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CONTENIDO

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FOREWORD

SPECIAL ISSUE: A NEW TURN TO THE LEFT IN LATIN AMERICA?

Since 2018 Latin America has experienced a resurgence of left-wing movements. Currently with the recent victory of Yamandú Orsi in Uruguay, ten countries (Brazil, Bolivia, Chile, Colombia, Guatemala, Honduras, Nicaragua, Mexico, Uruguay, Venezuela) in the region have elected what could be arguably referred to as left wing governments. If we added the government of Alberto Fernández from 2019 to 2023 in Argentina, and the brief government of Pedro Castillo in Peru, the number would rise to twelve. This is the second 'Pink Tide' that Latin America has experienced since the beginning of the 2000s. In many ways, a weaker and less cohesive movement than the previous one.

The causes of the change in the political course of the region respond to a complex set of national and international factors. On the political side these include, among others, the discontent with the *modus operandi* of traditional politics that has led to their delegitimization, the loss of confidence in institutions, and the failure to tackle corruption. The lack of solid improvement in social conditions have also contributed, in no small manner, to the switch in government regimes. Latin American countries exhibit high and persistent levels of poverty (and in some countries extreme poverty); unacceptable levels in inequality in income, wealth, and in levels and access to education, which limits and frustrates expectations of social mobility and improved economic well-being. These social vulnerabilities worsened during the Pandemic.

Macroeconomic factors such as the downward trend in the long-term economic growth rate, the stagnation of productivity, the lack of productive transformation, which is accompanied by the creation of low-quality jobs are also part of

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the explanation. Several of these macroeconomic trends have been associated to policy decisions, in particular, the persistence of austerity measures, in some cases even by leftist or center governments.

The current leftist governments face common challenges and do not envisage revolutionary changes in the economic and social structure of society, and even the reformist agenda tends to be moderate. They are also far away from being a coherent whole. They have marked differences and exhibit national singularities in the formation of their governments, in the forms and ways in governing (which includes autocratic forms on the one hand and ways of governing based on firmer commitments to democratic processes on the other), and in their political and economic objectives. Moreover, there is no political and ideological convergence among the leaders of this new left. Some previous alliances have been strained, in particular with the intensification of the crisis in Nicaragua and Venezuela.

The political bases of several of the new governments are not rooted in the traditional parties. Rather their political legitimacy is founded on fragile coalitions, which weakens their power and limits the scope of their political projects. A common denominator to almost all the new leftist governments is the contradictory combination between a high social sensitivity including an explicit recognition of indigenous and indigenous peoples' rights with fiscal conservatism (voluntary or inherited from the past) and generally embodied in fiscal rules that limit the scope for action, and restrict the space for economic policy.

This new turn to the left has been marked by significant setbacks and defeats, including the inability of the Chilean government to replace the Pinochet constitution in 2021-2022, the deposition of Peru's left-wing president Castillo in 2022, and the change in political orientation in Ecuador (2021) and Paraguay (2023) towards right wing governments. More recently in 2023 an ultra-market libertarian, Javier Milei, was elected president of Argentina.

The extent to which this new turn to the left, with all its national specificities and accompanying restrictions and contradictions, will represent a historical milestone and lead to a tectonic shift in the way of doing politics and economics, or whether it will merely reinforce the prevailing development model is uncertain.

This special issue of *Cuadernos de Economía* provides a country-based analysis of this New Turn towards the left in Latin America. It consists of 11 articles focusing on different dimensions of this political phenomenon. These articles allow an in-depth understanding of (i) the potential causes and consequences of the current left-wing governments (national and region wide levels); (ii) the differences and similarities between the new left-wing government experiences in different countries focusing on ideology, political support, forms of governing, economic and social objectives, and idiosyncratic features, among others; and (iii) the contradictions, challenges and obstacles that the new left-wing governments face to implement their economic, political, and social objectives and how these governments have responded.

Fander Falconí (*Latin American challenges and the transition to post-development*) explains how in exercising its power, the current Latin American left-wing governments have placed emphasis on recovering the role of the State, prioritized economic growth, activated redistributive policies, strengthened labour and social rights, and made significant investments in public education and health infrastructure. At the international level, they have demanded respect for economic sovereignty and sought to deepen Latin American integration. The article argues that only a programmatic and political revamping of the left can confront the challenges of the 21st century. In Latin America and the Caribbean, only a political movement that proposes concrete alternatives to developmentalism and extractivism, that limits the scale of productive activity in socially and culturally valuable sites, and unhesitatingly adopts an agenda of social participation, inclusion, fundamental freedoms and the Rights of Nature and women, has the capacity to consolidate social and political change.

Leonardo Vera (*Towards a progressive economic development agenda for countries endowed with natural resources: Lessons from the rise and demise of the Bolivarian Revolution*) identifies some of the new economic challenges faced by left-wing forces in Latin America, especially in countries endowed with natural resources. It also proposes set of progressive policy responses to prevent the regional Left from repeating the missteps of the policy agenda followed by the so-called Bolivarian Revolution in Venezuela. Moreover, it highlights the need to build an alternative based on what we call "progressive democratic development." The main message of the article is that the democratic left must overcome the belief in the misleading dichotomy that society is organized either by the power of the state or by the market. The paper asserts that instead an important role must be given to civil society and presents several ideas to achieve this objective. Finanly. The paper explores new formulas to manage mining and oil wealth, provide a social protection system to the growing informal sector, and to manage macroeconomic policy in a socially responsible manner.

Manuel Valencia Delgado and Juan José López Rogel (*Challenges to the left in Central America: A comparative political economy analysis based on a Structuralist-Keynesian approach*) use a Structuralist-Keynesian framework, to conduct a concise comparative political economy analysis of the growth regimes in five Central American (CA) countries. Applying the Sraffian supermultiplier Decomposition, they assess external and policy constraints, particularly within the context of "progressive governments." Their study contributes by offering a Growth Model Analysis perspective on Central American countries nations, emphasizing the significance of consumption financed by remittances and exports in growth dynamics. Integrating external and policy considerations, they provide a nuanced understanding of the constraints hindering the transition toward a more inclusive and stable growth regime for central American economies.

Fabián Amico (*Conflicting Claims over Income Distribution and Financial Dollarisation in Argentina*) focusses on the complex interaction between the distributional conflict, the different roles of the exchange rate and the persistent capital outflows in Argentina using long-run and political economy based. It traces the interaction of these factors to the cycle of Peronist governments (2003-2015) and posits that its complexity became more pronounced subsequently with the unsustainable increase in external debt and the attempts to restore neoliberal economic and social policies.

Luiz Carlos Bresser-Pereira (*Why left and right-wing governments fail in Latin America. With a critique of Gabriel Palma*) contends that since 2019, a new wave of left-wing governments has emerged in Latin America, but there is no reason to believe it will be successful. Since 1980, no governments either on the left or on the right have been economically successful. Quasi-stagnation – growing less than the other developing countries and less than the rich countries, falling behind – has been the rule. The article sustains that Gabriel Palma's recent paper presenting data and discussing this problem does not offer a solution and ignores other Latin American contributions on the subject including New Developmentalism. The article explains that New Developmentalism provides an explanation of why countries stagnate and how they can resume sustainable growth.

Ariel Bernardo Ibañez-Choque (*Will Bolivia be able to remain as an emblematic example of democratic socialism?*) argues that the left-wing turn and governance in Bolivia is emblematic because of its achievements in economic growth and an unprecedented reduction of poverty and inequality, but that it was interrupted by the coup of 2019. Nevertheless, in 2020 a second progressive political current has emerged following a broad social movement to recover democracy. Within this context, the research presented aims to critically reflect on the progressive experience in Bolivia and its new challenges. Using political economy categories and a heterodox framework, this article argues that maintaining a progressive approach to government requires overcoming the ongoing internal political crisis and the emerging balance of payments constraint of Bolivia.

Miguel Torres (*The Development Dilemma in Contemporary Chile: A Historical-Structural Analysis*) investigates the main aspects characterizing the development process in contemporary Chile through a structural-historical analysis. It identifies the current difficulties facing the country, framing them within a structural and cyclical context. It presents Chile's development predicament as a misalignment between economic and social dynamics and the political spheres of action. It typifies Chile's development problem with an analysis of the political evolution over the last twenty years; the recent economic situation; a historical interpretation of social relations in Chile based on ad-hoc historiographical sources; and a set of stylized facts that describe the main trends in its development process over the past fifty years.

Jeannette Sánchez (*Progressivism in Ecuador: Socioeconomic Policies for "Buen Vivir" 2007-2017*) takes stock of progressivism in Ecuador, during the government of Rafael Correa. It assesses whether the policies its achieved will affect the long-term socioeconomic of the country. Three theoretical approaches sustain the analysis (the neo-structuralism of the Economic Commission for Latin America and the Caribbean (ECLAC) and the theory welfare state, and that of the social economy). At a methodological level the paper reviews the most important socio-economic policies in terms of their coherence with the overall political project and evaluates their results. The Correa government sought to promote an inclusive, supportive and environmentally sustainable development model. The research finds that the progress achieved in socio economic objectives was insufficient to bring about an inclusive and sustainable productive transformation, which requires long-term covenants among economic and social sectors and actors.

Noemí Levy (*Economic policy of the first government of the 4T. What's comes after?*) contends that neoliberal governments in Mexico led to a significant decline in economic growth and well-being. From the time they took power they faced popular opposition. It was not until 2018 that the balance of power shifted, when Manuel López Obrador, an opponent of neoliberalism assumed the presidency of the country. Unlike other Latin American governments, the Mexican strategy was sought to include the popular sectors in the domestic market, without destabilizing the economy, while maintaining the balances of the external and fiscal sectors. This paper argues that, although the economic and social policy has been effective, it requires adjustments to achieve its objectives. It is essential to accelerate growth through reindustrialization, strengthening national industry, and foreign investment is needed to transfer technology while preserving financial stability, accompanied by redistributive policies. Eventually, tax reform will be crucial to ensure the continuity of equitable growth.

Germán Bidegain, Martín Freigedo and Cristina Zurbriggen (*The stability of change: State and public policies during leftist administrations in Uruguay, 2005-2020*) examine the 15-year trajectory of Uruguay's leftist administrations, focusing on the influence of the *Frente Amplio* (FA) on public policy and state configuration. It scrutinizes the challenges of and progress in state strengthening and policy shaping through three thematic blocks. The conclusion reflects on the enduring impacts of the transformative phase, marked by heightened state influence on public policy, economics, and social affairs. It showcases the feasibility of pursuing a redistributive agenda while upholding stability and resilience in the 21st-century Uruguayan state apparatus.

Fernando Lorenzo (*Economic Policy and Structural Reforms in Uruguayan Left-wing Administrations*) analyzes the experience of 15 years of government of Uruguay's left-wing coalition the *Frente Amplio*, drawing lessons about the key factors that explain why it was possible to advance towards such a deep process of transformation of public policies. The presentation combines political arguments with considerations related to the specific, economic, social, and institutional conditions within which this experience took place. The narrative aims to illustrate how policymakers' strategies have reconciled macroeconomic stability with the implementation of structural reforms in multiple fields of the economy and society.

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ARTÍCULO

LATIN AMERICAN CHALLENGES AND THE TRANSITION TO POST-DEVELOPMENT

Fander Falconí

Falconí, F. (2025). Latin American challenges and the transition to post-development. *Cuadernos de Economía, 44*(93), 1-20.

The objective of this article is to specify the challenges of the Latin American left in the current complex context. As such, the article has limitations, since it is part of the programmatic debate and not derived from the practice of real politics, a transformative political subject, or the articulation of specific actors.

In exercising its power, the current Latin American left has placed emphasis on recovering the role of the State, prioritised economic growth, activated redistributive policies, strengthened labour and social rights, and made significant investments in public education and health infrastructure. At the international level, it has demanded respect for economic sovereignty and has sought Latin American integration.

The redefinition of development is a pending task for the Latin American left, with contributions from new trends such as degrowth, post-development and eco-Marxism. We face a multiform and multidimensional crisis of civilisational nature, economic thought and the very notion of development. When we observe the results of unrestrained developmentalism (excessive and insatiable growth in rich countries and environmental destruction in impoverished countries extracting wealth for others), we find a lack of reasoning. The time has come for a Copernican shift of thought, focusing on Nature and social equity.

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The article proposes that only a programmatic and political revamping of the left can confront the challenges of the 21st century. In Latin America and the Caribbean, only a political movement that proposes concrete alternatives to developmentalism and extractivism, limits productive scale in socially and culturally valuable sites, and unhesitatingly adopts an agenda of social participation, inclusion, fundamental freedoms and the Rights of Nature and women, has the capacity to consolidate social and political change.

Keywords: Development; left; post-development.
JEL: B50.

Falconí, F. (2025). Desafíos de la izquierda latinoamericana en la actual complejidad. *Cuadernos de Economía, 44*(93), 1-20.

El artículo precisa los desafíos que la izquierda latinoamericana enfrenta, desde la complejidad actual. El artículo tiene limitaciones, pues se inscribe en el debate programático; no en la práctica que involucra la política real, el sujeto político transformador ni la articulación con actores concretos.

La izquierda latinoamericana actual, en su ejercicio del poder, ha enfatizado en la recuperación del papel del Estado, ha priorizado el crecimiento económico, ha activado las políticas redistributivas, ha profundizado los derechos laborales y sociales y ha hecho inversiones significativas en infraestructura pública, educación y salud. En el ámbito internacional, ha exigido el respeto por la soberanía económica y ha buscado la integración latinoamericana.

Redefinir el desarrollo es una tarea pendiente de la izquierda latinoamericana, con aportes de tendencias nuevas, como el decrecimiento, el posdesarrollo y el ecomarxismo. El argumento central del artículo es que enfrentamos una crisis multiforme y multidimensional —civilizatoria, del pensamiento económico y de la propia noción de desarrollo—. Cuando vemos los resultados del desarrollismo a ultranza (crecimiento desmedido e insaciable en los países ricos; y destrucción del ambiente por extraer riquezas para otros, en los países empobrecidos), concluimos que no estamos razonando bien y que ha llegado la hora de dar un giro copernicano al pensamiento, centrándolo en la naturaleza y la equidad social.

Se propone que solo una izquierda remozada en lo programático y lo político puede enfrentar los desafíos del siglo XXI. En América Latina y el Caribe, solo un movimiento político que proponga salidas concretas al desarrollismo y el extractivismo; limite la escala productiva en los sitios de alto valor social y cultural; y adopte, sin vacilaciones, una agenda de la participación social, la inclusión, de las libertades fundamentales y de los derechos de la naturaleza y las mujeres tiene la capacidad de aglutinar un cambio social y político.

Palabras clave: desarrollo; izquierda; posdesarrollo; crecimiento económico.
JEL: B50.

INTRODUCTION

Although the nomenclature of left and right was born with the French Revolution (the nobility and the clergy sat on the right, while the bourgeoisie occupied the left side of the assembly), the idea of these two tendencies comes from much earlier, at least since the Roman Republic over two thousand years ago. The Roman patricians were grouped into the Optimates party (the best, what would be considered right-wing today), while the plebeians were active in the Populares party (those of the people or populists, the left). The most famous case of a populist militant is that of Julius Caesar, born into a patrician family but becoming a populist leader. His assassination ended the Republic and established the Empire with his godson Octavian, later called Augustus. Feudalism emerged after the fall of the Western Empire in the 4th century, ushering in the Middle Ages. The rise of the bourgeoisie, from the 14th century, ended that system and introduced capitalism to the world scene. Thus, the bourgeoisie began as the left. Within the bourgeois system, two factions soon clashed: the conservative (right) against the liberal (left). This struggle took place in Spain and Portugal, and continues throughout Latin America to this day; we Hispanic Americans even inherited the term '*godo*' to refer to conservatives or ultramontains. However, this brief account does not delve into the complexity of the story.

In the Latin American and Caribbean case, political actors have always varied between countries: workers, the indigenous movement, the military, the church, etc. For example, in the Ecuadorian case, the military has been responsible for several social transformations since 1985: the liberal revolution in 1895, the Alfarista reaffirmation of 1906, the Julian revolution against corrupt banking in 1925, the signing of the labour code and the establishment of social security in 1938, and the nationalisation of oil in 1972, among others. This contrasts with armies such as the Chilean, Brazilian, Argentine or Uruguayan equivalents, architects of brutal military dictatorships in the Southern cone. The Latin American Catholic Church underwent a crisis in the second half of the 20th century, especially after the Second Vatican Council, and a part of the institution took the side of the poor (for example, with liberation theology), although the other half did bless the right.

The Empire and local right-wing forces have opposed every attempt by the left to seize power in Latin America; examples abound. Guatemala, June 1954. The CIA, sponsored by United Fruit, overthrow legitimate president Jacobo Arbenz; power was handed over to a military *junta*. Arbenz had dared to carry out agrarian reform in his country, among other moderate changes. Brazil, 10 years later. The CIA overthrow another legitimate president, Joao Goulart, in 1964. Dominican Republic, 1965. This time, there was no coup d'état, rather a direct intervention by the US military forces. Chile, September 1973. A third legitimate president, Salvador Allende, is assassinated and overthrown by the CIA, the military and transnational companies.

Left and right have transformed to adapt to the circumstances. The Cuban revolutionary movement itself did not adhere to the orthodox alignment of the country's communist party. There have always been ideological disputes within the traditional communist parties, or between them and the vanguards of change. In practical terms, these discrepancies led to the conception of the party, the definition of a political subject for change, and political activities such as the constitution of broad fronts expressed in an amalgamation of coalitions between left-wing and social democratic parties (in the Latin American fashion). There are cases of politicians who do agree with his right-wing ideology, such as the case of Guillermo Lasso in Ecuador, a banker and follower of Opus Dei. Meanwhile, Pope Francis continues to scandalise the ossified half of the Vatican and continues to open fundamental debates such as those proposed in his encyclical letter *'Laudato sí'* (2015) and his apostolic exhortation *Laudate deum* (2023) on the climate crisis.

In its exercise of power, the current Latin American left has placed emphasis on recovering the role of the State, prioritised economic growth, activated redistributive policies, deepened labour and social rights, and made significant investments in public education and health infrastructure. At the international level, it has demanded respect for economic sovereignty and has sought Latin American integration.

The left faces great challenges in this post-pandemic period of the 21st century. We can group these challenges into two major issues: 1) refuting the right's discourse and practice with arguments that the majority can understand and access, and 2) updating left-wing programmes so that their postulates are attractive to new generations, tired of the worn-out speeches of traditional politicians. Given that there are obvious structural economic and social conditions such as unemployment or the fear or neglect of social groups, both issues explain, in part, why self-named anti-political or outsider candidates attract young people.

Trump, in the United States, and Bolsonaro, in Brazil, appeared as outsiders, separate from the establishment. However, Trump's actions were a continuation of the neoliberal capitalism of Reagan and Bush (Falconí, 2020). The policies of Bolsonaro, the tropical version of the North American leader seeking a new mandate, showed a mix of neoliberalism, authoritarianism, regression of rights and destruction of nature (Rodrigues, 2022).

The 'anti-political' politician Milei won the Argentine presidential elections of 2023, applauded by a poorly educated right-wing current. This current ignores the historical lessons of what happened in Italy, Germany and Spain a century ago. By proclaiming himself a right-wing libertarian or anarcho-capitalist, Milei is not original; he is repeating something he admires in the new American right. Newman (2010, p. 43) explains this:

> … it is important to distinguish between anarchism and certain strands of right-wing libertarianisms, which at times go by the same name (for example, Murray Rothbard's anarcho-capitalism). There is a complex debate within this tradition between those [such as] Robert Nozick, who advocate a ´minimal state´, and those like Rothbard who want to do away with the state alto-

> gether and allow all transactions to be governed by the market alone… From an anarchist perspective, however, both positions —the minimal state (minarchist) and the no-state (anarchist) positions— neglect the problem of economic domination; in other words, they neglect the hierarchies, oppressions and forms of exploitation that would inevitably arise in a laissez- faire 'free' market... Anarchism, therefore, has no truck with this sort of right-wing libertarianism, not only because it neglects economic inequality and domination, but also because in practice (and indeed in theory) it is highly inconsistent and contradictory. The individual freedom they invoked by right-wings libertarians is only a narrow economic freedom with the constraints of a capitalist market, which, as anarchists show, is no freedom at all.

Philosopher Daniel Innerararity (2023) argues that the right, traditionally defenders of order, tradition, and stability, have mutated their discourse towards the defence of freedom, understood as individual property, in the liberal and even libertarian sense. The conventional axis of debate has been modified in that the left represents freedom, and the right represents resignation. What distinguishes the two currents "is not the principle of individual freedom, but the way of understanding it" (Innerararity, 2023, p. 15). In this sense, other debates now arise, such as how to understand the principle of freedom, the complexity of the world, and democracy. The above does not negate the conventional left-right categorisation, but it cannot simplify the two visions to an opposition between the State and the market (Alberola, 2020).

In addition, vital issues now arise that the dogmatic left had not previously addressed, and the renewed right looks greedily on. Currently, fighting corruption is an urgent social need, as are reproductive rights. The freedom to decide whether to have children or not, the quantity and spacing between them, the type of family to form, access to information and planning to do so, contraceptives, legal and safe abortion, as well as fertility and pregnancy services are all essential (Fundación Huésped, 2024).

The left faces new challenges when it adds to the classical capital-labor contradiction, studied by Marx, the capital-nature contradiction, as proposed by James O'Connor (1998). Eco-Marxism, with authors such as Foster (2000) and Burkett (1999), foregrounds the relationship between capitalist accumulation and environmental degradation, renewing critical thought by connecting social struggles with ecological crises. In the region, new approaches have emerged that question notions of development and well-being (Unceta, 2022). Furthermore, key actors are emerging from distributive ecological conflicts caused by the expansion of social metabolism and the intensification of extractivism, particularly in Latin America, as highlighted by Joan Martínez Alier (2023). Those most affected by the exploitation of labor and the expansion of ecological and territorial frontiers (Moore, 2015) are the poor, women, and indigenous communities. Nancy Fraser (2013) had already emphasized the importance of leftist movements in the critique of neoliberalism, advocating for the integration of social protection with emancipation, as well as promoting an alliance between feminism and anti-capitalist forces to achieve justice through redistribution, recognition, and representation.

Redefining development is another pending task for the Latin American left, and this reflection constitutes the central axis of the article, considering contributions from new trends such as degrowth, post-development and eco-Marxism. How can we respond to the unprecedented challenges of the 21st century, which no longer simply imply a better life but have become questions of life or death? How can we face civilisational crisis and debate the limits of developmentalism?

To answer these questions, after this introduction, the second section proposes the notion of multiform and multidimensional crisis – very notion of development and civilisational, economic thought . The third section presents the need to look for new references, particularly the reconsideration of the outdated idea of development. A new left, capable of aligning with new progressive actors and founded on degrowth with social justice and environmentalism, could change the panorama of the region. Finally, the fourth section presents the conclusions.

Development crisis

The ideal of *development* will soon turn a century old. As it is so general, the concept has always needed a complement: first it was economic, then human, and today it is sustainable. It is ubiquitous, although it has never ceased to be the preferred synonym for economic growth. Conceptually, it has generated many theories in perpetual dispute. The practice of development is no less controversial. In many ways, humanity – at least a part of it – enjoys unique well-being, extraordinary technologies and sumptuous material affluence. However, inequality has ravaged society and nature, affecting all of humanity; the abuse of economic and political power, exercised in its name, restricts human capabilities and atrophies democracy; and the environmental crisis is the direct consequence of the processes of accumulation/dispossession on a planetary scale (Harvey, 2005).

If the study of development invites intellectual contest, its practice, focused on closing gaps, embraces essential physical, social, political, cultural and economic impossibilities. However, it persists in public, national, and international agendas, increasingly resembling a myth rather than a theory with positive and normative content, like any other subdiscipline of economic orthodoxy. Despite its constant challenges, development withstands in academic centres. It is constantly invoked in policy agendas and is a priority topic in scientific dissemination channels. What is the reason for this unusual resilience?

Development and crisis

British economist Dudley Seers, pioneer in poverty measurement and professor at the London School of Economics and the University of Sussex, was among the first to claim that development doctrines were "in ruins" (1978). Years later, Wolfgang Sachs (1992) stated that the "last forty years can be called the age of development. This era has come to an end. The time has come to write its obituary." Three decades later, another prominent specialist, Cristobal Kay, concluded that "development theory reached an impasse, requiring – and resulting in – a serious reconsideration of the entire development project" (2011, p. 72).

It would seem that the development project, as Kay calls it, is in constant crisis. But, *what* is in crisis? The reality to which these theories refer, or the theories themselves? Were both the first and second not in crisis at some point or other? Or, to put it positively, did development theory have a stage of 'normal science', in the sense of Kuhn (2004), at some point in its already long history? Given that we speak of development theories in the plural, is this area of economic science in a state of perpetual paradigmatic competition?

A larger crisis subsumes the crisis of development theories: the crisis of economic thought. At the end of the last century, Robert Heilbroner and William Milberg argued that economic science suffers from a crisis of vision, because in "its peak moments, 'strong theorizing' [...] reaches a degree of unreality that can only be compared to medieval scholasticism" (1998, p. 18).[1] As J.A. Schumpeter (1971) poses, these authors consider the difference between analysis and vision:

> By analysis we mean the process of deducing consequences from initial conditions, of paying [scrupulous] attention to chains of reasoning, and of guarding against the ever-present temptation to substitute demagoguery for intellectual exchange. By vision we mean the political fears and hopes, social stereotypes and value judgments – all of them […] unarticulated – that permeate all social thought, not by their clandestine entry into what would otherwise be a pristine realm, but as psychological or perhaps existential needs. (Heilbroner & Milberg, 1998, p 18)

From an epistemology that remains positivist, Heilbroner and Milberg affirm that other branches of the study of society, even psychology, "do not possess the behavioral regularities that establish economics as a field of social analysis, investing it uniquely with the characteristics of a social "science". In economic science, these regularities make it easier to postulate chains of reasoning that allow the development of "causal sequences" that would be the envy of sociologists and political scientists. For this reason, they argue, "analysis has become [...] the crown jewel of economics." The problem is that "analysis has gradually become the crown itself, overshadowing the material base in which the jewel is set" (1998, p. 19). This is objectionable in every sense, since "without a base there would be no crown".

Currently, that jewel – analysis – dominates the stage without the need to be enshrined in any crown – vision. Lacking vision, the analytical dimension of economics proclaims itself universal. However, the vision of capitalism cannot be "the vision by which we would see and understand tribal, imperial, feudal or com-

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[1] The perception that mainstream economic thought has become a religion, or a "new theology," is not uncommon. See, for example, Nelson (1994) or Stahel (2021).

munal societies, if we ourselves were members of these societies" (Heilbroner & Milberg, 1998, p. 20). If this observation is relevant to central capitalism, it is also relevant to peripheral capitalism. Development analysis is meaningless without historical and socio-political context. By disregarding the context, this analysis would be nothing more than authoritarian regulation, power discourse and denial of intellectual exchange. The alleged scientific timelessness of the mainstream economic thought applied to development would, in practice, be the justifying rhetoric of capitalism.

The lack of vision pointed out by Heilbroner and Milberg is not the only cause of the development theories crisis. This subdiscipline of economics was officially born in 1949, when President Harry Truman called "for the United States and the world to solve the problems of the 'underdeveloped areas' of the globe" (Escobar, 2014, p. 49).[2] Since then, development has mutated from economic to human then to sustainable, always promising to eliminate the *gaps* between the poor and the rich.[3] Reality, however, seems willing to reiterate the impossibility of achieving this, albeit stubbornly so.

This economic thinking (that is, the empire of the analytical, devoid of the fears, political hopes and value judgments that make up the vision of the world, and the process of simplification that has turned it into a narrative of growth) is one of the main drivers of a major crisis, of civilisational dimensions and planetary reach. The philosopher and sociologist Armando Bartra maintains that humanity faces "a polymorphous, but unitary emergency. A great crisis whose [...] manifestations make up a historical period of intense turbulence [...] a planetary strangulation [...] that is particularly harsh on the poorest: poorest classes, poorest nations, poorest regions" (2013, p. 23).

This great crisis is one, though multiform and multidimensional. As Johan Rockström et al. (2009) and Will Steffen et al. (2015) demonstrate, the intensity of human activities have exceeded the global limits of several key systems, which regulate the stability of the planet and allow humanity to operate safely. Capitalism depletes natural resources, contributes to continually diminishing the capacity of ecosystems to provide living beings with vital environmental services, alters biogeochemical cycles (phosphorus and nitrogen), causes changes in the Earth's system and has caused a climate crisis, which is the ultimate expression of the civilisational crisis.

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[2] The sociologist Orlando Fals Borda is forceful when he prefaces the first edition of this book by Escobar: "'Confronting development' – not routinely accepting it as the panacea of point IV proposed by President Truman in 1949 – is a vital necessity for us of the dependent world. Vital, because autonomy, personality and culture, the productive bases and the vision of the world that have given us the breath of life as human beings and peoples worthy of respect and a better future are at stake" (Escobar, 2014, p. 43).

[3] It is essential to point out that in these successive 'stages' of development theories the objective of economic growth has been a kind of lowest common denominator. Or, if you want, a simile of the development that has served to facilitate the expansion of capitalism and to postpone redistributive policies.

The Oxymoron of the dominant discourse: Sustainable development

In the intellectual tradition of Rostow (1959; 1960) the notion of development is inseparably linked to the need for economic growth. Based on this need, it is possible to differentiate the successive theoretical moments, according to the different factors considered determining factors. The provision of infrastructure immediately after the Second World War. Import substitution industrialisation in the periphery of the system during the following two decades. The opening and free flow of goods and capital at the end of the 20th century, considering the "law" of Ricardian comparative advantages. Finally, updated by the alarms raised at the United Nations Earth Summit (Rio de Janeiro, June 1992), development assumed the quality of being 'sustainable'.[4]

Development as a synonym for growth is a significant example of reductionism, since this assumes that a complex notion, which involves social, environmental, cultural, political, geostrategic and economic processes can be reduced, with advantage, to its economic dimension. Another case of a jewel without a crown, or analysis without vision, if preferred.

Reducing the notion of development in societies to economic growth is also entropically impossible. If the planet no longer has the capacity to assimilate (metabolise) the environmental burden caused by excessive consumerism, sustainable development becomes a contradiction.

Belatedly, the United Nations Brundtland Commission disseminated the contradictory term of sustainable development (World Commission on Environment and Development, 1987). Development – authentic mimesis of economic growth – is linked to more production and more consumption, while sustainability refers to the carrying capacity of ecosystems, that is, the maximum population that a given environment can support without suffering significant negative impacts. The expansion of development entails irreversible environmental degradation, in accordance with the laws of thermodynamics.

In 2015, the United Nations established 17 sustainable development goals (an oxymoron?) in an attempt to avoid the civilisational crisis we face, without questioning the core of the problem. Moreover, the eighth goal promotes economic growth. It is necessary to find alternatives, such as reducing the growth rate of rich and industrialised societies, redefining consumption patterns and, especially, establishing social and environmental justice.

[4] In 2015, the United Nations established 17 sustainable development goals (SDGs) that would be, according to their theorists, sufficient to avoid climate change generated by the exceeding of planetary limits.

Other references

Latin American structuralism was the first theory of development not originating from the centre of the capitalist system. With the Economic Commission for Latin America (ECLAC), as its epicentre, it had great influence between the 1940s and 1960s,[5] and served as a precedent for the emergence of the dependency approach. Both theories share the need for historical analysis, which gives specificity to the processes. Meanwhile, the theories of the orthodox tradition assume that their economic "laws" have universal validity; considering differences originating in "historical formations" bwas seen as unnecessary. The heterodox tradition offers broader epistemic possibilities than those allowed by the reductivism of orthodox economics, which, as noted, confuses development with growth (with the notable exception of the theory of human development, fundamentally supported by Amartya Sen (2000)).

The dependency approach was one of the four most important schools of thought on economic development in the second half of the 20th century, along with modernisation theory, the structuralism of ECLAC and the neoclassical counter-revolution, which included "structural reform" and the "Washington Consensus". The dependency approach was more political and radical than structuralism. It conceived underdevelopment in terms of international and national power relations, of institutional and structural rigidities, which resulted in dual economies and societies both within countries and globally (Todaro & Smith, 2003, p. 110).

Since the social and economic upheaval that Latin America experienced during the lost decade of the 1980s, there has been a deliberate attempt to forget the theory of dependence. One of the problems of Latin American social theory, reflects Maristella Svampa (2016), is the accumulation deficit caused by "erasure", devaluation and oblivion. This deficit is also linked to the anthropophagic vocation of Latin American culture: nothing foreign is strange to us, we are willing to incorporate it to create a complex identity. A marked intellectual dependence is the counterpart to this cultural element. Added to this are the "processes of epistemic expropriation", a naturalised gesture in the dominant academic habitus (that of the United States and Europe). There are few academics from central countries who are willing to open dialogues of North-South knowledge, which contributes to epistemic expropriation and the consolidation of asymmetries, "… both the invisibilisation of Latin American theoretical production and the process of epistemic expropriation fuel the idea that in Latin America there would be no general theories, but rather a 'specific look', a sort of 'local production'" (Svampa, 2016, p. 14).

At this point we must recognise that the description of development theories is insufficient for a proper evaluation of them. The application of a policy inferred from a theoretical approach (its normative dimension, if you prefer) depends on conditions external to its epistemological validity. In more simple terms, it depends

[5] This United Nations organisation was established by resolution 106 (VI) of the Economic and Social Council, on February 25, 1948. It began to operate that same year in Santiago, Chile.

on specific power relations, both internal and international. A proper understanding of the crisis of development theories – the central hypothesis of this document – requires a critical evaluation of their epistemic merits/demerits, as well as the consequences of their application (such as the structuralist attempt or neoliberal imposition) or their non-application (as occurred with dependency theories).

It can be said that development economics has been in a phase of "extraordinary science" since the 1970s, in response to T. Kuhn's theory of scientific revolutions (2004). The emergence of new references, such as feminist economics, ecological economics, anti-development and post-development corroborate this statement.

Feminist economics (FE) questions conventional economics and its foundations of economic rationality (*homo economicus*) and methodological and masculinised individualism. It introduces the analysis of gender relations and reproductive roles as part of economic life. It seeks to vindicate culturally, symbolically and economically (even salary) reproductive work and aims to make domestic work visible while reducing and more evenly distributing it. It also takes on the study of care economy, as part of unpaid domestic work. FE economics questions the traditional economic structures that frequently ignore or underestimate the work and contributions of women in economic life: in markets, for neoclassical feminist economists, in social reproduction for feminist economists of the Marxist tradition, and in eco-social sustainability, for ecological economists.

Ecological economics, on the other hand, is the field of interdisciplinary studies which integrates knowledge to understand the complex relationship between economy and environment. In other words, according to Joan Martínez Alier (1999) it seeks to understand the economy as part of Nature, one of its most relevant exponents. In conjunction with political ecology, ecological economics analyses ecological distribution conflicts, a term for defining environmental injustices and their relationship with power (Martínez Alier, 2023).

Understanding the economy as a social metabolism, as part of a broader natural system open to the input of energy and the output of waste and residual heat, allows us to question theories centred on growth and development (Georgescu-Roegen, 1971). Economic processes change the environment in an irrevocable manner, and vice versa, due to the law of entropy (Georgescu-Roegen, 1977). Capitalist economies cannot balance themselves with growth or the almost infinite possibility of replacing 'natural capital' with economic capital.

The subordination and exploitation of nature (Shiva & Mies, 2013) are concurrent and share the same essence: patriarchal society and submission to capitalist accumulation. This has given rise to an interdisciplinary field of study around feminist and ecological theories, aimed at making visible and denouncing the patriarchy's social and environmental dispossession. It also seeks to recognise non-market values and influence the formulation of public policies.

An alternative to reconciling the economy with the environment consists of promoting a capitalist economy without growth. Early on, Kenneth Boulding (1966) proposed a shift from a "cowboy" economy – based on unlimited growth – to a "spaceship Earth" economy, emphasising respect for planetary limits. Economic growth ultimately implies the depletion of accessible resources (Georgescu Roegen, 1975). André Gorz advocated for "degrowth" in response to the first report from the Club of Rome (Meadows et al., 1972), addressing the limits of growth (Martínez Alier, 2019). According to Serge Latouche (2010), degrowth is "a different civilisational option", as evidenced by his declaration of "degrowth or barbarism!" (Di Donato, 2009, p. 165). The economic degrowth movement proposes reducing production and consumption, leading to lives with fewer possessions, less work, and improved well-being (Love, 2019).

This concept aims to limit excessive consumption and promote distributive and intergenerational equity (Hickel, 2021; Hickel et al., 2022). Therefore, it is absurd to suggest the degrowth movement opposes the well-being of people. On the contrary, the movement seeks to satisfy essential human needs within a social and ecological framework (Max-Neef, 1993). These needs are not infinite but finite, few, and classifiable (Max-Neef & Smith, 2014).

Essentially, these options constitute the antithesis of the central idea of development, as it has been generally understood and practiced until now. Degrowth is an ecological option for counteracting the consequences of growth, which radically questions the capitalist economic system (Kallis, 2018).

Andrew Ahern (2023), one of the best-known proponents of degrowth, explains this proposal:

> While degrowth predominantly targets the Global North's unsustainable use of fossil-fuels or contributions to biodiversity loss, in a highly interconnected global system, growth in the North necessarily impacts the South in terms of [its] development, [its] ecosystems, and the kind of vulnerability these countries are subject to. At the most basic level, increased economic growth means more demand for energy and materials. In a period of an energy transition where those materials are largely found in the Global South—Latin America, Asia, and Africa predominantly—conflicts, injustice, and greenwashing would be inevitable without some kind of just transition that reduces the relative demand for these materials. This is where degrowth's commitment to global justice and ecological sustainability set it apart from other green transition narratives.

Post-Development

Latin America has had its own thinking on key aspects such as development and post-development, marginality and social exclusion, agrarian, gender and migration studies. Latin American economic and social thought has been linked to cultural manifestations, for example the literary 'boom' in the 1960s coincided with the awareness of the Great Homeland. Classical and heterodox Marxism, whose most notable expression was dependency theory, has nourished the Latin American left. In some cases, multiple variants of the left in Latin America have adopted reformist views of the capitalist system itself.

Latin American thought has also created a new goal for the people: good living (*Buen Vivir* in Spanish), which assimilates concepts from the Andean worldview that resonate with the Aristotelian conception. The vindication of nature begins with the rethinking of the outdated idea of development. We live in the era of post-development, as Latin American thinker Eduardo Gudynas (2011) explains. To achieve this, he draws on new concepts from Latin American thought, such as the rights of nature and good living. According to the Uruguayan researcher (Gudynas, 2011), good living represents an alternative to conventional development concepts. We must acknowledge that this concept is in construction, as it needs to be adapted to the social and environmental reality of each place and can only be generalised once it is contrasted with diverse realities. It is the moment to consider these concepts, especially those related to post-development or development without growth.

The critique of development is based on its unjust motivation, claiming that it presents developed nations as a golden dream while making them almost unattainable for the 'underdeveloped' poor. The argument of this critique is well constructed, but what should most interest the left is the proposal of an alternative.

Colombian anthropologist Arturo Escobar (2014) unmasked the notion of development as a political ideological device used to articulate and consolidate the dominance of capitalism in the world. Reduced to its economic dimension, this notion is already useless and irresponsible in the face of the challenges facing humanity. Planned social change will only occur if categories and meanings are redefined. This raises the urgency of expanding the ontological reference of economic knowledge, and of overcoming the traditional methodology, which inevitably parcels out scientific knowledge in the positivist tradition of science.

Escobar (2014) vindicates post-development from three axes: it "decentre[s]" the development discussion towards the local; it is not an alternative to development, but to the very foundations of the concept of development. It is the rejection of the entire paradigm (2014, p. 293) and to capitalist modernity; and alternatives should come from the knowledge and practices of social movements, as per the "political economy of truth".

Post-development is born from a critical scrutiny of the new emerging geography in a post-colonial world. The relationships that previously shaped the planet have changed, including the role of imperialism and neo-colonialism. This new world must be conceptually redrawn (Sidaway, 2007). Alberto Acosta (2010) equates post-development with good living and the Ecuadorian constitution of 2008, highlighting that it is the first in the world to recognise the rights of Nature.

Eco-Marxism

All these issues lead us to raise the question of whether the left needs a renewal while maintaining the idea of changing the current social organisation, or whether it will be possible to reformulate capitalism. The latter has an aggravating factor: by definition it means unlimited growth, but our generation has seen that we live in a limited world.

If it is a matter of changing the current social organisation and the capitalist mode of production, one option would be eco-socialism. According to Michäel Löwy (2005), this is a movement of ecological thought and action that draws on the contributions of Marxism while keeping a distance from its lingering productivist residue, associated with the development of productive forces at all costs. This was a characteristic of the so-called ‘real socialism’.

On one hand, eco-socialism refers to the ideas put forward by classical authors such as Marx and, to a lesser extent, Engels, who identified critical elements in the relationship between capitalism and nature, such as the overexploitation of resources and the metabolic rift between society and the environment. As philosopher Manuel Sacristán (2021, p. 41)[6] points out in his political-ecological writings, this is expressed through questioning the predatory technological progress (a very ecological term) of both the worker and the land in capitalism. The germ of a ecological economy can already be found in Marx, particularly in the concept of the metabolic rift in capitalism and the crossing of planetary boundaries, as explained by John Bellamy Foster (2000). The capitalist system causes a metabolic rift or an irreparable disconnection between humans and Nature (Foster, 1999).

If the distinctive feature of capitalism is endless accumulation, it is necessary to abandon the possibilities of achieving a ‘green capitalism’ by replacing economic capital with ‘natural capital’. This implies Nature has a monetary value, and an increasing commodification of nature and environmental services. Likewise, it is essential to show caution around discourse that suggests solving the environmental crisis using only technological solutions, deliberately omitting that the economy is entropic and not circular (Martínez Alier, 2015).

Eco-socialism also refers to the ecological elaborations of Marxism, akin to the second contradiction of capitalism (O’Connor, 1988; 2001). Capitalism has unleashed the well-known capital-labour contradiction and another essential contradiction between capital and nature, kept in a larval state since the first industrial revolution. James O’Connor patented this more than 30 years ago, affirming that the expansion of capitalism undermines life, its own existence and conditions of production (1988; 2001). Capitalism – economic growth – depletes natural resources, introduces dangerous technologies and generates new forms of pollution, but lacks the means to prevent or correct these damages.

[6] The original text of this writing by Manuel Sacristán was published in the magazine “Mientras Tanto,” No. 21, in December 1984.

The discussion around eco-Marxism (as a valid new path or as an adaptation of a 19th century view) continues to be discussed and can be extended. What really matters, however, is determining whether or not its basic approach is viable for the world that lies ahead.

CONCLUSIONS

The challenge for the left is understanding the complexity of the present and acting on specific aspects. Latin American thought, despite its enormous wealth, has also been influenced by a vision of development that has assimilated the idea of economic growth. The humanistic vision of the left needs to expand to post-development and eco-Marxism, given the crisis of thought and the clear symptoms of exhaustion, as well as the planet's civilisational crisis which is precisely due to a model that prioritises growth and development. This is not an easy task, but with a will to work on the formulation of this new broad vision an emphasis on the collective action of the left, it is possible.

To find a way out, we obviously cannot delve into conventional economic thinking. Instead, the escape lies in valuing the wealth of Latin American social thought, without omitting a critical balance. We require an interdisciplinary vision, sustained in the social and environmental matters, a revaluation of Latin American heterodox thought, and a connection between feminist and environmental theories, as fundamental pillars of all human action.

Canadian historian Ronald Wright (2006) argues that civilisations are often unaware of the imminence of their own collapse until it is too late. This statement is the corollary of a brief review of the end of several ancient civilisations which came as a result of environmental degradation, resource depletion, overpopulation and other factors. The entire planet has been incorporated into what can now be called the civilisation of capital. Unlike the long-lasting civilisations of Antiquity, the civilisation of capital has rapidly ascended and is already facing a crisis that compromises the survival of humanity and millions of other species. In less than three centuries, what was a mode of production has escalated to become a civilisation that conditions the sustainability of the planet. Consequently, there are many scientists who propose the advent of a new geological era and discuss whether we are already in the Capitalocene or the Anthropocene era (Wedekind & Milanez, 2017; Moore, 2020).

A "vibrant alternative to capitalism" is indispensable today more than ever (Wright, 2012). To move towards that alternative, Wright proposes developing a "real utopia" (which could be an alternative to the oxymoron of the dominant discourse: sustainable development), based on emancipatory scientific knowledge.

> The idea of real utopia embraces the tension between pragmatism and dream: utopia implies the development of alternatives to dominant institutions that embody our deepest aspirations for a world in which all people have access

> to conditions that allow them to live prosperous lives; real means proposing alternatives concerned with problems of unintended consequences, self-destructive dynamics, and complex dilemmas caused by normative trade-offs. (Wright, 2012, p. 3)[7]

The exploration of a real utopia is part of the broader agenda of emancipatory scientific knowledge, which begins by specifying the underlying moral principles for critique and diagnosis and culminates in the formulation of a theory of transformation to achieve the proposed alternatives. Wright proposes three principles that could serve as the basis for this theory:

Equality: In a socially just community, all people should generally have equal access to social and material conditions necessary for living prosperous lives.

Democracy: In an authentically democratic community, all people should generally have equal access to the means necessary to participate meaningfully in decisions about matters that affect their lives.

Sustainability: Future generations must have access to social and material conditions that make it easier for them to live in prosperity, at least at levels similar to those of the current generation (Wright, 2012, p. 3-6).

A transformative endeavour of these dimensions should urgently make sense of the whole and far exceeds the scope of development theories. To put it in epistemological terms, it is a transdisciplinary endeavour requiring a post-normal methodology (Funtowicz & Ravetz, 1993; Funtowicz & Ravetz, 2000). Denis Goulet (1971; 1992), founder of development ethics as an independent field of study, advises wisdom (as well as scientific knowledge). That is, that unity of meaning achieved after processing complexity, contradiction and antagonism, to see the relative importance of all parts in that whole. As has already been emphasised, the path that "leads to wisdom necessarily involves us in a dialogue between cultures, as no wisdom can be obtained simply by assuming that it already exists, in an adequate or finished form, within the confines of a single system of cultural meaning" (Goulet, 1992, p. 472).

From development theories, we can provide a significant contribution to the theory of transformation that humanity requires to overcome the unprecedented predicament it faces. This begins with the humble acknowledgment of past mistakes and the recognition that achieving the alternatives proposed by this transformational theory depends on more human and complex civilisational dimensions than those determined by the logic of the accumulation of capital.

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[7] The term "flourishing lives" is used, which refers to the notion of capabilities developed by Sen (1999; 2000) and Nussbaum (2000).

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ARTÍCULO

TOWARDS A PROGRESSIVE ECONOMIC DEVELOPMENT AGENDA FOR COUNTRIES ENDOWED WITH NATURAL RESOURCES: LESSONS FROM THE RISE AND DEMISE OF THE BOLIVARIAN REVOLUTION

Leonardo Vera

Vera, L. (2025). Towards a progressive economic development agenda for countries endowed with natural resources: Lessons from the rise and demise of the Bolivarian Revolution. *Cuadernos de Economía, 44*(93), 21-45.

The purpose of this paper is to identify some of the new economic challenges faced by left-wing forces in Latin America, especially in countries endowed with natural resources. We propose a set of progressive policy responses to prevent the regional Left from repeating the missteps of the policy agenda followed by the so-called Bolivarian Revolution in Venezuela. We highlight the need to build an alternative based on what we call "progressive democratic development." Our fundamental message is that the democratic Left has to overcome the misleading dichotomy that indicates that society is organized by the power of the state or

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the market. Instead prominence must be given to civil society. Several ideas are raised about how to work on the behalf of and lend prominence to civil society and the poorest segment of the population, particularly in the context of natural resource rich economies. The essay explores new formulas to manage mining and oil wealth, provide a social protection system to the growing informal sector, and to manage macroeconomic policy in a socially responsible manner.

Keywords: Populism; Bolivarian Revolution; civil society; natural resources; macroeconomic policy.
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Vera, L. (2025). Hacia una agenda progresista de desarrollo económico para países dotados de recursos naturales: lecciones del ascenso y caída de la Revolución Bolivariana. *Cuadernos de Economía, 44(93)*, 21-45.

El propósito de este artículo es identificar algunos de los nuevos desafíos económicos que enfrentan los movimientos de izquierda en América Latina, especialmente en los países dotados de recursos naturales. Proponemos un conjunto de respuestas de política de tipo progresista que eviten que la izquierda regional repita los errores marcados por la agenda de la llamada Revolución Bolivariana en Venezuela. Destacamos la necesidad de construir una alternativa basada en lo que llamamos "desarrollo democrático progresivo". Nuestro mensaje fundamental es que la izquierda democrática tiene que superar la dicotomía engañosa que indica que la sociedad está organizada por el poder del Estado o del mercado. En su lugar, esta debe dar prominencia a la sociedad civil. Se plantean varias ideas sobre cómo darle prominencia y trabajar para la sociedad civil así como para el segmento más pobre de la población, y lo hacemos particularmente en el contexto de economías ricas en recursos naturales. El artículo explora nuevas fórmulas para gestionar la riqueza minera y petrolera, para proporcionar un sistema de protección social al creciente sector informal y para gestionar la política macroeconómica de una manera socialmente responsable.

Palabras clave: populismo; Revolución Bolivariana; sociedad civil; recursos naturales; política macroeconómica.
JEL: P48.

INTRODUCTION

During the last decades, young leftist movements in Latin America have moved between the confines of radical populism (and its authoritarian drift) and the remains left by more traditional leftist parties that subtly embraced neoliberalism. Much of the appeal of radical populism in the region came from the expectations of transformation and charismatic leadership of Hugo Chávez and the so-called Bolivarian Revolution. The Chávez phenomenon had strong mobilization and contagion effects beyond Venezuela. But the truth is that any enthusiastic and hopeful vision that for years committed the Latin American Left to the rhetoric and practice of "Chavismo" has faded. The deep political, economic, and social crisis that afflicts Venezuela is not a positive reference for anyone today. This situation raises critical questions for progressive movements in the region that are trying to understand how to flesh out their public policy agendas without falling into macroeconomic malpractice or the institutional breakdown and authoritarian excess seen in Venezuela.

The aim of this work is to identify some of the new economic challenges faced by left-wing forces in Latin America, and in particular in countries endowed with natural resources. We propose an agenda of progressive policy responses that prevent the regional Left from falling prey to the missteps of the policy agenda followed by the Bolivarian Revolution in Venezuela. By highlighting the dangers posed by the populist variant of left-wing forces in Venezuela, as well as the reasons that explain their drift towards semi- or full authoritarianism, we will be able to build an alternative based on what we call "progressive democratic development."

Our fundamental message is that the democratic Left has to overcome the misleading dichotomy born of a claim that society is organized by the power of the state or the market. Instead, we argue that left-wing forces must give prominence to civil society, developing new mechanisms of social and economic inclusion and citizen participation. Several ideas are raised about how to work on the behalf of and lend prominence to civil society and the poorest segment of the population, in particular in the context of natural resource rich economies

New formulas to manage mining and oil wealth, provide a social protection system to the growing informal sector of the economy, and manage macroeconomic policy in a socially responsible manner are presented in this essay.

The paper is organized as follow: Following the introduction, the second section highlights the dangers posed by the populist variant in the region and the need to build an alternative based on what we call "progressive democratic development." We briefly review the recent case of Venezuela and the conditions and reasons that led Hugo Chávez and his successor Nicolás Maduro to undermine what could have been a process of democratic and inclusive change and turn to an authoritarian model of confrontation, institutional weakening, and scarcely responsible macroeconomic management. We argue that in contrast to authoritarian populism, progressive democratic development promotes social cohesion, diminishing social fractures and inconsistencies and connecting people for improved cooperation in conflict resolution. The third section presents civil society as the third pillar that fills the political and economic space untouched by the state and the private sector. Section four warns how rentier states inhibit and weaken the exercise of citizenship and the formation of a strong civil society. Section five explains how rentier states may end up generating huge macroeconomic losses associated with the cyclical asymmetry of fiscal policy. In the sixth section we propose addressing the resource curse to reduce the bad governance associated with the rentier state by directly distributing oil revenues to citizens (through revenue distribution funds). We argue that this institutional arrangement becomes an incentive to engage citizens politically. The seventh section urges attention be paid to inclusive social protection systems where the growing informal sector and the poor may have full access. An idea worthy of exploration here is connecting the provision of wealth to citizens with a contributory system where those who currently lack access to social protection can participate. In section eight we discuss the array of macro policies that may be employed to protect the poor and induce stability in economies highly exposed to sudden changes in the balance of payments. The last section provides a concluding discussion.

FIRST CHALLENGE: BETWEEN AUTHORITARIAN POPULISM AND PROGRESSIVE DEMOCRATIC DEVELOPMENT

In this section we will first highlight the dangers posed by the populist variant in the region and secondly the need to build an alternative based on what we call "progressive democratic development." To illuminate the dangers posed by left populism and in urgent recognition of the need for new alternatives, fragments of the failed social experiment of the so-called "Bolivarian Revolution" led by Hugo Chávez are presented and analyzed.

As an illiberal response to the failures of social democracy and its neoliberal counterpart, populism always stands in tension with democracy. The reasons have been well explained by Weyland (2013). Populist leaders sustain their influence via personal appeals rather than intermediary organizations and as a consequence they see any institutions outside of their control as obstacles to be bypassed or overcome. To boost their personal predominance, populist leaders strive to weaken constitutional checks and balances and to subordinate independent agencies to their will. Moreover, populist leaders treat opponents not as adversaries in a fair and equal competition, but as profound threats, and they seek all means to defeat and marginalize them. Thus, under populism, the space for civil society shrinks, and democratic culture, values, and the democratic system are threatened.

If we believe that young and old democracies alike fail to adequately fulfill the hopes for participation, social justice, and security placed in them, then any alternative should embody a respect for the fact that the greater the democratic engagement by all sections of society in public affairs, the greater will be its legitimacy. As such, to ensure strong democracies, it is essential to incentivize and empower people to participate and influence the decisions that affect their lives and to have oversight over those who make decisions on their behalf. It is in this way that a progressive vision of a new model of society could be promoted on the basis of sustainable equality and well-being for all.

The evolution of populism under the Bolivarian Revolution

Even though populism simultaneously faces different paths and takes a variety of forms (each with different political consequences), in the case of Venezuela, Chávez's large and ambitious social and political project of change had to rely on populism to establish, step-by-step, a new political hegemony. Chávez's initial and moderate populist discourse capitalized on the failures of previous administrations in dealing with the growing problem of poverty and the exclusion of Venezuela's poor from the mainstream activities of society. However, after years of high political confrontation, he realized that without the construction of a new hegemony, a radical revolution could not crystallize. In pursing of political hegemony Chávez eroded institutional checks and balances, marginalized the opposition through discriminatory legalism, and severely skewed political competition. Moreover, polarization became a key issue in Venezuela, where the divisions between Chavistas and anti-Chavistas was so intense that outsiders were called in several times to try to bridge the divide. When people increasingly perceive and describe politics and society in terms of "us" versus "them," exacerbate intolerance and discrimination, and diminish societal trust, polarization becomes toxic and democracy is undermined. Unfortunately, this type of left-wing populism can end up doing more damage to democracy than even the right-wing, neoliberal populism of the 1990s. Worse still, hegemonic execution lacking positive dialogue or discussion with other critical actors of the political and social fabric led, in the case of Venezuela, to large and serious public policy errors with a high social cost.

Chávez's handpicked successor, Nicolás Maduro, who won an April 2013 special presidential election and who was re-elected for a second six-year term in May 2018, perpetuated this personalist and top-down hegemonic style. Under his mandate, the policy of repression aimed at silencing dissent and exercising social control in Venezuela has remained in full force and effect, posing a constant and evident danger to civic space in the country.

As president elect (right after President Chávez passed away in March 2013), Maduro had to face increasing pressures on the country's main external and fiscal accounts. The most debilitating problem for the economy was an inadequate supply of foreign exchange. In mid-2014, things became worse as global oil prices tumbled and Venezuela's economy started to present debt fatigue. The lack of foreign exchange resulted in even tighter exchange controls and chronic domestic shortages of basic goods and essential inputs that, coupled with monetary disorder and expectations of exchange rate realignments, were major contributors to the country's high and accelerating inflation. Still, the country was able to maintain its external obligations by draining its meager foreign currency and gold reserves. Despite the deepening economic collapse and suggestions that the country ought to default, Maduro's government denied the default and kept repaying the debt. Indeed, in order to maintain debt service, the government stopped paying almost anything else. At the time, Santos (2017) described the situation better than anyone: "Default has been barely avoided up until now, at the expense of a deep humanitarian crisis" (p. 61).

Though the immediate trigger for Venezuela's economic crisis was the crash in world oil prices, the deepest damage to the economy came from previous years of economic mismanagement. Under Chávez, the government engaged in a pro-cyclical fiscal policy, drained international reserves, and borrowed heavily in foreign currency. It also promoted widespread expropriations and nationalizations, and implemented broad price and currency controls. These policies not only deterred domestic and foreign investment, but made the economy highly vulnerable to domestic and international shocks.

The crisis allowed a coalition of opposition parties to score a stunning political victory in the legislative elections of December 2015. The response of the regime to this result was to grow more authoritarian. The government rushed the appointment of 13 new justices before the start of the new National Assembly and devoted most of 2016 to trying to bypass congress, using Supreme Court rulings to declare invalid and illegal any of its laws or resolutions.

As unrest brewed amid the economic chaos and extreme political tensions, Maduro consolidated his power through political repression, censorship, and electoral manipulation. Corrales (2023) points out that just between 2013 to the present, Venezuela went from semi-authoritarianism to full-fledged authoritarianism. After the parliamentary elections of 2015, the Maduro administration either stopped electoral processes altogether, or made them so irregular that they ceased to have any semblance of fairness.

As the tension continued, early in 2017 the pro-government Supreme Tribunal of Justice (TSJ) dissolved the opposition-led National Assembly, and protests increased greatly in intensity throughout Venezuela following the decision. As April arrived, the protests grew into the most combative since a wave of unrest in 2014. In November 2017, after a frustrated civilian rebellion that spiraled into a humanitarian crisis, Venezuela defaulted on its external debt.

By the end of 2017, President Donald Trump began aggressively tightening sanctions against Maduro's administration. The Trump administration cut off the access of the Maduro regime to the U.S. financial system and barred U.S. companies and citizens from purchasing Venezuelan debt.

Following his re-election, Maduro's government faced increasing international isolation. The critical point was Venezuela's presidential election in 2018, which proved to be minimally competitive. President Maduro and the PSUV's control over the CNE, courts, and constituent assembly (which had assumed most legislative functions) weakened the opposition's ability to campaign. State media promoted government propaganda. No internationally accredited election monitors were present. The government coerced public workers to vote and placed food assistance card distribution centers next to polling stations. The EU did not recognize the election results and pledged to consider further measures against the government. The Lima Group countries did not recognize the election results, removing their ambassadors from Caracas. Beginning in January 2019, in the middle of the presidential crisis and after having first applied sanctions to individuals, the U.S. imposed additional economic sanctions on the petroleum, gold, mining, food, and banking industries.

At the end of the day, the economic and financial sanctions on the Maduro government have deepened an already harsh nightmare for the Venezuelan population. Chávez and Maduro undermined what could have been a process of democratic and inclusive change, believing that their model of confrontation, international isolation, institutional weakening and macroeconomic mismanagement would consolidate a different society project for Venezuela, when in reality they have led the country to dystopia.

How did a left-wing populist government end up becoming an authoritarian regime? The case of Venezuela seems to tell us that the key is not about intention but rather capacity. The populism engendered by the Bolivarian Revolution wielded extraordinary economic and political strength and some critical and practically unique policy and coercive tools.

Elsewhere (Vera, 2003) we have outlined the thesis that by taking full control of the oil industry Hugo Chávez had the possibility of intensifying the political conflict and cornering his political adversaries, without losing legitimacy. His legitimacy was able to be maintained thanks to the fact that he was able to install a patron-client relationship and an electoral regime where he could use, to his advantage, the resources provided by the oil super cycle. Thus, the government experience of the Bolivarian Revolution offers clues as to why twenty-first century progressive governments have repeatedly failed to turn away from extractivism. Distributive social programs financed by the oil boom leveraged overwhelming support for Chávez among the popular classes. But all this support did not much help to empower civil society, but rather to build hegemony over it. This type of political regime has been defined by Levitsky and Way (2002) as "competitive authoritarianism." It is precisely through this political arrangement that Chavismo took advantage of its command over oil revenues to constantly legitimize itself, while also promoting the legal (and constitutional) changes that would undermine and finally eliminate political alternation and the systems of checks and balances that are characteristic of democratic regimes.[1]

A second key aspect for explaining the increased capacity to convert a democracy into a hybrid or fully authoritarian regime was the alliance that Chávez was building with the military sector.[2] This civil-military alliance is what would later enable Maduro to use extensive violence as a means of preventing any uprisings and crushing its dissidents (Romero, 2020), as well as to stay in power even in times when extraordinary oil revenues ceased to exist.

Progressive democratic development

If the Bolivarian project could not be translated into political action that could provide fair and progressive responses for society, what regional alternatives exist for the Left?

In contrast to authoritarian populism, progressive democratic development promotes social cohesion. By virtue of its many connotations, the idea of social cohesion is difficult to encapsulate in a single definition, but it can be understood as a symbolic societal asset consisting of the ability of the social structure to manage rules, networks, and bonds of social trust (ECLAC, 2007). A cohesive society encourages everyone and collective groups to participate and share in the community's success. It lessens social fractures and inconsistencies and connects everyone for the easy resolution of conflict. Social cohesion seems to also have a positive relationship with economic growth.[3]

While a cohesive society could be understood as a prerequisite for political democracy and social stability, it is a participatory spirit supported by democracy in which interest groups can enjoy a sense of belonging and can shape the laws and norms ruling collective life, thus safeguarding social cohesion. Consequently, democratic practice and social cohesion are mutually reinforcing formulas.

Government actions may help to broaden democratic participation and inclusive activities. For instance, by agreeing on certain values and enforcing certain norms for coexistence such as tolerance for diversity and reciprocal treatment. The reduction of social inequalities should also be prioritized, ensuring equal access to public decision-making for all societal groups, e.g. through representation system instruments and affirmative action. Thus, rather than abstract principles of equality, affirmative action programs are needed since these prioritize vulnera-

[1] In the region, other leftist governments have risen to power, but democratic alternation and electoral institutionalism have curbed their hegemonic ambitions.

[2] To understand the central character that the armed forces would play as a political actor and its frequent influence on the civil government during the so-called "Bolivian Revolution," it is worth looking at the works of Jácome (2014), Ramos (2018), and Trinkunas (2021).

[3] In exploration of this, economists have taken a pragmatic approach to including social cohesion in quantitative analyses. Whether operationalized by trust, civic cooperation, income inequality or ethnolinguistic fractionalization, economists consistently find a positive relationship between social cohesion and economic growth.

ble sectors as a complement to representation. Moreover, common ground can be strengthened through greater participation in decision-making mechanisms and through the public expression of aspirations. To achieve this, the role of citizens and "citizenship-building" must be recognized and promoted.

Progressive democratic development is in no way counter to liberal democracy. Here we should recall that a democracy is liberal in that it limits governmental authority and protects individual rights against government power, but liberal democracy may be insufficient to reach certain goals and fail to be fully democratic. Where inequality prevails, going beyond the protection of individual rights becomes important. Neither is progressive democratic development an agenda of razing or weakening the state, as proposed by certain variants of neoliberalism. As Bresser Pereira (2009) rightly points out, the state is our instrument of collective action par excellence, and as such it must fulfill its special regulatory mission and provide public goods.

NO STATE-MARKET DICHOTOMY: THE ROLE OF CIVIL SOCIETY

Debates over the determinants of economic development have routinely hinged on disagreements over the proper boundaries between the state and the market. During the last decades, a false dilemma of Markets vs. the State has monopolized public debate and political narratives in Latin America. This view ends up perpetuating an outdated view of state-market relations reminiscent of a Cold War mentality. The question is not whether the public sector or the private sector should control the economy. The question is what the balance between the two should be. Partisan soundbites that label political opponents as "socialists" or "greedy capitalists" will not help us make wise choices toward striking that balance.[4] By trying to prolong this debate, the discussion today has almost completely left aside the positive role that organized civil society can play in promoting progressive economic development.

Civil society has been defined in many different ways, but most commonly the term refers to the varied forms of social organization that lie between the individual and the state as an expression of the basic human desire to socialize with others through voluntary association. But beyond this broad and incomplete definition, a basic characteristic of civil society lies in the attitudinal capability of its members to pursue certain common goals.

Civil society is a vibrant ingredient of democracy and a building block of social cohesion and development. In a country blessed with democracy, peace, and stability, civil society fills the space untouched by government and the private sec-

[4] Besides, since the end of the Cold War it seems clear that the debate is no longer about capitalism vs. socialism, but between varieties of capitalism (Cheang & Lim, 2023).

tor. Civil society organizations play multiple roles. They are an important source of information for both citizens and government. They may monitor government policies and actions and hold government accountable. They defend citizen rights and work to change and uphold social norms and behaviors. They engage in advocacy and offer alternative policies for government, the private sector, and other institutions. They may deliver services, especially to the poor and underserved, and above all in fragile and conflict-ridden countries. Of course, there are associations built around strong and strict vertical ties (such as drug cartels and predatory networks of corruption) that rest upon relations of exploitation and coercion. Socially positive associations, by contrast, tend to take the form of voluntary, horizontal, non-exclusive networks that serve to resolve collective action problems or to reduce transaction costs (Skidmore, 2001).

The "revolutionary project" of the Left as led by Hugo Chávez in Venezuela was certainly inclined toward the promotion of associativism. However, the logic that followed has rested upon relations built around strong vertical ties. The most far-reaching and best-known experience was that of the Communal Councils (Consejos Comunales). Communal Councils are community organizations created at the request of President Chávez in the year 2006 to advance and develop a framework of participatory democracy as established by the Constitution of 1999. Thus, Communal Councils were given a leading role to manage projects and public policies aimed at responding to community problems in direct relationship with the state. Wilde (2017) argues that the structural design of the Communal Councils bears some similarities to initiatives such as the much touted participatory budgeting model in Porto Alegre, Brazil, but there are also key differences. While the Porto Alegre system was funded and organized by a mix of both well-organized neighborhood organizations and municipalities, by contrast the Venezuelan Communal Councils depend and receive their funding directly from centralized state agencies and adopted the form of patronage networks in which organized but disadvantaged groups depend on a powerful government bureaucracy that provides resources as compensation for political support. Moreover, in the face of weak institutional frameworks, these civil society organizations can become tools for consolidating political hegemony. Thus, a state-dominated design and strategy geared at local communities, though effective at drumming up some political support, was nonetheless poorly suited to the task of fostering social capital.

Most academic studies of Community Councils have focused on their institutional design instead of developing empirical research that went beyond the anecdotal. However, Diaz (2007) and Garcia-Guadilla (2008) review several experiences of running a series of community focus groups. García-Guadilla (2008), for instance, finds that the main struggle within the Community Councils was between the possibility of receiving resources to meet local needs (while being co-opted by the government), and the preservation of autonomy as a social movement (at the expense of entering into conflict with the government).

There is no question that due to their grassroots, bottom-up nature and rather small scale of operation, that non-profit organizations such as the Community Councils in Venezuela can become appealing partners for public policymakers who wish to involve organized civil society in the policy process. But these organizations should no longer be perceived merely as a target of public governance initiatives as promoted by state agencies.

(NEO)EXTRACTIVISM AND THE RENTIER STATE: HARDLY A MODEL TO FOLLOW

Exportable natural resources are commodities with special characteristics. These include their unique role as the motor of foreign currency generation, their ability to deplete, their price volatility (and consequent boom–bust cycles), their especially high capital intensity and enclave nature, and their exceptional generation of extraordinary profits (rents), that in many countries profit the state.

Natural resource extraction has been at the heart of many economies in Latin America and the Caribbean (LAC), and competing evidence discusses whether natural resource wealth throughout the years has been a blessing or a curse for these countries. On the negative side we find claims and certain evidence pointing to Dutch Disease type problems, as well as weak institutions and poor governance fueled by natural resource rents (Toscani, 2017).

Even though no such thing as an automatic resource curse seems to exist in countries endowed with natural resources, resource-wealthy states very often develop a system of economic incentives through which the resource curse operates. The so-called rentier state theory, a construct which categorizes some economies in terms of their disproportionate reliance by a state on inherited sources of mineral rents, predicts societies characterized by weak ties between the government and its citizens and autocratic paternalism.

Since governments in these economies are reliant on the mineral sector for income, and are correspondingly less reliant on other sources of income, the social contract in such countries thus differs from those in which taxation and representation are more important. With low tax pressure, the sense of citizenship is lost and there is little that a precarious civil society can demand in terms of public services from the government. Neither does the government feel compelled to account for the resources it obtains, especially those coming from extractive activities. Thus rentier states inhibit and weaken the exercise of citizenship and the formation of a strong civil society.

Instead, rentier-state political systems tend to be characterized by autocratic paternalism, with the government redistributing mineral wealth through infrastructural development, public education, and healthcare and subsidies (particularly for energy and other utilities). When these public policy efforts are supported by a pro-cyclical fiscal policy bias, problems will arise sooner or later, as several experiences in Latin America have demonstrated in the past.

