc11350i.pdf> (consulted on April 04, 2013).
- A. Cespedes, *El dictador suicida*, La Paz – Bolivia: Librería Editorial "G.U.M.", 1956.
- A. Cueva, *El desarrollo del capitalismo en América Latina*, México: Siglo XXI Editores, 1990.
- A. Escobar, *Encountering Development The Making and Unmaking of the Third World*, Princeton: Princeton University Press, 1995.
- Alternatives Sud, *La Bolivia di Evo Democratica, indianista e socialista?*, Milano: Edizioni Punto Rosso, 2010.
- A.O. Hirschman, *A Bias for Hope Essays on Development and Latin America*, New Haven and London: Yale University Press, 1971.
- A. W. Lewis, "Economic Development with Unlimited Supplies of Labour", *The Manchester School*, XXII (1954).
- A. W. Lewis, *L'evoluzione dell'ordine economico internazionale*, Torino: Einaudi, 1983.
- A. W. Lewis, *The Evolution of the international economic order*, New Jersey: Princeton University Press, 1977.
- "Bolivia signs the Mercosur incorporation protocol and becomes sixth member". Available at: <http://en.mercopress.com/2012/12/08/bolivia-signs-mercosur-incorporation-protocol-and-becomes-sixth-member> (consulted on June 17, 2013).
- "Brasile, rivolta contro il governo di Dilma Rousseff e la gestione dei mondiali". Available at: <http://www.linkiesta.it/immagini-proteste-brasile> (consulted on July 29, 2013).
- C. Arze Vargas, "Bolivia: 20 años de economía bajo un mismo patrón". Available at: <http://www.cedla.org/content/2188> (consulted on May 15, 2013).
- CESR, "Bolivia". Available at: <http://www.cesr.org/section.php?id=103> (consulted on May 6, 2013).
- C. Focarelli, *Lezioni di Diritto Internazionale I Il Sistema degli Stati e i Valori Comuni dell'Umanità*, Padova: Cedam, 2008.
- C. Gootaert, "Social capital: "The Missing Link"", in *Expanding the Measure of Wealth: Indicators of Environmentally Sustainable Development*, Washington DC: World Bank, 1997.
- C. Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries", *World Development*, XXVIII (2000).

CIDOB BOLIVIA, “VIII Marcha Indígena: La Defensa del TIPNIS unió a Toda Bolivia”, *Bolivia Plurinacional*, Santa Cruz de la Sierra – Bolivia: CIDOB BOLIVIA, Año 3, No. 4, March 2012.

Coalición Holandesa de la soya, *Otra mirada sobre la soya El lado oscuro del grano milagroso*, Buenos Aires – Argentina: BunteGraf, 2008.

Colective Rojnegro, “Kausachun coca, Wanyuchun Yankis”, 1998. Available at: chilemir.tripod.com/rebelde2.html (consulted on May 28, 2013).

Cooperación Técnica Alemana (GTZ), *Aproximación histórica de los procesos de planificación en Bolivia*, La Paz – Bolivia: Editorial Quatro Hermanos, 2009.

C. Vai, *Evita Regina della Comunicazione*, Roma: Centro di Documentazione Giornalistica, 2009.

D. De Marco, “Reportage: Bolivia tra i coccaleros”. Available at: www.danilodemarco.it/reportage/boliviatra-i-cocaleros (consulted on May 28, 2013).

D. R. Morrison, “Poverty and Exclusion: from Basic Needs to the Millennium Development Goals”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.

D. Sogge, “The United Nations and Multilateral Actors in Development”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.

D. Yergin, *The Prize*, New York: Simon & Schuster, 1989.

E. B. Berbier, “Agricultural Expansion, Resource Booms and Growth in Latin America: Implication for long-run Economic Development”, *World Development*, Vol. 32, N. 1.

E. Galeano, *Le vene aperte dell’America Latina*, Sperling & Kupfer Editori S.p.A., 1970.

E. González, M. Gandarillas, *Las multinacionales en Bolivia*, Barcelona – Spain: Icaria Editorial, 2010.

E. Grilli, “Political Economy and economic development in Latin America in the second half of the 20th century”, *Journal of Policy Modeling*, N. 27, 2005.

E. N. Sahle, “Post-Development and Alternatives to Development”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.

E. Ormachea Saavedra, “Transformaciones en la sociedad rural boliviana”. Available at: <http://www.cedla.org> (consulted on May 8, 2013).

E. Silvestri, “Persi I mondiali in Messico, l’Honduras dichiara guerra al Salvador”. Available at: <http://www.ilgiornale.it/news/persi-i-mondiali-messico-lhonduras-dichiara-guerra-salvador-935279> (consulted on April 10, 2013).

