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WILL BOLIVIA BE ABLE TO REMAIN AS AN EMBLEMATIC EXAMPLE OF DEMOCRATIC SOCIALISM?

Ariel Bernardo Ibañez-Choque

Ibañez-Choque, A. B. (2025). Will Bolivia be able to remain as an emblematic example of democratic socialism? *Cuadernos de Economía*, 44(93), 131-155.

The left-wing experience in Bolivia was emblematic because of its achievements in economic growth and an unprecedented reduction of poverty and inequality, but it was interrupted by the coup of 2019. Nevertheless, in 2020 a second progressive wave emerged following a broad social movement to recover democracy. Within this context, this research aims to critically reflect on the progressive experience in Bolivia and its new challenges. Using political economy categories and a heterodox framework, this research contends that to remain in the second progressive wave experience will require overcoming the ongoing internal political crisis and the emerging balance of payments constraints.

Keywords: Democratic socialism; economic growth; redistribution; political crisis; balance of payments constraints.

JEL: E61, F43, O21, P16.

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Ibañez-Choque, A. B. (2025). ¿Podrá Bolivia mantenerse como un ejemplo emblemático de socialismo democrático? *Cuadernos de Economía*, 44(93), 131-155.

La experiencia progresista en Bolivia fue emblemática por sus logros en crecimiento económico y la reducción, sin precedentes, de la pobreza y la desigualdad, pero se vio interrumpida por el golpe de Estado de 2019. En 2020 surgió una segunda ola progresista, después de un amplio movimiento social de recuperación de la democracia. En este contexto, este artículo reflexiona de manera crítica sobre la experiencia progresista en Bolivia y sus nuevos desafíos. Utilizando categorías de la economía política y un marco heterodoxo, este estudio sostiene que la continuidad de la experiencia progresista dependerá de la forma en que se responda a la actual crisis política interna y la emergente restricción de la balanza de pagos.

Palabras clave: socialismo democrático; crecimiento económico; redistribución; crisis política; restricciones de balanza de pagos.

JEL: E61, F43, O21, P16.

INTRODUCTION

It was the philosopher Slavoj Žižek (2019) who, denouncing the coup of 2019 against Evo Morales, expressed that the Bolivian revolution had demonstrated to the liberal establishment that “Democratic socialism is possible”. In other words, he highlighted that the Bolivian experience is an emblematic example of a different, and successful socialism in the long history of class struggles for equality and social justice.

What made the Bolivian Revolution different from other left-wing experiences was its economic success outside of Washington’s system and its effects on the redistribution of income and the reduction of poverty and inequality in a historically marginalised population. These achievements were recognised by the financial establishment, such as the International Monetary Fund, the World Bank, and others.

These results were possible due to the cohesiveness of national and regional governments during the first wave of left-wing or progressive rule. The historical accumulation of social movements and organisations was important for these results. Neoliberalism in Bolivia mutilated the strength of the Bolivian proletariat of the second half of the 20th century. However, it paves the way to a reconfiguration of the social arena and the emergence of a profound and transcendent historical subject: the indigenous nations. Thus, it was the indigenous peoples, who, alongside the peasant unions, brought together the strength of the resistance to neoliberalism that made possible the emergence of the so-called process of change.

Likewise, the trenches of resistance in friendly countries which, before the Bolivian revolution, had already triumphed in their struggle against neoliberalism, allowed Bolivia to face its historical project of deep changes. Chavez and Lula were decisive, for example, in putting a stop to the Free Trade Area of the Americas promoted by the United States in order to reinforce the mechanisms of dependence in Latin American countries. This scenario strengthened Bolivia’s sovereignty in implementing its progressive agenda.

Thus, Bolivia added creative forces to the first wave of progressive governments in the region. However, in 2019, conservative sectors in Bolivia staged a coup with the intention of outlawing the political, economic, and social rights achieved by way of the class struggle. The general crisis caused by the coup was exacerbated by the neoliberal reforms of the *de facto* government and the COVID-19 pandemic, creating one of the most acute economic crises in Bolivia’s contemporary history.

In a spontaneous reaction, and without the mediation of a political party, the national-popular bloc¹ regrouped its forces setting off a new episode of class accumulation. In this way, the elections of October 2020 were guaranteed in which the

¹ This category was proposed by Zavaleta (1986[2013]) to refer to the social bloc made up of the popular sectors, peasants, indigenous peoples, and the Bolivian proletariat, expressing not only their class role but also the native nation’s role.

Movement Towards Socialism - Political Instrument for the Sovereignty of the Peoples (MAS-IPSP²) won the popular vote returning to power making possible a second progressive wave in Bolivia.

But this new progressive wave does not have the strength of the regional arena of the first wave, and internally there is an internal political crisis within the MAS-IPSP that is undermining its already weak political representation at the national-popular bloc. In addition, this scenario is aggravated by the balance of payments constraints, which have intensified external restrictions since 2014, and the gradual depletion of the net international reserves. Thus, economic success and income redistribution policies, which were highly valued, are in a complicated situation in Bolivia, making the sustainability of the progressive experience fragile.

Therefore, more than a literature review or a theoretical discussion of the Bolivian economy, the objective of this research is to reflect on the progressive experience in Bolivia, as well as to identify the critical factors of the second wave that endanger its continuity, using political economy categories within a heterodox framework.

Consequently, this article is divided into six sections, the first being this introduction. The second section discusses the radical changes in the economic and political structure implemented by the first progressive wave in Bolivia. The third section explains the main economic and social results of the progressive experience. The fourth section presents an analysis of the general crisis unleashed by the coup of 2019. The fifth section reflects on the political crisis and the deterioration of Bolivia's balance of payments as the main challenges for the continuity of the second progressive wave. Finally, the conclusions aim to respond to the question postulated in the title of this research paper.

RADICAL LEFT-WING IN FIRST WAVE: THE POLITICAL ECONOMY OF THE PLURINATIONAL STATE

Understanding the results of the first progressive wave in Bolivia implies understanding the profound economic and political changes the country underwent during its course. The first progressive wave began with a radical change in the neoliberal property system. The political economy expresses a system of property and appropriation that determines a mode of social reproduction. Thus, the critique of the political economy in Bolivia not only implied a change in the property system but also a radical critique of the power structure that disrupted the entire social structure (García, 2008).

The result of the first progressive wave's radical critique of the neoliberal system was the emergence in 2009 of the Plurinational State. The neoliberal power bloc

² Acronym in Spanish of the political party's name: Movimiento al socialismo – Instrumento político por la soberanía de los pueblos.

in Bolivia was made up of the oil and mining sectors owned by transnational capital, and agribusiness and banking owned by the national oligarchy.