When we analyze the already long history of an oil dependent economy such as Venezuela, many of the characteristics of a rentier state seem to be present. A portion of the oil rent that comes from abroad goes to the government directly. The state may be completely autonomous from society, winning popular acquiescence through "developmentalism" or wealth distribution programs. Even tax pressure over non-oil sectors is below the average we find in Latin America.

However, the rentier state argument developed as an explanation for why democratization does not occur in oil dependent economies does not fit entirely well the Venezuelan case. One of the most important things to have happened in Latin America since World War II was the emergence of Venezuela as one of the constitutional democracies of the region. Several interpretations are put forward by experts to account for Venezuela's oil democracy during the years predating the Bolivarian Revolution. Levine (1978), for instance, points to the robustness of the political institutions set up during the second democratic transition by the so-called "Pacto de Punto Fijo" of 1958 and the Constitution of 1961. Curiously, with the decay of the social contract under the Pacto de Punto Fijo[5] and the emergence of the Bolivarian Revolution, the prevalence of the monopolistic and unaccountable use of power, clientelism, politicking, political corruption, and the institutional weakness of the state have dictated how oil wealth is governed.

THE CYCLICAL ASYMMETRY OF FISCAL POLICY SHOULD BE AVOIDED

Since the late 1990s, a large body of empirical studies have concluded that fiscal policy tends to be more procyclical in developing countries than in advanced economies. Pioneering work by Gavin and Perotti (1997) also finds fiscal policy to be highly procyclical in Latin America.

The importance of fiscal policy decisions in resource dependent countries has also led to some empirical studies on this topic (see for instance Cespedes & Velasco, 2014; Coutinho et al., 2022, as well as Erbil, 2011). The work of Coutinho et al. (2022) uses a panel dataset that covers the 1962–2011 period and includes data for 84 resource dependent countries. They provide evidence that fiscal policy in resource dependent countries tends to be strongly procyclical, meaning that the

[5] We must note that, despite having shown signs of strength for many years, since the 1990s Venezuelan democracy began to show symptoms of fragility amid a decadent and uncertain economic context. It is precisely at this time that certain pre-hegemonic manifestations began to emerge on the scene. Two coup attempts in 1992 forewarned these tendencies.

increase in government consumption in good times tends to exceed the increase in GDP, and conversely the drop in bad times tends to exceed the fall in GDP.

There are several theories that try to explain the strong procyclical behavior of fiscal policy in resource dependent economies, but here we want to emphasize the political economy aspect of fiscal policy across oil exporting countries that are subject to the tutelage of competitive authoritarianism. This seems to us to be the case of Venezuela during a prolonged part of the Bolivarian Revolution.

In resource dependent economies where political regimes are characterized by competitive authoritarianism, the government derives its legitimacy from the mobilization of oil wealth, and the evolving role of government spending toward sustaining political support can be maintained as long as commodity (or oil) prices are high or trending upward. But this effort generates downwardly inflexible expenditure commitments and problems may arise when oil prices go down. Here the ability of the government to respond to downturns will depend on how much access it has to the international financial market. If international financial markets are open, instead of an adjustment in public spending, the government will prefer to borrow money abroad, deepening its indebtedness.

During his government, Hugo Chávez took advantage of this option, massively indebting the country even at times when crude oil prices were high (Vera, 2015). Public spending increased in good times but it did not adjust at all during bad times. This reaction was in tune with the "debt-overhang" hypothesis of Manzano and Rigobon (2001), according to whom the over borrowing by resource-dependent countries during commodity booms may extend, even during the downturn, until the country loses access to international financial markets. When this happens the country has to cut expenditures dramatically to be able to service their debt.

A lack of access to international markets just at the beginning of the reversal of the cycle of rising oil prices was the situation that Nicolás Maduro confronted when he assumed the presidency in 2014. With no access to the international market and wanting to address an awful external debt repayment profile, Maduro opted during his term for a massive adjustment in public spending that would leave hundreds of public works unfinished and seriously undermine social protection systems.

Beyond the macroeconomic losses associated with the cyclical asymmetry of fiscal policy, dealing with higher-than-expected oil revenues is easier, but still difficult to do efficiently. In a resource-dependent economy that politically behaves as a populist competitive authoritarianism, spending money quickly during the boom often means spending it poorly. The lack of more citizen-friendly institutional and procedural conditions very often leads to corruption and bad policy decisions. Moreover, overshadowing every project that begins when oil prices are on the rise is the threat that it may be scrapped when they fall.

ADDRESSING THE RESOURCE CURSE THROUGH REVENUE DISTRIBUTION FUNDS

If a resource dependent economy is exposed to poor fiscal policy management that leads to macroeconomic imbalances and waste, what can be done to avoid it, or mitigate its effects?

In a number of countries that depend on the export of nonrenewable resources, governments have put in place fiscal rules or guidelines and/or nonrenewable resource funds (such as stabilization and saving funds) with the expectation that these institutional mechanisms might help in the implementation of fiscal policy.

Ossowski (2013) assesses the experience and earlier evidence of resource dependent countries that adopted fiscal rules and illustrates the difficulties involved in designing and implementing every rule in these countries. In particular, the frequent changes to rules and compliance problems in many cases highlight the challenges of designing and implementing rule frameworks.

Oil stabilization funds have been increasingly used by oil dependent economies as an instrument to cope with oil revenue volatility. However, the creation of such funds is found to have no impact on the relationship between oil export earnings and government expenditure in countries where no sound and transparent fiscal and macroeconomic policies were implemented (Davis et al., 2003; Fasano-Filho, 2000; Ossowski et al., 2008). Moreover, some oil funds have operated outside existing budget systems and are often accountable to only a few political appointees. This makes such funds especially susceptible to abuse and political interference.

Savings funds are sometimes referred to as intergenerational savings funds because they have decades-long investment horizons. By using their savings funds to convert today's resource wealth into renewable financial assets, governments can share the windfalls with the generations of tomorrow. Besides, by investing overseas, savings funds in commodity-rich countries can also help prevent Dutch Disease. But successful savings funds are often set up by commodity-rich and low population countries and not all resource dependent countries have the same demographic pressures and survival aspirations. Immediate survival needs or exposure to unexpected risks conspire against the existence of such long-term funds. Saving the wealth from natural resources while the bulk of the population suffers enormous needs may not be the best economic solution nor the most socially accepted in many countries.

Rather than saving a share of revenues in a trust fund and building up the fund over time, we argue that a more robust approach is the idea of revenue distribution funds. The idea has been supported in the past by Palley (2004), Sala-i-Martin and Subramanian (2003), Sandbu (2006), and Weinthal and Jones (2006).

A natural resource distribution fund would distribute revenues coming from royalties associated with the exploitation of natural resources such as oil, gas, lithium, copper, and other minerals directly to citizens.[6] Hence, instead of going to the government treasury, a share of a country's revenues from natural resource extraction (royalties) are distributed on a per capita basis at regular intervals.

In the previous sections we argued that one of the main problems affecting resource dependent economies such as Venezuela's is that oil revenues that the government gets are used to buy political consent through patronage and permanent distributive policies, which tends to waste and weaken institutions. Starting from this premise, the logical conclusion is that the best way to deal with the problem is to prevent the state and government officials from appropriating the oil resources directly. Therefore, if this "easy revenue associated with the mineral or oil rent" (and the incentives for waste, corruption, and patronage generated by it) is eliminated, much of the problem would disappear.

An important contribution of natural resource revenue distribution systems is that it may significantly remedy "political failures" by creating a sense of citizen ownership, in turn prompting buy-in to the political system. The reason is that citizens eligible for fund payouts would have an incentive to monitor natural resource activities and governments, and participate in the political process to guard their benefits. This revenue distribution system creates an entitlement, and with that entitlement comes political buy-in and participation, just as entitlement to social protection programs encourages political engagement within many economies. So, in essence you are not only promoting the participation of civil society, but empowering it.

To the extent that the state companies remain the single producer of natural resources, they must be subject to full transparency and accountability. Its financial accounts and production figures must be audited and made public, while its top management and board of directors must be subject to public accountability and control. While this is difficult when these companies are under the care of the state, things could be different where there is a civil society interested in protecting its interests.

Moreover, by distributing oil wealth to the people, and letting them spend it on what they deem is needed for their welfare, even low-income self-employed workers belonging to the enormous informal sector that characterizes the countries of the region have the opportunity to be contributors to some type of public social protection system that is tailored to them. This is the very issue that we want to address next.

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[6] Royalties are typically either specific levies based on the volume of oil, gas or other mineral extracted, or ad valorem levies based on the value extracted.

A NEW WELFARE SYSTEM: FULL COVERAGE FOR THE MOST VULNERABLE

Latin America and the Caribbean faces a "highly complex and uncertain" labor market where informality stands out as a heterogeneous and multifaceted phenomenon. Workers in the informal economy perform productive activities outside regulatory frameworks and conventional labor standards. They usually do not pay taxes on income and capital, or contribute to social security systems, but neither do they benefit from contributory social insurance benefits or tax credits. Consequently, they are often subject to precarious working conditions, exploitation and hazards, and are exposed to, and unprotected from, idiosyncratic and covariate risks associated with business cycles, weather, and health shocks, as well as life-course contingencies.

The lack of social protection constitutes a significant source of vulnerability for workers in the informal economy. It is for that reason that their coverage as well as inclusion should be at the top of the agenda of left-wing forces in the region. If this excluded or poorly attended population do not have access to healthcare and an at least basic level of income security, they are likely to be trapped in a vicious cycle of vulnerability, poverty, and social exclusion.

Perhaps one of the biggest problems that the region's social protection systems have revealed over the years is that in essence they were initially a too faithful reproduction of European social security. But this contributory approach is not a good fit for developing countries, where formal and stable employment are not common. This model is also increasingly unsuitable for the changing nature of work in which traditional employer-employee relationships are no longer the norm. Rethinking this model is a priority.

Although over the years reforms have tried to adapt the systems to the risks and needs of local populations and the financial limitations of each country, what we have today in terms of social protection is far from a coverage of gaps. If the main objective of social protection is to cope with the risk of poverty and vulnerability, a summary vulnerability and risk profile will help to determine the country-specific social protection needs.[7]

Policymakers have many choices in designing an inclusive social protection system in the region, but key prerequisites seem to be full coverage and minimal discrimination in the access and quality of services. Both fiscal and political sustainability depend on design and capacity to fund the system, but also on the government's ability to maintain macroeconomic stability and regulate financial markets effectively. An ideal system would provide coverage to all citizens, and all citizens would contribute if they want to belong to the system. Indeed, if country's revenues from natural resource extraction (royalties) are distributed on

[7] Social protection differs from "safety net" approaches, which are non-contributory transfers designed to provide regular, predictable and targeted support to poor and vulnerable people.

a per capita basis at regular intervals, then every citizen can have the opportunity to make a minimal contribution to the system. These may allow for a "social protection floor" consisting of a nationally defined set of basic social security guarantees that should ensure, at a minimum, universal access to essential healthcare and basic income security. In this case the usual distinction between contributory and non-contributory systems disappears.

SOCIALLY RESPONSIBLE MACROECONOMICS

Social protection programs are built primarily to mitigate the impacts of shocks or to help people cope with risks if they occur. But social protection instruments are generally not considered for risk reduction; for this, other instruments are available. Sound macroeconomic and development policies are ways to reduce or eliminate economic risks. We argue that pro-poor macroeconomic management should be a major component of risk and poverty reduction strategy, in particular, as much as for the promotion of human development in a progressive development agenda.

However, we argue that in economies plagued by poverty, inequality, and welfare gaps, traditional macroeconomic indicators such as output or income growth, or even the rate of unemployment, may dismiss large inequalities between income classes, regions, and genders, to the detriment of basic considerations for human well-being, poverty alleviation, and the environment. These conventional metrics converted into macroeconomic goals give an idea of how society is doing on average from a productive and income point of view, but they tell us very little or nothing about the extremes.

A more useful approach in evaluating an economy's state or progress is to focus primarily on how the poorest people are faring. Following Basu (2000) and Subramanian (2011), the criterion that we want to advocate for—as an initial stab—is to look at the economic condition of the poorest 20 percent of the population. In other words, instead of bothering with the per capita income of the nation as a whole, we should be concerned about the per capita income of the bottom quintile. Instead of equating a country's progress with the growth rate of per capita income in general, we should look at the growth rate of the per capita income of the poorest 20 percent of the population.

One of the main reasons we do look at income and income growth of the poorest 20 per cent is that this quintile objective is likely to correlate better with other non-economic indicators. Additionally, if the focus is on quintile income, we will automatically capture some of the social indicators emphasized in broader notions of human or sustainable development.

Identifying specific macroeconomic policies that are significantly associated with the position and income growth rates of those in the poorest quintiles is hardly an easy task. But we know that proper management of both procyclical and adverse shocks and mechanisms of crisis avoidance should be top priorities for any pro-poor approach. Unfortunately, there is not much discussion within the progressive Left on the kind of macroeconomic and financial policies governments ought to follow to reduce the vulnerability of countries to either adverse external shocks or policy-induced crises.

Ocampo (2016), for instance, remarks on the heavy influence of balance of payments on the short-term macroeconomic dynamics of developing countries. Presumably, the dependence of domestic business cycles on external shocks, whether positive or negative, generates strong pressures for macroeconomic policy to behave in a procyclical way. These procyclical impacts exacerbate economic fluctuations, which in turn have near-term adverse effects on welfare that are especially pronounced for low-income groups in developing countries.

A factor that may mitigate the strength and length of crises influenced by the external vulnerability of developing countries is the combination of massive self-insurance through foreign reserve accumulation, administered exchange rate flexibility and some sort of macroprudential policies and capital controls. Foreign exchange reserve management allows sterilized accumulation of foreign exchange reserves during booms, which then operates as “self-insurance,” enhancing the policy incentive for macroeconomic management during the succeeding crisis. Administered exchange rate flexibility may also allow central banks to combat appreciations more aggressively than depreciations. Thus, unlike the “fear of floating” that seems to be present in some Latin American countries (see Libman, 2018), the inflation-targeting monetary regime (adopted in many countries in the region) could follow the East Asian approach that instead displays “fear of appreciation.” Macroprudential policies and temporary capital controls may help support financial stability.

Countercyclical fiscal policies can play a role but face strong economic and political economy constraints. Fiscal stabilization funds can make a contribution to mitigate boom and bust cycles. They can also help guard against the problem of Dutch Disease by ensuring that some of the revenues are directed to the accumulation of foreign assets. This helps prevent exchange rate appreciation, which undermines international competitiveness and good jobs in the tradeable industrial sector. However, to work well, fiscal stabilization funds need good governance.

The Venezuelan experience sheds some lessons on why fiscal stabilization funds may fail due to lack of good governance. In the late 1990s, the oil stabilization fund, FIEM (Investment Fund for Macroeconomic Stabilization), was created during a period of low oil prices. The original design was relatively conventional, with clear saving and spending rules, but it was quickly modified by the Chávez administration, making it more discretionary. Indeed, the fund was rendered useless by the constant changing of rules. The fund effectively became inoperative to the point that from 2006 to 2008 there were few additional savings added despite high oil prices. With the advent of the global crisis in 2008-2009, the fund did not have the ammunition to allow for countercyclical action, and finally ran out of resources.

Under such conditions, our suggestion has been that by distributing a portion of the natural resource wealth to the people and letting them spend it on what they deem is needed for their welfare, less would be left in the hands of the state to run a procyclical fiscal policy. Of course, by transferring resources that may be owned by the public sector to the private sector, the problem of waste and corruption can be mitigated, but not the procyclicality of spending. By constraining the state from running a procyclical fiscal policy, the key to appropriate countercyclical management now requires the availability of policy mechanisms to manage the boom-bust cycles that may befall the private sector. If the possibility of overheating the economy during a boom hinges then on people's spending behavior, the best way to avoid procyclical private spending (at least in the expansion) is by prompting people to make contributions to an inclusive social security system.

Thus, in economies exposed to what Ocampo has called "balance of payments dominance," socially responsible macroeconomic management will require a very different arrangement than the one we frequently see in the left-wing populist governments of the region. Taking care of international reserves and appropriate flexibility in the exchange rate will be important to avoid an external crisis. The exposure of the public sector to the resource boom must be minimized in order to avoid boom-bust cycles and especially the abrupt spending cuts or massive indebtedness that often occurs when extraordinary revenues cease. On the other hand, the arguments for directly distributing natural resource revenues to citizens do not have to reproduce boom-bust cycles if an inclusive and contributory social protection system can be put together from the public sphere.

Unfortunately, the case of Venezuela during the Bolivarian Revolution is not the best example of socially responsible macroeconomic management. Elsewhere, Vera (2017) has explained explained that while Hugo Chávez governed, despite the prolonged oil boom, the Venezuelan economy was conducted without being able to build self-insurance with proper reserve management, obsessively fixing the exchange rate, overvaluing the currency, and promoting an immense outflow of capital as a consequence of the fragile governance associated with polarization. Maduro inherited an economy that was very poorly prepared to handle immensely negative terms of trade shock, like the one the economy faced starting in late 2014. His administration decided to solve the external imbalance through import compression and a tightening of the existing exchange control.[8] As very often happens with exchange controls, the parallel market became very significant and dominant, and its very dynamics led rapidly and almost simultaneously to drastic shortages, a dramatic fall in domestic output, and skyrocketing inflation.

[8] Santos (2021) points out that the economy was forced to cut its imports by 80.6% between 2012 and 2018.

Over the years of 2012–2020 the economy of Venezuela suffered one of the largest economic contractions in modern economic history, according to Rodriguez (2021) having lost 71.8 percent of its per capita income. Rodriguez (2021) also points out that the Venezuelan output fall is the sixth largest contraction in world history and the largest in Latin American history since 1950. On top of this, after 2017 the country spent almost four years in a hyperinflationary situation. This destructive combination of high inflation and deep depression turned the Venezuelan case into a social catastrophe. All this seems to show that socially non-responsible macroeconomic management became the worst enemy of the social protection system, as well as the social policies that the Bolivarian Revolution tried to put together.

CONCLUSIONS

Standard indicators used to quantify the importance and the impact of raw material extraction processes in Latin American countries (see Ocampo, 2017) seem to show a significant re-primarization of the structure of exports in the region, particularly as a result of the commodity price boom that started in 2003–04 and lasted for about a decade. Data from ECLAC (2022) shows that commodities represented 39% of total exports of the region in 2021, of which energy, minerals, and metals accounted for 24% (of total exports).

A current and potential high share of "pure" rents from raw material extraction processes can be observed today and are to be expected in Andean states (oil in Ecuador, Colombia, and Venezuela, mining in Peru and Chile, gas and maybe lithium in Bolivia, Chile, and Argentina). In some South American countries with a more diversified internal economic structure, relatively smaller extractive sectors are becoming more important. This can be observed in Argentina in mining, and is expected in Brazil after the discovery of new oilfields.

The relevant question is whether this pattern will end up generating a (neo)extractivist model where the rentier state is empowered and civil society and institutions are weakened to the point of recreating the well-known resource curse. The question and warning are not naive given the present risks of consolidating a populist and authoritarian state model, especially in societies plagued by inequalities of income, wealth, and opportunities. In that sense, the study of the Venezuelan case is appropriate, as well as instructive.

We have argued that in an economy where the state becomes more and more dependent on the rent attached to natural resources, to convert a democracy into a hybrid regime and later into pure authoritarianism does not only depend critically on intentions, but also on capacity. The Bolivarian Revolution attained this capacity by taking advantage of the resources provided by the oil super cycle and by taking full control of the oil industry and the rent associated with it. Chávez, in particular, had the option of installing a patron-client relationship that provided political and electoral dividends. The macroeconomic side of authoritarian populism is well known for its peculiar formula for managing the natural resource boom. Immediately with the boom, domestic spending jumps (led by formidable government spending), the exchange rate remains fixed, the real exchange rate appreciates, and the sum effect is one of a feeling of prosperity because of the affordability of imports. Nicolás Maduro ended up collecting the damages of this macroeconomic array and decided to impose an adjustment never seen before in the Venezuelan economy. With an economy in full disarray, and lacking the resources provided by the oil boom, Maduro decided to handle social discontent by moving towards a repressive political regime. This certainly cannot be the way forward for any truly progressive force.

Left-wing forces and especially left wing governments should be aware of the dangers posed by populism and the extractivist rentier state model. They should avoid the instrumental use of oil rent to exploit electoral opportunities and alter the fundamental social contract between citizens and the state, namely the country's constitution (especially constitutional changes that prolong the duration of administrations in office, potentially reduce political alternation, and the ability of voters to change their preferences).

In contrast with the strict vertical ties and patron-client relationships that derive from authoritarian populism, progressive democratic development rests upon the voice of the citizenry, alternation, and voluntary, horizontal, and non-exclusive networks that serve to resolve collective action problems. Moreover, if the regional Left opts for a model of society that leaves aside the state-market dichotomy and increasingly centers civil society, our proposal to redirect the income that originates from the ownership of natural resources towards citizens therefore takes on clear strategic meaning.

The natural resource trust funds that would directly distribute natural resource revenues to citizens possess several economic and political economy advantages. Institutional arrangements of this type create a sense of citizen ownership and stimulate participation in the political process to safeguard the benefits of the exploitation of natural resources. Thus, the inherited condition of being nations rich in natural resources, instead of becoming a curse, can become an incentive for the strengthening of organized civil society. Moreover, by taking a big share of the rent out of the hands of government, not only would pressures to overspend in extremely good times be restrained, but so too would the risk of waste and corruption be reduced.

While economic development surely involves the accumulation of public capital and in turn the provision of essential public services and infrastructure, this requires the government to rely on normal fiscal principles to determine appropriate levels of taxation and financing. In essence this is to convert the state into one that notionally does not have ownership over the natural resource but that still can tax the extractive activity.

Economic development also requires the accumulation of private capital based on the decentralized decisions of individuals. Our proposal is to put an extra wealth endowment into the hands of individuals that can help remedy a persistent problem in developing countries: the failure to develop an inclusive and universal social protection system.

Traditional welfare and social security systems in Latin America have serious barriers for those outside the formal economy to access social protection and insurance schemes since many have low incomes and are therefore unable to save and contribute.

We are not against tax financed schemes since both contributory and tax financed schemes play complementary roles and generate lifecycle benefits. Our concern, from a perspective of progressive economic development, is to facilitate access to social security for those who do not have it through the regular provision of natural resource wealth, turning them into active contributors and helping to sustain the system.

We have also argued that a pro-poor macroeconomic conduction should be a major component of risk and poverty reduction strategy under a progressive development agenda.

In particular, acting during the boom-bust cycle with an appropriate mix of foreign exchange reserve management, exchange rate flexibility, and macroprudential policies may not only enhance the policy options for macroeconomic management during bad times, but may further avoid the advent of a crisis.

Fiscal policy can always play a useful countercyclical role, but it faces strong constraints to operate as such due to political economy considerations. It may be true that by taking resources provided by natural resources out of the hands of government, this could reduce the risk of wasteful spending and corruption. Nonetheless, in the end, if fiscal policy has to be evaluated, it should be in terms of its overall impact on various dimensions of well-being. Here is where we can take the spirit of our proposal and focus on the performance of the bottom 20 percent in various dimensions of well-being, such as income, life expectancy, and sundry health indicators.

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ARTÍCULO

CHALLENGES TO THE LEFT IN CENTRAL AMERICA: A COMPARATIVE POLITICAL ECONOMY ANALYSIS BASED ON A STRUCTURALIST-KEYNESIAN APPROACH

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Valencia Delgado, M., & López Rogel, J. J. (2025). Challenges to the left in Central America: A comparative political economy analysis based on a Structuralist-Keynesian approach. *Cuadernos de Economía, 44*(93), 47-85.

Utilising a Structuralist-Keynesian framework, we conduct a concise comparative political economy analysis of the growth regimes in five Central American (CA) countries. Applying the Sraffian Supermultiplier Decomposition, we assess external and policy constraints, particularly within the context of "progressive governments." Our study contributes by offering a Growth Model Analysis perspective on CA nations, emphasising the significance of consumption financed by remittances and exports in growth dynamics. Integrating external and policy consid-

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erations, we provide a nuanced understanding of the constraints hindering the transition toward a more inclusive and stable growth regime in CA countries.

Keywords: Sraffian Supermultiplier; Keynesian structuralist; Central America; growth regimes; political economy.
JEL: B51, P52, P59.

Valencia Delgado, M., & López Rogel, J. J. (2025). Desafíos a la izquierda en Centroamérica: un análisis comparativo de la economía política basado en un enfoque estructuralista-keynesiano. *Cuadernos de Economía, 44*(93), 47-85.

Dentro de un marco estructuralista-keynesiano, se llevó a cabo un análisis conciso de economía política comparativa de los regímenes de crecimiento en cinco países de Centroamérica. Aplicando la descomposición del supermultiplicador sraffiano, fueron evaluadas las restricciones externas y políticas, particularmente en el contexto de los llamados "gobiernos progresistas". A raíz de ello, el estudio ofrece una perspectiva de análisis del modelo de crecimiento de los países de la región, enfatizando en la importancia tanto del consumo financiado por remesas como de las exportaciones, en la dinámica de crecimiento. Al integrar las consideraciones externas y de política, se proporciona una comprensión matizada de las limitaciones que obstaculizan la transición hacia un régimen de crecimiento más inclusivo y estable en los países centroamericanos.

Palabras clave: supermultiplicador sraffiano; estructuralista keynesiano; América Central; regímenes de crecimiento; economía política.
JEL: B51, P52, P59.

INTRODUCTION

Utilising the Growth Model Analysis (GMA) framework, we investigate the correlation between politics and economic growth in five countries of the Central American (CA) region: Guatemala, El Salvador, Honduras, Costa Rica, and Nicaragua. We conduct a comparative analysis rooted in post-Keynesian (PK) macroeconomics. Our goal is to offer clarity on the varied growth regimes (GRs) within these smaller economies, challenging preconceptions of regional uniformity. Additionally, we examine the challenges faced by "progressist governments" in establishing a more inclusive and stable growth regime, providing insights into the factors constraining their efforts.

Hein (2023) holds that the debate around GMA started with Baccaro and Pontuson (2016) who proposed a Kaleckian perspective on income distribution and growth models. These authors were criticised because they could confuse between wage/profit led and export/debt led taxonomy. Hein (2023) extended the study of growth regimes in PK tradition, using another perspective originally proposed by Hein (2011) that focuses on financial sources of demand with national accounts and financial balances. However, this too has been criticised because it could be misleading by using financial balances since some variables are not of the same nature (Morlin et al., 2022). The role of "growth drivers" has been central for Stockhammer and Kohler (2022). A growth theory perspective based on the Supermultiplier was presented by Morlin et al. (2022).

We utilise "structuralist ingredients" in the GMA for CA. Adopting a "Keynesian-structuralist" approach, as per Stockhammer (2023)[1] and Caldentey and Vernengo (2022), Latin American structuralist theory provides insights into peripheral capitalism. Caldentey and Vernengo (2022) assert that constraints on growth are intricately linked to domestic and international political factors within this framework. Geopolitical configurations play a pivotal role in shaping trade and financial relationships, imposing constraints based on support or opposition to dominant political and social coalitions in the peripheries.

We agree with Caldentey and Vernengo (2022) that regarding a Structural-Keynesian approach to GR "income distribution and inequality matter through their indirect political impact on autonomous non-capacity-creating spending. Structural Keynesians tend to favour the supermultiplier model which allows for a stronger autonomous role for political factors" (p. 258).

We outline our approach: presenting the theoretical framework, determining the growth regime using the Sraffian Supermultiplier decomposition, analysing international economic integration from 1990 onwards, assessing economic policy, detailing actions by progressive governments, and concluding by assessing all presented elements.

[1] This author favours a neo-Kaleckian growth model.

THE SRAFFIAN SUPERMULTIPLIER MODEL AND EMPIRICAL DATA FOR CA COUNTRIES

Sraffian Supermultiplier model (SSM) posits that growth is demand-led in short and long-term and asserts growth relies on exogenous distribution and autonomous demand. The autonomous demand components considered here are public consumption (G), public transfers (Tr), public investment (I_G), exports (X), residential investment (I_H), consumption financed by credit (CC) and remittances (R). The consumption out of disposable income (C_D) variable is induced and linear (as in Girardi & Pariboni, 2016), imports (M) are also induced and linear. The third induced component is the investment of the corporate sector (I_C).

$$Y_t = C_t + I_t + G_t + (X_t - M_t) \tag{1}$$

$$C_t = C_{D,t} + CC_t + R_t = cY_t + CC + R \tag{2}$$

$$M_t = mY_t \tag{3}$$

$$I_t = I_{c,t} + I_{H,t} + I_{G,t} = hY_t + I_{HH,t} + I_{G,t} \tag{4}$$

Equilibrium (equation 1) balances aggregate supply and demand. Consumption (equation 2) comprises induced and autonomous components. Induced consumption is influenced by the marginal propensity to consume (C_t) multiplied by the total output. Autonomous consumption is funded externally. For simplicity, Girardi and Pariboni's (2016) linear assumptions apply to both consumption and import propensities (m_t).

Investments are either induced or autonomous. Residential ($I_{H,t}$) and government ($I_{G,t}$) are autonomous, while corporate ($I_{c,t}$) is fully induced. Corporate investment, determined by the marginal propensity to invest h_t and the level of total output (Y_t),

Z_t represents the total autonomous demand components (equation 5):

$$Z_t = I_{H,t} + I_{G,t} + X_t + G_t + Tr_t + CC_t + R_t \tag{5}$$

The supermultiplier then depends on the induced components, positively of marginal propensity to consume and invest, and negatively of the propensity to import (Girardi & Pariboni, 2016).

$$\alpha = \frac{1}{1 - c_t + m_t - h_t} \tag{6}$$

The level of output is determined by the supermultiplier and the autonomous components of demand. Equation (7) presents the determination of the total output.

According to Serrano (1995), Freitas and Dweck (2013), and Girardi and Pariboni (2016), this theory considers investment as an endogenous variable, meaning that firms' investment decisions depend on the gap between actual and normal capacity utilisation. The variable h_t is expected to increase if the difference is positive and decrease if the difference is negative.

In the SSM, changes in functional income distribution can influence GDP growth only if they persist over time. This insight is supported by the works of Freitas and Dweck (2013) and Freitas and Serrano (2015). Another important insight as concerns the model is that if Z_t grows persistently, aggregate demand and output rates of growth will follow accordingly (see Girardi & Pariboni, 2016 for a detailed explanation of this). In a nutshell, the growth rate of the autonomous demand components has a crucial role in determining the growth trend; second, the rate of change on induced components such as marginal propensity to invest, marginal propensity to consume and propensity to import have level effects over output growth (Freitas & Serrano, 2015).

$$Y_t = \left(\frac{1}{1 - c_t + m_t - h_t} \right) Z_t = \alpha Z_t \tag{7}$$

We use the decomposition growth methodology proposed by Freitas and Dweck (2013) for the contribution to the growth of each autonomous and induced component (equation 8). This methodology has been applied to emerging economies: Campana et al. (2023) focused on the BRIC countries. Passos and Morlin (2022) presented the cases of Argentina, Bolivia, Brazil, Chile, and México. Haluska (2023) used it to analyse Brazil. This methodology performs a demand-led-study by identifying the main growth contributor (which determines the GR) based on the autonomous components.

$$\begin{aligned} \widehat{Y_t} = {} & \alpha_t \left[\frac{CC_{t-1}}{Y_{t-1}} \right] \widehat{CC_t} + \alpha_t \left[\frac{I_{HHt-1}}{Y_{t-1}} \right] \widehat{I_H} + \alpha_t \left[\frac{I_{G,t-1}}{Y_{t-1}} \right] \widehat{I_{G,t}} + \alpha_t \left[\frac{G_{t-1}}{Y_{t-1}} \right] \widehat{G_t} + \alpha_t \left[\frac{X_{t-1}}{Y_{t-1}} \right] \widehat{X_t} \\ & + \alpha_t \left[\frac{Tr_{t-1}}{Y_{t-1}} \right] \widehat{Tr_t} + \alpha_t \left[\frac{R_{t-1}}{Y_{t-1}} \right] \widehat{R_t} + \alpha_t \left[\frac{c_{t-1}}{Y_{t-1}} \right] \widehat{c_t} + \alpha_t \left[\frac{m_{t-1}}{Y_{t-1}} \right] \widehat{m_t} + \alpha_t \left[\frac{h_{t-1}}{Y_{t-1}} \right] \widehat{h_t} \end{aligned} \tag{8}$$

We categorised I_t into government, corporate, and residential sectors. Sector-specific investment data were sourced from LAKLEMS (2021) and Central Banks of Guatemala (2013), El Salvador (2023), Honduras (2023), Nicaragua (2023), and Costa Rica (2023). Residential and government investment figures were extracted from World Bank (2023) data.

Public transfers were sourced from CEPALSTAT (2024) and, to maintain concordance with national accounting, are deducted from public consumption. Remittances were sourced from World Bank (2024). The use of remittances in CA by the receiving families/people has been explored: OIM (2017a; 2023) for Guatemala; OIM (2017b) and Aquino et al. (2022) for El Salvador; Banco Central de Honduras (2024); Gamboa (2010) for Nicaragua; and Banco Central de Costa Rica (2018). Although with differences, all agree that remittances are mostly used for consumption. Thus, we assume they are fully used as an autonomous source of household consumption and are deducted from household consumption.

Remittances are fundamental for CA, and it's relevant to include them in our decomposition exercise. However, including remittances creates a dilemma: it disrupts concordance with national account aggregation. Yet, excluding them means overlooking vital factors in explaining current account growth. We find these variables too crucial to omit. Our emphasis is on the relative contribution of each demand component, not their aggregation. Furthermore, we employ diverse sources and estimations, generating results that may diverge from national account aggregation.

For CC_t, we used monthly data from the Central Banks of Guatemala (2013), El Salvador (2023), Honduras (2023), Nicaragua (2023), and Costa Rica (2023), selecting December values for consistency. C_t is calculated by extracting CC_t from total consumption, then dividing by real GDP. Similarly, h_t is obtained by extracting residential and government investment from total investment, then dividing by real GDP. All variables are in real terms and local currency, sourced from each country's Central Bank.

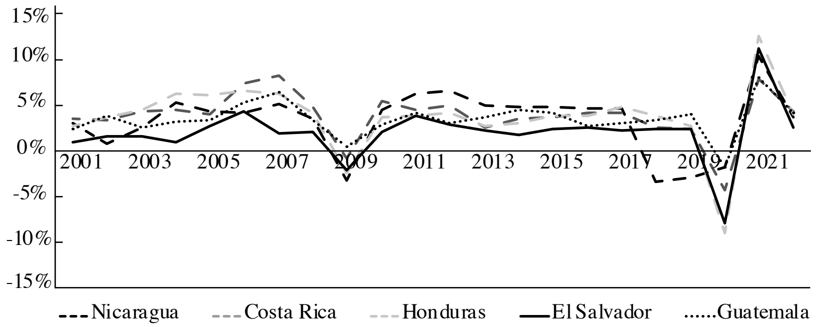
We categorised our analysis into four periods: 2001-2006, 2007-2011, 2012-2017, and 2018-2022. This division aims to discern changes in demand components, signifying a shift in demand-regime types. The first and third periods span six years each, while the second and fourth encompass five. This temporal breakdown facilitates the isolation of external downturns, such as the 2008 crisis and the economic impact of the pandemic. Notably, the first and third periods exhibit higher and more consistent growth compared to the second and fourth.

GDP exhibited growth with fluctuations (2001-2022) in Nicaragua, Costa Rica, Honduras, El Salvador, and Guatemala. Notably, Costa Rica peaked in 2006, 2007, and 2021 but contracted in 2020. Honduras consistently grew, peaking in 2007, 2010, and 2020, but contracted in 2009. El Salvador and Guatemala experienced mixed growth, contracting in 2020. Nicaragua's growth varied, peaking in 2005, 2006, and 2012. Average annual growth surpassed 3% in all economies except El Salvador (2.02%).

Depending on the autonomous component with the highest contribution we determine the GR[2]. The possible regimes are export-led (EL), debt-led (DL), govern-

[2] Insufficient data and low impact on growth exclude a housing-led regime from consideration in this categorisation.

Figure 1.
Growth rate of GDP in real terms



Source: Own elaboration with data from the World Bank (2023).

ment-led (GL)[3], and a regime defined as consumption financed by remittances (CRL) for CA. In other words, in every period the GR is determined by the average contribution of each component of the autonomous demand. Moreover, we can analyse the main driver with respect to the rest of components as in figure 2.

Similitudes arise between El Salvador and Guatemala. Remittances were the main driver in the first period, resulting in CRL regimes. The GRs shifted after, to GL in Guatemala, and EL in El Salvador, were exports and the public sector increased their participation due to the crisis, while remittances suffer a major decrease. The recovery in the third period was driven by exports in both countries, although in El Salvador the EL regime incorporated elements of CRL. Both countries were CRL in the last period.

Remittances in Guatemala were by far the principal component in the first period, followed by public transfers. The rest presented low contributions, with negative public consumption. After, remittances and consumption financed by credit turned negative, while public consumption shifted to become the main driver, followed by exports. Their importance continued in the third period, followed by remittances, which recovered. Public investment presented a negative contribution, and the others were low. The last period did not have any negatives, with residential investment, consumption financed by credit and exports in the mid-term.

El Salvador's first period was determined by remittances, and exports were the second contributor. Except for public investment, which was negative, the rest showed low contributions. The second period presented negative contributions from remittances, consumption financed by credit and residential investment. Exports were the main driver, followed by public transfers and public consumption. There were no negatives in the third period, where remittances and exports

[3] Any public variable (consumption, transfers, and investment) could be considered to determine a GL regime.

Figure 2.
Average contribution of autonomous and induced demand components 2001-2006, 2007-2011, 2012-2017, and 2018-2022

Guatemala	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	-0.6	2.3	0.4	0.7
Public Transfers	0.8	0.2	0.3	0.6
Exports	0.7	1.8	2.0	0.9
Public investment	0.3	0.1	-0.2	0.2
Residential investment	0.0	0.0	0.5	1.1
Consumption financed by credit	0.5	-0.4	0.0	0.9
Remittances	5.2	-0.5	1.8	5.5
Induced Demand				
Household consumption	0.6	0.2	1.1	-0.1
Imports	0.0	1.8	0.4	-1.3
Corporate investment	0.4	-2.8	-2.1	3.4
Growth Regime	**RL**	**GL**	**EL**	**RL**

Honduras	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.4	0.8	-0.1	0.3
Public Transfers	0.5	0.0	0.4	0.3
Exports	4.9	1.0	2.5	0.7
Public investment	-0.1	0.0	0.2	-0.3
Residential investment	-0.1	0.1	0.0	0.0
Consumption financed by credit	0.7	-0.7	-0.2	0.6
Remittances	3.7	-0.9	1.5	3.2
Induced Demand				
Household consumption	-0.2	1.1	0.5	1.7
Imports	-1.5	2.0	0.5	-0.1
Corporate investment	0.4	-1.3	-0.1	-0.3
Growth Regime	**EL**	**EL**	**EL**	**RL**

(*Continued*)

El Salvador	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.4	0.3	0.1	-0.1
Public Transfers	0.3	0.5	0.1	0.8
Exports	0.9	1.1	1.1	1.6
Public investment	-0.2	0.1	0.2	-0.1
Residential investment	0.0	-0.2	0.0	-0.1
Consumption financed by credit	0.2	-0.4	0.3	-0.2
Remittances	2.1	-0.7	1.1	1.8
Induced Demand				
Household consumption	-1.7	0.0	-0.9	-0.3
Imports	-1.5	2.4	0.6	-1.0
Corporate investment	0.5	-1.1	0.0	2.2
Growth Regime	**RL**	**EL**	**EL-RL**	**RL**

Nicaragua	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.8	0.3	0.8	-0.1
Public Transfers	-0.2	0.3	0.2	0.3
Exports	3.6	4.1	3.2	2.4
Public investment	0.1	0.4	0.5	0.2
Residential investment	0.3	0.0	0.0	-0.1
Consumption financed by credit	0.9	-0.4	1.7	-1.0
Remittances	1.6	0.1	0.8	3.0
Induced Demand				
Household consumption	-0.6	0.7	-1.9	1.5
Imports	-0.7	-3.1	-0.1	0.3
Corporate investment	-1.1	0.1	1.1	-1.7
Growth Regime	**EL**	**EL**	**EL**	**RL**

(*Continued*)

Costa Rica	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.5	0.0	0.0	0.7
Public Transfers	0.3	1.2	0.7	-0.1
Exports	3.0	1.7	3.0	2.9
Public investment	0.0	0.8	-0.2	-0.1
Residential investment	0.4	0.1	0.3	0.0
Consumption financed by credit	0.0	0.0	0.2	-0.5
Remittances	0.5	-0.2	0.0	0.0
Induced Demand				
Household consumption	-0.6	1.1	0.8	-0.9
Imports	-0.3	0.0	-0.9	0.9
Corporate investment	0.0	-0.5	1.4	-1,2
Growth Regime	**EL**	**EL**	**EL**	**EL**

Source: Own elaboration with data from World Bank (2023), World Bank (2024), CEPALSTAT (2024), OECD (2023), LAKLEMS (2021), Banco de Guatemala (2013), Banco Central de Reserva de El Salvador (2023), Banco Central de Honduras (2023), Banco Central de Nicaragua (2023), and Banco Central de Costa Rica (2023).

were equal, defining a mixed GR. These two components continue to be the main drivers in the last period, with remittances leading. Public transfers were the third contributor, while the rest of components were negative.

Similarities also arise between Honduras and Nicaragua in their GRs and shifts. Both countries had an EL regime for three periods. The public sector was important during the second period given the crisis. Both shifted to CRL in the last period, coinciding with El Salvador and Guatemala.

Honduras was led by exports. Even in the second period with a general fall, the recovery was notably led by exports. Their contribution was reduced in the last period. Remittances was an important driver. Except for the second period with a negative contribution, they recovered in the following periods, becoming the main driver in the last period. The contribution from public transfers was low but stable, presenting the highest in the third period. Public consumption's contribution was low, except for the second period where it was the second driver. Consumption financed by credit has presented an erratic behaviour, with negative contribution in the second period. Public investment was erratic.

Nicaragua's exports' highest contribution was in the second period and was stable across periods. Remittances were also important, despite the reduction in the second period, they recovered until determining the GR in the last period. Public investment's contribution was low but stable. Public transfers were negative in the first period but recovered and maintained stability, while public consumption presented a positive contribution in all but the last period. Consumption financed by credit was erratic, with the highest contribution in the third period and a considerable negative contribution in the last. Residential investment was low and stable.

Costa Rica is different, since it has presented a pure EL regime, especially in the first and last period. Remittances are not important. Public transfers were important, especially in the second period, although in the following periods their contribution decreased turning negative in the last period. Public consumption was considerable in the first and last period but was nonexistent in the others. Public investment was relevant in the second period, but it turned negative after. Residential investment was low and stable, while the consumption financed by credit was nonexistent in the first two periods, to later show an erratic behaviour.

The supermultiplier is determined by induced components. Figure 3 presents its evolution. We observe that Guatemala's supermultiplier was the highest and above 2. Costa Rica follows, especially after 2004, but with values closer to the rest. Nicaragua, Honduras, and El Salvador's supermultiplier decreased until around 2008, to later increase and converge in 2009 and subsequently maintained similar values.

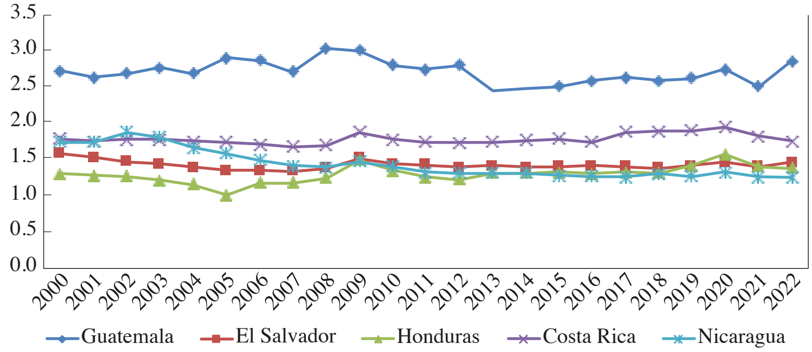
Guatemala's supermultiplier was erratic. It presented increases until 2006, mainly because of household consumption and corporate investment. However, from 2007 to 2017 it decreased due to the fall of corporate investment. The recovery after 2018 was due to the recovery in corporate investment. Costa Rica's supermultiplier presented a small decrease since household consumption decreased until 2006, but later this component recovered and, along with corporate investment pushed the supermultiplier to increase until 2017. However, since 2018 these same variables decreased, pushing the supermultiplier to decrease.

Nicaragua's supermultiplier mostly decreased. This is due to imports, followed by falls in corporate investment. El Salvador's supermultiplier decreased until 2006 because of falls in household consumption and the effect of imports. However, this variable recovered to push the supermultiplier up and has been stable since 2009. Honduras's supermultiplier decreased until its lowest value in 2005 due to the effects of imports and household consumption. However, the supermultiplier's increase until 2009 is explained by the recovery of the effect of imports and household consumption which, even though they slow their contribution until 2012, they maintained as the main driver of the increase of this supermultiplier.

STRUCTURAL ADJUSTMENT AND THE NEW INSERTION INTO INTERNATIONAL ECONOMY

CA adopted capitalism (1870-1930), integrating into the global market with coffee and banana exports dominated by local and foreign elites, especially from the U.S. State protection favoured agrarian and transnational interests. In the mid-20th century, CA nations pursued import substitution industrialisation (ISI) to diversify

Figure 3.
The evolution of the Supermultiplier 2001-2022



Source: Own elaboration with data from World Bank (2023), World Bank (2024), CEPALSTAT (2024), OECD (2023), LAKLEMS (2021), Banco de Guatemala (2013), Banco Central de Reserva de El Salvador (2023), Banco Central de Honduras (2023), Banco Central de Nicaragua (2023), and Banco Central de Costa Rica (2023)

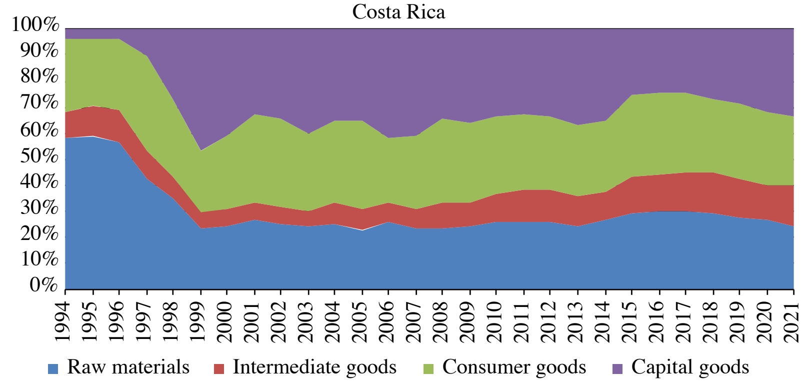
and industrialise but faced coordination challenges, market constraints, and limited industrialisation (Segovia, 2021).

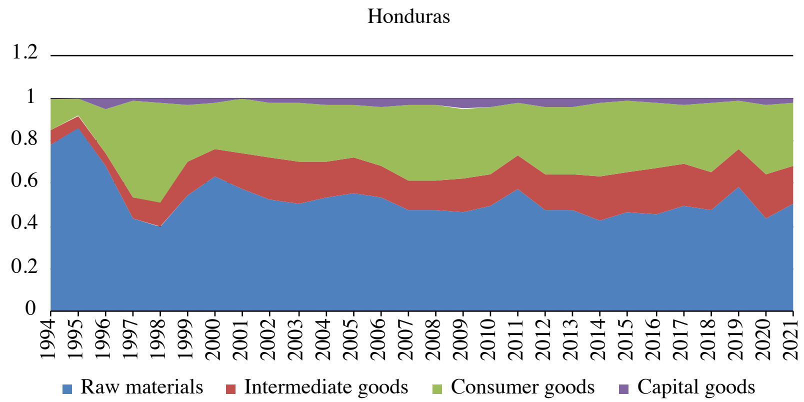
CEPAL (1992) termed this "additive development," where industrialisation occurred within limits set by agrarian elites and the U.S. Urbanisation and income growth created a middle class, but institutions lagged, leading to "light" options and fiscal weakness (Segovia, 2021). The 1980s brought crises and restructuring to CA's "hybrid" economic model, solidifying in the 1990s (Beteta & Moreno -Brid, 2014; Bielschowsky et al., 2022; Sánchez-Díez & Martinez-Piva, 2014; Segovia, 2022). We will explore key elements defining 21st-century insertion into international economy. Significant changes include a shift in world market integration affecting exports, imports, and growth factors. Examining CA countries' growth within national boundaries is unsustainable due to the increased importance of external factors (Medeiros, 2010).

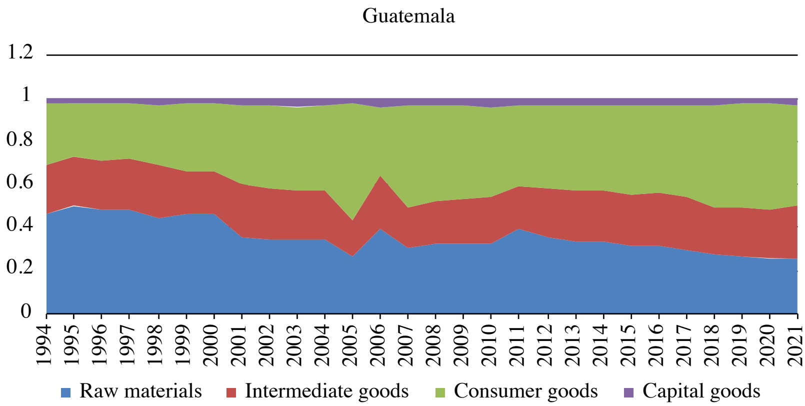
Exports show diverse trends in goods, contrasting with more uniform imports. Figure 4 highlights the share of exported goods, categorised as raw materials, intermediate goods, consumer goods, and capital goods. Notably, there is a diminishing trend in raw materials export participation, differing from Bulmer-Thomas's description of concentrated raw materials exports in these countries.

Costa Rica excels in exporting capital and intermediate goods, showcasing a diverse and sophisticated profile. El Salvador primarily focuses on intermediate goods, revealing a targeted export strategy. Guatemala adopts a more balanced approach. Nicaragua and Honduras mainly export raw materials, signalling reliance on natural resources. Intermediate goods grow significantly in all countries' exports over time.

Figure 4.
Export composition by country







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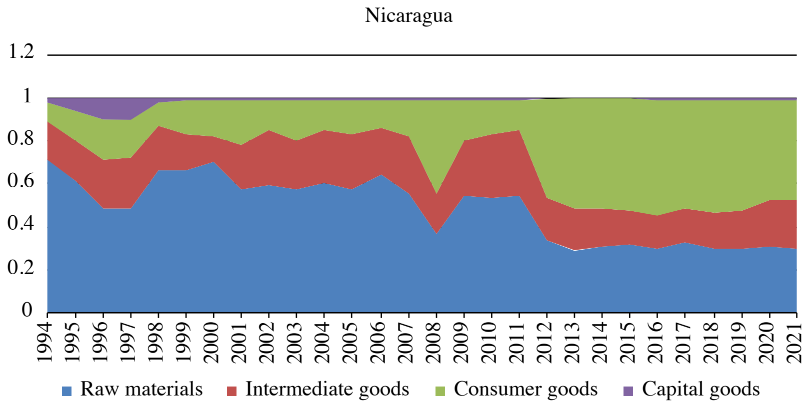
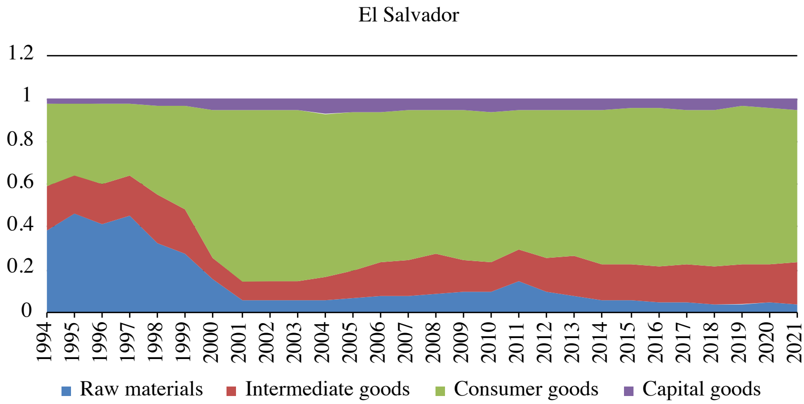




Source: World Bank. (2024). World Integrated Trade Solution (WITS). https://wits.worldbank.org

The region shifts from raw material exports to diversified production, signifying a structural change (Bielschowsky et al., 2022; Segovia, 2021). El Salvador excels in garment production; Costa Rica advances in technology and maintains fruit exports. Honduras, Guatemala, and Nicaragua diversify from raw materials post-2010. The United States is the main trading partner, but intraregional commerce is significant for Guatemala, Costa Rica, and El Salvador. Global value chain studies highlight inter-industrial links (Blyde et al., 2014; Inés-Tera et al., 2010; Prochnik et al., 2010).

Costa Rica's unique global value chain participation involves service providers, attracting substantial foreign direct investment (Gereffi et al., 2019). El Salvador and Guatemala depend on external inputs, limiting backward linkages. Honduras, Nicaragua, Guatemala, and El Salvador focus more on low-tech and low-value added in global value chains (Blyde et al., 2014). Except for Costa Rica, all CA countries have lower national value added in exports compared to bilateral value added generated by imports (Orozco & Padilla, 2023).

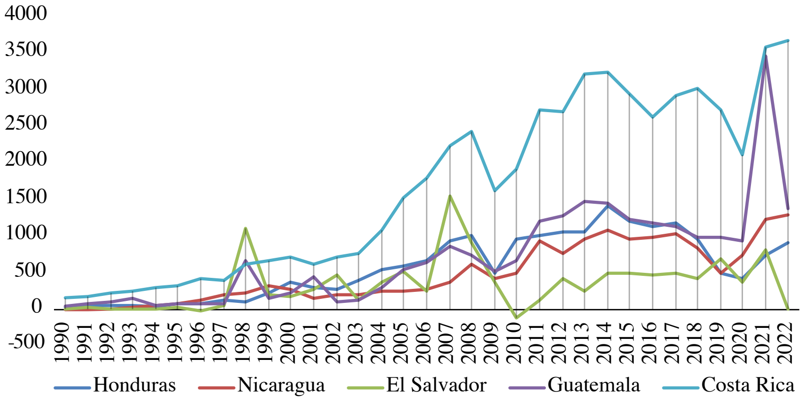
Figure 5.
Evolution of export profiles in CA 1990-2021: main exported goods with its percentage participation

Country	1990	2000	2010	2021
Costa Rica	Tropical fruit [excl. Bananas] (25), Coffee (17), Meat bovine (3), Live plants (2), Medicaments (2)	Parts Office Machine (30), Bananas (10), Coffee (5), Medical instr. (3), Medicaments (2)	Thermionic valves (10), Parts Office Machin. (9), Medical instr. (8),Bananas (8), Tropical fruits (8).	Medical instr. (27), Bananas (8), Tropical fruits (7), Orthopaedic appl artificial parts (6), Miscellaneous food prep. (6)
El Salvador	Coffee (44), Medicaments (4), Cottorn yarn & thread (3), Crustacea and Molluscs (3), Aluminium foil	Under garments knitted (14), Coffee (8), Outer garment (5), Women outer garment (2), Men under garnment (2)	Under garnment knitted (22), Outer garnment knitted (9), Coffee (5), Electrical cond. (4), Artif. Plastic mat (4)	Under garnment knitted (15), Outer garnment knitted (6), Electrical conden (4), Medicament (3), Knitted crochd (2)
Guatemala	Coffee (28), Bananas (6), Medicament (5), Nutmeg, mace, cardamons (3), Raw cotton (3)	Coffee (21), Bananas (7), Crude Petroleum (6), Medicaments (3), Nutmeg, mace & cardamons(3)	Coffee (8), Outer garnments knitted (8), Ores & conc. Of silver (6), Bananas (5), Nutmeg, mace &cardamons (4)	Bananas (7), Coffee (7), Palm oil (5), Nutmeg, mace & cardamons (5), Under garnment knitted (5)
Honduras	Bananas (32), Coffee (26), Crustacea & molluscs (6), Meat of bovine (4), Zinc (4)	Coffee (22), Crustacea & molluscs (17), Bananas (8), Soaps (4), Ores and concentrates of zinc (3)	Coffee (23), Gas (8), Bananas (7), Crustacea & molluscs (6), Palm oil (5)	Coffee (27), Insulated wire (17), Crustacea & molluscs (11), Palm oil (5), Bananas (3)
Nicaragua	Coffee (23), Meat (21), Raw cotton (11), Bananas (8), Crustacea & molluscs (3)	Coffee (28), Crustacea & Molluscs (20), Meat of bovine (9), Groundnuts peanuts green (5), Refined sugar (4)	Coffee (21), Meat of bovine (19), Crustacea & Molluscs (7), Cheese (4),Groundnuts peanuts green (4)	Under garments knitted (13), Meat bovine (13), Insulated wire (11), Coffee (9), Cigars (6)

Source: Own elaboration with data from CEPALSTAT (2024).

In the late 1990s, commodity prices, including coffee and banana, declined but recovered by 2003, coinciding with trade agreements and regional pacification, contributing to a shift towards more manufacturing production. Foreign direct investment surged, with Costa Rica as the primary destination. El Salvador had erratic growth, while other countries experienced somewhat irregular but consistent growth. To assess FDI flow, we compare country competitiveness and exchange rate fluctuations.

Figure 6.
Evolution of the FDI in CA 1990-2021 (in USD)



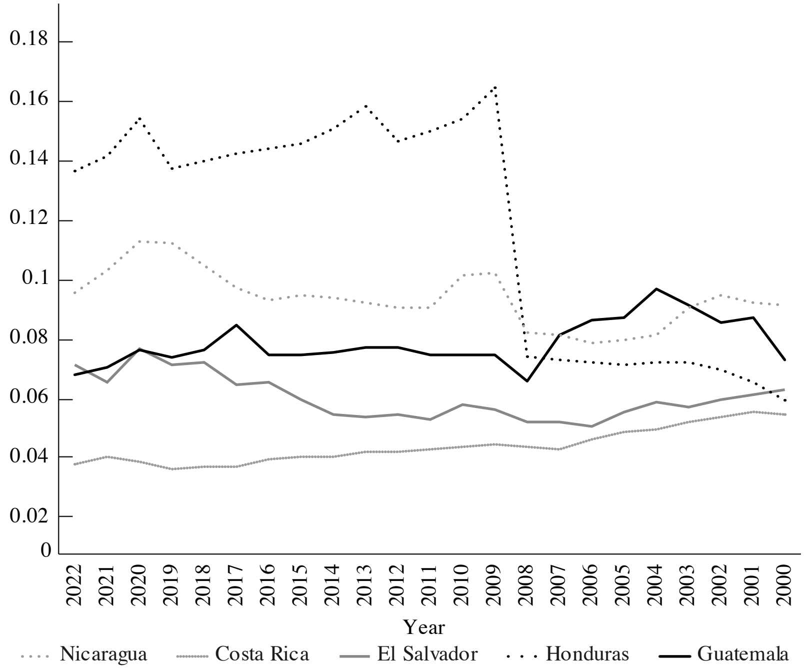
Source: Own elaboration with data from WB (2024).

Price competitiveness is gauged using a rough proxy: minimum wage over GDP per capita in USD (following Fernández-Coruguedo et al., 2022). Non-price competitiveness is approximated using the Economic Complexity index from the Observatory of Economic Complexity (2024). Costa Rica stands out for production and export activities, with decreasing minimum wage to GDP per capita indicating improved price competitiveness. The steady rise in non-price competitiveness reflects a growing diversity and complexity in the country's productive capacity.

El Salvador and Guatemala converge in price competitiveness by 2020, with El Salvador leading before then. El Salvador outperforms Guatemala in non-price competitiveness. Honduras initially aligns with the others in minimum wage to GDP per capita but sees a notable increase, reducing its price competitiveness. Nicaragua maintains stable price competitiveness but experiences a decline in non-price competitiveness.

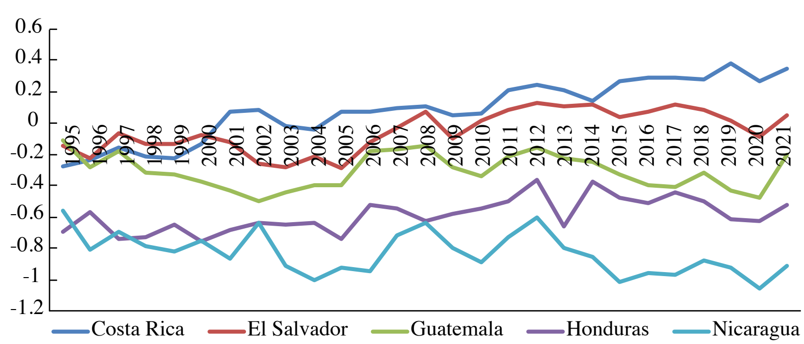
Costa Rica maintains stability with a notable depreciation in 2016 and low depreciation until 2022. El Salvador exhibits consistent stable Real Effective Exchange Rate (REER) since 2001. Guatemala experiences fluctuations, with constant appreciation from 1990-2013, stabilisation in 2017, and subsequent small depreci-

Figure 7.
Minimum wage over GDP per capita for CA countries 2000-2022



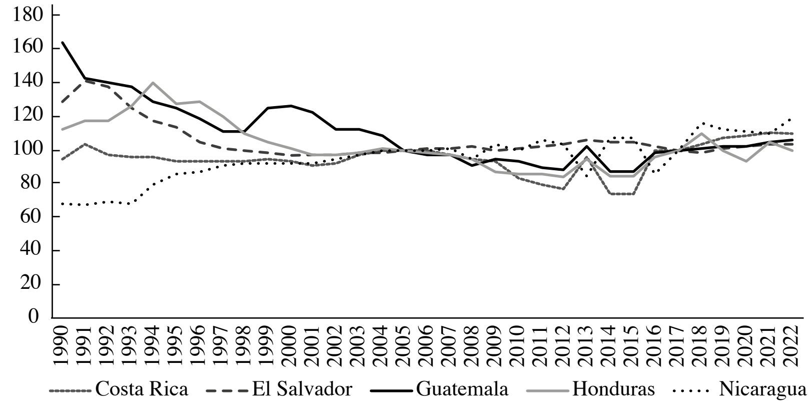
Source: Own elaboration with data from the World Bank (2024) and official minimum wage information from each respective country.

Figure 8.
Economic complexity index for CA countries 2000-2022



Source: Own elaboration with data from OEC (2024) ations. Honduras sees sustained currency appreciation, potentially affecting competitiveness, while Nicaragua consistently faces depreciation.

Figure 9.
Real Effective Exchange Rate for CA countries 2000-2022

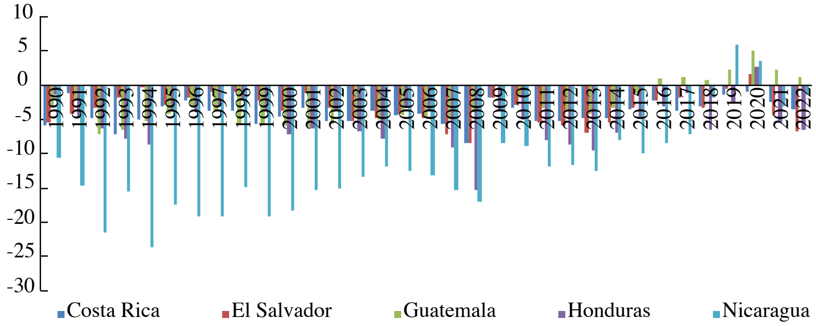


Source: Own elaboration with data from WB (2024).

Figure 10a shows that all CA countries experience a current account deficit, with varying shares relative to GDP. This is a regional characteristic attributed to high import content and other factors. Figures 10a-e provide indicators of the external financing position.

Figures 10a-e: Current account balance, Sectoral financial balance, Debt-to-GDP ratio, Terms of trade, and FEX reserves.

Figure 10a.
Current Account Balance in GDP terms (%)



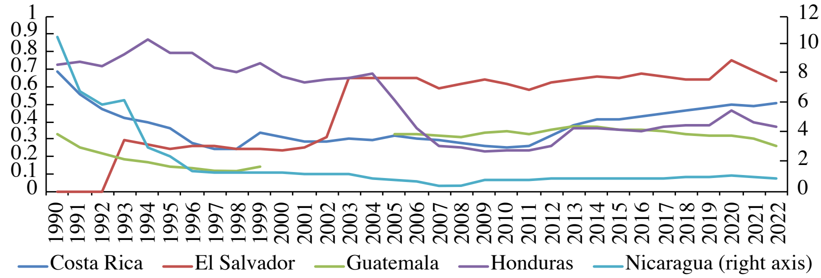
Source: Own elaboration with information from the World Bank.

Figure 10b.
Sectoral financial balance 2000-2022

Country		2000-2011	2012-2022
Costa Rica	General government net lending/borrowing (T-G)	-2,7	-5,5
	Current account balance (M-X)	4,5	3,2
	Private financial balance (S-I)	-1,8	2,3
El Salvador	General government net lending/borrowing (T-G)	-4,1	-3,9
	Current account balance (M-X)	4,4	3,5
	Private financial balance (S-I)	-0,3	0,4
Guatemala	General government net lending/borrowing (T-G)	-1,9	-2,0
	Current account balance (M-X)	4,2	-0,1
	Private financial balance (S-I)	-2,3	2,2
Honduras	General government net lending/borrowing (T-G)	-2,2	-1,8
	Current account balance (M-X)	6,5	4,4
	Private financial balance (S-I)	-4,3	-2,6
Nicaragua	General government net lending/borrowing (T-G)	0,9	-1,2
	Current account balance (M-X)	13,6	5,0
	Private financial balance (S-I)	-14,5	-3,8

Source: Own elaboration with data from IMF (2024)

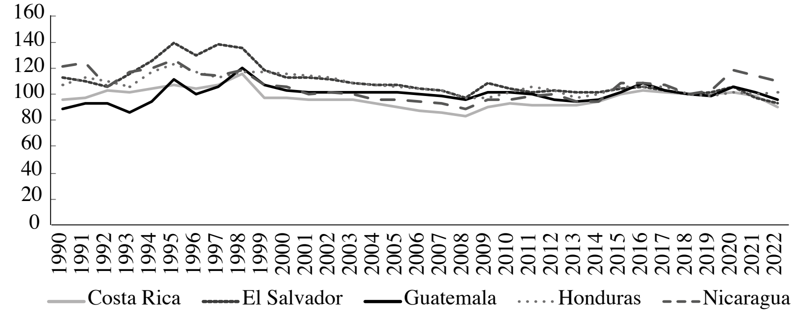
Figure 10c.
Debt-to-GDP 1990-2022



Source: Own elaboration with data from CEPAL (2024)

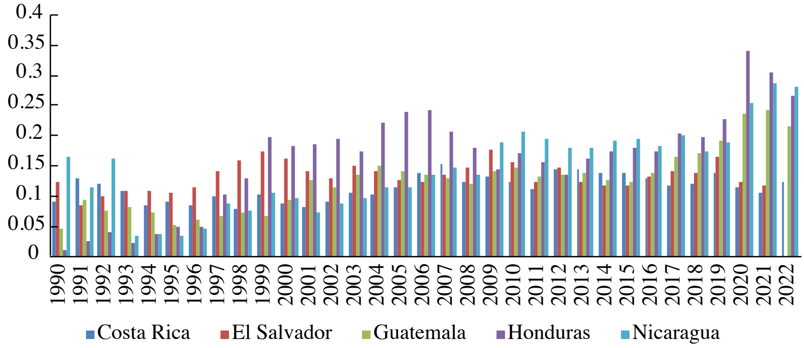
Costa Rica consistently maintains a current account deficit below 5% of GDP. The declining terms of trade, notably since the early 1990s and intensifying post-2007, constrain financial flexibility, leading to reduced export revenues against import costs. This pressure on the current account likely prompts increased borrowing, reflected in the rising debt-to-GDP ratio post-2012. Despite this, Costa Rica's debt-to-GDP remains comparable to Guatemala's. Hammad (2021) notes Costa Rica's higher domestic debt compared to external debt. Notably, Costa Rica's foreign exchange reserves, while growing, are the region's lowest, averaging between 10% and 13% of GDP.

Figure 10d.
Terms of trade 1990-2022



Source: Own elaboration with data from CEPAL (2024).

Figure 10e.
Foreign Exchange Reserves to GDP in USD 1990-2022



Source: Own elaboration with data from WB (2024).

El Salvador had favourable terms of trade in the 1990s, but they declined since 2007. Financial sectoral balances show a lower government deficit, a current account deficit, and a positive private sector position. The mid-2000s saw a rise in the debt-to-GDP ratio, reflecting borrowing for post-conflict development. COFACE (2022) raised concerns about El Salvador's increasing debt, but the country effectively leveraged foreign investment and remittances, boosting foreign exchange reserves.

