# Bolivia’s Welfare Regime Reconfiguring Hegemony of an Extractive Growth Model

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*Abstract: In the recent decade Bolivia faced major changes of its political structure, thus increasing the states power in the economy. Facing tremendous inequalities on various scales, the social and indigenous movements became dominant forces towards regaining power over the state and its natural resources. As a result of those struggles, the “Movement towards Socialism” (Movimiento al Socialismo – MAS) led by the charismatic leader Evo Morales was elected as president in 2005. Declaring themselves as the official representative of these different movements, the MAS initiated a transformation of the state. An important step was the “nationalization” of the countries resources – especially the control over the hydrocarbon resources. This led to increasing incomes for the state and created scope of action for a social policy reform. The reforms affected the pension system, a support for education and maternity protection. While the pension system for the poorest population was established already in the neoliberal epoch and modified by the Morales administration, the other two programs have been newly implemented. These initiatives represent a major step to lower poverty.*

*Beside these major changes, the social policy remains heavily dependent and vulnerable on global economic dynamics, as the major incomes derive from the extractive resource-based economy. Though the government calls for a de-colonization of the state, the economic model persists in its external dependency, thus reproducing the colonial and peripheral structures. Various movements, especially parts of the indigenous movement confront this development path, but the resource growth model manifested itself as the central compromise between various capital and class fractions. Despite an alternative discourse on development, a new hegemony of this growth model was established, based among others on social transfers. But the social policies remain heavily vulnerable on external developments.*

## Introduction:

The development of a welfare regime in Bolivia goes back to the 1950ies, a time of the rise of welfare regimes in Western Europe. While the after world war political economy in Europe found a class compromise and a Fordist accumulation regime was established (Jäger 2012: 255), Bolivia’s political economy attempted to implement an industrial growth model known under the term import-substituted industrialization (ISI) combined with social security. Affected by the international crisis of 1929 and the following depression, Latin America needed new strategies to overcome its dependency on primary goods. This opened space for new development strategies, that were promoted by the CEPAL and implemented in various countries.

After centuries of resource extraction and exportation of the country’s wealth, the revolution of 1952 led by the national revolution party (*Movimiento Nacional Revolicionario* - MNR) began to implement this ISI strategy. The MNR represented primarily the working class, but received support from indigenous and peasant movements. But the latter were only partially represented, when the MNR came to power. In 1956 the MNR implemented a pension system, but it was conditioned to formal work. This limited the coverage of the program. (Willmore 2006: 49)

The ISI model – in comparison to its neighbor countries – was hardly “successful”. Although the process of industrialization led to some changes, the economy remained to be dominated by the mining sector. Only a few years after the national revolution, political instability and military regimes characterized the country. The state-led mining sector remained dominant and the agrarian sector in the low lands was established. During that epoch the extraction of hydrocarbons in the lowlands was initiated, but it was of little importance at that time.

In the 1980ies a democratic transition began. But this process was accompanied by economic depression. External shocks, dept crises and a tremendous hyperinflation hit the Bolivian economy. (Haider 2010: 42f.; Horst 2009: 129) This led to implementation of the Washington Consensus in 1985. Ironically, neoliberal adjustments were initiated by the MNR under Víctor Paz Estenssoro, who was president after the revolution of 1952. This neoliberal area lasted for 20 years. While the economy was stabilized in the first stage, it was not able to establish stable growth and to reduce poverty. Contrariwise, the poverty increased in the 1990ies (Horst 2009: 162), while the wealth of the nation, the resources, was transferred outside the country. The privatization of the hydrocarbon state company YPFB (*Yacimientos Petrolíferos Fiscales Bolivianos*) and new concessions for extraction led to the curios situation, that the tax (technically only for new extraction fields) declined to a minimum. (Radhuber 2012: 123; Cerutti, Mansilla 2008: 4)