Neoliberalism, as presented by Harvey (2005), is a pattern of accumulation by dispossession emanating from the new imperialism. This new stage of the capitalist system was the response to the crisis of overaccumulation of the 1970s with financial capital as the protagonist. In this sense, the decalogue of the Washington Consensus is a safe passage for financial capital, through transnational corporations, to arrogate common resources.

In Bolivia, neoliberalism was introduced in 1985 with the phrase “Bolivia is dying”³ in the context of the foreign debt crisis and exorbitant hyperinflation. The so-called New Economic Policy implemented structural reforms that transferred the cost of the economic crisis to workers. The orthodox stabilisation policies and the liberalisation of the labour market produced the unemployment of 27,000 mining workers of the public mining company; it was a severe blow to the class accumulation of the Bolivian proletariat in the 20th century. In this regard, García (2009:215) notes:

Together with the closure of operations of the company *Corporación Minera de Bolivia* (COMIBOL), the material foundation of the history of a class, which had been formed between privatism and statism in sixty years, is being decreed extinct; but at the same time, the source of a collective certainty that nurtured confidence in the future is collapsing...⁴

Likewise, the structural reforms incorporated conditions of the international organisations to renegotiate foreign debt: wage freezes, reduction of the State, cuts in social spending and public investment, liberalisation of the economy, elimination of subsidies, privatisation of public enterprises, and the guarantee of favourable conditions for transnational capital (Arce, 2021).

These reforms led to the reprimarisation and deindustrialisation of Bolivia’s economic structure, deepening its historical centre-periphery dynamic (Ibañez et al., 2016). Economic liberalisation generated pseudo-competitiveness based on low wages and labour precarisation, postponing competition through technological development and increased productivity. The privatisation of strategic sectors produced extractivism, which had no spillover effects on the Bolivian economy, and exacerbated inequality and poverty. In 2000, 66.4% of Bolivia’s population lived in poverty, and inequality, as measured by the Gini index, was 0.62 (Ibañez,

³ This phrase was used by former Bolivian President Victor Paz Estenssoro on August 29, 1985, in a message to the population in which he announced the implementation of neoliberal reforms in Bolivia.

⁴ Author’s translation of the original text in Spanish: “Junto con el cierre de operaciones de la empresa Corporación Minera de Bolivia (COMIBOL), se está decretando la extinción del fundamento material de la historia de una clase, que se había formado entre privatismo y estatismo en sesenta años; pero a la vez, se derrumba la fuente de una certeza colectiva que alimentaba una confianza en el porvenir...”

2018). Thus, Bolivia entered in the 21st century with neoliberalism in crisis and social conflicts.

Meanwhile, there was a reconfiguration of the national-popular bloc with the novel emergence of the indigenous nations as a new revolutionary subject (García, 2009). The proletariat displaced by neoliberalism met again with the communal organisation in the countryside and the peripheries of the cities. In this way, the historical accumulation of the mining union strengthened the peasant union, and the class struggle became a national liberation struggle of the indigenous nations. This transfigured national-popular bloc emerged in response to the neoliberalism crisis in Bolivia.

The synthesis of this crisis was the revolution of October 2003⁵ that overturned neoliberalism in Bolivia from its foundations, and whose premises were the nationalisation and industrialisation of natural resources, and the establishment of a constituent assembly. In this sense, since 2006, with the rise of the first progressive wave, the hydrocarbon, mining, telecommunication, and electricity sectors have been nationalised. Hydrocarbons were fundamental for the first progressive wave; nationalisation implied signing new service contracts with transnational companies⁶ and it allowed the State to recover the ownership of natural gas, and the appropriation of 82% of the gross value of production.

The radical change in the ownership system of strategic natural resources determined a similar change in the power structure, defeating the neoliberal oligarchy bloc. The new ownership system repositioned public property at the epicentre of the Bolivian economy, and the State leading the new emerging national-popular bloc, limiting the power of transnational corporations and the national oligarchy.

Consequently, given those material conditions, the new Plurinational State was created in 2009, enhancing the national-popular bloc's project⁷. Without historical precedents, the new constitution incorporates the social, economic, political, and cultural rights of the indigenous nations. Likewise, it gave the State an active role

⁵ The revolution began with the government's intention to export natural gas to the U.S. through a Chilean port. The measure was intended to cushion the crisis of neoliberalism that had arisen when strategic natural resources were handed over to transnational capital. The rejection of this measure brought together the neighbourhood meeting of El Alto City, peasants unions, worker unions, and coca peasant unions. The popular insurrection lasted from September to mid-October 2003, culminating with the resignation and escape to the U.S. of Gonzalo Sanchez, the last leader of neoliberalism in Bolivia. During these days, the Bolivian people suffered the murder of 68 people -including children- and more than four hundred wounded by the repressive forces. On the streets, in assemblies, and in town meetings, the people produced the so-called October agenda, thus opening an unprecedented revolutionary period for the historic accumulation of the national-popular bloc in Bolivia.

⁶ The nationalisation of hydrocarbons in Bolivia took place on May 1, 2006, with the Supreme Decree "Heroes del Chaco" N° 28701. Using this norm, the Bolivian State recovered the ownership and possession of hydrocarbons and defined the distribution of 82% of the gross value of the gas production mega-fields in its favour.

⁷ The political constitution of 2009 that gave birth to the Plurinational State of Bolivia was approved by a binding referendum on January 25, 2009, and took effect on February 7, 2009.

in the economy promoting the planning of development with social justice. Therefore, the Plurinational State is the most profound and radical Bolivian experience regarding equality and socialism.

ECONOMIC AND SOCIAL ACHIEVEMENTS OF THE FIRST PROGRESSIVE WAVE

These radical changes in Bolivia's economic and political structure gave the mettle for the implementation of a heterodox economic policy and a *made-in-Bolivia* economic model; different from the Washington Consensus model.

Bolivia resumed development planning for the industrialisation of natural resources to overcome the historical and painful primary export pattern. Indeed, the National Development Plan 2006-2011 even proposed transcending the limits of economic growth and social justice with the incorporation of "Buen Vivir" (Good living) as a different development paradigm for indigenous nations (Bolivia, 2006). In addition, the State, as an economic rector, became the protagonist of the industrialisation strategy through the generation and redistribution of natural resource surpluses.

According to this strategy, the Bolivian economic model⁸ was framed on five pillars: i) expanding the producer state, ii) industrialising natural resources, iii) modernising medium and small production, iv) satisfying the domestic market and exporting, and v) redistributing wealth (García, 2008). The model aims at structural change through the redistribution of surpluses from natural resources to industrialisation, and also for vulnerable and marginalised sectors (Arce, 2021).

The Bolivian economic model places the State as the main actor in the production and redistribution of natural resource surpluses. The model ranks domestic demand above external demand, as the pivot of economic growth through the public investment component. At the same time, macroeconomic stability ceased to be the objective of economic policy and became a precondition for economic growth with redistribution. Also, economic policy abandoned the tutelage of international organisations and the Washington Consensus, which allowed the possibility of issuing heterodox measures (Arce, 2021; Bolivia, 2023).