Guatemala maintains stable terms of trade, consistently financing current account deficits without excessive external borrowing. Since 2010, it achieved a balanced current account, reducing deficits and occasionally posting surpluses. Increasing foreign exchange reserves signal a robust external position for sustainable deficit financing and shock mitigation.

Honduras experiences variable terms of trade, recovering post-2019 after a general decline. This affects financing needs, reflected in fluctuating current account balances and debt-to-GDP ratios. Despite historical external debt reliance, improved debt management since the late 2000s is evident. Honduras has the highest average foreign exchange holdings in the region, emphasising strategic external financing measures and economic resilience.

Nicaragua contends with highly volatile terms of trade, leading to fluctuating financing needs. A significant reduction in the debt-to-GDP ratio since the early 1990s suggests restructuring or debt relief, while a recent increase indicates new borrowing, possibly for development. Despite being the most indebted in the region, increased reserves demonstrate proactive efforts to stabilise the currency and manage financing without undue reliance on debt.

The early 1990s for CA countries were characterised by high current account deficits and declining terms of trade, leading to a reliance on external financing primarily through debt. Over time, there has been a regional trend toward improved current account balances, indicative of enhanced financing mechanisms such as increased foreign investment and remittances, and possibly favourable shifts in trade dynamics.

The accumulation of foreign exchange reserves across these nations has been a shared strategy to shield against external financing shocks and ensure currency stability. Debt reliance has varied; some countries have witnessed increases in debt-to-GDP ratios, while others have maintained or reduced them through relief efforts.

The observed reduction in current account balances, alongside decreased government deficits (except in Nicaragua) and improved private sector positions, suggests an overall reduction in economic dynamism and imports, possibly linked to stagnation in the U.S. following the global financial crisis. This could also indicate a deleveraging within the private sector.

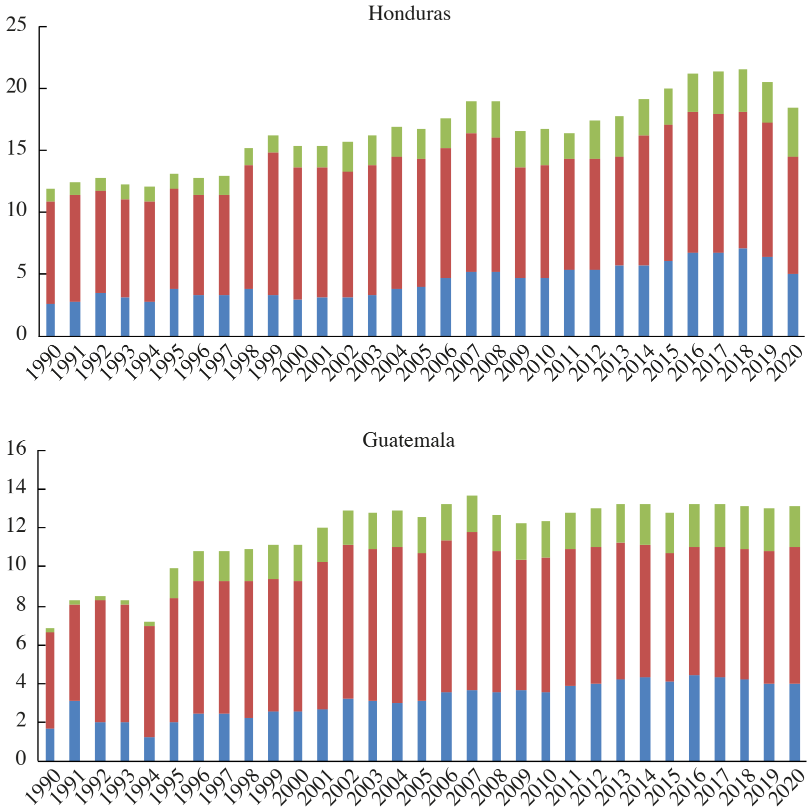
The early 2000s saw an increase in external debt, which then stabilised, except for El Salvador, which has seen a consistent rise, and Costa Rica, which experienced an increase post-2010. Terms of trade have been relatively similar across the region, with more volatility in the 1990s and a generally stagnant trend thereafter, particularly after the 2008 financial crisis. Lastly, remittances enhance a buffer for families, and are used for basic goods, becoming the main external financing component (Acosta et al., 2006), which also impact the balance of payments.

COMPARATIVE ECONOMIC POLICY

CA countries experience varying revenue-to-GDP trends. Costa Rica consistently sees balanced growth in direct, indirect, and social security revenues. Nicaragua and El Salvador witness a twofold increase in revenues-to-GDP, spanning all three categories. Guatemala differs with unique revenue-to-GDP participation. Honduras displays erratic revenue patterns marked by notable fluctuations.

Government expenditure patterns converge with variations. Costa Rica and Nicaragua reduce their expenditure relative to output, while El Salvador increases its participation. Honduras and Guatemala maintain stability. Notably, synchronised expenditure increases from 1998 to 2001 and 2008 to 2010 addresses declining revenues and the global financial crisis. However, from 2010 to 2020, expenditure growth diverges from the previous decade's patterns.

Figure 11.
Government revenues-to-GDP



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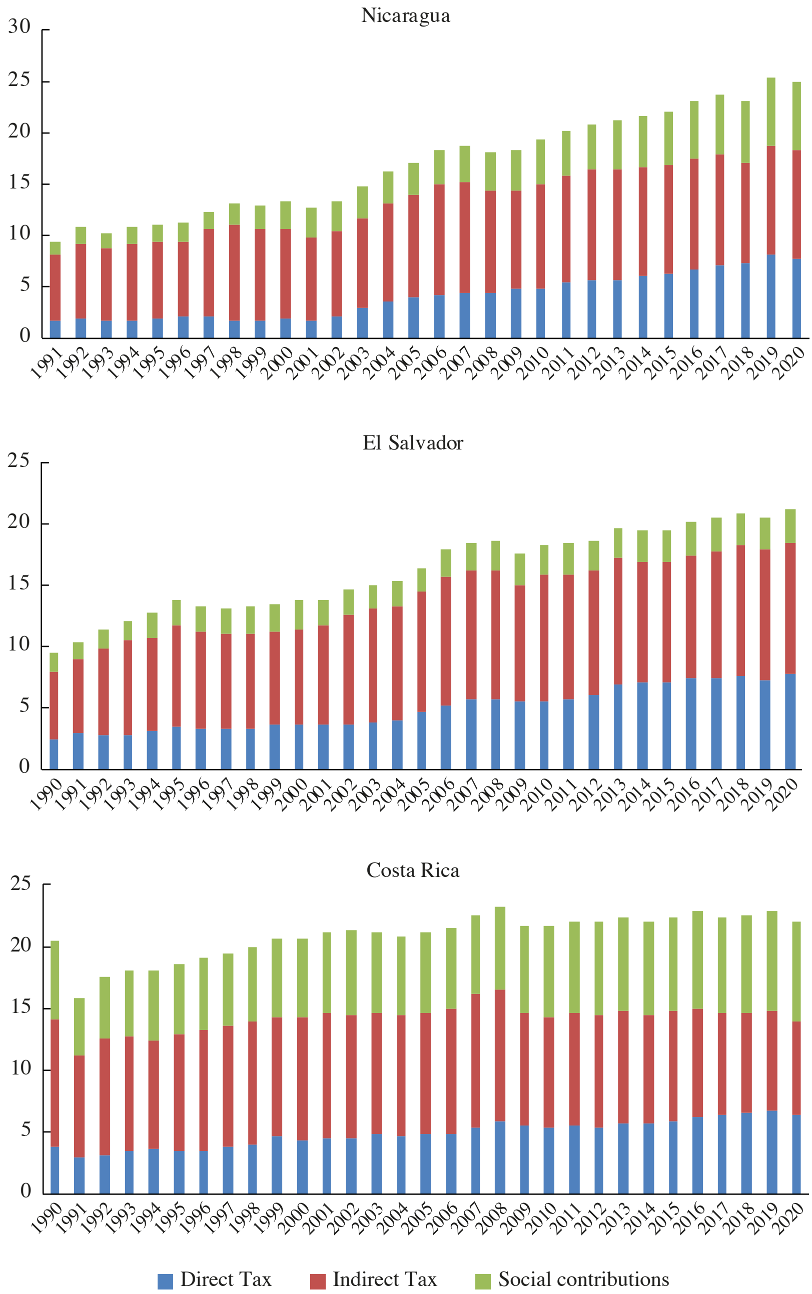
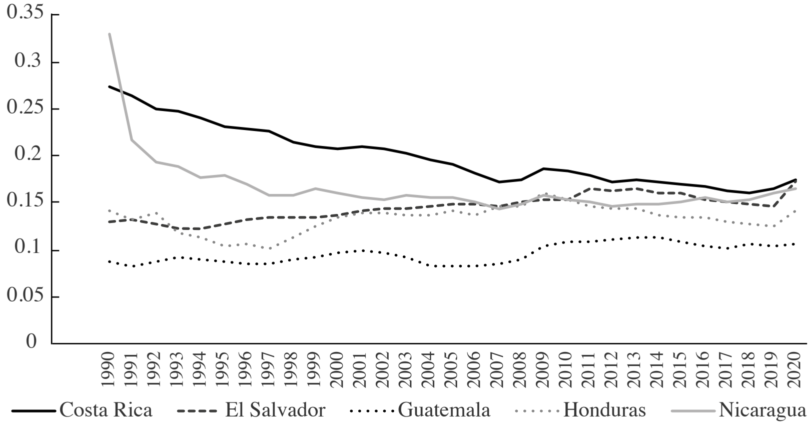

Nicaragua
El Salvador
Costa Rica
Direct Tax
Indirect Tax
Social contributions

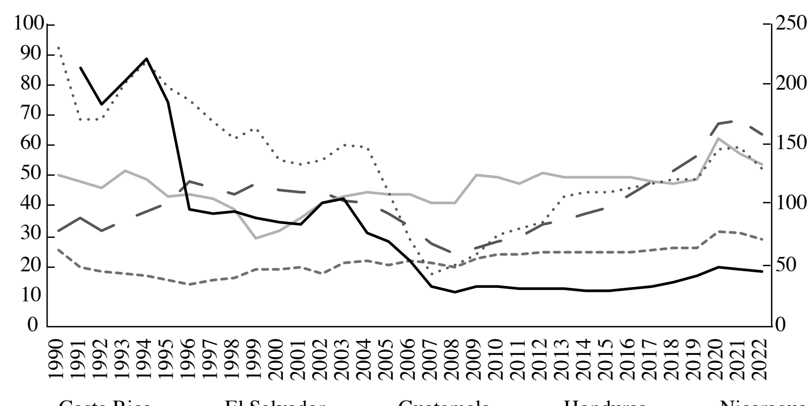
Figure 12.
Government expenditure-to-GDP



Source: Own elaboration with data from WB (2024).

In terms of fiscal space, measured as the public debt with respect to the GDP, there are two groups, either reducing or increasing; in the first case Costa Rica, El Salvador, and more or less Guatemala have increased their public debt (domestic and external). The public debt to GDP has decreased in the case of Honduras and Nicaragua (on the right axis), therefore gaining fiscal space. Now, the decade of 2000's was in general an era of higher fiscal space, reducing during the following decade, with the pandemic the level of sovereign debt has arrived to around 60% of total GDP.

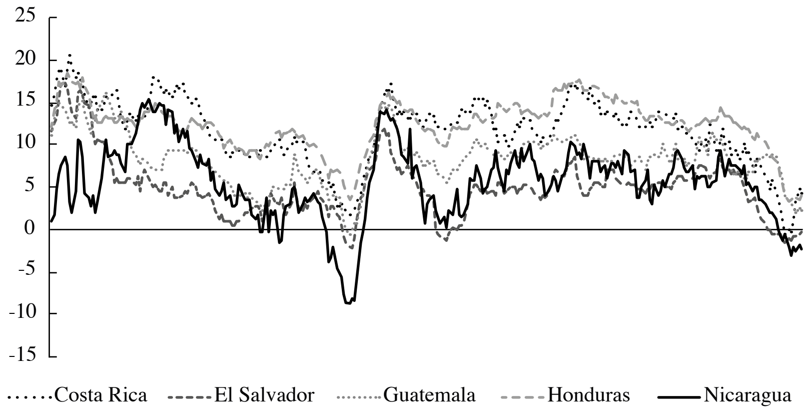
Figure 13.
Public debt to GDP



Source: Own elaboration with data from CEPALSTAT (2024).

Figure 14 depicts the real active interest rate trajectory. Notably, spikes in 2001 and 2008 are linked to global events such as the dot-com recession and the 2008 GFC. El Salvador and Nicaragua consistently maintain lower rates, while Honduras and Costa Rica have higher levels, with Guatemala in between. From 1999 to 2007, most countries show a trend of annual interest rate reduction. However, a significant fluctuation occurs from 2007 to 2010. Post-2011, rates recover to levels similar to previous decades despite continued international liquidity, prompting strict interest rate policies.

Figure 14.
Real active interest rate 1999-2022



Source: Own elaboration with data from SECMCA (2024).

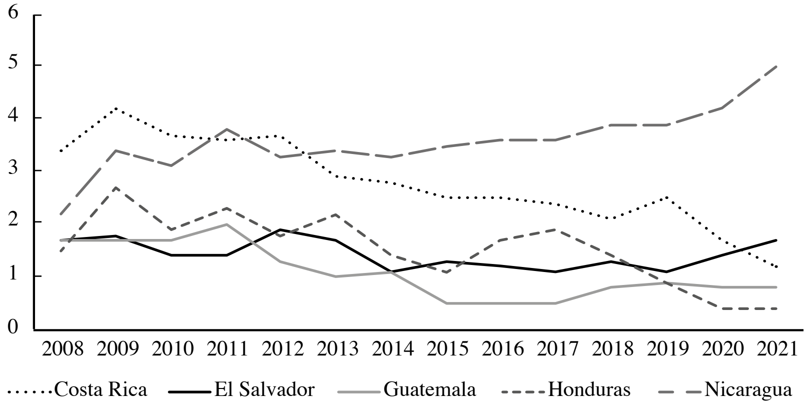
CA countries have bolstered tax capacity through new taxes or expanded bases, showing overall convergence with variations such as Guatemala's consistently low taxation. Except for Costa Rica, most rely heavily on regressive indirect taxes.

In government expenditure as a percentage of GDP, convergence is notable, with varying trends in public debt and interest rates. Limited data availability is addressed in the next figure, presenting public investment in economic infrastructure as a percentage of GDP from 2008 to 2021.

Nicaragua's public investment shows an increasing trend, reaching 5% of GDP in 2021. Costa Rica, initially leading with 4.2% in 2009, has decreased since 2011, converging with other CA countries. The rest have values below 3%, generally decreasing since 2012, except for El Salvador, which increased post-2019, surpassing Costa Rica in 2021.

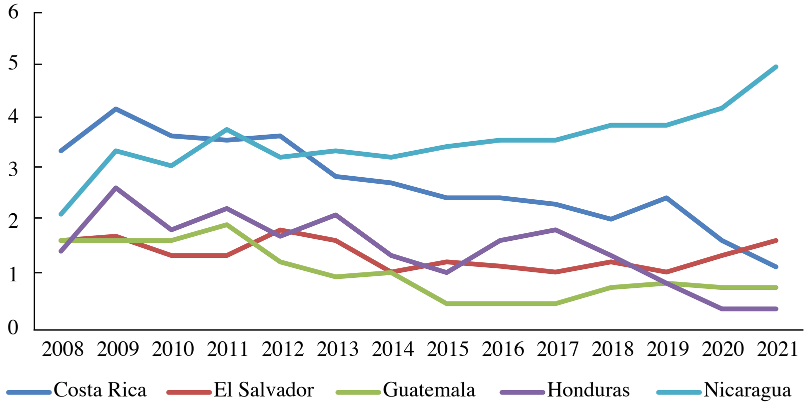
Total credit levels increased for these countries since 2001, with a dip in 2007-2010 due to the GFC. Since then, most countries, except Costa Rica and Nicaragua post-2018, have shown rising total credit in the economy.

Figure 15.
Public investment in economic infrastructure. As a percentage of GDP. 2008 - 2021



Source: own elaboration with information from INFRALATAM (2024).

Figure 16.
Total credit. As a percentage of the GDP. 2001-2022

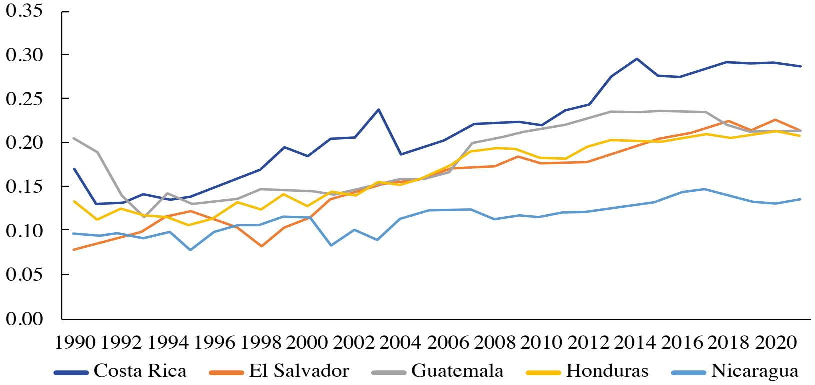


Source: own elaboration with information from SECMCA (2024) and World Bank (2024).

Until the Global Financial Crisis, El Salvador had the highest credit in the early 2000s but was surpassed by Honduras and Costa Rica since 2011. These three form the upper credit group, consistently above 45% of GDP since 2012. Guatemala and Nicaragua constitute the lower credit group, mostly below 40% of GDP. The increasing credit levels indicate financial advancement, supported by the IMF's Financial Development Index. Costa Rica leads with the highest and rising index, aligning with its top credit level. Guatemala, El Salvador, and Honduras show similar and converging levels, implying a comparable financial situation.

Nicaragua stands clearly below, diverging since the 2000s, aligning with its lower credit levels since 2001.

Figure 17.
Financial Development Index. 1990-2021



Source: Own elaboration with information from IMF (2024).

Growth model analysis of CA countries

We synthesise various characteristics previously examined to substantiate our taxonomy. Figure 18 illustrates our findings, focusing on the growth regime as the primary driver of economic growth (second column from left to right). Moreover, we delineate factors contributing to integration into the global economy in columns three to five, showcasing predominant exported goods, competitiveness factors, and financial profiles. Columns six and seven outline pertinent aspects of state intervention in the economy.

The figure serves as a summary for the period spanning 2000 to 2022, facilitating inter-country comparisons across variables. It delineates growth regimes, where prevalent trends observed across different time frames take precedence. Similarly, regarding main exports, we highlight dominant categories, as with other aspects. This broad approach allows us to emphasise the prevailing trends and dominant characteristics of each growth regime.

Moving forward, we emphasise that the region's predominant growth regimes are consumption financed by remittances (CRL) and export-led (EL). While these may appear distinct, we argue that they represent variants of the same regime. The EL regime relies on demand from non-domestic economies for goods and services, whereas CRL depends on inflows from foreign-based workers to their families. In other words, they can both be export led, since while EL exports goods and services, CRL exports workforce. Moreover, the key distinction lies in the allocation of inflows: in the EL, income flows to firms, whereas in CRL, income reaches families, primarily allocated towards basic goods, particularly among lower-income groups (Segovia, 2022). Regime shifts often coincide with external shocks, such as altered demand patterns in core economies or economic crises such as the 2008 subprime crisis, impacting sectors reliant on migrant labour, such as the construction industry in the U.S. (OIM, 2017a; 2017b; 2023).

That said, we identify three variants of export-led regimes. In the first group, Costa Rica stands alone as an EL regime with upgraded technological content in its export basket. It is the only country significantly exporting capital goods. Maintaining both price and non-price competitiveness, Costa Rica attracts a substantial amount of Foreign Direct Investment (FDI) in the region. Despite a historically more active state, Costa Rica has pursued wage-moderation policies alongside tax incentives, resulting in decreased overall government intervention in the economy. Notably, remittances play a less crucial role in Costa Rica compared to the other countries.

The second group comprises Guatemala and El Salvador, where CRL initially dominated followed by EL. Both countries have seen a rise in consumer goods, particularly in the "maquiladora" sector. They maintain relatively stable external positions regarding the current account, with minimal government involvement and regressive fiscal systems.

The third group includes Honduras and Nicaragua, where EL is the dominant regime followed by CRL. Raw goods constitute the main exports, though consumer goods have gained prominence in recent years. Compared to other countries, their price and non-price competitiveness are weaker, and their external balance is more volatile. These countries are increasingly reliant on remittance-driven consumption, with a growing share of consumer goods in their export baskets and a reduced emphasis on raw goods. As Segovia (2022) points out, CA has become a platform supplier of low added-value goods and low-cost suppliers in the global value chains. Along with the international integration of the region migrations and remittances have reinforced the dependency of CA on the United States (p. 27).

In conclusion, by integrating the previous sections, we identify varieties of export-led regimes: the first group, exemplified by Costa Rica, represents an upgrading EL regime. The second group presents a focus on low-value-added manufacturing sectors along with the impact of remittances on the economy. The third group exhibits a commodity-export-related EL regime shifting towards characteristics of the second group.

The overall export-led leaning of the region underscores two distinctive factors across all countries: a convergence towards reduced government intervention and pro-capital sector policies (Jiménez, 2020). Second, efforts to maintain a stable external balance, as evidenced by reduced and stabilised foreign debt and relative reductions in current account deficits.

Figure 18.
Analysis of the economic and political structure of CA. 1990-2022

Country/ year	Growth regime	Type of Exports	Type of Competitiveness	International Financial Profile	Fiscal	Monetary
Guatemala	CRL-EL	Intermediate & consumer goods	Stable price & non-price competitiveness, with REER appreciation from 1990-2013, and relative stability onwards. Stagnant terms of trade.	Increasing FDI flows, (especially after 2010). Small deficit in the current account, with an average of 40% debt-to-GDP ratio. Increasing foreign exchange reserves.	Lower than average government revenues to GDP (mainly by indirect tax). Stagnant and relatively low gov. expenditure, low and stable public debt. Low public investment.	Decreasing real interest rate until 2008, after 2010 stabilises at a level around 10%. Steady increase of credit-to-GDP but below average, increasing finance development index
El Salvador	CRL-EL	Consumer goods	Price competitiveness (but deteriorating since 2018), with higher-than-average non-price competitiveness. REER stability. Stagnant terms of trade.	Volatile trend of FDI, small but increasing current account deficit, surge of debt-to-GDP ratio after 2002.	Increasing gov. revenues, mainly based on indirect tax. Stable gov expenditure (around 15% of GDP), stable sovereign debt. Very low public investment.	Lower than average real interest rate. Stable trend rate of total credit as % of GDP. Improving financial development index.
Honduras	EL-CRL	Raw & consumer goods	Deteriorating price competitiveness, low non-price competitiveness, REER appreciation, slightly declining but stable terms of trade.	Regional average FDI, higher currency account deficit, improving debt-to-GDP ratio (after 2005). High increase of foreign exchange holdings	Increasing gov. revenues, mainly based on indirect tax. Stable gov expenditure (fluctuates between 10 and 15% of GDP). Marked decreasing public debt-to-GDP until 2007, increases constantly until 2022.	Slightly higher than the average real interest rate. Constant increase in credit-to-GDP, surpassing other countries in 2019. Constantly improving Financial Development Index.

(*Continued*)

Country/ year	Growth regime	Type of Exports	Type of Competitiveness	International Financial Profile	Fiscal	Monetary
Nicaragua	EL-CRL	Raw & consumer goods	Low price and non-price competitiveness, and depreciation of REER thru all the periods. Volatile, declining until 2010, then improving terms of trade.	Significant reduction in debt-to-GDP ratio since 1990's, but still the highest rate. High increase in foreign exchange reserves, especially after 2010. Constant reduction in current account deficit, but still higher than other countries. Steady growth of FDI.	Sharp increase in gov. revenues-to-GDP after 2003. More balanced between direct, indirect, and social contributions. Reduction of gov. expenditure-to-GDP, similar level as other countries. Sharp reduction in public debt. Marked upward trend in public investment after 2011.	Generally lower than other countries' real interest rates. Increase in credits-to-GDP, but lower than other countries. Slightly improving financial development index, but less than other countries.
Costa Rica	EL	Capital, raw & intermediate goods	Highest price and non-price competitiveness than others. Decreasing terms of trade until 2008, increasing after it. REER stability until 2010, volatile behaviour after 2010, first appreciating and then depreciating after 2017.	Very stable current account balance, reducing debt-to-GDP ratio until 2011, when it starts increasing from 30 to 50% of GDP. Very high inflow of FDI after 2002. Comparatively lower foreign exchange holding reserves.	Comparatively higher than other countries, and balanced sources of revenues-to-GDP. Sharp reduction of gov-expenditures-to-GDP, until 2009, then still decline but steadily, convergence with other countries. Reduction of public investment since 2008.	Similar trend behaviour in real interest rate, and higher than other countries. Clear increasing credit-to-GDP rate. Higher than others Financial Development Index.

Although our approach differs from Stockhammer's (2023) more neo-Kaleckian perspective, we ensure consistency in the steps and dimensions analysed. This consistency stems from the understanding within the SSM framework that growth can be externally constrained and influenced by political factors, particularly the role of the state. Therefore, our methodology aligns with the chosen theoretical framework for analysing the GMA.

By delving further from GMA and integrating aspects that combine Structural-Keynesian approaches, we specify the structural characteristics of these five countries, presenting groups as varieties of export-led regimes. These can be considered more general or structural characteristics of each country. This approach lays the groundwork for a deeper analysis, contrasting this structural or long-term view with a conjunctural perspective by assessing the policy space available to left-leaning governments, given the structural characteristics.

We argue that there has been a structural change in CA regarding the international integration of the region because of changes in the type of exports, going from commodities to low-value manufactures. Segovia (2022) identifies a structural change also in the elites of the countries. Moreover, the elites that were previously related to the agriculture sphere have adapted to globalisation, creating what he calls a transnational-rentier capitalism. The elites' role is crucial not only because they determine the economic structure but also because they influence the policy space and the political structure that the left-leading governments faced.

A COMPARATIVE POLITICAL ANALYSIS

Since the 1980s and 1990s, CA has been shaped by neoliberalism, notably through Structural Adjustment Programmes (Bielschowsky et al., 2022; Segovia 2022). While this economic model influenced public policies, some governments in the region adopted progressive measures, particularly in the realm of social policies.

Álvaro Colom in Guatemala (2008-2012)

Due to the GFC Guatemala faced decreased exports, imports, and public revenue. The fiscal situation worsened, and the government's slow economic recovery until 2012 was compounded by the euro-zone crisis and natural disasters in 2010-2011. Congress blocked public financing initiatives, limiting the government's actions (Secretaria de Comunicación Social de la Presidencia, 2012).

Despite challenges, the government pursued a social-democratic approach, focusing on increasing public revenue and social expenditure, especially for the poorest. Policies aimed at free access to public health and education increased usage, particularly in rural areas. Public security policies saw a rise in police and military presence, alongside anti-corruption measures targeting public institutions (Secretaria de Comunicación Social de la Presidencia 2012).

These policies boosted public sector participation, improved living conditions—particularly for the poorest—and enhanced Guatemala's international perception. While impactful, they did not transform the country's economic structure. Public consumption led the recovery for the 2008 crisis, but public transfers had low impact. The dependance on external components such as remittances and exports continue.

The two governments of FMLN in El Salvador (2009-2019)

From 2009 to 2019, El Salvador's leftist party, FMLN, led consecutive governments. Under Mauricio Funes, key social policies aimed at transforming education, supporting production, and enhancing transparency. Initiatives included food programmes and school supplies, price regulations, "Ciudad Mujer" centres, income transfers, healthcare system transformation, and infrastructure investments (Gobierno de El Salvador, 2015).

Public security measures involved increased military and police presence. Infrastructure investments focused on highways, roads, bridges, and residential credit. Economic activity reactivation included modernising ports, expanding the airport, and boosting energy capacity. Sectoral policies supported industry, energy, innovation, science, technology, tourism, and competition (Gobierno de El Salvador, 2015).

During Salvador Sánchez Cerén's term, these policies continued and expanded. Free public health access, increased health facilities, student support programmes, school construction, and agricultural sector reactivation were notable. A 2018 pension system reform aimed at fiscal control, accompanied by the largest minimum wage increase. Infrastructure investments in energy, highways, roads, and the international airport were prioritised (Sánchez Cerén, 2019).

El Salvador's growth regime shifted between CRL and EL during the analysed period. Government policies supported productive capacity and living conditions but didn't transform the overall productive structure, still driven by external factors. Domestic factors' importance in growth remained unchanged, and policies enhanced the existing production structure. Public transfers (as the rest of public components) had low impact.

Manuel Zelaya in Honduras (2006-2009)

Manuel Zelaya's presidency marked a right-to-left policy shift in Honduras. Initially aligned with economic elites, his policies diverged, triggered by an energy crisis. Declaring an "energetic state of emergency," Zelaya took control of the national energy institution (ENEE) and proposed a USD 15.8 million emergency fund for oil. Attempts to confiscate ports and warehouses from international enterprises faced opposition (Guzmán Padilla & León Arraya, 2019).

Facing persistent energy issues, Honduras joined Venezuela-led initiatives: Petrocaribe (December 2007) and the Bolivarian Alliance for the Peoples of our America (ALBA, July 2008). Despite U.S. and elite opposition, Congress approved. Zelaya's government also raised the minimum wage by 60%, implemented anti-corruption measures, and fostered public participation channels (Guzmán Padilla & León Arraya, 2019). In November 2008, he proposed a Constituent Assembly to alter Honduras' participation structure (Cunha Filho et al., 2013). While Honduras's growth regime remained EL, Zelaya's leftward shift addressed the energy crisis without altering the economic structure. ALBA inclusion provided foreign financial resources and credit, fostering financial and credit conditions, especially for international agents. Public components were not relevant.

Daniel Ortega in Nicaragua (since 2017)

Upon assuming the presidency in 2007, Daniel Ortega aligned Nicaragua with the ALBA initiative and introduced free public health and education. Social policies included easy access to credit for residential construction, productive credit, and resources for food accessibility. Public investment projects covered roads, highways, energy, tourism, public spaces, and internet access (Duterme, 2018).

Nicaragua's economic growth has been mainly EL, benefiting from increased global demand for raw materials, especially by China. Major exports like meat, coffee, gold, sugar, and tobacco flourished. This export-oriented strategy led to sustained economic growth, averaging 5.3% annual GDP growth from 2011 to 2017. Nicaragua accessed multilateral financial resources, totaling USD 20,000 million between 2007 and 2015, combining IMF recommendations and ALBA funds (Duterme, 2018). While some policies aligned with neoliberal tendencies, such as wage bill containment and public expenditure adjustment for fiscal deficit control, the private banking sector still controlled credit and interest rates. Ortega's economic policies aimed to deepen the existing export-led growth regime, relying on cheap labour and the exploitation of natural resources and agriculture, rather than changing Nicaragua's economic structure. Public components were of little relevance.

Guillermo Solís in Costa Rica (2014-2018)

The government prioritised public investment in infrastructure, focusing on roads, highways, energy, water, railroads, schools, hospitals, and health facilities, alongside enhancements in public security and police facilities. Local development received attention with investments in rural credit and support for local production using public resources. The government increased the number of police officers and implemented measures to streamline bureaucracy and public processes, leading to improved financial situations for some institutions and increased public revenues. With low interest rates, low inflation, and improved credit conditions, Costa Rica's overall economic performance was positive (Costa Rica Gobierno de la República, 2018).

However, these economic policies aimed at enhancing conditions within Costa Rica's existing export-led growth regime rather than altering the country's productive structure. The regime, emphasising exports of higher value-added goods such as capital goods, remained consistent with the nation's economic approach compared to the rest of CA. Public transfers and investment were important to recover from the crisis, but presented low impact in the rest of the period.

CONCLUSIONS

We have compared five CA countries, based on a Structural-Keynesian perspective. We have implemented a decomposition along with the SSM lines, identified some GR. Also, we have depicted some data that shed light on the integration into international economy, also we have presented some economic policy and macroeconomic data that gets us close to perceiving the trend of economic policy and finally we have presented the main policies applied by progressist governments.

In conclusion, the prior analysis yields a crucial insight: Progressive governments in Central America proved ineffective in modifying the growth regime through domestic policy initiatives. This shortcoming can be ascribed to structural dependence on external factors and a conservative macroeconomic policy framework. Moreover, the emphasis on social policies by these progressive administrations failed to integrate essential components such as redistribution and demand-boosting measures, exacerbating their incapacity to effect substantial changes in the growth regime.

A notable contribution of our study is the introduction of the CRL regime, a crucial factor in understanding growth dynamics. While further investigation is warranted, it appears plausible that the CRL regime highlights not only the importance of remittances for the receiving families, but the need to finance their consumption by additional factors other than the domestic income. Moreover, given the low impact of credit in consumption in CA, families must depend on an external factor that can be very volatile under shocks such as the Global Financial Crisis (GFC) and the pandemic, in which these families' income and living conditions are vulnerable.

Additionally, our research merges the type of international economic insertion with the external constraint that hampers potential growth through the negative impact of imports on the Supermultiplier and the increased financial need to address current account deficits. The examination of each country's role in the international division of labour reveals that, except for Costa Rica, most continue to focus on commodities or low-value-added goods, with limited progress in upgrading or diversifying non-price factors. The impact of public factors on demand appears relatively insignificant with some exceptions, indicating a restrained use of public expenditures for consumption and investment. Persistent austerity policies are evident, resulting in fiscal deficits and escalating public debt. Economically, all countries seem to adhere to a conservative monetary and fiscal policy, prioritising inflation stability.

During the GFC, progressive governments aimed to mitigate its impact, exposing the region's vulnerability to external factors. Despite an expanded state size and participation, policies lacked a focus on structural socioeconomic transformation. While public investments improved mobility, education, and health facilities, they did not drive growth in the public sector. Fiscal policies addressed deficits but fell short of implementing reforms for a more progressive fiscal structure. These policies, while enhancing services and investments, did not alter the growth regime in CA. The region's dependence on external factors remains crucial for economic growth. Progressive governments failed to shift the growth model, maintaining reliance on foreign resources. The absence of ALBA, previously influential, adds uncertainty to foreign financial channels. Future left alternatives must prioritise policies to transform the productive structure and reduce dependence on the foreign sector.

This analysis holds significance in both theoretical and practical dimensions as it explores the reciprocal influence of political and economic factors, delineating their impact on the configuration of economic regimes and the sustainability of distinct political factions. Numerous unexplored aspects persist, such as the assessment of crisis indicators within the region. An avenue for scholarly inquiry involves examining how the growth regime, relying significantly on remittances, may grapple with crises amidst increased migration constraints imposed initially by the United States and subsequently by Mexico. Additionally, a comprehensive exploration of the politics surrounding the growth regime, briefly outlined thus far, remains pending.

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ARTÍCULO

CONFLICTING CLAIMS OVER INCOME DISTRIBUTION AND FINANCIAL DOLLARISATION IN ARGENTINA

Fabián Amico

Amico, F. (2025). Conflicting claims over income distribution and financial dollarisation in Argentina. *Cuadernos de Economía*, *44*(93), 87-116.

From a long-term perspective, and based on a political economy approach, the article presents the complex interaction between the distributional conflict, the different roles of the exchange rate and persistent capital outflows. This articulation occurred throughout the cycle of Peronist governments (2003-2015) and subsequently became even more complex with the unsustainable increase in external debt and the attempts at neoliberal restoration.

Keywords: Distributive conflict; financial dollarisation; external debt; exchange rate.
JEL: E11, E44, F41, N16.

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Amico, F. (2025). Conflicto distributivo y dolarización financiera en Argentina. *Cuadernos de Economía*, *44*(93), 87-116.

Desde una perspectiva de largo plazo y basado en un enfoque de economía política, el artículo muestra la compleja interacción entre el conflicto distributivo, las distintas funciones del tipo de cambio y las persistentes salidas de capital. Esta articulación se dio a lo largo del ciclo de gobiernos peronistas (2003-2015) y posteriormente se complejizó aún más con el aumento insostenible de la deuda externa y los intentos de restauración neoliberal.

Palabras clave: conflicto distributivo; dolarización financiera; deuda externa; tipo de cambio.
JEL: E11, E44, F41, N16.

INTRODUCTION

This article attempts to explain the economic dynamics that led to the current crisis of the Argentine economy. A long-term analytical perspective, strongly rooted in political economy, is necessary to understand the fundamental reasons for the financial dollarisation and high inflation that distinguish Argentina from the experiences of the other countries in the region.[1]

With that objective in mind, it will be necessary to analyse the most stylised features that characterised recent history. In order to develop this analysis, it is necessary to make some prior clarifications regarding the different roles played by the nominal exchange rate and the real exchange rate (section 2).

To this end, the analysis will be carried out taking into account two major historical periods:

1) The stage opened with the crisis of 2001 and gave way to the long cycle of the Peronist governments of Nestor and Cristina Kirchner (2003-2015). This stage has several specific features but one is crucial: the default of the external debt in 2002 produced the possibility, for the first time since the 1960s, that economic policy was driven by *internal* objectives, regardless of the conditionalities of the International Monetary Fund (IMF) (Section 3).

2) From 2016 onwards, a new cycle of external debt accumulation emerged, and economic policy once again fell under the decisive influence of the IMF.

As will be explained, this will have decisive implications on the foreign exchange market and the trajectory of the exchange rate and therefore on the different resolutions regarding the distribution conflict. Likewise, the policies implemented between 2016 and 2019 will imply severe constrains for future governments, in particular the heavy indebtedness with the international private market and mainly with the International Monetary Fund (IMF) (section 4).

Although the dominant argument in the political forum as well as in the media characterises the entire period of more than four decades since the democratic recovery as a long period of decline and crisis, strictly speaking, this argument is false and does not correspond to the empirical evidence.

If we look at the Table (see Appendix 1) concerning the stylised facts of Argentine development (1970-2022), it is easy to see that the period from 2003 to 2015 was an important break in a declining trend. Paradoxically, this stage is considered, in an orthodox interpretation, as the worst example of a "populist" economic policy.

The last stage in this long historical trajectory is the ascent of Javier Milei to the presidency of the national government (December 2023). Many political analyses try to explain the causes of Milei's rise in different ways, but practically all agree that the failure of the neoliberal restoration (2016-2019) as well as the nation-

[1] For a discussion of the causes of informal dollarisation in Argentina see Amico et al. (2022).

al-popular government (2019-2023) (Section 5) are powerful reasons. In fact, the neoliberal restorations (both under the Macri government and now with Javier Milei) have as their only real crux the attempt to put an end to the distributive conflict and as part of the same policy to radically change the orientation of the economic policy that favoured the "populist" income redistribution. The general features of Javier Milei's economic policy are analysed in section 6. The article closes with a few concluding remarks (section 7).

THE DIFFERENT ROLES OF THE NOMINAL AND THE REAL EXCHANGE RATES

In this section we will discuss the different roles played by the *real* exchange rate and the *nominal* exchange rate, which will be fundamental to the interpretation sustained in the following sections.

In the various heterodox approaches to the subject, there seems to be a consensus with regards to the idea that there is not an equilibrium nominal exchange rate nor one based on "fundamentals" towards which the effective exchange rate would adjust. Indeed, the level of the nominal exchange rate is fundamentally an (exogenous) institutional or political variable.

Vernengo (2001) suggested that more or less sustainable levels of the exchange rate are "conventional" in nature and highly influenced by policy choices, in contrast to the "natural" equilibrium exchange rate determined by the purchasing power parity (PPP) condition. The perspective adopted here assumes that money is not neutral in the long run and therefore the economy does not tend to the condition established by PPP.[2]

Besides, in a *price taker* economy in the international market, given the international price of tradable goods in that price-taker economy, the exchange rate determines their domestic price and, assuming that nominal wages are given, affects the profitability of the tradable sector.

In this case, the domestic price level of good *i* (P_i) must be equal to the international price level of *i* (P_i^*) multiplied by the nominal exchange rate (e). The assumption here is that the international price is an *exogenous* datum.[3]

[2] The fact that in many countries the nominal exchange rate has a significant influence on inflation rates can give the wrong impression that PPP tends to prevail in the long run. But this is not the case, since the causality runs from the exchange rate to cost-driven inflation and not the other way around (Vernengo, 2001).

[3] This relationship between the domestic price of the commodity and its international price is not arbitrary. A situation like $P_i > eP_i^*$, could not be persistent since it would be cheaper for domestic consumers to import the commodity than to buy it from domestic producers, which would force deflation. The opposite $P_i > eP_i^*$ would not be durable either. Domestic firms would obtain a higher unit income from exports than in the domestic market, which would force the domestic price to rise. Thus, the domestic price of a commodity in a country that is a price taker cannot differ persistently from the international price expressed in national currency.

But this is not the end of the story. Over time, the profit rates of the tradable and non-tradable sectors tend to influence each other through the action of competition. This means that an increase (depreciation) in the nominal exchange rate, given the nominal wage, will directly lead to an increase in the profit margin of the tradable sector. Then, if this increase were persistent over time, it would lead through the competition to an increase in the profit rate of the non-tradable sector, leading to a rise in the *general* rate of profit.[4]

Structuralist economists had observed an inverse relationship between real wages and the real exchange rate (Braun & Joy, 1968). But the approach summarised above allows to extend this inverse relationship between real wages and the profit rate to a more general level: that of the functional distribution of income between profits and wages in the *whole* of this specific type of economy (price taker). Thus, the *real* exchange rate is fundamental to understanding relative prices, inflation and income distribution.

On the other hand, the *nominal* exchange rate and *expectations* about its future evolution play a crucial role in determining capital flows. Together with the internal-external interest rate differential, and the country risk premium, the *expected* change in the nominal exchange rate will be a determinant of short-term capital flows.[5] In turn, the interest rate differential influences the variation of the *effective* exchange rate through short-term capital flows. Finally, in interaction with other components of the balance of payments (current account deficit, long-term capital flows and level of international reserves), a certain dynamic of the nominal exchange rate will be determined.

An important aspect in heterodox or non-marginalist approaches is that the change in the exchange rate will be considerably magnified by the action of expectations since the nominal exchange rate is determined as the price of an asset subject to speculation. These approaches agree on the fact that there is no "fundamental" or equilibrium level of the nominal exchange rate towards which it tends. As Vernengo (2001) states, the exchange rate is ultimately an institutional or policy

4 Through an econometric study, Dvoskin et al. (2024) confirms for the Argentine case the previously mentioned interrelationship between the profit rates of the tradable and non-tradable sectors.

5 Thus, in the short run we have:

$$F_{SRt} = \gamma\left[\frac{\left(1+i_t\right)}{\left(1+i_t^*\right)\left(1+\rho_t\right)\left(\frac{E_{t+1}^e}{E_t}\right)} - 1\right]$$

Where i is the domestic interest rate, ρ is the country risk, i* the international interest rate, $\frac{E_{t+1}^e}{E_t}$ is the expected devaluation of the exchange rate and the parameter γ measures the sensitivity of the capital flows to the interest differential, the country risk premium and the expected change in the nominal exchange rate (See Serrano et al., 2021).

variable and the levels considered more or less sustainable for the exchange rate are of a "conventional" nature, subject to multiple influences and, especially, highly influenced by policy options, in contrast to the "natural" equilibrium exchange rate determined by the purchasing power parity (PPP) condition. A second aspect of agreement in the heterodox literature is that the *expected* exchange rate is always an important determinant of the *spot* and future exchange rates.[6]

In this context, Serrano et al. (2021) proposed an alternative line of research focused on the notion of *elastic expectations* in the sense of Hicks (1946). This notion implies that the expectation regarding the future exchange rate (or better, the *expected change* in the exchange rate) is influenced by agents' past observations about the effective exchange rate. While, on the contrary, inelastic expectations are independent of past observations of the exchange rate and could be determined by market conventions, such as inflation expectations, belief in fundamentals, etc. A central aspect of this point of view is that whatever the "intrinsic" expectations (whether conventionalist, fundamentalist or chartist), these initial expectations will be, at least, partially revised considering the actual behaviour of the nominal exchange rate.[7] As we will see in the following sections, these two dimensions of the exchange rate will have very different implications at each stage.

THE ERA OF GROWTH AND RESURGENCE OF DISTRIBUTIVE CONFLICT (2003-2015)

The great Argentine crisis of 2001/2002 and the default on the foreign debt were turning points in the country's economic and political development. Since 2003, the Argentine economy has experienced an unprecedented phase of accelerated growth and social improvements, although it occurred in the context of a resurgence of conflict over income distribution and therefore led to a higher rate of inflation.

A fundamental condition for the success of the process that took place in the 2003-2015 period was that restrictions on economic policy were removed in two ways. On the one hand, economic policy was freed from the suffocating burden of external debt payments. But at the same time, and just as important, economic policy was freed from the need to issue signals (fiscal and monetary adjustment) to allow the refinancing of debt payments.

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[6] For example, Harvey (2019) and Lavoie and Daigle (2011).

[7] This point had been noted by Davidson (1982) when he pointed out that if in the presence of a devaluation of the domestic currency this is considered a signal that even larger devaluations will take place, then the elasticity of expectations "will be elastic" and the flows of resulting currencies will tend to reinforce this bias. In line with Hicks' approach, elastic expectations create *instability* and induce a *cumulative process* in exchange rate dynamics. In this sense, speculative behaviour leads to assess these dynamics.

That is, at the same time that the debt default alleviated the balance of payments constraint, it also made it possible for the government to apply a more pragmatic economic policy, focused on expanding the levels of activity and employment.

In a suggestive analysis, Damill et al. (2005) questioned the idea that the debt default was the main factor responsible for the Argentine crisis. The authors mentioned above showed that the brutal contraction of activity and employment occurred largely *before* the default, at the same time that the government was subjecting the country to great efforts to keep up with debt payments. Thus,

> Actually, the default turned out to be one of the conditions that allowed the recovery that took place soon after (Damill et al., 2006, p. 6).

More importantly, the authors concluded with a statement that is once again surprisingly relevant today:

> Our conclusion is that when a country faces a crisis motivated by firm expectations of default, what is really costly is the postponement of the default and not the default itself (Damill et al., 2006, p. 6).

In this context, the rapid recovery of the Argentine economy since 2003 has produced a systematic reduction in unemployment, a general improvement in the labour market (a persistent increase in the minimum wage and a reduction in informal employment) and an increase in union density. The combination of these factors has led to a persistent increase in average real wages above productivity (Frenkel & Friedheim, 2017, Trajtemberg et al., 2015) and has resulted in a permanent improvement in the wage share on income (Amico, 2020).

In principle, the non-tradable sector of the economy tries to pass on higher labour costs in its prices. But in the tradable sector, because it is essentially a price-taker economy, passing on these higher costs in prices is not possible. Given the growth rate of average nominal wages, the only way to compensate for higher labour costs is by raising the nominal exchange rate.

However, over a considerably wide range of values, the nominal exchange rate is an exogenous variable, strongly dependent on the objectives and policy decisions of the central bank and the government.

Certainly, the government intended to satisfy the demand for wage increases from workers and unions, who constituted the social base of support for its political-electoral coalition. But the systematic growth of real wages above productivity, although very gradual, eventually ends up eroding the profitability of more and more tradable sectors and thus ends up squeezing the profit rate of the entire economy through the mechanism described in the previous section.

In the very long term, the squeeze on profitability can affect production destined for export (and analogously can encourage the penetration of imports to the detriment of domestic production). Notwithstanding, long before reaching that hypothetical situation, the gradual deterioration of profitability affects more and more productive sectors, strengthening a growing political and social business bloc that questions economic policy and demands changes that restore profitability.

In this context, around 2007 the government began to adjust the nominal exchange rate more quickly with the intention of at least partially offsetting the loss of profitability of the business sectors. But the increasing devaluations of the currency made the distributive conflict more intense and led to an acceleration of the inflation rate.

The nominal race between the exchange rate and wages was a clear expression of the conflict over income distribution. But it also had other consequences related to the external position of the economy that would aggravate the initial distributive conflict. The increasing nominal devaluations of the exchange rate produced a growing erosion of the expected profitability in dollars of domestic financial assets, inducing the resident private sector to become increasingly dollarised, and discouraging the inflow of international capital that at that time was flowing into other countries in the region. This growing dollarisation of portfolios had a particularly negative effect on the balance of payments and led to greater exchange rate pressure.

Besides, the improvement in wage share led to a higher propensity to consume in the economy and, together with a clearly expansionary fiscal policy, led to a strong expansion in the level of output and employment. But it also induced a strong growth in imports and led to a gradual external current account deficit.

In itself, this did not seem serious. In fact, practically all of the countries in the region also showed external current account deficits.[8] But these countries more than compensated for such current account deficits with persistent capital inflows (FDI and portfolio capital). Moreover, in almost all these countries capital inflows were the basis for a significant accumulation of international reserves.

Even in these cases, and under the established approach, it has been explicitly recognised that exchange rate fluctuations can have strong *distributional effects*, with particular emphasis on appreciations, because, in principle, they reduce the profitability and competitiveness of export and import industries (although the established approach restricts this effect only to the tradable sector).

Chang (2007) underlines the case of some recent experiences of exchange rate appreciation where strong political pressures on the monetary authorities have been evidenced so that they intervene and *reverse* the appreciation, something that further strengthened the process of accumulation of international reserves.

Chang (2007), for example, argued that the accumulation of reserves in Brazil, Colombia, and Peru in the early 2000s was too large to be justified by international

[8] In the Argentine case, the current account deficit emerged later than in other similar countries and was of a smaller magnitude.

liquidity concerns. Rather, it seemed like a deliberate effort by the Central Bank to prevent further exchange rate appreciation and preserve the international competitiveness of different productive sectors.

But again, in this respect Argentina presents an important difference. While in other Latin American countries the accumulation of reserves was connected to the nominal *appreciation* of the exchange rate and had stabilising effects, in the Argentine case it was associated from 2007 onwards with the nominal *devaluation* of the currency and had destabilising effects. Thus, while the external current account surplus began to run out and financial dollarisation grew, central banks continued to accumulate reserves until at least 2011, placing even more demand pressure on the foreign exchange market.

After a series of devaluations, speculators expect the price (the exchange rate) to be higher in the future, and they buy today (or delay sales), which causes the price to rise even further. In a "pure" floating exchange rate regime, this instability does not stop, but rather induces a "snowball" effect in the foreign exchange market (Serrano et al., 2021). This cumulative instability is what underlies the well-known "fear of floating" pointed out by Calvo and Reinhart (2002).

In summary, initially the distributive conflict between wages and profits generated significant pressure on the exchange rate policy and led to a high rate of devaluation. Later, the higher rate of devaluation produced expectations of further devaluations, producing a negative return differential, and stimulating an incessant dollarisation of portfolios and discouraging the influx of international capital. This dollarisation strengthened the tendency towards effective devaluation of the exchange rate and further aggravated the distributive conflict, leading to a growing acceleration of the inflation rate.

At the same time, the expansion of the level of activity and employment was producing a growing external current account deficit that, due to incessant dollarisation, could not be compensated with the contribution of the capital account. Under these conditions, the central bank increased the devaluation rate even further while it began to lose reserves from mid-2011. The process became difficult to control and led to an unsustainable loss of international reserves. In such a context, the government suspended the floating exchange rate in 2011.

CONTROLS IN THE FOREIGN EXCHANGE MARKET (2011-2015)

The government began to apply restrictions to prevent companies, banks, and families from acquiring foreign currency at the beginning of 2011 and these restrictions became more intense towards mid-2012. In fact, control of the foreign exchange market is not strictly established to avoid a devaluation or prevent the loss of reserves, but to *manage* the pace of devaluation without turning it into a collapse due to the explosive instability produced by the feedback between actual results and expectations.

It is a way to avoid not only an exchange rate crisis but also to protect (within existing possibilities) the attained level of real wages to the extent that the official exchange rate continues to be the relevant reference for determining the domestic prices of the main tradable goods.[9]

The imposition of restrictions on the private sector to acquire foreign currency generates a parallel black market and therefore a black-market premium appears. This black-market premium is the symptom of a problem that is difficult to solve, because, either to avoid a greater erosion of the profitability of the tradable sector, or to avoid the loss of reserves generated by the growing balance of payments deficit, or for both reasons, the government cannot stop increasingly devaluing the currency, which increases the negative interest differential and leads, even with exchange controls, to increasing foreign exchange rate pressure in the form of an increase in the gap between the official exchange rate and parallel exchange rates. Likewise, the fact that investors cannot easily go from pesos to dollars (due to controls and constraints), imposes a great obstacle to trying to avoid financial dollarisation by increasing internal interest rates.

One could easily think that the economic policy that prevailed between 2003 and 2015 was simply wrong. Certainly, some of the analytical foundations of economic policy decisions were very weak. However, such a conclusion would be erroneous since it implicitly assumes that economic policy decisions can be reduced to a purely *technical* problem. But is not the case.

In purely "technical" terms, a more efficient option to avoid incessant capital outflows, as well as the persistent dollarisation of the private sector and to control the rising inflation would have been a combination of a *lower* devaluation rate together with a *higher* interest rate. That would have led to a positive internal-external interest differential and most likely would have alleviated pressure on the exchange market, discouraging portfolio dollarisation. But such a policy would have led to an even more intense distributional improvement in favour of wages, further eroding the profit rate and generating an increasingly broad consensus of capitalists against the government policy.

In such a context, even if the government could resist the capitalists' claim to restore profitability through a large devaluation, the continued reduction in profitability would begin to jeopardise, albeit gradually, the minimum profitability required to export and /or to prevent imports from affecting the domestic production of tradable goods. Although it is a slow process, and the elasticity of the

[9] Frenkel and Friedheim (2017) showed in an econometric analysis that the contribution of the exchange rate variation in the parallel market to domestic inflation was irrelevant. The incidence of the parallel exchange rate on the fixed price rate (basically industrial and services) represented only an average of 0.3 additional percentage points of monthly inflation (just over 4 pp of additional annual inflation).

quantities exported and imported to changes in the real exchange rate is very low, it cannot continue forever. At the limit, the government would have to devalue to "accommodate" that minimum profitability and, in this way, the unstable cycle of nominal devaluation, the formation of external assets and inflation would be set in motion again. This made it very difficult, or outright impossible, to establish an inflation targeting regime in Argentina like that of other Latin American countries.

In general, Latin American countries that adopted inflation targeting were generally successful in terms of reducing inflation. The theory underlying the institutional arrangement of the inflation targeting system assumes that inflation is basically due to excess aggregate demand and that the central bank controls excess demand through changes in the short-term interest rate following some version of the well-known Taylor rule.

But, as several analysts have shown, in most (if not all) cases, central banks managed to fit current inflation into the target through a more indirect transmission mechanism. Aggregate demand does not seem to have a systematic relationship with inflation (Trajtenberg et al., 2015), while the interest rate has little effect on aggregate demand. However, the interest rate affects the nominal exchange rate by influencing capital flows, and thus decisively influences the inflation rate.[10] But this policy is only possible.

> "… In situations in which there is *no external credit rationing* nor *strong political objections to further appreciation* of the exchange rate" (Summa & Serrano, 2018, p. 3, added emphasis).

In very general terms, Argentina had "objections" to further exchange rate appreciations in the period from 2003 to 2015 and, as will be shown in the following section, the situation worsened considerably when it suffered a strong external credit rationing from the beginning of 2018, a problem that was superimposed on (and further aggravated) the distributional conflict in force since 2003.

However, before concluding this section, the question arises: Is Argentina the only country where there is inflation caused by distribution conflict? In a more general perspective, a study by ECLAC (Economic Commission for Latin America) allows comparing the explanatory factors of inflation in several Latin American countries in the period 1993-2013 (Trajtenberg et al., 2015).

In the 1990s the authors confirm a weakening of the distribution conflict in all countries due to the structural reforms applied (privatisation, labour market flexibility and fiscal adjustment), which led to high unemployment rates and a remarkable weakening of workers' bargaining power, leading to a fall in unit labour costs. In this context, unit labour costs played the role of nominal price anchor and were a disinflationary factor, which allowed fixed exchange rate systems to predominate for a long period.

[10] See Frenkel (2008) and Barbosa-Filho (2008).

But in the 2000s, although all countries in the region continue to show declining or stagnant unit labour costs, in Argentina a significant change is observed: from 2003 onwards, there is growing inflation driven by unit labour costs and the intensification of the distributive conflict. Argentina is the only country in the sample in which this process takes place.

Although in another way, the same difference is highlighted by other analysts. For example, Frenkel and Rapetti (2012) observe that from 2002/2003 onwards there is a systematic increase in unit labour costs in dollars and a process of real exchange rate appreciation in all countries. But:

> There is, however, an important difference (…) between Argentina and the rest. In Argentina, RER appreciation resulted from higher domestic inflation relative to foreign inflation whereas in the other South American countries it mainly resulted from nominal exchange rate appreciation, especially in Brazil and Colombia (…) in Argentina real wages increased relatively more than the productivity differential (…) The different behaviour of real wages in these countries is a reason why unit labour cost in foreign currency in Argentina rose more than in Peru and Uruguay. (Frenkel & Rapetti, 2012, p. 49).

Certainly, an economic policy alternative, making possible a combination of higher interest rates and a slower rate of devaluation, would have been to keep the growth rate of nominal wages under control, putting a limit on the distributive aspirations of the workers and unions. Wage control would have avoided the need to persistently adjust the nominal exchange rate and therefore would have made it possible to generate a positive internal-external interest rate differential. For example, some type of income policy rule where nominal wages grew at a rate similar to the increase in labour productivity. But workers and unions were the main social base of political support for the government, and it was not easy to put a limit on wage indexation in a context of free collective bargaining and low unemployment.

Having reached this impasse, unable to resolve the problem that caused the instability, the economic policy of Cristina Kirchner's government (2011-2015) dedicated its efforts to controlling the *manifestation* of the problem, that is, trying to reduce the pressure of the exchange market by resorting to the imposition of restrictions on the demand for foreign currency, once an economic policy aimed at generating incentives in another direction was not achievable.

This interrelation between distributional conflict and exchange rate policy, in the context of the specific role played by the *real* exchange rate (inflation and distribution) and the *nominal* exchange rate (capital flows and interest differential), explains the positive correlation (at least in some periods) between the inflation rate and capital outflows in an alternative way to the conventional approach. When economic policy generates systematic devaluations of the currency, this produces, at the same time, more inflation and induces a growing formation of foreign assets since it persistently deteriorates the returns in dollars of the domestic financial assets.

This "propensity for devaluation" of macroeconomic policy and the resulting instability had two effects: it strengthened the tendency towards the formation of external assets of national residents and it exacerbated the distributional conflict and the inflationary process. These tendencies interacted and reinforced each other. The increasing dollarisation of portfolios further stimulated the devaluation of the currency, accelerating inflation and intensifying the distribution conflict. Then, the exacerbation of the conflict, determining a high pass through, led the capitalists to claim for the government a new adjustment to the nominal exchange rate, restarting the cycle on a larger scale.

RESTORATION OF NEOLIBERALISM AND NEW CYCLE OF EXTERNAL DEBT (2016-2019)

In this complex situation, the Government of Mauricio Macri (2016-2019) carried out a total change in economic policy. The transcendental change was the withdrawal of the State as the engine of economic growth and inducer of progressive income redistribution, and the attempt to transfer leadership of the growth process to the private sector. This change had its macroeconomic translation: instead of consumption of the workers or public expenditure, the engines of growth would now be private investment and exports.

The first measure was to "liberalise" the basic prices of the economy (unify the foreign exchange market, eliminating controls, and allowing a considerable increase in the prices of public services). Besides, the departure of the State implied a strong fiscal adjustment, which involved a sharp cut in public spending and, at the same time, a decrease in the tax burden on the private sector.[11]

From then on, the Government's role in economic growth would be to provide a reliable institutional framework, giving way to the initiative of the private sector. Incentives based on a system of "correct" relative prices (i.e., higher profitability) would "do their job" to stimulate investment and exports.

Since fiscal balance could not be achieved immediately, in the transition it was necessary to decide how to finance the fiscal deficit. There were three options: public debt, monetary financing from the Central Bank ("monetisation") or increased taxes.[12] "Monetisation" was immediately rejected as inflationary. The tax increase was also ruled out because it was assumed that the private sector already bore a "suffocat-

[11] A critical decision was a substantial increase in public services (and the consequent reduction of subsidies). As a result, while the food price index increased 34% in 2016, regulated prices rose much higher (electricity, 253%, and gas, 147% on average), resulting in retail inflation of 41% by the end of 2016.

[12] Really "monetisation" and public debt lead to the same result provided that the central bank has an interest rate target and acts accordingly in the secondary market for Treasury bonds (Serrano & Pimentel, 2017; Wray, 2004)

ing" fiscal burden. The last option was public debt. But, in the latter case, there were two alternatives: borrowing in foreign currency or in domestic currency.

The Government considered that the increase in public debt in domestic currency would cause a crowding out on private investment, since it was assumed that the increase in public debt would push up interest rates and, therefore, led to a decrease in the private investment. Furthermore, the increase in the interest rate would lead to a displacement of net exports (exports minus imports), since the increase in the interest rate differential would cause a net inflow of foreign capital, leading to an appreciation of the real exchange rate, therefore, a decrease in net exports.[13]

In conclusion, the Government believed it was appropriate to accumulate debt in *foreign* currency to finance the fiscal deficit. Additionally, this decision was based on the (surprising) argument that foreign debt was "cheaper" in fiscal terms, completely ignoring the problems related to the mismatch of currencies (domestic and foreign).

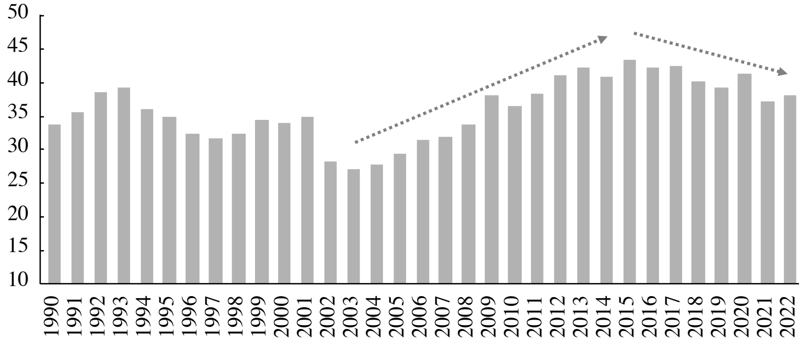
Between December 2015 and June 2016, a shock economic policy was applied, which caused an acceleration of inflation, the reduction in real wages and a strong contraction in the activity levels. Exchange controls were eliminated, and a floating exchange rate system was returned in the context of an inflation targeting regime, although without paying special attention to the evolution of the exchange rate.

In mid-2016, the recovery of the level of activity begins, deliberately induced by the Government to improve its performance in the midterm elections. The economy stopped falling in mid-2016 and since April 2017 it accelerated its pace of expansion. This strategy was politically successful (the government largely triumphed in the 2017 midterm elections). But in economic terms it represented a deviation from its long-term economic policy agenda. In fact, the Government had stimulated growth using an entirely "populist" policy (a "benign populism", as one analyst suggested), that is, using the same (Keynesian) policies that had been so severely criticised when applied by the governments of the previous cycle (2003-2015). The most symptomatic thing was that the economy was growing (and investment too).

The expansion of the activity level in 2017 (due to an increase in public investment and public social spending) was possible due to the lower pace of adjustment of the nominal exchange rate, which implied an appreciation of the real exchange and had a positive effect on real wages. The result was a certain stabilisation (with a growing dynamic) of the share of wages on output (Figure 1), after falling almost three percentage points compared to 2016 (Kennedy et al., 2018). However, it implied an improvement in the income wage share of formal workers in the private sector.

[13] This line of interpretation derives from the traditional Mundell-Fleming model, which is nothing more than an extension of the popular IS-LM model to the case of an open economy. For a critical view see Serrano and Summa (2015).

Figure 1.
Wage share (percentage of GDP)



Source: Prepared by the author based on data from INDEC (2024).[14]

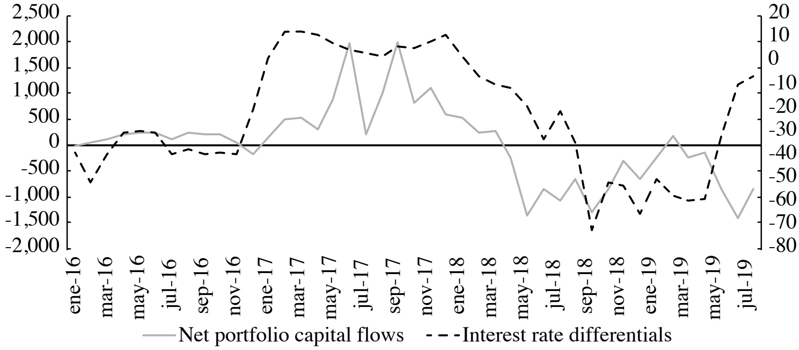
But in this way the significant macroeconomic variables moved in the *opposite* direction to the long-term agenda postulated by the government, since the condition for the change in the growth model had a very clear distributional implication: profitability had to be improved to encourage greater investment and exports. And this incentive for profitability had to have as a necessary counterpart the reduction of the share of wages in output. In other words, the stability of the nominal exchange rate (which implied an appreciation of the real exchange rate) was once again leading to a squeeze in the profit rate and, in the government's opinion, this weakened long-term growth.[15]

For its part, the BCRA (Banco Central de la República Argentina) continued to apply its inflation targeting policy, without paying attention to the distributional effects of the exchange rate policy. Following the policy prescriptions of the case, the central bank tended to increase the interest rate as long as the observed inflation remained above the target. But this policy was, for the government, part of the problem. In fact, higher nominal interest rates led to increasingly positive interest rate differentials, stimulating external capital inflows and keeping the nominal exchange rate stable (Figure 2).

[14] See: https://www.indec.gob.ar/indec/web/Nivel4-Tema-4-31-58, https://www.indec.gob.ar/indec/web/Nivel4-Tema-4-31-61 and https://www.indec.gob.ar/indec/web/Nivel4-Tema-3-9-48.

[15] Certainly, there is no empirical evidence on a positive relationship between economic growth and profitability and, more generally, with the distribution of income. For a critique of this approach under the Macri government, see Amico (2020).

Figure 2.
Interest differentials and net capital flows (percentage and US$ million)



Source: Author's calculation based on BCRA (2024) data.[16]

Due to this policy, the year-to-year increase in the nominal exchange rate went from 60% in December 2016 to just 12% at the end of 2017.[17] At the end of December 2017, the government decided to put an end to this situation. In a press conference, with the presence of the president of the BCRA, the Ministry of Economy announced a change in the inflation target and a reduction in interest rates. The government showed no concern for the independence of the central bank or for the reputation or credibility of the monetary authority. Rather, the government made explicit its intention to allow a higher real exchange rate, even at the expense of higher inflation (Amico, 2020).

The announcement of the reduction in interest rates and the redefinition of the inflation target had an immediate effect on the evolution of the exchange rate. Between December 2017 and February 2018, the BCRA accepted (without doing anything to oppose) the devaluation of the currency, although it finally intervened due to obvious signs of accelerating inflation. This passive attitude demonstrates that the BCRA (the Government) pursued the objective of a higher level of the real exchange rate and that inflation was a subordinate objective.

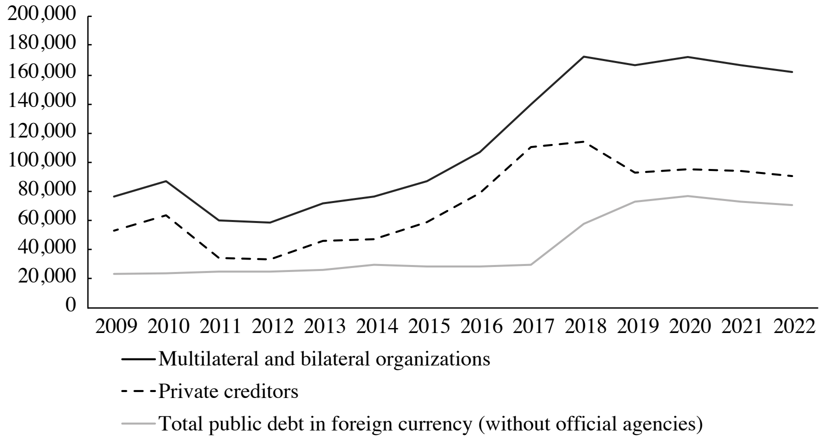
The change in monetary policy in December 2017 was combined with another crucial episode, since the Argentine government had begun to accumulate debt in foreign currency since 2016 at an unusual pace, something that was in the opposite direction to what was happening in practically all Latin American countries (with the possible exception of Ecuador).

[16] See: https://www.bcra.gob.ar/.

[17] However, by stimulating the inflow of capital, this policy led to the appreciation of the real exchange rate, the increase in real wages and a gradual squeeze of profit margins. In turn, rising real wages led to higher levels of private consumption, which led to an increase in the GDP and this, in turn, stimulated greater private investment in productive capacity. As suggested, higher interest rates were expansionary (Rapetti, 2016).

The lower external vulnerability of Latin American countries was articulated with a fundamental change in the *composition* of the debts of developing countries. An article from the BIS (Micic, 2017) observed that the public debt of emerging countries was more than double what it was in 2007, but its composition had changed significantly. The loans were denominated mainly in domestic currency, while the participation of public bonds denominated in foreign currency was minimal. Argentina was an exception to that pattern.

