When democracy was finally established in 1982, Bolivia’s leaders faced serious issues such as chronic unemployment, endemic poverty, and massive social strife resulting mostly from neoliberal governmental policies. By the mid-1980s, Bolivia’s government began closing marginal industries, arranging direct investment for transnational businesses, and rearranging the Bolivian state to align with neoliberal economic policies. Immediately after assuming office as Bolivia’s first indigenous president, Evo Morales kept one of his key election promises when he nationalized Bolivia’s massive natural gas reserves and thus met an important mandate to take Bolivia’s resources out of the hands of transnational corporations. Morales began instituting democratic socialism (neosocialism) reforms to deal with Bolivia’s decades long endemic poverty and chronic unemployment. This study examines the Morales administration’s governmental tactics to determine if Bolivia’s rejection of neoliberalism and adoption of neosocialism was beneficial or harmful to the people.
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Introduction

In the late 1970s and early 1980s, the United States (US) economy was overwhelmed with persistently high inflation. In 1981, Federal Reserve Chairman Paul Volker abruptly raised interest rates to 9 percent which did relieve inflation in the US. The effects of this policy change in Latin America, however, were catastrophic. Latin American states that had variable interest rate loans from the International Monetary Fund (IMF) and the World Bank soon found their debts had increased exponentially. The resulting debt crisis created Latin America’s economic dependence on the US and opened the door for the “Washington Consensus” and neoliberal economic policies forced on Latin American countries mired in debt.¹ Neoliberalism did bring some temporary stability to the region but did little to expand economic equality and prosperity. According to Mark Williams, Professor of Political Science at Middlebury College, “across the region, the privatization of state owned enterprises and rollback of state bureaucracies cut hundreds of thousands of jobs. As a result, Latin America’s inequality—already notorious—grew even more.”² Neoliberal policies helped form Latin America’s economic dependence on the US (e.g. IMF and World Bank loans).

Dependence on the US was one of the main reasons for Bolivia’s ultimate rejection of neoliberal economic policies as just another form of economic hegemony (US imperialism). Neoliberal policies on privatization of its hydrocarbon industry made the Bolivian government increasingly dependent on international loans to cover its deteriorating budget which in turn created even more dependence. It was this economic dependence that predicated Bolivia’s movement toward democratic socialism.

By the end of the Cold War, socialism was considered irrelevant to international politics by many political analysts. By the early 2000’s, however, political change was sweeping through Latin America and attempts to reverse it only heightened deteriorating US-Latin American relations. Despite years of promises to Bolivians that free markets and neoliberal institutions would lead to prosperity, the number of Bolivians living in poverty had grown to over two-thirds of the total population by the twenty-first century. It was in this environment that Evo Morales, Bolivia’s first democratically elected indigenous president moved to reshape the economy to include Bolivia’s deprived indigenous population by reversing neoliberal economic policies of previous administrations. Morales completed one of his main campaign promises when he nationalized Bolivia’s huge natural gas reserves and thus met a historic demand of the people to take Bolivia’s natural resources out of the hands of transnational corporations. In 2006, corporate interests were taking over 80% of the profits from Bolivia’s natural gas reserves. Morales effectively reversed this trend with a nationalization decree giving Bolivia more than 80% of industry profits in the form of taxes and royalties. The difference is clear, six years before Bolivia’s resource nationalization (1999 to 2005), the state received about $2 billion from its gas reserves. The following six years (2006-2012), Bolivia received more than $16 billion and began

² Ibid., 282.
implementing social programs and employment/business opportunities as state revenues grew exponentially.

Bolivia’s twenty-first century adaptation of democratic socialism, distinct from twentieth-century authoritarian socialist structures, does not reject international free trade but instead integrates capitalism within a humanitarian construct. For instance, after being democratically elected in 2006, Morales introduced reforms to neoliberal policies by restructuring a larger portion of the Bolivia’s wealth to the poor and establishing a new constitution through democratic procedures. By rejecting some key elements of neoliberalism but keeping those relating to international trade, Bolivia has been able to create a model of socialism that has formed a sphere of domestic prosperity within the international community of nations. Bolivia is the poorest nation in South America and has been for decades. This leads to many questions about the Morales administration’s tenure in Bolivia. The main research question: Has Bolivia’s neosocialism facilitated a substantial reduction of endemic poverty? This question predicates the necessity for other levels of analysis (e.g. neosocialism effect on income/employment business opportunities for the indigenous population). There are questions surrounding Bolivia’s use of natural (hydrocarbon) resources as the primary source for government funding. The implication is that Bolivia’s poverty reduction is not because of neosocialism but due in large part to Bolivia’s transition into a neoextractivist (rentier state) economy. Bolivia’s Movement to Socialism (MAS), however, is an example of how Bolivia’s socialist policies worked to bring millions of Bolivians out of poverty and into a rapidly expanding middle class.