Therefore, the results of the development strategy and economic policy can be evaluated in three dimensions: economic growth, inequality and poverty reduction, and macroeconomic stability.

⁸ Unlike the neoliberal model, which had no basis in Bolivian reality, the Bolivian economic model emerges from the historical project of the national-popular bloc. With this process a generation of organic intellectuals emerged who, with a reading of the historical material conditions, gave content to the so-called Social Community Productive Economic Model (Bolivia, 2022).

Demand-led economic growth

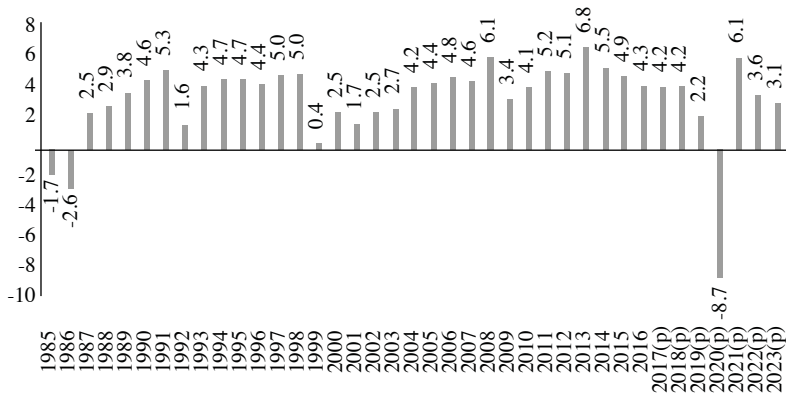
Bolivia’s economic growth went from an annual average of 3% during the neo-liberal period 1985-2005 to 5% during the progressive period 2006-2023; without considering 2020 (See Figure 1). It allowed for an increase in GDP per capita from US\$ 1,037 in 2005 to US\$ 3,691 in 2022, which represents a 256% growth, an unprecedented increase in Bolivia’s material well-being.

In the first progressive wave, there was a favourable context for the international prices of Bolivia’s main export commodities: natural gas and minerals. In addition, with the nationalisation of hydrocarbons, the State received extraordinary revenues that mitigated, although not structurally, external restriction and the fiscal deficit.

However, what really drove these economic growth results was the change in the orientation of economic policy towards public investment (see Figure 2). During the neoliberal period, and because of the negotiation of the debt with the multilateral organisations of the Washington Consensus, public investment was reduced and focused on non-productive sectors. Thus, between 1990-2005, annual public investment averaged US\$ 548 million. However, in the first wave, public investment grew by an average of 448%, reaching an annual average of US\$ 3,037 million. Public investment was oriented to infrastructure development and public productive sectors. Thus, domestic demand came to play a central role in economic growth.

In Bolivia, 2020 has been an atypical year due to the coup and the pandemic, which will be explicated in the next section. At that time, with the sudden reduction of public investment in 2020 by the de facto neoliberal government, the crisis in Bolivia was 8.7% more acute than in the 1980s (See Figure 1).

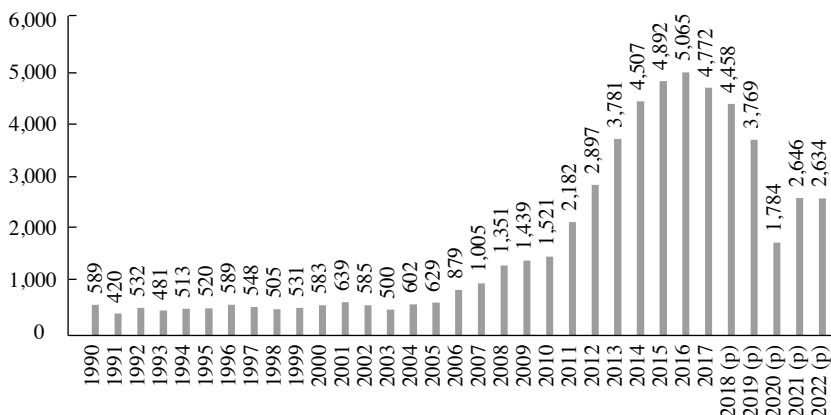
Figure 1.
Rate of economic growth in Bolivia 1985-2023 (percentage)



(P): Preliminary data. Source: The author with Bolivia’s National Institute of Statistics data (2024).

Figure 2.

Level of public investment in Bolivia 1990-2022 (millions of dollars)



(P): Preliminary data. Source: The author with Economic and Social Policy Analysis Unit data (2024).

For the second progressive wave, the external context is no longer favourable. In fact, since 2014, with the international fall in commodity prices, external restrictions and fiscal deficits have been progressively accentuated in Bolivia. This was compounded by the negative impact of the global slowdown due to the war in Ukraine. As a result, public investment was reduced to an average of US\$ 2,640 million between 2021 and 2022. However, despite these constraints, the second wave is still able to sustain the economic policy orientation for demand-led economic growth.

Reducing poverty and inequality for social mobility

What made the economic growth of the progressive waves in Bolivia stand out was the process of social mobility that was fostered through income redistribution policies. The mechanisms of wealth redistribution were the implementation of social bonds and the constant improvement of salaries.

During the first progressive wave, the Juana Azurduy bond was created for pregnant women and infants to guarantee the necessary health and food services, the Juancito Pinto bond for children and adolescents to mitigate school dropout, and the Renta Dignidad, which is a universal income for the elderly. In the second wave, the Bono Contra el Hambre was created, as a single universal payment, aimed at alleviating the costs of quarantine due to COVID-19.⁹ In this regard, Arancibia and Macas (2019, 2021), through microsimulation, found that these bonds had positive effects on reducing inequality and poverty.

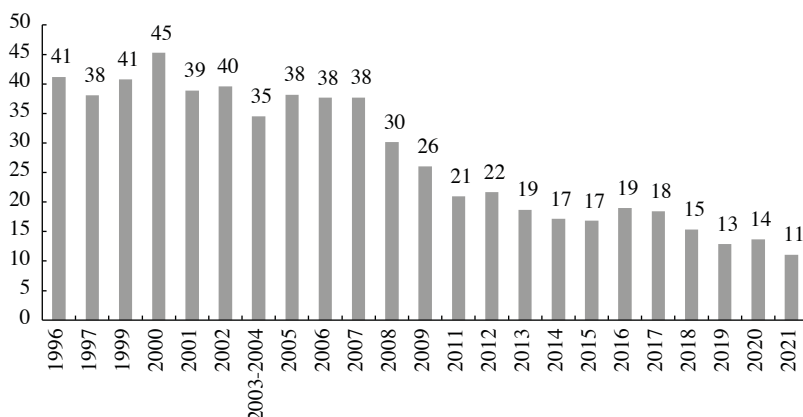
⁹ In 2020, the de facto government also created the Family Basket, Universal, and Family bonds in response to the COVID-19 emergency, but these did not prevent inequality and poverty from increasing (see Figures 3 and 4).