Figure 3.
Total public debt in foreign currency (does not include official agencies, in millions of US$)



Source: Prepared by the authors based on data from the Ministry of Economy and the Ministry of Finance (various reports).[18]

The debt cycle reached a critical point when a new issuance of Argentina's debt securities for $9 billion failed in early 2018 and the government could not continue borrowing on the international market. From then on, international market began to ration credit for Argentina. The idea that loans would be unlimited is absurd but seems to have prevailed in the Government's opinion.

Obviously, the financing of the external deficit and debt cannot be without limits. At a certain point there will be an increase in risk and then there will be rationing of external credit. The country will not receive more foreign capital flows and will not attract more money, no matter how high the domestic interest rate is. In this critical context, the default debt threat substantially increased the country's risk premium and unleashed a run on the exchange market that forced the government to restore restrictions on the foreign exchange market, even stricter than those existing between 2011 and 2015.

[18] See https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

As explained before, inflation control in the region was achieved due to the effect of interest rates on capital flows and the appreciation that it induced on the exchange rate. This policy was only possible "in situations in which there is no rationing of external credit or strong political objections to greater appreciation of the exchange rate" (Summa & Serrano, 2018). Certainly, towards the end of 2019 the Argentine economy combined both restrictions, since there were political objections to the appreciation of the real exchange rate (due to its distributional effects) and it also faced clear credit rationing.

THE FAILURE OF THE NATIONAL-POPULAR EXPERIENCE (2019-2023)

The national-popular experience of Alberto Fernández' government (which had the decisive presence of Cristina Kirchner as vice president) had to face a sequence of large exogenous shocks that decisively conditioned the evolution of the economy and society. Three months after taking office, the government had to face the COVID-19 pandemic, which had very significant social and economic effects.

Subsequently, when the pandemic began to subside, a strong international inflation process occurred at the beginning of 2021. Bottlenecks in the supply of raw materials, intermediate goods and freight transportation caused unprecedented increases in the prices of basic products. Likewise, there were disruptions in several supply chains that were combined with strong demand derived from the global economic recovery (Rees & Rungcharoenkitkul, 2021).

This unleashed paranoia around the world with inflation but in detriment of low growth (Vernengo, 2023b). The widespread fear was that supply shocks could generate sustained inflationary pressures if difficulties persisted long enough to trigger compensatory wage increases, which is basically what happened in Argentina (Amico, 2021). Later, at the beginning of 2022, the outbreak of the war in Ukraine further deepened the international inflation shock, especially in the food and energy sectors.

However, exogenous shocks (Covid19, the Ukrainian war) are not the main factor limiting the government's action in the 2019-2023 period. The influence of the external debt, judged unsustainable by the IMF itself, was decisive in determining the evolution of the economy, the rising inflation rate and the restrictions on the external sector.

In mid-2020, Argentina reached an agreement with private creditors for its external debt in virtual default. The agreement basically postponed the due dates for debt payments that would begin to be significant from 2026 onwards and obtained some reduction in the interest burden. Later, in March 2022 an agreement was reached with the International Monetary Fund (IMF) to pay the US$ 45 billion debt contracted during Mauricio Macri's administration. A memorandum was signed establishing 10 quarterly reviews over 30 months, on which the disbursements to refinance the debt with the organisation will depend.

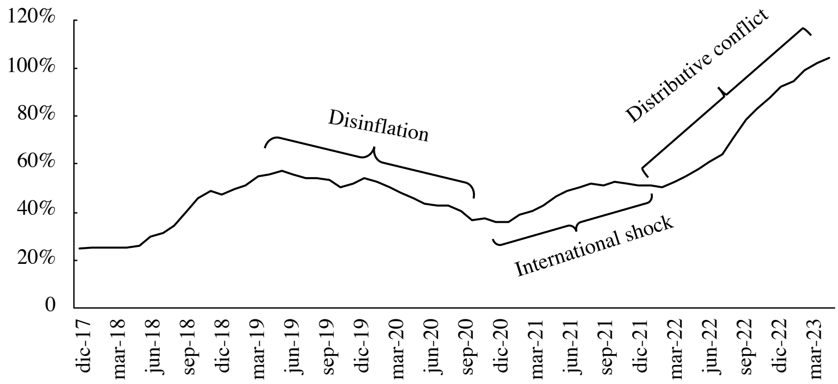
In that memorandum, the country committed to meeting goals related to the reduction of the fiscal deficit and inflation, the fall of energy subsidies, the increase in the GDP and the rise in the real exchange rate and interest rates. This agreement decisively conditioned economic policy. On the one hand, it imposed a severe target of primary fiscal balance in three years; On the other hand, it forced the government to increase the prices of public services above the average inflation rate and, at the same time, adjust the nominal exchange rate in line with the monthly inflation rate, which left the economy practically without a nominal anchor. Thus, in the context of an increasing distribution conflict, inflation accelerated significantly.

If these shocks were not enough, in 2023 Argentina suffered the worst drought in the last sixty years, which caused a collapse in agricultural production and its exports. The decrease in exports was around US$25 billion in 2023, almost 30% compared to the previous year's level. This episode had a devastating effect on an economy constrained by the shortage of foreign currency (the BCRA's net international reserves were negative). Worse still when the government had agreed to a demanding goal of accumulating international reserves imposed by the agreement with the IMF (an objective that could never be met).

The government was forced to carry out a severe adjustment of domestic activity in order to sharply reduce imports to bring them in line with the lower value of exports. But, instead of causing a contraction in the level of output and employment, the government and the BCRA authorised imports with the promise of delivering dollars in the future. Imports were authorised but the delivery of dollars to pay for them began to be increasingly delayed, causing a sharp increase in the commercial debt of companies of at least US$ 20 billion.

Thus, in such a context, the evolution of inflation could be separated into three stages: 1) A first phase of slow deceleration (Dec. 19 to Dec. 20), which coincides with the phase of the COVID-19 pandemic. Under such conditions, in fact, nominal wages played the role of nominal anchor, and although there was a slowdown in the rate of increase of the nominal exchange rate, as inflation slowed more rapidly, the real exchange rate increased. In this phase, international prices tended to decline, and prices regulated by the government slowed their growth rate. 2) The international price shock takes place (Jan. 21 to June 22), leading to an increase in the domestic price of tradable goods, which grow at 20% year-to-year until June 22. The nominal exchange rate slows down its growth rate (but increases). Nominal wages begin to react later.

Figure 4.
Inflate rate (cpi-year-on-year percentage)



Source: INDEC (2024).19

3) Since June 2022, what we could call a "full" distributive conflict has occurred. Nominal wages accelerate their growth rate to recover lost ground, while forced by the conditionalities of the agreement with the IMF, the government accelerates the pace of adjustment of the official exchange rate, causing an upward spiral of prices (nominal exchange rate) and wages. Furthermore, this price-wages spiral is exacerbated by the increase in regulated prices (public and private services).

From 2022 onwards, the behaviour of nominal wages (particularly in the formal private sector) is notably different due to the fuller functioning of collective bargaining and the notable shortening of wage contract terms. This decrease in the frequency of price and wage adjustments increases inflationary inertia (since an increasing percentage of past inflation is transferred to current inflation) and considerably increases the pass through from the exchange rate to inflation.

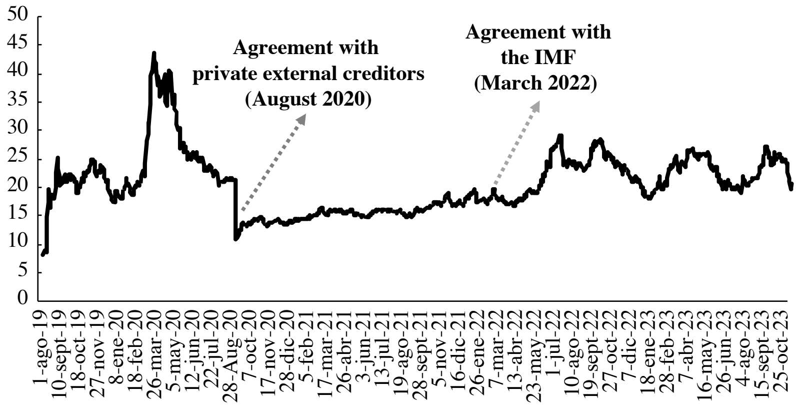
Due to this macroeconomic dynamic, towards the end of 2023, under the Fernández administration, real wages remained practically stagnant and even somewhat below 2019. Formal workers in the private sector showed stagnation, but informal workers suffered a real drop of 19% in real wages compared to 2019. However, the most significant reduction had already occurred in the previous government, especially in 2018/2019. The real wages of formal private workers were 16% lower in 2023 compared to 2017, while for informal workers the collapse reached 41%. At the same time, the Argentine economy had shown a strong recovery after the pandemic. In 2021, the GDP grew by 10.7% annually, although it then began to slow down (5% in 2022 and -1% in 2023). Private consumption grew at significant rates (20.4% in 2021, 17.9% in 2022 and 6.2% in 2023).

[19] See: https://www.indec.gob.ar/indec/web/Nivel3-Tema-3-5.

However, a historical feature of Argentine economic dynamics was that boom cycles (and balance of payments problems) were generally associated with *increasing* real wages (Canitrot, 1983). But since 2020 the economy has recovered with *stagnant* real wages. Here an important difference emerges with the previous stage. While in 2018-2020 the variations in the wage bill correlate almost perfectly with the dynamics of real wages, in the second period (2012-2023) they are mainly associated with employment. In turn, aggregate employment increased due to the strong rise in public investment and construction, that is, basically due to the impulse of public expenditure.

For that same reason, the level of activity decelerated rapidly to the extent that the government made the adjustment of public spending more severe, first due to the problem of the shortage of foreign currency and later, due to the decisive influence of the policy conditionalities derived from the agreement with the IMF. In this context, the factors that push towards the devaluation of the currency seems to be related to the IMF's influence on economy policy. Besides, since the end of 2019, debt in foreign currency (both public and private) began to be a fundamental factor that led to country risk levels typical of a default situation.

Figure 5.
Country risk premium (in basis points)



Source: Emerging Markets Bond Index (EMBI).[20]

Because the internal-external interest rate differential also incorporates default risk levels, the greater the risk, the more negative the interest differential will be. Therefore, this reinforces the tendency towards net capital outflow and/or financial dollarisation of national residents. Furthermore, the post-pandemic recovery led to strong growth in imports and determined a growing current account defi-

[20] See https://www.statista.com/statistics/1086634/emerging-markets-bond-index-spread-latin-america-country/.

cit, while the capital account remained practically closed due to the action of foreign currency controls and the negative interest rate differential. In such a context, the only possible external financing had to come from the IMF, but this institution only made quarterly disbursements of funds to repay the country's debt with the IMF itself. That is, there was no new external financing.

Beyond the large negative external shocks that affected the Argentine economy at this stage, perhaps the main diagnostic error of the Alberto Fernández government was having underestimated the public external debt problem and having believed that, in some way, the economy could repeat a takeoff trajectory like the one that took place since 2003.

But there was a crucial difference with that situation. In 2003, when Nestor Kirchner's presidency got underway, the 2001 crisis was in the past and, especially, the foreign debt *default* had already been recognised. Argentine society had come a long way since at least 1996, carrying out endless internal adjustment to pay an external debt that was unpayable.

With the external debt in the process of restructuring, the country recovered important degrees of freedom as pointed out by Damill et al., (2006). The main point is that none of these conditions were present in 2019. Furthermore, the Fernández government promised that Argentina would meet its debt commitments and that the economy would grow following a dynamic similar to 2003. This generated many conflicts within the ruling coalition. Although there were many protests and criticisms against the policy applied by President Fernández and his team (who pretended that the debt problem had already been solved with the agreements with private creditors and the IMF), on the side of the critics there was never there a clear policy alternative. Consequently, Argentina more or less gradually entered, with marches and countermarches, into the adjustment path imposed by the IMF, which finally led to the political failure of the national-popular coalition in the 2023 general elections.

THE ECONOMY POLICY OF JAVIER MILEI

Javier Milei's economic policy is still an ongoing experiment, so in this section we will limit ourselves to presenting some of its general features.

Javier Milei´s government began its administration in December 2023 with a policy of shock, leading to a devaluation of the peso of an unprecedented magnitude in recent history. We have to go back twenty-one years, to the 2002 crisis, to find an event of similar magnitude. The exchange rate adjustment was accompanied by a sharp increase in fuel prices and produced an inflationary shock that more than doubled the monthly inflation rate (from 12.8% in November to 25.5% in December). However, the record of inflation measured by the consumer price index shows only a part of the new inflationary process, since the Internal Wholesale Price Index (IPIM) reached 54% in Dec-23, more than doubling CPI inflation.

Following this shock adjustment, the government implemented an exchange rate policy establishing a crawling peg scheme whereby the official exchange rate increased by only 2% per month, making the exchange rate a nominal anchor for the economy. At the same time, and contrary to its electoral promises, it maintained and extended controls over the foreign exchange market. With this policy, amid fiscal and monetarist rhetoric, it managed to reduce inflation from 25% in December 2023 to 3.5% per month in September de 2024.

The fiscal adjustment led to a primary fiscal surplus and even a small fiscal or global surplus. This result was mainly based on a harsh adjustment on energy subsidies (which resulted in a sharp increase in public service rates), the fall in spending on pensions and the virtual disappearance of public investment.

For example, the minimum pension in October 2024 shows a real drop of 43% compared to December 2023, while the real wages of public sector workers fell by at least 25% since taking office. The liberalisation of public service rates, for its part, had a strong impact on the middle and lower classes due to its impact on the cost of health and education.

In the first half of 2024, the GDP fell by an average of 3.5% compared to the same period of the previous year, showing a reduction in private consumption of 8.5% and a collapse in private investment in fixed capital of 27% according to official data. As a consequence of the recession, formal employment has suffered ten consecutive months of decline. Since Javier Milei became president, almost 200,000 formal jobs have been destroyed. Of this total, 146,500 were in the private sector, 41,300 in the public sector and 8,700 in other occupations.

At the same time that the economy was entering a recession with high social costs, the government was entering a period of financial euphoria thanks to the gradual fall in inflation and the decrease in the country risk premium.

In this context, the government implemented a whitewashing of unregistered capital, which was mostly placed in foreign currency. This had a beneficial effect in terms of stability of the exchange market and reduction of the gap between the parallel and official exchange rates. The international reserves of the BCRA (Central Bank of the Argentine Republic) stopped falling, which strengthened the market's confidence in the government's ability to meet external debt payments, at least in the immediate future. This recovery of confidence and the decrease in country risk levels opened the possibility of new sources of external financing to meet payment obligations.

At the same time, some large private companies (linked to investments in the energy and mining sectors) issued external debt to finance their cash needs, which also resulted in an increase in the BCRA's international reserves.

In some respects, Milei's economic policy is similar to the prevailing logic of the 1990s when the Convertibility Plan was implemented. But there are some fundamental differences.

The fixed exchange rate policy was put into practice once the external debt problem had been resolved. The Brady Plan and privatisations were the way to solve Argentina's debt default at the end of the 1980s, so that when the fixed exchange rate was adopted, the problem of external debt and default had been left behind. But in the current case, the external debt problem is in the immediate future, since capital and interest maturities begin to be more important starting next year.

In 2018, when the IMF granted Argentina a record loan of 45 billion dollars, the organisation's staff revealed, in the same report that approved the loan, its skepticism regarding the sustainability of the debt. In its particular language, the report warned:

> Staff's assessment is that debt remains sustainable, *but not with a high probability* (IMF, 2018, p. 17, emphasis added).

Debt sustainability conditions do not appear to have changed substantially since then. In truth, as the conservative weekly *The Economist* recently highlighted, the Argentine economy needs to restructure its external debt instead of dollarising the economy. "A Milton Friedman tribute act is not the answer to the country's problems".[21]

Finally, in a context of growing financial euphoria in the markets, some data from the real economy illustrate the consequences and perhaps the meaning of the current economic policy. A regional comparison can be useful to better understand the magnitude of the catastrophe that has occurred with the real income of the population. As can be seen in the following graph, by 2023 real wages in Argentina were already showing a dismal trajectory compared to other countries in the region. However, in 2024 this dynamic changed even more drastically.

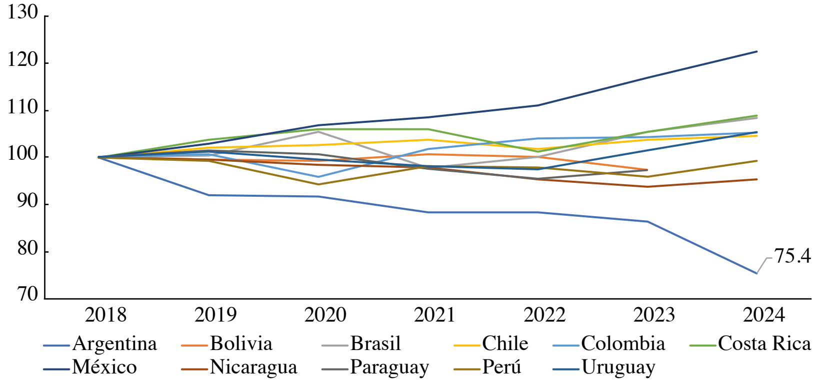
For example, between 2018 and 2023 (a five-year period), the average real wage in Argentina fell by 13.6%. But so far in 2024 it has fallen by 12.7%, almost the same as in the previous five years. This allows us to understand why, despite the improvements in private wages observed in recent months, they are compatible with record levels of poverty.

Poverty reached 52.9% of the population in the first half of the year and affected 24.9 million people throughout the country. This represents an increase of 11.2 percentage points compared to last year, and 12.8 points compared to a year ago (when it was 40.1%), and represents the highest value since 2003.

At the same time, there was a sharp worsening in the rate of indigence, reaching 18.1% of the population, who have problems meeting very basic food needs (about 8.5 million people). About six months ago that percentage was 12%, with which the current government added almost three million people to the map of indigence.

[21] "Argentina needs to default, not dollarise", The Economist, Sep 7th, 2023.

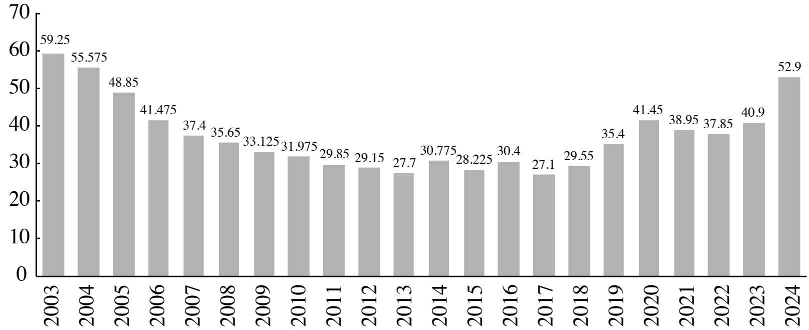
Figure 6.
Latin America: Average real wage (index 2018 = 100)



Source: CEPAL (2024).

Once again, adopting a long-term perspective, one can appreciate the brutal change that the current government introduced in the poverty rate. To understand this, it is worth considering that in the period 2003-2015 the poverty rate was reduced by 31 percentage points, in the 2015-2019 stage it increased by 7.2 pp, in the 2019-2023 phase it increased by an additional 5.5 pp and in 2024 it jumped about 12 percentage points in one semester (Figure 7).

Figure 7.
Poverty rate (in percentage)



Note: 2024 corresponds to the first semester.
Source: Own elaboration based on INDEC and Zack et al. (2020).[22]

Finally, in the first quarter, open unemployment was 7.7% (two additional percentage points compared to the end of 2023 and 0.8 points compared to the same

[22] See https://www.indec.gob.ar/indec/web/Nivel3-Tema-4-46.

quarter of the previous year); and 7.6% in the second, a year-to-year decrease of 1.2 points. This indicates that there are 1,625,000 unemployed people throughout the country, representing an increase of 336 thousand people in the year-to-year comparison. Likewise, informal employment totalled almost 330 thousand people.

FINAL REMARKS

The government of Javier Milei returns to the truncated economic policy agenda of the Macri government, although in an even more radical version. In this context, the underlying problem that characterises the entire historical trajectory analysed is precisely the difficulty of the elites to control conflicts over distribution without, at the same time, obstructing the possibilities of growth and development, or even without damaging a path of minimal civilisational normality.

For the economic and political elites, it was highly traumatic that a "populist" government managed to boost growth and bring the investment rate to maximum historical levels, although this had as its counterpart a persistent erosion of average profitability. Hence, the response has been, in fact, *policies of stagnation* that could lead to the disciplining of workers.

Following Kalecki (1943), this tendency was noticed early by Joseph Steindl, who considered it to curb the aspirations of the popular masses. Steindl realised that stagnation had ceased to be an incomprehensible fact (as in the 1930s) but rather constituted a *policy* of stagnation (Steindl, 1976).

But since 2018 onwards, the problem of excessive external debt has been superimposed on the original conflicts of the Argentine economy and has made them more intense. As in the mid/late 90s, Argentine society seems forced to enter a path of sacrifice to pay an objectively unsustainable external debt. This attempt will lead society towards an even deeper crisis, with a high social cost. The government's policy of subjecting the country to great efforts to keep its debt commitments up to date will continue until it hits the limits of tolerance of most of the society. In that highly probable scenario, the threatening costs of defaulting (even with the IMF) will begin to be overshadowed by the unbearable growing costs of trying to avoid it. Under the current circumstances, it is difficult to envision another alternative (more progressive and civilised) for the Argentine economy.

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APPENDIX 1

Stylized facts of Argentine development (1970-2022)
(selected indicators)

Periods	GDP x cápita (constan prices 1993)		GPD x cápita	Investmente rate		Employment rate		Real wage		Income distribution (% wage share on GDP)		Industrial growth
	Initial level	*Final level*	*(% anual)*	*Initial level*	*Final level*	*Initial level*	*Final level*	*Initial level*	*Final level*	*Initial level*	*Final level*	*(% anual)*
1. 1970-1975	6713	7110	1,2%	7,0%	6,4%		38,4%	100,0	129,5	43,6	40,4	3,4%
2. 1976-1982	7110	6559	-1,1%	6,4%	4,4%	38,4%	36,3%	129,5	76,0	40,4	24,5	-2,3%
3. 1983-1989	6559	5920	-1,5%	4,4%	3,9%	36,3%	36,7%	76,0	64,9	24,5	27,5	-0,2%
4. 1990-2002	5920	6270	0,4%	3,9%	7,8%	36,7%	34,1%	64,9	59,8	27,5	28,3	0,3%
5. 2003-2015	6270	9788	3,5%	7,8%	10,4%	34,1%	41,7%	59,8	90,3	28,3	43,5	4,5%
6. 2016-2019	9788	9027	-2,0%	10,4%	8,5%	41,7%	42,6%	90,3	78,7	43,5	39,2	-3,6%
7. 2020-2023	9027	9180	-0,3%	8,5%	12,3%	42,6%	44,2%	78,7	76,4	39,2	38,0	1,3%

Source: Instituto Nacional de Estadísticas y Censos (INDEC), Banco Central de la República Argentina (BCRA) and Ferreres (2010).

ARTÍCULO

WHY LEFT AND RIGHT-WING GOVERNMENTS FAIL IN LATIN AMERICA. WITH A CRITIQUE OF GABRIEL PALMA[1]

Luiz Carlos Bresser-Pereira

Bresser-Pereira, L. C. (2025). Why left and right-wing governments fail in Latin America. With a critique of Gabriel Palma. *Cuadernos de Economía, 44*(93), 117-130.

Since 2019, a new wave of left-wing governments is arising in Latin America, but there is no reason to believe they will be successful. Since 1980, no governments either on the left or on the right have been economically successful. Quasi-stagnation – growing less than the other developing countries and less than the rich countries, falling behind – has been the rule. Gabriel Palma has drafted a recent paper presenting data and discussing this problem but offering no solution and ignoring other Latin American contributions on the subject including New Developmentalism, which sets forth an explication and a solution.

Keywords: Quasi-stagnation; left-wing; right-wing; governments; economic growth; Latin America.
JEL: O011, O054.

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Bresser-Pereira, L. C. (2025). Por qué fracasan los gobiernos de izquierda y derecha en América Latina. Con una crítica a Gabriel Palma. *Cuadernos de Economía*, *44*(93), 117-130.

Desde 2019, surge una nueva ola de gobiernos de izquierda en América Latina, pero no hay motivos para creer que vayan a tener éxito. Desde 1980, ningún gobierno, ni de izquierda ni de derecha, ha tenido éxito económico. El cuasi-estancamiento —crecer menos que los demás países en desarrollo y menos que los países ricos, quedarse atrás— ha sido la regla. Gabriel Palma ha redactado un artículo reciente en el que presenta datos y analiza este problema, pero no ofrece ninguna solución e ignora otras contribuciones latinoamericanas sobre el tema, incluido el Nuevo Desarrollismo, que propone una explicación y una solución.

Palabras clave: cuasi-estancamiento; izquierda; derecha; gobiernos; crecimiento económico; América Latina.
JEL: O011, O054.

Latin America has been almost stagnant since the 1980s. In these forty-four years, governments of left and right have alternated in the region, but none was able to make the region return to growth. In the first decade of the 21th century there were satisfying growth rates but they originated from a boom of commodities, which once the commodity prices became "normal", the countries fall back to quasi-stagnation. These small growth rates do not allow for catching-up. In the 2000s, several Latin American countries made a centre-left turn which ended in 2014; a brief neoliberal turn followed; and in the 2020s we had a new progressive turn. But the quasi-stagnation of per capita income and the complete stagnation of productivity proved irreducible. The question that this special issue poses is what to think of this new turn to the left in Latin America. I am already advancing my response: I do not see any prospects for the countries moving to the left in this decade to be able to increase public savings and public investment, nor to stop incurring in current-account deficits, nor to prove capable of neutralising the Dutch disease. Only these three policies will open room for Latin America to return to growth and catching up.

We saw progressive governments in the 2000s and 2020s. In the 2000s, we had the governments of Hugo Chávez in Venezuela (1999-13), Nestor Kirchner in Argentina (2003-2007), Lula in Brazil (2003-10), Tabaré Vázquez in Uruguay (2005-10), Evo Morales in Bolivia (2006-19), and Rafael Correa in Ecuador (2007-17). In the 2020s, the governments of Andres Obrador in Mexico (since 2018), Alberto Fernández in Argentina (2019-23), Gabriel Boric in Chile (since 2022), Luis Arce in Bolivia (since 2020), Gustavo Petro in Colombia (since 2022), and Lula in Brazil (since 2023) also were progressist. These last six countries are very diverse, and the period in office is short. Yet Jair Bolsonaro's election in Brazil, in 2018, point out to rise of right-wing populism in Latin America, which the election, in 2024, of Milei confirmed. Now, given the meagre results achieve by the progressist administrations, it is possible that the wave of national-populist right-wing leaders in rich and developing countries prove stronger than José Natanson's left wave.

In 2022, Natanson authored an excellent article on the left in Latin America. For him, in the 2000s, the "new left," at its peak, came to govern all Latin American countries except Colombia and Peru. And he adds: the then left-wing countries were favoured by the commodity boom and, in this context, by the combination of two elements: "macroeconomic sustainability (except for Peru and partially Argentina, in which macroeconomic management was sober; broad income transfer policies that allowed formidable impulses of inclusion (especially in the most disadvantaged regions such as the Bolivian highlands and the Brazilian Northeast" (Natanson, 2022, p. 25).

WAVES, NOT CYCLES

Some speak of left-wing and right-wing cycles in Latin America. Natanson states that "Latin America moves in waves: in the last three decades, the region has gone from neoliberal hegemony to the left, and from there to a later brief dominance of the right, and then to an incipient but already perfectly distinct return of the left" (Natanson, 2022, p. 34). Manuel Canelas, on the other hand, speaks of "progressive cycles", but does not elaborate on the theme. He is more interested in showing that there has been a shift to the left in recent years, but progressive governments fail to make the changes they have promised. For him, "on both the left and the right, there are several recent examples in the region that the outcome of an election does not determine a predetermined ideological course" (Canelas, 2022). In Colombia, for example, Juan Manuel Santos broke with the right-wing Álvaro Uribe and formed a progressive government. In Ecuador, Rafael Correa chose Lenin Moreno as his successor, but once in office, Moreno broke away and formed a right-wing government

I don't believe that there are cycles alternating left and right in Latin America, especially if this alternation takes place every ten years – "waves", as proposed by Natanson, of left or right seems to me a more appropriate name. We also have cycles, not of alternation between left and right but economic cycles caused by commodities which follow a cyclical pattern and make the exchange rate also cyclical; in Brazil, for example, there was an exchange rate cycle between 2002 and 2014. And we have the political cycle governments beginning by putting the house in order, but as the re-election or the election of a new president of the same political party approaches, the government starts spending more than it collects and damages the economy again. And, if the damage does not lead to a financial crisis before the election, the government's candidate will succeed. This is the classic political cycle that, when too pronounced, turns into a populist cycle. It is the populist fiscal cycle that becomes "perfect" when it takes on an exchange rate character – when increased public spending leads to increased imports, an appreciation of the national currency, and an increase in the purchasing power of workers' wages and rentiers' revenues. The populist political cycle certainly applies to Latin American countries, both to left-wing governments, whose populism is justified by "Keynesian" policies, and to right-wing governments in which it is usually disguised. Nothing, however, prevents such a political cycle from bringing to power a government that is still on the left or even on the right.

We are not talking about cycles, but about waves when we discuss the return to power of left-wing political parties in Latin America in the 2020s. There is a possible explanation for these waves. They reflect the successive failures of governments. The wave may be either a left-wing or a right-wing wave, both having in common that governments fail. The two first Lula administrations (2003-2010) may be seen as an exception, but, first, it was unable to solve the long-term problems that cause the quasi-stagnation of Brazil (which will be discussed below), and the commodity boom played a large part in this success.

Between 2004 and 2013, a left-wing wave lasted longer than one would expect due to the commodity boom, but as soon as commodity prices fell, left-wing governments went into crisis, giving way to a right-wing wave, which was short-lived.

Already in 2018, we have the election of Andrés Obrador in Mexico, and the following year a new wave of the left begins that, for the time being, is faltering and which I do not believe will be successful.

QUASI-STAGNATION

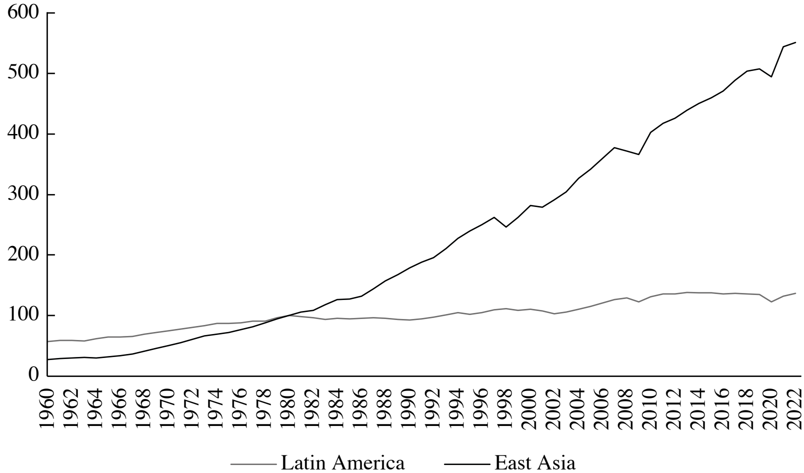
When we discuss Latin America on the economic level, what is really important is the quasi-stagnation of per capita income and the stagnation of productivity in the region. Or, as Gabriel Palma prefers to say, since the 1980s Latin America has faced "a trilogy of contrasts: i) when compared with all other regions, Latin America's capacity to generate employment in services and construction ranks top in the world; ii) however, its productivity-growth (increase of output per worker) ranks at the bottom; and iii) despite some progress in poverty reduction and in the income-share of the bottom 40%, Latin America still ranks almost at the top in terms of inequality" (Palma, 2023).

Producing jobs is a great thing, but if productivity is stagnant, that means the jobs created are of low quality – that the additional employment is defined by low-value-added per capita that requires little education and pays low wages. It could be argued that the cause is the low level of education of the population which would be incompatible with better quality jobs. This last argument does not hold in Latin America in the last 30 years. There has been a great increase in the level of education of the low-income population, but no improvement in the quality of jobs, which shows that the problem was on the demand side rather than on the supply side. Moreover, between 1940 and 1980, when it would be reasonable to say that education was a major factor impeding growth, what actually happened was great economic growth.

The problem of inequality is indeed a big problem, but I will not discuss it in this short essay. I will therefore focus on the stagnation of productivity and the corresponding quasi-stagnation of per capita income. I will ask why Latin America has been lagging behind for so long; it does not catch up with the rich countries, and it grows less than the developing countries even when we exclude China. I've been talking about this since 1999, when I drafted a paper on Latin America's quasi-stagnation that had been going on for 20 years (Bresser-Pereira, 1999). Later, in 2019, I published the article "Why did trade liberalisation work for East Asia but fail in Latin America?" (2019), information which is contained in Figure 1 that clearly shows the quasi-stagnation of Latin America since the 1980s when it is compared to East Asia. We see from the figure that the point of intersection occurred in 1980. Prior to this, East Asia's per capita income was lower than Latin America's; since then, it has grown a lot, while Latin America has lagged behind.

Gabriel Palma, whose figures are always unrivaled, presents a figure with his trilogy of contrasts, comparing data from 1950 to 1980, when the import-substitution industrialisation (ISI) model prevailed – that, in my view, is a developmentalist

Figure 1.
Comparing the growth per capita of Latin America and East Asia: 1954-2022



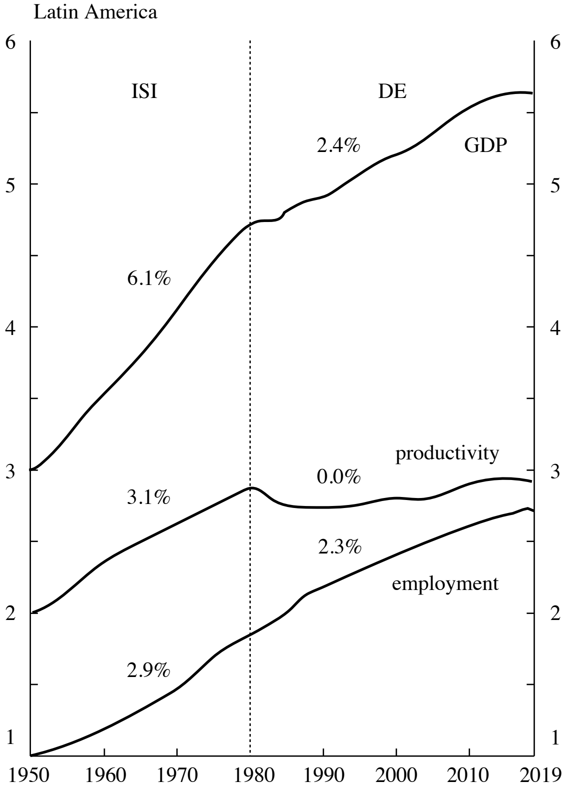
Source: World Bank. Latin America: Brazil, Mexico, Argentina, and Colombia; East Asia: South Korea, Indonesia, Singapore (1954-60 period excluded).

model in which the State promoted industrialisation –, and the period from 1980 to 2019 – the years of what he calls the "dual-extractive model" (DE). The word "extractive" is not used in Latin America, but it is a more expressive term than the classic "primary-export model" used by Latin American economists since the 1950s, which, today, is "outmoded", i.e., the orthodoxy condemned it. Extractivism may be defined as the use of natural resources for exports with minimal processing. There is an ecological element in this expression, in addition, of course, to the economic character that corresponds to the primary-export model with the addition that the exported commodities are not processed in the country. The ability of said model to increase the per capita value added of each country's production is limited.

We can see from Figure 2 that, from 1950 onwards, even employment did not stop decreasing; the dual extractivist model lost its vigour from 1980 onwards; and productivity (which corresponds to the growth of per capita income) stagnated, practically coinciding with what we see in Figure 1. Meanwhile, productivity was growing in the rest of the world, as shown in Figure 3, also from Palma. The loss of vigour of DE growth derives from the stagnation of productivity over the same period that lowered the quality of employment, which was diverted from the non-commodity tradable sector to the primary-export sector.

Thus, the catching up (approximation of the level of growth in the United States), which was positive in the developmental period, became negative with the extrac-

Figure 2.
Latin America: GDP, employment, and productivity, 1950-1980 and 1980-2019

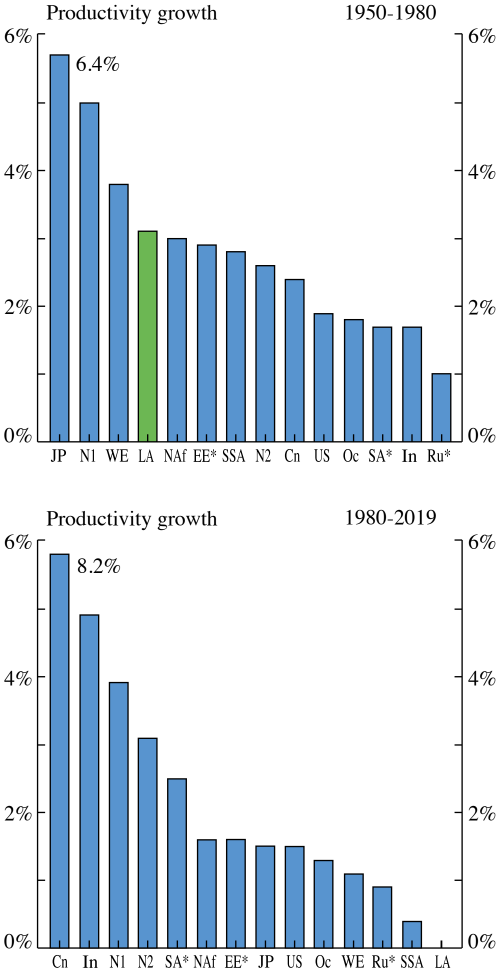


Source: Palma (2023).

tivist model. All the catching up carried out between 1950 and 1980 was lost in the following period. Considering only Brazil, Palma estimates that "Brazil's productivity, which in 1980 (in PPP terms) had already reached 40% of that of the US, by 2019 had fallen to just 26% —*reversing all the "catching-up" achieved during ISI* (Figure 20 below)."

These are the data. The two questions that arise in this scenario are *why* and *how* to overcome the quasi-stagnation how to get Latin American countries out of the extractivist model so that they grow again. I have discussed this issue on other occasions. Now I will summarise the new ideas associated to New Developmentalism and, at the same time critique, the 2023 paper of Gabriel Palma, whose data collection is remarkable, but whose analysis and proposals are, in my view, insufficient.

Figure 3.
All regions and main countries: average annual productivity-growth, 1950-1980 and 1980-2019



Source: Palma (2023). The acronyms for countries are those of their Internet domains; and N1 = Korea, Hong-Kong, Singapore and Taiwan; N2 = Indonesia, Malaysia and Thailand; WE = Western Europe; NAf = North Africa; EE = Eastern Europe (data available only since 1970); SSA = Sub-Saharan Africa (including South Africa); Oc = Oceania (Australia and New Zealand); SA* = South Asia, excluding India (Bangladesh, Pakistan, and Sri Lanka); and Ru* = countries of the former Soviet Union. In this figure (and others), the second period ends in 2019 to avoid the impact of the pandemic.

WHY?

The causes of Latin America's quasi-stagnation since the 1980s involve many variables, but we must exclude the facts that *are not new*. Factors such as lack of basic education, populism, institutions that do not guarantee property and contracts, and geographical factors, such as the tropical character of much of the region, must be excluded because in the previous period (1950-1980) Latin America developed despite these factors that were already present. Note that I speak of quasi-stagnation despite the stagnation of productivity, because GDP per capita had grown, albeit modestly.z

Palma suggests a number of factors that have caused the quasi-stagnation. He speaks, for example, of a return to the extractivist model from the 1980s onwards, which is indisputable. Extractivism only makes sense for a country when it does not yet have an industrial sector and commodities allow it to carry out primitive capital accumulation. By the 1950s, many countries were already sufficiently industrialised so as to deliberately adopt a developmental model of growth, in which the state intervened moderately in the economy, promoting the continuity of industrialisation.

Palma also says that the "elites' preferences are on neophobic elite preferences for 'known' and secured 'easy rents', and 'neophobic' governments turning a blind eye to necessary 'upgrades'."[1] Yes, the elites tend to prefer the easy rents of commodity exports, but when opportunities arise for investment in industry thanks to import tariffs, which were central to the developmental model, a part of the elites – the industrial entrepreneurs – can become national elites, committed to the development of the country.

These explanations are true, but too general. Both of the "return to the extractivist model" and the dependent character of the industrial elites are a serious obstacle.

Below, Palma discusses the alternatives to his analysis existing in the literature, but he proposes only one – the neoliberal alternative. According to him, "a common alternative explanation to LA's current problems (Group of Thirty, 2023; Edwards, 2023) is that neo-liberalism was somehow working (or could work, as it did temporarily in Chile), but got derailed by unfortunate shocks, such as populism." That is what neoliberals have to offer. Populism has always existed in Latin America. It is related to the inequality that exists in the region, as Palma rightly observes. More recently, with Bolsonaro and now with Milei, an extreme-right populism has emerged, but this is a copy of the same populism in Europe and the United States, where the increase in inequality has also been great. But this is not the "populism" to which neoliberals are referring. For them, populists are all leading politicians in Latin America who have adopted economic nationalism and have been develop-

[1] Neophobic is a perfect expression for certain elites, not all. According to the Oxford Dictionary, neophobic is an adjective meaning "an extreme and irrational dislike of anything new or unfamiliar".

mentalists. Now, we know that there were successful leaders in Latin America. In Brazil, for instance, we had Lula and specially Getulio Vargas, who led the Brazilian industrial and national revolution from the 1930s to the 1950s.

Faced with this only alternative explanation that he has found to explain Latin America's quasi-stagnation, Palma also offers a list of seven "obstacles to upgrading", which he deems necessary to overcome quasi-stagnation. Some are relevant but do not constitute either an alternative explanation or a set of solutions.

Faced with this extensive paper (33 pages, single-spaced), I ask: why does Palma not consider any Latin-American economists or group of economists that have been presenting their analyses and making their proposals of alternative policies? In my case, I ask why did he not discuss the alternative that New Developmentalism has been offering for many years to explain the quasi-stagnation of Latin America? Why not make a careful analysis of this new theoretical framework that a group of Brazilian economists has been developing since 2001?

The new developmentalist explanation assumes that Latin America was growing satisfactorily until 1980 and is entirely based on new facts that occurred between 1970 and 1990. Two facts are fundamental. The first is the fall in public savings and, consequently, in public investment. Its cause was the large external debt that was acquired in the 1970s as a result of the large international private banks, which, after 40 years of drought, opened their portfolios for loans to Latin America. Attracted by the generally accepted thesis that growing with "foreign savings" was the solution, countries borrowed rapidly and heavily, ignoring the new developmentalist thesis (at that time, not available) that only exceptionally is it possible to grow with foreign savings or foreign debt (Bresser-Pereira & Gala, 2008). This is because external debt implies net inflows of capital, which represent an increase in the supply of foreign money in the country, which necessarily appreciates the exchange rate and makes uncompetitive the industrial companies that use the best technology in their sectors. Therefore, the exchange rate will remain overvalued as long as the current account deficit and net capital inflows are occurring. An exception occurs when the country is growing at an exceptional rate, in which case the marginal propensity to consume falls while the marginal propensity to invest increases, and investments occur despite exchange rate appreciation.

Thus, when the inevitable financial crisis hit Latin America between 1980 and 1982, countries were suddenly unable to pay their bills and defaulted. Facing the crisis, the governments of the region became paralysed. The state-owned companies which had been used as collateral to make the loans viable, almost went bankrupt and lost the capacity they had to produce public savings. Besides, many countries used the state-owned companies to control inflation, which was also disastrous for them. The result was that these companies, which were responsible for a large part of the public savings, lost such capacity and public investment fell. I only have data for Brazil to support this thesis, but it seems reasonable to assume that something similar occurred in other countries.

The second fact was that Latin American countries stopped neutralising the Dutch disease. Palma makes a brief reference to new developmentalist thinking, stating that "as Brazilian 'Developmentalist' economists rightly insist, overvalued commodity-exchange-rates are a key macro-disincentive to LA's industrialisation." And he cites a recent work of mine with José Luis Oreiro.[2] But that is all. It is curious because Palma was the first economist to discuss the problem of the Dutch disease in Latin America, in 2004. And he did it in an original way. It would have been interesting, however, that a little later he had read my 2008 paper, "The Dutch disease and its neutralisation: A Ricardian approach," which is one of the basic papers of New Developmentalism. In this paper, he could have seen that in commodity-exporting countries, as are all Latin American countries except Mexico, the Dutch disease is characterised by two equilibriums: the current or general equilibrium that zeroes out the current account, and the industrial equilibrium that makes competitive the tradable non-commodity companies that use the best technology in the respective sector.

In the same paper I already talked about how to neutralise the Dutch disease – either with a tax on commodity exports or tariffs on imports and subsidies on exports of manufactured goods. The Latin American countries, which are commodity exporters, had only managed to industrialise until 1980 because, even if they did not know what the Dutch disease was, their economists knew that the tariffs were required and, pragmatically, neutralised it with tariffs and, in the case of Brazil, between 1979 and 1990, with subsidies for the export of manufactured goods.

In 2020, in an article with Eliane Araujo and Samuel Peres, when critiquing the "middle-income trap" thesis, we showed that what really happened in Latin American countries was the "*liberalisation trap*" (Bresser-Peres et al., 2020). They had the most varied levels of income, but they stopped growing from the 1980s onwards. Thus, the problem was not related to income, but was historical – a problem of dependency. The full stagnation in that decade was due to the great foreign debt crisis; in the following decades, in which we had quasi-stagnation, this was due to the opening of the Latin-American economies, which, in doing so, eliminated the import tariffs that neutralised the Dutch disease. As a result, the exchange rate relative to the manufacturing industry depreciated, the companies ceased to be competitive, and the countries entered into a serious process of deindustrialisation. Instead of "catching up", they started to experience "falling behind".

HOW?

We have, therefore, two new facts that have led Latin America to quasi-stagnation: the fall in public savings and the liberalisation trap. How to tackle these problems? Palma, at the beginning of his paper, already advances his proposal: "the key

[2] Bresser-Pereira & Oreiro (2024). Palma cites the version forthcoming in the *Brazilian Journal of Political Economy.*

challenges for sustaining productivity-growth —and catching-up— is the capacity to move on, doing these continuous 'upgrades'." A very general proposal. It is important to upgrade public policies; and there are many policies that need to be upgraded. This is something that all countries do when they are minimally well managed. The problem is to know which strategic policies have not yet been properly defined and transformed into practice, and to know what to do with them.

With regard to increasing savings and public investment, I have some proposals that may not be sufficient. To increase public savings, it is necessary to decrease government consumption spending. Among expenditures, the two consumer expenditures that should be the most reduced are those that refer to the high interest paid on the public debt and the enormous subsidies and tax exemptions that exist in the country. Both expenditures primarily benefit the wealthy and are viewed by neoliberalism as "immutable". To lower the interest paid, it is necessary to review the interest rate policy of central banks – a policy that is more concerned with protecting the banks and guaranteeing extra rents to rentier capitalists, than with controlling inflation. This is one of the facets of "austerity". As for subsidies, it must be considered that they are generally not part of a well-conceived industrial policy but are merely favours of the state achieved by the most varied sectors of the economy. The same applies to tax exemptions. Here, however, the beneficiaries are not necessarily companies, but churches, clubs, associations.

As for the exchange rate, we have two problems. First, it is necessary to abandon the implicit policy adopted by Latin American countries of incurring chronic current account deficits. If deficits and surpluses alternated, there would be no current account deficit policy. When, however, they are recurring, the exchange rate is not fulfiling its role because governments' implicit policies of "growing with foreign savings" or controlling inflation with an "exchange rate anchor" are at work. Governments must therefore take notice of this policy and review it.

Secondly, there is the problem of the Dutch disease. In this case, the solution is to use one of the two neutralisation mechanisms or combine them. Both are economically equivalent, both assume that the export tax on commodities and the tariffs and subsidies on manufactured goods should be variable, according to the variation in the terms of trade or the average price of the country's exports. From a political point of view, given the assumption that mineral extraction is generally concentrated, it is ideal to use an export tax because the number of companies that will pay the taxes will be relatively small. In the case of agricultural commodity production, where there are a huge number of producers, import tariffs are the best alternative, because the farmers and their associations have the political power to prevent the tax from being approved in parliament. In any case, the government will create obstacles to implement the neutralisation of the Dutch disease. In certain cases, such as Argentina, these taxes are unavoidable for a fiscal reason, and they have no purpose to neutralise the Dutch disease.

CONCLUSION

In political economy terms, the two greatest obstacles that Latin-American faces to grow again and catch up are the ones posed by the Western Empire, led by the United States, which is committed to letting the region fall behind, thus avoiding any competition, and local populism. Long ago, Raúl Prebisch was well aware of that when he coined the terms centre and periphery. In relation to Latin America, present imperialism does not recur to the use of direct force. There is always the threat of "sanctions", but the method is to exert ideological hegemony and the main system of ideas that is conveyed is economic liberalism – an economic liberalism which is unproductive in promoting growth in the wealthy countries and unable to do so in developing countries.

As to populism, I want to move the discussion from politics to political economy. In political terms, populism is often a first stage of autonomy of the masses, as Ernesto Laclau discussed fully in 2005. In economic terms, however, economic populism is always bad, because it occurs when a state or the whole nation-state expends, *irresponsibly,* more than what it receives. A state may responsibly expend more than it receives and incur in public deficit, mostly when it is engaged in countercyclical macroeconomic policy, but these are special occasions. It is more difficult to find circumstances in which the country engages responsibly in current-account deficits.

I believe that economic populism is a more serious obstacle to the growth of Latin America than imperialism. Economic populism is a central trait of the three more relevant "classes" in modern societies: the rentier capitalists who have the money, the politicians who have the formal power, and the popular classes, who vote. Thus, none of them accepts the basic new policies required: the increase in public savings, the end of the growth with chronic current-account deficits, and the neutralisation of the Dutch disease. The rentiers, because such policies will reduce the acquisitive power of their revenues (interests, dividends, and real estate rents), of their wealth in the national money, and because the depreciation of this money will require the fall of the interest rates. The popular classes, because they want to protect their wages in the short-term and the profits of their small businesses. And the politicians, because they want the financial support of the rich and the votes of the poor.

To conclude, Gabriel Palma is one of the most notable Latin American economists. It happened that I received from him his most recent paper on Latin America shortly after receiving the invitation to participate in this special issue of *Cuadernos del Desarrollo*. So, I took the opportunity to draft this short paper with some friendly critiques. Latin America's quasi-stagnation has been going on for 44 years, and there is a widespread belief that no solution to the problem is really available. Well, such a solution perhaps exists, and I have set it out here in the most concise way possible.

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ARTÍCULO

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, despúes 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 Slajov Zizek (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 bloc[1] 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-IPSP[2]) 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 2003[5] 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 companies[6] 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 project[7]. 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 model[8] 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

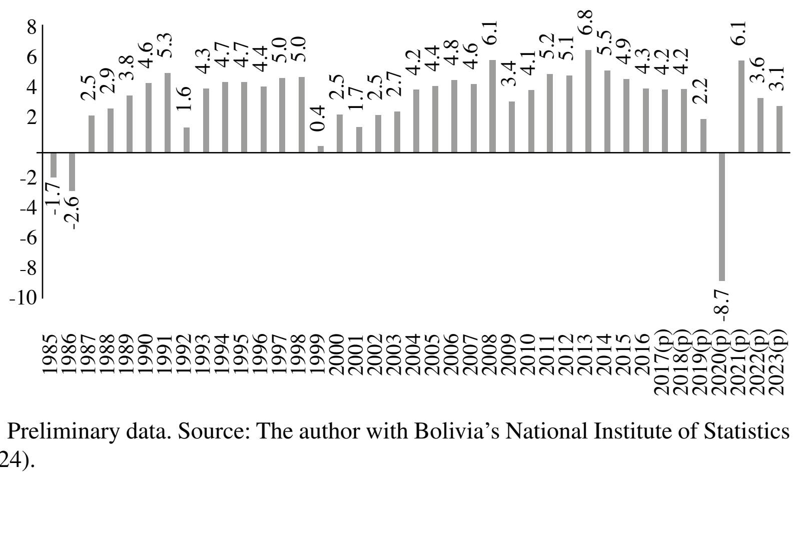
Bolivia's economic growth went from an annual average of 3% during the neoliberal period 1985-2005 to 5% during the progressive period 2006-2023; without considering 2020 (See Figure 1). It allowed for an increase in GDP per capita from US$ 1,037 in 2005 to US$ 3,691 in 2022, which represents a 256%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

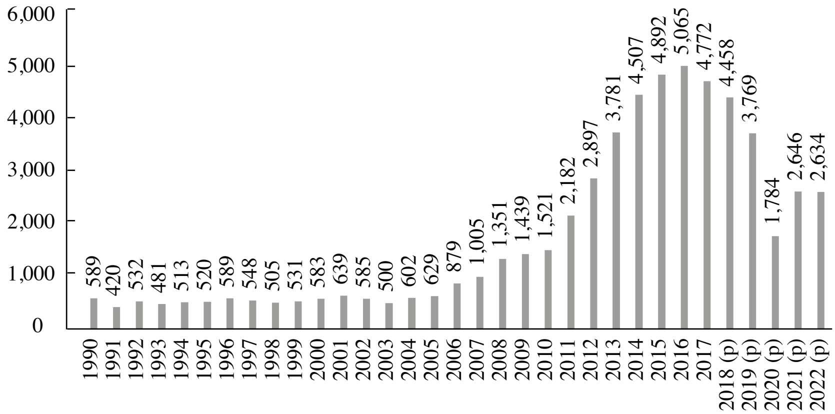
In Bolivia, 2020 has been an atypical year due to the coup and the pandemic, which will be explicated in the next section. At that time, with the sudden reduction of public investment in 2020 by the de facto neoliberal government, the crisis in Bolivia was 8.7% more acute than in the 1980s (See Figure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

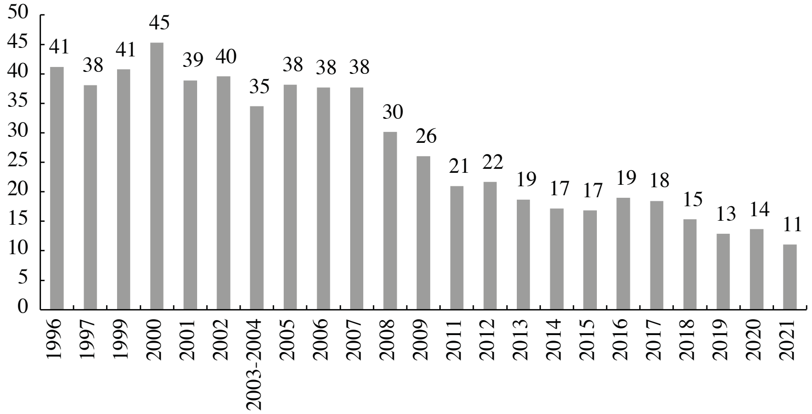
During the first progressive wave, the Juana Azurduy bond was created for pregnant women and infants to guarantee the necessary health and food services, the Juancito Pinto bond for children and adolescents to mitigate school dropout, and the Renta Dignidad, which is a universal income for the elderly. 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 rates[10]. 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)



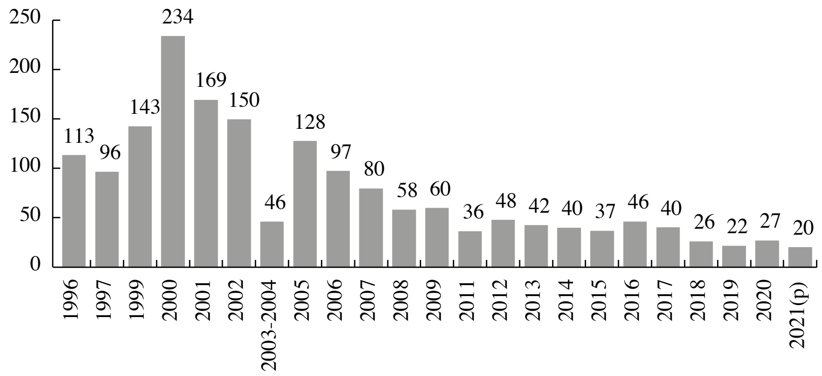
Note: From 2016 this Series considers a different line of extreme poverty. There is no data for 2010. Source: The author with Economic and Social Policy Analysis Unit data (2024).

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).

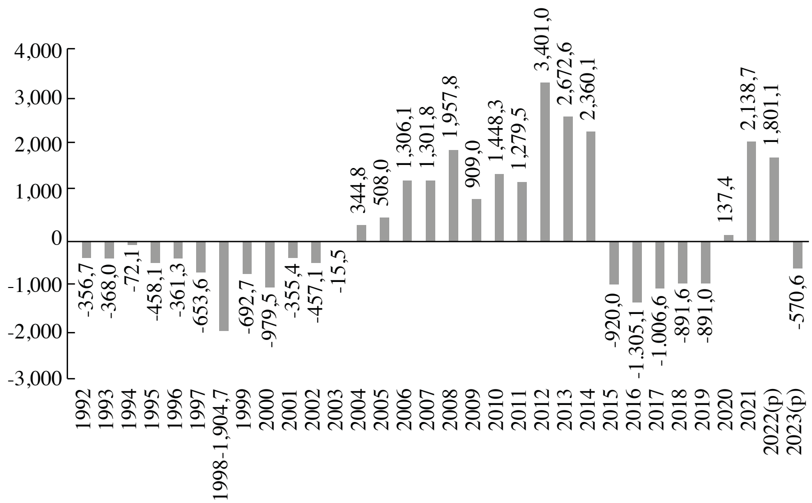
the income structure in Bolivia has changed profoundly as has the class structure in the domestic market.

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 neoliberal 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.

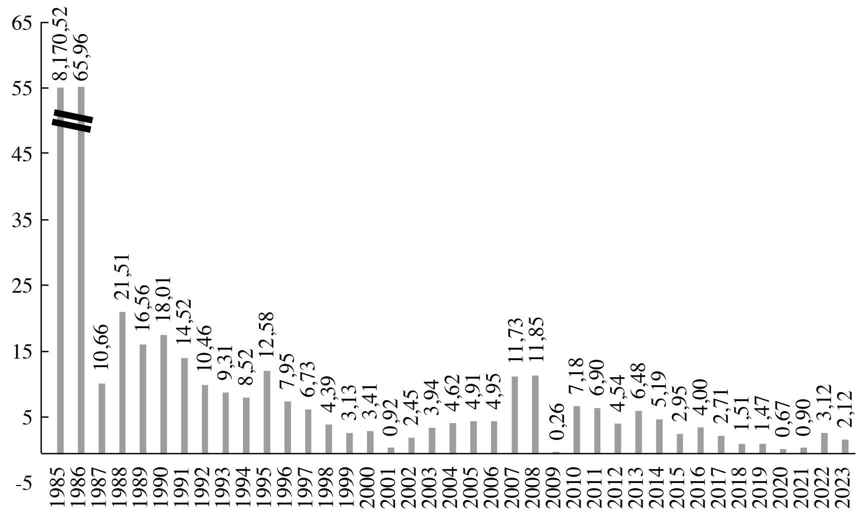
Likewise, the economic policy applied for price control did not reproduce the classic price fixing schemes, but rather the strategic intervention of the State in the supply quantities of certain fundamental consumer goods. Thus, the State subsidised gasoline, diesel, and wheat flour, and export quotas 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 2019[12] 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 reelection[13]. 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 report[14]. 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 constitutionali-

[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' 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 TESLA[15] 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 capital[16].

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 Bolivia[17], 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 regime[18]. 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-IPSP[19]. 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 necessary[20].

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

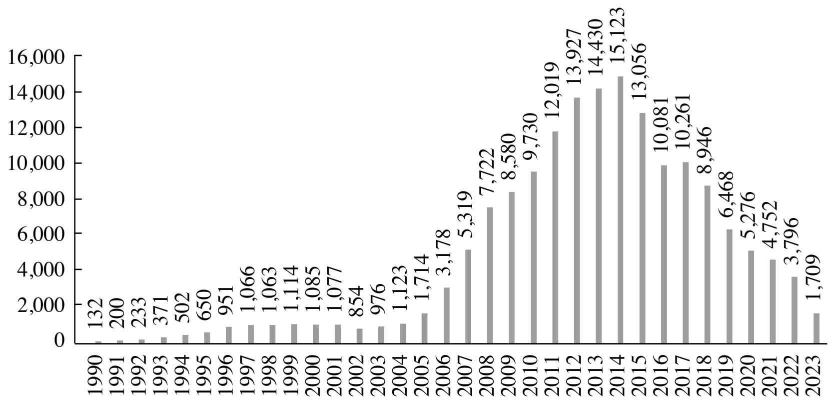
initiated on Monday, August 3, 2020, a general strike and road blockade throughout Bolivia. The call was so successful that the de facto regime could not resort to the massive use of force against the popular mobilisation, although it tried on the weakest flanks with fascist paramilitary and para-police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

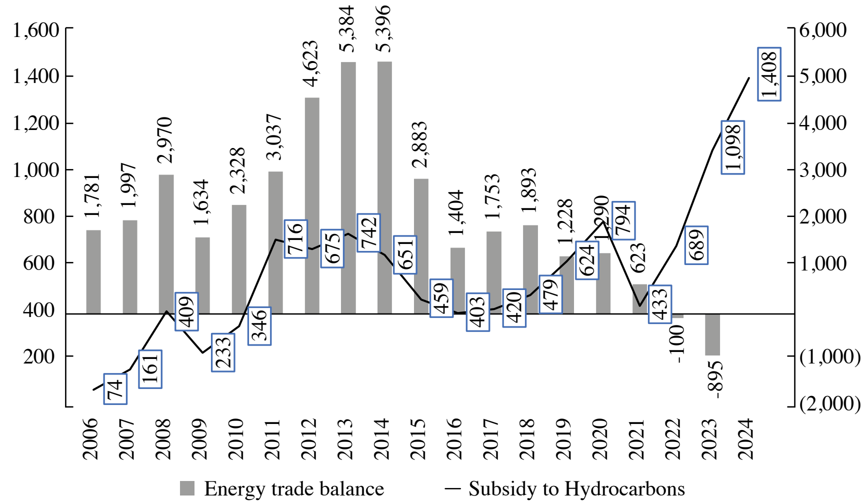


Source: The author with Central Bank of Bolivia data (2024).

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 derivates, 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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ARTÍCULO

THE DEVELOPMENT DILEMMA IN CONTEMPORARY CHILE: A HISTORICAL-STRUCTURAL ANALYSIS

Miguel Torres

Torres, M. (2025). The development dilemma in contemporary Chile: A historical-structural analysis. *Cuadernos de Economía, 44*(93), 157-196.

This article examines the main aspects characterising the development process in contemporary Chile through a historical-structural analysis. In doing so, it identifies the current difficulties facing the country, framing them within a structural and cyclical context. Accordingly, it posits Chile's problem as a misalignment between economic and social dynamics and the political sphere's scope of action. To characterise this development dilemma, the article presents an analysis of the country's political evolution over the last twenty years. The analysis is set within a broader historical framework spanning five decades examining the economic situation and social relations, drawing on ad-hoc historiographical sources and presenting a set of stylised facts that trace the principal trends in Chile's development process.

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Torres, M. (2025). El dilema del desarrollo en el Chile actual: un análisis histórico estructural. *Cuadernos de Economía, 44*(93), 157-196.

Este artículo examina los principales aspectos que caracterizan el proceso de desarrollo en el Chile contemporáneo a través de un análisis histórico-estructural. Al hacerlo, identifica las dificultades actuales que enfrenta el país, enmarcándolas en un contexto estructural y cíclico. Así, plantea el problema de Chile como un desajuste entre las dinámicas económicas y sociales y el ámbito de acción de la esfera política. Para caracterizar este dilema de desarrollo, el artículo presenta un análisis de la evolución política del país en los últimos veinte años. El análisis se inscribe en un marco histórico más amplio que abarca cinco décadas y examina la situación económica y las relaciones sociales, recurriendo a fuentes historiográficas *ad hoc* y presentando un conjunto de hechos estilizados que trazan las principales tendencias del proceso de desarrollo de Chile.

Palabras clave: Chile; economía política; desarrollo; subdesarrollo; crisis; transformación.
JEL: D31, E00, N56, O54.

INTRODUCTION

Faced with an apparent process of deglobalisation and a trend towards regional productive integration, the role being played today by Latin America within global value chains does not appear to have changed in recent years. Rather, it continues to exhibit a high degree of primary and tertiary production in its economic structures, except for some countries like Brazil (Peres & Primi, 2024), which are attempting to join the reindustrialisation processes being pursued by other countries and regions around the world, such as the United States, Europe and Asia. In this context, the global environment accentuates and perpetuates a long-standing productive stagnation (Bárcena & Cimoli, 2020) observed since 2014, with the end of the expansive growth cycle in the region driven by the commodities price boom that began in 2003. Consistent with these observations, ECLAC (2022) argues that Latin America is suffering from a low-growth syndrome that constitutes a new lost decade, alongside a stagnation of productivity, which in turn significantly impacts distributive dynamics and other social indicators such as poverty and marginalisation.[1]

These structural fragilities that are emerging in the economic and social spheres are, in turn, reinforced by democratic weaknesses and political crises characterised by institutional difficulties that leave only a narrow margin for crisis management, insufficient to overcome these fragilities. There is also limited space for undertaking profound structural reforms appropriate to the circumstances of each country that would allow for peripheral or semi-peripheral conditions to be resolved.[2] Instead, this situation facilitates the reproduction of various forms of rent-seeking and concentration that characterise the centre-periphery relations of Latin America in the 21st century (Torres & Ahumada, 2022). Despite this, and as the most unequal region in the world, Latin America is not unfamiliar with the long history of struggles and rebellions against inequitable regimes that Piketty (2021) has described as the path to equality, forged through institutional, legal, social, fiscal, and educational policies. The events in Chile, Colombia, and Ecuador at the end of 2019 are clear examples of this quest, which, in Arboleda's (2021) terms, translated into a broad set of demands aimed at the redistribution of wealth and the democratisation of political and economic power.

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[1] Although this statement is correct in that it describes an aggregate regional trend, it is important to qualify this stylised fact in sub-regional terms. During the commodity price boom cycle the countries in the region that benefited most in terms of growth were the South American economies. The bonanza was less marked in Mexico and Central America, whose productive structures have a greater focus on 'maquilas' and to some extent compete with Chinese exports (ECLAC, 2007). In contrast, the economies of South America have suffered more significantly in terms of economic stagnation following the exhaustion of the cycle, while several Central American and Caribbean economies have steadily increased their growth rates.

[2] López and Noguera (2020) analyse the degree of dependence of 41 countries, categorising them as central, peripheral, or semi-peripheral. Of the 16 Latin American countries included in the sample, Argentina, Brazil, Chile, and Mexico would be classified as semi-peripheral due to their relative levels of development.

These and other earlier expressions of discontent in the region facilitated the election of progressive and left-wing governments in a majority of countries at the end of the 2010s and the early 2020s. These included Mexico in 2018, Argentina in 2019, Chile and Peru in 2021 and Colombia and Brazil in 2022, in addition to Bolivia and Venezuela, which have retained governments consisting of the parties and coalitions that formed the 'Pink Tide' of the 2000s[3]. The trajectories of this second generation of left-wing and centre-left governments in the region have varied in terms of concrete progress towards the structural transformations demanded of them. However, they have faced some common obstacles, including limited space for fiscal manoeuvre, insufficient parliamentary numbers to establish broad agreements, and a lack of the productive and institutional capacities required to mobilise the resources necessary for effective investment policies and the progressive redistribution of income and wealth.

However, according to Kulfas (2023), this new cycle of governments does not represent the genuinely ideological shift towards the left and centre-left that the pink tide did. Instead, it 'appears to be a different phenomenon, characterised by the predominance of social unrest…, which has led to alternation: where there were governments positioned further to the right of the political spectrum, opportunities have arisen for more left-leaning experiences, and vice versa' (Kulfas, 2023, p. 1).

Similarly, during the first half of the 2020s, Latin America has not been immune to the debates and efforts surrounding reindustrialisation occurring in other regions of the world (DESA, 2023; Peres & Primi, 2024). The advantages possessed by the region's economies in terms of natural resources, such as lithium and other critical minerals, as well as the potential of green hydrogen and other elements required for the energy transition and electromobility, provide concrete opportunities for a new wave of industrialisation in Latin America. However, the limited endogenous technological capacities and the weak institutional frameworks that characterise the baseline economic capacity (Portes & Nava, 2017) to address these challenges present complex national and international political economy puzzles where economic, social, and environmental development based on these potential areas could once again be thwarted.