Methodology

The methodological approach to this project includes setting up independent variables (e.g. neosocialism or neoliberalism) and dependent variables (e.g. poverty reduction under Morales compared to Bolivia’s previous neoliberal governments). I examine the divide between neoliberalism and neosocialism theories by defining and assessing which method of governance was most effective in fighting poverty and advancing Bolivia’s socio-economic growth. Data from the World Bank\(^3\) Datasets for Bolivia (1982-2016), Center for Economic and Policy Research (CEPR)\(^4\) and United Nations Human Development Reports (UNDP)\(^5\) is evaluated and applied to measure variables and help determine if my hypothesis on Bolivia’s poverty reduction

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\(^3\) At the World Bank, the Development Data Group coordinates statistical and data work and maintains several macro, financial and sector databases. Working closely with the Bank’s regions and Global Practices, the group is guided by professional standards in the collection, compilation and dissemination of data to ensure that all data users can have confidence in the quality and integrity of the data produced” (http://data.worldbank.org/about).

\(^4\) The Center for Economic and Policy Research (CEPR) was established in 1999 to promote democratic debate on the most important economic and social issues that affect people's lives. For citizens to effectively exercise their voices in a democracy, they should be informed about the problems and choices that they face. CEPR is committed to presenting issues in an accurate and understandable manner, so that the public is better prepared to choose among the various policy options (http://cepr.net/about-us/cepr-ten-year).

\(^5\) UNDP - The mission of the UN Human Development Report is to advance human development. The goal is to contribute towards the expansion of opportunities, choice and freedom. The office works towards this goal by promoting innovative new ideas, advocating practical policy changes, and constructively challenging policies and approaches that constrain human development. The office works with others to achieve change through writing and research, data analysis and presentation, support to national and regional analysis and outreach and advocacy work (http://hdr.undp.org/en/contacts/about).
is viable. A thorough literature search (e.g. annotated bibliography) is utilized to discover as many approaches as possible to address theoretical premise of benefits of neosocialism. Scholarly books and articles as well as articles published in credible news sources are retrieved and employed in support of this capstone project.

Due to economic policies enacted by Morales Bolivia’s gross national income (GNI), which was $860 in 1982, grew to $3,000 in 2015. The most extreme rise in Bolivia’s GNI (World Bank data) began when Morales took office in 2006 and continued increasing during his tenure (Figure 1). Bolivia’s poverty rate decreased substantially from the year 2000 when 66% of Bolivian’s lived in poverty to 2015 with a 38% poverty rate (Figure 2).
Data and Technique

Figure 1 (GNI Per Capita)

The graph below illustrates Bolivia’s gross national income (GNI) per capita (annual) from 1982-2015. The most extreme rise in Bolivia’s GNI according to World Bank data began when Morales took office in 2006 ($1,120-GNI) and continued increasing to 2015 ($3,000-GNI).


The World Bank’s method of GNI calculation makes allowances for fluctuations (e.g. prices—exchange rates) by using the Atlas method of conversion. “This [Atlas method] applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country, and through 2000, the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States). From 2001, these countries include the Euro area, Japan, the United Kingdom, and the United States.”

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The graph below illustrates Bolivia’s poverty rates (per annum) from the year 2000 when 66.4% of Bolivian’s were existing in poverty to 2015 with a 38% poverty rate. Gaps in the graph (2003 and 2010) are the result of no data available during those years. When Morales took office in 2006, Bolivia’s poverty rate was 59.9% with substantial incremental decreases every year until 2015 when Bolivia’s poverty was reduced to 38.6%.

Bolivia’s Poverty Rates (% of population) at National Poverty Lines

The World Bank’s methodology for data compilation is from “official government sources or are computed by World Bank staff using national (i.e. country–specific) poverty lines. General Comments: This series only includes estimates that to the best of our knowledge are reasonably comparable over time for a country. Due to differences in estimation methodologies and poverty lines, estimates should not be compared across countries.”

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7 Ibid.
Literature Review

Literature on Bolivia is extensive and covers a temporal span from its founding by famed South American freedom fighter, Simon Bolivar (1825), to the present-day Evo Morales administration. US-Latin American historian Sandor John describes how England’s Queen Victoria (1867), “took out her map of the world and drew a big X across Bolivia when a caudillo president humiliated Britain’s envoy. For subsequent generations, [Bolivia] might have been summed up as the land of coups, coca, and Che. To many, its fragmented, convulsive history seems incomprehensible.” Bolivia’s history has involved periods of political infighting consisting of coups and revolutions. When democratic rules were finally established in 1982, Bolivian leaders faced critical problems such as endemic poverty, illicit drug production and mass social unrest due in large part to neoliberal government policies.

To address these problems, Bolivia’s government began (mid-1980s) pursuing neoliberal policies such as privatization, closure of marginal industries, promoting direct investment by transnational corporations and rearranging the Bolivian state in accordance with neoliberal economic strategies. Mark Williams suggests, “advanced, wealthy capitalist states (the ‘center’) would dominate and exploit countries in the world’s poorer regions (the ‘periphery’), and adopt foreign policies—including intervention—designed to perpetuate this exploitation. In turn, undeveloped countries could only progress by severing their linkages to wealthy ‘center’ and international capitalism—often through revolution—and thereby, acquire the independence to develop more autonomously.” As such, Bolivia’s resource nationalization/neo-socialism represented a rejection of its dependency on US implemented neoliberal economic policies. In the context of twenty-first century Bolivia, Michael Geddes identifies neoliberalism as something that “should be understood not just as a set of policies to promote a small state, low taxation, deregulated labour markets and other market-based solutions to a range of problems, but as a political project, a process of neoliberalisation [sic] to re-establish the conditions for capital accumulation and to restore the power of economic elites.”