Likewise, in contrast to the neoliberal period that had endorsed the debt crisis on wages; competitiveness is based on the precariousness of workers. In the progressive waves, wages were constantly reinforced above inflation rates¹⁰. Thus, Bolivia's national minimum monthly wage went from US\$ 54 in 2005 to US\$ 339 in 2022; an increase of 437%¹¹. In addition, the unemployment rate was reduced from 8% in 2005 to 4% in 2022.

These redistribution policies produced a reduction of people living in extreme poverty from 45% in 2000 -the highest peak in the neoliberal period- to 11% in 2021 (See Figure 3); a reduction of 34 percentage points. Between 2005 and 2021, the progressive waves' income redistribution policies delivered 3 million people out of extreme poverty; except for 2020, when poverty increased slightly. Likewise, inequality between the richest 10% and the poorest 10% of Bolivia's population was greatly reduced from 234 times in 2000 to 11 times in 2021 (See Figure 4).

Figure 3.

People living in extreme poverty in Bolivia 1996-2021 (percentage)



Note: From 2016 this Series considers a different line of extreme poverty. There is no data for 2010. Source: The author with Economic and Social Policy Analysis Unit data (2024).

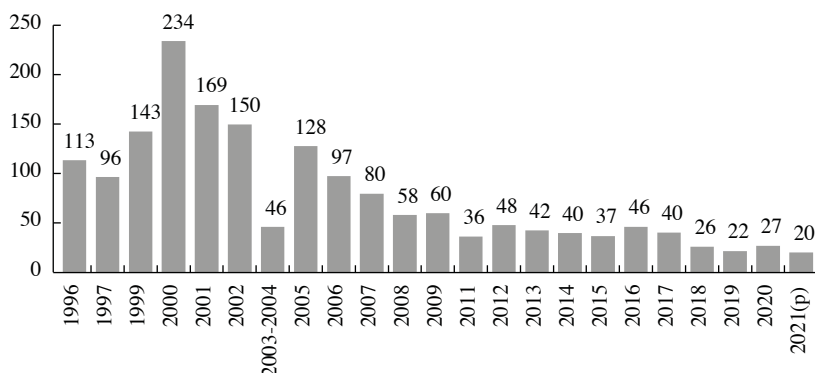
In this way, an unprecedented process of social mobility took place in Bolivia. The middle-income class in Bolivia became the majority, from 3.2 million people in 2005 to 7.1 million people in 2021, representing 60% of the total population. Low-income people, who represented 60% of the population in 2005, represent 36% of the population in 2021. The high-income population also reduced its share as a percentage of the total population, from 4.2% in 2005 to 3.6% in 2021. Thus,

¹⁰ There were even years in which a second bonus was paid when the economy reached annual growth rates equal to or higher than 4.5%. This provision was assumed in the first progressive wave through Supreme Decree No. 1802 of November 20, 2013; and it still has continuity.

¹¹ Except for 2022, the de facto government adhering to the prescriptions of the Washington Consensus froze the national minimum wage.

Figure 4.

Income ratio between the richest 10% and the poorest 10% 1996-2021 (number of times)



Note: From 2016 this Series considers a different line of extreme poverty. There is no data for 2010. (P): Preliminary data. Source: The author with Ministry of Economy and Public Finance of Bolivia data (2022a).

the income structure in Bolivia has changed profoundly as has the class structure in the domestic market.

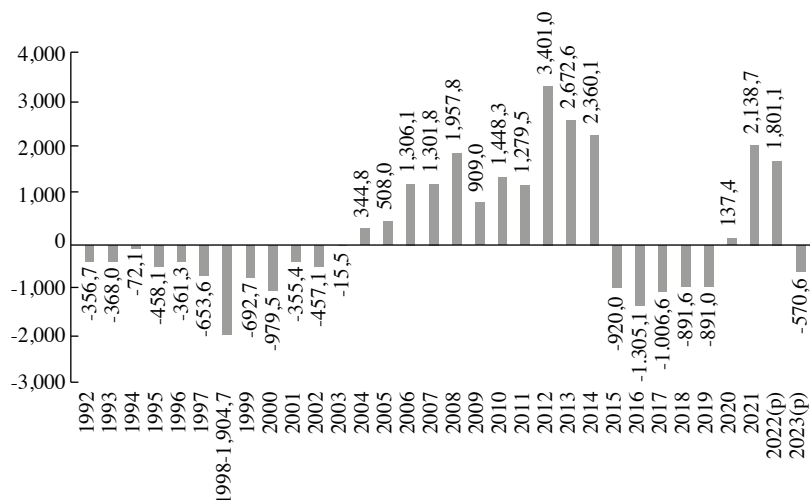
Macroeconomic stability

The presupposition for these achievements is, without a doubt, macroeconomic stability. The stability measures were based on the extraordinary accumulation of foreign currency by the State, which favoured the exports of natural gas and its high international prices. In fact, unlike the constant trade deficits during the neo-liberal period, in the first progressive wave, between 2004 and 2014, Bolivia had continuous and high trade surpluses (See Figure 5).

In the first progressive wave, the fundamental measures for macroeconomic stability were to fix the exchange rate and control the prices of basic consumer goods. The exchange rate in Bolivia is an inflationary anchor. After Bolivia's hyperinflation crisis in the 1980s (see Figure 6), exchange rate stability became a fundamental reference point for setting the population's expectations (Morales, 1987). Between 1986 and 2005, the exchange rate fluctuated in a controlled manner through constant micro devaluations, which, however, did not radically alter the population's expectations. In this sense, with the support of a high accumulation of foreign currency to control the inflationary rise driven by the expansive economic policy between 2007 and 2008, the exchange rate was settled at 6.96 Bs./US\$. Then, it generated a phenomenon called Bolivianisation, that is, families began to prefer to save and borrow in Bolivian pesos (Arce, 2021). As a result, the first progressive wave's margin for a sovereign economic policy with price stability grew widely.

Figure 5.

Trade balance of Bolivia 1992-2023 (millions of dollars)



Source: The author with Bolivia's National Institute of Statistics data (2024). (P): Preliminary data.

Likewise, the economic policy applied for price control did not reproduce the classic price fixing schemes, but rather the strategic intervention of the State in the supply quantities of certain fundamental consumer goods. Thus, the State subsidised gasoline, diesel, and wheat flour, and export quotas were applied for a preferential supply of the domestic market. At the same time, a public company was created to guarantee the supply of basic consumer goods needed in the domestic market with price stability.