- F. De La Cruz Prego, “Ayuda externa en Bolivia (1985.2003): auge y caída del neoliberalismo”, *Documentos de trabajo sobre cooperación y desarrollo*, Santander – Spain: Cátedra de Cooperación Internacional y con Iberoamérica – Universidad de Cantabria, 2011.
- F. M. Ragona, “Gesù è meglio di un mundial”, *Il Giornale*, 28 luglio 2013.
- F. M. Ragona, “La Croce unisce chi combatte le ingiustizie”, *Il Giornale*, 27 luglio 2013.
- F. M. Saravia, *Historia Económica de la República de Bolivia ((1952-2009)*, La Paz – Bolivia: Creativa, 2010.
- G. De Marzo, *Buen Vivir Per una nuova democrazia della terra*, Roma: Ediesse, 2010.
- G. E. Schuh, R. Junguito, “Trade and agricultural development in the 1980s and the challenges for the 1990s: Latin America”, *Agricultural Economics*, V. 8, 1993.
- G. Esteva, “Development”, in S. Wolfgang (editedby), *The Development Dictionary A Guide to Knowledge as Power*, London & New York: Zed Books, 2010.
- G. F. Davanzati, “Appunti di storia del pensiero economico”, 2007. Available at: <http://creativecommons.org/licenses/by-nc-nd/2.5/it> (consulted on November 12, 2012).
- G. Formigoni, *La política internacional nel Novecento*, Bologna: Il Mulino, 2007.
- G. Fridell, “Free Trade and Fair Trade” in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- G. L. Gardini, *L’America Latina nel XXI secolo Nazioni, regionalismo e globalizzazione*, Roma: Carocci Editore, 2009.
- H. Grebe, *El excedente sin acumulación.. La génesis de la crisis económica actual, in Bolivia, hoy*, México: Siglo XXI, 1983.
- H. Loza, *La economía del desarrollo Votos, impuestos y empleo*, N. 6, Santa Cruz de La Sierra - Bolivia: Hugo Loza, 2006.
- H. S. Klein, *Historia de Bolivia*, La Paz – Bolivia: Librería Editorial Juventud, 1982.
- H. S. Truman, “Inaugural Address”, 1949. Available at: <http://www.bartleby.com/124/press53.html> (consulted on October 22, 2012).
- H. Veltmeyer, “Civil Society and Development”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- J. D. Sachs, *The End of Poverty Economic Possibilities of Our Time*, New York – USA: Penguin Group, 2005.

- J. E. Stiglitz, *El malestar de la globalización*, Buenos Aires – Argentina: Taurus, 2002.
- J. F. Kennedy, “Preliminary formulations of the Alliance for Progress”, 1961. Available at: <http://www.fordham.edu/halsall/mod/1961kennedy-afp1.html> (consulted on October 29, 2012).
- J. Hanlon, “Debt and development”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- J. Harris, *Depoliticizing Development The World Bank and Social Capital*, London: Anthem Press, 2007.
- J. L. Roca, *Bolivia después de la capitalización Una crítica al gonismo y sus “reformas”*, Santa Cruz de La Sierra – Bolivia: Plural Editores, 2000.
- J. Ramos, “El cuestionamiento de la estrategia de desarrollo y el papel del Estado a la luz de la crisis”, *Cuadernos de Economía*, Año 26, N. 29, December 1989.
- L. Lefebvre, “On the Paradigm for Economic Development”, *World Development*, II (1974).
- L. Martinelli, A. Messina, *Terra é libertà La questione agraria in America Latina*, Bologna: Editrice Missionaria Italiana, 2005.
- “L’urlo del papa in favela Basta diseguaglianze la realtà può cambiare”, *Il Gazzettino*, 26 luglio 2013.
- Maela (Movimiento agroecológico para Latinoamérica y el Caribe), *Análisis de las políticas neoliberales y sus implicancias en la agricultura campesina andina*, Cochabamba – Bolivia: AGRUCO, 2004.
- M. Carmagnani, C. Vangelista, *I nodi storici delle aree latino-americane Secoli XVI-XX*, Torino: Otto Editore, 2001.
- M. Caverzan, “Via Crucis e movida Francesco sposa diavolo e acqua santa”, *Il Giornale*, 28 luglio 2013.
- M. Caverzan, “Il Papa abbraccia gli opposti “La Croce è uno scandalo””, *Il Giornale*, 26 luglio 2013.
- M. Damil, R. Frenkel, M. Rapetti, “The Argentinean Debt: History, Default and Restructuring”, *Revista Economica*, Vol. 6, N. 3, 2005.
- M. Hénaff, “Utopía Latina, American Dream” in Casa de Estudios Don Fernando Ortiz, *Utopía y Experiencia en la idea americana*, La Habana: Imagem Contemporanea, 1999.
- M. Morazzoni, *Geopolítica dell’America Centrale Le inquietudini, l’eredità, il futuro*, Bologna: Archetipolibri, 2010.
- M. R. Mix, *I cento nomi d’America*, Firenze: Le Lettere, 2006.

- M. Tamberi, *Lo sviluppo economico: crescita, territorio e istituzioni*, Torino: G. Giappichelli Editore, 2005.
- M. Taylor, “The International Financial Institutions”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- N. G. Canclini, *Latinoamericanos buscando lugar en este siglo*, Barcelona: Ediciones Paidós Iberica, 2003.
- P. Beaudet, “Globalization and Development”, in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- P. Franko, *The Puzzle of Latin American Economic Development*, United States : Rowman & Littlefield Publishers Inc., 2007.
- P. R. Krugman, M. Obstfeld, *Economia Internazionale Teoria e politica del commercio internazionale*, Milano: Editore Ulrico Hoepli, 2003.
- PROBIOMA, “Agrocombustibles e inseguridad alimentaria”, in *Voces del Pantanal Boliviano*, Boletín No. 42, Santa Cruz de La Sierra – Bolivia: PROBIOMA, May 2011.
- PROBIOMA, “Ecoturismo – Alternativa local”, in *Voces del Pantanal Boliviano*, Boletín No. 42, Santa Cruz de La Sierra – Bolivia: PROBIOMA, May 2011.
- PROBIOMA, “La crisis alimentaria en Bolivia”, in *Voces del Pantanal Boliviano*, Boletín No. 41, Santa Cruz de La Sierra – Bolivia: PROBIOMA, March 2011.
- PROBIOMA, “Quienes somos”. Available at: <http://www.probioma.org.bo/web/index.php/quienessomos> (consulted on June 24, 2013).
- R. Desai, “Theories of development” in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- R. González, *Cuba un'epopea meticcica*, Firenze: Giunti Gruppo Editoriale, 1995.
- R. Nocera, *Stati Uniti e America Latina dal 1945 a oggi*, Roma: Carocci Editore, 2005.
- R. Prebisch, *The Economic Development of Latin America and Its Principal Problems*, United Nations Dept. of Economic Affairs, 1950.
- R. Putman, *Making Democracy Work: civic traditions in modern Italy*, Princeton - NJ: Princeton University Press, 1993.
- R. S. McNamara, *Address to the Board of Governors*, Nairobi – Kenya, September 24, 1973. Available at: http://siteresources.worldbank.org/EXTARCHIVES/Resources/Robert_McNamara_Address_Nairobi_1973.pdf (consulted on November 19, 2012).