The privatization of the state companies, besides YPFB other companies were privatized, named capitalization, however led to a universal minimum pension system. Under the law of capitalization, the revenues from privatization were transferred to a fund. The surplus of the fund was designated to finance this solidarity bonus (*bono solidario or BONOSOL*). However, its implementation was of poor quality due to insufficient resources. (Müller 2009: 166) Although, there was no real success to reduce poverty, further privatizations that attacked basic goods and coca-eradication programs destabilized the political system, which was in a serious crises since the 90ies. People lost faith on politics, movements raised their voice. What started with the protests against water privatization in Cochabamba, the 3rd largest city, cumulated in a serious state crises and civil unrest. While this “war on water” in Cochabamba remained on local level, further protests in 2003 – named the “War on Gas” - in the highlands around La Paz and the city of El Alto led to national wide protests. Various indigenous and peasant organizations from the low- and high-lands joint their forces in the unity pact (*pacto de unidad*). (Radhuber 2012: 141) Their demands were the elaboration of a new constitution (constitutional assembly) and decolonization. Another demand, which is still emphasized by the government, was the call for a nationalization of the hydrocarbon sector. The movements of El Alto pushed it forward on the agenda, after they attained a leading position within the movement. (Interview Prada; Chávez León, Mokrani Chávez 2012: 49-52)

The social mobilization unsettled the political system. President Sanchez de Lozada wanted to reestablish the social order by repressive and violent intimidations. But the military intervention mobilized the urban middle classes of La Paz and resulted in a resignation of the president. (Interview Capobianco) A technocratic government was formed under the lead of Carlos Mesa, the former vice-president. But due to parliamentary instability and a strong opposition led by Evo Morales and the MAS, Carlos Mesa resigned and opened the way for the victory of Evo Morales and the MAS, who declared themselves as the representatives of the movement.

## Polit-economic transformations and Social Policies

### The new constitution – *Vivir Bien* as development model?

One important demand of the movements was to compile a new constitution to decolonize the state. The constitutional assembly was contested especially by opposition representatives from the low land departments lead by entrepreneurs and conservatives of Santa Cruz, who saw a decline of their power over the state. Despite heavy disputes, threats of separation, racist movements and violent conflicts, that led to the exclusion of (parts of) the opposition, a new constitution was elaborated in the city of Oruro. Although the constitutional assembly was dominated by MAS representatives and not by the movements, the unity pact induced their recommendation for a decolonized state. But they gradually lost power to influence the composition of the new constitution. The constitution of Oruro was afterwards changed in the parliament in favor for the opposition. (Radhuber 2012: 145, 159 f.) Despite these changes, the new constitution includes various demands of unity pact. On a social scale the constitution represents indigenous values that can be subsumed under the concept of “*Vivir Bien*”[[1]](#footnote-1). But due to its ambiguous arrangement, it is more open to different interpretations. While indigenous interpretation of this cosmovision can be summarized as alternatives to development, more western interpretations – in its broad range of interpretations[[2]](#footnote-2) – see it as an alternative development model. (Unai Villalba 2013)

Regardless of the various interpretations, the new constitution declares the Bolivian economy as a solidarity economy that emphasizes its social responsibility. (Constitución Política del Estado 2009: Art. 306) Furthermore, a new relation to the nature is proclaimed to interact in a sustainable manner. (Constitución Política del Estado 2009: Art. 311) This new perception of the nature is contradictory to the existing economic structure of extraction, but the constitution combined with the 1st national development plan needs to be understood as a guideline for transformation to decolonize the state and the economy. (Interview Vega)

In accordance with the 1st national development plan and the constitution, the incomes from the existing resource extractive economy shall be used to establish a diversified and sustainable economy. This means, it aims to overcome the colonial structure of resource dependency. In this sense, “*Vivir Bien*” cannot be understood as a mere reproduction of a colonial economic system socially legitimated with the redistribution of the resource revenues, but furthermore to create a sustainable and sovereign economy.

### Macro Economic Developments

The national development plan for 2006 to 2009 and the constitution, ratified after a referendum, strive for a far-reaching transformation of the state and the economy. The following section focuses on recent economic developments and changes.

The Bolivian economy faced remarkable growth in the last decade. But despite a discourse of a de-colonization, which shall aim to reduce the external dependency and create a divers economic structure, the figures show a rising dependence on external markets. (Table 1) In accordance with growth, the share of exports and imports as part of the GDP saw striking increases. But considering the global economic crises, the data show the relevance of exports for the national GDP. The growth rate declined and at the same time the export drop. But in 2011 the share of the export economy exceeded the level before the crisis.