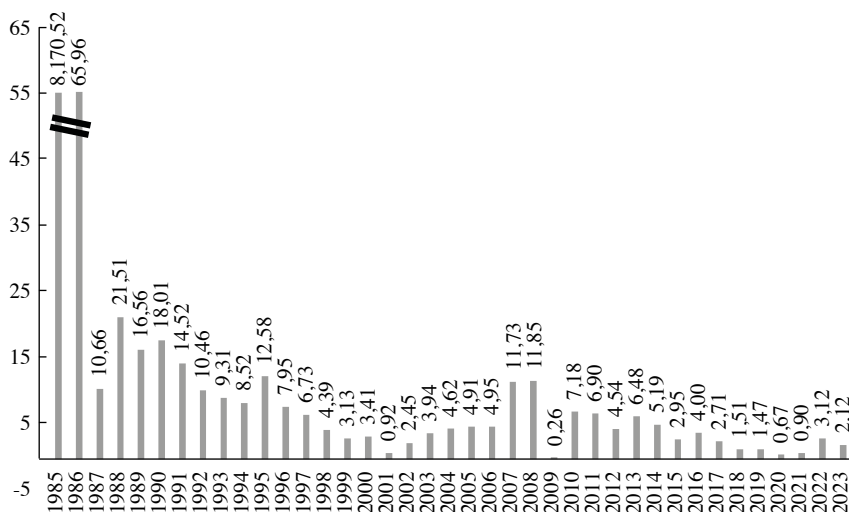
With these heterodox measures, the progressive waves guaranteed a long period of macroeconomic stability in Bolivia. Indeed, between 2009 and 2022, inflation was controlled, below double digits. Even between 2020 and 2022, in the context of the war in Ukraine that has unleashed an international inflationary problem, Bolivia has maintained price stability with low inflation rates.

THE GENERAL CRISIS AND THE COUP

For Marx and Engels (1848 [1948]) the class struggle was the motor of history. In Bolivia, this dialectic process was triggered through a general crisis. Zavaleta (1974[2013]) proposed a "general crisis" category as a method of knowledge of Bolivian society. In this sense, a general crisis is a historical episode in which the apparent forms crumble, and the essential forms emerge. It is the hecatomb of all social structures and the pure manifestation of the material forces at work. A time

Figure 6.

Inflation rate in Bolivia 1985-2023 (percentage)



Source: The author with Bolivia's National Institute of Statistics data (2024).

of collective availability or latent uncertainty, resolved partially by the class struggle as a constitutive moment (Zavaleta, 1981, 1986).

In fact, the emergence of the Plurinational State in 2009 was a constitutive moment resolved by the power of the national-popular bloc in the first progressive wave. While the coup of 2019¹² is a new episode of general crisis, still unresolved, which opened a time of availability or uncertainty faced by the second progressive wave.

The different dimensions of the general crisis of 2019 can be grouped into two apparent forms. The first is the apparent defence of democracy that called for the mobilisation of the middle classes in response to Evo Morales' attempt for his indefinite reelection¹³. The second is the apparent form of the Plurinational State that appeared politically stable and economically robust. At the height of the general crisis, these apparent forms collapsed.

The defence of democracy, as an apparent form, was expressed in the supposed electoral fraud that, actually, covered up the objective of the neoliberal oligarchic bloc to carry out the coup. The Organisation of American States (OAS) played an

¹² During this gray period for Bolivia, there was a state of terror or state terrorism, and the national-popular bloc was outlawed, and social mobilisation was criminalised. During the social mobilisations against the coup, the fascist groups -political, military, and police- assassinated 27 people in the massacres of Senkata, Sacaba, and El Pedregal. In addition, the coup neoliberal oligarchic bloc ordered the massive extrajudicial detentions of more than 848 people (Bolivia, 2020; GIEI, 2021).

¹³ In fact, in 2016 there was a binding referendum in Bolivia to modify the political constitution with the objective of not limiting the terms of office for reelection. The result was, by majority, negative to the initiative that sought the continuity of President Evo Morales.

important political role in legitimising the alleged electoral fraud through a biased report¹⁴. Different investigations defenestrated the alleged electoral fraud. Long et al. (2019), from the Centre for Economic and Policy Research, found that statistical trends refute the hypothesis of electoral fraud and suggested the OAS failed in its mission to audit the electoral process. Menabe (2019), from the University of Michigan, statistically found a difference of more than 10% of votes between the first and second candidates, and the polling stations observed by the OAS were not statistically significant. Likewise, CELAG (2020), issued a report that demonstrates the voting tables observed by the OAS (4.8% of the total) in 2019, according to the 2020 elections, effectively favoured the MAS-IPSP, and the OAS contributed to the alteration of the constitutional order in Bolivia. Williams and Curiel (2020), from the Massachusetts Institute of Technology, found that there is no statistical evidence to corroborate the alleged fraud, and it is very likely that the first candidate obtained more than 10% of the vote over the second. Therefore, the alleged fraud actually was a call to boycott the presidential elections to carry out the coup.

At the same time, the strong and stable Plurinational State, as an apparent form, crumbled. The general crisis of 2019 represented a profound critique of the political theory and practice of the first progressive wave in Bolivia because it showed that the economy was not strong enough to sustain the political project. The mistake was to assume that economic growth, redistribution, and stability were sufficient to sustain the Plurinational State. In terms of classical Marxism, it was thought that the political and state superstructure would be a spontaneous reflex of the dynamics of the productive forces. False.

The coup of 2019 showed the apparent character of the Plurinational State and its lack of content; it demonstrated its feeble penetration into the social structure. The first progressive wave had not rooted the plurinational community forms in the mode of material and spiritual reproduction of society. In fact, for more than a decade, there was a widening of the middle class disengaged from the plurinational content; bourgeoisified middle classes (Bautista, 2019).

The middle classes were subsumed by capital through the imitative consumption of the metropolises of the capitalist world-system. Indeed, the coup of 2019, in addition to the neoliberal and national-popular blocs, had as a novelty the emerging middle classes, that the first progressive wave had lifted out of poverty. However, their participation was conservative and contrary, and alien to the historical process that allowed their social ascent. The middle classes were instrumentalised by the conservative oligarchy to justify the riot of the army forces and the police that forced the constitutional breakdown.

In other words, material and spiritual substance to sustain the Plurinational State had not been produced. The first progressive wave thought the constitutional-

¹⁴ See <https://www.theguardian.com/commentisfree/2020/sep/18/silence-us-backed-coup-evo-morales-bolivia-american-states>

sation of community economies was enough to achieve a balance with the capitalist mercantile economies. However, it is overlooked that the mechanisms of subsumption of non-capitalist forms by capital are at odds with any coexistence that is not subordinated, dominated, and exploited by mercantile relations. This naivety of the national-popular bloc left the communitarian germ of the Plurinational State defenceless.

