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The Perverse Effects of Globalization in Bolivia

CARLOS ARZE VARGAS

The discourse of neoliberalism presents globalization as the highest stage in the development of human society, a consequence of overcoming the barriers imposed by the technical limitations of the past and by the nation-state. Among its bolder exponents, it is seen as the arrival of a new postcapitalist phase, in which previous contradictions—indeed, the existence of social classes—are superceded and in which the means of production are neither capital nor labor but are "and will be knowledge." The free market will persist over the long term "as the only proven means of economic integration" (Drucker 1993, 7).

This growing integration of national societies, especially in the financial sphere, also involves "wider cultural, political and environmental aspects." But underscoring the supposedly objective nature of this process, it is argued that this integration of financial markets "has been possible thanks to modern electronic communications" (IMF 2000). Technical innovation, especially in computing, enables a "knowledge society" to be built that leads to more-flexible productive systems and helps firms to move across national frontiers. At the same time, it facilititates the extraordinary growth of trade, even more than that of production. The liberalization of capital flows thus becomes a factor in making production more agile.

With an orientation that is normative rather than explanatory, neoliberalism emphasises the supposedly unavoidable nature of globalization, repeating the suppositions of sociological and economic theories that see development as a historical process leading to the unchallenged rule of market forces. Thus, it is "the extension of market forces beyond national frontiers which for centuries has operated at every level of human economic activity: in rural markets, urban industries or financial centres" (IMF 2000). This capacity to do away with social contradictions and differences between countries stems from the fact that the increased liberalization of flows of goods, capital, technology, and labor brings convergence in key mercantile variables, such as prices and wages, leading to the elimination of the gap between rich and poor countries and between developed and backward economies (IMF 2000).

In spite of globalization's supposedly objective, nonintentional nature, huge efforts are made to justify its virtues, and political pressure is applied to align all states behind it; these affairs reveal its ideological nature.[1] This ideology is what is known as neoliberalism. In our view, globalization is simply a euphemism designed to conceal the capitalist nature of the economic integration of our times. Not wishing to deny the scale or specific attributes of this integration, particularly those derived from technological innovation, we would argue that it is nothing more than an expression of a recurrent trait of capitalism. It is therefore a concept that refers to the diffusion of the capitalist system in the world as a whole.[2]

Although globalization has reached new heights, largely because of its ability to impose itself in large parts of the planet in the wake of the collapse of true socialism, it has not overcome the main traits of monopoly capitalism. This phase, also referred to as imperialism, is identified by the preeminence of financial over productive capital, and its main actors are corporations—whether trusts or cartels—that exert hegemony by creating a global division of labor and splitting up the international market between the main powers. Globalization can thus be considered as a phase within imperialism, whose characteristics are revealed by the importance of technological innovation and financial capital to the process of capitalist accumulation.

The emergence and consolidation of this phase of capitalist globalization dates from the crisis of the 1970s, when the world economy experienced a downturn following the expansion of the postwar years (Sotelo 2001; Arrighi 1999). As in all such crises, difficulties in capital accumulation occurred due to such economic factors as a decline in profit rates and such political factors as increased class conflict. This gave rise to increased competition, capital concentration, and financial expansion, leading, in turn, to shifts in hegemony between different capitalist sectors and the emergence of new political leaderships.

Thus, the globalization that ensued from the 1980s onward is an intentional process, driven by certain dominant capitalist sectors and geared toward restoring conditions propitious for accumulation. As Samir Amin (2001) has argued, "It means the return of hegemonic blocks that are anti-labor and anti-popular. This logic works to the exclusive benefit of dominant capital, and particularly to its more powerful segments—which are also the most globalized—financial capital. 'Financialization' thus constitutes one of the principal characteristics of the present system, both in its national and its global dimension."[3]

The ideological underpinning of this recomposition of capitalism under the aegis of financial capital is provided by the monetarist and neoclassical theories that give pride of place to questioning state capitalism and any hint of state economic intervention, in this manner reviving liberal concepts that originated in the stage of competitive capitalism.[4] Neoliberalism promotes the notion that development will be achieved inasmuch as all countries integrate into a single, global market. Therefore, any action by nation-states that counters this or seeks to reject it will condemn them to backwardness and economic marginality.[5] Consequently, the main multilateral institutions advocate a series of propositions or economic policy recommendations—based on evidence that purports to be scientific—that systematize the views of the Washington Consensus.[6] In essence, the policies advocated under neoliberalism seek to establish conditions that favor the revival of profits in the dominant sectors—transnational corporations—by undermining the sovereignty of developing nation-states. This is made possible by the resoration of hegemony on the part of those local capitalists who are most closely linked to these interests.