The vision for a new Bolivian society embraces the concept of Communitarian socialism. Vice President Álvaro García Linera, “the leading theorist of the new Bolivian revolution, proclaimed: ‘Communitarian socialism is the struggle for a distinct, harmonious, respectful and non-exploitative society.’” Consolidation and organization of the working class and communitarian elements are categorized by Burbach et al. as, “two essential pillars of the transition to socialism in Bolivia.” These “essential pillars” are manifested in two primary factors, 1) income redistribution and endemic poverty reduction through Morales’ neosocialist policies, and 2) bringing business and income opportunities to Bolivia’s long suppressed

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12 Burbach et al., Latin America’s Turbulent Transitions, 83.
indigenous population. Both factors have been instrumental in Bolivia’s massive reduction of poverty.

Morales defined Bolivia as a country that had long been dominated by transnational corporate interests and Bolivia’s socio-political elite. Bolivia’s new economic model was designed to rollback neoliberal economic policies by asserting Bolivian sovereignty over the economy including Bolivia’s natural resources, promoting the productive sectors (e.g. service sectors and manufacturing) and most importantly, a redistribution of wealth to redress Bolivia’s pervasive poverty. Bolivia’s neosocialism, in contrast to the cold war form of socialism, does not reject international capitalism. Instead, Bolivian socialist structures pointed out by Kennemore and Weeks, “incorporate capitalism within a humanitarian rubric. To that end, the state also assumes control over critical natural resources, and redistributes the revenue.”13 Bolivia’s venture into neo-socialism has closely followed principles for modern socialism in Latin America. For instance, the Morales administration began (in 2006) restructuring traditional neoliberal policies by redistributing a larger portion of the Bolivia’s wealth to the underprivileged and establishing a new constitution through democratic procedures. By rejecting some key elements of neoliberalism but keeping those relating to international trade, Bolivia has created and utilized a system of socialism that has formed a sphere of domestic prosperity within the international community of nations.

The benefits of neoliberal economic policies in Latin America according to Bubach, et al., were demonstrated with “trade as a percentage of gross domestic product (GDP) nearly doubled from 10 percent in 1989 to 18 percent in 1999. . . foreign direct investment increased from an average of $38 billion per year from 1993-1997, to $74 billion per year between 1998-2003. Nevertheless, ordinary Latin American citizens did not benefit from this corporate-driven growth.”14 The most beneficial part (highest achievement) of neoliberalism was the attainment of long term economic stability in Bolivia and other nations in Latin America severely affected by the debt crisis.

The negative side to neoliberal policies, however, is that wherever they were employed, the gap between the rich and poor almost always increases.15 According to Benjamin Kohl and Linda Farthing, “In Latin America, the world’s most unequal region where often, as in Bolivia, there is only a tiny middle class, neoliberalism exacted a terrible price. In addition, the modest economic reactivation primarily benefited those at the top while the rest scrambled to survive.”16 The primary elements of neoliberalism’s application in Bolivia include deregulation and privatization along with huge cuts in social spending budgets (e.g. healthcare, education, public services and social security). Neoliberal economic policies included the sale of reasonably profitable state-owned businesses (e.g. YPFB Bolivia’s oil and gas corp.) at fire sale prices.

13 Amy Kennemore and Gregory Weeks (2011). “Twenty-First Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador.” Bulletin of Latin American Research, 30(3), 267-281. Dr. Gregory Weeks: Professor and Chair, Department of Political Science and Public Administration, UNC Charlotte, 14 Burbach, et al. Latin America’s Turbulent Transitions, 16. 15 Benjamin Kohl and Linda Farthing, Impasse in Bolivia: Neoliberal Hegemony and Popular Resistance (New York: St. Martin’s Press, 2006), 81. Benjamin Kohl is a member of the Department of Geography and Urban Studies, Temple University and a Visiting Scholar in the Department of City and Regional Planning, Cornell University. Linda Farthing, a journalist, educator and activist, has worked on Bolivia for 20 years, and has lived there for eight. She has produced over 50 articles and radio reports on Bolivia. 16 Ibid.
With rejection of negative neoliberal economic policies (e.g. wanton privatization), Bolivia’s gross domestic product per capita has increased from $1,200 in 2006 to $3,000 in 2015. Andreas Schiapani of Financial Times offered, “Bolivia’s Social and Economic Policy Analysis Unit (UDAPE), 2.6 million citizens have joined the middle class between 2005 and 2013.”17 Bolivian poverty rates (2006-2013) were reduced by nearly 50%, “says George Gray Molina, a Bolivian economist at the United Nations Development Programme (UNDP).”18 The UNDP uses the Multidimensional Poverty Index (MPI) to analyze and help identify different aspects of poverty over a wide variety of circumstances not solely based on income. The MPI reflects both the prevalence of multidimensional deprivation and its intensity—the percentage of simultaneous deprivations poor people experience.19