Table 1: Export and Import in relation to GDP[[3]](#footnote-3)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| GDP  [Mio. USD]\* | 8.412 | 8.154 | 7.917 | 8.093 | 8.784 | 9.574 | 11.521 | 13.215 | 16.790 | 17.464 | 19.225 | 20.920 |
| GDP  [Mio. Bs.] | 20.532 | 20.859 | 21.265 | 21.838 | 22.629 | 23.534 | 24.634 | 25.713 | 27.273 | 28.348 | 29.385 | 30.671 |
| Annual Growth | 2,23% | 1,46% | 1,79% | 2,46% | 3,3% | 3,63% | 4,23% | 3,96% | 5,47% | 3,55% | 3,31% | 3,95% |
| Export  [Mio. USD] | 1.475 | 1.353 | 1.375 | 1.677 | 2.265 | 2.948 | 4.232 | 4.890 | 7.058 | 5.486 | 7.038 | 9.183 |
| Export share | 17,5% | 16,6% | 17,4% | 20,7% | 25,8% | 30,8% | 36,7% | 37,0% | 42,0% | 31,4% | 36,6% | 43,9% |
| Import  [Mio. USD] | 2.020 | 1.708 | 1.832 | 1.692 | 1.920 | 2.440 | 2.926 | 3.588 | 5.100 | 4.577 | 5.393 | 7.673 |
| Import share | 24,0% | 21,0% | 23,1% | 20,9% | 21,9% | 25,5% | 25,4% | 27,2% | 30,4% | 26,2% | 28,1% | 36,7% |

Own illustration. Source: INE (Insitututo Nacional de Estadísticas); \*(Radhuber 2012: 197, Tab.7)

A detailed analysis of the export structure shows an increasing dominance of primary goods, mainly hydrocarbons and minerals. While in 2000 the share of hydrocarbons and minerals was 33,6%, it rose to 61% in 2005 and further increased to around 70%. (Table 3) This mayor growth is of course mainly driven by higher prices, but also due to rising exports. (Fundación Jubileo 2013: 8) The industrial sector now settled down at approx. 27%.

But also the industrial exports show an increasing relevance of resource extraction. While the “untraditional industrial production”[[4]](#footnote-4) – an important sector for a diversified and endogenous oriented economy – continued to lose its importance. (Table 4) Especially the metallurgic production gained huge importance since the MAS is in power.

Due to this short analysis the “accumulation regime”[[5]](#footnote-5) (Becker2007) is characterized as dominant extraverted and extensive, with the resource extraction and export remaining the dominant sources of accumulation. Of course there are tendencies towards more intensive production, but this is also dominated by the resource sector.

### Changes on regulation – A New Income Regime

The social protest between 2000 and 2005 led to a dramatic change in the political landscape of Bolivia. During the so called gas war (*Guerra del Gas*) the demand for a nationalization of the hydrocarbon sector turn out to a prior for the social movements. As mentioned before, this demand was pushed forward on the agenda by the movements from El Alto. The military oppression didn’t stabilize the society but also the middle class and students movements of La Paz affiliated with the movement. (Interview Capobianco) It seems quite obvious that the demand for a nationalization of hydrocarbons was also an important concern of the middle classes, as neoliberal policies negatively affected the urban middle class.

Instead of the often proclaimed implementation of royalties and high taxation inaugurated by the Morales administration, Carlos Mesa implemented this new tax system on hydrocarbons (law 3058). Under this law, the total taxation rose from 18% to 50% (18% royalties and 32% direct taxes). (Gray Molina 2012: 185f.) When Evo Morales and the MAS came to power, they needed to implement further strategies, as they declared themselves as the political representatives of the social and indigenous movements. On the 1st of May, 2006, the process of a broader nationalization of former state companies was initiated with the presidential decree 28701. (La Razón 18.02.2013) This led to a change of the property rights on the resources and the control of the production and sale. The former state-owned company YPFB, that was partially privatized in the 1990ies was bought out and revitalized. During the privatization of the 1990ies, concessions were made for transnational hydrocarbon companies that were unconstitutional, as they obtained property and exploitation rights for 40 years. (Kaup 2010: 128ff.) The Morales administration strategically used this illegal action for the nationalization. The property of the natural sources was declared as national property.