Chile is by no means absent from these debates, nor is it exempt from the productive stagnation that the region has exhibited since 2014, or from the political conflicts and tensions that have shaped the South American landscape in particular. The main objective of this essay is to analyse the crossroads the country faces in advancing towards the structural economic, social, and political reforms that have been called for insistently by broad sectors of the population since the mid-2000s, when powerful social movements emerged in a context characterised by Madariaga (2020) as 'neoliberal resilience'. Consistent with this objective, the article is

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3 In Peru, it is important to note the removal of President Castillo in 2023, while in Argentina the right returned to power that same year with the election of Javier Milei. In contrast, Mexico has maintained progressive continuity with the recent election of Claudia Sheinbaum to replace López Obrador.

structured into five parts in addition to this introduction. The second section provides an overview of the most relevant aspects of Chilean politics over the last 20 years. Following this comes a brief description of the country's recent economic dynamics before turning to a historical-structural analysis to characterise what I refer to as the Chilean paradox (namely, the cyclical mismatch between political developments and the goals of structural reforms within Chilean society, which should take into account the transformative forces guided by high-intensity progressivism). Subsequently, the discussion presents a set of stylised facts that reflect this issue. The essay concludes with some final reflections.

THE RISE AND DECLINE OF SOCIAL MOVEMENTS AND THE STATUS QUO OF THE CONSTITUTIONAL ORDER

For a number of years, Chile has been facing a prolonged crisis of political representation, which found concrete expression in popular discontent during the so-called social uprising, which lasted from 18 October 2019 (the '18-O') until mid-March 2020, when the COVID-19 lockdown began, paving the way for a constitutional reform process without precedent in the country's political history (Fuentes, 2023). Despite the public health measures adopted in 2020 and 2021, social mobilisation and the re-politicisation of vast segments of the citizenry, revitalised by the uprising, did not cease under the new circumstances. Social mobilisation took on creative forms of expression that strengthened during the lockdown (GPM, 2021), while re-politicisation revived a civic spirit inspired by the need for political, social, and economic reforms, which had not been manifested in such a way since the mid-1980s, at the end of the dictatorship.

The political crisis and the prospect of constitutional change that it enabled had a long gestation period (Fuentes, 2023). Its origins can be traced back to isolated moments in the late 1990s, which early on reflected criticism of the transition process and the increasingly neoliberal orientation that the Concertación governments[4] gave their public policies (see Fazio, 1996; Moulian, 1997). Despite this, it was with the 2006 'Penguin Revolution'[5] that the country witnessed the beginning of an escalating cycle of social movements articulating a wide range of demands. Later, with the 2011 student movement, which united high school and university students under the banner of 'an end to profiteering and free, quality, publicly-funded education' and kept the sector mobilised for more than eight months (see Figueroa, 2013), a set of social mobilisation expressions began to emerge. These movements, though diverse in origin, shared common factors: (i) the discontent provoked by policies

[4] These governments were those of Aylwin, 1990-1994; Frei Ruiz-Tagle, 1994-2000; Lagos, 2000-2006; Bachelet I, 2006-2010; and Bachelet II, 2014-2018.

[5] A cycle of mobilisations by high school students advocating for improvements in the quality of publicly-funded education.

implemented by the dictatorship and deepened during the transition[6] and (ii) the political impossibility of reversing these situations due to the complex reform mechanisms and quorums established by the 1980 Constitution.

Thus, the most significant social movements since the 2011 student movement include 'Ni Una Menos' in 2016, as a result of which the Chilean feminist movement emerged as the main social force articulating the wave of general discontent leading up to the 18-O; 'No + AFP', also in 2016, which denounced the social protection crisis in Chile resulting from the still prevailing system of Pension Fund Administrators (AFP); and various movements that arose in response to specific regional issues, such as increased petrol prices in Magallanes, the mobilisations against the HidroAysén hydroelectric scheme in the Aysén Region, and the Socio-Environmental Movement of the Huasco Valley, which stemmed from the conflict between the Freirina Community and the Agrosuper company in northern Chile in 2012 (Jiménez-Yáñez, 2020; CNN Chile, 2018). Other movements were also significant, including those advocating for the rights of indigenous peoples, sexual diversity, and—linked to all these movements—a more cross-cutting and political movement organised through the citizen initiative 'Marca AC,' whose central objective was to propose a constituent assembly mechanism to replace the 1980 Constitution.[7] As these social movements developed and gained widespread public support, the country also began to incubate a growing distrust of political and business elites, in a context of serious corruption scandals that implicated representatives of both the political and private sectors, primarily in tax evasion. These events contributed to the crisis of representation that was expressed in the social uprising.

Thus, in this context of escalating social mobilisation, the most significant expression of popular discontent against the prevailing political system and economic model since 1990 erupted in 2019, revealing the exhaustion with the abuses committed by the elites and the inequalities resulting from the policies implemented during the democratic transition. The epitome of this discontent was encapsulated in the slogan 'It's not 30 pesos, it's 30 years,' which began to appear on banners and social networks as other citizen groups spontaneously took to the streets of Santiago and other cities in Chile on the afternoon of 18 October 2019. These protests emerged following acts of civil disobedience by a group of high school students organised under ASES in the preceding days in protest against the metro fare increase of 30 pesos announced by the Ministry of Transport and Communications. The severe repressive response faced by the students, along with the unfor-

[6] There is a broad consensus among historians that during the democratic governments that succeeded the dictatorship, far from being dismantled, the policies through which the privatisation and commodification of social rights such as education, health and social protection had been achieved were intensified. Among other aspects, co-payment schemes in the provision of health services, the significant involvement of private banks in financing state-backed university loans and markedly insufficient pensions, together with the weakening of publicly-funded social services were the main sources of citizen unrest that germinated the escalation of social movements in the 2010s.

[7] This movement also coincides with the efforts undertaken by Bachelet's second administration, aimed at developing a dialogue process for constitutional change.

tunate explanations given by various ministers of the Piñera administration in an attempt to justify the events to the media, exceeded the tolerance of the broader public, who ultimately joined the students' protest that October afternoon, while representatives of the political and business classes looked on in disbelief at the unfolding events as the social uprising gained momentum.

The events of October 18 and those that followed with great intensity during the months of November and December, and with slightly reduced force during the summer of 2020 (see the chronology outlined by Ruiz [2020]), revealed the emergence of an organic crisis. The movement quickly materialised into a call to replace the constitution through the formation of various citizen assemblies that sought to overcome the sociopolitical crisis by proposing a constituent assembly to establish a new social contract for the country by replacing the 1980 Constitution. By this point in the conflict, the Constitution had been widely recognised within the movement as the principal political instrument for controlling and perpetuating the 'subsidiary state'[8] that upheld the neoliberal order. This constitutional replacement movement developed amid the daily mobilisations occurring throughout the country, despite the imposition of a state of emergency and the intensification of repression by the security forces—including the deployment of the military on the streets, an occurrence not seen since the 1980s—which resulted in grave human rights violations for a democracy, as documented in reports by the United Nations, Amnesty International, and Human Rights Watch.

Landaeta and Herrero (2021) provide a detailed journalistic account, based on exclusive testimonies, government sources from the period and previously unpublished data, in which they describe the dramatic political events during the 2019 uprising. One such event occurred at around 8:30 pm on the night of 24 October, when the special forces of the Chilean Carabineros might have lost control of the Casa de Moneda, which they were seeking to protect from the protesters gathered in Plaza de la Constitución, a situation that might have led to the occupation of the building by the military in order to protect it (Landaeta & Herrero, 2021, pp. 17-19 and 216-217). Subsequent events, including the historic demonstration held on October 25 in the Plaza Dignidad (as the movement re-christened the Plaza Baquedano), and which involved nearly 2 million people, forced the government—albeit belatedly—to steer its efforts towards an institutional resolution of the conflict through dialogue with the political forces represented in Congress. This shift was prompted by clear signals from the military high command that it was unwilling to intervene in resolving the crisis because of its political nature. Thus, in the early hours of November 15 (15-N), after a long and uncertain wait, the government, the ruling parties and much of the opposition, signed the 'Agree-

[8] The 'subsidiary state', enshrined in the Pinochet constitution, assigned the state a secondary role, limiting it to providing services only when the private sector fails to do so. In a more general formulation, such a state is based on the principle of 'subsidiarity', according to which it is not up to the state to intervene in or develop activities that, it is assumed, are more efficiently carried out by private actors.

ment for Social Peace and a New Constitution', which stipulated that a Constitutional Convention process would be initiated in 2020 to propose a new constitution for the country. This marked the beginning of a new political cycle in the country, characterised by intense electoral activity and introducing new complexities into the turbulent political trajectory Chile has experienced over the last decade.

Following the political route established by the 15-N agreement, the electorate has voted at least once a year since 2020, participating in various plebiscites on constitutional change and in elections for popular office. The first of these votes, a plebiscite on the drafting of a new political constitution and the type of body that should be responsible for drafting it, took place on 25 October 2020. According to official data reported by the Chilean Electoral Service, 78.27% of voters supported the 'Approve' option, favouring the drafting of a new Constitution, against 21.73% who opted for 'Reject'. Regarding the body responsible for drafting the new text, the option to establish a Constitutional Convention, composed entirely of civil society representatives, received 78.99% of the vote, while the Mixed Constitutional Convention option received 21.01%. The electoral cycle continued with the vote on 11 April 2021, to elect Regional Governors, mayors, and municipal councillors, as well as the Constitutional Convention members tasked with drafting the proposed new constitution.

On 4 July of that year, the various coalitions of political parties that had reorganised following the social uprising contested primary elections to define their presidential candidates for the November election. In these primaries, the coalition formed by the Frente Amplio (FA) and the Communist Party, in alliance with other leftist movements and parties grouped in the Chile Digno movement (such as the Popular Victory Movement, the Libertarian Left and the Social Green Regionalist Federation), elected Gabriel Boric as its candidate. Boric then defeated the Chile Digno pre-candidate, Daniel Jadue by a wide margin. Following Boric's victory, the FA and Chile Digno campaign teams merged their proposals into a single government program, the Apruebo Dignidad, achieving a high degree of convergence, as the existing diagnoses and proposals of both groups were already substantially aligned, particularly on essential structural reforms such as a progressive tax reform aimed at reducing evasion and capturing more revenue from the country's wealthiest sectors; pension system reform; health reforms and policies aimed at changing the productive structure in order to address the stagnation of economic growth that the country had been experiencing for the past decade (see Ffrench-Davis & Díaz, 2019).

In the 21 November presidential election, Boric faced off against right-wing candidates José Antonio Kast of the Republican Party, Franco Parisi of the People's Party, Sebastián Sichel of Chile Podemos Más; the Christian Democratic Party candidate Yasna Provoste and the candidates of the Progressive Party Marco Enríquez-Ominami and Eduardo Artés of the Patriotic Union, representing the centre-left and left, respectively. In this election Kast, who is aligned with other conservative world leaders such as Trump, Bolsonaro, and Milei, led with 27.91% of the votes, while Boric garnered 25.83%. Faced with the imminent runoff, Boric's campaign made a drastic shift in electoral strategy, securing the support of Provoste and incorporating the Democratic Socialism movement into the campaign—a coalition consisting of the Socialist and the Party for Democracy, both of which were closely associated with the Concertación governments of the past. This alliance was formed to prevent the advance of Kast, despite the political differences the FA had expressed concerning these groups since its foundation in 2016.

As a result, and following an intense campaign effort, Boric reversed the previous result in the runoff on 19 December 2021, securing 55.87% of votes cast compared to Kast's 44.13%. The Chilean and international press highlighted this milestone, noting that Boric was the youngest president-elect in the country's history. Some enthusiastic political commentators, particularly from younger generations, equated these percentages with the emergence of a new political alternative that, once in power, might effect a leftward shift, whilst others with a more realistic perspective pointed out that the result reflected the public's fear of an autocratic and conservative regression had Kast won.

Chile's recent political history culminated in two fundamental events: (i) the failed conclusion of the constitutional process, and (ii) the difficulties faced by the government in implementing its program of transformation. Regarding the first aspect, the constitutional process consisted of two political phases, the first of which began in July 2021 when the Constitutional Convention commenced its functions and ended with the referendum held in September 2022, when the proposal drafted by the Constitutional Convention was rejected by 62% of voters against 38%. This significant setback led to a new constitutional process, which was conducted in 2023 and involved three specially created bodies: the Expert Commission, responsible for drafting a preliminary constitutional text; the Constitutional Council, with authority to approve and amend the text and the Technical Admissibility Committee, which would act as an arbiter if proposed norms were challenged on the grounds they might infringe constitutional principles. Unlike the first process, which was dominated by the left and social movements, right-wing forces preponderated in the second, in particular the Republican Party. The referendum for this second constitutional process was held on 17 December 2023, resulting in victory for the 'Against' option. As a result, the constitutional question in Chile was effectively closed, with the current 1980 'Pinochet Constitution' remaining in force. Moreover, different political currents decided collectively not to return to this issue, at least during the current government. Nevertheless, the possibility of future constitutional change has not been ruled out by the institutions as, in July 2022 Congress approved a law reducing the majorities required for amendments to the current constitution to four sevenths in each chamber, eliminating the supermajority requirements of two thirds and three fifths in the chambers of deputies and senators, respectively.

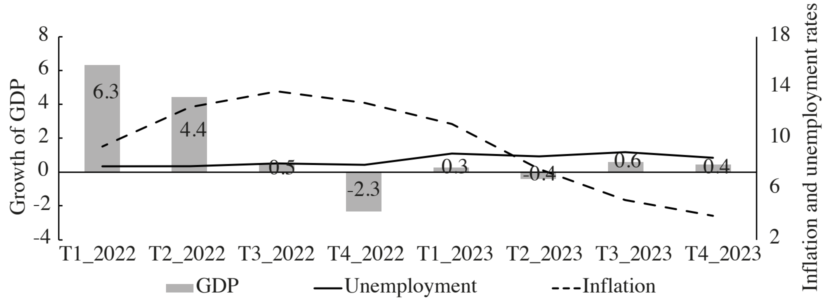
Regarding the second aspect, the political difficulties faced by the current government are related to the fact it does not enjoy a parliamentary majority, which hinders its ability to reach agreements on the structural transformations outlined in its program. It has also fallen victim to the political strategies of the opposition, which has systematically blocked legislation proposed by the executive, particularly concerning reforms to the tax and pension systems. In this context, the long electoral cycle that began in 2020 is nearing its end with the municipal elections carried out in October 2024 and the parliamentary and presidential elections in December 2025. The triumph obtained by the right wing in the October municipal elections and the polls on next year's presidential elections suggest that the country may once again opt for alternation rather than political continuity.

RECENT MACROECONOMIC TRENDS AND SOCIOECONOMIC AND POLITICAL PERSPECTIVES

The macroeconomic situation has been challenging throughout the administration's first two years, as a result of national and international factors. Domestically, the government was forced to begin its term with a budget 25% lower than that inherited from the previous administration and with a still unstable situation in terms of economic activity, unemployment, and wages, despite the fact the economy grew by 11.3% in 2021 following a sharp decline of 6.1% in 2020, the first year of the pandemic (see Table A.1 in the statistical annex). Externally, following the outbreak of the war between Russia and Ukraine, international prices of grains and energy products surged, causing inflationary pressures and surges on a global scale. This had two notable effects in Chile: (i) a sharp 7.2% real depreciation of the exchange rate between the first and third quarters of 2022 (Figure 2); and (ii) an acceleration of the inflation rate which had already been rising since the third quarter of 2021, when the Consumer Price Index (CPI) variation began to exceed the 4% ceiling (Figure 1) set by the Central Bank for the annual inflation target (which aims for around 3% with a minimum of 2%). Consequently, inflation rose from 9.4% in the first quarter of 2022 to a peak of 13.7% in the third quarter, ending the year with an annual CPI variation of 12.8%, Gross Domestic Product (GDP) growth of 2.1%, and an unemployment rate of 8%.

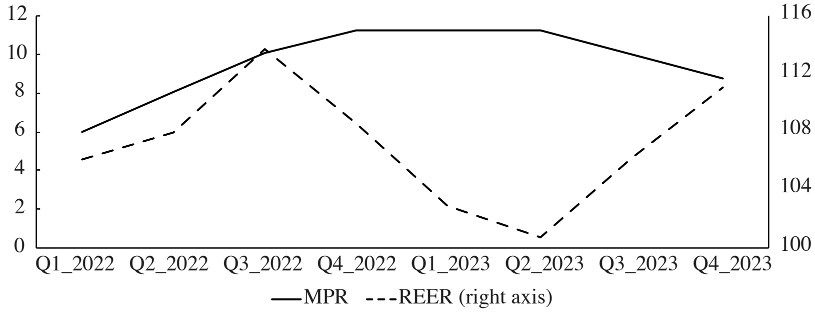
The fiscal and monetary policy authorities argued that the inflationary pressures were unleashed primarily as a result of the substantial liquidity injection from pension fund withdrawals and fiscal support provided by the Piñera administration to mitigate the effects of the pandemic rather than external and exchange rate factors. In this regard, López and Sepúlveda (2022) challenged the government's interpretation in a study in which they concluded that between 2000 and 2021, in normal periods, domestic demand accounted for less than 25% of monthly inflation, a finding consistent with the characteristics of a small and open economy like Chile's, in which inflationary sources tend to be concentrated in external factors and propagated through the exchange rate channel. Regardless of this debate, the fact remains that, based on the interpretation of the macroeconomic authorities, the approach required to curb inflation involved a recessionary adjustment to contain the expansion of aggregate demand. To achieve this, sustained and accelerated increases in the monetary policy rate were implemented, rising from 8.1% in the second quarter of 2022 to 11.3% in the fourth quarter, a level at which it remained until December 2023, when inflation began to converge towards its target range (see Figures 1 and 2). This contractionary monetary policy was also complemented by a strong fiscal adjustment, which was reflected in a fall in spending as a percentage of GDP equivalent to 7 percentage points over 2022 (see Table A.1).

Figure 1.
Chile, 2022 and 2023: Growth, inflation, and unemployment (quarterly figures in percentages)



Source: The author, based on ECLAC data[9].

Figure 2.
Chile, 2022 and 2023: Monetary Policy Rate (MPR) and Real Effective Exchange Rate (REER) evolution (quarterly figures, MPR in percentages and REER as index 2005 = 100)



Source: The author, based on ECLAC data[10].

9 https://statistics.cepal.org/portal/cepalstat/index.html?lang=es
10 https://statistics.cepal.org/portal/cepalstat/index.html?lang=es

The consequences of this recessionary adjustment have been as expected; by the end of 2023, GDP growth was virtually 0%, the unemployment rate remained above 8% and close to 9%, and investment had decreased at a rate of 5.3% (Table A.1). For 2024 and 2025, ECLAC has projected GDP growth of 2.6%, and 2.3% respectively,[11] while the Central Bank of Chile forecasts annual inflation of 4.2% in 2024 and 3.6% in 2025. The open question remains whether these recoveries will be sustainable and whether they will be accompanied by increased contributions from investment and employment, or whether they will be driven by external impulses, such as an increase in export demand, as was the case until 2014. In this regard, some policies implemented by the government are encouraging, such as: the reduction of the working week to 40 hours, which, along with complementary labour policies, could increase the productivity growth rate; an increase of the minimum monthly wage to CLP 500,000 (USD 530); and reductions in underemployment and informality levels. The increase to the minimum wage has significant redistributive effects for households and potential to stimulate aggregate demand, conditional on improved employability conditions, including higher participation rates (especially among women). Additionally, institutional progress to encourage the development of cooperatives is also positive, as it has potential distributive and economic democracy benefits, increasing the diversification of social entrepreneurs.

From a longer-term perspective, several issues remain open, including whether the TPP11,[12] which was finally approved during the current administration, will reinvigorate export dynamism and economic growth as expected; the way in which the National Lithium Strategy might constitute a new industrialisation process for Chile (see Silva, 2024); and whether a plan for productive and labour reconversion can be adequately implemented following the recent announcement of the closure of the Huachipato steel plant. Outcomes in these and other strategic sectors will be crucial for initiating a virtuous cycle of structural change to accelerate economic growth, provided that the appropriate developmental and institutional policies are adopted. Finally, it should be noted that the failure to reach agreement with the opposition to advance the tax reform originally included in the government's program, and its subsequent conversion into a fiscal pact that is still under negotiation, have complicated the goal of achieving a progressive tax policy. Tax reform of this nature has long been required to implement the structural socio-economic reforms that are so desired by the population and which lay at the heart of the demands of the social movements of the 2010s.

[11] While these projections are encouraging in a short-term perspective, the take-off of the Chilean economy along a new growth path is not fully assured. In the September edition of its Monetary Policy Report, the Central Bank of Chile (2024) projected an average annual growth rate of 1.8% for the period 2025-2034. If this projection of mediocre long-term growth materialises, Chile could complete 20 years of economic stagnation, considering that between 2014 and 2023 the economy grew at an average of 1.9% per year.

[12] Trans-Pacific Partnership. The '11' refers to the number of countries involved following US withdrawal.

THE CHILEAN PARADOX FROM A HISTORICAL-STRUCTURAL PERSPECTIVE

In this section, I propose and go on to analyse the concept that I refer to as the 'Chilean paradox', which must be understood in its proper context to overcome the country's semi-peripheral economic condition and to advance democratically in the social sphere and is described below. It is a contingent problem, shaped by the political evolution and productive stagnation analysed in earlier sections. However, it is also a historically cyclical issue.

Over sixty years ago, Aníbal Pinto, one of Chile's most influential political economists and historians, published *Chile: un caso de desarrollo frustrado* (Pinto, 1959).[13] His main theses are two-fold. The first, based on an analysis of the period from 1830 to 1930, argues that—despite Chile having enjoyed every opportunity to grow within the framework of the classical-liberal model during the silver and nitrate extractive-export cycles[14]—the country failed to modify the essential characteristics of its underdeveloped structure. This suggests a first historical frustration of development, associated with the inability to carry out a process of productive diversification and technical progress. According to Pinto, this was due to: (i) the deepening of the pattern of dependence (both internal and external) on primary-export activities; (ii) the inadequate use of rents, in a manner consistent with the previous point; and (iii) the misalignment between political-institutional structures and the objectives of economic and social development. Pinto's second thesis, which refers to the period after 1930—when the country had shifted to an inward-oriented growth model and developed a social structure that had given rise to the emergence of middle and working classes—contends that as a result of the dynamics of the country's development process, the contradiction between its slow economic expansion and the rapid political advancement of these new social actors became increasingly acute. This contradiction originated in the long-standing inflationary process, which triggered a 'social deadlock' between the three political forces representing their respective social class interests and causes.[15]

Years later, Pinto (1964) revisited the idea of the misalignment between the political process, economic dynamics, and social demands for greater inclusion. This expanded analysis was presented in his book *Chile: una economía difícil*[16] where he argued that this particular characteristic of the country could be attributed to two causes. The first relates to the exhaustion of the 'easy stage' of the import sub-

[13] *Chile: A Case of Frustrated Development.*

[14] Regarding these cycles, Pinto does not overlook the modernisations achieved during these periods and, in some ways, his arguments align with the analysis provided by Cariola and Sunkel (1981).

[15] Namely: the left and the working classes; the right and the rentier capitalist classes; and the centre associated with the interests of the middle sectors. This argument also positions Pinto within the structural approach to inflation developed by Furtado, Noyola Vásquez, and Sunkel in the mid-1950s, and intertwines, in some way, from the perspective of the Global South, with the issue of distributive conflict developed by Kalecki.

[16] *Chile: A Difficult Economy.*

stitution process that the national economy was reaching, and the second to the concrete capacities of its social and political structures to advance towards a more complex stage in its industrialisation process. Understanding the difficulty of the Chilean economy in this way, Pinto highlighted the need to move towards a change in the development model in which: '...the global transformation of its economy, a new type of 'opening' to the outside, the achievement of greater autonomy in its functioning, and... a distribution of resources that incorporates and satisfies the aspirations of that significant part of the population that has so far been left out of the growth process of recent decades' would have to be combined (Pinto, 1964, pp. 13-14).

In both these analyses, Pinto examines Chile's economic, social, and political development with a critical eye, highlighting a fundamental aspect that inevitably links these three essential facets of political economy and providing a precise analytical framework for politically transformative forces: the role played by social relations in the development process. This precise aspect is addressed in his essay "Desarrollo y relaciones sociales en Chile" [17] included in Pinto (1973). In this essay, he explains how the conservative political alliance established around 1830 represented the interests of agrarian and landowning sectors—autarkic in nature—and how this elite coalition expanded with the emergence of national and British mining interests once the country opened up to international trade during the first phase of globalisation (1860-1914).

This long period of capital hegemony in the political arena shaped unequal social relations and the embryonic development of labour movements and centrist and left-wing political parties representing the interests of the emerging middle and working classes. These conditions led to successive distributive conflicts that took place during the 1920s and 1930s. By the mid-1930s, the balance of power shifted with the emergence of the Frente Popular, which united the Radical, Communist, and Socialist Parties, marking its rise to power in 1938 with Pedro Aguirre Cerda, initiating a cycle of governments led by the Radical Party that concluded in 1952 with the government of Gabriel González Videla. During these administrations, Chile consolidated its industrialisation process, with significant political and social advancements for the middle and working classes, balancing the power of traditional conservative forces. With the decline of these governments and in a context of high inflation, the interests of the political and economic sectors of the right were once again represented in the government until 1964, when the Christian Democrat Eduardo Frei Montalva was elected. His government initiated the agrarian reform process, the 'Chileanisation' of copper, and other reforms inclusive of middle class and working sectors. Salvador Allende's government Popular Unity (UP) coalition (1970-1973) primarily represented workers' interests through

[17] "Development and Social Relations in Chile". This work is an expanded and updated version of an article published under the same title in volume 30, number 120(4), corresponding to October-December of *El Trimestre Económico*, pages 641-658. A partial version of the original text was also included as an appendix in Pinto (1964).

the deepening of agrarian reform, the nationalisation of large-scale copper mining and the banking sector, and the state takeover of a wide range of industrial enterprises. The dramatic changes in the social, economic, and political structure from 1930 to the early 1970s intensified the conflicts between capital and labour, culminating in the 1973 civil-military coup.

From this moment on, the country entered a period that Moulian (1997) characterises as a 'capitalist revolution,' which he refers to as 'the current Chile', and Ffrench-Davis (2021) as a 'neoliberal revolution.' The establishment and continuity of neoliberalism until the present day have been extensively studied by these and other authors who, in concrete terms, have argued that there has been a repositioning of the political hegemony of the elites (Solimano, 2018) over the subaltern sectors,[18] exacerbating Chile's distributive conflict as a result of the new pattern of accumulation and concentration.[19] Thus, over the past 50 years, the country has seen the predominance of a technocratic elite (Villegas Plá & Peña, 2024) that directs and defines the boundaries of action in the country's economic management with complete disregard for public sentiment. In this context, Chile's progressive political coalitions since the transition have often chosen to moderate their redistributive programs to avoid disrupting external and internal macroeconomic balances (Bogliaccini & Madariaga, 2024) that define the limits of what is possible within the frameworks of the model implemented since 1973.

Finally, having outlined the principal puzzles that characterise the evolution of Chilean political economy over the past nearly 200 years, the fundamental problem of Chile remains essentially the same as that described by Aníbal Pinto in the 20th century. The issue lies in the dialectic that resiliently reproduces social relations, the productive structure, and the operation of politics. The path of dependency that historically has obstructed the process of inclusive development in Chile, as in other Latin American countries, is accompanied by Buchanan's 'iron law of oligarchies' (Palma, 2021) and is cyclical in nature. That is, it involves a dynamic that begins with the establishment and unfolding of a historical pattern of accumulation by the economic elites, continues with the contradictory advance of subordinate sectors and the consequent gestation and explosion of social conflicts, and concludes with an elite closure of the crisis, leading to the continuity or transformation of the accumulation pattern, repeatedly replicating the same succession of processes.

[18] Gramsci refers to "subaltern sectors" as the social groups that are marginalised or subordinated in relation to hegemonic power. These sectors have little influence over the main institutions of power or the production of dominant culture. However, according to Gramsci, subaltern sectors are in a constant struggle for their emancipation and, eventually, seek to challenge the established hegemony, either by creating a counter-historical bloc or by establishing a new hegemony.

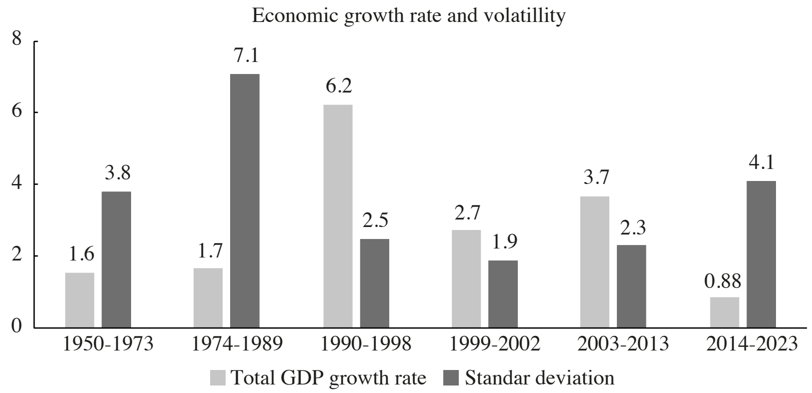
[19] Despite its free-market rhetoric, the Pinochet dictatorship maintained and even strengthened the state's mechanisms of accumulation. A prime example is the use of copper revenues, which were channelled into modernising the armed forces and pursuing other state objectives. These mechanisms were not only used to uphold the regime's power but also to subjugate lower-income sectors, reinforcing existing hierarchies and preventing social mobility. This concentration of economic resources by the state contradicts the neoliberal image often associated with the regime.

STYLISED FACTS

Economic growth since 1950

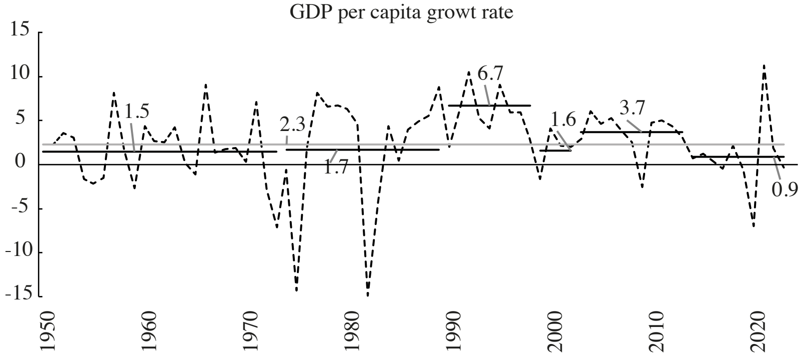
Figure 3.A shows the evolution of real economic growth in Chile from 1950 to 2023. The first notable element is the high volatility experienced by the GDP growth rate during the period. However, it is worthwhile to analyse economic growth by dividing the period into appropriate subperiods. From 1950 to 1973, during the developmental period, the country maintained an average growth rate of 3.6%, which decreased to 3.2% during the dictatorship (1974-1989), a period characterised by the establishment of the neoliberal model. In the early years of the transition, the country experienced an exceptional expansion cycle, with an average annual growth rate of 7.8%. In the brief period from 1998 to 2002, amid a succession of international crises, growth declined to 3.9%, a trend that reversed during the commodity price boom cycle (particularly as a result of the significant increase in the international copper price), with growth reaching 4.7%. After the end of this cycle, the pace of Chile's economic growth has stagnated at an average of around 2% per year, the lowest recorded during the period under study.

Figure 3A.
Chile, 1950-2023: Trends in economic growth (percentage)



In per capita terms, the Chilean economy grew at an average annual rate of 2.3% during the period from 1950 to 2023 (See Figure 3.B). While during the periods 1950-1973 and 1974-1989 GDP was above 3%, and the population increased at rates of 2.1% and 1.5% respectively, translating into per capita growth of 1.5% and 1.7 for the two periods. Since the 1990s, population growth has stabilised to around 1% per year on average. Consistent with this, and alongside the stagnation of productivity that has affected the country and shadowed the commodities price cycle, per capita economic growth has shown a steadily declining trend over the past 30 years (see figure 3.B).

Figure 3B.
Chile, 1950-2023: Trends in economic growth (percentage)



Source: The author, based on data from ECLAC[20].

Comparative dynamics of per capita GDP and labour productivity

Over the last seven decades, the national economy has experienced mixed growth patterns relative to other economies worldwide. Figure 4 illustrates the trajectory of GDP per capita for a diverse set of countries at different levels of development, expressed as percentages of the per capita GDP of the United States.

The trajectory of Chile (Figure 4a) shows a marked divergence in per capita terms between 1950 and 1985, a period during which per capita GDP as a proportion of that of the United States decreased from 34% to 21%. This sharp decline, however, exhibits differentiated trajectories according to three key moments in Chilean economic history. The first of these corresponds to the years from 1950 to 1973, during which Chile experienced a significant widening of the gap relative to the United States, with per capita GDP averaging 31.7% of US levels, in a context of the development and industrialisation boom. The second moment, situated in the early years of the dictatorship (1974-1979), saw relative per capita GDP drop to 23.8% of US levels as a result of: the macroeconomic imbalances and political conflicts that marked the end of the UP government; the failed adjustment policies implemented by the economic authorities of the time (Ffrench-Davis, 2018; Caputo and Ordóñez, 2024) and external factors associated with the oil shocks of 1973 and 1979, as well as the external over-indebtedness that preceded the crisis that Latin America faced during the third phase, during the 1980s (Ocampo et al., 2013) a decade that saw a widening of the gap to 23.1%.

Despite the economic and social effects of the crisis and after the failed adjustment experiments implemented by the Chicago Boys during the early years of the dictatorship, the economy managed to stabilise, adopting a growth strategy

[20] https://statistics.cepal.org/portal/cepalstat/index.html?lang=es

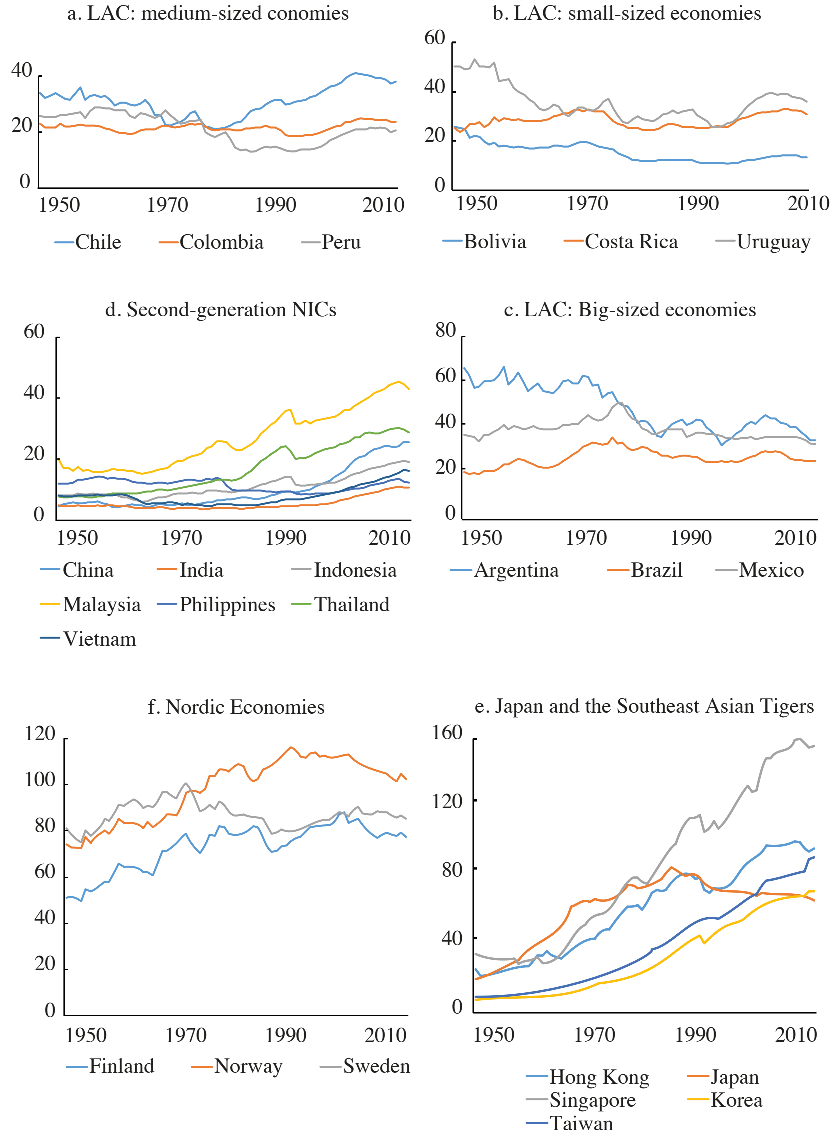
in mid-decade driven by exports not only of copper but also of non-traditional goods such as forestry products, aquaculture, and fruits, sectors that were promoted through developmental policies by the Fundación Chile (Agosin, 2023). This led to a significant narrowing of the gap, especially following the democratic transition, with per capita GDP rising from 23.8% of US levels in 1990 to 38% in 2021.

Compared to other medium-sized economies in the region, this trajectory of convergence is similar to those experienced by Colombia and Peru, although much more pronounced (Figure 4a), and contrasts with the smaller economies (with the exception of Costa Rica: Figure 4b), and especially with the larger ones (Argentina, Brazil, and Mexico), whose trajectories instead represent stories of divergence (Figure 4c). However, in relation to developing and developed Asian economies, Chile maintains a significant growth gap in per capita terms, particularly with the second-generation NICs and the Southeast Asian tigers, which display a continuously convergent trajectory in per capita terms relative to the United States (Figures 4d and 4e)[21]. A similar divergence is observed between Chile and the economies of Finland, Norway, and Sweden (Figure 4f).

It is therefore necessary to identify the factors that explain these differences. To this end, the comparative analysis is focused on the cases of Finland and South Korea, economies that are frequently mentioned as benchmarks in growth and development debates in Chile due to their similar structural characteristics when they began their processes of convergence with advanced capitalist economies (Ahumada, Wirth, and Sossdorf, 2021; Chang, 1996). The case of Malaysia is also included: a late-decolonising economy (1957) that experienced rapid growth starting in the 1970s, combining primary production with increasing specialisation in electronics through the successful attraction of foreign direct investment (FDI) during the 1980s and 1990s (Runde, Rice, and Yayboke, 2017). Additionally, it is an economy that has rapidly converged with Chile's per capita product but with a more dynamic productive structure. Furthermore, from a focus on the absolute growth of total GDP, it may be observed that all four economies have experienced episodes of high and sustained growth over the past 70 years, such as South Korea from 1950-1979; Chile from 1990-1997; Finland from 1950-1973 and Malaysia from 1990-1997 (see Figure 5).

[21] Figure 4e includes the trajectory of Japan, an economy that, although it experienced a significant narrowing of the gap for decades from 1950 onwards, with a per capita GDP that reached 81% of that of the United States in 1996, subsequently saw a drastic widening of the gap following the Asian crisis, placing it at around 34% by 2021.

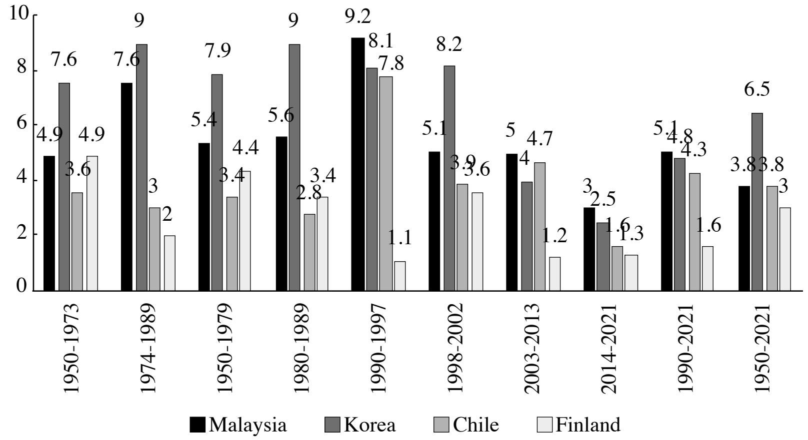
Figure 4.
Economic growth trajectories of selected countries, 1950-2021 (per capita GDP Relative to the United States, percentages)



Source: The author, based on figures from The Conference Board[22].

[22] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

Figure 5.
Chile, South Korea, Finland, and Malaysia, 1950-2021: Average annual GDP growth rate (percentages)



Source: The author, based on figures from The Conference Board[23].

However, growth dynamics show significant differences when the dynamics of two of the basic driving forces of the process are taken into account, namely labour productivity and employment. Table 1 shows that between 1950 and 2021, Chile, South Korea and Finland had an identical decomposition of economic growth: for every 1% of growth in these countries, six-tenths corresponded to productivity growth and four-tenths to employment growth. In contrast, in Malaysia, each percentage point of GDP growth was due to an increase of 1.5 points in productivity and a decline of half a point in employment. These differences in growth modes explain why these three economies have managed consistently and rapidly to close their productivity gap relative to the United States, when Chile has not. This is evidenced in Figure 6, which shows that in 1950, labour productivity in Chile represented 41% of that of the United States, exceeding the figure for Finland by 3 points, doubling that of Malaysia and quadrupling South Korea's. Over time, South Korea and Finland converged rapidly, and by 2021, their productivities represented 62% and 75% of that of the United States, respectively. Meanwhile, Malaysia has also converged rapidly, though at a slower pace than South Korea, reaching and slightly surpassing Chile, whose relative productivity over the entire period (1950-2021) has I relative terms remained stagnant, in the range of 33% to 44%.

However, if this breakdown is analysed in specific sub-periods, important changes can be observed. For example, in Chile, from 1950 to 1979, for each point of GDP growth, 9 tenths were contributed by productivity and 1 tenth by employment,

[23] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

while from 1990 to 2021, 7 tenths were due to employment and 3 tenths to productivity. Korea and Malaysia, on the other hand, in the same periods, have been harmoniously and gradually maintaining higher productivity contributions than those of employment for every 1% of growth in their products, while in Finland, productivity growth has been losing weight in relation to the contribution of employment.

The most relevant fact that emerges from this comparative analysis is that although Chile grew at a higher rate during the neoliberal deepening (from 1990 onwards) relative to the developmentalist period (1950-1979), it did so with a decreasing contribution of productivity, and between 2014 and 2021 with a negative contribution. In contrast, Korea, Malaysia and Finland have been able to sustain periods of high economic growth through continuous productivity increases.

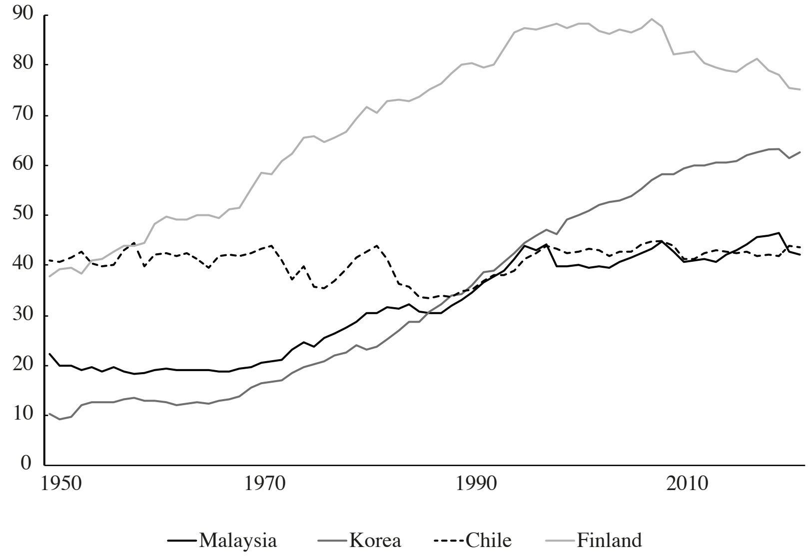
Table 1.
Chile, South Korea, Finland, and Malaysia, 1950-2021: Contribution of employment and labour productivity per 1% of total GDP growth (percentage points)

		Periods									
Country	Rates of growth and sectoral contributions (percentage points)	1950-1973	1974-1979	1950-1979	1980-1989	1990-1997	1998-2002	2003-2013	2014-2021	1990-2021	1950-2021
Malaysia	Employment	3.6	0.9	3.1	0.4	0.4	0.8	0.4	0.4	0.4	1.5
	Labor productivity	-2.6	0.1	-2.1	0.6	0.6	0.2	0.6	0.6	0.6	-0.5
	GDP	1.0	1.0	1.0	1.0	1.0	1.00	1.0	1.0	1.0	1.0
Korea	Employment	0.5	0.4	0.5	0.3	0.3	0.5	0.3	0.4	0.4	0.4
	Labor productivity	0.5	0.6	0.5	0.7	0.7	0.5	0.7	0.6	0.6	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Chile	Employment	0.1	-0.2	0.1	0.5	0.4	0.9	0.7	1.1	0.7	0.4
	Labor productivity	0.9	1.2	0.9	0.5	0.6	0.1	0.3	-0.1	0.3	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finland	Employment	0.0	-0.8	-0.2	0.3	2.5	0.5	0.5	0.8	1.1	0.4
	Labor productivity	1.0	1.8	1.2	0.7	-1.5	0.5	0.5	0.2	-0.1	0.6
	GDP	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Source: The author, based on figures from The Conference Board[24].

[24] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

Figure 6.
Selected Countries, 1950-2021: Labour productivity trajectories (GDP per worker relative to the United States, percentages)



Source: The author, based on figures from The Conference Board[25].

Labour productivity growth and productive structure, 1990-2018

The trajectories of GDP growth and productivity in Chile are closely related to the dynamics of diversification in its productive structure and technological content. Starting in 1990, with the beginning of the transition, labour productivity showed a downward trend. During the period 1990-1997, when Chile experienced growth rates comparable to those of the most dynamic Asian economies, productivity consistently increased at a rate of 4.5% per annum, according to Table 2. Between 1998 and 2002, as a virtuous investment cycle came to an end (Moguillansky, 1999), within a national context of expanded financial and trade openness and a global context characterised by a series of financial crises, the country's growth rate fell (Figure 3), which had the additional result of causing a productivity slowdown equivalent to 1.3%. During the commodity price cycle, this situation reversed, but the growth rate observed during the early 1990s was not fully regained: productivity grew at an average annual rate of 1.9% during the decade 2003-2013. Between 2014 and 2018, following this cycle and preceding the shocks generated by the social unrest and the pandemic, productivity growth failed

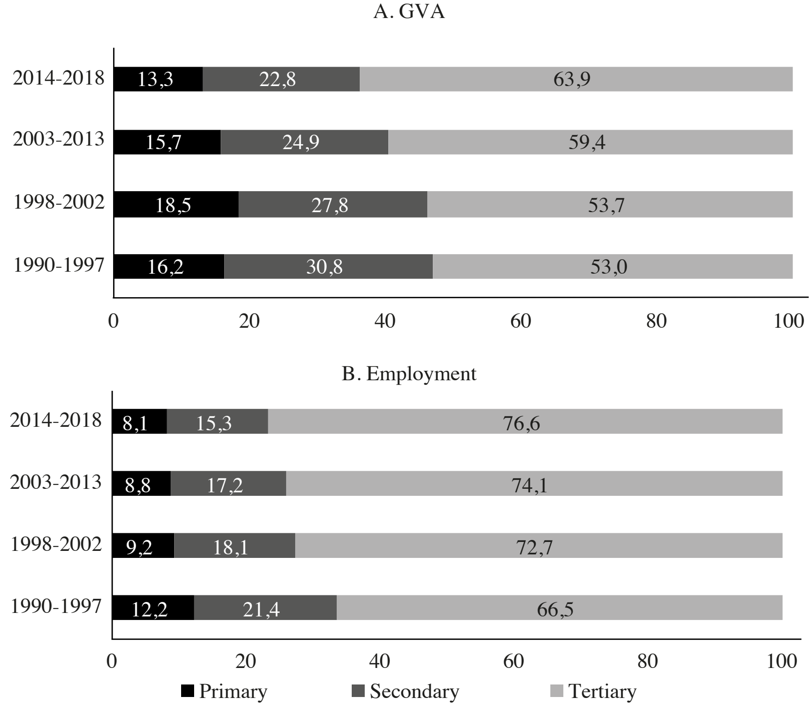
[25] https://www.conference-board.org/data/economydatabase/total-economy-database-productivity

to rise above 0.9% annually, confirming the symptoms of productive stagnation noted by Ffrench-Davis and Díaz (2019).

In relation to the country's productive structure, it is observed that, both in terms of total gross value added (GVA) and employment, the Chilean economy has undergone a strong process of tertiarisation, where the share of service activities increased from 63% of GVA in the period 1990-1997 to 64% between 2014 and 2018. Meanwhile, secondary activities (manufacturing, construction, and electricity, gas and water supply, EGW) lost 8 percentage points of participation in the same period, while the share of primary activities, although still significant, fell from 16% to 13%. In terms of employment, tertiarisation is even more pronounced. Indeed, service activities went from representing 67% of total employment to 77% between the periods 1990-1997 and 2014-2018, while secondary activities decreased from 21% to 15%, and primary activities from 12% to 8% (see Figure 7).

Figure 7.

Chile, 1990-2018: Productive and labour structure by principal economic sector (percentages of total gross value added and employment)

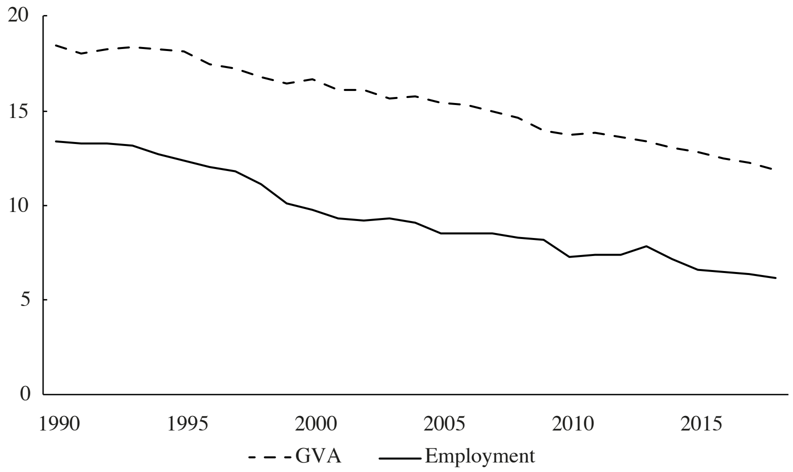


Source: The author, based on data from the Economic Transformation Database, ETD 2023, U NU-WIDER, and Groningen Growth and Development Centre[26].

[26] https://www.wider.unu.edu/database/etd-economic-transformation-database

While agricultural and mining activities retain significant weight in the national productive structure, especially in terms of GVA, tertiarisation has led to a more pronounced decline in the role of secondary activities in the economy, particularly due to the continuation of the early deindustrialisation process that began in the 1980s (Fajnzylber, 1983; Muñoz, 1986). Figure 8 illustrates this trend, based on GVA and employment in the manufacturing sector. In general terms, the share of these activities in GVA decreased from 18% to 12.5% between 1990-1997 and 2014-2018, while the share of manufacturing in total employment fell from 12.7% to 6.6% over the same period. In this context, the service sectors that have gained the most weight in the sectoral structure of GVA and employment (transportation, commerce, business services, finance and the property sector, characterised by strong vertical integration) increased from representing 31% to 46% of GVA and from 30% to 39% of the labour force.

Figure 8.
Chile, 1990-2018: Shares of the Manufacturing Sector in GVA and Total Employment (percentages)



Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre[27].

Given these evolutionary dynamics of aggregate labour productivity and the sectoral structure of GVA, Table 2 should again be referred to in order to identify the relationships that connect them. Thus, the strong increase in productivity between 1990 and 1997 was due to the contributions of mining and manufacturing (1% each sector), followed by the property and agricultural sectors (0.8% and 0.7%, respectively). In subsequent periods, as the growth of labour productivity for the

[27] https://www.wider.unu.edu/database/etd-economic-transformation-database

economy as a whole began to stagnate, the contributions of manufacturing and primary activities were reduced virtually to zero. In the case of mining and manufacturing, their reduced share in the sectoral matrix and their diminished contributions to productivity are factors that largely explain the stagnation to which the Chilean economy has experienced, given that these are sectors with great potential due to their technological intensities. According to Ffrench-Davis and Díaz (2019), the potential of these sectors has been hindered by insufficient productive investment that has characterised the country over the past two decades. On the other hand, the wide range of services that have concentrated the most weight in the productive matrix lacks the productive and labour incentives that could enhance its potential through development policies, including the diversification of businesses, technology, training, and improvements in the quality of education.

Table 2.
Productivity growth and sectoral contributions per workera, 1990-2018 (percentages)

Sectors	1990-1997	1998-2002	2003-2013	2014-2018
Agriculture	0.7	0.0	0.2	0.1
Mining	1.0	0.8	-0.1	0.2
Manufacturing	1.0	0.6	0.3	0.2
EGW	0.4	0.0	0.1	0.1
Construction	0.2	-0.1	0.1	0.1
Trade	0.2	-0.4	0.1	-0.1
Transport	0.2	0.2	0.1	0.3
Business services	0.0	0.3	0.8	-0.1
Financial services	0.1	0.1	0.3	0.2
Real state	0.8	0.2	0.3	0.3
Public services	-0.2	-0.2	-0.3	-0.2
Other services	0.1	-0.3	0.0	-0.1
Total	4.5	1.3	1.9	0.9

Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre. [a] Total Value Added per worker[28].

Structural heterogeneity

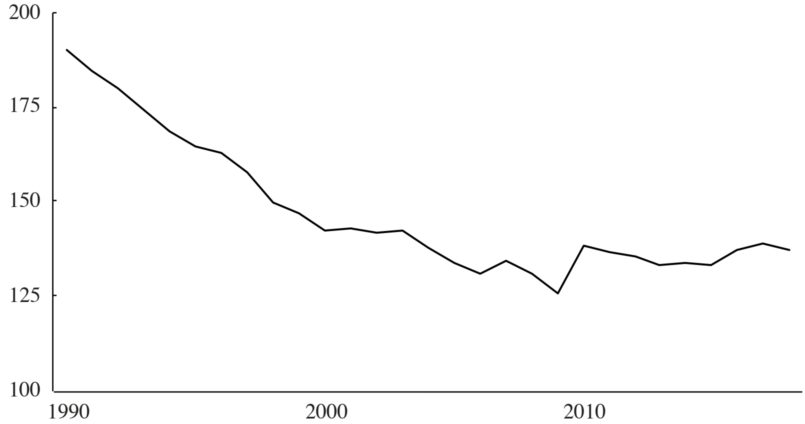
All the aspects discussed thus far lead to the conclusion, from a structuralist perspective, that the prolonged stagnation of present-day Chile is directly linked to an endemic factor common to Latin American economies, namely structural heterogeneity (Pinto, 1970; Sunkel, 1978; Infante and Sunkel, 2010). As will be analysed further, this issue is interconnected with other aspects that characterise Chile's

[28] https://www.wider.unu.edu/database/etd-economic-transformation-database

problem, including its high levels of inequality across various dimensions (UNDP, 2017) and a significant degree of economic concentration (Fazio, 2023).

Regarding the productive structure, the structural heterogeneity that characterises the Chilean economy corresponds to relatively significant intersectoral labour productivity differentials. Figure 9 illustrates the heterogeneity of the productive structure, measured as the annual coefficient of variation according to the productivity levels of the 13 sectors presented in Table 2. The first observation from the figure is that the dispersion of sectoral productivities relative to their average exceeded 125% throughout the entire period from 1990 to 2018, indicating a very high level of structural heterogeneity. Secondly, it is notable that while productive heterogeneity decreased systematically between 1990 and 2009, it slowly began to rise again from 2009 onwards, reaching a coefficient of variation of 138% by 2018, in a context marked by the aftermath of the 2008 global financial crisis and internal economic dynamics.

Figure 9.
Chile, 1990-2018: Degree of heterogeneity in the productive structure (annual coefficient of variation of sectoral productivity levels, in percentages)



Source: The author, based on data from the Economic Transformation Database, ETD 2023, UNU-WIDER, and Groningen Growth and Development Centre[29].

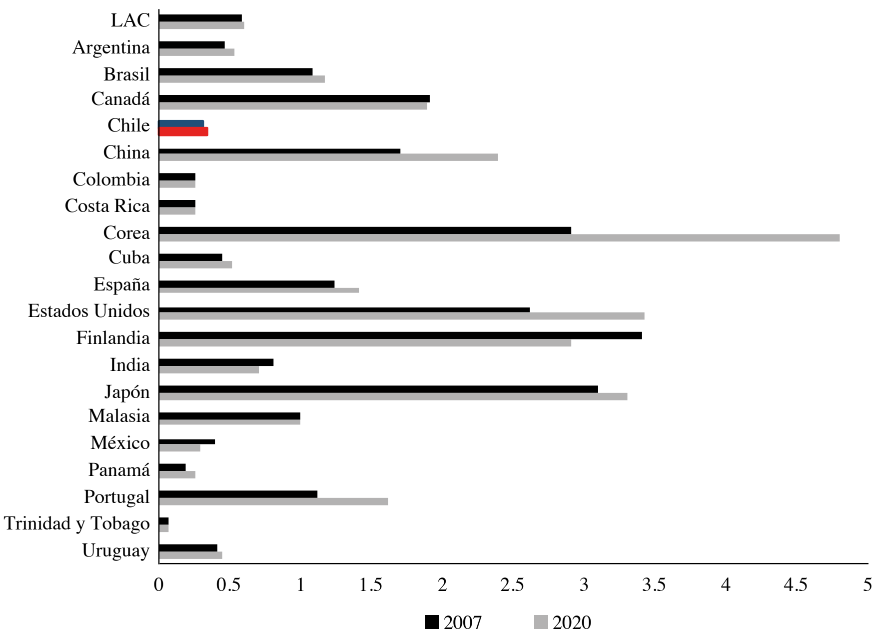
Technical progress

The basic indicator for assessing the degree of technological development in an economy is expenditure on research and development (R&D) as a percentage of GDP. In this regard, Chile exhibited an average index of 0.32% between 2007 and 2020, lower than the average for Latin America and the Caribbean (0.6%), and also lower than the indices for Argentina and Cuba (0.5% each), Costa Rica and

[29] https://www.wider.unu.edu/database/etd-economic-transformation-database

Uruguay (0.4% each), and Brazil (1.1%), which is the leader among Latin American countries in terms of R&D. Thus, both Chile and the region as a whole face a significant technological gap compared to developed economies such as Canada, the United States, Finland, and Japan, which have figures exceeding 2%. In Asia, China has emerged as a major player in technological competition, increasing its R&D expenditure from 1.4% to 2.4% over nearly 15 years, while South Korea is indisputably the global technological leader, with R&D efforts accounting for 4.8% of GDP in 2020 (see Figure 10).

Figure 10.
R&D Efforts (as a percentage of GDP)



Source: The author, based on data from RICYT and UNESCO[30].

In the case of Chile, the goal of accelerating technical progress is complicated by several factors. The first relates to the number of researchers relative to the population. According to data from the Network for Science and Technology Indicators–Ibero-American and Inter-American (RICYT) and the World Bank, Chile has a workforce of 427 research professionals per million inhabitants. In Latin America, Brazil more than doubles this figure, and Argentina nearly triples it, although these are larger economies than Chile's. However, in smaller countries such as Uruguay and Costa Rica,

[30] https://www.ricyt.org/en/category/indicators/ and https://uis.unesco.org/en/topic/research-and-development

respectively, the number of researchers is 1.5 and 1.3 times greater than in Chile. Outside the region, the disparities are even more pronounced: 16 times greater in the case of South Korea, an average 15 times greater in the Nordic countries, 8.6 times greater in Portugal, 6.1 times greater in Spain, and 2.6 times greater in China.

A second, more encouraging aspect related to output indicators concerns scientific production. In this area, Chile has experienced a significant increase over the past two decades, particularly in the publication of articles in indexed academic journals. According to data from the SCOPUS bibliometric index, it has also seen a rise in its rate of international collaboration. However, a more detailed analysis reveals that the dominant discipline in this production is the physical sciences, accounting for 40%, while health, biological and social sciences each contribute 20%. Given this structure, it is evident that the knowledge generated in the physical sciences in these publications is not being absorbed by the local productive system, partly because the manufacturing and other potential technological sectors are not sufficiently developed to assimilate this knowledge and transform it into technological progress. On the other hand, it is clear that scientific production in the medical and biological fields has room for growth, which could be achieved by linking these research areas with the country's rich biodiversity and public health situation. Finally, scientific production is highly concentrated in three regions of Chile: the Santiago Metropolitan Region, Valparaíso, and Bío-Bío, which together account for 78% of production, with Santiago alone representing 54%.

The third aspect concerns the number of patents registered annually by national intellectual property offices, filed either by national residents or foreign agents. According to the RICYT, 80% of patent applications in Latin America and the Caribbean are filed by foreign companies seeking to protect their products and innovation processes in regional markets. In Chile, this figure reaches 87%, surpassed only by Argentina (88%) and Mexico (91%). Furthermore, the dependency rate (i.e., the ratio of patents filed by foreign agents to those filed by their national counterparts) is extremely high in Chile, standing at 664%. Meanwhile, the self-sufficiency rate (patents filed by national agents as a percentage of the total patents filed) is a mere 13%. In summary, both product indicators (dependency and self-sufficiency rates) underscore Chile's disadvantages in R&D, science and technology and technology transfer, which hinder endogenous technical progress and exacerbate the dependence imposed by large global technological platforms on local innovation efforts through monopolistic practices and rent-seeking behaviours (Rikap, 2021).

Degree of diversification and technological intensity of exports

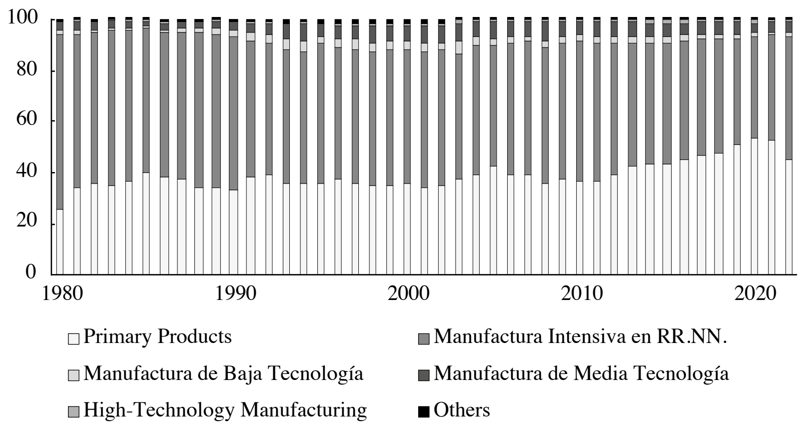
In a highly influential essay from the 1960s the Chilean economist Jorge Ahumada noted that, 'Churchill's statement at the end of the war that England must export or die applies to Chile' (Ahumada, 1958, p. 132). According to Ahumada, a greater export effort could help stabilise the domestic economy by reducing the high levels of inflation, which increased domestic production costs and consequently heightened levels of concentration in favour of certain business sectors.

He also argued that exports needed to increase and diversify, asserting that: 'the important role that exports play in instability depends on the structure of the economy and the type of export' (Ahumada, 1958, p. 122). Moreover, Ahumada contended that increasing and diversifying exports was not incompatible with opening the domestic market up to import flows, as tariff protection for certain domestically produced goods had reached excessive levels, directly impacting inflationary dynamics and concentration.

In the mid-1980s, Chile embarked on a process of trade liberalisation that spurred greater economic expansion, accompanied by significant growth in traditional and non-traditional exports. From the 2000s onward, Chile entered into numerous trade agreements with the United States, the European Union, China, and other Asian economies. While these agreements successfully expanded national exports, particularly during the commodity price boom, Ahumada (2019) contends that the outcome has been a re-primarisation of the export basket and that the provisions regarding the treatment of FDI inflows have limited the country's policy space for development.

Consistent with the above, the imbalance in Chile's productive structure—dominated by the primary and tertiary sectors, with limited incorporation of technological progress—is also reflected in the low diversification and insufficient technological content of its export basket. As Figure 11 shows, Chile has spent nearly 45 years following the same path regarding productive and technological development, particularly in relation to its trade strategy. This is evident in the fact that the combined share of primary products and resource-based manufactures in total exports has consistently exceeded 80% between 1980 and the present.

Figure 11. Chile, 1980-2022: Structure of the Export Basket by Technological Content (percentage)



Source: The author, based on data from UN-COMTRADE[31].

[31] https://comtradeplus.un.org/

Income inequality and wealth concentration

The high levels of inequality in Chile are an underlying factor of its socio-economic structure, rooted in history, and closely linked to the political economy that has shaped its semi-peripheral condition. Numerous studies on socio-economic inequality in Chile have analysed the phenomenon both in terms of distributive dynamics and its underlying causes. These include works by Fazio (2023), Flores et al. (2020), Rodríguez Weber (2017), UNDP (2017), Ruiz-Tagle (1998), alongside earlier contributions such as that of Jorge Ahumada, who argued in the 1960s that '[a] country is experiencing an economic crisis if income distribution is excessively unequal' (Ahumada, 1966, p. 16). The effects of inequality are far from neutral in the socio-political arena; indeed, the high levels of inequality and wealth concentration have intensified distributive conflict at various points in Chile's history, leading to episodes of organic crisis, the most recent being the social unrest of 2019.

In Latin American structuralist political economy, inequality is understood as intrinsically linked to structural heterogeneity (Pinto, 1970), which shapes both economic dynamics and the productive and labour structure of developing economies. In this regard, Rodríguez (1998) defines the concept by stating that the pronounced labour productivity differentials between economic sectors correspond to significant wage gaps between those sectors and that this interrelation generates increasing inequality in income distribution. Consistent with this phenomenon, it is reasonable to make the assertion, examined in previous sections, that one of the causes of inequality in Chile can be found in the disparities that characterise its productive structure. In sum, Chile exhibits a similar trend to that of other Latin American countries, where growth is insufficient and income is concentrated in the wealthier segments of society. This fits Fajnzylber's (1990) 'empty box' thesis, which showed that no Latin American country had achieved the combination of high, sustained growth and distributive equity.

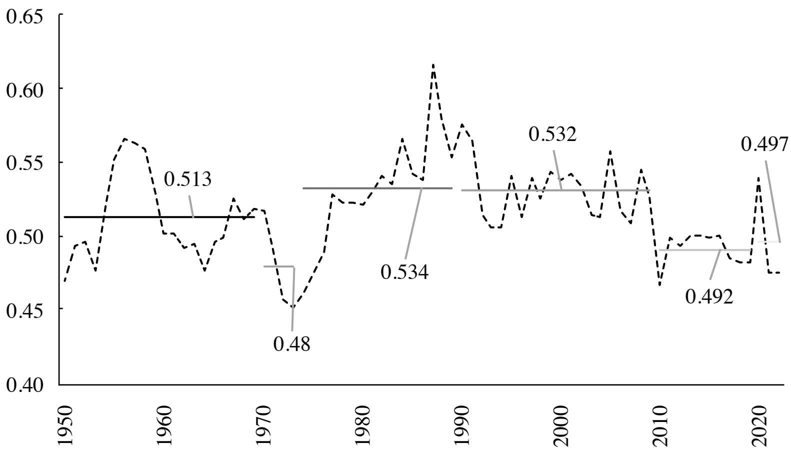
(i) General Trends in Income Distribution. Ruiz-Tagle (1998) examines the trajectory of the Gini coefficient in terms of per capita income between 1957 and 1997, using data from the University of Chile's Employment and Unemployment Data (EOD) Survey. His findings indicate that income distribution remained stable and moderately unequal until 1966, with a Gini index fluctuating around 0.45. It then increased to an average value of 0.49 during the second half of the 1960s, while under the UP government, it returned to its initial levels. However, starting with the dictatorship, inequality rapidly increased, with the Gini index surpassing the 0.5 threshold and reaching a historical maximum of 0.6 in 1987. According to Ruiz-Tagle (1998) and Ffrench-Davis (2018), during the early years of the transition, the Gini coefficient gradually declined and stabilised around 0.52, eventually decreasing further to 0.47 during Bachelet's second government (Ffrench-Davis, 2018).

The data presented in Figure 12, showing the evolution of the Gini coefficient for the period 1950-2017, appear to confirm these findings. It has been constructed using the author's own estimates based on EOD data and historical projections by

Rodríguez-Weber (2017). The data confirms the broad trends in inequality in Chile previously highlighted: 1) high inequality during the 1950s, 2) moderately high inequality during the 1960s, 3) a reduction to historic lows during the UP government (1970-1973) with an average Gini of 0.48, 4) an increase in inequality to extreme levels starting from the military dictatorship, 5) a marginal reduction and stabilisation of inequality in the 1990s and 2000s with an average Gini of 0.53, and 6) a nascent reduction in inequality to slightly below 0.5 during the 2010s and 2020s.

(ii) Wealth Concentration. Despite the nascent improvements in income distribution towards the end of the 2010s, a significant and enduring feature of inequality in Chile has been the high concentration of wealth since the beginning of the transition. Figure 13 shows that the share of wealth controlled by the top 1% increased steadily from 44% in 1998 to 56% in 2011, after which it declined slightly and stabilised around 50% up to the present day. This outcome aligns with the recent update on the map of extreme wealth (Fazio, 2023) and highlights a pronounced pattern of patrimonial capitalism (in the same sense developed by Thomas Piketty))in Chile, marked by the significant influence of both domestic and transnational economic groups in the ownership and operation of extractive, industrial, financial, and other private and public services sectors in the country, including water and energy supplies, mass media, health, education, and pensions (Solimano, 2018). The market power of these elites is further reinforced by their strong resistance to tax reforms intended to redistribute resources to the poorest and most vulnerable sectors.

Figure 12.
Chile, 1995-2022: Gini Coefficient based on per capita income



Source: The author, based on Chile's Employment and Unemployment Data (EOD) Survey and Rodríguez-Weber (2017)[32].