The result was the opening of a new episode of latent uncertainty, taken by assault for the *de facto* government. The neoliberal oligarchic bloc's coup sought the reinstatement of neoliberalism in Bolivia in alliance with transnational capital. The bloc began with the attempt to privatise public companies, particularly the state-owned lithium company. Different experts have remarked on the interests of the US and TESLA¹⁵ in the coup, according to the framework of their geopolitical dispute with the BRICS; calling it, in turn, the "lithium war" (Sánchez, 2019; Navalón, 2020). Actually, the aim was to paralyse the strategy of sovereign industrialisation of lithium by the Bolivian State to hand it over to North American capital¹⁶.

Likewise, the *de facto* government dismissed the role of domestic demand as an engine of growth. Corresponding to market fundamentalism, and following IMF recommendations, the *de facto* government oriented all economic policies to external demand. They liberalised exports and authorised the use of transgenic seeds. These measures were aimed at favouring the agro-industrial sector, the core power of the neoliberal oligarchic bloc. However, it backfired, with domestic demand depressed and with world trade paralysed by COVID-19, the Bolivian economy in 2020 experienced the deepest economic contraction of -8.7% in its recent history, comparable only to the crisis caused by the national revolution of 1952 (See Figure 1).

Therefore, the general crisis opened a new period of latent uncertainty in Bolivia, characterised by a deep recession, and the aggravation of the most sensitive social variables in a country indebted to social justice. With these results, the coup condensed the dispersed forces of the national-popular bloc towards the recovery of democracy and against the attempt to reinstate neoliberalism. Consequently, the second progressive wave emerged in Bolivia¹⁷, in the general crisis context, without yet having a constitutive moment of social dialectic.

¹⁵ In fact, billionaire and TESLA owner Elon Musk stated "We will coup whoever we want! Deal with it", alluding to the coup of 2019 in Bolivia.

¹⁶ See <https://www.paginasiete.bo/economia/2020/4/23/de-transgenicos-inversion-en-litio-las-opciones-debolivia-para-reactivar-la-economia-253512.html>.

¹⁷ The national-popular bloc guaranteed, through the rebellion of August 2020, the presidential elections of October 2020, in which President Luis Arce Catacora of MAS-IPSP was elected with a comfortable victory in the first round (Bolivia, 2022).

THE SECOND PROGRESSIVE WAVE BETWEEN POLITICAL CRISIS AND EXTERNAL CONSTRAINTS

The second progressive wave, in addition to the adverse context in the world market, simultaneously faced the breakdown of the political hegemony of the MAS-IPSP and the worsening of external restriction.

The political crisis is a result of the continuous distancing between the national-popular bloc and its political representation. For Dussel (2006[2015]), it is a process of fetishisation of power or the disconnection between the instituted power and the power of the people. The result is that the power instituted as political representation becomes so distant from the power of the people that it loses coherence. Thus, it is no longer a power delegated in obedience to the people, but an inverted power, alien and even contrary to them.

The first progressive wave was the period of greatest intimacy between the political representation of the MAS-IPSP and the delegated power of the people. This unity provided sufficient strength to sustain the radical changes in Bolivia's power structure in the face of the furtive resistance of the neoliberal oligarchic bloc. The year 2009 marks, through the creation of the Plurinational State, the strongest moment of this unity. But 2009 also marks the beginning of a turning point that progressively widened the distance between the instituted power and the power of the people.

From 2009 onwards, the ostentation of power progressively displaced the revolutionary project. Since then, the instituted power focused on the institutional level of the State structures and the managerial level of the social movements, but progressively distanced itself from the people. In addition, a policy of alliance with the right-wing was implemented; naively seeking its subordinate political articulation. For this reason, during October and November 2019, the loss of the hegemony of the political representation of the MAS-IPSP became evident because it was unable to call for the mobilisation of the people for the defence of the constitutional order and, confident in its alliance with the right-wing, it was surprised by the coup.

The political representation's fetishisation was most evident in the months following the coup of 2019. Without the leadership of the MAS-IPSP, the national-popular bloc spontaneously took to the streets to fight the anti-democratic project of neoliberal oligarchic reinstatement. The power of the people began to forge its self-determination in neighbourhood assemblies throughout Bolivia and soon radicalised its resolutions: people no longer only wanted democratic elections, but the resignation of the *de facto* regime¹⁸. Popular mobilisation had overtaken all politi-

¹⁸ The *de facto* government's announcement postponing for the third time the presidential elections from September 6 to October 18 caused the overflowing aggravation of the people's vigil. With outlawed democratic rights and education by the *de facto* regime, the social movements of Bolivia led by the Central Obrera Boliviana (COB), as the national union of rural and urban workers,

cal representation, including MAS-IPSP¹⁹. In other words, the mobilisation of the people was turning into a popular rebellion.

Therefore, the general crisis also expressed the political crisis as the breakdown of the hegemony of the political representation of the MAS-IPSP concerning the national-popular bloc. Political pragmatism is the most striking feature of this fetishisation process in Bolivia.

The second progressive wave emerges from this political crisis, not as a solution to the general crisis, but as its result. By that moment, the power fetishisation process has only worsened, causing the internal rupture of MAS-IPSP's political hegemony. On the one hand, there is the former president and leader of the first progressive wave, Evo Morales, and on the other hand, the current president and leader of the second progressive wave, Luis Arce. However, this rupture responds to political pragmatism and therefore, absolutely alienates the emancipatory project and the collective interests of the national-popular bloc. In fact, there is no radical change in the programme of the historical revolutionary period such as the nationalisation of natural resources or the Plurinational State, nor the bases of the Bolivian economic model, nor the planning of development, etc., in dispute. Actually, power itself is being disputed, undermining the political stability of the second progressive wave.

Unfortunately, the effects of the internal rupture of the MAS-IPSP do not remain only in the sphere of political representation. On the one hand, it weakens the unity and strength of the national-popular bloc. That is, it undermines the source of power that has granted political representation to the MAS-IPSP. At the same time, it generates political instability that aggravates the economic fragility emerging from the structural constraints of the balance of payments. Because, although the economy is not enough to sustain a state project, it is necessary²⁰.

Indeed, although the second progressive wave has been able to return to the Bolivian economic model with macroeconomic stability, at the same time Bolivia's Net International Reserves (NIR) have deteriorated considerably (See Figure 7). In the first progressive wave, with a favourable context of natural gas prices and the nationalisation of hydrocarbon surpluses, Bolivia accumulated US\$ 15,123 million in NIR up to 2014. These resources, unprecedented in Bolivia's economic history, relaxed the balance of payments restriction and laid the foundations for

initiated on Monday, August 3, 2020, a general strike and road blockade throughout Bolivia. The call was so successful that the de facto regime could not resort to the massive use of force against the popular mobilisation, although it tried on the weakest flanks with fascist paramilitary and para-police groups.