By the end of 2014 and under the gas industrialization plan, Bolivia was exporting processed gas and meeting domestic demand for both gasoline and liquefied petroleum. Bolivia is taking the necessary incremental steps to break with its traditional role as a rentier (pro-extractivist) state relying mostly on the export of raw materials. This means that millions of dollars formerly used to fund processed gas imports can be reallocated to Bolivia’s domestic needs. Federico Fuentes suggests, “The redistribution of revenue from higher hydrocarbon taxes and royalties to other productive sectors has aided growth in the manufacturing sector, which has outstripped that of mining or hydrocarbons.”20

Bolivia’s democratic socialism economic model was designed to rollback neoliberal economic policies by reasserting state sovereignty over the Bolivian economy and its abundant natural resources. Author Patrick Iber21 (professor of history at the University of Texas at El Paso) defines democratic socialism (neosocialism) “by pointing to Denmark, Sweden, and Norway—societies with low income inequality, high-quality education, and the universal provision of social services, including healthcare.”22 Morales redistributed Bolivia’s wealth which has had the twofold effect of increasing domestic employment (and wages) and significantly decreasing Bolivia’s poverty rate. In a recent (2016) article, the Canadian Broadcasting Corporation (CBC) explains, “Under Morales, average per capita income rose from $873 to $3,119 and a new indigenous middle class was born.”23 The Morales administration has been promoting increased efficiency in the productive sectors of agriculture and manufacturing; thus, breaking away from Bolivia’s position as primary exporter of raw materials. Bolivia has made significant progress in achieving its objectives, not by rejecting international capitalism but by incorporating capitalism within a socialist humanistic structure of

18 Ibid.
21 Patrick Iber is assistant professor of history at the University of Texas at El Paso. He is the author of Neither Peace nor Freedom: The Cultural Cold War in Latin America, published by Harvard University Press in 2015.
neosocialism. Neoliberalism, however, places emphases on government austerity, the virtual elimination of all social programs aimed at poverty reduction, and steep drops in employment. Historian Ronn Pineo argues, “Due to these measures, tens of thousands of miners were thrown out of work, dumped into an economy that was not creating jobs, while the government did nothing to help them or their families.”

Iber makes a distinction between countries in Latin America governed by leftist administrations. He argues some countries are “social democrats” (e.g. Uruguay, Brazil and Chile) while others (e.g. Bolivia, Ecuador, Venezuela) are “democratic socialists.” Both right and left wing forms of populism are used by the popular majority to create a foundation for aggressive change. Right-wing populism in many cases is mobilized against susceptible minorities. Left-wing populism generally calls for defining the elite as a class enemy. There is significant risk to both strategies in that “defining some segment of the population as ‘against the people,’ there is the danger that all criticism will be treated as the illegitimate product of oligarchical scheming.”

Not all agree that Bolivia’s socialist policies have been positive. There are some issues that have not been widely reported. Morales’ time in office saw one of the largest global spikes in prices for raw materials. To his credit, however, Morales used revenue from that boom for the construction of “airports, highways and the pride of La Paz, an Austrian-built aerial tramway system, and putting a Chinese-built satellite into space.” That raw material price boom is now over. The Canadian Broadcasting Corporation proposed, “Bolivia’s revenues from natural gas and minerals, making up three-fourths of its exports, were down 32 per cent last year. Economists say Morales leaned heavily on extractive industries to pay for populist programs and failed to diversify the economy.” Also, there are allegations of endemic judicial corruption and freedom of the press suppressions within the Morales administration. The CBC reported, “major news outlets were purchased by people friendly with the government and critical media and environmentalists complained of harassment by the state.”

Chris Williams and Marcella Olivera point out that although Bolivia’s economic growth since Morales’ first term (2006) appears positive, “this growth has primarily rested on an expanded and intensified exploitation of the country’s natural resources, principally from fossil fuel production, mining, and the growth of large-scale, mono-crop agriculture and manufacturing.” While journalists have focused primarily on the accomplishments (e.g. poverty reduction—wage increases) of the Morales administration, very few have looked at labor conditions and the state of Bolivia’s labor force. Per Williams and Olivera, data from the Bolivian Labor Ministry indicates, “just 30 percent of the labor force in Bolivia has a secure and formal job, with almost 70 percent working in the informal sector.” While much of the literature on Bolivia’s neosocialism is positive, not

25 Iber, "The Path to Democratic Socialism, 116.
26 Ibid., 118.
28 Ibid.
29 Ibid.
31 Ibid., 2.
everyone agrees with Morales’ policies. This essay will examine issues within Bolivia’s neosocialist strategies and the effects (positive and/or negative) these policies have on the Bolivian peoples.