- R. V. Suárez, M. Camburn, S. Crespo, *El pequeño productor en el "cluster" de la soya Caso Cruceño*, Santa Cruz de la Sierra – Bolivia: PROBIOMA, 2010.
- S. Brown, "National Development Agencies and Bilateral Aid", in P.A. Haslam, J. Schafer, P. Beaudet, *Introduction to International Development Approaches, Actors and Issues*, Oxford: Oxford University Press, 2012.
- S. Hall, "Introduction" in S. Hall, *Representation: Cultural Representation and Signifying Practices*, London: The Open University, 1997.
- S. Kuznets, "Economic Growth and Income Inequality", *The American Economic Review*, XLV (1955).
- S. Latouche, *Come sopravvivere allo sviluppo Dalla decolonizzazione dell'immaginario economico alla costruzione di una società alternativa*, Torino: Bollati Boringhieri, 2005.
- S. Regazzoni, "America Latina: storia di un'invenzione", in *Rassegna Iberistica*, Bulzoni Editori, n. 83, Aprile 2006.
- T. F. Carrol, "The land reform issue in Latin America" in A. O. Hirschman, *Latin American Issues Essays and Comments*, New York: The Twentieth Century Fund, 1961.
- V. Castronovo, *Piazze e Caserme, I dilemmi dell'America latina dal Novecento a oggi*, Bari: Editori Laterza, 2007.
- V. Shiva, "Resources", in S. Wolfgang (edited by), *The Development Dictionary A Guide of Knowledge as Power*, London and New York: Zed Books, 2010.
- World Bank, "World Bank Approves Debt Relief Package for Bolivia". Available at:
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBT/0,,contentMco/20012680~menuPK:64166659~pagePK:61166689~piPK:64166646~thesitePK:469043,00.html> (consulted on May 21, 2013).
- W. M. Corden, "Booming Sector and Dutch Disease Economics: Survey and Consolidation", *Oxford Economic Papers*, New Series, Vol. 36, No. 3, 1984.
- W. M. Corden, P. Neary, "Booming Sector and De-industrialization in a small open economy", *The Economic Journal*, Vol. 92, No. 368, 1982.
- W. W. Rostow, "The Stages of Economic Growth", *The Economic History Review*, XII (1959).

Websites

Centro de estudios para el desarrollo laboral y agrario: <http://www.cedla.org>

Comunidad Andina: <http://www.comunidadandina.org>

PROBIOMA: <http://www.probioma.org.bo>

Mercosur: <http://www.mercosur.int>

Unasur: <http://www.unasur.org>

World Bank: <http://web.worldbank.org>

Acknowledgments

Writing this thesis has been to me a hard and long work. Anyway, it is a great satisfaction that I share with many people who have supported me and who I would like to thank.

A special thank to Professor Favero for his great willingness to help, his delicacy of feeling and his precious academic support.

Thanks to Professor Beneduzi for accepting to review the thesis and for his accurate corrections.

A big thank you to the family Montero Duran for welcoming me in their house as a daughter during my internship in Bolivia. The whole family took care of me every day. Thank you so much to Mr. Edgar Montero and to Professor Hugo Loza for helping me in choosing and finding the books about the economic history of Bolivia. Their explications have been elucidating for this work.

Thanks to mum and dad for encouraging me to undertake this university course of specialization. In spite of all the difficulties, they have always supported and helped me in attaining this important goal. Thanks to mum and my brothers for standing my jitters and the presence of my books scattered throughout the house.

A heartfelt thank to all the eyes and the smiles of poor people I met during my volunteer trips and activities in Paraguay, Argentina, Tanzania and Bolivia. They helped me to remember the importance of the topic of this thesis and gave me the strength to write it.

Thank you to all my friends who have had a lot of patience over the past few months. We met much less, but you have supported me interesting on the progress of the thesis. A special thank to Camilla, Federica, Jessica, Paola, Stefania, Susanna, Giovanni and Fabio.

A big thank you to Nicola for giving me new energy and new motivations to complete this work. Your sweet support and drive have been really significant.

As many of the people I thank are Italian, an Italian version of the page follows to allow these people to know my appreciation to their help.

Un ringraziamento speciale al Professor Favero per la sua grande disponibilità, per la sua sensibilità d'animo e il suo prezioso supporto accademico.

Grazie al Professor Beneduzi per aver accettato di revisionare la tesi e per le sue accurate correzioni.

Un grande ringraziamento alla famiglia Montero Duran per avermi accolto nella sua casa come una figlia durante il mio stage in Bolivia. Tutta la famiglia si è presa cura di me ogni giorno. Molte grazie al signor Edgar Montero e al Professor Hugo Loza per avermi aiutata nello scegliere e trovare i libri sulla storia economica della Bolivia. Le loro spiegazioni sono state delucidanti per questo lavoro.