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We have seen, therefore, that the integration brought about by transnational corporations and driven by multilateral institutions through the imposition of neoliberal policies transcended national boundaries in developing countries and was accomplished through the presence of specific groups or fractions within local elites linked economically to those foreign interests and who supported the prevailing neoliberal discourse.

However, contrary to the idea that globalization would render the nation-state irrelevant, the state continued to fulfill its basic function of guaranteeing the reproduction of capital accumulation within a specific geographical unit.[7] The expiry of the state has not come about; rather, we have witnessed a change in some of its roles which favor (or not, as the case may be) the concentration of capital. One model of peripheral accumulation has been replaced by another, and one fraction of the dominant class running the state by a different one.[8]

The crisis of the early 1980s, which brought an end to the import-substitutive regime introduced in 1952, opened the way to a new sort of government which sought to restructure the way in which capitalism operated in order to revive a state that had been threatened by enormous social conflict. Those capitalist sectors which had been nurtured during the nationalist phase and had been supported by state policies designed to generate a national bourgeoise were the ones who led the attack that would impose the new neoliberal model. The coalition of these sectors, composed basically of businesspeople with interests in mining and commerce, as well as large-scale landowners and represented by the Movimiento Nacionalista Revolucionaria (MNR) and Acción Democratica Nacionalista (ADN), gave rise to what Lorgio Orellana (2006) has called "a regime of neoliberal accumulation." This New Economic Policy was initiated during "a cycle when class struggle was in decline, beginning with the conjunctural defeat of the working class in 1986" and entailed "a new correlation of forces which the financial oligarchy in power would support both ideologically and institutionally" (p. 17).

This new accumulation regime pursued policies to enable these fractions of capital to consolidate their hegemony. To this end, it was necessary to channel social contradictions within the legal order; this meant legitimizing the power of specific groups by a combination of incentives and coercion. Beginning in 1985, an attempt was made to impress on society as a whole the notion that economic freedom and political freedom were one and the same. The strengthening of the political system would legitimize economic power wielded by foreign capital and groups within the national bourgeoisie, thereby eliminating restrictions on market freedom. Political reforms sought to modify the juridical system and the institutionality of the state, removing the last vestiges of state capitalism.[9]

The relative stability of the political system, which some liberal analysts saw as a virtue of Bolivian democracy and a sign of strength, was achieved thanks to a series of governability pacts between the three main parties: the MNR, ADN, and the Movimiento de la Izquierda Revolucionaria (MIR). Built on the distribution of jobs in the public administration and acquiescence in acts of corruption among the parties involved, such pacts led to the formation of five successive governments between 1985 and 2002. However, in the longer run, they had the effect of bringing the political system into disrepute.

The neoliberal creed, written into structural adjustment programs, attacked state capitalism from all sides, seeking to create in its place the conditions that would enable the free-market economy to prosper and foreign investment to become dominant. For transnational capital to assume such dominance, neoliberal policies sought to get rid of the preexisting institutionality. They modified the way in which macroeconomic policies were designed and implemented and reformed the legal norms that governed different productive sectors.

Macroeconomic Management

Neoliberal macroeconomic policy sought to reduce state participation in the productive sphere, limiting its role to one of supervising and regulating private activity within the free-market economy. Structural adjustment involved the liberalization of different markets, although certain economic sectors continued to enjoy special treatment designed to promote foreign investment and export activities.

In the foreign-exchange market, a system of administered exchange rates was instituted by the central bank based on the availability of foreign currency. This sought to encourage competition between export sectors and to end distortions to internal prices by aligning these with international ones.

By the same token, restrictions on foreign trade were removed, with tariffs reduced drastically and nontariff barriers removed altogether. The argument here was that such policies would help modernize the capital stock and improve access to productive inputs. However, some sectors linked to agribusiness—with good political connections—obtained special treatment that protected them for a while from more competitive imports. Under the supposition that foreign investment would impact positively on innovation and technological modernization, management capacities, and marketing, measures were taken to encourage these through taxation, profit repatriation, and the lifting of tax restrictions on exploiting natural resources (Aguirre 1992).