**Evo Morales—Bolivia’s First Indigenous President**

The day he was sworn in as Bolivia’s President on 26 January 2006, Evo Morales announced, “After hearing the reports from the transition commissions, I have seen how the state does not control the state and its institutions. There is a total dependency.” He defined Bolivia as a country that had been subjugated by transnational corporate interests. Morales specified that under the pretext of capitalization, “the country has been decapitalized. I want this to end.” Additionally, Morales reasoned it was necessary “to nationalize our natural resources and put in march a new economic model.” The Morales administration’s new economic model for Bolivia was designed to rollback neoliberal economic policies by:

1) reasserting state sovereignty over the economy and particularly over Bolivia’s natural resources; 2) breaking out of Bolivia’s traditional position as an exporter of primary materials by industrializing these resources; 3) promoting productive sectors such as manufacturing and agriculture; 4) redistributing the nation’s wealth in order to tackle poverty; and 5) strengthening the organizational capacity of proletarian and communitarian forces as the two essential pillars of the transition to socialism in Bolivia.

His expressed frustrations on neoliberal economic policies indicated Morales was moving to modify Bolivia’s dependence on transnational corporations as well as the Bolivian state’s secondary position in the decision-making process on domestic economic issues.

**Bolivia’s Resource Nationalism**

On May 1, 2006, Morales called an early morning cabinet meeting to discuss taking over Bolivia’s gas reserves, the second largest in South America. At the end of his proclamation on nationalization of the natural gas industry, Morales asked that each minister sign a declaration of support for his new policies. He declared it an historic day in which Bolivia assumed absolute control over its hydrocarbon industry formerly dominated by transnational corporations. Bolivia’s MAS is typically associated with Ecuador and Venezuela but the Bolivian case has some unique qualities. For example, Anria Santiago argues Bolivia’s leftist program is the “only case in the region where social movements, originally in the rural areas, created a political leadership of their own, forming a new twenty-first century political entity, the MAS party

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32 Roger Burbach et al, *Latin America’s Turbulent Transitions*, 82.
33 Ibid.
34 Ibid., 83.
35 Ibid., 82.
headed by Morales.”  

Bolivia’s version of post-cold war socialism began with the Morales administration (2006) as Latin America’s disillusionment with market-oriented (neoliberal) policies were growing throughout the region. Socialism, however, is not a new concept in Bolivia; it had roots in Bolivian culture seventy years before Evo Morales with the formation of the Trotskyist party in the 1930s. US-Latin American historian Sandor John points to Trotsky’s (1934) texts on how the power of the US was employed to “disunite, ‘weaken and enslave’ South and Central America, whose emancipation required ‘uniting’ . . . into one powerful federation. But it is not the belated South American bourgeoisie, a thoroughly venal agency of foreign imperialism, who will be called upon to solve this task, but the young South American proletariat, the chosen leader of the oppressed masses.” Troyek was attempting, with some considerable success in Bolivia, to unite the masses against local ruling elites and foreign imperialism. Bolivians mounted campaigns with Trotsky to gain workers’ rights through the establishment of the Revolutionary Workers’ Party (POR), a Marxist political party in Bolivia in the late 1940s and early 1950s. John writes, “Bolivian revolutionaries had to contend with oligarchic liberalism of the early twentieth century, ‘military socialism’ in the 1930s, ‘revolutionary nationalism’ in the 1940s and 1950s, [US] Pentagon-promoted counterinsurgency from the 1960s through the early 1980s, followed by the 1982-85 ‘popular front’ of nationalists and Communists, then a two-decade onslaught of ‘neoliberalism.’”

It was Bolivia’s president Gonzalo Sánchez de Lozada (Goni), millionaire mine owner educated at the University of Chicago and a devotee of free market enterprise, who tightened neoliberalism’s grip on Bolivia. Goni pushed through a 1994 capitalization law which brought on a rash of privatizations that resulted in the sale of Bolivia’s state run railway, oil and gas businesses, and national utilities to transnational corporations. All Bolivia’s national businesses were sold at giveaway prices. Due to threats by the US to withdraw all aid, Goni enacted laws to eliminate Bolivia’s centuries long coca production. The coca grower’s union was formed that August (1994) with mass protests organized and lead by the head of the movement, Evo Morales.

Hugo Bánzer, former military dictator (1971-1978), came to power in 1997. As President Bánzer’s prime initiative, “Plan Dignidad,” pursued a policy of coca eradication that reduced Bolivia’s coca production by over half of what it was six years earlier. The US State Department was pleased with Bánzer’s policies which in addition to depletion of coca production, also firmly established neoliberal economic strategies.

The 2002 general election saw the return of Goni running against a wide collection of candidates including Evo Morales then leader of the coca growers’ union. US Ambassador Manuel Rocha sounded a cautionary note to Bolivian’s by comparing coca growers to the Taliban and warning that a vote for Morales would benefit drug traffickers and alienate US

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39 John, Bolivia’s Radical Tradition, 244.