Grazie a mamma e a papà per avermi incoraggiata ad intraprendere questo corso universitario di specializzazione. Nonostante tutte le difficoltà, mi hanno sempre supportata e aiutata a raggiungere questa importante meta. Grazie alla mamma e ai miei fratelli per aver sopportato i miei nervosismi e la presenza dei miei libri sparsi per tutta la casa.

Un grazie di cuore a tutti gli occhi e i sorrisi delle persone povere che ho incontrato nei miei viaggi e attività di volontariato in Paraguay, Argentina, Tanzania e Bolivia. Mi hanno aiutata a ricordare l'importanza dell'argomento di questa tesi e mi hanno dato la forza per scriverla. Un ringraziamento speciale a Camilla, Federica, Jessica, Paola, Stefania, Susanna, Giovanni e Fabio.

Grazie a tutti i miei amici che hanno avuto tanta pazienza in questi ultimi mesi. Ci siamo incontrati molto meno, ma mi avete sostenuta interessandovi sull'avanzamento della tesi.

Un grande grazie a Nicola per avermi dato nuova energie e nuove motivazioni per completare questo lavoro. Il tuo dolce supporto e incoraggiamento sono stati molto significativi.

Abstract

The purpose of this thesis is to investigate the long-standing question of the differences between the industrialized countries and the underdeveloped areas centering the subject on the South American areas. The work analyzes the evolution of the theories of development and the pattern experienced by the Latin American region with a further focus on the economic history of the country of Bolivia. The paper aims at highlighting how the theories of development have been primarily centered on the economic results, too often neglecting the importance of the political and social constraints limiting the performance of the Latin American countries.

Due to the extent of the issue, an introductory review of the theories of development is fundamental for the comprehension of the complexity of the topic.

Starting from the idea of economic growth brought in by the Industrial Revolution, the meaning of development primarily identified with the process of technicization and specialization. At the end of the 19th century, the world economy was in fact made up by a core of industrialized countries and a periphery focused on the exports of raw materials and agricultural goods and was regulated by the Gold Standard System. After the turmoil of the two World Wars and the following emergence of policies based on the theories of John Maynard Keynes highlighting the relevance of the State intervention, the system was rearranged at the Bretton Wood Conference, which created two main international institutions, the International Monetary Fund (IMF) and the World Bank (WB), responsible for the stability of the international order.

The 1949 speech of the US president Harry Truman recognized three main aspects of the development issue: the level of underdevelopment characterizing certain areas of the world, the required commitment of the richer countries to assist those areas and the essential goal of the increase in production. The national governments were therefore asked to proactively intervene in the economy to improve their development pattern with the help of the financial and economic tools provided by the international institutions. Indeed, after the World War II and during the 1950s, the Development economists promoted a development based on the model of industrialization undertaken by the developed countries. The subsequent Modernization theory not only highlighted the stages that a country should follow to achieve a true economic growth, buy it also fostered a complementary diffusion of modern values and institutions. In addition, the studies

of Albert Otto Hirschman specified the relevance of efficient investment decisions and of the internal linkages among the economic activities.

Detaching from the identification of the best pattern of development, the Dependency theory based on the views of Raúl Prebisch, chairman of the ECLA (United Nations Economic Commission for Latin America and the Caribbean), and investigated the causes of underdevelopment. This was connected to the unequal structure of the international economic system that preserved the core and periphery division impeding a true step up of the peripheral areas. Other studies insisted on the hierarchical aspects of the capitalistic international system and on the negative role played by the multinational corporations. Actually, the Third World countries were increasingly demanding changes in the international economic order.

As a matter of fact, in the 1970s, the president of the WB, Robert McNamara, stated the need for a further commitment of both the international institutions and the national governments. He called for an enlargement of the WB operations, the financial and technical assistance and the struggle against extreme poverty. This increase in the development assistance was actually possible thanks to the availability of liquidity brought by the petro-dollar recycling that allowed a boom of the US banks' lending to underdeveloped areas.

Unfortunately, when in 1981 the US central bank decided to raise the interest rates on loans, the indebted Third World countries experienced a harsh financial shock as they were no more able to repay the huge loans contracted to finance their national development. As many countries defaulted, a severe debt crisis spread out requiring the intervention of the international institutions. The IMF and the WB elaborated a package of adjustment policies that involved the cutting of public spending, a restrictive financial discipline, the privatization of the main economic activities and the liberalization of trade and investments. Although the indebted countries implemented the measures of adjustment, the results were scarce and unsatisfactory. The strategy promoted by the international institutions began to be questioned also because it clashed with the successful economic growth of some East Asian countries that had not adopted it. In response, the IMF and the WB claimed the deficiencies of the governments of the developing countries, which were considered too weak and corrupted to allow the market forces to work efficiently. While more transparency and accountability were asked to the local

governments, the two institutions launched the challenging Millennium Development Goals (MDGs).

Nonetheless, the criticism to the policies promoted by the international institutions continued to increase shaping the recent Post-development theory, that gathers the views of various personalities, such as Stuart Hall, Serge Latouche, John Jarris, Vandana Shiva and Joseph E. Stiglitz. The theory strongly attacked the adjustment policies and their effects, highlighted the importance of appraising not only the economic factors, but also the political, social, cultural and environmental features of the countries.

Investigating the reasons why many countries were not able to achieve a successful pattern of development, the analysis of the Latin American region reveals many interesting points. Although each nation has had its own particular pattern, this work attempts to highlight the common features distinguishing the region, and finally takes into account the peculiar economic and political evolution of Bolivia. The explanation of the interconnected constraints distinguishing the Latin American countries and the Bolivian reality shows how the development issue still represents a real challenge for the region requiring crucial efforts not only for the local government and population, but also for the international positioning on the topic.