The adjustment program imposed orthodoxy in fiscal and monetary management, under the argument that inflation was derived essentially from a lack of control over the money supply, itself a consequence of uncontrolled public spending and rising wages. New criteria for fiscal efficiency were therefore introduced that meshed with the monetary program administered by a fully autonomous central bank. This eliminated any possibility of providing credit to the treasury, the argument being that state intervention in the money markets reduced private-sector access to these resources, thereby reducing the efficiency of the system. Fiscal policy therefore made achievement of a balanced budget a priority. To this end, reforms were introduced to cut public spending drastically, primarily by liquidating and privatizing public companies, and generating "real" increases in income through higher taxes and a wider tax net.

However, the loss of sources of public-sector income as a result of the privatization of state industries, and the high costs this policy incurred, led to permanent problems of insolvency, further fuelling government concerns over how to finance the fiscal deficit. Current spending was thus cut back (and with it a tendency slowly to privatize public services) and tough tax reforms instituted that prioritized raising taxes on consumption. Whereas prior to the adjustment direct taxation (taxes on income and corporate profits) accounted for 69 percent of average tax revenues, from the late 1980s to date 75 percent of fiscal income has derived from taxes on consumption—which fall hardest on those living from labor income. Successive governments over this period reduced taxation on business profits, frequently providing companies with tax exonerations and amnesties.

The privatization of public companies—which took the form of "capitalization"—involved the transfer of state assets and control over the country's economic surplus to foreign capital. Furthermore, it brought no new fiscal income to the state, since it involved a sui generis type of association between the state and foreign companies. An amount similar to the value of the original capital was invested by foreign investors in exchange for a 51 percent share of the industries and control over their management. The value of the initial capital, in the form of shares, passed to pension fund administrators (Administradoras de Fondos de Pensiones, AFPs) as representatives of the Bolivian citizenry.[10]

Privatization further accentuated the duality of the national economy. On the one hand, there was an economy based on the domestic market in which Bolivian producers were in the majority. These were medium-sized and informal businesses, with low levels of productivity, unsophisticated technology, and large labor inputs who produced low-cost products for poor consumers. On the other hand, there was an economy composed of large firms who enjoyed monopolistic regimes protected by the state, who operated with high levels of productivity using the latest technology in order to supply foreign markets; these had with few linkages to the rest of the economy and a low demand for labor. This duality is made clear in the huge differences of productivity between the two sectors. Productivity in agriculture, manufacturing, and construction was, at the most, less than one quarter of that of mining, electrical energy, and banking (Arze 2001). It is here, of course, that hydrocarbons take on a special significance as an extreme example of enclaves in an otherwise backward economy.

National industry, already very weak and propped up by protectionist policies, after 1985 was faced with overwhelming competition from abroad, the supposition being that the trade opening would engender its transformation through the introduction of capital and technology. Twenty years later, Bolivian industry had not matched up to these expectations. Not only was its backwardness still in evidence, but it was more pronounced than before. Bolivian industry contributed barely 17 percent of GDP, and its share in exports was barely 15 percent, concentrated in the production of consumer goods (60 percent manufactured value-added goods, 37 percent intermediate goods, and 2 percent capital goods). Moreover, this low level of productivity was related to a growing participation by small businesses (less than ten employees) and microbusinesses, which made up 95 percent of the business universe and accounted for 49.5 percent of employment. On top of this, state companies, which amounted to 3 percent of total employment at the end of the 1980s, had disappeared; private businesses, which represented 36 percent of the total, were reduced to 26 percent by the end of the 1990s, and informal businesses had increased as a proportion from 61 percent at the end of the 1980s to 73 percent at the end of the 1990s (Escóbar and Montero 2003).

Faced by this declining competitiveness, the main option for a range of Bolivian manufacturing firms was to reduce their labor costs. This provided a spurious kind of competitiveness that brought huge social costs but which failed to bring technological modernization due to the lack of available investments. In the case of agriculture, the main source of supply for the domestic market and a source of employment for a significant portion of the population, trade liberalization brought virtual collapse in various types of production (for example, chile pepper, corn, and potatoes). This was mirrored by reduced local supply and substitution by imports (Pérez 2003). On top of this, Bolivia suffered constant pressure from the United States to eradicate coca cultivation, bringing major losses in economic resources and the elimination of jobs.[11] This gradual but sustained erosion in the productive capacities of peasant agriculture has led to the displacement of population (particularly in the Altiplano) through migration to urban areas and abroad.[12] According to the census data, the rural population shrank from 58 percent of the population in 1976 to 42 percent in 1992 and just 37 percent in 2001. This reflects the explosive rate of urbanization that has taken place in Bolivia.