[32] https://www.microdatos.cl/projects/encuesta-ocupaci%C3%B3n-y-desocupaci%C3%B3n-gran-santiago

Figure 13.
Chile, 1995-2022: Share of the Wealthiest 1% in Total Pre-Tax Wealth (percentage)

Source: The author, based on World Inequality Database (WID) data[33].

SUMMARY REFLECTIONS

This essay has analysed the political evolution and productive stagnation that have characterised Chile over the past two decades. It has argued that the current state of affairs bears a significant resemblance to previous episodes in the country's history. The challenges faced by contemporary Chile[1] are part of a more long-standing historical phenomenon that I refer to as 'the Chilean paradox'[34]. The formulation of the problem closely follows the arguments of Pinto (1959, 1964, and 1973), in the sense that the inability to transform the main features that shape the country's semi-peripheral structure (low long-term growth, lagging productivity, concentration of productive and export matrices, limited technological content aggregation, high structural heterogeneity, and persistent inequality in the distribution of income and wealth) finds its roots in the mismatch observed between the workings of the political system, sluggish economic dynamics, and the rapid

[33] https://wid.world/data/

[34] Note that Moulian (1997) defines contemporary Chile as the country that has been dealing with, and continues to respond to the effects of the implementation and continuity of the neoliberal model first imposed in 1973.

cultural and material transformations that Chilean society has experienced during different stages of its history as an independent state. Furthermore, the essay has identified and explained why this problem is cyclical. Based on the above, the intention is to provide an appropriate theoretical framework to understand the structural and political-economic factors that should be considered in a strategy for structural change, a fundamental exercise that precedes the specific actions and methods of carrying out such transformations in peripheral and semi-peripheral societies.

Palma (2020) has characterised the emergence of social uprisings in Chile and other Latin American countries during 2019 as a 'Gramscian moment', in the sense that the organic crises represented by these movements consist—to cite Antonio Gramsci directly—'precisely in the fact that the old is dying and the new cannot be born' and that 'in this interregnum, a great variety of morbid symptoms appear' (Gramsci, 1999, p. 37). In light of the five years that have passed since Chile's 18-O social outbreak and the constitutional process it initiated, it has become reasonably clear that the 'hegemony' and the 'cultural battle' contested during that political cycle have repositioned the 'historic bloc' that established the neoliberal model in Chile. However, this is not the final lesson for sectors committed to achieving social transformation. Rather, it lies—to continue in Gramsci's vein—in understanding one of this theorist's interpretations that has been recurrently employed in various contexts and has been systematised by Portantiero (1977) to argue that the politics pursued by transformative political forces requires 'a specific tactic that addresses the concrete problems of national life and operates based on popular forces as they are historically determined' (Gramsci, 1926). Thus, the solution to the Chilean problem necessarily involves a clear understanding of the current social dynamics of those majoritarian sectors that have been mobilising since 2019 for profound changes in socioeconomic structures and a deeper, more participatory democracy.

Regarding this approach, the challenges Chile is currently facing, and the dilemmas arising from its development, find a persistent and highly resonant echo in the arguments presented by Osvaldo Sunkel 25 years ago, and which also serve as the conclusion to this essay. According to Sunkel (1999, pp. 79-80):

> Perhaps the common thread associated with the concerns and proposals around these issues is the search for a more radical conception of democracy. [This would involve a] more structured and broader participation of a strengthened civil society: less bureaucratic gigantism in both state and business, and tighter social control over both, exercised through a reinforced chain and denser network of citizen organizations to fulfil public functions and to represent, in particular, the weaker groups and sectors of society.

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STATISTICAL ANNEX

Table A.1.
Chile, 2014-2023: Main Macroeconomic Indicators

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Gross Domestic Product (GDP) Total a	1,8	2,2	1,8	1,4	4,0	0,6	-6,1	11,3	2,1	0,2
Final consumption expenditure a	2,7	2,9	4,1	3,8	3,6	0,7	-6,6	19,5	2,6	-3,9
Government consumption a	4,1	5,0	7,6	4,7	3,1	0,6	-3,5	14,1	6,5	1,7
Private consumption a	2,4	2,4	3,3	3,6	3,8	0,7	-7,4	21,0	1,6	-5,2
Gross capital formation a	-9,1	2,1	-4,5	0,0	9,7	1,3	-17,8	27,8	1,4	-5,3
Exports of goods and services a	0,5	-2,3	0,6	-1,0	4,9	-2,5	-0,9	-1,5	0,8	-0,3
Imports of goods and services a	-6,6	-0,9	1,2	4,5	8,6	-1,7	-12,3	31,9	1,5	-12,0
Investment rate (percentage of GDP) b	25,2	25,6	23,7	22,6	24,2	24,9	21,1	24,1	25,6	23,0
National savings	21,7	22,8	21,1	19,9	19,6	19,7	19,1	16,6	16,9	19,4
External savings	3,4	2,8	2,6	2,8	4,6	5,2	1,9	7,4	8,7	3,6
Macroeconomic Prices										
Consumer Price Index	4,6	4,4	2,7	2,3	2,6	3,0	3,0	7,2	12,8	3,9
Nominal exchange rate a	16,5	14,6	3,4	-4,1	-1,0	9,5	12,6	-4,0	14,9	-3,8
Real effective exchange rate (index 2015=100)	92,9	100,0	99,0	95,3	92,3	98,6	106,3	101,8	109,1	105,2
Employment Indicators										
Average real wages a	…	0,3	1,4	2,4	1,9	2,1	0,5	1,1	-1,8	1,9
Labor participation rate a	61,9	62,0	62,1	62,7	63,0	62,8	56,1	57,0	59,8	61,1
Unemployment rate a	6,5	6,3	6,7	7,0	7,4	7,2	10,8	8,9	7,9	8,7

(Continued)

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Visible underemployment rate a	9,5	9,0	9,6	9,5	9,4	9,5	7,2	5,9	5,0	…
Balance of Payments (Millions of dollars)										
Current account balance	-8.982	-6.631	-6.534	-7.616	-13.265	-14.505	-4.952	-22.962	-26.162	-11.899
Goods balance	6.731	3.576	4.951	7.490	4.409	3.016	18.917	10.305	3.729	15.323
FOB exports	75.324	62.120	60.769	68.904	74.838	68.792	74.024	94.604	98.557	94.557
FOB imports	68.594	58.544	55.819	61.414	70.430	65.776	55.108	84.299	94.827	79.234
Services balance	-5.656	-5.571	-5.479	-5.611	-7.341	-8.085	-7.472	-12.494	-15.599	-10.782
Income balance	-11.575	-5.984	-6.936	-10.756	-12.162	-10.411	-15.865	-17.947	-14.224	-17.009
Current transfers balance	1.519	1.348	929	1.260	1.829	974	-532	-2.827	-69	568
Capital and financial accounts d/	9.704	1.203	1.928	4.700	9.412	7.074	10.482	27.428	29.701	8.792
Net foreign direct investment	-15.448	-1.915	-3.487	-2.702	-6.096	-3.234	-5.049	-604	-5.030	-15.460
Other capital movements	5.049	-2.213	-2.549	-706	-6.639	-7.403	227	-36.803	-13.700	-1.673
Global balance	1.057	211	1.805	-2.750	1.397	-152	-2.895	12.211	-9.201	6.788
Change in reserve assets e/	-1.057	-211	-1.805	2.750	-1.397	152	2.895	-12.211	9.201	-6.788
Central Government (percentages of GDP)										
Total revenue	20,6	21,0	20,7	20,9	22,0	21,6	19,8	24,0	25,8	22,7
Tax revenue	16,5	17,4	17,2	17,2	18,1	17,7	16,1	18,9	21,0	17,6
Total expenditure	22,2	23,2	23,5	23,7	23,7	24,5	27,1	31,7	24,7	25,1
Current expenditure	18,1	18,8	19,4	19,9	20,0	20,7	23,7	28,4	21,2	21,7
Interest	0,6	0,7	0,7	0,8	0,9	0,9	1,0	0,9	1,0	1,1
Capital expenditure	4,1	4,3	4,0	3,8	3,7	3,8	3,4	3,3	3,5	3,5
Primary balance	-1,0	-1,5	-2,0	-1,9	-0,8	-1,9	-6,3	-6,8	2,1	-1,6

(*Continued*)

Indicators	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Activity Indicators										
Overall balance	-1,6	-2,2	-2,7	-2,8	-1,7	-2,9	-7,3	-7,7	1,1	-2,4
Central government debt	15,0	17,3	21,0	23,6	25,6	28,3	32,5	36,3	38,0	39,4
Domestic	12,3	13,9	17,3	19,2	20,3	22,3	25,0	23,5	24,5	25,3
External	2,7	3,4	3,7	4,4	5,3	6,0	7,5	12,8	13,5	14,1

Source: The author, based on data from ECLAC.a: annual variation rates.

ARTÍCULO

PROGRESISMO EN ECUADOR: POLÍTICAS SOCIOECONÓMICAS PARA EL BUEN VIVIR (2007-2017)

Jeannette Sánchez

Sánchez, J. (2025). Progresismo en Ecuador: políticas socioeconómicas para el buen vivir (2007-2017). *Cuadernos de Economía*, *44*(93), 197-235.

Este artículo busca hacer un balance del progresismo en Ecuador durante el Gobierno de Rafael Correa en el ámbito socioeconómico. Se busca valorar si las políticas desarrolladas en este Gobierno en un contexto específico lograron efectos en el desarrollo socioeconómico que trasciendan la época. Se consideran tres referentes teóricos aplicados para estudiar el caso: el neostructuralismo cepalino, el estado de bienestar y la economía social. Metodológicamente, se revisan las políticas socioeconómicas más importantes, se observa su coherencia con el proyecto político y se evalúan los resultados. El Gobierno buscó propiciar un modelo de desarrollo incluyente, solidario y sostenible ambientalmente, capaz de fomentar al Ecuador pospetrolero con mayor conocimiento y sostenibilidad, así como generar igualdad y el anhelado buen vivir. Las políticas socioeconómicas que más prevalecieron fueron las políticas redistributivas, que buscaron crear un estado de

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bienestar y universalizar servicios públicos clave, como la educación, la salud y la seguridad social. En este campo hubo avances. También se avanzó en la inversión pública en infraestructura, energía y conectividad. Menos avances se dieron en las políticas de innovación y desarrollo productivo. Así se evidencia una mejora en las capacidades humanas y de infraestructura social y productiva de Ecuador, que, sin embargo, no fueron suficientes para contrarrestar los efectos del cambio en el ciclo económico y político, y tampoco lo fueron para provocar una transformación productiva inclusiva y sostenible, que requiere acuerdos con los actores económicos de largo plazo.

Palabras clave: bienestar y pobreza; estado de bienestar; desarrollo económico; planificación y políticas de desarrollo; economía social; buen vivir; políticas sociales; salud; educación; seguridad social; políticas de economía laboral; políticas económicas; políticas industriales y regulación; gasto público.
JEL: E2, H5, I3, L5, O1, O2.

Sánchez, J. (2025). Progressivism in Ecuador: Socioeconomic policies for good living (2007-2027). *Cuadernos de Economía*, *44*(93), 197-235.

This article seeks to evaluate the progressivism in Ecuador, during the government of Rafael Correa, in the socioeconomic field. It seeks to assess whether the policies developed in that government, in a specific context, achieved effects on socioeconomic development that transcend the time. Three theoretical references applied to study the case are considered: ECLAC neostructuralism, the welfare state and social economy. Methodologically, the most important socioeconomic policies are reviewed, the coherence regarding the political project, and the results are evaluated. The government sought to promote an socially inclusive and environmentally sustainable development model, capable of promoting post-oil Ecuador with greater knowledge and sustainability, as well as generating equality and the desired good living. At the level of socioeconomic policies, those that most prevailed were redistributive policies, which sought to create a welfare state and universalize key public services, such as education, health and social security. There was progress in this field. Progress was also made in public investment in infrastructure, energy and connectivity. Less progress was made in innovation and productive development policies. In this way, an improvement is evident in the human capacities and social and productive infrastructure of Ecuador, which were not sufficient to counteract the effects of the change in the economic and political cycle, nor were they sufficient to provoke an inclusive, and sustainable productive transformation, which requires long-term agreements with economic actors.

Keywords: Welfare and poverty; well being; welfare state; economic development; development planning and policy; social economy; good living; social policies; health; education; social security; labor economics policies; economic policies; regulation and industrial policies; public expenditure.
JEL: E2, H5, I3, L5, O1, O2.

INTRODUCCIÓN

Ecuador, en las primeras dos décadas, posteriores al retorno a la democracia en 1979, no tuvo mayores logros sociales y económicos. Luego de una década perdida en los ochenta, y una década con una economía relativamente estancada en los noventa, que terminó con una profunda crisis bancaria y la dolarización oficial de la economía, se acabó con un deterioro importante en la estabilidad social y política. El producto interno bruto (PIB) per cápita de Ecuador en 2000 fue uno de los más bajo de Sudamérica, con USD 1450 a valores corrientes, apenas un tercio del promedio regional en ese año. El pobre desempeño social y económico antes y después de ese año fue acompañado de una gran inestabilidad política entre 1996 y 2006, periodo en el cual se contó con siete presidentes, esto es, un promedio de 1,5 años por presidente[1]. En estas condiciones, el sistema político ecuatoriano había colapsado, y luego de la crisis financiera de fines de los noventa, la confianza de la ciudadanía en los políticos y las instituciones se había deteriorado. Mientras tanto, el ciclo económico había empezado a cambiar a partir de 2004, cuando los precios de los *commodities*, particularmente del petróleo, principal producto de exportación ecuatoriano, empezaron a subir. En 2006, se convoca a elecciones presidenciales y Rafael Correa, un candidato fuera del *establishment* de los partidos políticos y prácticamente desconocido, que fue apenas tres meses ministro de Economía y Finanzas en el Gobierno de Alfredo Palacio, gana las elecciones en segunda vuelta a Álvaro Noboa, un candidato de mucho poder económico y reconocido empresario bananero.

El presidente Correa se presenta como un candidato de izquierda a favor de la justicia económica y social, y cuestiona las medidas económicas neoliberales, los privilegios institucionalizados y el modelo de desarrollo seguido. Correa es un defensor de las políticas redistributivas y del rol del Estado como impulsor de un desarrollo inclusivo y sostenible para Ecuador. El mandato de Correa que duró una década con tres subperiodos consecutivos de Gobierno entre 2007 y 2017, tuvo tasas de crecimiento económico positivas del PIB per cápita cercanas al 1,8 % promedio anual, mientras la década anterior entre 1995 y 2006 había crecido a un promedio anual del 1,4 %. Por otro lado, durante el Gobierno de Correa, la pobreza y la desigualdad disminuyeron, la infraestructura social y productiva se desarrollaron, así como la matriz energética, y particularmente eléctrica, se transformó hacia renovables; sin embargo, los problemas estructurales de la dependencia primaria exportadora y manufacturera importadora se mantuvieron. En cuánto incidió el ciclo económico favorable de los precios de los *commodities* versus las políticas públicas en el desempeño socioeconómico del país en este periodo es difícil decir, lo más probable es que hubo una combinación de ambos factores. Un *boom* económico de *commodities*, si bien mejora algunos indicadores económicos mientras opera el *boom*, sin políticas adecuadas, que activen y diversifiquen la producción interna, solo exa-

[1] Tres presidentes electos, tres presidentes por sucesión presidencial (uno interino), una vicepresidenta encargada de la Presidencia (por días) y una breve dictadura.

cerba los problemas estructurales y la dependencia sin dejar desarrollo, peor aún, igualdad. La pregunta planteada en este artículo es sí las políticas desarrolladas en el periodo de Correa en un contexto específico lograron efectos en el desarrollo socioeconómico que trasciendan la época, con un patrimonio fortalecido de capacidades humanas y productivas, y la infraestructura necesaria ampliada.

A fin de hacer un balance analítico del periodo correísta y responder la pregunta de investigación planteada, se plantea un marco teórico y metodológico particular.

En el campo teórico, este artículo se basa en una tríada de enfoques que se van incorporando y articulando a lo largo del análisis. En primer lugar, se considera el análisis de los problemas estructurales del desarrollo latinoamericano que provienen del neoestructuralismo cepalino (Comisión Económica para América Latina y el Caribe [Cepal], 2010, 2012, 2020, 2022; Cimoli et al., 2017; Cimoli et al., 2017; Sánchez et al., 2024), y que se aplica al caso ecuatoriano, relevando, sobre todo, los problemas de heterogeneidad estructural, restricción externa e insuficiencia dinámica de la acumulación del capital.

En segundo lugar, se toma en cuenta la categoría analítica y el ideal del estado de bienestar con autonomía relativa para la toma de decisiones, que trata de suplir las necesidades de seguridad de los ciudadanos con base en protección social, servicios sociales y regulaciones del mercado laboral, en el entendimiento clásico de Esping-Andersen (1993), Skocpol (1997), entre otros; en el contexto más latinoamericano, se consideran los aportes de Martínez Franzoni (2007), que alerta sobre regímenes de bienestar con mercados laborales ineficientes, políticas públicas débiles y un importante rol compensador de las familias y las mujeres; y en el caso ecuatoriano, Minteguiaga y Ubasart (2013), que, a su vez, resaltan la vigencia de un régimen de bienestar mixto aplicable al caso ecuatoriano, con alta informalidad laboral y un Estado que no alcanza a dar seguridad a toda la población, así como que debe complementarse con las redes familiares y comunitarias de seguridad y protección social, sobre todo en los grupos de mayor pobreza.

En tercer lugar, se acoge el enfoque de economía social y solidaria planteada por Coraggio (2011) y Laville (2009), para interpretar y evaluar las propuestas del buen vivir y el sistema económico social y solidario, entendiendo la economía social como una economía que construye sociedad y la economía solidaria como una economía que apoya a que esa construcción resulte en una sociedad más justa. Ello involucra tanto las relaciones interpersonales solidarias como la solidaridad sistémica, democrática, aquella que se basa en derechos garantizados por un Estado democrático. Estas son relaciones que ponen los cimientos para la construcción de otro sistema económico, como el que visualiza el paradigma del buen vivir.

En el campo metodológico, primero, se analizan las principales políticas socioeconómicas buscando develar su consistencia con los objetivos fundamentales del proyecto político y, segundo, se contrastan estas propuestas con los resultados obtenidos. Estos resultados a su vez serán comparados con el comportamiento promedio regional o con periodos previos, para aislar el efecto del ciclo de *commodities* donde sea posible.

Este artículo busca hacer un balance de las políticas socioeconómicas del periodo de Correa que enfrentó un contexto económico favorable, un choque externo (crisis financiera de Estados Unidos) y el cambio de ciclo de los precios de los *commodities* en los últimos años de su mandato. En este contexto, y frente a los serios problemas estructurales asociados a las brechas sociales y productivas internas y a la restricción externa de la economía ecuatoriana, el nuevo Gobierno propuso un modelo de desarrollo distinto basado en el conocimiento, incluyente y asentado en la diversidad de actores productivos, con la capacidad de ser sostenible ambientalmente, capaz de fomentar al Ecuador pospetrolero, y generar igualdad en el proceso. Se planteó como objetivo final construir las condiciones para el buen vivir de sus ciudadanos, que buscaba una tríada de armonías: la armonía y realización individual, la armonía con la comunidad y entre comunidades, así como la armonía con el medio ambiente. Para ello, buscó impulsar un sistema económico social y solidario; crear las bases para un estado de bienestar con el referente de los Estados europeos, pero aterrizado a la realidad y las condiciones de la sociedad y la economía ecuatoriana, e impulsar una transformación productiva que cambiara la matriz de producción y especialización productiva basada en el petróleo y otros productos primarios, que cambiara la matriz distributiva que generaba desigualdad, así como modificara la matriz de un consumo imitativo, importado e insostenible económica y ambientalmente. Se propuso impulsar un modelo de desarrollo basado en mayor conocimiento e innovación, mayor inclusión y mayor sostenibilidad ambiental.

Para ello, este Gobierno fue muy activo en la implementación de una serie de políticas en varios ámbitos. Este artículo se focalizará solo en las políticas socioeconómicas porque son las que pretendieron incidir en el modelo de desarrollo y en las condiciones de bienestar buscado, así como se analizan sus resultados.

De este modo, el trabajo empieza haciendo una contextualización de la llegada del Gobierno de Correa. En segundo lugar, se analizan los principales hitos y resultados de las políticas sociales y económicas del periodo. En tercer lugar, se analiza el desencanto político poscorreísta. Finalmente, se termina con algunas reflexiones y conclusiones que buscan aportar al debate de políticas públicas en el contexto latinoamericano, sobre la base de evaluar sus importantes aciertos y también sus debilidades, que podrían ser superadas para futuros actores de la política pública.

CONTEXTO DE LA LLEGADA DE UN GOBIERNO DE IZQUIERDA EN ECUADOR

Ecuador empieza su nuevo periodo democrático desde 1979, con dos décadas de relativo estancamiento económico y pobre desempeño social. Los ochenta fueron años difíciles no solo para Ecuador, sino para América Latina en general, caracterizados por la crisis de la deuda externa. La Cepal caracterizó esta década como la década pérdida en términos económicos y sociales. De hecho, Ecuador decrece en términos de ingreso nacional bruto per cápita[2]. Los años noventa que prosiguieron fueron años también complejos para Ecuador, con políticas socioeconómicas influenciadas por el Consenso de Washington, que promovían políticas neoliberales favorables a la apertura y liberalización económica, así como al ajuste fiscal. Ecuador culmina los noventa con un lento crecimiento[3] y la más grave crisis financiera interna del último periodo democrático, que incluyó un feriado bancario, el congelamiento de depósitos y el cambio de la moneda nacional al dólar estadounidense. Estas circunstancias económicas y la débil institucionalidad y política pública desarrollada generaron una gran conflictividad social e inestabilidad política durante una década. Siete presidentes se sucedieron en once años, entre 1996 y 2006. En este contexto, el pueblo ecuatoriano eligió en 2006 como su presidente a un *outsider* de la política, Rafael Correa, que entra auspiciado por un movimiento político nuevo denominado Alianza País, que agrupó a varios movimientos y partidos políticos de la izquierda ecuatoriana[4]. Cabe desatacar el rol relevante que tuvieron en estos resultados, la persistente resistencia antineoliberal, la caída de Gobiernos percibidos como tales y el papel de los movimientos sociales y su lucha por agendas más inclusivas. Sin bien el crecimiento económico atado al nuevo ciclo favorable de *commodities* ya empieza en 2004 (figura 1), en los Gobiernos de Lucio Gutiérrez, quien no terminó su gestión, y su sucesor (no electo) Alfredo Palacio, la inestabilidad política persistía. Correa abre una nueva etapa política en Ecuador de casi once años de duración, caracterizada por una importante estabilidad política, con un periodo inicial de 2007 a 2009, en que se emite una nueva Constitución Política (2008), un nuevo mandato de 2009 a 2013, y una reelección de 2013 a 2017, que ya coincidiría con el cambio de ciclo económico.

El discurso de Correa y Alianza País fue un discurso autoidentificado como de izquierda que confrontó las políticas neoliberales y que se planteó como objetivo la justicia social, disminuir la desigualdad, retomar la ruta del desarrollo y una profundización de la democracia, y por ello propuso la consigna de la Revolución Ciudadana, que más tarde sería la nominación del nuevo partido político que auspiciaría este movimiento. Su proyecto político incluyó la Asamblea Constituyente encargada de redactar una nueva constitución política del país en 2008, que se entendió como un gran pacto social sobre un nuevo proyecto político de modelo de desarrollo, de convivencia ciudadana, del rol del Estado y de la cuestión pública.

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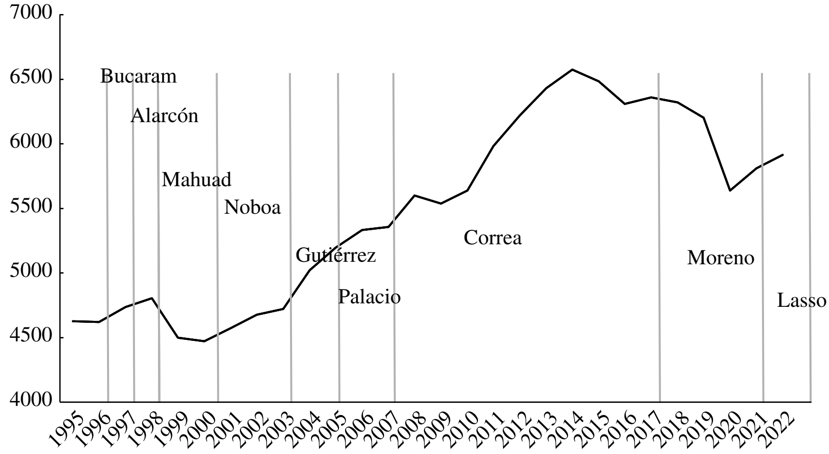
2 El ingreso nacional bruto per cápita a valores constantes decreció el 6 % en los ochenta (Banco Mundial [BM], 2024).

3 Ecuador crece apenas un 3 % el ingreso nacional bruto a valores constantes en los noventa (BM, 2024).

4 Alianza País emerge como una coalición política formada por más de 30 organizaciones políticas y sociales: Movimiento País, Partido Socialista Ecuatoriano, Nuevo País, Acción Democrática Nacional, Iniciativa Ciudadana, Movimiento Ciudadano por la Nueva Democracia, Ruptura de los 25, Alianza Bolivariana Alfarista, Alternativa Democrática, y más movimientos y organizaciones indígenas, campesinas y sindicales (Alianza País, s. f.).

Figura 1.

Ecuador: producto interno bruto (PIB) total anual por habitante a precios constantes en dólares (dólares por habitante)

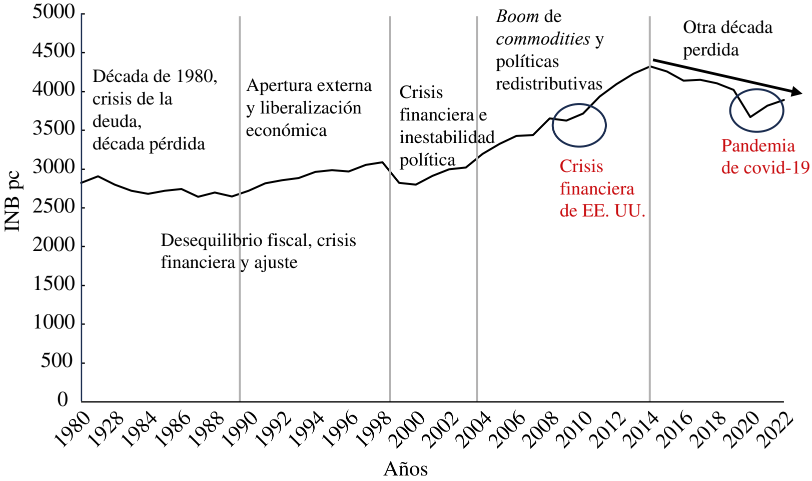


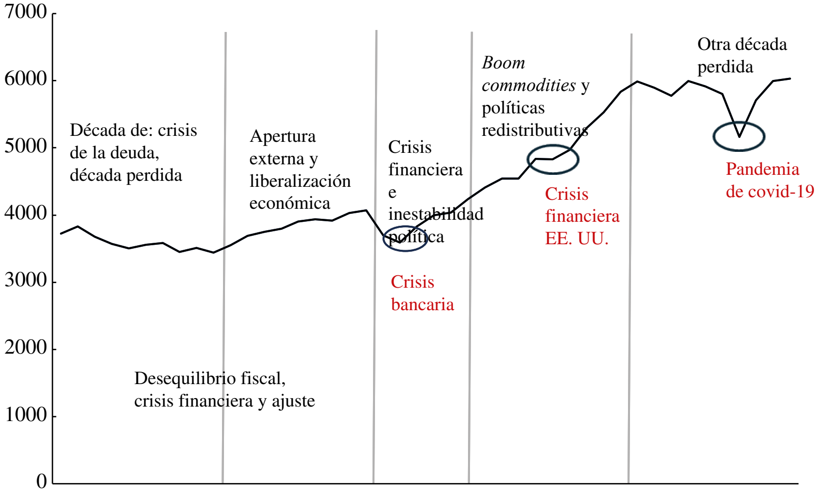
Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

La llegada de Alianza País, por otro lado, coincide con un ciclo económico positivo, dado por un *boom* de los precios de las materias primas, con precios favorables para el principal producto de exportación ecuatoriano, el petróleo, fuertemente llevado por la emergencia de la economía china, que empieza en 2004 y culmina en 2014 (figura 2). Sin embargo, no todo fue positivo en el contexto económico del periodo. El Gobierno correísta tuvo también que enfrentar contingencias de la naturaleza con las inundaciones provocadas por el fenómeno de El Niño al comienzo del mandato (2007), la crisis financiera de Estados Unidos en 2008 y la crisis de la balanza comercial subsiguiente, con la caída importante de los precios del petróleo en 2009 y 2010, la época *pos-boom* con un desplome en los precios de petróleo en los últimos años de Gobierno a partir de 2014 y un terremoto que afectó gravemente la costa ecuatoriana en 2016.

Ecuador siguió un perfil de desempeño económico, considerando el PIB per cápita, muy parecido al promedio de la región y al de los países andinos, antes y durante el *boom* de *commodities*; pero decrece más que el promedio de la región en el *pos-boom,* particularmente de los países andinos (figura 3), en parte por su mayor dependencia de las exportaciones de petróleo (entre el tercio y la mitad de las exportaciones totales) que el resto de países, al igual que Venezuela, cuya caída es aún más alta por su mayor dependencia de este *commodity* (entre el 80 y el 90 % de sus exportaciones totales). Por otro lado, como se verá más adelante, las implicaciones en el desempeño social también tendrán sus propios matices comparativamente. Las instituciones y las políticas estarían atrás de esos resultados, más allá de los factores externos, como se analizará más adelante.

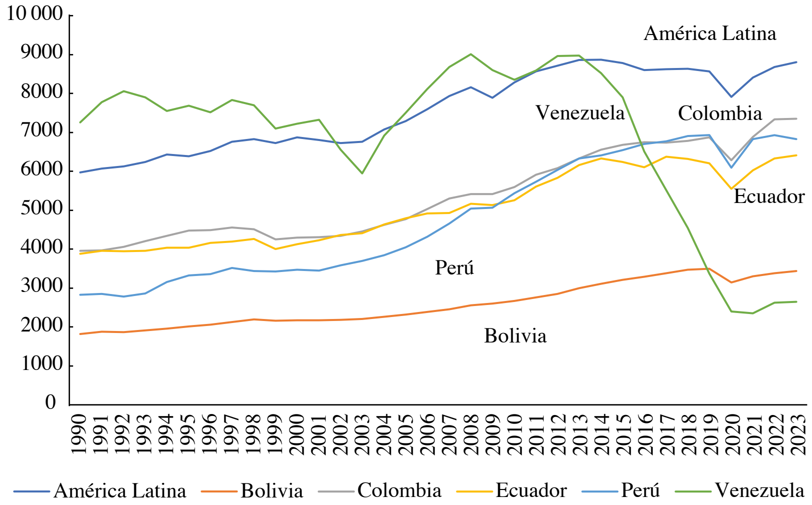
Figura 2.
Ecuador: ingreso nacional bruto per cápita, dólares constantes de 2015 (1980-2022)





Fuente: elaboración propia con base en datos de Cuentas Nacionales del Banco Mundial (BM, 2024).

Figura 3.
Producto interno bruto (PIB) total anual por habitante en dólares constantes de 2018 (dólares por habitante)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

En estas condiciones económicas y políticas, se desarrolla el periodo correísta que pondría su propia impronta en términos de política pública, con resultados que se evaluarán en la siguiente sección, particularmente en materia económica y social.

HITOS Y RESULTADOS DE LA POLÍTICA SOCIAL Y ECONÓMICA

En esta sección, se pondrá énfasis en las políticas socioeconómicas, empezando por un análisis de la Constitución Política de Ecuador de 2008, como un principal hito relevante en la partida del periodo correísta, que enmarca la cascada de políticas que se sucederían después de su promulgación durante este periodo.

La Constitución Política de 2008

El hito más relevante de partida que tiene esta etapa es sin duda la Constitución Política de Ecuador de 2008, que significa en lo político una gran apuesta a un proyecto político progresista que planteó una diferencia con la Constitución Política de 1998, que fue una constitución en lo económico de corte más empresarial y de mercado (Paz y Miño, 2007), si bien en lo social avanzó en el reconocimiento de derechos sociales. Según Paz y Miño (2019), la Constitución de 2008 dio continuidad a constituciones progresistas previas en Ecuador, como las de 1929, 1945 y

1979. La Constitución de 2008, en relación con la Constitución de 1998, propone un modelo económico distinto social y solidario, avanza en reconocer derechos sociales y económicos más contemporáneos y derechos ambientales vanguardistas, y proclama un Estado plurinacional (Acosta, 2008). Como sostiene Coraggio (2011), la Constitución hace una definición sustantiva de la economía centrada en el buen vivir de los ciudadanos y, para ello, define el ideal de un sistema económico social y solidario que incorpora, además, las preocupaciones ambientales, donde el interés del trabajo y de la vida están por encima del interés del capital.

Las constituciones de 1998 y 2008 expresan, a decir de Paz y Miño (2019), la pugna histórica de dos modelos económicos: por un lado, un modelo económico basado en una economía abierta, con el supuesto implícito de que la empresa privada y el mercado libre apoyarían la modernización y el progreso; y, por otro, un modelo basado en la idea de que el Estado tiene un rol clave para impulsar una economía social y solidaria, con garantía de derechos laborales, derechos sociales y amplios servicios clave, como la educación, la salud y la seguridad social, precautelando los recursos naturales y estratégicos, así como el ambiente. Se entiende la economía social y solidaria como un conjunto de normas, valores, instituciones y prácticas que tiene la sociedad para organizar la producción, la distribución, la circulación y el consumo de bienes y servicios que resuelven sus necesidades y deseos legítimos (responsables con la comunidad y el ambiente), permitiendo la reproducción ampliada de la vida no solo de las generaciones actuales sino futuras, y de su territorio (Coraggio, 2011).

La Constitución de 1998 proponía, en lo teórico, algunos avances, particularmente en lo social, pero en lo económico es una propuesta más bien conservadora. Planteó el Estado como un Estado social de derecho, soberano, unitario, independiente, democrático, pluricultural y multiétnico. En lo social, esta constitución avanzó en los derechos civiles y políticos, así como en los derechos sociales, particularmente de ciertos grupos, reconociendo los derechos de los indígenas, de los niños y las niñas, de las mujeres, y de las personas con discapacidad. Si bien hubo avances en los derechos individuales y de grupos, no se avanzó en los derechos económicos, sobre todo aquellos referidos al trabajo. En lo económico, por otra parte, denota límites; si bien se plantea una economía social de mercado, con la coexistencia del sector privado y público, no se reconoce la existencia de la economía popular y solidaria, ni tampoco se alerta sobre la desigualdad y la misión de enfrentarla. En definitiva, se tenía una confianza más centrada en el interés privado y el mercado que en la cuestión pública. Finalmente, los temas ambientales son más bien acotados.

La Constitución de 2008, en cambio, plantea una nueva forma de convivencia ciudadana, en diversidad y armonía con la naturaleza, para alcanzar lo que se reconoce como el buen vivir, o *sumak kawsay*[5]. Se reconoce el Estado como un "Estado constitucional de derechos y justicia, social, democrático, soberano, independiente, unitario, intercultural, plurinacional y laico" (Constitución de la Repú-

[5] Palabra en el idioma nativo quichua que significa "buen vivir".

blica del Ecuador, 2008, art. 1). El buen vivir se define como la articulación de una trilogía de armonías: la armonía individual, la armonía con la comunidad y entre las comunidades, así como la armonía con la naturaleza. La armonía individual, por su parte, busca el desarrollo del potencial individual, la reproducción ampliada de la vida y el goce pleno de los derechos humanos para alcanzar la felicidad. La armonía con la comunidad y entre comunidades precautela el nivel relacional, buscando un buen convivir, promover la igualdad y reducir las disparidades. Finalmente, la armonía con el ambiente busca el respeto al entorno natural, fuente de la vida, y la garantía de un desarrollo sostenible.

En el campo económico, esta constitución propone un "sistema económico social y solidario" que busque una "relación dinámica y equilibrada entre sociedad, Estado y mercado, en armonía con la naturaleza; y tiene por objeto garantizar la producción y reproducción de las condiciones materiales e inmateriales que posibiliten el buen vivir" (Constitución de la República del Ecuador, 2008, art. 283). Además, se visibiliza y norma por primera vez a los actores de la economía popular y solidaria (EPS). Establece tres formas de organización económica: pública, privada (empresarial) y la popular y solidaria, así como la necesidad de que se definan políticas específicas para cada uno. De este modo, en esta constitución, se busca considerar a todos los sujetos económicos de la economía plural y heterogénea ecuatoriana, y compensar las brechas en productividad sistémicas (Sánchez, 2014). En la práctica, el Gobierno no tuvo la mejor relación con el sector privado empresarial, y pese a que buscó apoyar el sector de la EPS, con una arquitectura institucional y una ley específicas, desarrolló más la parte de la supervisión y el control que la parte de fomento. Por último, se replanteó el rol y alcance de instituciones clave como el Banco Central, eliminándose su autonomía y su sujeción no solo con la estabilidad monetaria y financiera, sino con el desarrollo del país.

La dimensión ambiental encuentra un espacio importante en esta constitución. La Constitución de 2008 da por primera vez derechos a la naturaleza y reconoce como un derecho de la población vivir en un ambiente sano y ecológicamente equilibrado, que garantice la sostenibilidad y el buen vivir. Se declara, además, de interés público la preservación del ambiente, la conservación de ecosistemas, la biodiversidad y la integridad del patrimonio genético del país, para lo que se incluye la prevención del daño ambiental y la recuperación de espacios naturales degradados. Por ello, se propone un modelo sustentable de desarrollo, ambientalmente equilibrado, respetuoso de la diversidad cultural, que conserve la biodiversidad y la capacidad de regeneración de los ecosistemas, y que asegure la satisfacción de las necesidades de las generaciones presentes y futuras. Se protege, por otro lado, la soberanía de los recursos naturales, particularmente de los recursos no renovables, que pertenecen al "patrimonio inalienable, irrenunciable e imprescriptible del Estado" (Constitución de la República del Ecuador, 2008, art 1). También se establecen prioridades para el uso de los recursos naturales, como la soberanía alimentaria y energética, el derecho humano y la prioridad del consumo humano del agua sobre otros usos. Se propicia la incorporación de valor agregado a los recursos naturales, pero dentro de los límites biofísicos de la naturaleza y el respeto a la vida y las culturas.

En el campo social, se plantea un sistema de integración y equidad social, entendido como un conjunto articulado y coordinado de sistemas, instituciones, políticas, normas, programas y servicios que aseguran el ejercicio, la garantía y exigibilidad de los derechos reconocidos en la Constitución. Es decir, hay un esfuerzo de entender y plantear más integralmente los servicios básicos y fundamentales públicos (educación, salud, seguridad y protección social, agua y saneamiento, energía y vivienda) para el funcionamiento pleno de las capacidades de las personas. En ese sentido, hay una mayor cercanía a pensar un estado de bienestar como aquel de los países europeos, si bien adaptado a las condiciones nacionales, caracterizadas por un mercado laboral con alta informalidad, y una limitada contribución tributaria y a la seguridad social. También hay un intento de asegurar mejor los alcances de esos servicios: gratuidad de educación superior, obligatoriedad de la educación hasta el nivel secundario, acceso universal al sistema integrado de salud, entre otros. Particular mención merece el reconocimiento del derecho a la seguridad social de las personas que realizan trabajo no remunerado en los hogares y en el campo, como también de los trabajadores autónomos.

Existe, por otra parte, un reconocimiento del derecho al trabajo. El artículo 33 de la Constitución del Ecuador de 2008 plantea que el trabajo "es un derecho y un deber social, y un derecho económico, fuente de realización personal y base de la economía. El Estado garantizará a las personas trabajadoras el pleno respeto a su dignidad, una vida decorosa, remuneraciones y retribuciones justas y el desempeño de un trabajo saludable y libremente escogido o aceptado". La Constitución de 2008 introduce la figura del salario digno, que es aquel que cubre al menos las necesidades básicas de los trabajadores y de sus familias, y que será inembargable, salvo para el pago de pensiones por alimentos. El salario digno luego fue operacionalizado por el Código Orgánico de la Producción, Comercio e Inversiones en 2010. Además, a fin de proteger los derechos de los trabajadores, se penaliza el incumplimiento de obligaciones y el fraude en materia laboral, que se reforzaría y especificaría más tarde, con una consulta popular en 2011, donde se consultó a la población si estaría de acuerdo con tipificar como infracción penal la no afiliación al Instituto Ecuatoriano de Seguridad Social (IESS), lo cual, en efecto, se tipificó en 2014 con la promulgación del nuevo Código Orgánico Integral Penal.

Finalmente, otro elemento de diferenciación importante con respecto a la Constitución de 1998 es la importancia que da la Constitución Política de 2008 al Sistema Nacional de Planificación del Desarrollo. Existe una mayor preocupación por construir un Estado capaz de garantizar los derechos establecidos con capacidad de planificar y hacer políticas públicas para ese fin. Ello dio lugar en la práctica al fortalecimiento de la Secretaría Nacional de Planificación del Desarrollo (Senplades), y de sus capacidades para el diseño, el monitoreo y la evaluación de los distintos planes nacionales del buen vivir[6]. Desde la Senplades se impulsó la reforma del Estado y sus instituciones para adecuarlas a las necesidades de una política pública que buscó ser activa y central para la transformación social y económica que se buscaba.

En definitiva, la Constitución de 2008 se acerca más a la idea de las economías sociales de mercado de Europa o a los socialismos modernos de Canadá o los países nórdicos europeos (Paz y Miño, 2019), con un mayor avance en la parte ambiental, el ideal de un sistema social y solidario, así como la idea del buen vivir en sus múltiples facetas sociales, económicas, relacionales y ambientales.

LAS POLÍTICAS SOCIOECONÓMICAS

Las políticas socioeconómicas fueron uno de los aspectos más relevantes de la acción de esta etapa del progresismo que intentó recuperar el rol del Estado para impulsar el sistema económico social y solidario, estimular el desarrollo sostenible, impulsar un estado de bienestar fortaleciendo las capacidades y potencialidades individuales y colectivas, así como promover la igualdad para el buen vivir.

Estas políticas partieron de la interpretación de problemas estructurales clave de la economía ecuatoriana, entre ellos: a) la heterogeneidad estructural interna, con sectores económicos con elevadas diferencias en las productividades, condiciones de trabajo y poder en el mercado, que originaba la desigual distribución y la reproducción dinámica de la desigualdad; b) una dinámica de acumulación del capital débil y volátil caracterizada por una baja inversión pública y privada (18 % del PIB en 2006); c) la dependencia de una economía basada en pocas exportaciones primarias (72 % de las exportaciones totales en 2006), lo cual vulneraba su economía y su sistema monetario dolarizado y provocaba una restricción externa a su desarrollo, y d) una economía rentista altamente excluyente que privilegiaba el capital sobre el trabajo. En el campo social, se problematizó, sobre todo, la pobreza (35,6 % en 2006), la desigualdad (índice de Gini de 0,5 en 2006), el bajo nivel de educación de calidad, la desnutrición infantil, entre las más altas en América Latina (23,9 % de desnutrición crónica infantil [DCI] en 2004), un sistema desintegrado y debilitado de atención a la salud pública, la informalidad (alrededor del 50 % de la población ocupada en 2006) y su contraparte, la escasa cobertura de la seguridad social (28 % de afiliados a la seguridad social de los ocupados en 2006) y la falta de oportunidades de desarrollo, sobre todo, para mujeres, indígenas y afroecuatorianos.

En consideración a ello, las políticas socioeconómicas que derivaron de la nueva Constitución se articularon operativamente en planes de desarrollo[7] durante los

[6] Plan Nacional de Desarrollo 2007-2010, Plan Nacional para el Buen Vivir 2009-2013 y Plan Nacional para el Buen Vivir 2013-2017.

[7] Hubo tres planes de desarrollo: Plan de Desarrollo 2007-2010, Plan Nacional para el Buen Vivir 2009-2013 y Plan Nacional del Buen Vivir 2013-2017.

tres momentos de la etapa correísta y se organizaron en dos ejes fundamentales: a) el eje económico que se encaminó en dos tareas fundamentales: el impulso de la economía social y solidaria y del desarrollo sostenible, y b) el eje social que se articuló en una serie de políticas sociales que buscaron cimentar un estado de bienestar. Existieron, además, dos macroestrategias importantes que acompañaron este proceso: la estrategia de cambio de matriz productiva y la estrategia de equidad y erradicación de la pobreza.

Este análisis, por supuesto, no agotará todas las políticas que fueron muy dinámicas en este periodo y solo se considerará lo que a criterio de la autora encaja en las propuestas fundamentales del modelo de desarrollo y el estado de bienestar buscado.

POLÍTICAS ECONÓMICAS PARA LA ECONOMÍA SOCIAL Y EL DESARROLLO SOSTENIBLE

El Gobierno correísta impulsó políticas y propuestas no solo en el contexto nacional sino internacional para apoyar un desarrollo sostenible y abrir lazos de coordinación y cooperación.

En el campo internacional y, particularmente, regional, el Gobierno durante este periodo impulsó los espacios de coordinación e integración tanto política como económica. Se impulsaron, por ejemplo, las instancias multilaterales regionales, como la Unión de Naciones Suramericanas (Unasur) y la Comunidad de Estados Latinoamericanos y Caribeños (CELAC), así como la propuesta de una nueva arquitectura financiera regional[8], junto con otros Gobiernos progresistas de la época. La propuesta de la nueva arquitectura financiera buscó crear institucionalidad financiera y monetaria para usar los propios recursos de la región tanto para financiar inversiones estratégicas como para apoyar países en mayor necesidad, atender contingencias tanto naturales como económicas y facilitar el comercio intrarregional con menor dependencia del dólar. Estas iniciativas, sin embargo, tuvieron muy pocos logros concretos.

En relación con las iniciativas y políticas económicas nacionales, cabe identificar al menos dos grupos de políticas: a) las políticas dirigidas a fortalecer el sistema económico social y solidario y b) las políticas dirigidas a promover el desarrollo sostenible, que a su vez incorporaron las políticas destinadas a cambiar la matriz productiva y energética para confrontar los problemas de la restricción externa del país.

[8] La nueva arquitectura financiera incluyó la propuesta del Banco del Sur y el Fondo de Reservas Regional que apoyen a reciclar el propio ahorro de los países de la región para financiar inversiones de interés estratégico y de soporte a países de mayor necesidad, y apoyar posibles contingencias de balanza de pagos. Estas iniciativas no se concretaron. Finalmente, consideró el Sistema Unitario de Compensación Regional (SUCRE), que consistía en un sistema de compensación monetaria destinado a facilitar el comercio dismunuyendo la presión por el dólar, que se llegó a aplicar parcialmente.

Políticas dirigidas a fortalecer el sistema económico social y solidario

El Gobierno correísta fue muy activo en emitir normas, regulaciones y políticas tanto de control como de fomento, y adecuó la institucionalidad para ampliar los mecanismos sistémicos de la economía social y solidaria. La economía social debe aportar a construir sociedad, no cualquier sociedad, sino una justa, que desarrolle e impulse distintas formas de solidaridad, desde el Estado y sus mecanismos redistributivos y regulatorios, así como desde la misma sociedad, capaz de cambiar las relaciones de producción y distribución, y de articular la producción y reproducción, que el mercado invisibiliza y separa. Si bien las medidas adoptadas por el correísmo no planteaban otro orden económico y otras relaciones de producción, sí defendieron, en general, los intereses del ser humano y de la vida respecto al interés del capital, en el intento de construir desde adentro una economía más social y solidaria (Sánchez, 2017). Entre las medidas destacables en esta dirección, se pueden citar las siguientes:

Primero, para evitar la captación de beneficios económicos por pocos grupos privados, los abusos de control de poder de mercado y regulaciones sesgadas a ciertos intereses particulares, se tomaron algunas acciones importantes. Por un lado, para evitar el abuso de control de poder de mercado, se planteó una ley específica (Ley Orgánica de Regulación y Control y Poder del Mercado, 2011), que creó una superintendencia especializada y dedicada a la regulación y el control de este tipo de abusos económicos. Por otro lado, se emitió el Código Orgánico Financiero y Monetario (2014) para regular el sistema financiero y monetario, así como el régimen de valores y seguros del Ecuador, que había crecido sin mayor control. Esta ley también puso límites a los créditos vinculados[9] y dotó de mayores condiciones de seguridad financiera sistémica. Además, para tratar de recuperar el sentido público del conocimiento[10] y dar una función social a la creatividad e innovación, sin perder los incentivos para su desarrollo, se deroga la Ley de Propiedad Intelectual vigente, y en 2016 se emite el Código Orgánico de la Economía Social de los Conocimientos, Creatividad e Innovación, que buscaba, además, superar los problemas estructurales de acceso al conocimiento, la innovación y tecnología desde las condiciones de un país en desarrollo dependiente de los conocimientos del mundo desarrollado (Ramírez, 2016). Finalmente, se descorporativizaron las instancias de toma de decisiones en materia económica, para lo que se retiró a los representantes del gran capital financiero, productivo o comercial de las instancias de regulación y decisión de las políticas públicas que habían estado operando, por ejemplo, desde la Junta Monetaria y Financiera y desde el Comité de Comercio

[9] Créditos vinculados fueron los créditos, las garantías o los avales otorgados a personas naturales o jurídicas directamente relacionadas con la Administración o con aquellas que directa o indirectamente tenían propiedad del banco, que se dieron en el Ecuador y que fueron uno de los factores de la crisis bancaria de fines de los noventa.

[10] La propiedad intelectual es una excepción al dominio público del conocimiento.

Exterior, con el objetivo de que estas instancias regulatorias mantengan autonomía de grupos de interés particular.

Un segundo elemento de cambio importante fue el criterio de prioridad en la estabilidad macroeconómica, se privilegió la estabilidad de la economía real, esto es, del empleo y la producción, frente a la estabilidad monetaria y financiera, que, sin embargo, buscó la seguridad financiera sistémica. El Gobierno creó, por ejemplo, el impuesto a la salida de divisas (ISD), para controlar la salida de capitales, el coeficiente de liquidez interno, entre otros, con el objetivo de evitar la salida de dólares que podrían arriesgar la dolarización y la economía del país. El sistema financiero y monetario estuvo sujeto a los objetivos de estabilidad de la economía real, si bien esta decisión no estuvo ajena a tensiones y constantes desafíos, sobre todo en los momentos de problemas económicos, como la crisis financiera de Estados Unidos de 2008 y el cambio de ciclo económico de 2014.

Tercero, y en dirección a ampliar el acceso a activos productivos, el Gobierno tuvo varias iniciativas. En el campo financiero, movilizó, capitalizó y fortaleció a la banca pública para favorecer el crédito particularmente en grupos y sectores donde el sistema financiero privado no llegaba con costos y condiciones razonables (Corporación Financiera Nacional, Banco del Estado, Banco Nacional de Fomento, Corporación Nacional de Finanzas Populares, Banco del Pacífico). Reguló también la banca privada (Código Orgánico Monetario Financiero de 2014 y regulaciones de la Junta Monetaria y Financiera) y las operadoras de finanzas populares (creó la Corporación Nacional de Finanzas Populares en la Ley de Economía Popular y Solidaria de 2012) para ampliar los servicios financieros a distintos sectores del mercado, mejorar la eficiencia y reducir los costos. Se definieron e implementaron, además, instrumentos y controles para un adecuado manejo del riesgo sistémico. En el campo productivo, se gestionaron varias leyes que buscaron mejorar el uso y ampliar el acceso a recursos clave, como el suelo, los alimentos y el agua, a través de leyes como la Ley Orgánica de Recursos Hídricos, Usos y Aprovechamiento del Agua (2014), la Ley Orgánica de Tierras Rurales y Territorios Ancestrales (2016) y la Ley Orgánica de Régimen de la Soberanía Alimentaria (2010).

Cuarto, respecto a la retribución al trabajo y el capital, el Gobierno reguló para mejorar la distribución entre los ingresos del capital y del trabajo. Creó una política de salario dignidad que consistió en ajustar el salario mínimo más allá de la inflación y la mejora en productividad, incluyendo un concepto de equidad, hasta lograr cubrir la canasta básica familiar[11]. De hecho, el salario mínimo vital más que duplicó entre 2007 y 2017, mientras el índice de precios apenas aumentó un 46 % en el mismo periodo (Cepal, 2024). También se legisló para favorecer la estabilidad de los trabajadores. Se eliminó, por ejemplo, la tercerización laboral en actividades directas de las empresas, y la contratación por horas que habían sido

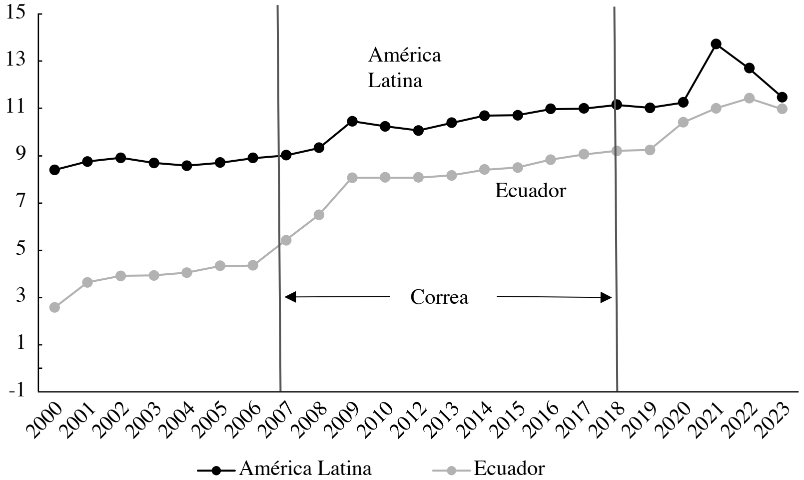
[11] El cálculo del costo de la canasta básica familiar en Ecuador se hace considerando una familia promedio de cuatro miembros, en la que 1,6 personas ganan al menos un salario básico.

distorsionadas y aprovechadas para precarizar el trabajo de muchos empleados, así como se hizo una fiscalización activa del cumplimiento de la afiliación a la seguridad social de los trabajadores por parte de los patronos.

Quinto, en el campo de la política fiscal, se impulsó una política redistributiva y de fomento al desarrollo, tanto respecto a los ingresos como al gasto y la inversión pública. En cuanto a los ingresos, se impulsó una política tributaria más progresiva, y se gestionó mejor la recaudación, lo que permitió el aumento de la participación de la contribución tributaria del Gobierno general en el PIB en alrededor de 5 puntos, pasando del 14,5 al 20,2 % del PIB entre 2006 y 2017 (Cepal, 2024). Esta política tributaria, junto a las reformas a la captura de las rentas petroleras y los mayores ingresos petroleros, permitió financiar el programa de Gobierno: el gasto social que se financió principalmente con ingresos permanentes provenientes de los ingresos tributarios y el programa de inversión pública que se financió principalmente con los ingresos petroleros y la deuda pública. Con ello, se dio paso a una redistribución importante no solo social sino territorial, y se canalizó la inversión de largo plazo de las rentas petroleras.

En cuanto a los gastos, se activó la inversión social y creció su importancia macroeconómica: el gasto social en educación, salud, protección social y vivienda pasó del 4,4 al 9,2 % del PIB en el mismo periodo analizado (Cepal, 2024), lo que permitió bajar la brecha que se tenía con la participación promedio en América Latina, como se puede observar en la figura 4. De hecho, Ecuador era uno de los países que menor importancia macroeconómica daba al gasto social en la región,

Figura 4.
América Latina y Ecuador: participación del gasto público social en el producto interno bruto (PIB) (porcentajes)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

y antes de 2007 estaba por debajo de países como Bolivia, Guatemala y Honduras en este indicador en su participación en el PIB.

Sexto, otro factor para apoyar una economía social y solidaria fue el impulso a la seguridad social. La cobertura de afiliados creció notablemente en 16 puntos entre 2006 y 2017 (Cepal, 2024), del 28,3 al 42,3 % de afiliados respecto a los ocupados totales, considerando, además, la opción de afiliación a las amas de casa y a los trabajadores independientes. La contribución a la seguridad social subió 2 puntos del PIB como efecto de la ampliación de la cobertura que estuvo acompañada, como se señaló, por medidas de control y supervisión (inspectorías) para el cumplimiento de la afiliación de los empleados a la seguridad social por parte de los patronos.

Finalmente, se impulsaron políticas activas para fortalecer la EPS y las finanzas populares, siendo que estos actores económicos eran los actores de menor poder en el mercado y, sin embargo, representaban alrededor de la mitad de la fuerza laboral del país. Tomando en cuenta solo la parte de la economía más asociativa, el país cuenta con 8154 organizaciones de EPS, de las cuales la mayoría (7237) está en el sector real de la economía y son, sobre todo, cooperativas de servicios y asociaciones de producción[12], y 917 están en el sector financiero (916 cooperativas de ahorro y crédito, con 5 millones de socios y una caja central) (Corporación Nacional de Finanzas Populares [Conafips], 2015). Esta información no incluye las cajas y los bancos comunales, que se estima serían alrededor de 12 000 organizaciones (Superintendencia de Economía Popular y Solidaria [SEPS], 2014). Las finanzas populares han tenido una historia y trayectoria muy importante en Ecuador, cumplen un papel fundamental en la descentralización de la riqueza, en la recirculación de los recursos financieros locales y en apoyar el desarrollo de algunos territorios particularmente pobres (Oñate Paredes, 2019). Para fortalecer este sector, se promovió la asociatividad, la organización cooperativa, las cadenas de valor incluyentes y justas, las reservas de mercado (compras públicas), así como se aprobó la Ley Orgánica de la Economía Popular y Solidaria y del Sector Financiero Popular y Solidario (LOEPS) en 2011 (Sánchez, 2017). Esta ley tuvo por objeto reconocer, fomentar y fortalecer la EPS y reguló tanto la constitución, la organización, el funcionamiento y la extinción de los actores en particular de la economía solidaria, como sus derechos, obligaciones y beneficios. La ley, además, establece la institucionalidad pública a cargo de la política de fomento y aquella a cargo de la regulación y de la supervisión: Instituto de Economía Popular y Solidaria, Corporación Nacional de Finanzas Populares y Superintendencia de Economía Popular y Solidaria.

[12] En el sector real de la economía, se tienen 4728 asociaciones, de las cuales 106 son de consumo, 3594 de producción, 577 de servicios y 452 sin un grupo particular; 2451 cooperativas, de las cuales 12 son de consumo, 355 de producción, 1841 de servicios, 219 de vivienda y 24 sin un grupo específico; 53 organismos de integración, y cinco organismos comunitarios (Conafips, 2015).

Políticas de desarrollo y transformación productiva

Las políticas de desarrollo fueron principalmente llevadas por políticas que buscaron favorecer la demanda, si bien se contó también con políticas respecto a la oferta que buscaron, sobre todo, mejorar la productividad y el entorno productivo. En cuanto a las políticas de demanda, destaca la inversión pública que saltó en 10 puntos la importancia macroeconómica del PIB, entre 2006 y 2013, el punto más alto de participación que se tuvo respecto al PIB en el periodo, del 4,6 al 14,7 % del PIB (Banco Central del Ecuador, 2024a). La inversión privada, por su parte, también creció en este periodo en términos absolutos, pero su participación siguió manteniendo más o menos su peso histórico en el PIB en alrededor del 14 %. La inversión agregada, pública y privada creció considerablemente a valores constantes de 2018 (figura 5), mientras en 2006 giró en torno al 18 % del PIB, alcanzó el 27 % en 2013, el punto más alto de inversión en el periodo analizado (Banco Central del Ecuador, 2024b). En este sentido, se puede afirmar que hubo un efecto *crowding in* de la inversión pública respecto a la inversión privada más que un efecto *crowding out*. El Gobierno buscó generar a través de la inversión pública los habilitadores del desarrollo y de la productividad, como carreteras, puentes, puertos, aeropuertos, presas, riego, hidroeléctricas, internet, entre otros, para bajar los costos de producción, facilitar la infraestructura productiva y el acceso a mercados y conectividad del sector privado, así como apoyar el cambio de la matriz productiva y energética.

Figura 5.
Ecuador: inversión 2000-2022 formación bruta de capital fijo en miles de dólares de 2018

Fuente: elaboración propia con base en datos del Banco Central del Ecuador (2024a).

La política de regulación de las tasas de interés para el sector productivo (corporativo, empresarial, pymes, inmobiliario, vivienda, educativo y microcrédito), junto con las expectativas de crecimiento económico favorable que tuvieron de los bancos, desempeñaron un papel importante para favorecer el financiamiento de la inversión, particularmente privada. De hecho, los créditos de la banca privada más que triplicaron entre 2007 y 2017 (Banco Central de Ecuador, 2024c), y los créditos de la banca pública de 2015 fueron 9 veces aquellos de 2008, particularmente por el crecimiento que experimentó la cartera de créditos hipotecarios concedidos por el Banco del Instituto Ecuatoriano de Seguridad Social (Biess)[13] (Neira Burneo, 2016).

La política salarial antes referida más el incremento del empleo adecuado[14], cuya participación pasó del 43,2 % en 2007 al 49,3 % en 2014, año de mayor participación en el empleo total (INEC, 2024)[15], dinamizó el consumo, siendo este, junto con la inversión, factores de demanda importantes que contribuyeron al crecimiento económico. De este modo, se puede decir que no solo fue el mercado exterior y particularmente las exportaciones que explicaron el crecimiento económico de la época, sino también las políticas activas que apoyaron no solo la demanda sino la oferta.

La política educativa y de conocimiento también fue fuertemente impulsada para favorecer la inclusión, el desarrollo, la innovación y la mejora de la productividad. De hecho, la inversión pública en educación casi quintuplica entre 2006 y 2017, duplicando su importancia macroeconómica del 2,3 al 4,8 % del PIB en ese periodo (Cepal, 2004). Igual soporte se dio a la educación superior, cuyo gasto casi duplica en el periodo, alcanzando alrededor del 2 % del PIB, y a la investigación en ciencia y tecnología (Ramírez, 2016). Es decir, nuevamente, no fue solo el impulso económico, también hubo una voluntad política deliberada de dar mayor importancia a la educación.

Además, el Gobierno trató de impulsar una transformación productiva, que alentara exportaciones basadas en el conocimiento más que solo materias primas y que sustituyera importaciones. De este modo, se pretendió evitar que el *boom* económico se evaporara por el debilitamiento del tejido productivo y el incremento de las importaciones. Varias acciones fueron tomadas en esa dirección. La política arancelaria y paraarancelaria fue activamente utilizada en esa dirección. Se impulsó, además, una agenda para la transformación productiva (Consejo Sec-

[13] En la banca pública, se consideran la Corporación Financiera Nacional (CFN), el Banco Nacional de Fomento (más tarde se llamaría BANEcuador) (BNF), el Banco del Estado (más tarde se llamaría Banco de Desarrollo), el Instituto de Crédito Educativo (IECE) y el Banco del Instituto Ecuatoriano de Seguridad Social (Biess).

[14] Empleo adecuado, según el INEC, es el empleo de las personas que durante la semana de referencia reciben ingresos laborales iguales o superiores al salario mínimo, trabajan igual o más de 40 horas a la semana, independiente del deseo y la disponibilidad de trabajar horas adicionales. También se incluye a las personas que trabajan menos de 40 horas y no desean trabajar más.

[15] Posteriormente, en los años veinte, el empleo adecuado en Ecuador se localizaría en niveles bajo el 40 % del empleo total (32,5 % en 2021, 34,2 % en 2022 y 36,3 % en 2023) (INEC, 2024).

torial de la Producción, 2010-2013), que desembocó, entre otros, en una ley: el Código Orgánico de la Producción, Comercio e Inversiones, emitida en 2010, cuyos resultados, de todos modos, fueron limitados. Seguidamente, se relievó la importancia de impulsar el conocimiento para la transformación productiva, y se impulsó una agenda específica: Transformación de la Matriz Productiva a través del cocimiento y el talento humano (Senplades, 2012), que contó con el apoyo activo a la investigación y el desarrollo científico. La política buscó una interacción entre la educación, el sector productivo y la investigación científica y tecnológica para apoyar la transformación de la matriz productiva y la satisfacción de necesidades. El gasto público para investigación y desarrollo más que triplicó entre 2006 y 2014, pasando de un 0,13 % del PIB a un 0,44 % en 2014 (BM, 2024). Pese a los avances en el andarivel educativo e investigativo, los límites se dieron en la interacción con el sector privado. Por último, hacia el final del periodo correísta, se impulsó una estrategia de cambio de matriz productiva, que contó con el apoyo de la Cepal, y que se explica a continuación.

La estrategia de cambio de la matriz productiva

La estrategia nacional de cambio de matriz productiva (Vicepresidencia de la República del Ecuador, 2015) buscó superar dos graves problemas en el orden estructural que afectaban al país y que impedían su desarrollo: la especialización productiva primario-exportadora y secundario-importadora que drenaba los recursos, incluso, en un ciclo económico favorable, dado que la demanda y el acceso a importaciones eran crecientes sin una oferta productiva suficientemente diversificada y compleja que pudiera atender dinámicamente a la demanda interna y a la persistente heterogeneidad estructural que reproducía la desigualdad y perpetuaba el modelo de desarrollo inequitativo e ineficiente. Para enfrentar esto, esta estrategia planteó una propuesta que debía constituirse en un proyecto societal por sí mismo, pues debía contar con los actores de la economía plural ecuatoriana y apostar por el talento humano, por la innovación. Se planteó así no solo un cambio en la matriz productiva, sino un cambio en la matriz cognitiva, así como en la matriz cultural y de consumo.

La propuesta buscó mejorar la producción intensiva en innovación, tecnología y conocimiento, la productividad y la calidad, aumentar el valor agregado, diversificar y ampliar la producción, exportación y mercados de manera sostenible, y sustituir estratégicamente las importaciones. Todo ello debía conducir a ampliar el empleo de calidad y reducir las brechas territoriales y sectoriales (Vicepresidencia de la República del Ecuador, 2015).

Para ello, se plantearon políticas horizontales y sectoriales que debían permitir un entorno de funcionamiento idóneo para el sistema económico e incluir al menos las siguientes dimensiones: a) entorno macroeconómico adecuado (estabilidad macroeconómica, manejo de macrovariables en apoyo al sector real de la economía), financiamiento basado en política activa de la banca pública y regulación de la banca privada, así como sistema de incentivos para sectores seleccionados; b) mejoramiento del talento humano y sistema de ciencia y tecnología alineados con el cambio, con importante inversión y reformas, y c) dotación y adecuación de infraestructura especializada, así como servicios de apoyo a la producción.

Se establecieron, además, seis pilares fundamentales a considerar en la estrategia: a) el trabajo como foco central de la estrategia; b) fortalecer la economía popular y solidaria; c) alentar un consumo sostenible y responsable, para lo que se usó política arancelaria, regulación, normas técnicas e incentivos tributarios; c) la sustentabilidad ambiental; e) la innovación y la investigación, y f) la eficiencia del Estado (disminuir costos y trámites administrativos).

En consideración a estos pilares, al instrumental de las políticas horizontales señaladas y a las agendas regulatorias y de fomento que contó con acciones de coordinación con los actores productivos, se buscó impulsar ciertas cadenas de valor específicas. Estas cadenas fueron, por un lado, las cadenas de las industrias básicas (acero, aluminio y refinería de cobre), que pretendieron contar con participación estatal en alianza con el sector privado, y que tuvo muy poco avance por la escala de montos de financiamiento y esfuerzo necesarios; y, por otro, cadenas productivas fundamentalmente privadas, como las agroindustriales (cacao, café, lácteos, maricultura), de manufactura (metalmecánica, farmacéutica) y servicios (principalmente turismo y *software*) (Vicepresidencia de la República del Ecuador, 2015).

En general, todos los esfuerzos por lograr una transformación productiva no fueron suficientes para hacer cambios significativos en la estructura productiva (figura 6 y figura 7). Si bien bajó la participación relativa del sector primario en 2017 respecto a 2006, esto fue debido, sobre todo, a un efecto precio, una vez que el *boom* de materias primas terminó, lo que sube es la participación del sector servicios movido por una notable dinámica, en especial, de la construcción y de las ramas de energía eléctrica y de servicios financieros. La manufactura, sin embargo, conserva su participación en la estructura productiva.

Las exportaciones, por su parte, siguieron especializadas en productos primarios, siendo algo más de las tres cuartas partes de las exportaciones totales tanto en 2006 como en 2017. Si bien la participación del petróleo bajó, del 50 % de las exportaciones totales en 2006 al 32 % en 2017, por un efecto precio principalmente, las exportaciones de otros productos primarios, como las de banano y camarón, crecieron de una manera importante, pasando ambas del 14 % en 2006 al 32 % de las exportaciones totales en 2017 (Banco Central del Ecuador, 2004a). De esta manera, la participación de las exportaciones de productos primarios siguió siendo mayoritaria en relación con los productos industrializados.

Salvo el cambio de la matriz energética, particularmente eléctrica, que sí fue muy importante y destacable en el contexto latinoamericano, con un incremento de más de 20 puntos de la participación de la hidroenergía en la oferta total de energía de energía renovable del país (figura 8), mucho más de la participación que tiene esta energía en el promedio regional, la manufactura y los servicios de innovación (*software*) y turismo que se buscaba dinamizar crecieron relativamente menos.