Firstly, the Latin American areas experienced a constant political instability. Since the struggle for independence from the colonial power, the economic élites seized the power establishing an oligarchic and conservative authority, that in the case of Bolivia was led by the dominance of the mining élite. During the first decades of the 20th century, the region saw several uprisings due to the political confrontation between the conservative and liberal forces. While Venezuela experienced tight military regimes and Colombia dealt with a period of widespread political violence, populist regimes emerged in Mexico, Brazil and Argentina, showing nationalistic trends and attempting to establish various reforms aiming at the economic advancement of the countries. Even the Bolivian setting was characterized by a general disagreement on the political directives, but it was peculiarly able to lead to an amplification of leftist parties and to the National Revolution of 1952 that attempted to unhinge the dominance of the economic élites.

The advance of the leftist movements in the region was fueled by the Cuban Revolution of 1959 that asked for a better distribution of wealth and for structural

changes in the economic arrangements. It was actually followed by a student uprising in Mexico and by the guerrilla movements in Colombia, Uruguay, Guatemala, Nicaragua, El Salvador and later Peru. Within the confrontation characterizing the Cold War between the US and the Soviet Union during the 1960s and 1970s, the US imposed anticommunist and military directives. Military regimes indeed established in many of the Latin American countries promptly and roughly repressing the emergence of the leftist movements and aiming at the reestablishment of the internal order of the countries. Even though Chile and Venezuela experienced a phase of leftist governments, Brazil, Argentina, Ecuador, Venezuela, Peru, Paraguay and later Chile were led by harsh military dictatorships. Similarly, in the case of Bolivia, the military forces were headed by the General Barrientos and the Colonel Hugo Bánzer, who fought the leftist movements and tried to modernize the country. Taking advantage of the international development assistance, most military regimes contracted large loans to finance their development projects regrettably mismanaging those economic resources. Due to the increase of the interest rates, many of the Latin American countries experienced the debt crisis of the 1980s in which Mexico, Brazil, and Argentina defaulted. For the subsequent civil governments there was no other choice than to align with the adjustment policies elaborated by both the IMF and the WB. Such as in the other Latin American countries, the economic plans of adjustment were undertaken by the Bolivian governments of Paz Estenssoro, Paz Zamora and Sanchez de Lozada, who followed the international directives attempting a reorganization of the national economy.

Despite these restrictive policies, the Latin American area has not solved its problems. If in Peru the 1990s were dominated by the authoritarian government of Fujimori, in the other Latin American countries the popular uprisings and the guerrilla movements continued to strengthen. At the beginning of the 21st century some leftist forces were even able to win the elections establishing challenging reforms. While Brazil, Argentina and Chile undertook reformist policies following the adjustment directives but adding social reforms, Venezuela and Bolivia turned to a radical revolution. Bolivia is indeed exemplary as the presidential elections of 2005 were won by the indigenous leader of the MAS (Movement to Socialism), Evo Morales, who nationalized the resources of hydrocarbons, introduced the political recognition of the indigenous communities and proposed a more equitable regulation of many economic issues.

Secondly, from the economic point of view, the Latin American region has continued to bear the weight of the inheritance of the colonial system. As the South American countries were rich in natural resources, they specialized in the production and export of agricultural goods and raw materials, maintaining their peripheral position within the international market. The export revenues increased the profits of the few and big landlords who owned wide estates or precious mines, while exploiting the low cost of the poor labor force. If the Central American countries was known as the Bananas Republics, each Latin American country focused on a single or few productions. For what concerns the country of Bolivia, it was led firstly by the silver and tin élites and secondly by the economic focus on the growth of the Eastern region rich in hydrocarbons reserves, neglecting the true development of the majority of the Bolivian population. The country based its economy on enclaves that concentrated both the capital and labor resources hindering a real process of industrialization and modernization of the national economic framework.

In addition to creating economic inequalities, the export-led growth not only focused on the foreign demand neglecting the improvement of the local economic activities, but it also exposed the Latin American countries to the volatility of international prices. Some countries tried to implement the import substituting industrialization (ISI), that required an active industrial policy of the State that created numerous State-owned enterprises. Even though the model failed for several inner weaknesses, it was risky fueled by the foreign loans whose repayment became severely unbearable during the 1980s. The consequent implementation of the adjustment policies led to tight measures of austerity, which primarily hit the population that should afford the cutting of the public spending, the freezing of wages and subsidies, and the privatization of many State-owned companies, which led to a high rate of unemployment. However, in spite of the close accomplishment of the adjustment package, the efforts were not sufficient to restore the economies of the Latin American countries which still suffer an inefficient economic instability.

The described economic structure shaped the main financial illnesses of the Latin American region, which primarily resides in the high public and external debt and in the plague of inflationary trends. Speaking about Bolivia, the country experienced inflation during the 1950s, to the point that it resorted to a Program of Monetary Stability. Between the end of the 1970s and the beginning of the 1980s,

if Mexico, Brazil and Argentina (and even Chile in the first 1970s) dealt with the issue of inflation, Bolivia suffered hyperinflation as the prices increased by more than 50% per month. In addition, the amount of debt left by the mismanagement and the corruption of the military officers was so high that the adjustment policies were not able to efficiently reduce it and in the mid 1990s the country received a debt relief by the international institutions.