Sectoral Reform

The sectoral reforms that have taken place, related mainly to the exploitation of natural resources, have facilitated the incursion of transnational companies in conditions conducive to high levels of profitability. A system for managing natural resources was construed that raised the capital values of transnational corporations. This led to the state being excluded from productive activities and to a weakening of its oversight functions. It also led to a fall in state income and negative effects on working conditions and living standards among important sectors of the population. Policy gave priority instead to foreign investment to develop extractive industries and transfer ownership of natural resources to these through contracts and concessions, with companies provided with guarantees and the means to generate large profits.

In 1990, an investment law was approved that favored foreign capital and removed privileges previously enjoyed by the public sector and local private firms. It provided for the free repatriation of proft and subordinated state sovereignty by transferring all negotiation of disputes to international forums. During the first half of the 1990s, new normative rules were introduced that privileged private capital investment (both national and foreign) in strategic areas such as forestry, mining, and hydrocarbons. The priority for the state was to attract and protect private investment in the exploitation and marketing of natural resources through the 1995 Forestry Law (Law 1700), the 1996 General Hydrocarbons Law (Ley General de Hidrocarburos), and the 1997 Mining Code (Código Minero).

In forestry, the passage of Law 1700 brought important changes. The period of concessions was extended from twenty to forty years, and the legislation included the possibility of the transfer of such rights to third parties, thereby speeding up the effective privatization of forestry resources. Similarly, it introduced a patent (a tax that serves as a means to control the exploitation of natural resources) of US$1 per hectare in lieu of payment for the right to clear forest on the basis of the volume of timber and secondary products removed (Pavez and Bojanic 1998).

The mining sector was the first to undergo neoliberal reforms. In order to change the legal norms (included the constitution) which prevented mining reserves being given over as property to private companies, in 1985, through Supreme Decree 21298, restrictions were lifted on 80 percent of the reserves that belonged to the Corporación Minera de Bolivia (Comibol), the state mining corporation, opening these up the private sector. Constitutional controls were further eased by means of shared-risk contracts, which removed, for example, the prohibition against foreigners owning properties lying within 50 kilometers of the frontier. The restrictions that previously obliged mining companies to sell to state-owned smelters were also eased. Subsequent changes ended up transferring all state assets to private ownership. Comibol ended up just signing contracts, effectively excluded from productive activities.

Reforms to mining taxation also brought changes that benefited private companies. The Complemetary Mining Tax (Impuesto Complementario Minero, ICM) was established as the only tax, with a variable rate of between 1 percent and 7 percent depending on the type of metal, which could be set off against Corporate Profits Tax (Impuesto a las Utilidades de las Empresas, IUE). Additionally, export products were made exempt from the Transactions Tax (Impuesto a las Transacciones, IT). This effectively ended the system of royalties payable on state property, while quicker monetization of reserves was promoted with the devolution of taxes on exports. The main result of this was that tax paid to the national state by mining companies became insignificant—some 4 percent of the value of sales—as well as the contributions payable to the departments where production took place.[13]

But it was in the hydrocarbons sector that the changes became a paradigm of neoliberal reform in extractive industries. The 1996 Hydrocarbons Law and other legal norms were geared toward granting transnational corporations the power to define their usage of resources and to set the rules of the game in the sector, depriving the state of sovereignty thereby. Law 1689 transferred to the oil and gas companies the right of free disposal of hydrocarbons under their own conditions—not necessarily those which were of benefit to the state or the country. The role of the state was reduced to a bare minimum, with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) becoming little more than an office that signed contracts and undertook to provide free services under the new export contracts. Regulation was put in the hands of the Superintendency of Hydrocarbons, with no authority over the firms and its functions limited to simply setting prices and tariffs within a free market.

