



The Effects of Neoliberalism and U.S. Hegemony in Bolivia
Les effets du néolibéralisme et de l'hégémonie américaine en Bolivie

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Abstract: This paper examines neoliberalism and its effect on the Latin American region with a focus on Bolivia. It examines the United States of America's role as a dominant hegemon who through neoliberalism and its economic instruments such as Structural Adjustment Programs has continued to reinforce the economic, social and political structures that contribute to the growing inequality in the country. Through the use of international financial institutions, which are heavily influenced by the U.S., neoliberal reforms were implemented and a process of deregulation, privatization and opening of markets began to be put in place. As the living standards of the most marginalized communities of Bolivia continued to worsen, the dominant hegemon's power strengthened. The democratic election of Evo Morales in 2006 after successfully campaigning against neoliberalism offers evidence that Bolivia is on track to breaking free of U.S. hegemony. The lives of the most marginalized communities in Bolivia are improving as the process of reversing the effects of neoliberalism are taking place and as a search for an alternative model to neoliberalism continues.

Résumé: Cet article examine le néolibéralisme et ses effets sur l'Amérique latine, notamment en Bolivie. Il explore le rôle des États-Unis d'Amérique comme puissance hégémonique dominante qui, par le néolibéralisme et ses instruments économiques tels que les Programmes d'Ajustement Structurel, a continué à renforcer les structures économiques, sociales et politiques qui contribuent à l'inégalité croissante dans le pays. Grâce à l'utilisation des institutions financières internationales, qui sont fortement influencées par les États-Unis, les réformes néolibérales ont été mis en œuvre et un processus de déréglementation, de privatisation et d'ouverture des marchés ont commencé à être mis en place. Alors que le niveau de vie des communautés les plus marginalisées de Bolivie continuaient de se dégrader, la puissance de l'hégémon continuaient de se renforcer. L'élection démocratique d'Evo Morales en 2006, après une campagne réussie contre le néolibéralisme, est une preuve que la Bolivie est en bonne voie pour se libérer de l'hégémonie américaine. Les conditions de vie des communautés les plus marginalisées de Bolivie s'améliorent à mesure que le processus d'inversement des effets du néolibéralisme est en cours et que la recherche d'un modèle alternatif au néolibéralisme continue.



Bolivia has experienced a shift to the left culminating in the democratic election of Evo Morales, the first Indigenous president in the country's history. Traditionally dominated by western powers, Bolivia's trajectory towards democracy has not been an easy one, impeded by foreign, rather than domestic, obstacles. In 2006, Bolivia was finally successful in breaking free of the hegemonic hold that the United States of America had on them. By first exploring the role of the U.S. as a hegemon in the Latin American region, then turning to look at neoliberalism as a hegemonic economic model and finally, by focusing on the relationship between neoliberalism and international financial institutions and their effects in Bolivia, I will to show that neoliberalism has been an economic model used to reinforce U.S. hegemony in Bolivia through programs implemented by international financial institutions.

Bolivia's history since its encounter with colonizing powers is not unique in Latin America; it is one of continuous social, political and economic exclusion unleashed on marginalized members of the region. Colonial and imperial powers' constant tampering with Bolivia's domestic affairs have also had severe consequences for the most marginalized communities in Bolivia, which make up the overwhelming majority of the population.

As Paul Drake states in his study of neoliberalism in Latin America, "from the waning years of the Cold War through the dawn of the new millennium, U.S. hegemony in Latin America reached unparalleled heights."¹ It is evident that the United States has had a strong presence in Latin America, and much like a relay race, the baton of

¹ Paul W. Drake, "The Hegemony of U.S. Economic Doctrines in Latin America," in *Latin America After Neoliberalism*, ed. Leo Panitch, Colin Leys. (London: Merlin Press, 2007), 32.



dominance has been passed from Spain to the U.S. and even at times shared and interchanged with other dominant states since the encounter over 500 years ago.

Although the U.S. and Latin America share regional proximity, their respective economic, social and political situations are drastically different. President Barack Obama is not the first U.S. president to refer to Latin America, as “our backyard,” not so subtly highlighting his opinion of the Latin American region. An argument can be made regarding America’s unwavering interest in developing a close relationship with Latin America, geopolitics being an obvious motivation, but one does not have to look very hard to find a clear distinction between the U.S.’ relationship with its neighbour to the north, Canada. The former is not a relationship founded, nor based, on mutually beneficial arrangements, thus the balance of economic and political advantages tips heavily on the side of the U.S.