As a further destabilizing element, the foreign presence of the neighboring US played a particular role. If the Central American countries were considered as an extension of the US domain, in South America the US ruled not only the economic and financial resources, but also the political directives of the vulnerable and weakly united Latin American countries. In fact, during the 20th century, the US were present in Bolivia by means of substantial bank loans, US companies activities in the oil field, US economic mission, helping in the development planning, technical and humanitarian assistance, strict training of the military forces and strong support in the fighting against the coca cultivation.

Finally, an additional issue concerns a deep problem of identity, as since the colonial period the population of the Latin American area is composed by indigenous people, European colonizers, African slaves and their mutual mixing, who were carriers of different sets of interests. As most of the Latin American countries, the Bolivian society is then characterized by a latent confrontation between the part of population enjoying the economic growth of the urban centers of the Eastern region and the indigenous and poor people living in the periphery of the areas and in the plateau of the Andes.

Because of the factors described above, it is clear that the development issue still remains a hot spot in both the Latin American region and in the Bolivian reality.

Abstract

Lo scopo di questa tesi è quello di approfondire la questione di lunga data riguardante le differenze tra le nazioni industrializzate e le aree sottosviluppate incentrando l'argomento sulla zona del Sud America. Il lavoro analizza l'evoluzione delle teorie dello sviluppo e il percorso sperimentato dalla regione latinoamericana, con un'ulteriore attenzione sulla storia economica della nazione della Bolivia. Lo scritto vuole evidenziare come le teorie dello sviluppo si siano concentrate principalmente sui risultati economici, trascurando troppo spesso l'importanza dei vincoli politici e sociali che limitano le prestazioni dei paesi latinoamericani.

Data la portata dell'argomento, una revisione introduttiva delle teorie dello sviluppo è fondamentale per la comprensione della complessità della tematica.

Partendo dall'idea di crescita economica introdotta dalla Rivoluzione Industriale, il concetto di sviluppo si è primariamente identificato con il processo di tecnicizzazione e di specializzazione. Alla fine del XIX secolo, l'economia mondiale era di fatto costituita da un nucleo di paesi industrializzati e una periferia incentrata sull'esportazione di materie prime e di prodotti agricoli, ed era regolata dal Gold Standard System. Dopo i disordini delle due Guerre Mondiali e il successivo emergere delle politiche basate sulle teorie di John Maynard Keynes, che evidenziavano la rilevanza dell'intervento dello Stato, il sistema mondiale è stato riorganizzato alla Conferenza di Bretton Wood che ha creato due principali istituzioni internazionali, il Fondo Monetario Internazionale (FMI) e la Banca Mondiale (BM), responsabili della stabilità dell'ordine internazionale.

Il discorso del 1949 del presidente degli Stati Uniti, Harry Truman, ha riconosciuto tre aspetti principali della questione dello sviluppo: il livello di sottosviluppo che caratterizzava alcune aree del mondo, l'impegno richiesto alle nazioni più ricche per assistere quelle aree e l'obiettivo essenziale della crescita della produzione. I governi nazionali vennero quindi invitati a intervenire in modo proattivo nell'economia per migliorare il loro percorso di sviluppo, con l'aiuto degli strumenti finanziari ed economici forniti dalle istituzioni internazionali. Difatti, dopo la Seconda Guerra Mondiale e durante gli anni cinquanta, gli economisti dello sviluppo hanno promosso uno sviluppo basato sul modello di industrializzazione intrapreso dai paesi sviluppati. La successiva Teoria della Modernizzazione non ha solo sottolineato le tappe che un paese deve seguire per raggiungere una reale crescita economica, ma ha anche alimentato una diffusione

complementare delle istituzioni e dei valori moderni. Inoltre, gli studi di Albert Otto Hirschman hanno specificato l'importanza delle decisioni di investimento efficienti e dei collegamenti interni tra le attività economiche.

Allontanandosi dall'identificazione del miglior modello di sviluppo, la Teoria della Dipendenza si è basata sulle opinioni di Raúl Prebisch, presidente della CEPAL (Commissione Economica delle Nazioni Unite per l'America Latina e i Caraibi) e ha indagato le cause del sottosviluppo. Questo è stato connesso alla struttura ineguale del sistema economico internazionale che preservava la divisione tra nucleo e periferia impedendo un reale avanzamento delle aree periferiche. Altri studi hanno insistito sugli aspetti gerarchici del sistema capitalistico internazionale e sul ruolo negativo svolto dalle multinazionali. Infatti, i paesi del Terzo Mondo stavano sempre più richiedendo cambiamenti nell'ordine economico internazionale.

Di fatto, negli anni settanta, il presidente della BM, Robert McNamara, affermò la necessità di un ulteriore impegno sia delle istituzioni internazionali sia dei governi nazionali. Egli ha imposto un allargamento delle operazioni della BM, dell'assistenza tecnica e finanziaria e della lotta contro la povertà estrema. Questo aumento dell'assistenza allo sviluppo è stato effettivamente possibile grazie alla disponibilità di liquidità portata dal riciclaggio dei petro-dollari che ha consentito un boom dei prestiti delle banche statunitensi nelle aree sottosviluppate.