To attract foreign capital, the new rules involved major changes in taxation. Although firms were subject to the payment of a Value-Added Tax (Impuesto al Valor Agregado, IVA), the IT, and the IUE, they did receive special tax concessions. These included exemption from IVA on all exports, exemption from IT on domestic sales of oil and natural gas, and the ability to set the IUE off against the Complementary National Royalty (Regalía Nacional Complementaria). More important, the rules introduced a new definition of hydrocarbons: hydrocarbons in existence on the date of the promulgation of the new law and "new" hydrocarbons from reserves where production began after that date. Subsequently, Law 1731 converted much of what had been considered existing hydrocarbons into new hydrocarbons.[14]

Thus, the payment of tax under the new regime was less, in unit terms, than it had been under the old one. Between 1990 and 1996, the state received US$7.77 per barrel of oil equivalent (BOE), compared with US$6.63 in the 1997–2001 period (Medinaceli 2004). This supports the contention that the main aim of the reform was to guarantee the quicker monetization of reserves through exports. The benefits to the state and domestic consumers from the increase in gas and oil output were effectively ignored as an objective of national policy by successive governments.

In September 1996, a contract was signed with Brazil to export 7.9 trillion cubic feet of gas over a twenty-year period and to build a pipeline linking Rio Grande, Corumbá, São Paulo, and Porto Alegre with a capacity to pump 30 million cubic meters a day. The volumes contemplated in the contract exceeded Bolivia's proven reserves, which were less than 5 trillion cubic feet at the time. The obligation to comply with the contract—which carried with it fines and penalties for noncompliance—therefore involved investment in exploration and development. This was subsequently presented by officials of the Sánchez de Lozada government (1993–1997) as the reason why such advantageous terms were offered to foreign investors (Miranda 2003).

The fixing of the price of gas exported also revealed the intention to favor Petrobras.[15] The calculations used in the negotiations gave a higher calorific value to the gas, and for this reason Bolivia found itself obliged to include in the flows of gas exported all the accompanying liquids, receiving a lower price for its main component, methane. For this reason, the exceptional quality of Bolivian gas sold as fuel enabled Brazil to obtain additionally between 90 and 100 tons a day of Liquid Petroleum Gas (LPG) and between 10 and 15 tons a day of gasoline at less-than-commercial prices (Miranda 2003). It is noteworthy that the prices obtained by the companies bore little relation to the very low costs, lower than those in many other countries. Thus, the estimated costs of Andina and Chaco, foreign oil- and gas-producing companies, were 73 percent and 74 percent less, respectively, than the average of twenty other international firms, exploration costs 96 percent and 46 percent lower, and administrative costs 45 percent and 59 percent lower (DPC 2003).

We therefore argue that the incursion of foreign investment into Bolivia came about because of the unusually favorable conditions in which state assets were transferred (in the case of the five largest companies "capitalized"), to the existence of enormous reserves (discovered previously by the state company), and (in the case of gas) to an assured market in Brazil previously negotiated by the state. Moreover, the supposed benefits brought by technological modernization, productivity, and improved management were only very limited, given the lack of linkages between these sectors and the rest of the economy. The consequence has been the existence of a modern sector geared toward exports and services alongside a wide range of technologically backward sectors lacking any help whatsoever from the state (see also chapter 11 in this volume). For many of those supplying the domestic market, trade liberalization and free-market policies have forced them into a spurious competitiveness based on reducing labor costs and eroding levels of job security.

Exploitation of Labor

Raising profitability involves increasing rates of surplus value by resorting to reducing the portion of value that corresponds to wage payments. This is achieved by various methods, such as intensifying work, extending the working day, and reducing wages paid (absolute surplus value), or by reducing the value of labor by raising the productive force in those economic sectors that provide goods consumed by the workers (or relative surplus value).

In Bolivia, adjustment policies were geared toward directly influencing levels of exploitation of the workforce by eliminating legislation that protected labor. These policies had the effect of increasing the numbers of people unemployed, making it easier to reduce wages through competition for employment from the informal sector. The increase in surplus value achieved by raising productivity in sectors that produce wage goods (goods consumed by workers) did not take place, given the scant incorporation of technological innovation. Instead of modernizing, firms adapted new forms of organizing the workforce (such as family workshops) employing traditional and even obsolete technical conditions. Use was made, for example, of "defensive strategies" (Gutierrez 1990) that raised the exploitation of the laborforce by using such organizational devices as involving workers in oversight, outsourcing of some of the costs incurred in different parts of the productive process, and buying in ancillary services. Similarly, the burden on the peasant economy was accentuated by unequal patterns of commercial exchange, with more use being made of informal-type arrangements within firms to lower labor costs.