Figura 6.
Ecuador: matriz productiva 2006 (% VAB)

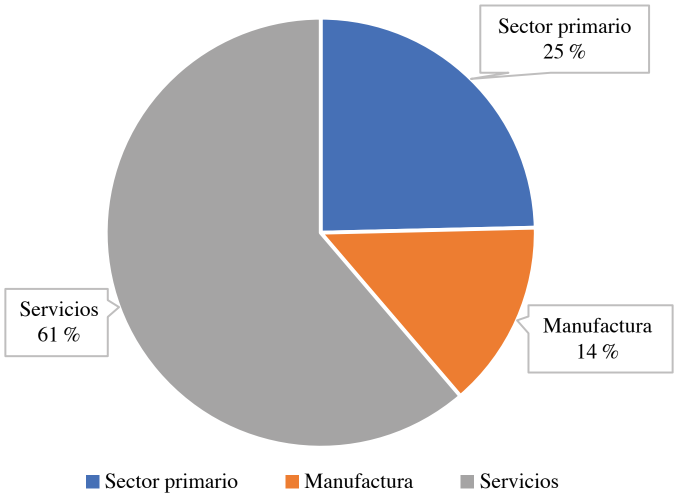
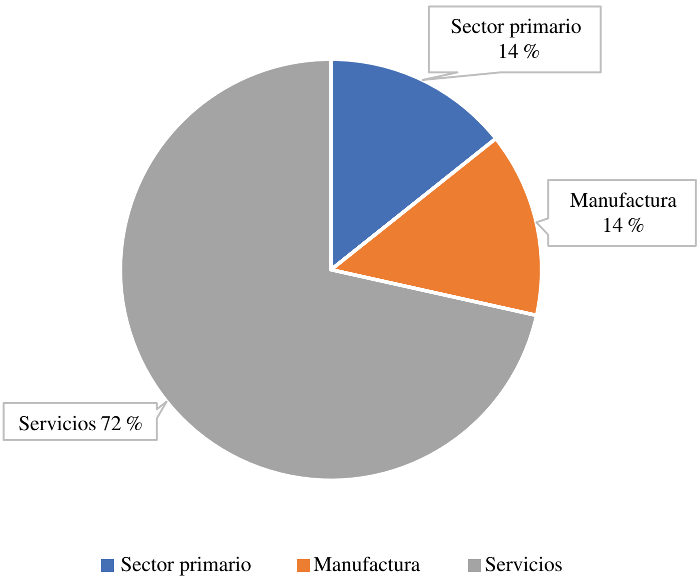


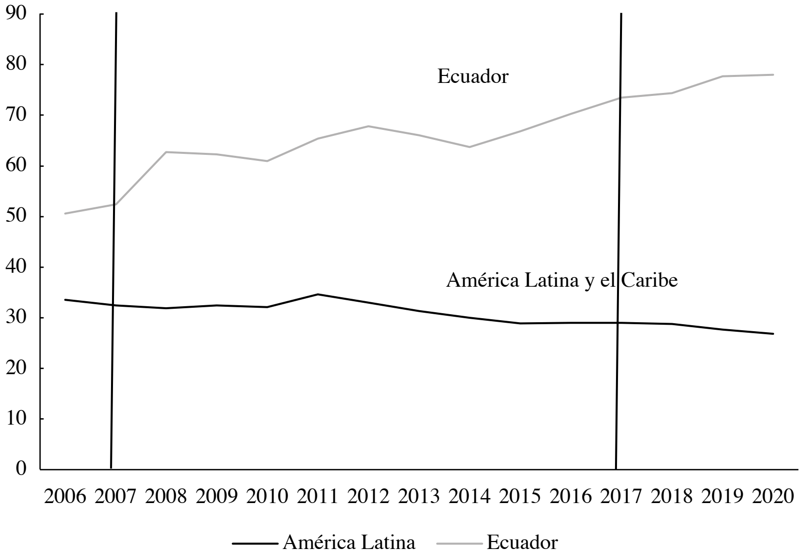
Figura 7.
Ecuador: matriz productiva 2017 (% VAB)



Fuente: elaboración propia con base en datos del Banco Central del Ecuador (2024b).

Varios factores lo explican. En primer lugar, la agenda productiva fue relativamente tardía en el periodo de Gobierno, pues la primera etapa estuvo concentrada, sobre todo, en aquello donde el Gobierno podía tener más control y decisión, como fue la inversión pública en infraestructura y la política social, los planes en el campo productivo se construyeron más tarde, como se ha comentado[16]; si bien se dieron medidas y se apoyó, en especial, el entorno de infraestructura, hubo poco tiempo para gestionar una estrategia más integral de largo plazo. En segundo lugar, y como bien lo analiza Calderón (2017) en su análisis sobre la política industrial y tecnológica de Ecuador en el periodo correísta, existieron dificultades de la gobernanza de la política, por un lado, cuellos de botella institucionales, que limitaron la articulación de la política industrial y tecnológica, y por otro, faltaron acuerdos mínimos con el sector privado para impulsar los cambios y las metas estratégicas de transformación productiva. Finalmente, y pese a que en 2017 ganó la Presidencia el exvicepresidente correísta, Lenín Moreno, en la práctica, su propuesta económica cambió radicalmente, y no solo que no dio continuidad a las estrategias planteadas, sino que revirtió muchas de las políticas implementadas en el periodo de Correa, con lo que los esfuerzos de trasformación productiva quedaron truncos.

Figura 8.
América Latina y Ecuador: participación de la hidroenergía en la oferta de energía renovable (que requiere o no combustión)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

[16] La Agenda de Transformación Productiva 2010-2013, de relativa baja aplicación, si bien se destaca el Código de Producción, Comercio e Inversiones, su impacto fue limitado, y la Estrategia Nacional de Cambio de la Matriz Productiva que aparece a fines del Gobierno de Correa (2017).

Las estrategias de transformación productiva requieren periodos largos, como en el caso más reciente de transformación productiva a nivel mundial, Corea del Sur, un modelo que fue muy estudiado por Correa y su tecnocracia, que requirió alrededor de cuatro décadas de políticas continuas y coherentes (SaKong y Koh, 2018) y de grandes pactos con el sector productivo, aspecto que fue débil en el periodo correísta. Los esfuerzos hechos por el correísmo, en todo caso, dejaron capacidades humanas y productivas fortalecidas que, en la última etapa del periodo, a partir de 2014, y en el poscorreísmo, tuvieron que enfrentar el cambio de ciclo económico.

POLÍTICA SOCIAL HACIA LA CONSTRUCCIÓN DE UN ESTADO DE BIENESTAR

La política social fue una de las políticas más impulsada por el Gobierno de Correa. Existieron dos propósitos claros: por una parte, redistribuir los ingresos en un país donde la desigualdad era muy alta (figura 4), y, por otra, cimentar las bases de un estado de bienestar con políticas universales de educación, salud y protección social. Por ello, se buscó universalizar el acceso a la educación, los servicios de salud y la seguridad social fundamentalmente, y generar políticas diferenciadas y de acción afirmativa para grupos en situación de exclusión y vulnerabilidad que favorecieran la igualdad. Por otra parte, la política social no fue vista solo como política sectorial, sino como una política integral e integradora, en la que el trabajo digno y adecuado desempeñaba un papel central (Sánchez, 2014). Hubo un reconocimiento de que la mejora social no solo era un tema de la política social, sino de la política económica; por ello, se requería una política socioeconómica más amplia que mejorara sosteniblemente las condiciones de vida de las distintas generaciones presentes y futuras (Sánchez, 2012a; Ministerio Coordinador de Desarrollo Social [MCDS], 2010, 2012, 2015).

Como se planteó (figura 4), la importancia macroeconómica del gasto social subió casi 5 puntos en el periodo de Correa, porque mejoraron las escalas salariales de maestros y personal de salud, y las transferencias monetarias, así como porque se incrementó la inversión en infraestructura social.

Particular mención merece la política de educación, que contó con un gasto público en el sector que más que cuadriplicó a precios corrientes en el periodo de análisis, pasando de USD 1 089 800 en 2006 a USD 4 961 100 en 2017 (Cepal, 2024). Este importante gasto financió la ampliación de la infraestructura educativa muy desmejorada, la dotación de textos escolares y el programa de alimentación escolar, particularmente en el nivel básico de educación[17], así como la regulación de contratos y mejora de los salarios de los maestros. La población entre 25 y 29 años ganó un año de educación promedio en el mismo periodo (Cepal, 2024). La población indígena, altamente excluida, se benefició más que proporcional-

[17] El nivel básico corresponde a los primeros diez años de educación.

mente de estos avances. Si bien avanzó la cobertura, la calidad de la educación, sin embargo, avanzó a un ritmo más lento.

En educación superior, también ocurrieron cambios y reformas importantes. En 2010, se aprueba la Ley Orgánica de Educación Superior, que pretendió organizar y regular mejor el sistema universitario y la educación superior en general. Además, el Gobierno hizo un esfuerzo para regular adecuadamente a las universidades en función de su calidad, lo que significó el cierre de 15 universidades calificadas en la categoría E, de la más baja calidad, universidades que, además, habían sido creadas sin cumplir con todos los requisitos y que tampoco mostraron un desempeño de calidad mínimo para su funcionamiento (Ramírez, 2016).

Por una parte, y como se comentó, la inversión en educación superior también fue muy importante. En 2016, el gasto en educación superior alcanzó alrededor del 2 % del PIB de participación, casi el doble de la participación de 2006 (Ramírez, 2016). Con ello, se buscó mejorar las condiciones tanto de la infraestructura y equipamiento como de las condiciones laborales de sus profesores. Se impulsó también la gratuidad de la universidad pública, que dio una especial atención a la inclusión de las poblaciones en situación de vulnerabilidad. En efecto, se logró que accedan a la universidad, por primera vez en sus familias, muchos más jóvenes de familias pobres. Alrededor de un tercio de los cupos de admisión a las universidades públicas fueron concedidos a jóvenes de las familias más pobres (quintil 1 y 2 de pobreza) (Ramírez, 2016). Además, se crearon cinco universidades: Universidad Yachay Tech y Universidad Regional Amazónica Ikiam destinadas a la investigación científica aplicada, la Universidad de las Artes, la Universidad Nacional de Educación y la Universidad de Posgrado del Estado, que, si bien ya existía (Instituto de Altos Estudios Nacionales), no era parte del sistema, pues no contaba con una preasignación estatal como el resto de las universidades, situación que cambió. Los resultados son heterogéneos, unas universidades tuvieron más anclaje que otras.

Por otra, y a fin de acelerar el aprendizaje de posgrado para apoyar la propia formación universitaria (profesores) y las capacidades productivas y tecnológicas del país, se implementó la política pública de becas. Las becas para estudios en el exterior, que fueron muy marginales en el país, aumentaron considerablemente en el periodo analizado. Hasta 2018, se habría entregado 28 000 becas, el 60 % fueron para estudios en universidades nacionales y un 40 % para estudios en el exterior, con una inversión de alrededor de USD 1000 millones. En términos de valor, el 80 % de ese momento se usó en financiar becas internacionales y el 20 % restante para becas nacionales ("El Estado ha entregado más de USD 1000 millones en becas", 2018). En principio, prevaleció el criterio de excelencia, pero luego se fue incorporando el criterio de pertinencia, buscando que los becarios apoyen el cambio de matriz productiva, el sistema universitario, fortalecer las capacidades productivas y tecnológicas del país, las ciencias de la vida, entre otros. La crítica al pos-Gobierno correísta se sitúo en la pertinencia y el sesgo socioeconómico de los beneficiarios, que privilegió el criterio inicial dominante de la excelencia, así como en la limitada capacidad de captación de los becados por parte del sector productivo privado y del sector público. En todo caso, y pese a las limitaciones perfectibles alertadas, la importancia asignada al mejoramiento de las capacidades profesionales, el fortalecimiento del sistema universitario y de institutos tecnológicos (con avance menor) y el lanzamiento de un sistema de becas en la escala necesaria contribuyeron a fortalecer el entorno de generación de conocimiento que se requiere para pensar en una transformación productiva, en la inclusión y en el acortamiento de brechas tecnológicas y de productividad con respecto al resto del mundo. Los desafíos por delante de todos modos son muy grandes.

En el campo de la salud y de la educación, el gasto más que quintuplicó a precios corrientes en el periodo de análisis, mientras en 2006 el gasto público en salud era de apenas USD 513 100, en 2017 este gasto alcanzó los USD 2 816 600 (Cepal, 2024). Estos recursos se invirtieron en infraestructura hospitalaria que partía de un déficit muy grande y en equipamiento de hospitales y centros de salud. Además, se subieron los salarios del personal de salud, y se intentó construir un sistema integrado único de salud, articulando la red pública de salud y la red de salud de la seguridad social[18], con resultados parciales. Los servicios de atención primaria, secundaria y terciaria del Ministerio de Salud Pública avanzaron en el periodo con más personal e infraestructura, lo cual fue complementado con la importante inversión hecha en la red hospitalaria y de centros de salud del IESS, que en Ecuador cuenta con un seguro de salud y centros de atención de salud para los afiliados y sus hijos menores de 18 años. Atendiendo a un par de indicadores de salud importantes, se puede destacar que la tasa de mortalidad infantil (muertes por 1000 niños menores de 5 años) disminuyó alrededor de 2,5 punto en la década de Correa (de 15,5 en 2006 a 13 en 2017), lo cual fue una mejora (INEC, 2024). La tasa de DCI, por su lado, si bien no cuenta con encuestas totalmente comparables, según los datos homologados del INEC (2023), habría caído en alrededor de 4 puntos entre 2006 y 2018, años en los que se cuenta con encuestas. Los logros en este campo ciertamente fueron limitados, la DCI sigue siendo uno de los problemas de salud más importantes de Ecuador, pese a los esfuerzos de este Gobierno y de los que vinieron después. La tasa de DCI en 2023 afectó al 17,5 % de los niños menores de 5 años, sobre todo, a la población indígena y a la población más pobre (INEC, 2023). Existen, sin embargo, lecciones aprendidas para avanzar más rápido en resolver este serio problema social.

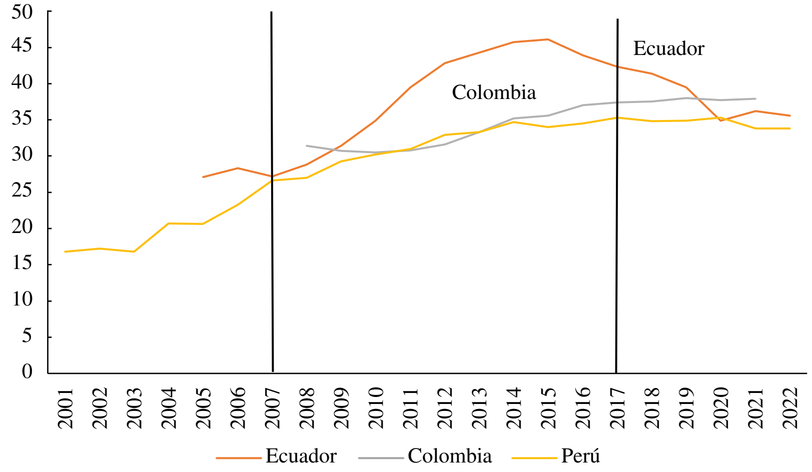
En el campo de la protección y seguridad social, hubo avances importantes. Se priorizó la ampliación de la cobertura y la mejora de las pensiones jubilares tanto contributivas como no contributivas. La afiliación a la seguridad social aumentó en un 50 % entre 2006 y 2017 (figura 8), en parte por el incremento del empleo adecuado, en parte por las políticas de control y fiscalización (inspectorías) de la afiliación de los trabajadores por parte del patrono, en parte también porque se fle-

[18] En Ecuador, la seguridad social también incluye un seguro de salud, y el IESS cuenta también con una red hospitalaria y de centros de salud para atención de sus afiliados y beneficiarios.

xibilizaron las condiciones de afiliación para trabajadores nacionales no remunerados (principalmente mujeres), trabajadores independientes, y se facilitó la afiliación voluntaria. Este incremento fue superior a aquel ocurrido en los países vecinos, Colombia y Perú, en el mismo contexto económico. El incremento en la cobertura de afiliados permitió mejorar los ingresos y financiar la ampliación de la infraestructura de salud y la mejora de beneficios (atención de salud a esposos/as e hijos de afiliados hasta 18 años).

Hubo también un importante esfuerzo de pensar el sistema integral de protección social con un enfoque de derechos y se buscó construir esquemas más solidarios tanto contributivos como no contributivos, con participación pública y medidas de promoción de la igualdad de género, y concretamente de inclusión de las mujeres al sistema contributivo y no contributivo. Pese a los avances anotados, no se logró impulsar una reforma integral de las pensiones contributivas, y la ampliación de beneficios puso presión sobre el sistema de seguridad social y particularmente sobre el fondo de salud. En 2015, con la Ley Orgánica para la Justicia Laboral, se sustituyó el subsidio, que se tenía hasta entonces, del 40 % a las pensiones, por una garantía de pago complementario del Estado, que aplicaba solo cuando el IESS no pudiera cubrir las pensiones. Los artículos correspondientes de esta ley fueron declarados inconstitucionales en 2018 y la Corte Constitucional restituyó este aporte a partir de enero de 2019. Quedan importantes desafíos en cobertura, suficiencia de las prestaciones y sostenibilidad financiera, dado que se aumentó el número de beneficiarios, en el contexto de un mercado laboral con alta informalidad, que se ha debilitado en los últimos años, y con una población cada vez más envejecida (figura 9).

Figura 9.
Ocupados afiliados a un sistema pevisional (porcentajes)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

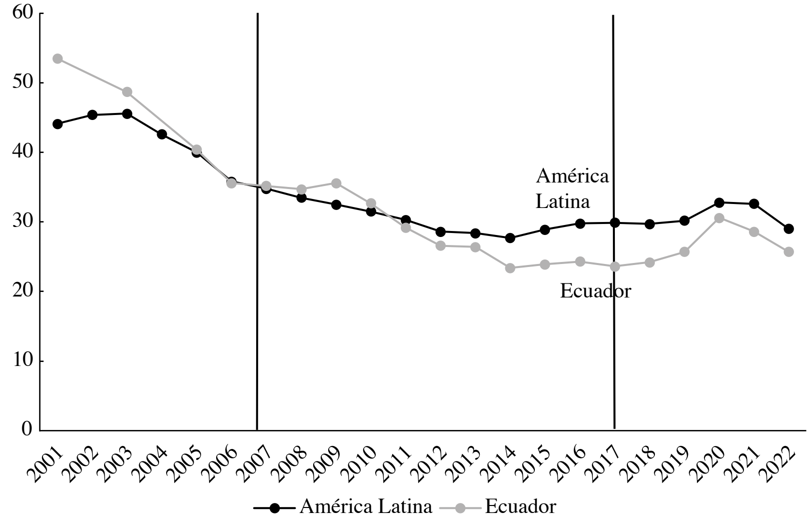
Junto con la seguridad social, se fortaleció la protección social no contributiva basada en transferencias monetarias para la población mayor de 65 años en condición de pobreza, la pensión para las personas con discapacidad y el bono de desarrollo humano para las mujeres con hijos en condición de pobreza. El bono de desarrollo humano a su vez se complementó con medidas de inclusión social y económica, tales como microcrédito y soporte a la economía popular y solidaria, si bien los recursos e iniciativas resultaron cortos para fortalecer no solo las capacidades humanas, sino esta importante fuerza productiva de la economía popular. De todos modos, las transferencias monetarias aumentaron en cobertura y monto de manera considerable entre 2007 y 2013, llegando a cubrir hasta los dos quintiles más pobres de la población ecuatoriana. En 2014, la participación del bono de desarrollo humano (BDH) pasó a representar casi el 12 % de los ingresos totales de los hogares beneficiarios, más del doble de lo que representó en 2006 (5,5 %). Si bien en el tercer mandato del Gobierno de Correa, a partir de 2013, tendió a reducirse la cobertura de beneficiarios, en un intento de focalizar en la población en situación de "extrema" pobreza, y no en la población en situación de pobreza, que vino atada a la importante restricción fiscal que empezó a experimentar el Gobierno con el cambio del ciclo económico.

Las políticas sociales de este periodo no se agotaron en los componentes analizados, pues también acompañaron políticas de vivienda, de servicios básicos (agua y alcantarillado y energía eléctrica) que crecieron en cobertura, políticas dirigidas a los problemas de los grupos sociales en situación de mayor exclusión y vulnerabilidad (mujeres, niñez y adolescencia, jóvenes, adultos mayores, discapacidad, etnicidad, entre otros). Sin embargo, por su peso en el gasto y la inversión pública y su trascendencia en el fortalecimiento de capacidades, se ha enfatizado la educación, salud, seguridad y protección social.

De este modo, tanto el crecimiento económico como la inversión pública y social permitieron mejorar los indicadores sociales. La pobreza disminuyó más que el promedio regional en la década estudiada (2007-2017) (figura 10).

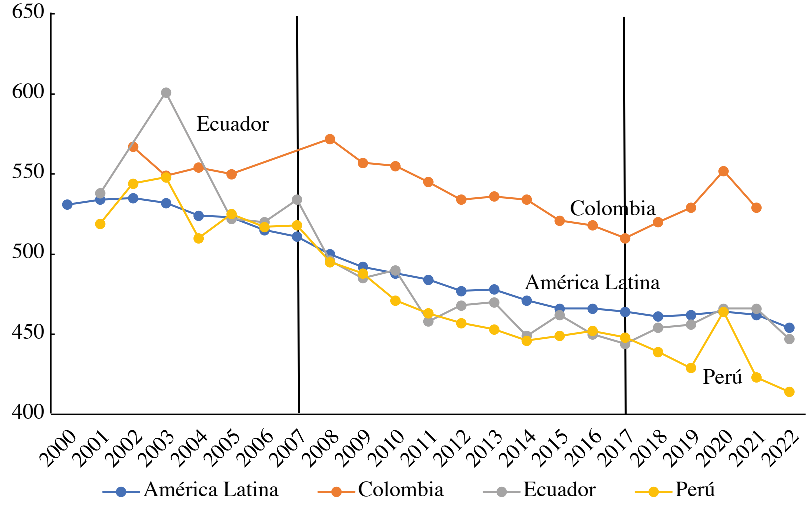
La desigualdad disminuye más que el promedio regional, diferenciándose de países vecinos que también se beneficiaron del ciclo económico favorable, pero no enfatizaron las medidas redistributivas, como Colombia. Perú, en cambio, destaca también por la importante reducción de la pobreza, que se dio debido particularmente a un par de factores, la introducción de un programa social "Juntos" transferencia monetaria condicionada que ayudó sobre todo a la población rural, y la gran estabilidad económica que logró en el periodo del boom de *commodities* y después, apoyada con la ventaja de contar con una economía más diversificada de partida. El índice de Gini cae 10 puntos en el periodo correísta (figura 11) y la contribución de la caída se dar por el ingreso del trabajo que aumenta y por las transferencias monetarias y servicios públicos dirigidos a la población más pobre.

Figura 10.
América Latina y Ecuador: población en situación de pobreza (porcentajes)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

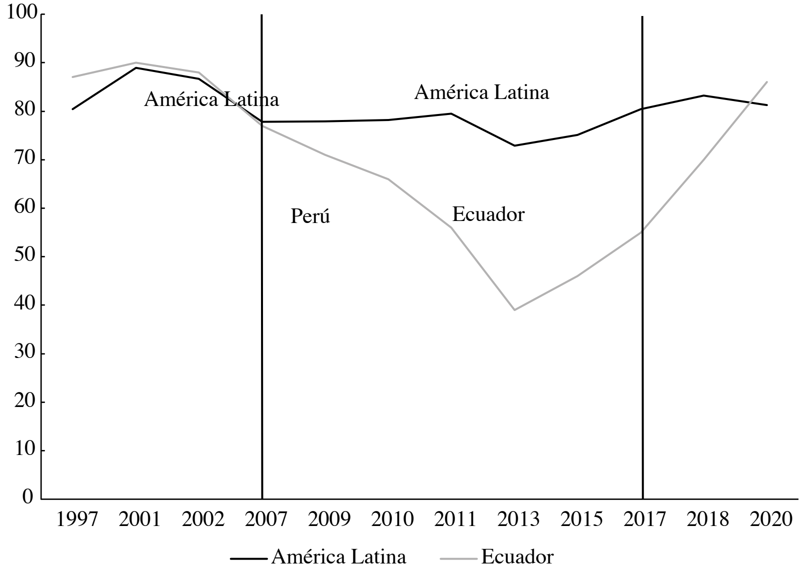
Figura 11.
Índice de concentración de Gini (valores entre 0 y 1)



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas.

Los avances en la campo de la distribución del ingreso, provocaron una caída de la percepción ciudadana sobre la injusticia distributiva en Ecuador, más allá del promedio regional, durante el periodo estudiado, según la encuesta de Latinobarómetro (figura 12).

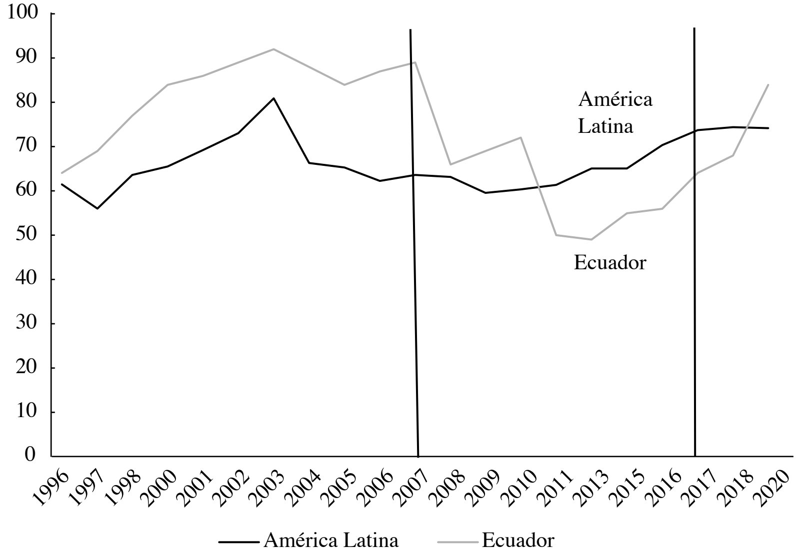
Figura 12.
América Latina y Ecuador: proporción de personas que opinan que la distribución del ingreso en su país es injusta



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas a partir de tabulaciones especiales de las encuestas de opinión realizadas por la Corporación Latinobarómetro en los respectivos países.

El contexto económico y las políticas anotadas mejoraron la confianza en las instituciones políticas y del Estado, así como disminuyó la percepción de que habría una captura del Estado por parte ciertos grupos de interés económico, más allá de lo que se observa en el promedio de la región durante el periodo de análisis. Si bien como se puede apreciar en las figuras 13 y 14 esa confianza empieza nuevamente a deteriorar hacia el final del periodo correísta, y en el poscorreísmo rebasa nuevamente los promedios regionales tanto de desconfianza en las instituciones políticas y del Estado como en la percepción de captura del Estado.

Figura 13.
Desconfinaza en las instituciones políticas y del Estado (porcentaje de población encuestada)



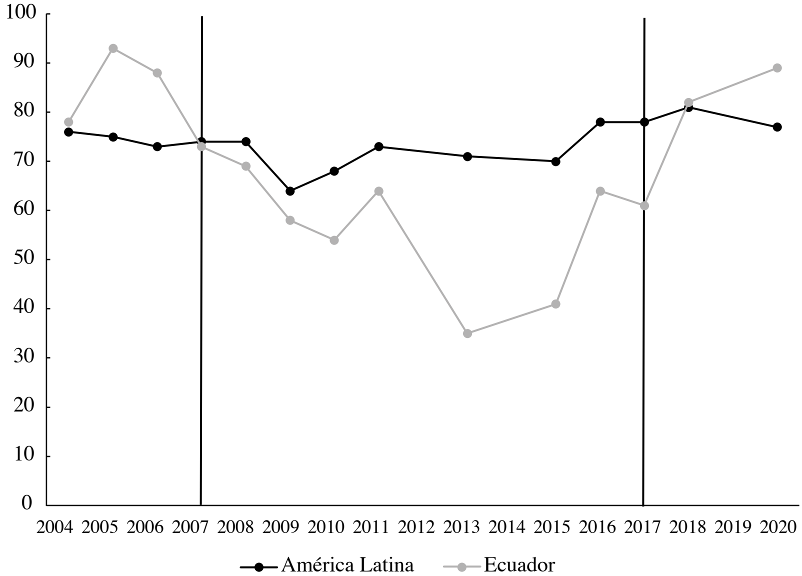
Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas a partir de tabulaciones especiales de las encuestas de opinión realizadas por la Corporación Latinobarómetro en los respectivos países.

La mejora en el desempeño social y la confianza en las instituciones políticas y del estado influyeron en una mayor cohesión social en la sociedad ecuatoriana. Fueron, en general, momentos de optimismo que se irían desgastando tanto por el cambio en el ciclo económico como por el cambio en el ciclo político y en las políticas públicas, más allá del periodo correísta.

EL DESENCANTO POLÍTICO Y EL POSCORREÍSMO

Pese a los avances económicos y sociales del periodo de Correa, la vida política se modificó por diversos factores. Si bien luego del Gobierno de Correa hubo todavía un amplio sector ciudadano que apoyó el correísmo, lo cual se evidenció en la ganancia electoral presidencial de su exvicepresidente, Lenín Moreno. Este, sin embargo, cambió el giro progresista de las políticas que había marcado el correísmo hacia las políticas, particularmente económicas, más vinculadas al *mainstream* que defendieron el *establishment* afianzado por los grupos de poder económico. Moreno también emprendió una campaña de desprestigio hacia el que había sido su propio pasado Gobierno, expresada en un sinfín de juicios penales en contra de los principales cuadros políticos del correísmo, que incluyeron al

Figura 14.
Percepción de captura del Estado



Fuente: elaboración propia con base en datos de CEPALSTAT, Cepal y Naciones Unidas a partir de tabulaciones especiales de las encuestas de opinión realizadas por la Corporación Latinobarómetro en los respectivos países.

expresidente Correa[19]. Por otra parte, las élites económicas acumularon razones de oposición y rechazo, aduciendo autoritarismo, exclusión del sector privado, estatismo, corrupción, entre otros. Algunas dirigencias indígenas, de trabajadores y de partidos de la izquierda tradicional rompieron, en cambio, con Correa por falta de coincidencias políticas y de agenda. Las capas medias, por su parte, se dividieron entre quienes lo apoyaron y rechazaron, al igual que las bases indígenas y laborales. El correísmo, pese a su revés político en las elecciones presidenciales y al activo anticorreísmo que se instaló durante y después del Gobierno de Moreno, sigue presente como una importante fuerza política en Ecuador. Ha participado en las elecciones subsiguientes, y a pesar de su derrota en las elecciones presidenciales, siempre ajustada en los balotajes, ha sido la primera fuerza política en el Congreso Nacional y mantiene, hasta la fecha, alcaldes y prefectos en las principales ciudades del país. Correa, por otra parte, tuvo un amplio reconocimiento latinoamericano y su liderazgo fue resaltado internacionalmente, en particular en el espacio político del progresismo, así como fue detractado por los Gobiernos de

[19] Solo Correa tiene alrededor de 34 juicios penales de todo tipo, que van desde genocidio hasta traición a la patria, pasando, incluso, por una sentencia fundamentada en “influjo psíquico” para argumentar una posible influencia sobre algunos hechos de corrupción realizados por ciertos funcionarios de algunas instituciones públicas (González, 2020).

derecha. Correa encabezó procesos latinoamericanistas reivindicando, por ejemplo, la CELAC y la Unasur, como espacios legítimos y necesarios de integración regional y de negociación multilateral frente a los bloques de poder, convirtiéndose en un mandatario simbólico e identificado con lo que se llamó el primer ciclo progresista en América Latina.

ALGUNAS CONCLUSIONES Y REFLEXIONES

El progresismo ecuatoriano, marcado por el periodo de Correa, buscó un modelo de desarrollo incluyente, solidario y sostenible ambientalmente, capaz de fomentar al Ecuador pospetrolero con mayor conocimiento y sostenibilidad, así como generar igualdad en el proceso. El fin último fue promover el buen vivir de los ciudadanos, a través de una estrategia basada en construir un sistema económico social y solidario, crear las bases para un estado de bienestar e impulsar una transformación productiva que cambie la matriz de producción y especialización productiva basada en el petróleo. Un balance de las políticas socioeconómicas y los resultados de este periodo nos deja algunas conclusiones y reflexiones.

Por una parte, se puede decir que lo que más prevaleció en las políticas socioeconómicas de Correa fueron las políticas redistributivas, las políticas que buscaron crear un estado de bienestar y universalizar servicios clave, como la educación, la salud y la seguridad social, aspectos en los que ciertamente avanzó. Las políticas de inversión pública en infraestructura que buscaban crear mejores condiciones de desarrollo también fueron importantes, las cuales provocaron muchos avances en los bienes y servicios públicos. Es decir, se puede concluir que hubo una mejora en las capacidades humanas y de infraestructura social y productiva de Ecuador durante este periodo. Estas políticas, sin embargo, no fueron suficientes para contrarrestar los efectos del cambio de ciclo económico y político, y tampoco lo fueron para provocar una transformación productiva inclusiva, sostenida y sostenible. El estado de bienestar en ciernes pronto se toparía con la política de austeridad del gasto público y la reducción del Estado, que vendría de la mano de los Gobiernos subsiguientes.

Las políticas dirigidas a la construcción de un sistema económico social y solidario fueron importantes e innovativas, pero requirieron mayor consolidación, profundización y articulación entre ellas y, sobre todo, con los actores de la economía plural: economía empresarial, economía pública y economía popular y solidaria. Es necesario pero no es suficiente pensar en espacios y programas específicos para la EPS, se requiere pensar en toda la política económica, social y educativa, para ampliar la economía social y articular a todos los actores de la economía ecuatoriana. Se requiere ampliar sistémicamente los lazos de solidaridad entre los distintos actores y las relaciones de producción y distribución, así como movilizar recursos públicos, pero también privados tangibles e intangibles en la solución de los problemas, y mejorar las condiciones de igualdad y de distribución sistémica, fortaleciendo las capacidades individuales y asociativas, así como la productividad. Todo ello para resolver tanto las necesidades sociales como para reducir la restricción externa, mejorando la eficiencia económica y ambiental, único camino para salir de la pobreza de manera sostenida.

Las políticas de transformación productiva no lograron madurar en la acción, si bien avanzaron en su análisis y planificación, planteando una visión de largo plazo, indispensable para pensar el Ecuador pospetrolero que *de facto* está cada vez más próximo. Las acciones desarrolladas no fueron suficientes para tocar territorios y actores concretos fundamentales para llevar adelante esta necesaria transformación con una mirada más anclada en la sostenibilidad ambiental y en la igualdad. La ilusión de un desarrollo imitativo, pese a los esfuerzos de superarlo, dependiente del petróleo, no solo como importante fuente de energía, sino también de divisas e ingresos fiscales, sumado al insuficiente ahorro interno y los insuficientes incentivos a la innovación, han mantenido la inercia y el sesgo de las inversiones, la innovación, los precios y la rentabilidad relativos del país en su tradicional dependencia petrolera.

Por su puesto, las transformaciones productivas requieren periodos largos y políticas coherentes, consistentes y sostenidas. Una década no es suficiente. La experiencia histórica de otros países como Corea del Sur nos muestra que estos procesos pueden requerir medio siglo de políticas de Estado sostenidas para alcanzar su cometido y requieren contar con los actores económicos clave comprometidos con ese fin. Es indispensable contar, por tanto, con pactos sociales y sectoriales, así como con una economía política consecuente con una transformación productiva incluyente y sostenible. También se requiere un Estado fuerte y eficiente con liderazgo y capacidades institucionales.

La voluntad política y el financiamiento que hubo en el periodo progresista analizado no fueron suficientes para una transformación más profunda en la socioeconomía ecuatoriana. Es necesario en el futuro lograr un gran acuerdo nacional de largo plazo que conecte acciones y acuerdos concretos para impulsar un modelo de desarrollo sostenible y solidario que no solo es deseable sino indispensable, porque Ecuador dejará de ser petrolero debido a sus limitadas reservas, y porque la desigualdad y escasa oportunidad de movilidad social de amplios sectores poblacionales crearán inestabilidad social y política.

La propuesta del buen vivir, la idea de impulsar un estado de bienestar que construya condiciones de mayor igualdad y oportunidad en la sociedad ecuatoriana, junto con la propuesta de construir un sistema económico social y solidario, e impulsar una transformación productiva sostenible siguen siendo temas de mucha relevancia para el país y el progresismo. En ello, las ideas y la experiencia del correísmo pueden aportar, así como sus límites y errores, a pensar las alternativas, siempre y cuando se supere la polarización política que Ecuador, como muchos otros países de la región, mantiene.

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ARTÍCULO

POLÍTICA ECONÓMICA DEL PRIMER GOBIERNO DE LA 4T. ¿QUÉ SIGUE?

Noemi Levy

Levy, N. (2025). Política económica del primer gobierno de la 4T. ¿Qué sigue? *Cuadernos de Economía, 44*(93), 237-261.

El periodo neoliberal en México generó un fuerte retroceso en el crecimiento económico y el bienestar de la población, enfrentando desde el inicio una oposición popular. Sin embargo, sólo hasta 2018 cambió la correlación de fuerzas, cuando un opositor al neoliberalismo asumió la presidencia. A diferencia de otros gobiernos en América Latina, la estrategia del gobierno mexicano fue incluir a los sectores populares y, por esa vía ampliar el mercado interno sin desestabilizar la economía, preservando el sector exportador y los equilibrios fiscales.

Este trabajo sostiene que, aunque la política económica y social ha funcionado, necesita modificarse para alcanzar sus objetivos. Es crucial acelerar el crecimiento mediante la reindustrialización, fortalecer la industria nacional y exigir a la inversión extranjera la transferencia de tecnología, sin perder los equilibrios financieros, acompañada de políticas redistributivas. Y será fundamental una reforma fiscal para garantizar la continuidad del crecimiento con equidad.

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Palabras clave: crecimiento económico; desarrollo con equidad; industrialización; América Latina.
JEL: E6, E14, E15, N16.

Levy, N. (2025). Economic policy of the First Government of the 4T: Future Directions. *Cuadernos de Economía*, *43*(93), 237-261.

The neoliberal period in Mexico led to a significant decline in economic growth and population well-being, facing popular opposition from the outset. However, it was not until 2018 that the balance of power shifted, when an opponent of neoliberalism assumed the presidency. Unlike other Latin American governments, the Mexican strategy was to include the popular sectors in the domestic market, without destabilizing the economy, while maintaining the export sector and fiscal balance.

This paper argues that, although the economic and social policy has been effective, it requires adjustments to achieve its objectives. It is essential to accelerate growth through reindustrialization, strengthening national industry, and foreign investment requires to transfer technology while preserving financial stability, accompanied by redistributive policies. And a tax reform will be crucial to ensure the continuity of equitable growth.

Keywords: Economic growth; development with equity; industrialisation; Latin America.
JEL: E6, E14, E15, N16.

La ideología neoliberal, dominante en México desde la década de los ochenta del siglo pasado, operó en la economía a través del *modelo liderado por las exportaciones* (MLE), que se distinguió por funcionar con bajos niveles de inversión productiva, adoptar una organización de trabajo con base en la maquila, y realizar la producción en el mercado externo con grandes fugas al multiplicador del ingreso (importaciones). Los resultados de este arreglo fueron un escaso crecimiento económico, ventajas comparativas con base en reducidos sueldos y salarios, un mercado interno limitado y un creciente número de pobres.

La insurrección popular pacífica en contra del neoliberalismo tuvo lugar con la elección de Andrés Manuel López Obrador (AMLO), que, en 2018, ganó la Presidencia de la República con la propuesta de impulsar una Cuarta Transformación (4T) en la vida política, económica, y social mexicana, que se sustentó en un crecimiento con bienestar social. Esta revuelta social fue refrendada en 2024 con el triunfo a la Presidencia de la República de Claudia Sheinbaum Pardo (CSP), que se comprometió a poner un "segundo piso" a la Cuarta Transformación (4T-2).

El crecimiento con bienestar requiere fortalecer la demanda efectiva de la economía, específicamente incrementar el gasto de inversión y, por esa vía, la productividad. Eso implica la ampliación del consumo mediante la inclusión de los marginados de la ciudad y el campo. El primer periodo de la 4T (4T-1) se desarrolló con una gran oposición de las clases dominantes domésticas e internacionales, lo que obligó al primer gobierno de la 4T a mostrar que su propuesta funciona. Específicamente, AMLO debió probar que se puede crecer con la participación de los sectores marginados, sin generar desequilibrios sociales y económicos ni detener el sector exportador. El programa económico del segundo periodo de la 4T plantea reindustrializar la economía mexicana, lo cual debe hacerse sin replicar los errores de la industrialización mexicana del siglo XX.

El objetivo de este trabajo es discutir críticamente la política económica del primer periodo de la 4T, considerando que la única vía para seguir este proceso es incrementar la inversión y crear las condiciones para una industrialización virtuosa. Para ello se divide este trabajo en seis secciones. Después de esta introducción, en la segunda sección se revisan los principales enunciados de la demanda efectiva que señala a la inversión como el gasto que garantiza el pleno empleo y el bienestar. En la tercera se analizan los diferentes modelos de industrialización, con una revisión crítica al modelo de industrialización latinoamericano; seguida por una cuarta sección donde se exponen las bases programáticas de la 4T. En la quinta se discuten los resultados económicos del primer periodo de la 4T. Finalmente, en la sexta sección se presentan las conclusiones del trabajo.

Se debe advertir que el gobierno de CSP enfrenta grandes retos para lograr la reindustrialización de la economía mexicana. Primero, se debe considerar que los movimientos populares de la región que ganaron la presidencia de sus países en las últimas dos décadas tuvieron poco éxito en alejarse de las políticas neoliberales, específicamente en cuanto a ampliación del mercado interno y mejorar el bienestar de los más pobres, por la oposición de las clases dominantes a renunciar a sus privilegios, así como por los desequilibrios económicos domésticos generados en algunos de esos gobiernos (Argentina). También porque enfrentaron maniobras legales y de desprestigio (*lawfare*) para ser derribados, lo cual se logró en algunos de esos países (*i. e.*, Brasil y Perú).

Segundo, la nueva presidenta se comprometió a profundizar las políticas de la 4T, lo cual implica mantener equilibrio fiscal y no recurrir al endeudamiento, junto con la ampliación de políticas de transferencias a los más pobres y el aumento del salario mínimo a 2,5 el valor de la canasta básica. Todo esto sumado al apoyo de programas sociales destinados a reducir la pobreza, aún muy elevada.

Tercero, el proceso de reindustrialización debe realizarse en el marco de la globalización, con una nueva negociación en el marco del Tratado México, Estados Unidos y Canadá (TMEC), y en el contexto de una la política de relocalización del gran capital (*nearshoring*). Además, a ello se añade la necesidad de una reforma fiscal que CSP se resiste a implementar, siguiendo los lineamientos del primer gobierno de la 4T, por las presiones económicas del gran capital, consignadas en la literatura económica como los "problemas políticos" del pleno empleo (Kalecki, 1943).

El reto de la 4T-2 es que la economía mexicana transite desde una organización de producción basada en el ensamblaje hacia una estructura más compleja, con mayor valor agregado, en medio de una negociación con el capital internacional. Un proceso de reindustrialización y consolidación de la empresa doméstica (grande, mediana y pequeña) con una ampliación del mercado interno que debe incluir a las clases populares y descansar sobre desarrollos tecnológicos.

UNA DISCUSIÓN ABREVIADA DEL CRECIMIENTO ECONÓMICO: LA DEMANDA EFECTIVA Y LA INVERSIÓN

Las vías para alcanzar crecimiento económico están sujetas a fuertes controversias teóricas que responden a la correlación de fuerza de cada periodo. En ese contexto, en la década de los treinta del siglo pasado surgió la teoría de la demanda efectiva, postulada por Kalecki (1933) en su famoso "Essai d'une théorie du mouvement cyclique des affaires" y por Keynes (1936) en su obra magna, *The general theory of employment, interest and money*, como respuesta a las necesidades de articulación del sistema capitalista en el periodo oligopólico. En ambos planteamientos se postula que la demanda (gasto) determina la oferta (producción) y que los desequilibrios se ajustan a través del ingreso, con la inversión como variable central que dinamiza o ralentiza el crecimiento económico.

La demanda efectiva rechazó el postulado "clásico" según el cual la oferta determina la demanda y los mecanismos de mercado (flexibilidad de precios) garantizan el pleno empleo de los factores productivos, cuyas bases se cimentan en un modelo de "intercambio real" que no refleja el funcionamiento del sistema capitalista (Keynes, 1933). En ese contexto, el dinero asume la función de medio de intercambio (Keynes, 1933) y la tasa de interés es una variable real determinada por el ahorro y la inversión. Desde esta perspectiva, el consumo es el gasto que determina el ciclo económico, explicado por la *teoría del consumo intertemporal* (Fisher, 1930).

De manera alternativa, la propuesta de Kalecki y Keynes descansa sobre el supuesto de que la economía capitalista es monetaria y la tasa de interés es una variable monetaria. Desde esta perspectiva, las variables financieras pueden modificar las relaciones sociales de producción, lo que se explica por la teoría de la preferencia por la liquidez (Keynes, 1936, cap. 12) o el principio de riesgo creciente (Kalecki, 1937).

La noción básica de la demanda efectiva es que el gasto de la inversión tiene un impacto más que proporcional sobre el ingreso, explicado a partir del multiplicador del ingreso (Keynes,1936, cap. 10). De acuerdo a Keynes (1936), los principales determinantes de la inversión son los precios de demanda y oferta (alternativamente por la eficiencia marginal de capital o la tasa de interés de largo plazo), y siguiendo a Kalecki (1954, cap. 9), son el ahorro capitalista y la tasa de ganancia. En estos dos planteamientos la inversión crea su propio ahorro, siempre y cuando se realice el gasto de la inversión, o sea, la ampliación de la capacidad instalada no aumente la capacidad ociosa no planificada.

Keynes (1937) señala que la inversión se realiza cuando el financiamiento de corto plazo (precondición para realizar el gasto de inversión) es anulado por el financiamiento de largo plazo, lo cual tiene lugar cuando incrementa el ahorro generado por el gasto de inversión y al sistema financiero. Ello ocurre si la tasa de interés de largo plazo no incrementa. Por su parte, Kalecki (1984, cap. 3) sostiene que las ganancias retenidas por las empresas (bajo la forma de ahorro capitalista, resultado del gasto de periodos previos) deben recircular a la producción y la tasa de ganancia debe ser positiva.

A partir de lo anterior se puede enunciar que la inversión, que explica el crecimiento económico, depende de las ganancias y el financiamiento, y requiere que la creciente producción sea realizada, esto es, que se amplíe la demanda efectiva. En este marco teórico la inversión garantiza el empleo y, dado que el bienestar de la población depende de este gasto, la política económica, específicamente la inversión pública, debe encargarse de asegurar el pleno empleo. Skidelsky (2001) añade que la inversión pública debe complementar el gasto de inversión privada con énfasis en la infraestructura.

Keynes (1990, p. 225) aclara que, en términos generales, las economías deben operar con equilibrios fiscales, señalando que "la fortaleza del presupuesto ordinario es que en todo momento debe estar equilibrado, y el presupuesto de capital debe fluctuar con la demanda de empleo". En sus palabras: "En términos presupuestales es preferible el gasto de capital (deficitario) porque es capaz de pagarse a sí mismo y no genera dificultades ni incrementos progresivos" (p. 320). Sin embargo, si la inversión productiva tiene fuertes fugas en el multiplicador del ingreso (altos componentes importados), se reduce su efecto sobre el ingreso y se debe, por ende, desplegar déficit en cuenta corriente. En palabras de Keynes: "Si por alguna razón el volumen de inversión no logra generar equilibrio, este puede alcanzarse desequilibrando la cuenta corriente" (p. 352).

Siguiendo a Lerner (1943), Keynes añade que los gobiernos pueden operar con déficits fiscales siempre y cuando la tasa de crecimiento del producto sea mayor a la tasa de interés. Sin embargo, Keynes advierte: "Sus argumentos son impecables, pero esperamos que el cielo no lo permita, y nadie se atreva a hacer esta propuesta a los hombres sencillos" (Keynes, 1943, p. 320). Resumiendo, aunque es plausible operar con déficits públicos y endeudarse, ello no es políticamente aceptable por las clases dominantes. Específicamente, los déficits fiscales, son repudiados por los capitalistas, aunque sean resultado de crecientes gastos de inversión y generen mayores ganancias.

Kalecki (1943, pp. 2-3) analizó esta problemática bajo el enunciado de "problemas políticos" del pleno empleo. Al igual que Keynes, argumentó que no hay límites financieros al crecimiento de pleno empleo, inclusive si es generado de manera "artificial" por los gobiernos, siempre y cuando existan suficientes insumos domésticos o disponibilidad de liquidez en unidades de cuenta internacional para importarlos. Pese a ello, la clase capitalista objeta al gasto público por tres razones. Primero, hay disgusto por la interferencia gubernamental en el problema del pleno empleo porque afecta el estado de confianza del sector privado y ello desincentiva el gasto de inversión privada. Segundo, se oponen a que el gasto público se dirija a la inversión pública y al subsidio del consumo debido a que puede generar competencia con el sector privado. Tercero, operar con pleno empleo limita el control de la clase capitalista sobre la clase obrera, en tanto se reduce el despido de los trabajadores, y con ello se debilita su función de disciplinar a la clase trabajadora.

MODELO DE INDUSTRILIZACIÓN: UNA REVISIÓN CRÍTICA A LA INDUSTRIALIZACIÓN POR SUSTITUCIÓN DE IMPORTACIONES

Las economías capitalistas mutaron de la economía agrícola a la industrial con base en la manufactura, que creó una producción a gran escala vía la conversión de la fuerza de trabajo en mercancía y la división o especialización del trabajo. Los salarios se remuneran en función del costo de subsistencia y reproducción de la fuerza de trabajo y no a partir de la aportación del trabajo al valor agregado. Así, la clase capitalista (empresarios y dueños de capital) se apropia del trabajo no pagado, denominado *plusvalor*, que se convierte en ganancias repartidas entre empresarios y dueños del capital. La inversión y el desarrollo tecnológico tienen un papel central en la industrialización vía la "destrucción creativa" (Schumpeter, 1942), que profundiza la división del trabajo mediante la creación de nuevos sectores de producción para ampliar las ganancias, siempre y cuando se realice la producción.

A lo largo de la historia capitalista se han creado diferentes modelos de industrialización, todos bajo la rectoría del Estado con diferentes grados. El modelo clásico, instaurado en Gran Bretaña e impulsado por la máquina de vapor, permitió la masificación de la manufactura; luego se replicó en Estados Unidos. Estas dos economías no enfrentaron competencia externa y el Estado intervino a través de la regulación, que garantizó la propiedad privada y suficiente fuerza de trabajo para las industrias fabriles, y la organización de un mercado interno. En el caso de EE. UU. se desplegaron políticas de protección a la industria infante, con subsidios a sectores estratégicos, ocupando un papel fundamental los avances tecnológicos en los hilados de algodón (Amsden, 2001) y la máquina de combustión interna. Chang (2002) aclara que ninguno de los procesos de industrialización (incluido el clásico) fue resultado de los mecanismos de mercado.

Un segundo tipo de industrialización fue la que se denominó *tardía*. Tuvo lugar en los países que se industrializaron después de Gran Bretaña y Estados Unidos, principalmente Francia y Alemania, que debieron "ponerse al día" —*catching-up*, concepto propuesto por Gerschenkron (1962)— a partir de las tecnologías de los países desarrollados. En este modelo, la rectoría del Estado fue más intensa porque debieron crearse instituciones que garantizaran el financiamiento de la industrialización, asumiendo un papel importante los grupos económicos (empresarios y banca universal).

Una segunda versión de la industrialización tardía tuvo lugar en Asia y posteriormente avanzó al sudeste de Asia, donde el Estado asumió un papel decisivo en la planificación, asignación de recursos y apoyo a sectores estratégicos, con financiamiento dirigido a los sectores económicos prioritarios (Amsden, 1989).

Un tercer modelo de industrialización tardía tuvo lugar en América Latina, a partir de la sustitución de importaciones de bienes finales, denominado *industrialización por sustitución de importaciones* (ISI). La particularidad de este modelo fue que la industrialización descansó en tecnología importada, introducida por las multinacionales que operaban en la región, la cual fue obsoleta por el intenso desarrollo tecnológico en sus países de origen, destacándose que la tecnología importada ni siquiera se ajustó a las condiciones de producción autóctonas. Ello impidió que estas economías tuvieran exportaciones manufactureras competitivas, teniendo como única ventaja los bajos salarios. Por su parte, el sector agrícola, dominado por latifundistas, se mantuvo atrasado incluso en México, que tuvo una revolución agraria. Ello provocó que los precios de la canasta salarial se mantuvieron altos, lo que limitó el mercado interno.

La ISI estuvo regida por una fuerte rectoría estatal que otorgó grandes subsidios al capital privado nacional y externo, vía tipos de cambio preferenciales para las importaciones de bienes de capital e intermedios, créditos baratos y una reducida recaudación fiscal, particularmente en México (Kaldor, 1962). A ello se añade un gran volumen de inversión pública en infraestructura, que incluyó proyectos de inversión riesgosos. Todo eso generó grandes ganancias no recirculadas a la producción con fuertes fugas al multiplicador del ingreso, bajo la forma de remesas de utilidades de las empresas multinacionales e importaciones de bienes suntuarios por parte de la clase capitalista (Kaldor, 1948; Kalecki, 1955). Desde ese periodo los empresarios nacionales se coludieron con las empresas extranjeras en la defensa de sus intereses, comportándose como rentistas. No hubo consenso político para impulsar la industrialización. El resultado fue una industrialización trunca, con dos grandes casilleros vacíos, el desarrollo tecnológico y la inclusión de las clases populares (Fajnzylber, 1983).

En el periodo neoliberal, la rectoría del Estado se debilitó y se supuso que la economía debería operar bajo el esquema de mecanismos de mercado, los cuales harían más eficiente la distribución de los factores productivos. Se renunció así a la política industrial, bajo la declaración que se atribuye a Gurria, secretario de Relaciones Exteriores, en el gobierno de Salinas, "la mejor *política* industrial es no tener *política* industrial". La economía mexicana se privatizó y extranjerizó; desaparecieron los sectores sociales (empresas públicas y paraestatales) incluido el sector financiero y se globalizó la economía en el ámbito comercial, financiero e industrial. En ese marco, se supuso que la inversión extranjera directa (IED) jugaría un papel central, en tanto dinamizaría la inversión productiva, aumentaría la productividad y el crecimiento económico. Adicionalmente, con la entrada de flujos de capital vía inversión extranjera de cartera se garantizaría suficiente liquidez en moneda externa, lo cual estaría ligado al desarrollo productivo y acabaría con la deuda. Ninguno de estos postulados se cumplió.

Por el contrario, las economías de la región, incluido México, se insertaron en la división internacional de trabajo a través de las cadenas globales de producción, especializándose en materias primas (Cono Sur) o maquila (Centroamérica), manteniendo como principal ventaja comparativa los bajos salarios con reducidos gastos de inversión. El objetivo de la política económica fue controlar la inflación, renunciando al pleno empleo de las fuerzas productivas. Esta política económica detonó la crisis financiera mexicana de 1994, la primera crisis del modelo neoliberal, que fortaleció el modelo liderado por las exportaciones (MLE).

Las condiciones económicas del modelo neoliberal mexicano se pueden resumir en tres elementos. Primero, se transitó desde una economía sustentada en la inversión y el consumo hacia una liderada por las exportaciones, con fuertes desequilibrios en la cuenta comercial externa y un desplome de la inversión productiva (tabla 1). Segundo, tuvo lugar un proceso de desindustrialización "prematura" (Palma, 2019), reduciéndose el sector secundario, sin grandes modificaciones de la participación de la manufactura en el producto, no obstante, México adoptó el MLE a partir de sectores exportadores en manufactura altamente tecnologizados. El sector terciario incrementó su participación en el PIB en alrededor de cinco puntos porcentuales, con un importante aumento en la participación del sector financiero, que además de incluir el sector financiero y de seguros, se consideró al sector inmobiliario y de alquiler de bienes inmuebles e intangibles (tabla 2). Finalmente, se destaca que los salarios mexicanos tuvieron un proceso de pauperización, con reducidos aumentos en el sector de la manufactura (tabla 3).

Tabla 1.
Estructura del PIB por gasto

	Consumo total	Consumo privado	Consumo gobierno	FBKF	FBKF privado	FBKF público	X	M	X-M
1960/1969	82,5	79,8	5,3	16,6			3,7	9,1	-5,4
1979/1981	82,4	77,3	6,8	19,9	12,3	7,7	4,2	9,1	-4,9
1982/1989	79,6	72,4	7,9	15,8	10,3	5,5	8,7	7,0	1,7
1990/1999	80,3	73,5	7,2	17,6	13,7	3,9	15,1	16,7	-1,6
2000/2009	80,5	74,6	5,9	20,3	15,7	4,5	25,5	28,7	-3,2
2010-2017	78,6	72,5	6,1	21,4	17,2	4,2	32,3	33,1	-0,8

Fuente: elaboración propia con base en el sistema de cuentas nacionales, bases 2013.

Tabla 2.
Estructura del PIB

	Secundario	Manufactura	Terciarios	Servicios financieros
1980/1989	36,6	19,6	53,9	7,7
1990/1999	36,4	21,1	54,4	8,7
2000/2018	34,2	20,3	57,0	10,8
2019/2023	31,1	20,2	59,8	13,0

Nota 1: los datos de manufactura y servicios para el periodo 1980-1993 se presentan con la base 1993 = 100. Por tanto, se tuvieron que encadenar a la vigente 2018 = 100.
Nota 2: los servicios financieros están compuestos por servicios financieros y de seguros y servicios inmobiliarios y de alquiler de bienes inmuebles e intangibles.
Fuente: elaboración propia con base en Inegi (s. f.).

Tabla 3.
Evolución del salario mínimo y de la manufactura. Índice real, diciembre 2018 = 100 (%)

	Salarios mínimos, general	Salarios mínimos, zona libre, frontera norte	Salario manufactura*
1980/1989	189,01		
1990/1999	104,06		67,36
2000/2018	89,13	97,29	87,11
2019/2023	145,48	223,95	101,95

* Cuarto trimestre 2018 = 100.
Fuente: elaboración propia con base en Conasami (s. f.).

Resumiendo, el periodo neoliberal, liderado por las exportaciones, redujo sustancialmente el mercado interno por la caída de la inversión y el consumo privado, con exportaciones sustentadas en importaciones. El mercado interno se achicó y la realización de la producción se desplazó desde el mercado interno hacia el internacional.

LAS BASES ECONÓMICAS DE LA 4T

Las bases programáticas de la 4T en materia económica se resumen en generar crecimiento económico con bienestar. Se recuperó la rectoría del Estado en la actividad económica, la cual, a diferencia de las políticas tradicionales, se sustentó en la ampliación del mercado interno, específicamente en transferencias y gasto de capital en los estados más atrasados de la república mexicana, y se renunció a crecer sin incluir a las clases populares.

Las bases económicas programáticas se agrupan en cuatro rubros: 1) mejorar los ingresos de los sectores más pobres y vulnerables, resumido en el lema "Primero los Pobres"; 2) combatir la corrupción; 3) reorganizar el gasto corriente para incrementar el desarrollo social y 4) operar con estabilidad financiera.

El primer eje rector de "Primero los Pobres" fue asegurar los derechos de la población más vulnerable vía transferencias. En este contexto se destacaron programas sociales como la Pensión para el Bienestar de las Personas Adultas Mayores (PBPAM), Jóvenes Construyendo el Futuro, Beca para el Bienestar Benito Juárez de Educación Básica, Sembrando Vida y una gran variedad de programas sociales dirigidos a madres solteras y discapacitados, entre otras poblaciones específicas. Adicionalmente, el gobierno se comprometió a negociar con el sector privado aumentos de los salarios mínimos y a abolir la subcontratación laboral (*outsourcing*).

El segundo bloque de políticas económicas ha sido el combate frontal a la corrupción y el fortalecimiento del sistema tributario. Por el lado del ingreso, se procuró incrementar la recaudación fiscal sin aumentar la tasa impositiva, obligando a los grandes contribuyentes a "pagar lo que deben" —*i. e.*, frenar la evasión fiscal—, a la par con un combate a la elusión impositiva mediante arreglos legales para disminuir los impuestos de las corporaciones —*i. e.*, la consolidación fiscal—. También combatió las prácticas ilegales como la emisión de facturas falsas para reducir la carga impositiva de los contribuyentes. Por el lado del gasto, se frenó la desviación de recursos públicos de sus propósitos originales y se combatió el sobreprecio de los bienes y servicios que el sector privado provee al gobierno.

Estos cambios fueron la base para reorganizar el gasto público e incrementar los programas sociales y la inversión pública, con la particularidad de que se concentraron en grandes obras en las zonas del país más pobres y poco desarrolladas. Además, el gasto público también se destinó a garantizar insumos básicos y con ello estabilizar precios y abaratar el costo de vida de los trabajadores. En ese rubro destacan la producción y el abastecimiento de gasolina y electricidad, y el Pacic (Paquete contra la Inflación y la Carestía), programa de contención de precios de los bienes de la canasta salarial.

El tercer eje fue la reorganización del gasto corriente para financiar la política social y la inversión pública, mejor conocido como Programa de Austeridad Republicana. Sus principales directrices fueron topes a sueldos, salarios y prestaciones de altos funcionarios, empezando por el presidente, cuyo ingreso debía operar como un techo para el resto de la burocracia pública, en un claro combate a la "burocracia dorada". Otro elemento de este paquete fue eliminar los fideicomisos y las instituciones autónomas, medida particularmente relevante para reformar el poder judicial y, por esa vía, neutralizar el *lawfare*.

El cuarto eje económico fueron las finanzas públicas sanas: operar con estabilidad financiera, contener la volatilidad del tipo de cambio y, por esa vía, controlar la inflación. El primer compromiso fue operar con equilibrios en la cuenta pública. Otro compromiso importante fue mantener la autonomía del banco central para administrar la tasa de interés, cuyo objetivo intermedio es la estabilidad del tipo de cambio vía márgenes positivos de la tasa de interés domestica con respecto a los centros financieros internacionales. De esta manera se buscaba atraer capital extranjero para estabilizar e incluso sobrevaluar el tipo de cambio. Así, los insumos importados se abaratan, se estabiliza la inflación y adicionalmente se reduce el costo de la deuda internacional. Se advierte que esta política dificulta la reindustrialización porque reduce la competitividad de las exportaciones y aumenta el costo de los préstamos en moneda nacional. Sin embargo, la economía mexicana no tiene las condiciones productivas que permiten sustituir las exportaciones por importaciones como resultado de variaciones de precios (Cepal, 1949). Por consiguiente, la segunda opción es que el banco central opere con tasas de interés altas para estabilizar el tipo de cambio y controlar la inflación, advirtiéndose que estas condiciones deberían cambiar a medida que se avance en la industrialización. Además, las grandes empresas, especialmente las multinacionales, no operan a través de los mercados financieros domésticos.

El objetivo de operar con finanzas públicas sanas y bajos niveles de endeudamiento, especialmente externo, neutraliza los "problemas políticos" del crecimiento y las medidas punitivas de las calificadoras de riesgo internacionales. A partir de esta discusión se puede entender por qué AMLO no recurrió a déficit fiscal y desechó la idea original de promover una reforma tributaria progresiva. Además, debido al reducido efecto del gasto de inversión generado por el gran coeficiente de importaciones, y el bajo impacto de la actividad exportadora sobre el multiplicador del ingreso, se planteó una reforma económica que ampliara el mercado interno, en la cual las transferencias tendrían un papel importante. Así, la novedad de la 4T-1 fue incrementar el ingreso de los estratos más pobres, aumentar los salarios y concentrar la inversión pública en los estados de menor desarrollo económico. Por último, se mantuvo la autonomía del banco central para dar confianza al gran capital de que no habría inestabilidad en el tipo de cambio, con altos márgenes de la tasa interés con respecto a los centros financieros internacionales para garantizar influjos externos, cuya contrapartida fue aumentar los rendimientos de las instituciones financieras y la riqueza de los sectores tenedores de títulos financieros, que se ubican en los centiles más elevados.

EVALUACIÓN ECONÓMICA DEL PRIMER GOBIERNO DE LA 4T

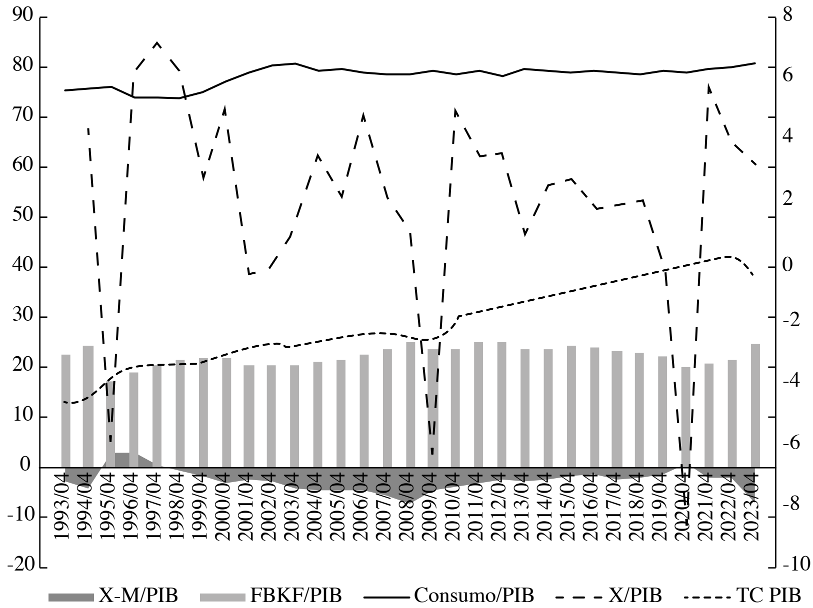
La evaluación de este periodo se hará considerando solo los primeros cinco años del sexenio, advirtiéndose que fue un periodo atípico. Primero, porque en 2020 estalló la crisis sanitaria derivada del Sars-Cov2, seguida por una fuerte inflación mundial resultado de los conflictos geopolíticos de Occidente con China, el estallamiento bélico en Europa y la inestabilidad en Medio Oriente a raíz de la ocupación militar de Israel en Gaza.

Segundo, la crisis sanitaria fue enfrentada de manera diferente en comparación con los países occidentales y del resto de América Latina e, incluso, con respecto a las anteriores crisis mexicanas. La gran diferencia fue que durante la pandemia no se rescató al gran capital; por el contrario, las corporaciones fueron obligadas a pagar sus deudas fiscales en plena crisis, sin recibir apoyos oficiales. Adicionalmente, no fue necesario recurrir a nuevos programas de ayuda a la población porque desde 2019 (año inicial de la 4T) se instrumentaron políticas de transferencias de ingresos a los sectores más vulnerables. Ello implica que la crisis sanitaria se enfrentó sin déficit fiscal ni endeudamiento adicional, con una recuperación económica a la par del resto de la región latinoamericana (Levy, 2020; 2021).

Estructura del PIB: exportaciones con mayor consumo y recuperación de la inversión

En el periodo 2019-2023 se mantuvo la misma estructura productiva del MLE. Las exportaciones siguieron siendo el motor de la economía, muy por encima de la formación bruta de capital fijo, y la actividad exportadora mantuvo el liderazgo del producto con grandes fugas al multiplicador del ingreso. La particularidad de la 4T-1 es que no se desplomó el coeficiente del consumo como consecuencia de la crisis sanitaria, tal como ocurrió después de la crisis de 1994. Además, el coeficiente de la inversión, aunque se redujo desde 2019 por la desconfianza del sector privado frente al nuevo gobierno, se recuperó al final del sexenio, acercándose a los valores máximos del periodo (figura 1).

Figura 1.
Tasa de crecimiento del PIB y sus componentes por gasto (%)

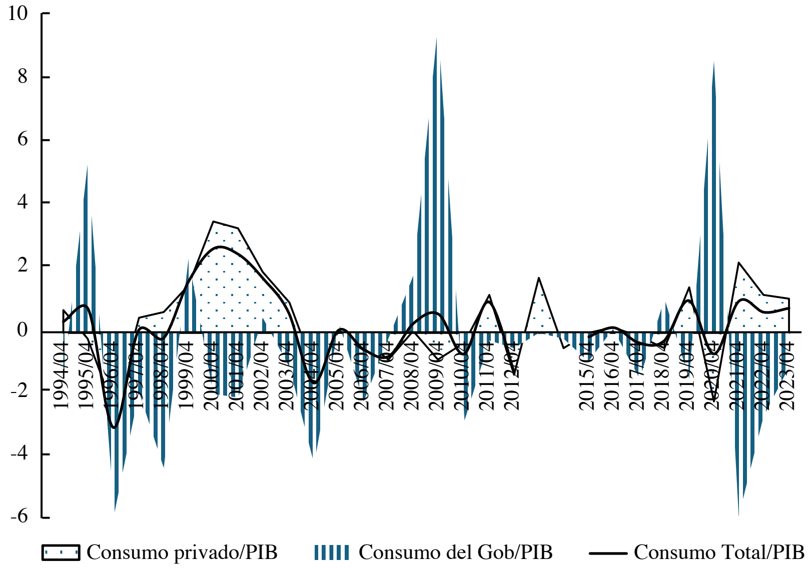


Fuente: elaboración propia con base en Inegi (s. f.).