Purtroppo, quando nel 1981 la Banca Centrale degli Stati Uniti decise di alzare i tassi di interesse sui prestiti, i paesi indebitati del Terzo Mondo hanno sperimentato un duro shock finanziario non essendo più in grado di ripagare gli enormi prestiti contratti per finanziare il loro sviluppo nazionale. Dato che molti paesi diventarono inadempienti, una grave crisi del debito si diffuse richiedendo l'intervento delle istituzioni internazionali. Il FMI e la BM hanno elaborato un pacchetto di politiche di aggiustamento che includeva il taglio della spesa pubblica, una disciplina fiscale restrittiva, la privatizzazione delle principali attività economiche e la liberalizzazione del commercio e degli investimenti. Nonostante i paesi indebitati abbiano rigidamente applicato le politiche di aggiustamento, i risultati sono stati scarsi e insoddisfacenti. La strategia promossa dalle istituzioni internazionali ha iniziato ad essere messa in discussione anche perché si è scontrata con la crescita economica di successo di alcuni paesi dell'est asiatico che non l'avevano adottata. In risposta, il FMI e la BM hanno sostenuto le carenze dei governi dei paesi in via di sviluppo, che sono stati considerati troppo deboli e corrotti per permettere alle

forze di mercato di lavorare in modo efficiente. Mentre ai governi locali sono state chieste più trasparenza e responsabilità, le due istituzioni hanno introdotto i Millennium Development Goals (MDGs).

Ciò nonostante, la critica alle politiche promosse dalle istituzioni internazionali ha continuato a crescere dando forma alla recente Teoria del Post-Sviluppo, che raccoglie le opinioni di varie personalità, come Stuart Hall, Serge Latouche, John Jarris, Vandana Shiva and Joseph E. Stiglitz. La teoria attacca duramente le politiche di aggiustamento e i loro effetti, evidenziando l'importanza di valutare non solo i fattori economici, ma anche le caratteristiche politiche, sociali, culturali e ambientali dei paesi.

Indagando le ragioni per cui molte nazioni non sono riuscite a raggiungere un modello di sviluppo di successo, l'analisi della regione dell'America Latina rivela molti punti interessanti. Anche se ogni paese ha avuto il proprio particolare percorso, questo lavoro cerca di sottolineare le caratteristiche in comune che contraddistinguono la regione, e, infine, prende in considerazione la peculiare evoluzione economica e politica della Bolivia. La spiegazione dei vincoli interconnessi che caratterizzano i paesi latinoamericani e la realtà boliviana mostra come la questione dello sviluppo rappresenti ancora una vera e propria sfida per la regione, richiedendo sforzi cruciali non solo per la popolazione e i governi locali, ma anche per il posizionamento internazionale sulla tematica.

In primo luogo, le aree latinoamericane hanno sperimentato una costante instabilità politica. A partire dalla lotta per l'indipendenza dal potere coloniale, le élites economiche hanno preso il potere istituendo un'autorità oligarchica e conservatrice, che nel caso della Bolivia è stata guidata dal dominio dell'élite mineraria. Durante le prime decadi del XX secolo, la regione ha visto diverse rivolte dovute al confronto politico tra le forze conservatrici e liberali. Mentre il Venezuela ha sperimentato rigidi regimi militari e la Colombia ha affrontato un periodo di diffusa violenza politica, regimi populistici si sono costituiti in Messico, Brasile e Argentina, mostrando tendenze nazionalistiche e tentando di stabilire varie riforme per l'avanzamento economico dei paesi. Anche il contesto boliviano è stato caratterizzato da un generale malcontento sulle direttive politiche, che è stato però capace di portare ad un allargamento dei partiti di sinistra e alla Rivoluzione Nazionale del 1952, che ha cercato di scardinare il dominio delle élites economiche.

L'avanzata dei movimenti di sinistra nella regione è stata alimentata dalla Rivoluzione Cubana del 1959 che chiedeva una miglior distribuzione della ricchezza e cambi strutturali nell'organizzazione economica. Di fatto è stata seguita da una rivolta studentesca in Messico e da movimenti di guerriglia in Colombia, Uruguay, Guatemala, Nicaragua, El Salvador e in seguito in Perù. Nell'ambito del confronto che caratterizzava la guerra fredda tra gli Stati Uniti e l'Unione Sovietica durante gli anni sessanta e settanta, gli Stati Uniti hanno imposto direttive anticomuniste e militari. Regimi militari si sono infatti costituiti in molti paesi latinoamericani reprimendo prontamente e violentemente l'emergere dei movimenti di sinistra e mirando a ristabilire l'ordine interno delle nazioni. Anche se Cile e Venezuela hanno sperimentato una fase di governi di sinistra, Brasile, Argentina, Ecuador, Venezuela, Peru, Paraguay e in seguito Cile sono stati guidati da dure dittature militari. In modo simile, nel caso della Bolivia, le forze militari sono state capeggiate dal Generale Barrientos e dal Colonnello Hugo Bánzer, i quali hanno combattuto i movimenti di sinistra e cercato di modernizzare il paese. Approfittando dell'assistenza internazionale allo sviluppo, la maggior parte dei regimi militari ha contratto enormi prestiti per finanziare i propri progetti di sviluppo, purtroppo sprecando tali risorse economiche. A causa del rialzo dei tassi di interesse, molte nazioni latinoamericane hanno sofferto la crisi del debito degli anni ottanta nella quale Messico, Brasile, Argentina e Venezuela sono diventati inadempienti. Per i successivi governi civili non c'era altra scelta che l'allineamento con le politiche di aggiustamento elaborate sia dal FIM che dalla BM. Come in altri paesi dell'America Latina, i progetti economici di aggiustamento sono stati intrapresi dai governi boliviani di Paz Estenssoro, Paz Zamora e Sanchez de Lozada, che hanno seguito le direttive internazionali tentando una riorganizzazione dell'economia nazionale.