Such strategies, backed by successive governments, encountered resistance from organized labor, leading, in turn, to coercion. Union leaders were deported, activists imprisoned, and, more generally, social protest was criminalized. This shows how economic liberalization, geared toward globalization, takes place within the framework of class struggle.

To understand the effects of such policies on the exploitation of labor, it is helpful to see how working conditions became increasingly precarious. The working day became longer over the period of adjustment, enabling employers to produce more surplus value. Average working hours increased by a couple of hours per day, with blue-collar workers most affected. The average hours worked per week were 49.6 in 1989, rising to 50 in 2000 (Montero 2003). The working day was also affected by the use of double shifts or by other secondary jobs which workers undertook to make ends meet.

The reduction of wages came about because of the elimination of elements within the nominal wage that supplemented it with the passage of time and protected its purchasing power. In August 1985, the whole gamut of labor costs was "reorganized" by reducing certain bonuses awarded for the number of years worked, as well as payments intended to cover specific items of spending that had been included in the monthly wage. The way they were calculated also changed. In the case of the bonus for years worked (a way of raising the nominal wage), the maximum level (payable after twenty years of employment) was reduced from 65 percent to 50 percent of the nominal monthly wage. For the purposes of calculation, the effective monthly wage was replaced as a base by the (lower) minimum national wage. Finally, the frequency with which part of the salary was adjusted was moved from yearly to triennieally; in a context of high levels of casual labor, this was a right that became ever more difficult to defend. The consolidation of bonuses on the basis of the minimum wage meant a substantial reduction in costs to the employer, who from then on was able to negotiate wage contracts on the basis of a lower amount (Arze 1999). Subsequently, governments adopted a mechanism for updating the nominal salary on the basis of an addition related to "expected inflation." In times of high inflation, this meant that real wages fell. This can be appreciated from the purchasing power required to buy a basket of basic food: in mid-1990, the average worker's wage was equivalent to 87 percent of the value of the basket, with more than 70 percent of workers in manufacturing receiving a wage lower than what it cost to purchase (Arze 2001).

Another way to reduce wages was to make increased use of short-term work contracts. These dodged various costs and reduced social benefits tied to the monetary wage. The spread of short-term labor contracts was rapid when compared with the period prior to adjustment. In the mid-1990s, a quarter of all contracts were short term, whereas previously labor stability rules were covered by official protection. Also, increased use came to be made of part-time and shorter shifts, affecting all sectors, including the public sector.

A key indicator for evaluating working conditions is the access workers have to some sort of social security, including health care and pensions. Access to health care underwent a sharp deterioration over this period. At the end of the 1980s, nearly half of all waged workers had access to health services, whereas by the mid-1990s this had fallen to less than 30 percent. The old pension system was scrapped, replaced by new system of private, AFP-administered pensions that excluded large numbers who previously enjoyed pension rights. It also made future pension entitlements much more subject to risk. The pensionable age was raised from 55 to 65, and the number of years that needed to be worked to claim a pension was increased. The worker's contribution was also augmented, while that of the employer was reduced by two-thirds, and the contribution previously made by the state was eliminated. Net wages were therefore reduced.[16]

Finally, the reforms made it easier for employers to avoid other labor costs (officially known as "social benefits," or *beneficios sociales*), because the oversight role previously played by the state was reduced. According to the legislation in force, wage workers should receive a number of collateral benefits, such as the *aguinaldo* (extra months' pay at certain times of the year), a premium for profits, production bonuses, and so on. At the end of the 1980s, a little more than one-third of wage workers did not receive any of these benefits, a situation that worsened in the 1990s, when the rate of those not receiving them reached 50 percent.

The sustained growth in the rate of unemployment has been the main factor containing wages and reducing their value. This is because competition between workers for jobs has become more acute, depressing wage levels. This is particularly the case for the least-skilled workers. The unemployment rate rose considerably after the stabilization measures, reaching an unprecedented 10 percent of the economically active population. Subsequently, by the mid-1990s, unemployment had fallen to around 3.5 percent, but it rose again to 10 percent by the end of the decade. Open unemployment rates, however, do not reflect the gravity of the problem, concealed as it is by high levels of underemployment in all sectors (where hours worked are more than the norm or income generated lower). Nearly 60 percent of a Bolivian workers are underemployed, a consequence of the absence of mechanisms to protect workers against unemployment and the persistence of very low wages forcing them to sell their labor at below its real value.