The concept of hegemony is useful to examine the U.S. dominance exerted over Latin American countries. “The hegemon has waged this war of ideas to establish, regulate, and maintain a stable and open international economic order commensurate with its policies and interests.”² In other words, the U.S. establishes the rules of the game and Latin American countries accept, implement and obey the rules set forth by the hegemon.

Moving away from more obvious aggressive and coercive tactics previously used to impose their economic and political interests as they did in the 1960s-1970s in many Latin American countries, the U.S. chose to turn to the more subtle tactics of international institutions and their economic instruments. Consent is achieved through

² Ibid., 26-27.



what Drake calls “transmitters of doctrine,”³ institutions and actors that transmit U.S. and neoliberal hegemony. Included among them are government institutions (U.S. Federal Reserve, the Agency for International Development, the Treasury, and even the presidency), international institutions (IMF, the World Bank, the Inter American Development Bank, GATT), private institutions (U.S. and Latin American business leaders, foreign investors), and an international “epistemic community” of economists.

Benjamin Kohl, who has studied Bolivia extensively, explains the unequal relationship created by structural adjustment programs (SAP), as one of the many projects devised and implemented to maintain dominance over developing countries.⁴ These programs include a set of policies that a developing country must abide by in order to receive a loan or varying types of financial aid. These conditions promote an opening of markets, privatization and deregulation, and if followed properly are presumed to boost economic growth.

These types of projects are recommended and enforced by the Bretton Woods institutions. It is important to note that the International Monetary Fund and the World Bank, both Bretton Woods institutions, were and still are heavily influenced by the U.S., and are used to establish its hegemony on the region.⁵

Latin American elites and political leaders did not have much choice but to accept strict conditions that came with these structural adjustment programs. Acceptance seemed an absolute requirement with the implementation and enforcement of conditions set forth if developing nations wanted to have a chance to participate in the new global

³ Ibid., 28.

⁴ Benjamin H. Kohl, *Impasse in Bolivia: Neoliberal Hegemony and Popular Resistance* (New York: Zed Books, 2006), 20.

⁵ Drake, “The Hegemony of U.S. Economic Doctrines in Latin America,” 41.



economy. Thus, neoliberalism spread out through Latin America like wild fire and the hegemon succeeded once again in furthering their interests in the region.⁶

Once developing nation's implemented neoliberalism and SAPs, a cycle of dependency began. These programs directly target a country's economic and social structures, and force them to open their markets to the global economy and begin to work in tandem with world standards largely set by the U.S.⁷

As Kohl explains, neoliberalism creates division among classes and is an extension of capitalism which marginalizes vulnerable classes of society. "The decline of government's ability to subsidize basic services is one of neoliberalism's universal outcomes and represents one of its principal hidden costs, contributing to increasing the divide between the rich and poor".⁸

This inequality is a consequence of the economic globalization promoted in the region through neoliberalism. The usual suspects that accompanied SAPs and neoliberal reforms were, "...the selling of state-owned enterprises, the reduction of state spending in the public sector, the active courting of foreign investment, and the aggressive exploitation of untapped primary resources."⁹

In fact, exploited natural resources were a central issue in the rise against neoliberalism and the transformation Bolivia has gone through since 2006. The Indigenous-peasant and popular movements gained momentum throughout the

⁶ Kohl, *Impasse in Bolivia*, 20.

⁷ Drake, "The Hegemony of U.S. Economic Doctrines in Latin America," 36.

⁸ Lourdes Beneria, *Gender, Development, and Globalization: Economics as if All People Mattered* (New York: Routledge, 2003); Jacques B. Gelinias, *Juggernaut Politics: Understanding Predatory Globalization* (New York: Zed Books, 2003).

⁹ John Chasteen, "Problems in modern latin american history :Sources and interpretations: Completely revised and updated" in John Charles Chasteen and James A. Wood, eds. *Latin American Silhouettes* (Wilmington, Del: SR Books, 2004), 302.



neoliberal era largely due to growing discontent with neoliberalism and its detrimental effects on the most vulnerable communities.

In 1997, the World Bank, offered Bolivia \$600 million in debt relief on the condition they privatize water in Cochabamba. Then President, Sanchez de Lozada accepted the offer and abided by the condition. As a result, Aguas del Tunari-Becthel, the company that bought the rights, raised the price of water to ridiculously high amounts, “[under the neoliberal model] resources such as water are no longer conceived of as public goods that individuals have rights to as citizens, but rather as scarce commodities whose access for consumers is mediated by the market.”¹⁰ In the year 2000, the Indigenous-peasant and popular movements converged and waged a mass protest against the privatization of water.