40 Ibid., 5.

41 Pineo, “Progress in Bolivia,” 424.

42 Ibid., 425.
markets traditionally open to Bolivian textile exports. US interference in Latin American
democratic processes is nothing new (e.g. Guatemala -1954, Chile -1970, and Nicaragua -1982)
so interference in Bolivia’s election was no surprise. Goni narrowly won the 2002 election taking
22.5 percent of the vote to Evo Morales’ 20.9 percent. The election was thrown into Bolivia’s
legislative branch where Goni won as the leading vote tally to serve another term as Bolivia’s
President. According to Ronn Pineo, The International Monetary Fund (IMF) “mandated more
austerity measures, and Goni, ever a neoliberal true believer, readily agreed to their
implementation. Fresh rounds of mass street protests erupted in the presence of sharp tax
increases, privatizations, the sale of Bolivian natural gas to foreign firms, and the announcement
of the construction of a gas pipeline to Chile.” The protests and outrage at Goni resulted in his
leaving office (October 17, 2003) and fleeing to Miami (US) as Bolivians held massive
celebrations in the streets. Goni held office for only fifteen months. Vice President Carlos Mesa
Gisbert assumed the presidency from Goni. But Mesa faced other challenges. Social conditions
remained a matter of widespread popular concern, with circumstances the worst in the
countryside. Mesa during his brief tenure faced 800 demonstrations forcing him to resign (June
6, 2005) leaving “Supreme Court Chief Justice Eduardo Rodriguez Veltzé as caretaker
president.” Evo Morales was elected as Bolivia’s first indigenous president in December 2005
with the highest winning percentage (53.7) in Bolivia’s history. Having long been a
revolutionary state, Bolivia’s current twenty-first century neosocialist revolution seeks to
enfranchise its indigenous people both socio-economically and politically. This empowerment of
Bolivia’s native population has been the stated goal of Morales from the very beginning (2006)
of his first term.

Benefits of Bolivia’s Neosocialism

Federico Fuentes discusses benefits to Bolivian people in Bolivia Rising BlogSpot since
Morales began implementing his economic policies and argues, “nationalizing natural resources
is a crucial first step for any government seeking to put people and the environment before
profits.” Neoliberal policies on privatization of its gas industry made the Bolivian government
increasingly dependent on international loans to cover its shrinking budget which in turn created
even more dependency. Immediately after his election in 2006, Morales followed through with
one of his central election decrees by nationalizing Bolivia’s natural resources (e.g. natural gas
reserves). Bolivia’s resource nationalism met an important decades long demand of the people to
reclaim Bolivia’s huge hydrocarbon reserves from transnational corporations. When Morales
took office in 2006, transnational corporate interests were taking over 80% of the profits from
Bolivia’s natural gas reserves. He effectively reversed this trend with his nationalization decree giving Bolivia more than 80% of industry profits in the form of taxes and royalties. Fuentes describes the difference as clear, “seven years before the nationalization, from 1999 to 2005, the state received about $2 billion. The next seven years [2005-2012], the state received more than $16 billion.” Social welfare programs increased sharply as state revenues grew exponentially. Government spending on health and education grew almost fourfold between 2005 and 2012. Bolivia’s government also began “paying social security to pregnant women, families with children in primary school and pensioners. Today, 31% of Bolivians benefit from these payments.” The difference in income between Bolivia’s wealthiest 10% and poorest 10% was 128 to 1 in 2005. By 2012 this gap had been reduced significantly to 60-to-1. The redistribution of wealth has also encouraged other sectors of the Bolivian economy. Under Morales, the huge increase in the number of registered enterprises from less than 20,000 in 2005 to over 68,000 in 2012, “contributed to a 2.8% fall in unemployment (5.5% in 2010).”

In a February 2012 interview with the Mexican daily La Jornada, Bolivia’s Vice President García Linera discussed how under the leadership of Evo Morales, Bolivia was taking control of its own natural resources. Having been in the hands of transnational corporations for more than twenty years, these valuable resources are now back in the hands of the Bolivian people. According to Linera (2012):

Today the state is the main wealth generator in Bolivia. Nevertheless, wealth is not just accumulation of capital; it is redistributed throughout society through bonuses, rents, direct social benefits to the population, the freezing of utility rates and basic fuel prices, and subsidies to agricultural production. We try to prioritize wealth as use value over exchange value. In this regard, the state does not behave as a collective capitalist in the state-capitalist sense, but acts as a redistributor of collective wealth among the working classes and as a facilitator of the material, technical and associative capacities of farmer, community, and urban craft production modes. We place our hope of moving beyond capitalism in this expansion of agrarian and urban communitarianism, knowing that this is a universal task, not just that of a single country.

Much of Bolivia’s economic success is due to the government nationalizing corporations that had been privatized under neoliberal economic programs before Morales. Funds are now generated for social programs to lift mothers, children and the elderly out of grip of long term endemic poverty. Morales introduced reforms to long standing neoliberal policies through new constitutional (2009) economic restructurings. Ronn Pineo explains, “The constitution formalized a broad agenda of progressive social and economic reforms, with several new poverty reduction programs, especially conditional cash transfer initiatives; the extension of educational services; infrastructure development; assurances of indigenous rights; and a series of renationalization’s of utilities and public services. . . . The constitution denounced neoliberalism,

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48 Ibid.
49 (Fuentes 2013)
called for an active role for the state in guiding the economy, and explicitly forbade the privatization of water.”