Under the nationalization, the concessions for extraction and export were renegotiated. With the nationalization, YPFB took over the control of the commercialization and production. An additional tax of 32% was implemented, but this was only for the two biggest natural gas fields until the finalization of the renegotiations. (Arze Vargas, Gómez 2013: 21) This “consensus-oriented nationalization” (Radhuber 2012: 133) transferred rights and privileges back to the state, while the property relations were not touched.

The nationalization didn’t aim to create a state monopoly on the exploitation of hydrocarbons, but a mixed economy, that is still heavily dominated by transnational companies. The Brazilian PETROBRAS remains the main hydrocarbon producer and enhanced its dominance under the Morales administration. Their share on total production increased from 56,7% in 2005 to 64,6% in 2010, while the share of the nationalized YPFB Chaco and Andina decreased from 24,5% to 17,8%. (Arze Vargas, Gómez 2013: 24) But Radhuber points out that beside increased incomes the state has now the decision-making powers. (Radhuber 2012: 135) But the sector was and still remains a dominant export sector.

*The role of the strategic sector:*

The national development plan declared the extractive sector as strategic to generate revenues that will be reinvested to diversify the economic structure, to create jobs and incomes and for social and health investments. Values like solidarity, reciprocity, dignity and sustainable relation with the nature determine the development program. (Plan Nacional de Desarrollo 2006) These values are directly linked to the concept of *Vivir Bien* manifested in the new constitution ratified after a referendum in 2009. In this sense, the revenues from extraction are treated as necessary to overcome the dependence on extraction and to establish a broad-based diversified economy, regaining sovereignty after centuries of colonial dependence. Alvaro García Linera – the vice president – declares this process as a way towards communitarian socialism (*socialismo comunitario*). (García Linera 2010) However, his policies seem to be very ambiguous in reflection to his anti-capitalist discourse.

Revenues from extraction/Strategic Sector:

The state revenues of the hydrocarbon sector are composed as following: (1) direct tax on the production 32% (*IDH – Impuestos Directos a los Hidrocarburos*), (2) royalties (18%), (3) indirect consumption tax, and (4) revenues of YPFB. (Valencia, Bornhorst 2010: 8; Gray Molina 2012: 186) The total governments take[[6]](#footnote-6) accounted for 73% in 2010, compared to 29% in 2004. (Arze Vargas, Gómez 2013: 23)

While the changes in the hydrocarbon sector were enormous, the strategically important mining sector with its importance going back to the colonization and the silver extraction in the mines of Potosí, didn’t face radical changes. Besides the nationalization of a Mine in Huanuni in 2006 and the metallurgical company Vinto (2007), the state-led mining company COMIBOL (*Corporación Minera de Bolivia*) regained essential competences. New mining sites need to be established in cooperation with COMIBOL (50%+1 share of COMIBOL). (García Linera 2012; MAS - IPSP 2009: Chap.A.1.2) The royalties on mining have been newly regulated under the law 3787 (24.11.2007). The royalties are pending in reference to the international commodity prices. The maximum rate is 5% (except for gold 7%, and silver 6%). If the metals are sold on the national market, then only 60% of the royalties are payable. If the price for a specific metal is at a preset level, there is additional tax of 12,5% to pay. (Law 3787) Increases on state revenues from mining activities are mainly caused by higher commodity prices and increased production. The total government rent on mining was only 7% of the production between 2006 and 2009. (Arze Vargas, Gómez 2013: 28)

States revenues and distribution

The changes on taxation on hydrocarbons generated significant state incomes. While before the major changes initiated by Carlos Mesa in 2005, the share of the total income was only 17% in 2004 but significantly increase to 27% (2005) and continued to rise with the inauguration of the Morales administration and the further changes to 35%. Since then the share was alternating around 30% but rose to 34% in 2012 again. The volatility on resource extraction can be seen in the stagnation of state incomes from 2008 to 2010. In 2009 there was a significant decline in the price level. Furthermore, there was a decreased production as well. (Fundacián Jubileo 2013: 8) Besides hydrocarbon revenues, the state incomes primarily derive from value-added taxes (which is quite similar to the hydrocarbon revenues) (Fundación Jubileo 2014: 7) and taxes on corporate profits (IUE – *Impuestos a las Utilidades de las empresas)*. The development of the latter tax also rose due to increased revenues from the hydrocarbon sector. (Radhuber 2012: 202)