The diversity of movements that collectively stood together in “la guerra del agua” (the water wars) included a wide set of social movements, the largest being the Indigenous-peasant movement. The mass mobilization resulted in a victory for social movements in Bolivia, as the private company “Aguas de Tunari-Bechtel” was thrown out and the sale, and distribution and consumption of water were turned over to a collective, self-managed enterprise.”¹¹

This victory set the stage for another collective stance that took place three years later, “la guerra del gas,” (the gas wars), when the same movements rose against the privatization of another natural resource, gas. As Perreault explains, “the Guerra del

¹⁰ Tom Perreault, “Popular Protest and Unpopular Policies: State Restructuring, Resource Conflict, and Social Justice in Bolivia,” in David V. Carruthers, ed. *Environmental justice in Latin America* (Boston: Massachusetts Institute of Technology, 2008), 24.

¹¹ Forrest Hylton and Sinclair Thomson, *Revolutionary Horizons: Past and Present in Bolivian Politics* (; New York: Verso, 2007), 104.



Gas must be viewed against the historical backdrop of Bolivia's colonial past and neocolonial present, with their systemic processes of rapacious resource exploitation, social exclusion, and impoverishment."¹² The movements rose in response to the harsh consequences brought on by neoliberalism and its direct effects on the population.

Neoliberalism provides the conditions for social movements to respond to the inequalities it creates. "The most powerful of these movements were organized within and on the basis of Indigenous communities that understood capitalism as imperialism and an uninterrupted process of more than 500 years of exploitation, oppression, and genocidal subjection in the face of their proud resistance."¹³

Bolivia's Indigenous peoples have suffered the legacies of the neoliberal model and have converged with other popular movements in Bolivia to say enough is enough and fight to reclaim natural resources as 'national' resources.

Morales and the MAS (Movement towards Socialism) won its first election campaigning with a very strong anti-neoliberal message. They have continued with their initial intent to make structural changes in the state and economy and continue to experiment with an alternative model to neoliberalism and construct a better future for all.

Bolivians showed their unwavering support at the ballot box in December 2009, "Evo Morales obtained 64.4 percent of the popular vote - nearly 40% percent more than his main challenger. His party won two-thirds of the seats in Congress, which ensured

¹² Perreault, "Popular Protest and Unpopular Policies," 247.

¹³ James F. Petras and Henry Veltmeyer, *Social Movements in Latin America: Neoliberalism and Popular Resistance*. (New York: Palgrave Macmillan, 2011), 22-23.



him absolute majority.”¹⁴ The majority of the population still lives under conditions of poverty and yet they have put their faith back in Morales and the MAS.

The changes have been significant and relevant to daily life, especially those of Indigenous peoples. “Aside from the obvious change of the presence of campesinos and Indigenous people in government, new aspirations appear on the horizons, the possibility of living well and occupying spaces previously banned to them. For the first time in history, Indians can walk through parts of the cities they had previously been forbidden to enter.”¹⁵

In conclusion, Bolivia’s levels of poverty, illiteracy and infant mortality are a few indicators that show neoliberalism has failed to improve the lives of the most vulnerable and marginalized portion of the population. Instead through its implementation, it had widened the inequality gap between the rich and the poor. As Kohl explains, neoliberal theorists argue that only by reducing the reach of the government and transferring the responsibility for the economy to the private sector is it possible to maximize economic growth. Thus, neoliberalism continues to be implemented and reconstituted in states worldwide, and the international financial institutions continue to transmit neoliberalism and its hegemony through their programs.

Since the democratic election of Evo Morales in 2006, Bolivia has made a progressive shift towards Socialism and implemented changes that have contributed significantly to the social, political and economic inclusion of previously excluded populations. Previously marginalized voices in Bolivia have become political activists

¹⁴ Martín Sivak, *Evo Morales: The Extraordinary Rise of the First Indigenous President of Bolivia* (New York: Palgrave Macmillan, 2011), 219.

¹⁵ *Ibid.*, 227.



and in this role are creating a democratic revolution in search of an alternative model to capitalism. This revolutionary shift is attributed to the alliances made between the Indigenous-peasant and popular movements and their stand against neoliberalism and U.S. hegemony.