Key to these benefits was the nationalization of Bolivia’s gas industry by Morales in 2006. Dramatic increases in hydrocarbon revenues to the state was a primary factor that allowed for economic reforms that greatly benefited the citizens of Bolivia. The UN Development Program says 1.2m people – out of a total population of 10.7m – joined the ranks of Bolivia’s middle class between 2006 and 2014. Bolivia is now in the midst of a consumer boom which is reflected in the proliferation of shopping centers across the country.

The Morales administration’s transformational changes have moved Bolivia from decades long “economic basket case” to a nation that receives acclaim from highly unlikely sources such as “World Bank and the IMF – an irony considering the country’s success is the result of the socialist administration casting off the recommendations of the IMF in the first place.” Another unlikely source of praise comes from the Centre for Economic and Policy Research (CEPR) based in Washington, DC. which published graphs showing huge gains in Bolivia’s hydrocarbon revenue, international reserves, minimum wages and large decreases in poverty (Figure A1).

The Morales tenure has for the most part been fair and beneficial to millions of Bolivians. There are, however, some items in the Bolivian government that have drawn criticism from human rights groups. In 2014, the Bolivian government reduced the legal working age to 10, a move seen by most human rights groups as exploitative. This move, however, was designed to protect “Bolivia’s 850,000 working children from the exploitation that comes with clandestine employment.” Bolivia has made great progress in the eradication of poverty but there are still thousands of citizens living on less than 75 pesos per day. Morales is working diligently to eliminate poverty from the ranks of the Bolivian population and progress is substantial.

Neosocialism or Neoextractivism?

Neosocialism seems for the most part to be a positive element in Bolivian socio-political development. Data shows average per capita income (GNI) under the Morales administration has risen from a low of $819 in 1982 to $3000 in 2015. There are, however, some negative items that have not been widely reported. Morales’ time in office saw one of the largest global spikes in prices for raw materials. To his credit, however, Morales used revenue from that boom for the construction of “airports, highways and the pride of La Paz, an Austrian-built aerial tramway system, and putting a Chinese-built satellite into space.” That boom is now over. The CBC suggests in a 2016 article, “Bolivia's revenues from natural gas and minerals, making up three-fourths of its exports, were down 32 per cent last year. Economists say Morales leaned heavily on extractive industries to pay for populist programs and failed to diversify the economy.” Additionally, there are allegations of endemic judicial corruption and freedom of the press

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52 Pino, “Progress in Bolivia,” 433.
54 Ibid.
56 Ibid.
suppressions within the Morales administration. According to an article (2016) from the CBC, “major news outlets were purchased by people friendly with the government and critical media and environmentalists complained of harassment by the state.”

Federico Fuentes discusses the implications and conditioning of solidarity within Bolivia’s indigenous working classes. He proposes the idea that “Bolivia has begun to move away from neoliberalism and extractivism.” This movement, per Fuentes, “is only possible with the continuing majority support and mobilization of Bolivia’s indigenous working classes (in and outside the state mechanism) and their capability to connect with other transnational coalitions also struggling against imperialism.”

A key component to Bolivia’s economic model (neosocialism) is the nationalization of the hydrocarbon industrial base. Under neoliberal governance, Bolivia’s state owned hydrocarbon company (YPFB) was dismantled (privatized) and required transnational labor to operate. With the renationalization of YPFB under the Morales administration, “more than 80 percent of all profits from the industry now go to the state via taxes, royalties, and other means.”

Bolivia has now assumed total control over its hydrocarbon industry and now employs thousands of indigenous workers. Hydrocarbon revenues and wages have both increased dramatically under Morales.

Fuentes contends the labeling of Bolivia as “pro-extractivist” or “neoextractivist” ignored the reality of Bolivia’s “significant advances in breaking with the extractivist framework inherited from previous governments and enforced by the existing global relationship of forces.” By the end of 2014 under the gas industrialization plan, Bolivia was exporting processed gas and was also meeting domestic demand for both gasoline and liquefied petroleum. Bolivia is taking the necessary incremental steps to break with its traditional role as a rentier state relying on the export of raw materials. This means that the hundreds of millions of dollars formerly used to subsidize processed gas imports can be reassigned to meeting Bolivia’s domestic needs. “The redistribution of revenue from higher hydrocarbon taxes and royalties to other productive sectors has aided growth in the manufacturing sector, which has outstripped that of mining or hydrocarbons.”

NeoeXtractivism has helped in many ways to relieve Bolivia’s poverty with funding of social programs (e.g. healthcare-education), however, it is the Morales administration’s neosocialist policies that allowed the movement of millions of Bolivians out of poverty and into the middle class.