Table 2: Development of the Hydrocarbon Revenues

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| Hydrocarbon Revenues \* | 2.333 | 5.019 | 8.645 | 9.266 | 10.250 | 10.161 | 10.631 | 13.765 | 19.354 |
| Direct Tax on Hydrocarbons (IDH) | - | 2.321 | 5.497 | 5.954 | 6.644 | 6.465 | 6.744 | 8.996 | 12.111 |
| Royalties | 2.333 | 2.698 | 3.148 | 3.312 | 3.606 | 3.696 | 3.887 | 4.769 | 7.243 |
| Share of hydrocarbon revenues | 17,2% | 27,0% | 35,4% | 33,5% | 30,8% | 29,7% | 30,6% | 29,8% | 34,0% |
| Tax Revenues (excl. IDH) \*\* | 11.243 | 13.546 | 15.786 | 18.354 | 22.995 | 24.097 | 24.135 | 32.392 | 37.563 |
| **TOTAL State Income** | **13.576** | **18.565** | **24.431** | **27.620** | **33.245** | **34.258** | **34.766** | **46.157** | **56.917** |

Own illustration. Source: \*Fundación Jubileo (2013): 10; \*\* Fundación Jubileo (2014): 5.

Despite these objectives manifested in the development plans, the current state investments continue the path of extraction, thus reinvesting in the hydrocarbon and mining sector. The government aims to industrialize these industries to add value within the country. But the investments are capital- and technology-intensive investments. (García Linera 2012) Although this creates opportunities for the national market, the economy remains a primary goods producer that is dependent on external markets.

### Social Policies – Simple poverty reduction or tackling structures of inequalities?

The data presented above (Table 2) show the significance of the resource based economy for the states’ incomes. But the social policies also seem to be of high relevance in order to legitimate the political dominance of the MAS. This political hegemony is closely linked to the above described extractive growth model. The linkages become obvious if we take a look on the arrangement of the social policies.

Currently there are three different social bonuses designed as direct transfers to the beneficiaries, highlighting each different target groups and aspects of poverty reduction.

The state pension system *Renta Dignidad* is a universal pension system that guarantees each and every Bolivian a minimum pension from the age of 60 onwards. The pension (regulated under law 3791) has been increased (law 378) in 2013, beneficiaries receive an annual amount of Bs. 3.000 (€ 335 / US$ 425) or Bs. 2.400 (€ 260 / US$ 340). The reduced bonus is for those, who receive another pension. (Law 378, Law 3791) The modification of 2013 represents a monthly rise of Bs. 50 for both categories. Comparing these figures with the statutory minimum wage of 2013 (Bs. 1.200), the annual pension for those people who are not entitled to an additional pension, represents about 2.5 times the monthly minimum wage.

According to the government 919.931 people (8% of the population) benefited of these direct transfer in 2011. (Ministerio de Economía y Finanzas Públicas 2012b) The scope of the measures shows that this form of small financial donation increases consumption. For the rural population the funds can be reinvestment for subsistence economy. (Willmore 2006: 29) The measures in their range therefore aimed at the protection of social reproduction.

The *Renta Dignidad* is largely funded from the revenues of the hydrocarbon sector: Regulated under the law 3791, the funds for the pension system arise from the hydrocarbon tax (IDH) and represent a share of 30% of IDH incomes distributed to the national treasury, the municipalities, departments, the indigenous fund. (Law 3791, Art. 9) The total share of the *Renta Dignidad* on IDH resources accounts for 25,6%. (Fundación Jubiléo 2013: 11) In addition, the state companies nationalized by the Morales administration, contribute a mandatory share of the generated dividends. In 2011, YPFB Chaco and Andina contributed US$ 53 Million as share of their incomes for the pension. But also the nationalized telecommunication company ENTEL financed the pension with US$ 36,9 Million. (García Linera 2012: 65, 67; Ministerio de Economía y Financas Públicas 2012a: 12)

In the shape and design this pension system is heavily inspired from its predecessor model named BONOSOL (*Bono Solidario*), which was introduced by Sanchez de Losada to legitimize the privatization policy. (Müller 2003: 56) While the form of payment and the amount of support have been redesigned, it is retaining/ it retains a market-oriented character. Although this pension is paid universally for all Bolivians over 60 years, it is directed by their limited scope primarily to those people who are excluded from the market.