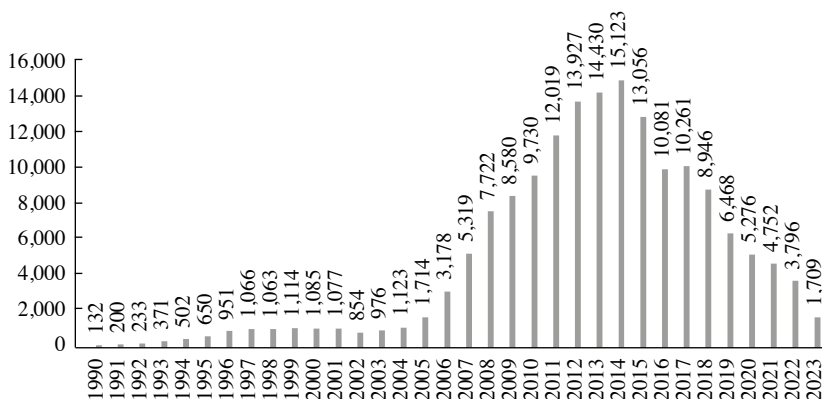
¹⁹ Bolivian assemblies and town councils did not recognise the MAS-IPSP and its leaders because of their agreement with the de facto regime to hold elections, ignoring the resolutions that sought the resignation of the regime. (See <https://www.anred.org/2020/08/14/bolivia-el-alto-sigue-con-los-bloqueos-la-cob-y-pacto-unidad-se-bajan/>).

²⁰ Like demonstrated by the recent presidential election in Argentina in which Milei prevailed over Massa precisely because the latter had not shown convincing economic results as Minister of Economy.

implementing the Bolivian economic model. However, since then, the NIR have deteriorated sharply reaching US\$ 1,709 million in 2023; representing only 11% of the 2014 value.

Figure 7.

Bolivia's net international reserves 1990-2023 (millions of dollars)

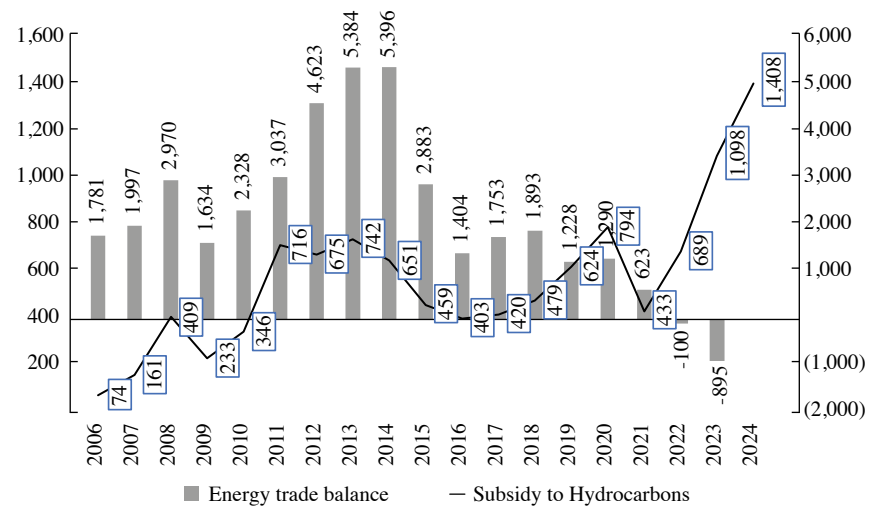


Source: The author with Central Bank of Bolivia data (2024).

Two elements have influenced this result. The first one is the international oil price crisis in 2014 as a result of the increase in the global supply of crude oil. The effect of this external shock has lowered the price of natural gas exports in Bolivia. Simultaneously, Bolivia's natural gas production has fallen from 22,187 million cubic metres at its highest peak in 2014 to 13,390 million cubic metres in 2023; a 40% reduction. This drop in Bolivia's natural gas supply is a result of the ineffectiveness of the first progressive wave to explore and exploit new fields. In fact, despite the resource boom, the public gas company has not developed its own capacities for prospecting and exploration, and the current regulations have not been effective for the participation of private partners, affecting natural gas production which in 2023 has fallen considerably, deteriorating Bolivia's NIR.

According to this, Bolivia is no longer a surplus country in its energy trade balance. After the international oil price crisis, the energy trade balance has progressively deteriorated from \$ 5,396 million in 2014, its highest peak, to a deficit of \$ 895 million in 2023 (See Figure 8). Simultaneously, budgeted expenditures on hydrocarbon import subsidies have risen steadily reaching \$ 1,408 million in 2024; an exponential growth of 225% between 2021 and 2024 (See Figure 8). In this way, Bolivia has become a country with a deficit in its energy trade balance and with a high increase in its need for foreign currency to subsidise hydrocarbon imports; thus, the recent increase in the price of natural gas as a result of the war in Ukraine has had a net negative effect on Bolivia's NIR.

Figure 8.
Bolivia's hydrocarbons subsidy and energy trade balance (millions of dollars)



Note: The value of subsidy to hydrocarbons corresponds to the general State budget. Energy trade balance is the value of net exports of petroleum and its derivatives, natural gas and electric energy. Source: The author with Ministry of Economy and Public Finance of Bolivia (2022b) and National Institute of Statistics data (2024).

Consequently, during the second progressive wave, Bolivia's external balance of payments constraints has worsened. As Thirlwall (1979, 2002) has shown, particularly in small and open economies, the balance of payments constrains economic growth. Recurrent balance of payments deficit economies tend to deepen the mechanisms of dependence on the world market in terms of trade, external debt and capital market, and economic structure (Ibañez, 2019). The result of these mechanisms is that they tend, simultaneously, to favour the growth of surplus economies, and to punish the growth of deficit economies (Ibañez, et al., 2021). Therefore, Bolivia's critical balance of payments situation may compromise its economic model and its achievements in terms of economic growth, redistribution, and stability.

Different research has found that the balance of payments is determinative of Bolivia's long-term economic growth. Ibañez (2012) found that Bolivia's economic growth, in the last six decades, is constrained by the balance of payments; a situation that worsened in the neoliberal period with the productive structure deindustrialisation. Likewise, Ibañez et al. (2016), anticipated the trend towards the deterioration of Bolivia's balance of payments. Between 2003 and 2015, simultaneously, Bolivia's economy experienced a concentration of export goods and markets (gas and minerals), and diversification of import goods and markets (intermediate goods and final consumption goods). This trend has not been reversed by

the industrialisation process promoted by the first progressive wave because it has concentrated on natural resources and has not sufficiently diversified the productive structure. As a result, Bolivia's balance of payments constraints have deepened and cannot be reversed by the industrialising process of natural resources.