As in the rest of Latin America, neoliberal policies have inflated the size of the informal sector.[17] This fact is especially important in understanding the ways in which labor is exploited by capital. The linkages between informal units of production and the capitalist business sector, through such mechanisms as subcontracting and microcredit, enable surplus value to be extracted from the workforce in the backward sectors of the mercantile economy by financial and industrial capital. A number of studies carried out throughout the neoliberal period show how extensive this has been in different sectors, including various export sectors (Kruse 2000; Escóbar 2000; Poveda and Rossel 2003).

We can see, therefore, that adjustment policies have worked against the needs of the domestic economy and have increasingly eroded the living standards of the workforce.[18] This is made clear by the failure to increase the efficiency of the system, since the few positive examples of increased productivity stand in contrast to the enormous bulk of activities where productivity is very low but which provide most employment. These transformations resulted in higher rates of poverty and social inequality. Just by way of illustration, it is worth mentioning that 64.3 percent of the total population lives beneath the official poverty line (53.5 percent in urban and 82 percent in rural areas), compared to 62.6 percent in 1999. Similarly, inequality in income distribution worsened; in 1992 the richest 20 percent accounted for 55.8 percent of total labor income and the poorest 20 percent for 4.15 percent, whereas in 2001 the figures were 57.9 percent and 3.15 percent, respectively (Arze 2004).

The consolidation of a new regime of accumulation, led by those factions of the dominant class most closely linked to the dominant sector of international capital (transnational corporations) was made possible thanks to the temporary prostration of social movements. The country's rulers raised hopes of improvements in economic conditions and through popular measures such as municipalization, the extension of health services, and subsidies like the Bonosol. Also important was the achievement of a consensus in intellectual and academic circles, encouraged by the number of benefits that such sectors received from government. Their apologetic discourse focused on macroeconomic indicators—notably growth, inflation, and monetary reserves—as evidence of economic and social development.

However, the methods used to strengthen the presence of transnational capital not only failed to modify the dynamic and direction of economic growth (the behavior of GDP growth rates was irregular and never reached the levels achieved in the 1970s), but also ended up confirming the orientation in the pattern of capitalist accumulation that had been in force for decades. Strictly speaking, what neoliberalism achieved was to restore the domination of sections of the oligarchy which, economically and ideologically, subscribe to the notion that the country's only development option is to align itself to international capital, dedicated to the exploitation of raw materials and those industries requiring cheap labor, orienting them toward international markets.

As Orellana has pointed out, "the restoration of the oligarchy is evidence of the historical mode of capitalist development in Bolivia; in other words, the pattern of accumulation did not change substantially. If we start from the supposition that a pattern of accumulation is determined by the forms of subordination of the local economy to monopoly capitalism, the internal articulation between different economic sectors of social production and the specificities of the reproduction of capital which those relations determine, . . . we can conclude that in Bolivia the pattern based on the production and export of raw materials was in no way transformed" (Orellana 2006).

Throughout its history, Bolivia has had an economy dominated by sectors involved in the extraction of natural resources: silver in the nineteenth century, rubber in the first half of the twentieth century, and tin in the second half. This linkage with the international economy has brought about only a limited diffusion of capitalist relations in the rest of the economy. This has given rise to an economy that is unequal and mixed, where automated systems of production in mining and hydrocarbons coexist with traditional peasant forms of production that use the most decrepit of technology. The attempt at capitalist modernization undertaken by the nationalist regimes that emerged from the 1952 revolution ended up being frustrated by the incapacity of these to transcend that ideology. It was also, basically, because the global situation was dominated not by competitive capitalism, but by monopoly capitalism—which focused its pattern of accumulation not on the development of production but principally on the export of capital and the capture of rents.

The fate of the country to which the dominant classes have condemned it was reflected by that ideologue of the nineteenth-century mine owners, Mariano Baptista: "Bolivia should be, in the general market, a producer of raw materials, and minerals in particular. Its main contribution will be, for many years to come, the supply of metals. Its ongoing demand will be for manufactured goods, and its material progress will depend on this exchange. . . . To look for foreign capital, to knock at the doors of foreign banks, to bring in foreign interests to our main areas of production . . . , this is the key to national wealth: this is the desideratum of our situation" (quoted in Lora 1967).