Criticism of the *Renta Dignidad* is mainly concerned with the question whether this system primarily promotes the consumption, rather than to touch the structures of social inequality. This criticism can be derived by the declaration for the use of the additional revenues generated with the nationalization.

„The fact that the Renta Dignidad is largely to be financed from IDH resources, originally destined for ‘education, health, roads, productive development and all that contributes to the creation of jobs’ (Ley No. 3058, Art 57), points to an important change of mind by Bolivia’s developmentalist government in terms of the road towards social justice.” (Müller 2009: 169)

The second redistributive measure is related to the education sector. With the *Bono Juancito Pinto* annually Bs. 200 (€ 22 / US$ 28) are disbursed to school children, but only if they attend the public school system. Furthermore, children who attend schools for people with disabilities or the institutions on alternative education (*Educación Alternativa Juvenil*) receive the same bonus. The program gradually expanded in recent years and is now being paid to all school children from the first to the eighth grade. (Navarro 2012: 23f.) According to government data, 1.688.268 students benefited from this social transfer. This means that a share of 15,9% of the total population gained this direct transfer. (Ministerio de Economía y Finanzas Públicas 2012b)

The bonus was financed by funds provided by YPFB, COMIBOL and the National Treasury. Regulated under the presidential decree 1372, the total budget for 2013 was Bs. 410 Million. While Bs. 303 Million derive from the national treasury, the remaining Bs. 107 Million shall be provided by state companies in the following manner: The hydrocarbon company YPFB contributes for Bs. 70 Million, the mining company COMIBOL Bs. 30 Million, while the rest shall be provided by the national airline BOA and deposits from customs duty. (Presidential decree 1372, Art. 6) However, according to the law it remains unclear whether the participation of the national treasury derives from hydrocarbon taxes. But according to Navarro at least a part derives directly from the hydrocarbon revenues. (Navarro 2012: 25) Just recently, a new presidential decree 2141[[7]](#footnote-7) (9.10.2014) was established to modify the financing. According to this decree, the bonus will be in large part financed by incomes from YPFB. Out of Bs. 478,8 Million the contribution of YPFB accounts for 82%. (Ministerio de Economía y Financas Publicas 2014)

The payment of this school bonus is realized in two parts. At the beginning and end of the school year, each half is paid. However, this withdrawal is bound to the school attendance. The student must achieve 80% of the presence in order to obtain this second payment. Although the Government Decree 28899 plans the distribution of an annual total of Bs 200 (€ 22 / US$ 30), an additional Bs. 100 are disbursed at the end of the school year. (Navarro 2012: 24)

This education program is aimed primarily to reduce the school dropout rate. Thereby, the inheritance of social status and poverty shall be prevented and the potentials for economic development and growth are encouraged. (Navarro 2012: 23) Through the conditioning nature of the payments, the measures aim in promoting the individual performance to enhance the social capital.

The third social program, the Bono Juana Azurduy, supports women from the pregnancy onwards till the second year of the child. Thereby the aim is to reduce child mortality, maternal mortality rate and malnutrition. (Radhuber 2012: 251) In 2011 benefited 683.139 people affected by these measures. (Ministerio de Economía y Finanzas Públicas 2012b) The support is total max. Bs. 1820 (€ 200 / US$ 270) over a period of 33 months, however, is tied to health checks before and after childbirth. (Bono Juana Azurduy [n.d.] Programa de Protección Social Madre Niño Niña) This program is financed by funds from the World Bank and the National Treasury and accounted for Bs. 95 Mio in 2010. (Radhuber 2012: 251)

These social programs are clearly oriented on poverty reduction and improved social reproduction. Thus, these measures are of social accuracy, which leads to an improvement for the poorest population, albeit only to a small extent. For example, while there is a decrease of the proportion of the population in relative and extreme poverty, at the same time the absolute figures show an increase of people living in poverty, which is cause due to the population growth. Despite the positive developments to tackle poverty, the social transfers do not change the causes of inequality, since the structural dimensions of inequality are not touched. (Radhuber 2012: 252f.)