Nonostante queste politiche restrittive, l'area latinoamericana non ha risolto le sue problematiche. Se in Perù gli anni novanta sono stati dominati dal governo autoritario di Fujimori, negli altri paesi latinoamericani le rivolte popolari e i movimenti di guerriglia hanno continuato a rafforzarsi. All'inizio del XXI secolo alcune forze di sinistra sono addirittura riuscite a vincere le elezioni stabilendo sfidanti riforme. Mentre Brasile, Argentina e Cile hanno intrapreso politiche riformiste seguendo le direttive di aggiustamento ma aggiungendo riforme sociali, Venezuela e Bolivia hanno adottato una rivoluzione radicale. La Bolivia è infatti esemplare dato che le elezioni presidenziali del 2005 sono state vinte dal leader indigeno del MAS (Movimento al Socialismo), Evo Morales, che ha nazionalizzato

le risorse degli idrocarburi, introdotto il riconoscimento politico delle comunità indigene e proposto una regolamentazione più equa delle questioni economiche.

In secondo luogo, dal punto di vista economico, la regione latinoamericana ha continuato a sopportare il fardello dell'eredità del sistema coloniale. Dato che i paesi dell'America del Sud erano ricchi in risorse naturali, si sono specializzati nella produzione e nell'esportazione di prodotti agricoli e di materie prime, mantenendo la loro posizione periferica all'interno del mercato internazionale. I ricavi delle esportazioni hanno aumentato i profitti dei pochi e grandi proprietari di estesi latifondi o di preziose miniere, mentre hanno sfruttato il basso costo della manodopera povera. Se i paesi dell'America Centrale erano conosciuti come le Repubbliche delle Banane, ogni paese latinoamericano si è focalizzato su una o poche produzioni. Per quanto riguarda la Bolivia, è stata guidata prima dalle élites dell'argento e dello stagno, e poi dal focus economico sulla crescita della regione orientale ricca di riserve di idrocarburi, trascurando il vero sviluppo della maggior parte della popolazione boliviana. Il paese ha basato la sua economia su enclaves che hanno concentrato sia le riserve di capitale che quelle di forza lavoro ostacolando un reale processo di industrializzazione e modernizzazione della struttura economica nazionale.

Oltre a creare ineguaglianze economiche, la crescita basata sulle esportazioni non solo si è incentrata sulla domanda estera trascurando il miglioramento delle attività economiche locali, ma ha anche esposto i paesi latinoamericani alla volatilità dei prezzi internazionali. Alcuni paesi hanno cercato di realizzare l'industrializzazione con la sostituzione delle importazioni, che ha richiesto una attiva politica industriale dello Stato che ha creato numerose imprese statali. Anche se il modello è fallito per varie debolezze interne, esso era alimentato in modo rischioso dai prestiti esteri, il cui rimborso è diventato gravemente insostenibile durante gli anni ottanta. La conseguente attuazione delle politiche di aggiustamento ha portato a dure misure di austerità, che hanno principalmente colpito la popolazione che ha dovuto affrontare il taglio della spesa pubblica, il congelamento di salari e sussidi, e la privatizzazione di molte imprese statali, che ha portato a un alto tasso di disoccupazione. Tuttavia, nonostante la rigida attuazione del pacchetto di aggiustamento, gli sforzi non sono stati sufficienti a ripristinare le economie dei paesi latinoamericani che ancora soffrono di una inefficiente instabilità economica.

La struttura economica descritta ha delineato le principali problematiche finanziarie della regione dell'America Latina, che risiedono nell'alto debito

pubblico ed estero e nella piaga delle tendenze inflazionistiche. Parlando della Bolivia, il paese ha sperimentato l'inflazione durante gli anni cinquanta, al punto che è ricorso a un Programma di Stabilità Monetaria. Tra la fine degli anni settanta e l'inizio degli anni ottanta, anche se Messico, Brasile e Argentina (e anche Cile nei primi anni settanta) hanno affrontato il problema dell'inflazione, la Bolivia ha sofferto l'iperinflazione con prezzi che crescevano più del 50% al mese. Inoltre, l'ammontare del debito lasciato dalla cattiva gestione e dalla corruzione degli ufficiali militari è stato così alto che le politiche di aggiustamento non sono riuscite a ridurlo in modo efficiente e a metà degli anni novanta il paese ha ricevuto una riduzione del debito da parte delle istituzioni internazionali.

Come ulteriore elemento destabilizzante, la presenza straniera dei vicini Stati Uniti ha avuto un ruolo particolare. Se i paesi centroamericani sono stati considerati come un'estensione del dominio statunitense, nell'America del Sud gli Stati Uniti si sono imposti non solo sulle risorse economiche e finanziarie, ma anche sulle direttive politiche dei paesi latinoamericani deboli e poco uniti tra di loro. Di fatto, durante il XX secolo, gli Stati Uniti sono stati presenti in Bolivia per mezzo di sostanziali prestiti bancari, attività delle imprese statunitensi nel campo del petrolio, missioni economiche statunitensi, che hanno aiutato la pianificazione dello sviluppo, assistenza tecnica e umanitaria, rigido addestramento delle forze militari e forte supporto alla lotta contro la coltivazione della coca.

Infine, una questione aggiuntiva riguarda una profonda problematica di identità, dato che sin dal periodo coloniale la popolazione dell'area latinoamericana è stata composta da indigeni, colonizzatori europei, schiavi africani e dalla loro reciproca mescolanza, i quali sono stati portatori di differenti gruppi di interessi. Come la maggior parte dei paesi latinoamericani, la società boliviana è poi caratterizzata da un latente confronto tra la parte di popolazione che gode della crescita economica dei centri urbani della regione orientale e gli indigeni e la gente povera che vive nella periferia di queste aree e nell'altipiano delle Ande.

A causa dei fattori descritti, è chiaro che la questione dello sviluppo rimane ancora un punto caldo sia nella regione latinoamericana sia nella realtà boliviana.