Conclusions

Bolivia’s new economic model (neosocialism) was designed to rollback neoliberal economic policies by reasserting state sovereignty over the Bolivian economy and its abundant natural

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57 Ibid., 2.
59 Ibid., 109.
60 Ibid
62 Ibid.
resources. Morales has redistributed Bolivia’s wealth which has had the twofold effect of increasing domestic employment (and wages), and has significantly decreased Bolivia’s poverty rate. Additionally, the Morales administration has been promoting increased efficiency in the productive sectors of agriculture and moving away from Bolivia’s position as a primary exporter of natural resources. Bolivia has made significant progress in achieving his objectives, not by rejecting international capitalism but by incorporating capitalism within a socialist humanitarian structure. Bolivia’s venture into twenty-first century socialism has mostly followed principles of modern socialism in Latin America. For example, after being democratically elected in 2005, Morales introduced reforms to long standing neoliberal policies by redistributing significant portions of the Bolivia’s wealth to the poor and by creating a new constitution through democratic procedures. By rejecting some key elements of neoliberalism but keeping others relating to international trade, Bolivia formed a model of socialism that has enhanced domestic prosperity and increased its viability as an autonomous state within the international community. Bolivia has faced huge pressures from neoliberal organizations such as the World Bank, “the IMF, the international business community and the US government.” Nevertheless, in defiance of conservative norms that say socialism is not conducive to prosperity, Morales had created an environment favorable to Bolivia’s economic development.

US-Bolivian relations will improve to previous levels of friendly co-operation if two things transpire. First, Bolivia should continue its decrease in coca production as US appetite for illegal drug consumption is not likely to decline significantly any time soon. Secondly, the US should respect Bolivia’s economic autonomy and abandon archaic cold war fears of socialism. Bolivia’s neosocialism (a democratic structure) bears little resemblance to Soviet style cold war communism. Morales and his party (MAS) won a resounding reelection victory in October 2014. The victory gave the Morales administration another five-year term to continue its progress of the previous nine years.

Evo Morales has won three consecutive presidential elections by a large margin and has rallied huge popular support with his anti-US neoliberal rhetoric. In February 2016, Morales was narrowly defeated in a national referendum on constitutional changes to allow him to run again. The vote was the first loss for Bolivia’s first indigenous leader. A senior member of the MAS party told Andreas Schipani of the Financial Times that the party was considering several ways to enable Morales to run for reelection “including asking parliament to change some parts of the constitution, or holding another referendum.” Other possibilities consist of holding another referendum, asking the Bolivian constitutional court for a clear interpretation or having Morales step down six months prior to the end of his term to avoid completing a full term in office. There are some critics of Morales asserting he is moving toward autocracy but recent polls show that more than half of the Bolivian voting populous still support him. Many look upon Morales as the leader who “re-founded” the nation by ending over five hundred years of oppression against indigenous Bolivians.

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63 O’Hagan, “Evo Morales has proved that socialism doesn’t damage Economies,” 2.
65 Ibid., 3.
Appendix

Figure A1 – Key Indicators in Bolivia’s Economy Since 2005

Poverty has been reduced by 25%. Extreme poverty Reduced by 43%: Poverty has been on a downward trend under the Morales administration.

Bolivia’s buildup of reserves has allowed it to avoid often harmful effects of 20 years of IMF borrowing.

Hydrocarbon revenues and the minimum wage have increased dramatically under Morales.

Source: Center for Economic and Policy Research (CEPR)\(^6\)

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\(^6\) Harold Ray Taves communication with Ms. Tillie McInnis. CEPR Director of Domestic Communications. Ms. McInnis granted permission from CEPR (Figure A3) to use graphs in this Capstone project. mcinnis@cepr.net (accessed April 19, 2017).

The World Bank calculates annual “percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2010 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.”

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Figure A3 - Permission from CEPR (email) to use graphs in this Capstone project.

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**Phone conversation**

**2 messages**

Harold Taves <taves@sandiego.edu>  Wed, Apr 19, 2017 at 10:20 AM To: mcinnis@cepr.net

Hi Ms. McInnis,

Per our conversation this morning, I am asking for permission from CEPR to use graphs from "Bolivia’s Economy Under Evo in 10 Graphs" published 8 October 2014. I will be using graphs in Capstone project for University of San Diego MA International Relations.

A brief note with permission from your CEPR email would be great.

Thank you and have a great day.

Best Regards,

Harold Ray Taves

USD ID 8833101

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Tillie McInnis <mcinnis@cepr.net>  Wed, Apr 19, 2017 at 10:22 AM To: Harold Taves <taves@sandiego.edu>

Hi Harold,

You have permission from CEPR to use those graphs.

Thanks for checking.

Tillie

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Tillie McInnis
Director of Domestic Policy Communications
Center for Economic and Policy Research
202-293-5380 x117
mcinnis@cepr.net
@TillieMcInnis

[Quoted text deleted]

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68 Harold Ray Taves communication with Ms. Tillie McInnis (April 19, 2017).
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**Primary Sources**


McInnis, Tillie. CEPR Director of Domestic Communications. Ms. McInnis granted permission from CEPR (Figure A3) to use graphs in this Capstone project. mcinnis@cepr.net (accessed April 19, 2017).


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69 The Center for Economic and Policy Research (CEPR) was established in 1999 to promote democratic debate on the most important economic and social issues that affect people's lives. For citizens to effectively exercise their voices in a democracy, they should be informed about the problems and choices that they face. CEPR is committed to presenting issues in an accurate and understandable manner, so that the public is better prepared to choose among the various policy options.