Despite these critical remarks, the implemented measures cause positive developments for the real living conditions of the Bolivian population. But by directly linking the strategic sectors of the extraction economy with the social programs, their implementation is heavily dependent and vulnerable on exogenous effects of the global economy. This can limit the socio-political scope of action in times of external crises. This dependency also reinforces the resource-based growth model instead of promoting economic diversification and search for alternatives.

## Conclusion

The recent developments and economic policies implemented by the Morales administration show a continuation of a resource based economy, thus continuing the path of colonial resource dependence. But after two decades of neoliberal adjustments, the Bolivian nations regained power over its natural resources. The state is actively involved in economic activities, investments in infrastructure, energy, housing, sanitation, health care and social security support the development and contribution of the wealth. Although there are few very small incentives with limited scale to diversify the economy (Ministerio de Economía y Finanzas Públicas 2012a), the state led economic involvement focus on resource extraction and the provision of services (electricity, telecommunication, etc.), but designed as a mixed economy.

Despite positive effects, the economic model remains dependent on external developments. While the rise of international commodity prices allowed to continue the path of resource extraction, the aspired alternative development path according to the constitution for a sustainable and solidary economy are of less importance. Of course the resource extraction is not uncontested[[8]](#footnote-8), but the initiatives taken by the MAS do have a high popularity. This could be seen in the recent elections of October 2014. Evo Morales was elected for his third term with a majority of around 60% of the votes. This also represents the hegemony of the socially embedded resource growth model, especially when considering that the Green Party (PVB – *Partido Verde de Bolivia*) lead by the indigenous Fernando Vargas only received about 3% of the votes. The PVB contests the economic model to achieve a diversified and sovereign economy, in respect to a sustainable relation with the nature. (Partido Verde Bolivia)

The victory of the MAS reflects also a new hegemony that has been established. Based upon political and economic transformation, the MAS formed compromises and alliances with several classes and class fractions. Whereas the unity pact of indigenous and peasant movements broke after the TIPNIS conflict[[9]](#footnote-9), the MAS is now partially supported by former opponents of the economic sector. This alliance of *cocaleros*, peasants, informal bourgeoisie (especially of the informal production in El Alto), urban commercial fractions and mining cooperatives represent the dominant power relations. But due to positive developments also parts of the former oppositional agrarian oligarchy, banc sector and the transnational class are part of the new compromise on economic development strategies. As shown above, the social policies are part of this compromise to legitimate the extractive growth model. But due to its resource dependence it is questionable if this policy can be sustained in the long run, without significant changes in the redistribution regime.

## Annex

Table 3: Export structure of the most relevant sectors

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010 (1)** | **2011 (1) (2)** | **2012 (1) (2)** |
| **Agriculture** | 112 | 53 | 61 | 94 | 132 | 172 | 160 | 188 | 274 | 288 | 280 | 338 | 506 |
| Share | 9,0% | 4,4% | 4,6% | 5,9% | 6,0% | 6,0% | 3,9% | 3,9% | 4,0% | 5,3% | 4,0% | 3,7% | 4,4% |
| **Hydrocarbons** | 158 | 287 | 331 | 485 | 815 | 140 | 2.011 | 2.240 | 3.483 | 2.107 | 2.984 | 4.112,45 | 5.742 |
| Share | 12,7% | 23,4% | 25,1% | 30,5% | 37,2% | 4,9% | 49,2% | 46,5% | 50,2% | 39,0% | 42,9% | 45,1% | 49,5% |
| **Minerals** | 260 | 189 | 200 | 229 | 298 | 351 | 794 | 1.062 | 1.521 | 1.498 | 1.854 | 2.420,09 | 2.071,88 |
| Share | 20,9% | 15,4% | 15,1% | 14,4% | 13,6% | 12,2% | 19,4% | 22,0% | 21,9% | 27,8% | 26,7% | 26,6% | 17,9% |
| **Industrial Production** | 716 | 697 | 727 | 781 | 950 | 945 | 1.124 | 1.331 | 1.654 | 1.505 | 1.834 | 2.243,25 | 3.270,18 |
| Share | 57,4% | 56,8% | 55,1% | 49,1% | 43,3% | 33,0% | 27,5% | 27,6% | 23,9% | 27,9% | 26,4% | 24,6% | 28,2% |