Thus, Bolivia's current balance of payments situation is critical and compromises macroeconomic stability, which is the basis of economic growth and redistribution. The sharp fall in Bolivia's NIR takes away the support of the fixed exchange rate as an inflationary anchor and, at the same time, limits the resources for subsidising hydrocarbon imports in Bolivia. It is evident since 2022 with the re-emergence of a parallel dollar market; after many years, Bolivian families have returned to resorting to the US dollar as a store of value.

If this situation cannot be sustained, the second progressive wave could generate an inflationary process whose effects are difficult to anticipate given the inflationary memory of the Bolivian economy. If, in addition, we consider that public investment as an engine of economic growth is also affected by the scarcity of foreign currency to import intermediate and capital goods, then the economic growth process would be strongly affected. In consequence, without wealth creation, there would be no room for redistribution policies. At the same time, considering Bolivia's recurrent fiscal deficits since 2014, the structural fall of its NIR in the worst case scenario could lead to a sovereign default; opening a new episode of debt crisis. In other words, the second progressive wave is facing, in addition to the political crisis, a significant challenge to the Bolivian economic model: the re-emerging of structural balance of payments constraints.

CONCLUSIONS

Will Bolivia be able to remain as an emblematic example of democratic socialism? It depends. The progressive experience in Bolivia is emblematic because of its achievements in economic growth and the reduction of inequality and poverty into a broadly inclusive and Plurinational democratic process. However, the current political crisis and the deterioration of the balance of payments are endangering Bolivia's progressive experience.

The first progressive wave, with the strength of the national-popular bloc, radically modified the power structure in Bolivia with the nationalisation of hydrocarbons in 2006. With this measure, transnational capital and the neoliberal oligarchy were displaced by the State as the new ruler of the economy. The State not only resumed a leading role in the economy, but also proposed the incorporation of the rights of indigenous peoples and the majorities excluded by neoliberalism. Thus, the Plurinational State emerged in 2009, deeply rooted in social justice as a radical critique of the neoliberal system in Bolivia.

These radical changes were the basis for the economic and social achievements of the first progressive wave in Bolivia. The nationalisation of hydrocarbons and

the favourable context of their international prices provided sufficient support for implementing a Bolivian economic model, distant from the Washington Consensus, aimed at overcoming the primary export pattern. Consequently, through the State, this model seeks to redistribute natural resource surpluses for the generation of industries and the marginalised and vulnerable population.

Through public investment, the State was able to boost effective demand as an engine of economic growth. During the first progressive wave, average public investment increased by 448% compared to the neoliberal period, driving average economic growth rates of 5%. This allowed the implementation of redistribution policies to reduce poverty and inequality in Bolivia. Thus, there was a process of social mobility without historical precedent, Bolivia's middle class came to represent 60% of the population with more than 3 million people who ceased to live in poverty. Thus, the first progressive wave was recognised as an emblematic and successful example of democratic socialism.

These achievements were made possible by the economic stability reached by the first progressive wave. Stability was supported by the copious accumulation of Net International Reserves resulting from trade surpluses that relaxed the balance of payments constraints; until the international hydrocarbon price crisis of 2014. It gave a wide margin to the first progressive wave in Bolivia for implementing an expansive and heterodox economic policy that fixed the exchange rate as an anchor of price stability.

However, the 2019 coup demonstrated that politics is not a simple reflection of the economy, no matter how successful it may be. The coup opened a period of general crisis in Bolivia which still remains unresolved. At the heat of the crisis, two apparent forms collapsed. The first was the supposed defence of democracy promoted by the neoliberal oligarchic bloc with the support of the OAS to mobilise the emerging middle classes when, in fact, it was an electoral boycott because different studies have found no evidence to support this hypothesis, and it resulted in the establishment of an anti-democratic *de facto* regime in Bolivia. The second, and more important, was the solvency and robustness of the Plurinational State. The crisis revealed a weak State lacking in content. The mechanisms of subsumption of consumption by capital produced emerging gentrified middle classes alien to the progressive project. And, the subsumption of community economies by capital mutilated the communitarian germ of the State.

Consequently, the second progressive wave emerged in Bolivia, not as a solution to the crisis, but as its result. Simultaneously, this new wave faces a political crisis and worsening of balance of payments constraints. The political crisis emanates from the distancing between the political representation and the national-popular bloc and it is manifested in the internal rupture of the MAS-IPSP. The confrontation between Evo Morales and Luis Arce, and the supporters of each side, is a problem for political stability. In turn, with the international hydrocarbon price crisis of 2014 and the depletion of natural gas fields in Bolivia, Net International

Reserves have fallen disturbingly; becoming a country in deficit in its energy trade balance. Since then, the balance of payments constraints in Bolivia has worsened, putting in a critical situation the emblematic achievements in stability and economic growth with social justice of Bolivia's progressive experience.

Therefore, the possibility of sustaining the progressive project in Bolivia depends on these two critical factors. On the one hand, the solution to the political crisis is not only about the pragmatic or electoral unity of the MAS-IPSP. It is not about power per se. The general crisis of 2019 has shown that the essential breakdown lies in the estrangement between the political representation and the national-popular bloc. Thus, the current dispute is not ideological or tactical, but of sectarian interests alien to the common interests of the people. To reencounter the common interests, the MAS-IPSP has a profound exercise of self-criticism pending that should aim to the returning to its revolutionary roots in order to launch a new creative moment. Otherwise, the second progressive wave could be truncated as much as MAS-IPSP.

Likewise, the worsening of the balance of payments constraint shows that industrialisation policy must be rethought. The industrialisation of natural resources, implemented by the first progressive wave, has not been enough to overcome the primary export pattern. The second progressive wave is accelerating industrialisation by substituting imports of diesel and steel, and exporting lithium. However, there is no certainty that the centrality of natural resources will reverse the current process of import diversification and export concentration. At the same time, another problem is the short-term. The maturity time for the implementation of these projects is long given the immediate fragility of the Net International Reserves and the re-emerging of structural balance of payments constraints. And, unfortunately, the short-term economic policies of the second progressive wave have not been effective enough to face the reduction of the Net International Reserves, which has led to the rise of a parallel exchange rate market. It is generating an economic instability in Bolivia that may endanger the continuity of the economic model and the progressive experience.

Hence, the second progressive wave faces the challenge of solving political crises and recovering economic robustness to sustain itself as an emblematic progressive experience.

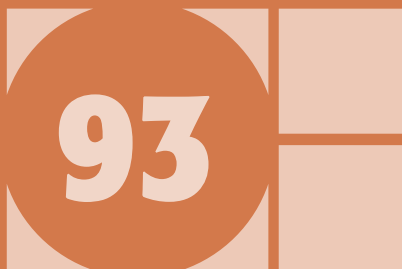
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