Own Chart/Illustration. Source: INE (Insitututo Nacional de Estadísticas); (1) preliminary data; (2) INE 2013.

Table 4: Export of industrial goods per sector

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010 (1)** | **2011 (1) (2)** | **2012 (1) (2)** |
| **Agriculture** | 321,7 | 352,0 | 383,6 | 418,9 | 500,0 | 429,5 | 479,4 | 582,9 | 744,1 | 813,4 | 821,3 | 832,6 | 1033,1 |
| Share | 45% | 51% | 53% | 54% | 53% | 45% | 43% | 44% | 45% | 54% | 45% | 37% | 32% |
| **Mining and metallurgy** | 165,2 | 151,1 | 148,9 | 144,8 | 165,9 | 202,5 | 281,0 | 343,5 | 432,2 | 359,1 | 550,9 | 1048,5 | 1801,8 |
| Anteil | 23% | 22% | 20% | 19% | 17% | 21% | 25% | 26% | 26% | 24% | 30% | 47% | 55% |
| **Hydrocarbon refining** | 20,9 | 16,9 | 14,9 | 19,9 | 35,5 | 43,0 | 48,7 | 50,8 | 65,4 | 27,9 | 30,4 | 36,2 | 25,3 |
| Anteil | 3% | 2% | 2% | 3% | 4% | 5% | 4% | 4% | 4% | 2% | 2% | 2% | 1% |
| **Non-traditional Production** | 208,0 | 176,7 | 179,9 | 197,5 | 248,5 | 270,1 | 314,8 | 353,7 | 412,7 | 305,0 | 431,3 | 325,9 | 410,0 |
| Anteil | 29% | 25% | 25% | 25% | 26% | 29% | 28% | 27% | 25% | 20% | 24% | 15% | 13% |

Own illustration. Source: INE (Insitututo Nacional de Estadísticas); (1) preliminary data; (2) INE 2013.

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1. The term derives “*sumak kawsay”* (Quechua) or *“suma qamaña”* (Aymara), a cosmovision from the indigenous population of the Andean highlands. Besides “*Vivir Bien”*, the term “*Buen Vivir”* is quite common. [↑](#footnote-ref-1)
2. Interpretations include a focus on the role of state, ecologic-, feminist- and solidarity economics with emphasize on the reproduction of life instead of mere accumulation, or interpretations in relation to the 21st century socialism. (Unai Villalba 2013: 1432 f.) [↑](#footnote-ref-2)
3. Bs. stands for *Bolivianos*, the national currency. [↑](#footnote-ref-3)
4. The term “untraditional“ refers to the production of goods that are not related to mining, hydrocarbon, and agrarian manufactures. [↑](#footnote-ref-4)
5. The neo-Marxist regulation theory provided the theoretic framework to categorize and analyze the growth model. [↑](#footnote-ref-5)
6. That includes direct taxes (IDH), royalties, operative revenue of YPFB and profit tax from the hydrocarbon sector companies (IUE - *Impuesto a las Utilidades de las Empresas*). [↑](#footnote-ref-6)
7. Presidential decree was not available so far. [↑](#footnote-ref-7)
8. Especially indigenous people demand their right for autonomy and the obligation to consult the people for any involvement in their territory. [↑](#footnote-ref-8)
9. It was planned to build through the national park TIPNIS a road to Brazil to increase the export. But the indigenous inhabitants of this territory demanded their right for consultation. The government didn’t respond to the constitutional right and continued. Mobilizations and protests were confronted with violation of the police, but also peasants mobilized against the movement. [↑](#footnote-ref-9)