Una mirada más cercana al comportamiento del coeficiente del consumo, a través de sus tasas de crecimiento con respecto al PIB, muestra que las políticas económicas de la 4T-1 fueron más eficientes y distributivas en la recuperación de la crisis de 2020, en comparación con la de 1994. Específicamente, en la crisis sanitaria de 2020 la tasa de crecimiento del consumo cayó en menos de 1 % y se recuperó muy rápido, mientras que después de la crisis de 1994 su caída fue mucho más abrupta y prolongada (figura 2). La diferencia entre ambas crisis fue que en la de 2020 dominó una política de bienestar liderada por un gobierno que asumió la rectoría de la economía, mientras que después de 1994 se privilegió el rescate del gran capital.

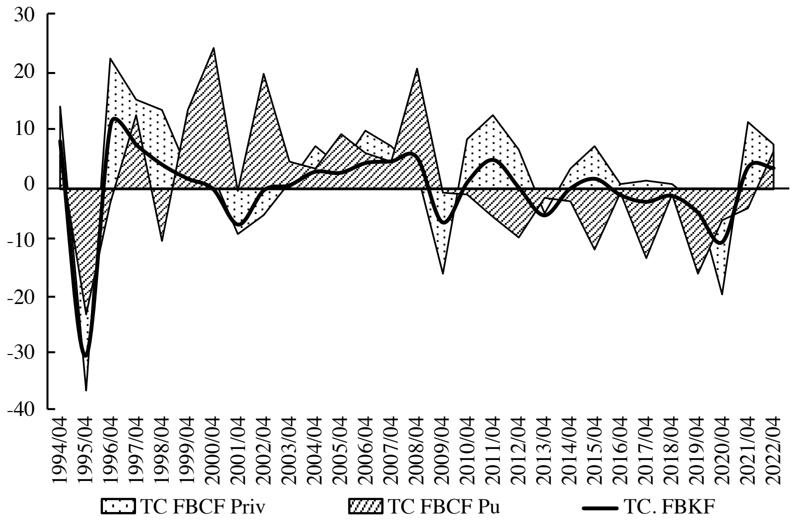
Por su parte, la tasa de crecimiento de la formación bruta de capital fijo se desplomó después de la crisis de 1994, recuperándose relativamente rápido como consecuencia de la entrada de la inversión extranjera en el contexto del TLCAN (Tratado de Libre Comercio de América del Norte). Nuevamente, después de la crisis sanitaria este coeficiente cayó, aunque en menor medida, también recuperado por la inversión privada ligada a la inversión extranjera directa, esta vez relacionada con la política de relocalización del capital internacional (figura 3).

Figura 2.
Tasa de crecimiento del consumo privado y del gobierno



Fuente: elaboración propia con base e Inegi (s. f.).

Figura 3.
Tasa de crecimiento de la formación bruta de capital fijo total, privada y pública



Fuente: elaboración propia con base en Inegi (s. f.).

Una primera conclusión es que hay indicios de un cambio en la estructura económica mexicana con un aumento del consumo, activado por el sector privado, y una aún muy reducida tasa de crecimiento de la inversión, particularmente del sector público. Esta es una asignatura pendiente de la 4T-2.

Tendencia y composición del gasto y el ingreso públicos: "Primero los Pobres"

En este apartado se revisan las herramientas de la 4T-1 para generar crecimiento con mayor equidad. Primero se analizan la tendencia y composición del gasto y el ingreso público y la localización del gasto público.

A lo largo del siglo XXI, la tendencia y composición del gasto corriente puede dividirse en tres etapas. En la primera, antes de la crisis financiera global de 2008 (2000-2008), tuvo una tasa media de crecimiento de 3,2 %, con un promedio respecto al PIB de 11,6 %. La segunda, 2009-2018, se caracterizó por una tasa media negativa de crecimiento (–0,5 %), con un promedio respecto al PIB de 14,3 %. La última, en el periodo de la 4T-1, volvió a tener una tasa de crecimiento del gasto corriente positiva (1,7 %), con un promedio respecto al PIB de 14,8 %, (tabla 4). Es decir, no incrementó el gasto corriente de manera sustancial en estos tres periodos.

Por su parte, el gasto de capital en el periodo 2000-2008 tuvo una tasa media anual de crecimiento significativa (8,7 %), con un promedio respecto al PIB de 2,8 %; entre 2009 y 2018 su tasa de crecimiento fue positiva (0,3 %), con una media respecto al PIB de 4,6 %, y en el periodo 2019-2023 creció aceleradamente (5,6 %), con un promedio respecto al PIB de 3,7 %, monto menor al alcanzado en el periodo anterior. Ello implica que en el periodo de la 4T-1 aumentó el gasto de capital, pero de manera insuficiente para lograr un crecimiento sostenido con bienestar (figura 4).

La contraparte del gasto público es el ingreso presupuestal, que aumentó en varios puntos porcentuales respecto al PIB. Entre 2000 y 2008, su participación promedio alcanzó 19,2 % del PIB, con una tasa media anual de crecimiento de 3,5 %; entre 2009 y 2018 su participación incrementó en dos puntos porcentuales, con una tasa media de crecimiento negativa (–0,5 %). La sorpresa fue que en el periodo de la 4T-1, pese a la crisis sanitaria y las exigencias de rescate del gran capital privado, el ingreso presupuestal respecto al PIB incrementó en algunas décimas, con una tasa promedio anual de casi 1 %, (tabla 4).

Otro elemento destacable fue la composición del ingreso presupuestal. Aumentó la tasa de crecimiento del ingreso no petrolero en el periodo de la 4T-1 (1,7 %), alcanzando una participación de 18,3 % con respecto al PIB (tabla 4). Ello implica que la recolección de ingresos públicos por impuestos alcanzó una cifra récord, reflejando la voluntad del Estado de ejercer esa función, lo cual permitió que la cuenta pública se *despetrolizara*. La industria petrolera se fortaleció, sentándose las bases de la autonomía energética, fundamental para generar crecimiento con bienestar. Recordemos que en México el excedente petrolero históricamente se destinó al financiamiento de la cuenta corriente, lo que ha dado como resultado una recaudación muy baja incluso para los estándares de América Latina.

Tabla 4.
Composición del gasto y el ingreso públicos. Coeficientes promedio con respecto al PIB (%)

	Gasto corriente	**Gasto capital**	**Gasto no programable**	**Ingreso presupuestal**	**Ingreso petrolero**	**Ingreso no petrolero**
	Participación media en el periodo					
2000-2008	11,6	2,8	5,2	19,2	6,3	12,9
2009-2018	14,3	4,6	5,4	21,9	6,1	15,8
2019-2023	14,8	3,7	6,4	22,1	3,8	18,3
	Tasa de crecimiento media anual					
2000-2008	3,2	8,7	-0,9	3,5	9,9	0,1
2009-2018	-0,5	0,3	1,3	-0,5	-5,7	1,2
2019-2023	1,8	5,6	3,1	0,9	-2,7	1,7

Fuente: elaboración propia con base en SHCP (2024).

Una mirada cercana a la tendencia y la composición del gasto corriente respecto al PIB indica que el mayor aumento de este componente ocurrió en los periodos 2007-2008 y 2009-2018, con un crecimiento promedio respecto al PIB de 12,3 %. Ello también aplicó al desarrollo social, especialmente en el rubro de protección social (que contiene los programas de apoyo a los adultos mayores y la población vulnerable), con un aumento de los promedios de 15 % y 24,8 % respectivamente. En el periodo de la 4T-1 la participación de estos rubros siguió aumentando, aunque con menor fuerza. En particular, la participación de la protección social en el gasto de desarrollo social incrementó considerablemente en este último periodo. Ello refleja la recomposición del rubro de protección social en favor de los grupos más vulnerables, sin aumentar de manera significativa el gasto corriente y el de desarrollo social (tabla 5). En 2023, las tasas de crecimiento del gasto de desarrollo y el de protección social ascendieron a 5,8 % y 8,6 % respectivamente, y en términos del PIB los promedios fueron de 12,1 % y 5,4 % respectivamente, las cifras más altas desde 2011. Entonces, en el sexenio de AMLO, pese a la crisis sanitaria, no se aplicaron políticas recesivas y el gasto de desarrollo social se concentró efectivamente en el apoyo a los más pobres.

Finalmente, con respecto al gasto público de capital se destaca que, aunque no subió de manera significativa respecto al PIB, tuvo un fuerte impacto en el multiplicador del ingreso del sureste de México, una de las regiones más pobres del país, donde se construyeron el Tren Maya, el Corredor Interoceánico y la Refinería de Dos Bocas. A esto hay que añadir el Aeropuerto de Tulum, el Aeropuerto Internacional Felipe Ángeles (AIFA), en el centro del país, y el programa de construcción

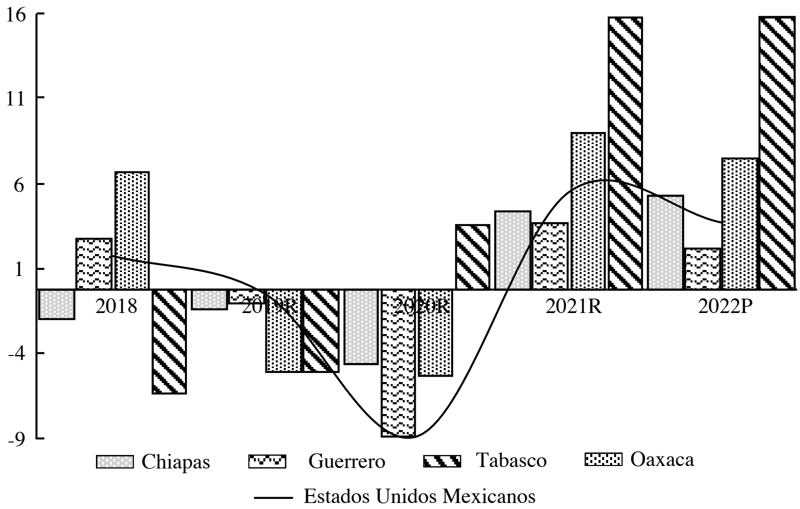
Tabla 5.
Composición del gasto corriente, promedios (%)

	Composición del gasto corriente, promedios, (%)			
	Respecto al PIB			c/Desarrollo Social
	Gasto corriente	Desarrollo social	Protección social	Protección social
2007-2008	12,7	9,4	2,7	28,7
2009-2018	14,3	10,8	3,4	31,1
2019-2023	14,8	11,6	4,9	42,1

Fuente: elaboración propia con base en SHCP (2024).

de caminos vecinales en los municipios más pobres, construidos por los lugareños. El resultado de estas obras es que, en 2021, las tasas de crecimiento de Oaxaca y Tabasco crecieron por encima de la tasa media nacional y, en 2022, Chiapas se añadió a esos estados, con el estado de Guerrero como gran ausente en esta recuperación (figura 4). Los objetivos de la obra pública, además de dinamizar la actividad económica en las zonas más pobres, fueron estimular la inversión privada a partir de la nueva infraestructura, ampliar la oferta de insumos básicos para la producción (autonomía energética) y crear nuevos empleos.

Figura 4.
Tasa de crecimiento del PIB de las actividades económicas por entidad federativa



Fuente: elaboración propia con base en Inegi (s. f.).

Balance público y deuda

El balance presupuestario entre 2000 y 2008 fue cercano a cero; en el periodo posterior a la crisis financiera global (2009-2018) hubo un déficit que, en promedio, fue de –2,4 % respecto al PIB, el cual creció a –2,8 % en el periodo de AMLO. En 2020, año de parálisis económica, el déficit presupuestario incrementó en un punto porcentual, acercándose a 3 % entre 2021 y 2022 (tabla 6). Las cifras preliminares del déficit presupuestal para 2023 y el pronosticado para 2024 se ampliaron —4,3 % y 5,3 % respectivamente— (Flores, 2024), lo cual, empero, no implica un déficit continuo porque está destinado a la finalización de los proyectos públicos del periodo.

Una mirada a la deuda mexicana con respecto al PIB indica que está en niveles relativamente controlados y no genera señales de preocupación. Entre 2003 y 2008 la deuda total con respecto al PIB fue relativamente baja, lo cual se explica por las reducidas tasas de interés internacionales y los altos términos de intercambio, con una fuerte demanda de las exportaciones mexicanas explicadas por el alto crecimiento económico de los países desarrollados. Un signo de preocupación de ese periodo fue la alta participación de la deuda externa y la externa privada en la deuda total (tabla 6).

Tabla 6.
Balance público y deuda. Promedios con respecto al PIB

	B. público	B. presupuestario	B. no presupuestario
2000-2008	-0,37	-0,36	0,01
2009-2018	-2,36	-2,36	-0,02
2019-2022	-2,76	-2,76	0,04
	Deuda total	Externa	Ext. privada
2003-2008	28,6	14,9	6,4
2009-2018	47,6	21,4	8,5
2019-2023*	57,4	24,7	8,4
	Deuda pública	Pub. interna	Pub. externa
2000-2008	22,2	13,7	8,5
2009-2018	39,0	26,1	12,9
2019-2023	48,7	33,3	15,4

* No hay datos para 2023.
Fuente: elaboración propia con base en SHCP (2024).

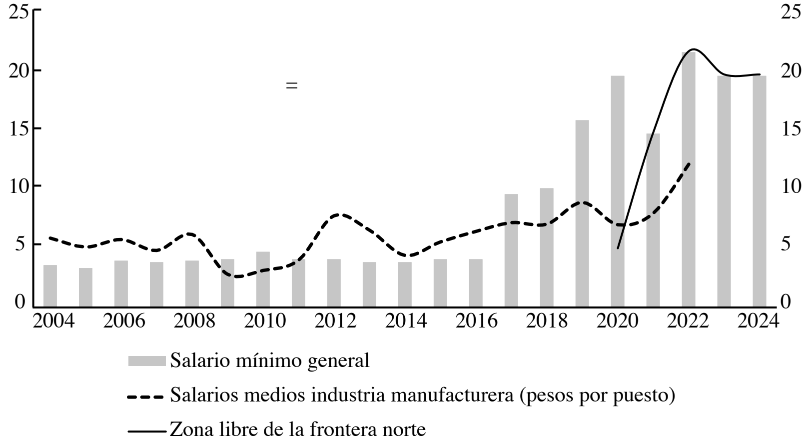
La crisis financiera global de 2008 provocó un aumento del monto de la deuda total mexicana con respecto al PIB (47,6 %), con un incremento de más de 60 % del promedio con respecto al periodo anterior, explicado por el aumento de la deuda pública, especialmente de contenido interno. En este segundo periodo se redujo en casi diez puntos porcentuales la participación de la deuda externa en la total, aunque la deuda privada externa sufrió un aumento en su respectiva participación. El signo de preocupación de este periodo fue el incremento de la deuda externa privada, en tanto no está bajo control del gobierno, pero en una crisis este debe hacerle frente (tabla 6).

En el periodo 2019-2022, de la 4T-1, la deuda total promedio con respecto al periodo anterior subió alrededor de 20 %, una magnitud menor que en el periodo anterior, y el componente de la deuda externa en la deuda total siguió descendiendo, así como el componente de la deuda externa privada con respecto a la deuda externa total. La deuda pública incrementó, particularmente en su componente interno, lo cual se explica a partir de las crecientes tasas de interés domésticas. Entonces, pese a la crisis sanitaria, el mayor activismo del Estado en la economía y las crecientes tasas de interés, la deuda se mantuvo en niveles manejables, especialmente por su alto contenido interno, sin embargo, una vez bajen las tasas de interés se espera que se liberen recursos para el gasto público.

Política salarial y pobreza: la batalla recién comienza

La política salarial del gobierno de AMLO fue agresiva. Las negociaciones con el sector privado permitieron entre 2018 y 2024 un aumento acumulado del salario mínimo de 181,72 %, con una tasa media de crecimiento anual de 18,8 %. A ello debe añadirse que en 2019 se decretó el salario mínimo de la Zona Libre de la Frontera Norte, el cual tuvo un aumento acumulado de 112 % entre 2019 y 2024, con una tasa de crecimiento medio anual de 16,2 % (figura 5). Es importante resaltar que el incremento del salario mínimo afectó positivamente al salario medio de la industria en el sector de la manufactura, con un acumulado de 41,4 % entre 2018 y 2023 y una tasa de crecimiento media anual de 9 %.

Figura 5.
Tasa de crecimiento del salario mínimo y salarios promedios en la industria manufacturera



Fuente: elaboración propia con base en Conasami (s. f.).

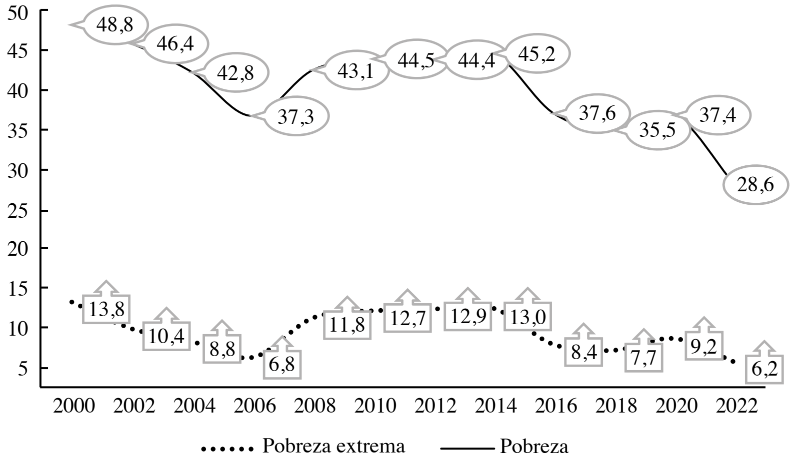
Adicionalmente, en 2021 se prohibió la subcontratación en la industria de la manufactura, entre 2018 y 2020 el promedio de trabajadores subcontratados ascendió a

737 000, en 2021 cayó a 465 000 y en 2022 y 2023 fue solo de 110 000 y 84 000 respectivamente. Eso significa que funcionaron las negociaciones con el sector patronal para incrementar el ingreso de los trabajadores y la calidad del empleo. Se debe advertir que los avances en este rubro son todavía reducidos porque debe atenderse la gran población que trabaja en la informalidad.

El resultado de la política pública del gobierno de AMLO en lo que respecta a la pobreza ha sido positivo, pero insuficiente porque en 2022 todavía el 30 % de la población mexicana estaba en pobreza y 6 % se encontraba en pobreza extrema.

Desde inicios del milenio se desplegaron políticas para combatir la pobreza que se detuvieron como consecuencia de la crisis de 2008. Así, entre 2008 y 2014 los indicadores de pobreza volvieron a incrementar, alcanzando niveles cercanos al 45 %. Entre 2016 y 2019 se redujeron nuevamente, de modo que en 2018 aquella se situó en 36 %. Como resultado de la crisis sanitaria, en 2020 ascendió a 37,4 % para luego descender, en 2022, a 28,6 %. La pobreza extrema siguió el mismo comportamiento. Entre 2000 y 2006 descendió, alcanzado uno de los mínimos del periodo (6,8 %), aumentó entre 2009 y 2014, cayó entre 2016 y 2018 y volvió a incrementar en 2020, hasta alcanzar el mínimo de todo el periodo en 2022, con 6,2 % (figura 6). Se destaca que el Banco Mundial (2024) anunció que, en México, entre 2019 y 2024 salieron de la pobreza 9,5 millones de habitantes, lo cual se adjudicó a las políticas gubernamentales de mejoras laborales, el aumento del ingreso per cápita y la reducción del desempleo.

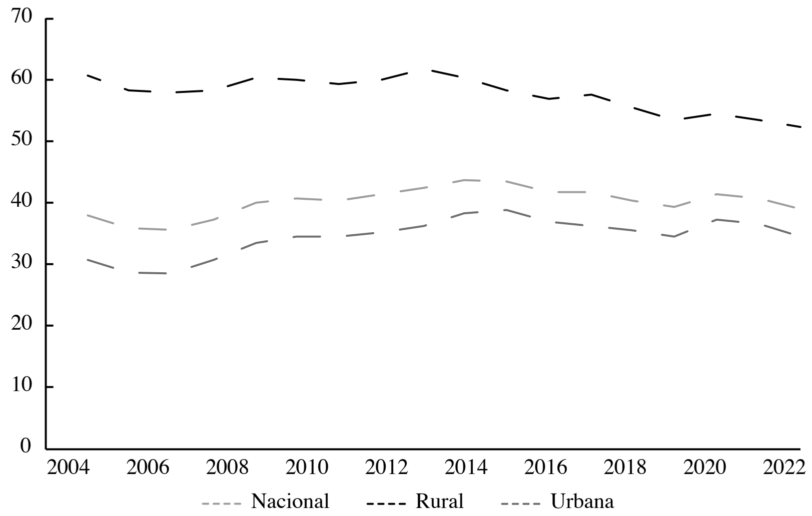
Figura 6.
Indicadores de pobreza y extrema pobreza



Fuente: elaboración propia con base en Cepal (s. f.).

La pobreza laboral (urbana y rural) se mantuvo alrededor de 60 % entre 2004 y 2014, con un descenso significativo entre 2013 y 2017 y, pese a la crisis sanitaria, en 2022 alcanzó uno de sus niveles más bajos. Por su parte la pobreza laboral urbana ascendió en el primer periodo indicado, cayó en el segundo y, en promedio, se mantuvo constante en el periodo de la 4T-1, resaltándose que el apoyo a los pobres de la ciudad fue menor en comparación con los del campo (figura 7). Aún falta mucho por hacer en este rubro.

Figura 7.
Pobreza laboral urbana y rural



Fuente: elaboración propia con base en Coneval (s. f.).

CONCLUSIONES

Los resultados económicos del periodo neoliberal fueron malos. Se ralentizó la economía, la inversión productiva se desplomó, se estancó la participación de la manufactura en el PIB —pese a que el modelo dominante fue liderado por las exportaciones altamente tecnologizadas— y se mantuvo una gran fuga del multiplicador del ingreso. Ello provocó la reducción del mercado interno y una desindustrialización "prematura".

Así, en el periodo neoliberal, la ventaja comparativa de la economía mexicana continuó descansando sobre bajos sueldos y salarios, con una caída drástica de la inversión productiva, que desplomó el ingreso per cápita y provocó el consecuente aumentó de la pobreza, incluso de la extrema pobreza.

En ese periodo tuvieron lugar una sucesión de crisis que cedieron al capital extranjero los sectores más dinámicos de la producción. Específicamente, en el periodo de globalización la economía mexicana se integró a las cadenas globales de producción en los estratos más bajos de la producción, con la especialidad de ensamblar productos finales. Así, México se convirtió en un país maquilador.

El descontento de las clases populares inició a mediados de los ochenta, con la organización popular conformada después del terremoto de 1985, y tardó casi cuarenta años en modificar la correlación de fuerzas y acceder a la Presidencia de la República. La propuesta económica de los detractores del neoliberalismo fue *crecer con bienestar*, con fuerte oposición de las clases dominantes, que se opusieron a las nuevas políticas gubernamentales especialmente a través del poder judicial.

En la primera fase de la 4T se avanzó en la inclusión de los pobres en el mercado a través de las políticas de transferencias y programas sociales, se logró aumentar el salario mínimo, realizar proyectos productivos en las zonas más pobres y parcialmente se abatió a la pobreza.

El mecanismo fundamental para tal avance fue la reordenación del gasto público a través de la mal llamada "austeridad republicana", que permitió financiar los programas sociales. El gasto público, particularmente el corriente, no creció de manera significativa, pero se concentró en el rubro de protección social. A su vez, se incrementó el ingreso público tan solo exigiendo el pago de impuestos y combatiendo la corrupción. A diferencia de crisis anteriores, las corporaciones y el gran capital no fueron rescatados durante la pandemia, pero en cambio se mantuvieron los programas sociales y los proyectos productivos.

El programa económico de la 4T no siguió la vía tradicional de aumentar el crecimiento a través de la inversión productiva. Se centró en la ampliación del ingreso de los más pobres y la ejecución de programas económicos en las regiones menos desarrolladas, con niveles de inversión crecientes, aunque muy reducidos para detonar un cambio radical en la economía. El primer gobierno de la 4T no operó con déficits fiscales y limitó el endeudamiento público con políticas financieras de corte ortodoxo, teniendo en cuenta los "problemas políticos del desarrollo".

El segundo periodo de la 4T requiere acelerar el crecimiento y para ello necesita reindustrializar la economía mexicana con políticas para lograr la autonomía alimentaria, energética y sanitaria. Ello puede facilitarse en este segundo periodo porque se ha debilitado uno de los reductos más fuertes de los detractores de dicha propuesta, el poder judicial politizado, y la 4T controla el parlamento mexicano.

A su vez, en el contexto de las políticas de relocalización y la gran interdependencia entre las industrias estadounidenses y mexicanas, se abren las posibilidades de modificar las condiciones de entrada de la inversión extranjera directa, exigiendo el traspaso de tecnología para acceder a estratos más complejos de la producción.

El gran programa de infraestructura de la presidenta Sheinbaum abriría una fuente adicional de crecimiento económico. En este aspecto, el gran reto será consolidar una industria doméstica con disponibilidad tecnológica para incrementar la productividad y por esa vía fortalecer un crecimiento endógeno. Ello, combinado por la profundización de los programas de transferencias y una menor resistencia de la clase dominante, puede sentar las bases de un crecimiento acelerado con bienestar, con un sector exportador fuerte y una industria doméstica que satisfaga el mercado interno y continúe con la reducción de la pobreza.

Un tercer momento de la 4T, si todavía contara con apoyo popular, implicará modernizar el sector educativo y sanitario, así como mejorar las condiciones de vida de los jubilados, para cimentar la base de una seguridad social integral. Debe anotarse que, más temprano que tarde, será necesario incrementar los ingresos fiscales para financiar los programas sociales, en tanto la inversión, sea pública o privada, se financia a sí misma.

RECONOCIMIENTOS

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ARTÍCULO

THE STABILITY OF CHANGE: STATE AND PUBLIC POLICIES DURING LEFTIST ADMINISTRATIONS IN URUGUAY (2005-2020)

Germán Bidegain
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Bidegain, G., Freigedo, M., & Zurbriggen, C. (2025). The stability of change: State and public policies during leftist administrations in Uruguay (2005-2020). *Cuadernos de Economía*, *44*(93), 263-283.

This article examines the 15-year trajectory of Uruguay's leftist administrations, focusing on the influence of the Frente Amplio (FA) on public policy and state configuration. It scrutinizes the challenges of and progress in state strengthening and policy shaping through three thematic blocks. The conclusion reflects on the

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enduring impacts of the transformative phase, marked by heightened state influence on public policy, economics, and social affairs. It showcases the feasibility of pursuing a redistributive agenda while upholding stability and resilience in the 21st-century Uruguayan state apparatus.

Keywords: Leftist governments; state transformation; public policy; Uruguay; Frente Amplio.
JEL: H0, H1, I0, O2.

Bidegain, G., Freigedo, M., & Zurbriggen, C. (2025). La estabilidad del cambio: el Estado y las políticas públicas durante los gobiernos de izquierda en Uruguay (2005-2020). *Cuadernos de Economía*, *44*(93), 263-283.

Este artículo examina la trayectoria de 15 años de gobiernos de izquierda en Uruguay, centrándose en la influencia del Frente Amplio en las políticas públicas y la configuración del Estado. Analiza los desafíos y avances en el fortalecimiento del Estado y la formulación de las políticas a partir de tres bloques temáticos. La conclusión reflexiona sobre los impactos duraderos de esta fase transformadora, marcada por una mayor influencia del Estado en la política pública, la economía y la sociedad. El caso da cuenta de la posibilidad de impulsar una agenda redistributiva manteniendo la fortaleza del aparato estatal.

Palabras clave: gobiernos de izquierda; transformación estatal; política pública; Uruguay; Frente Amplio.
JEL: H0, H1, I0, O2.

INTRODUCTION[1]

On March 1, 2020, a 15-year term ended for the Frente Amplio (FA) in Uruguay, an unprecedented period in the country since it was the first time that a leftist party had been at the helm of national government. This "progressive era" (Garcé & Yaffé, 2014) was inaugurated when Tabaré Vázquez took office in 2005, continued with the administration of José Mujica (2010-2015), and concluded with Vázquez's second term (2015-2020).

The triumph of the Frente Amplio (FA) in the 2004 elections was the outcome of sustained electoral growth in the wake of the 1989 elections. In 2004, the FA obtained more than 50% of votes in the first round, propelling it to the national government. The vote also allowed it to obtain a majority in both parliamentary chambers. In the 2009 and 2014 elections, the Frente Amplio successfully faced second presidential rounds. Since in the first rounds of both elections the FA held close to 50% of the votes, it retained parliamentary majorities during the 15 years it was in power. This political context coincided with sustained economic growth during the period, which generated a favorable scenario to promote the administration's program. The end of this cycle invites us to take stock of the different public policy orientations promoted by successive progressive administrations. It is relevant to ask how much change and continuity there was in the transformations of the state, and in this way, to analyze what kind of state was configured. Did the shift to the left in Uruguay mean a substantive change in the historical political configuration of the state?

This article argues that the arrival of the FA to government implied strengthening the state's role in the political, economic, and social spheres. This change was marked by the growth of the state apparatus, a strong presence in the provision of welfare, changes in the tax system, regulation of the labor market, the importance of public enterprises through planning and public investment, and progress in the human rights agenda through the recognition and promotion of traditionally vulnerable groups. Considering this, it is possible to affirm that the political alternation that took place at the beginning of the 21st century with the arrival of a leftist government to power generated a significant change, representing a new cycle for the Uruguayan state.

Beyond these important changes and the relevance that the state has gained in social and economic life, the reforms undertaken did not re-found the Uruguayan state. These changes align with Uruguay's political history, marked by cycles of momentum and restraint in its reform processes that, as noted by Real de Azúa (1964), typically avoided abrupt shifts during political project alternations. Consequently, these reforms fortified the historical legacy of the Uruguayan state, which,

[1] This article is based on the introduction to the book *Fin de un ciclo: balance del Estado y las políticas públicas tras 15 años de gobiernos de izquierda en Uruguay*, edited by the authors (Bidegain et al., 2021).

despite experiencing a decline after the 1990s, retained its strengths as compared to peer states in the region during the neoliberal reform period.

In support of this argument, this article is structured as follows: First, some general considerations are outlined to contextualize the Uruguayan progressive era. Subsequently, the characteristics of the FA and its role in the Uruguayan party system are examined, along with fundamental aspects of the configuration of the Uruguayan state at the time the Left assumed government. Secondly, the progress and difficulties of the FA governments in strengthening the state and public policy are analyzed on three thematic subsections. These subsections do not exhaust the agenda of the successive administrations. However, they allow us to approach issues of great relevance for the sake of deriving lessons from these administrations in Uruguay. Subsection 1 refers to the organizational structure of the state, focusing on the linchpins of administrative reform, decentralization, and the agendas of citizen participation and transparency. Subsection 2 deals with policies related to the economic development model. Finally, subsection 3 assesses welfare and social protection agenda issues. The article ends with a section of final considerations that synthesizes the balance left by the three Frente Amplio governments, lessons learned that can be drawn from the case, and pending challenges.

THE LEFT, THE PARTY SYSTEM, AND THE URUGUAYAN STATE CYCLE

The Frente Amplio's arrival to power took place in a peculiar continental context, which has been defined as the "Left Turn" or "Pink Tide" (Arditi, 2008; Chodor, 2015; Stoessel, 2014). Since the beginning of the 21st century, different leftist parties gained access to the governments of their countries, tilting the continental political balance. The succession of progressive electoral victories shifted the political axis of the continent, giving rise to novel political processes that have been addressed by academia. A crucial one of these was the manner in which different governments sought to modify the relationship between the economy and politics, vindicating the role of the state as a guiding force.

Different authors have proposed classifications that differentiate between two types of leftists in the continent: radical and moderate, populist and social-democratic, nationalist and internationalist, among others. These dichotomous views have been complemented by other proposals criticizing their reductive nature and proposing more complex typologies to better capture the continent's diversity (Arditi, 2008; Beasley-Murray et al., 2010; Levitsky & Roberts, 2011; Stoessel, 2014). Without getting into these different analytical efforts, it is worth noting that Uruguay has been considered in the different comparative analyses to be a case of the moderate/reformist/internationalist ilk.

Beyond the broader continental processes, it is imperative to delve into the specific nuances of the Uruguayan case as concerns its party system and distinctive historical state legacies which set it apart in the regional context.

On the one hand, the Uruguayan party system has been historically characterized as one of the most institutionalized in the region (Mainwaring, 2018; Mainwaring & Scully, 1995). For much of the twentieth century, the Blanco and Colorado parties were the main actors in the system. The 1971 creation of the Frente Amplio (Broad Front) brought together different sectors and parties of the Uruguayan Left, challenging the bipartisan logic prevailing up to that time. The subsequent dictatorship between 1973 and 1985 froze the party system, which resumed its previous form during the democratic transition. After the return to democracy, the Frente Amplio grew electorally until it took power in 2005. Beyond the changes brought about by the emergence of this challenger, the party system maintained specific historical characteristics that have led some authors to classify Uruguayan democracy as a "Consensual Partidocracy" (Chasquetti & Buquet, 2004). This concept synthesizes the predominance of parties as central representative actors, with the capacity to generate spaces for co-participation to achieve important levels of cooperation and institutional stability. In any case, their centrality does not mean ignoring that certain social actors, such as business and trade union groups, have historically played an essential role in constructing public policies through their insertion in corporate spaces (Lanzaro, 1992).

On the other hand, when analyzing the evolution of the Uruguayan state during the 20th century, Filgueira et al. (2003) identify two stages: a first stage of expansion of state capacities and functions (1904-1958), and a second stage (1959-2000) that the authors call "dampened retrenchment." In the first stage, some long-standing guidelines were established, many of which are still in place today. In this stage, the Uruguayan state considerably expanded its functions, establishing a professional corps of civil servants that endowed it with essential capacities throughout the country. This process was brought about by the competition and leadership of political parties, which were born and consolidated alongside the nation-state (Lanzaro, 2004).

As a result, unlike other countries, the Uruguayan state achieved significant autonomy from private interests (Caetano, 1992). This autonomy did not imply isolation from political and social dynamics. Although the parties acted as the central driving force of interests, the state incorporated actors and demands early on, with a rapid expansion of political and social citizenship and processes to incorporate collective actors in relevant institutional spaces (such as the Wage Councils recognized by law in 1943). The inclusive representation of interests led to the establishment of a highly developed social protection matrix in comparative terms in the region. By the 1940s, the country had consolidated a scheme of "stratified universalism" (Filgueira, 2007) with corporative features that brought it closer to continental welfare provision schemes. Nonetheless, said scheme had much higher levels of employment informality and, therefore, lower coverage of social benefits (Midaglia et al., 2017).

The "expansion" stage of the Uruguayan state took place within the framework of an economic development scheme of industrialization by import substitution based on international insertion through exporting raw agricultural materials. The deterioration of the terms of trade and some issues inherent in a political system that fostered uncontrolled practices of resource distribution, often based on clientelist and discretionary logic (Zurbriggen, 2011), generated severe tensions and paved the way for the second cycle of the Uruguayan state: The "dampened retrenchment" was a process that sought to limit the intervention of the state in different areas, affording the market a more significant role. First in its regulatory functions and then, in a less powerful way, in its functions as a social and entrepreneurial state (Filgueira et al., 2003). However, true to its history of moderate changes, the country did not undergo radical shifts, despite agendas that were, at times, ambitious. For example, in the framework of reforms aligned with the Washington Consensus agenda of the 1990s, social movements allied with the Frente Amplio promoted mechanisms of direct democracy to oppose liberalizing reformist impulses. Through referendums and plebiscites, citizens blocked different reforms proposed by governments, thus moderating their promotion of state retraction (Bidegain & Tricot, 2017; Monestier, 2010; Moreira, 2004).

During the 2002 economic and social crisis outbreak, the worst in the country's history, socioeconomic development indicators reached record figures. In 2004, 41% of the population experienced poverty, and extreme poverty climbed to almost 6% the same year (Amarante & Vigorito, 2007), figures that were unprecedented in the country's history. The FA blamed the orientation of state retrenchment as a significant cause of the crisis (e.g., lack of financial sector regulations). State weakness was also presented as problematic for dealing with the consequences of the crisis, both economic and social.

Reclaiming banners of the first state cycle, the leftist party won the 2004 elections with an agenda of state strengthening. The economic, social, and political context in which the FA came to power and the development of an ambitious programmatic offering generated strong expectations for a change to the country's direction. Regarding public policy and state reform, the leftist program proposed significant transformations to the administration of the traditional parties.

ADVANCES IN AND SETBACKS TO THE FRENTE AMPLIO AGENDA: EXAMINING KEY REFORM INITIATIVES

This section analyzes different public policy reforms driven by successive left-wing governments in several policy arenas. It assesses the extent of change and continuity in the role and shape of the state with regard to its historical evolution.

For this purpose, these reform initiatives are structured in three thematic subsections, highlighting the advancements and challenges encountered by the FA in each area.

State structure, public administration, and societal interaction channels

When the FA first assumed national governance, one of the first issues prioritized on its agenda was to plan and implement reforms aimed at modifying the organizational structure of the state, as well as its relationship to the citizenry. President Vázquez called it "The mother of all reforms" since it was crucial for generating a more active and functional state for the productive and developmental model of the country as proposed by the Left. For its planning, the presidency prepared a document called The Democratic Transformation of the State (OPP, 2008). This document proposes two fundamental pillars. First, to advance the decentralization agenda and, at the same time, strengthen citizen participation. Second, to carry out reforms aimed at modernizing state administration (OPP, 2008, p. 5).

A retrospective analysis of the three administrations shows disparate progress on this agenda. On some key issues, reforms were carried out that have significantly modified state structures, while on others, the changes made have yet to achieve the expected results. On the one hand, among the most essential innovative reforms was the decentralization agenda, which was fundamentally expressed in the creation of municipalities as a level of government with the approval of the Law on Decentralization and Citizen Participation (Freigedo et al., 2017). However, decentralization generated changes mainly in the political dimension of the state, without significantly modifying its functional and fiscal structure.

This regulatory framework was partially oriented by the promotion of citizen participation, another relevant linchpin of the programmatic discourse of the Left, which raised the importance of incorporating new actors into decision-making through novel spaces for government and society to interface. In any case, this linchpin's departure from the past was insignificant in spite of its generation of innovative participation formats because these were mainly consultative, informative, advisory, or dialogue-focused, without generating binding decisions on public policies (Lizbona Cohen, 2021).

On the other hand, in terms of administrative modernization, the country has made progress in implementing critical tools for the publication of information and the incorporation of public administration technologies. In this sense, the improved application of technology to release data and make information available, and the collaboration between civil society and the middle and upper structures of bureaucracy to achieve results on the open government agenda, stand out (Álvarez & Scrollini, 2021).

Finally, the administrative apparatus's transformation, particularly that of the central administration, was a neuralgic issue for carrying out changes to the state model. On the one hand, the period saw a sustained increase in civil servants, especially in social welfare and security. However, this increase did not necessarily imply greater administrative efficiency (Ruiz Díaz et al., 2021). On the other hand, the administrative apparatus was strengthened, especially in the incorporation of the public administration tools associated with building information systems, budgeting for outcomes, strategic planning, and evaluation. Progress was also made regarding equal access to public service and ethics in public service. However, attempts at reform were less successful when it came to modifying the civil service career, for which the initiatives carried forward fell by the wayside.

The civil service development index prepared by the Inter-American Development Bank (IDB) shows that the changes implemented failed to promote a qualitative leap in the capabilities of Uruguayan bureaucracy (Iacoviello & Strazza, 2014). In general terms, the FA administrations promoted transformations, but these were far from the complex reforms required by the bureaucratic apparatus (Narbondo, 2012).

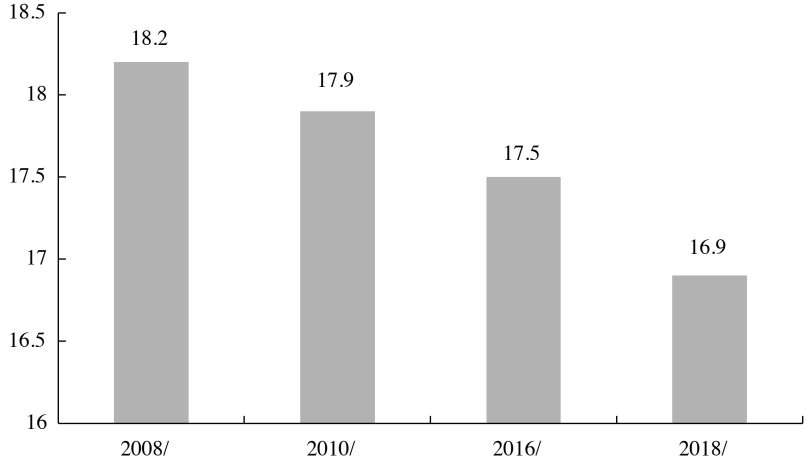
Economic policy, the economic structure, and development model

During its 15 years in power, the FA governments maintained a policy of guaranteeing macroeconomic order and compliance with international commitments. However, without neglecting these concerns, various reforms promoted more significant redistribution and a more active role for the state in the economic sphere. A fundamental reform in this sense was the tax reform carried out during the first period of FA government. This reform established the Personal Income Tax as a central tool for increasing progressivity in the system. In addition, it strengthened tax administration and simplified the tax structure, aiming to streamline the system, to make it more transparent, and to improve collection rates (Antía, 2016). The strong progressivity in the Personal Income Tax reform had an impact on redistribution. However, as shown in Vigorito's analysis of the impact of this reform on redistribution, there is a disconnect between the high progressivity of the tax reform and the strength of its effect on redistribution, which was benign (Vigorito, 2021).

In tandem with this initiative, a cycle of structural reforms was initiated that revitalized the role of the state in economic development. The agenda focused on transforming the economic structure and promoting the weight of science, technology, and innovation from three flanks: competitiveness, social inclusion, and environmental sustainability. Within this framework, public companies became fundamental actors in providing good quality services with a sense of public responsibility. However, the outcomes of the productive and developmental agendas varied among the three governments.

The agricultural/agro-industrial sector is a pivotal driver of the country's economy. Under the governance of the FA, this sector exhibited a notably positive trajectory, marked by robust GDP expansion, a consistent upswing in overall investment, and a pronounced influx of foreign direct investment. Additionally, a notable influx of critical transnational corporations in the domain of agribusiness exports resulted in increased exports and heightened total factor productivity within the agricultural sector (Paolino, 2021). Nevertheless, despite concerted efforts on science, politics, and innovation, a deepened reliance on agricultural commodity exports failed to translate into an expanded exportable portfolio of greater economic complexity for Uruguay (see Figure 1). This posed challenges to the attainment of environmental and social inclusion objectives. Concerning the latter dimension, despite diverse support extended to family farming, this sector still needed help to secure a substantial foothold in agricultural chains (Zeballos & Bianco, 2021). Simultaneously, the intensification of agricultural practices exerted heightened pressure on the utilization of natural resources.

Figure 1.
Share estimation of differentiated products in the agro-export basket (% of the exports value)



Source: Paolino (2021, p. 484).

Additional strides were taken in institutional terms to foster advancements in science, technology, and innovation. A major institutional reform occurred in the scientific-technological field, accompanied by a considerable budget increase that strengthened institutional capacities and human resources. The National Agency for Research and Innovation (ANII) was created, and investment in R&D concerning GDP increased from 0.24% (2002) to 0.49% (2017). Another pivotal dimension was formulating the National Strategic Plan for Science, Technology, and Innovation (Zeballos & Bianco, 2021). However, over the years, criticism mounted concerning the scientific and innovation system's insufficient economic backing and planning capabilities.

Concerning state-owned enterprises, over 15 years, the progressive governments not only repositioned these at the core of the development model, but also gave them a significant role in driving infrastructure initiatives (Dorrego, 2021). Among the most innovative reforms was the transformation of the national energy sector, positioning Uruguay as a global reference in the fight against climate change through the substantial integration of renewable sources (Méndez, 2021). In this process, UTE played a pivotal role in infrastructure development investment. The contribution of renewable energies to the electric grid reached 97% of the total in 2018, occupying a transcendental position on a global scale. The magnitude of these achievements on the international stage is underscored by the "Renewables 2016: Global Status Report" (REN21, 2016), in which Uruguay ranked third globally in investment per unit of GDP in renewable energies for 2015.

On the other hand, the Frente Amplio implemented several measures to strengthen and modernize some public companies, especially in sectors such as telecommunications and energy. State telecommunications company ANTEL made significant technological investments, especially in deploying fiber optics. In the energy sector, the National Administration of Electric Power Plants and Transmissions (UTE) also made investments to strengthen electricity generation capacity and expand renewable energy sources. ANTEL, the state-owned telecommunications company, stands out for its investment in fiber optics. This underscores the developmental character of infrastructure acquired by the leading state-owned enterprises (Dorrego, 2021). These substantial advancements in development investment are somewhat overshadowed by state participation in controversial projects, such as the deep-water port project, the Puntas de Sayago regasification plant, or AFE, the state-owned railway company, which have traditionally run at a deficit, and in PLUNA, the national airline carrier, which filed for bankruptcy and closed its operations in 2012.

Welfare policies and social security

The FA came to the government with the slogan, in the words of President Vázquez, that "the State must be recognized as the articulator of society as a whole and the shield of the weak." Social assistance, the labor market, healthcare, and education became vital for the FA governments to consolidate the social protection system. These reforms were closely aligned with tax reforms designed to further enhance the redistribution of resources.

The economic and social crisis of 2002 resulted in high unemployment and a significant increase families experiencing poverty and extreme poverty. This situation challenged the FA governments, which sought to develop policies to rapidly assist the most vulnerable population. Therefore, one of the first reforms carried out was the creation of a new institutional framework to address the social emergency, the

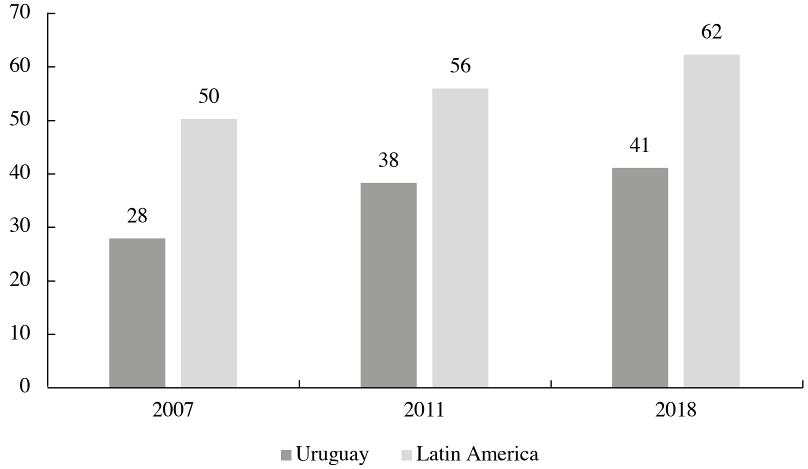
Ministry of Social Development (MIDES). This new welfare institution meant a notorious change to the traditional social protection system in terms of social assistance policies and the fight against poverty. However, the changes in the design of the social security system were not as significant as those in the social assistance system. Although social security policies facilitated access to benefits for previously excluded sectors and progress was made in reducing gender gaps in pension access, these changes were not structural in nature, and relevant reforms, such as to the system's sustainability, are still pending (Antía & Rossel, 2021).

One of the most important policies of the social protection system referred to regulation of the world of work. In this sense, the FA governments managed to carry out changes that made it possible to leave behind the liberalizing and deregulating model developed in the 1990s (Senatore, 2010). These changes were based on active labor legislation that increased the state's presence in regulatory matters, institutionalized collective bargaining, and provided more protection for union activity. In turn, the historical alliance between the Left and the collective union actors modified the power relations between the main actors in the world of labor, resulting in an essential revitalization of the union movement (Méndez, 2021).

Regarding the reform of the healthcare system that created the Integrated Health System with a centralized fund as a base, the National Health Fund (FONASA) was undoubtedly a flagship of the Frente Amplio governments. This reform sought to modify the ways of managing, providing, and financing healthcare in Uruguay. In this sense, the reform has massively incorporated a significant part of the population under the same financing scheme, without questioning a mixed provision structure. This reform has strengthened adequate access to healthcare services for a significant population. For a country that already had a high coverage rate, the reform brought about changes of a more qualitative than quantitative nature in terms of improved access to benefits (Fuentes & Rodríguez Araújo, 2021).

Finally, another area that has historically been a priority for the FA is education. In this policy sector, some innovations can be highlighted in areas such as the modernization of evaluation, decentralization, internal coordination within the system, and intersectoral articulation (Bentancur, 2012). Arguably, the most noteworthy innovation was linked to advancing emerging technologies, as primarily exemplified by the CEIBAL Plan (Pittaluga & Rivoir, 2012). In any case, these changes were incremental and preserved the historical Teaching State, constituting the continuation of its historical role in this policy arena. The peculiarities of the institutional framework of the Uruguayan educational arena make it challenging to generate substantial public policy changes (Bidegain & Milanesi, 2020). Concerning the quality and equity of primary and secondary education, the worrisome indicators prior to 2005 were maintained (Mancebo & Mandressi, 2021). For example, despite an increase in secondary education levels from 32.2% in 2006 to 42.7% in 2019, the graduation rate remained well below the Latin American average (62% in 2018) (see Figure 2).

Figure 2.
Evolution of secondary education rate in Uruguay and Latin America (%)



Source: INEEd (2020) with data from CEPALSTAT.

STATE AND PUBLIC POLICIES ACROSS THREE FRENTE AMPLIO ADMINISTRATIONS: A COMPREHENSIVE ANALYSIS

This concluding section provides a series of reflections on the implemented reforms from two different perspectives. To begin, we review the Uruguayan experience to asses some of the concerns raised about the Latin American Left Turn in the region. Secondly, we delve into some tensions reformers faced when advancing their agendas, emphasizing internal discrepancies within the FA and in its interactions with social actors. We also unpack the dynamics of the reforms and the varying degrees of depth achieved across different policy domains during different governmental periods. Lastly, the section concludes by reaffirming its argument about the pivotal role of the state in the examined reforms.

Lessons learned from the case in regional terms

A first important lesson from the Uruguayan leftist governments refers to their capacity to carry out a reformist program while respecting democratic institutions. Although the experiences of the different countries differ significantly, Uruguay undoubtedly maintained the country's historically democratic tone. In fact, during the entire period, the country was one of the most solid democracies on the continent, even improving its ranking in different global indexes. According to Freedom House, between 2005 and 2020, Uruguay maintained its character as a free country, obtaining the highest possible ranking in the two components analyzed by the organization—political rights and civil liberties—during the entire period. On a comparative level, Uruguay went from 27th place globally (second in Latin America and the Caribbean, behind Costa Rica) in The Economist's 2006 Democracy Index ranking, to 21st in 2020 (first in Latin America and the Caribbean).[2]

Moreover, the reforms carried out bolstered the capacities of the state. On the one hand, the impulse to decentralize led to advancements and new channels of democratic representation. On the other hand, progress was also made on transparency, with the modernization of administration associated with open government plans. In this regard, Uruguay also improved its position in the Transparency International ranking, going from 32nd place globally (third in Latin America and the Caribbean, behind Chile and Barbados) to 21st place globally in 2020 (first in Latin America and the Caribbean).

A second lesson learned pertains to government economic policy. The leftward shift raised doubts among conservative sectors about the macroeconomic management that could be undertaken by progressive governments within 21st-century global capitalism. However, in Uruguay, the progressive cycle dispelled such concerns given its adherence to international commitments, effective inflation control, the promotion of investments through diverse institutional and political tools, and a continual commitment to ensuring economic stability, thus creating conditions conducive to historically high investment rates.

Parallel to the macroeconomic lines outlined above, capacity-building efforts were also associated with promoting a more active role for the state in the economy. The FA's political project promoted economic growth and the redistribution of resources through a centralized role of the state in various spheres of economic activity. In this sense, the investment in infrastructure and active promotion of strategic objectives by public enterprises were fundamental elements for fulfilling this role. Other institutional advances were also made to promote the development of science, technology, and innovation.

In reflecting on the balance of these 15 years of government, they stood out for having the highest GDP growth cycle in the country's history (the cycle began in 2003). By 2020, with the advent of a right-wing administration, the country had undergone 17 uninterrupted years of economic growth, with an annual average of 4% growth between 2005 and 2019 (though this slowed towards the end of the period with the growth of the fiscal deficit, which in 2019 represented 4.7% of GDP).[3] Indeed, the growth of the fiscal deficit was one of the most sustained criticisms from opposition parties and different private sector associations.

A third lesson from this case refers to social policies. The rise of the Left in the region implied a search for more significant state involvement in providing welfare

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[2] Data available at www.freedomhouse.org and www.economist.com

[3] Data available at https://www.gub.uy/ministerio-economia-finanzas/comunicacion/publicaciones/exposicion-motivos-2019/exposicion-motivos-2019/desempeno-fiscal

and social policies, and the Uruguayan case followed this trend. The reform of the healthcare system, the creation of a new institutional framework in terms of social assistance, and the modification of the institutional framework for the regulation of the labor market are undoubtedly changes that imply a substantial strengthening of the state in the provision of welfare. The relevance of this issue for the Frente Amplio governments was expressed in the substantial income of public officials associated with welfare issues, or in the sustained increase in social public spending, with an increase of 136% in real terms between 2005 and 2018.[4]

A substantive improvement can be seen in the country's reality in terms of social indicators. Between 2005 and 2019, poverty dropped from 32.5% to 8.8% and extreme poverty from 2.5% to 0.2%. The evolution of these indicators occurred in parallel to the reduction of inequality, which is expressed in the decrease of the Gini index from 0.455 in 2006 to 0.383 in 2019.[5] At the labor level, unemployment went from 10.8% in 2006 to 8.9% in 2019, and real wages increased by 55.5% between 2005 and 2018.[6]

Finally, it is worth highlighting the importance of labor reforms, especially collective bargaining through the convening of Wage Councils. Collective bargaining saw fundamental results not only in terms of the expansion of labor rights and improvement of real wages, but also in the strengthening of the PIT-CNT (the federated workers' center), which went from having approximately 100,000 members when the Frente Amplio took over, to more than 400,000 ten years later.

Tensions faced by reformers and differences among the three administrations

An overview of the progressive cycle must consider the tensions that the reformist agents faced in pushing forward their agendas. Bearing in mind that the Frente Amplio had a parliamentary majority during its three terms, which allowed it to carry out reforms independently of the positions of opposition parties, the tensions among civil society actors close to the party, as well as between sectors within the FA, are of particular interest.

As in the rest of the continent, the Left's triumph posed a challenge for the government in terms of its relationship with its allies in the social world. In general terms, it is possible to affirm that the Frente Amplio managed to maintain good relations with the collective social actors with which it has traditionally been linked (the workers' movement, cooperatives, students, feminists, among others), aside from particular conflicts. In this sense, the emergence of an environmental movement opposed to the Aratirí open-pit mining project during the government of José Mujica represented a relevant departure. This movement brought together

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4 Data available at https://www.gub.uy/presidencia/comunicacion/noticias/gasto-publico-social-uruguay-aumento-136-terminos-reales-entre-2005-2018

5 Data available at http://observatoriosocial.mides.gub.uy/

6 Data available at www.ine.gub.uy

diverse actors and developed a strong criticism of the Frente Amplio for promoting an economic export development model based on the exploitation of natural resources with environmental impacts, and for failing to differentiate itself in this regard from right-wing parties (Bidegain & Freigedo, 2021).

On the other hand, examining the three Frente Amplio (FA) terms unveils internal tensions within the party regarding specific political orientations, influencing its efficacy in implementing various policies. In domains such as education, international relations, environmental issues, or attempts to reform centralized administration, divergent perspectives within the FA necessitated ongoing negotiations on reform agendas. For example, in the case of education, internal tensions were evident in various institutions where differing perspectives on policy led to insufficient progress in the necessary reforms.

These negotiations, in turn, constrained the capacity to effect substantial directional changes, hindering the formation of cohesive coalitions capable of driving significant transformations in these areas. Conversely, in sectors like healthcare, a successful reform of the central system was realized by strategically sidestepping contentious issues. Although this approach facilitated the implementation of institutional reforms, it simultaneously curtailed the pursuit of more ambitious objectives by reform advocates (Freigedo et al., 2015). Such tensions were present among social actors as much as within the Frente Amplio. The tensions among social actors were primarily related to differing views on the development model that should be adopted by the country. The internal tensions were mainly associated with traditional political arenas, and reflected long-standing conflicts between diverse perspectives within the country's leftist coalition. In some cases, as mentioned, these tensions led to gradual and superficial reforms.

Concerning the dynamics of each administration, as noted by Mancebo and Narbondo (2010), the Frente Amplio (FA) assumed power with a comprehensive agenda and high expectations for change, marking the inception of Uruguay's first leftist government. The initial period witnessed the implementation of significant structural changes, including tax reform, healthcare reform, the establishment of MIDES, progress on labor matters, decentralization, and the enactment of the Law of Territorial Planning and Sustainable Development, alongside energy reform, among other notable initiatives. The subsequent period, as highlighted by Bentancur and Busquets (2016, p. 389), was characterized by the consolidation of reforms initiated in the preceding term, often described metaphorically as the construction of "second floors." Nevertheless, substantial changes were effected, particularly in critical areas such as advancing a new rights agenda, energy reform, and revisions to security policies. A discernible fatigue in the FA's reform agenda became evident during the third governmental period. In his second term, the Vázquez administration led less pronounced changes, failing to construct additional "floors" atop the existing reforms. Notably, this government confronted a less favorable international market scenario than its predecessors, a crucial factor to consider when evaluating the feasibility of advancing its agenda.

A new cycle of the Uruguayan state?

In the course of this article, it has been demonstrated that the administrations led by the Frente Amplio (FA) in Uruguay have been driven by a central objective: the strengthening of the state, evident in an expanded presence across various realms of public policy, as well as in economic and social affairs within the country. These transformative shifts allow us to assert the inauguration of a distinct phase in the trajectory of the Uruguayan state.

Crucially, this new phase did not necessitate a complete overhaul or re-founding of the state. Instead, it was constructed upon the pre-existing foundations of institutions long characterized by their inherent stability. The leftist governments in Uruguay during this period of the 21st-century underscore the feasibility of pursuing transformative agendas, and illuminate the twin objectives of redistribution and state reinforcement. Significantly, these endeavors are undertaken without compromising the enduring economic, political, and social stability that defines the country.

The emergence of this new state cycle, underpinned by the progressive policies of the FA, showcases the potential for advancing substantial and positive changes within the established framework of a stable and resilient state apparatus. It stands as a compelling illustration of the harmonious coexistence of transformative aspirations with the foundational stability of the Uruguayan state.

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ARTÍCULO

ECONOMIC POLICY AND STRUCTURAL REFORMS IN URUGUAYAN LEFT-WING ADMINISTRATIONS

Fernando Lorenzo

Lorenzo, F. (2025). Economic policy and structural reforms in Uruguayan left-wing administrations*.* *Cuadernos de Economía*, *44*(93), 285-305.

The objective of this article is to analyse the experience of 15 years in which the Frente Amplio was in power in Uruguay, drawing lessons about the key factors that explain why it was possible to advance in such a deep process of transformation of public policies. The presentation combines political arguments with considerations related to the particular economic, social, and institutional conditions in which the experience of left-wing administrations took place. The narrative aims to illustrate how policymakers' strategies have reconciled macroeconomic stability with the implementation of structural reforms in multiple fields of the economy and society.

Keywords: Macroeconomic policies; structural reforms; economic growth; income distribution; left-wing; Uruguay.
JEL: O011, O043, O054.

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Lorenzo, F. (2025). Política económica y reformas estructurales en los gobiernos de izquierda de Uruguay. *Cuadernos de Economía, 44*(93), 285-305.

El artículo analiza la experiencia de quince años, durante los cuales, el Frente Amplio estuvo en el poder en Uruguay, a fin de extraer lecciones sobre los factores claves que explican por qué fue posible avanzar en un profundo proceso de transformación de las políticas públicas. La presentación combina argumentos políticos con consideraciones relativas a las condiciones económicas, sociales e institucionales particulares, en las cuales la experiencia de las administraciones de izquierda se desarrolló. El análisis busca ilustrar la manera como las estrategias de los responsables políticos han conciliado la estabilidad macroeconómica con la aplicación de reformas estructurales, en múltiples ámbitos de la economía y la sociedad.

Palabras clave: políticas macroeconómicas; reformas estructurales; crecimiento económico; distribución del ingreso; izquierda; Uruguay.
JEL: O011, O043, O054.

INTRODUCTION

In march 2005, the Frente Amplio (FA) assumed government in a context of economic and social urgencies, derived from the combination of the deep crisis that affected the country in 2002 and underlying structural vulnerabilities. The weaknesses were expressed in poor long-term GDP growth, low levels of capital accumulation, scarce progress in productivity, high levels of poverty, deficiencies in the coverage of some basic services, with the evident consequences in terms of the worsening of income distribution, persistent emigration, weaknesses in the country's insertion into the global economy and macroeconomic fragilities, all of which had been affecting the normal functioning of the economy for several decades.

The experience of FA administrations introduced a new perspective regarding development in Uruguay, showing that consistent macroeconomic management and the implementation of deep structural reforms could generate a platform where economic growth and distributive justice could occur simultaneously. Prudent fiscal, monetary and financial policies, together with the adoption of a gradual approach in the implementation of reforms, made it possible to achieve significantly higher economic growth rates, compared with those recorded from mid-1950s to 2004, as well as substantial improvements in income distribution. Uruguay's average annual GDP growth rate between 2005 and 2019 was 4.2%. In each of the 15 years of the three FA administrations, the Uruguayan economy registered growth levels above the Latin American average, while poverty and indigence levels were drastically reduced to the lowest registers since the return of democracy in 1985, and there also was a significant improvement in a wide range of social and distributive indicators.

As occurred in the other of the countries in the region, the performance of the Uruguayan economy was affected by the external context. In particular, the boom in international commodity prices generated a particularly favourable scenario for Latin American economies, which benefited from better export prices and an expansion in demand.

For the Uruguayan economy, without any doubt, the international bonanza implied an improvement compared to what occurred in the previous decade. However, the notable increase in the international prices of oil and metallic minerals meant that, unlike what happened in many Latin American countries, Uruguay faced a deterioration in the terms of trade, which operated as a buffer factor for the favourable effects coming from the international context. However, the performance of the Uruguayan economy between 2005 and 2009 can hardly be attributed exclusively to a "tail wind" coming from abroad. Furthermore, the way in which the Uruguayan economy managed to sustain reasonable levels of GDP growth records during the period of the international financial crisis caused by the fall of Lehman Brothers indicates that appealing to the influence of external factors does not provide a complete explanation for understanding the behaviour of the Uruguayan economy in the period analysed.

The economic strategy showed that it is possible to make macroeconomic management compatible with long-term development objectives. The process of change was based on a programmatic basis that was assumed as government commitments by the authorities. The establishment of clear priorities in the allocation of budgetary resources and the vocation to implement substantial changes in the orientation of public policies, in the rules of the game and in the organizational structure of the public sector, implied a break with respect to the political practices of previous administrations (Bergara, 2015). The traditional discretion in the management of multiple public policies, which had predominated in previous administrations, was replaced by new regulations and policy rules that implied the transformation of management and decision-making processes at all hierarchical levels of the administration.

AN UNPRECEDENTED POLITICAL CHANGE

The process of change that took place in public policies, in general, and in economic policy, in particular, with the arrival of the FA to the government cannot be fully understood without taking into account a set of political factors that generated the platform on which the transformations took place.

Firstly, it is important to consider the historical construction process and the particular characteristics of the political organisation that took office in Uruguay in 2005. The FA was founded in 1971 as a result of an agreement between political parties and leftist organisations. Since it was founded, this political party has combined the characteristics of a coalition with those of a movement which has maintained social and electoral support broader than the sum of the original representations of the coalition's parties. The construction of the FA was based on an explicit agreement regarding internal rules, common candidates for executive positions (at national and sub-national levels) and programmatic bases, which defined the Government Plans in all the instances in which it participated in the voting process.

Secondly, during the dictatorship, between 1973 and 1984, the political party that came to government in 2005 had passed through a period of persecution and the exile of many of its main leaders. The electoral support for the FA grew progressively and consistently with the incorporation of new sectors and the support of relevant personalities (intellectuals, scientists, artists, etc.). In fact, the FA created a political organisation that represented a critical diagnosis of the causes of a country's economic and social challenges. Therefore, it should not be surprising that its arrival to the government became a major political event and that the administration was characterised by a strong vocation for transformation.

Thirdly, it is important to highlight the political significance that the existence of a common government programme had for FA administrations. The programmatic elaboration provided a shared vision of the state of the economy and the society, and made explicit guidelines for action and concrete initiatives. Programmatic elaboration has been a privileged area of internal debate and the agreements reached, following intense internal debates, are assumed as mandates by the policymakers. The agreements become fundamental bases for political understandings and are assumed as a reference that guide the government's management, committing the parliamentarians and the Executive Branch leaders.

Fourth, the political change implied by the FA's access to the government and the magnitude of the transformations that took place in public policies could hardly have occurred without considering that, throughout the three administrations, the government had its own parliamentary majorities in both chambers of the Legislative Branch. This fact meant that internal dialogues and negotiations, which sometimes involved intense discussions, were sufficient to ensure the political viability of the different initiatives promoted by the Executive Branch. The downside of the parliamentary majorities was that the negotiation with opposition parties was not a necessary priority for the government's management or for pushing forward the main structural reforms.

RELEVANCE OF INITIAL CONDITIONS

In addition to the structural weaknesses that the Uruguayan economy had been carrying since the mid-20th century, the economic and financial crisis of 2002 had wreaked havoc in production and employment, causing a significant deterioration in household income and a rise in the incidence of poverty, which reached 40% of the population.

After the 2002 crisis, the annual inflation rate returned to double-digit levels and a deep process of financial disintermediation took place, which brought bank deposits and credits to the lowest levels known since the recovery of democracy in 1985. The abrupt depreciation of the national currency, which followed the exit from the fixed exchange rate system that had been present under different regimes throughout the country's economic history, pushed the real exchange rate to levels not seen since the early 1980s debt crisis. Given the high degree of dollarisation of the public debt, the increase in the real exchange rate became one of the main explanatory factors for the increase in the debt/GDP ratio, which climbed close to 90% by the end of 2004.

In April 2003, the government headed by President Jorge Batlle successfully restructured the public debt, corresponding to sovereign bonds issued in the international markets, which in practice implied the postponement of maturities. Under these circumstances, international access to financing was restricted to the funds that could be provided by multilateral financial institutions (IDB and World Bank), within the framework of a programme that had been agreed upon with the IMF during the crisis.

The renegotiation of the Agreement with the IMF, and with the other multilateral financial institutions, played a key role in the design of the macroeconomic and financial programme that the government was drawing up, which included not only extremely demanding quantitative goals in terms of primary fiscal results, public indebtedness and international reserves, but also a commitment by the authorities to the implementation of a series of structural reforms. This ambitious agenda was made according to electoral commitments, which were part of the Government Programme, and included actions to mitigate the main economic, financial and social vulnerabilities that prevented the recovery of the GDP growth in the short term.

PRECISE DEFINITIONS IN THE MACROECONOMIC POLICY

Since March 2005, the beginning of the government period, economic policy has had to address the serious short-term economic and social problems and, at the same time, design structural reforms that would contribute to improving the prospects for economic growth. In this context, the macroeconomic strategy was designed taking into account the restrictions and constraints posed by the delicate framework that prevailed at the beginning of the administration.

The concern to preserve macroeconomic stability and provide predictability was articulated with the priority placed on social emergency, resuming wage negotiation and implementing institutional reforms in diverse areas of the economy, the society and the public sector. The reform agenda covered, among others, health, housing, social security and social development policies, the organisation and functioning of the financial system, the functioning of markets and management in Public Service.

In the short term, the macroeconomic strategy focused on risk mitigation and vulnerability reduction. At the macroeconomic level, it was proposed to achieve a primary fiscal surplus equivalent to 3.5% of the GDP, consistent with a gradual process of reducing the high public debt. The formal adoption of an inflation targeting regime by the authorities of the Central Bank of Uruguay, within the framework of a flexible exchange rate system, marked the course of monetary policy, assuming firm commitments to the rapid return of inflation to single digit levels.

The financial vulnerabilities, which had worsened after the 2002 crisis, implied priority attention from the authorities. The efforts were aimed at strengthening the supervisory framework of financial institutions, fundamentally banking entities, ensuring adequate levels of liquidity and solvency in public commercial banking, and generating conditions for non-financial public enterprises to clean up their balance sheets, contributing to the improvement of the fiscal primary surplus.

Addressing social vulnerabilities involved prioritising the so-called National Social Emergency Assistance Plan (PANES), which was launched shortly after the beginning of the administration, and consists of a set of programmes and actions aimed to cover the basic needs of the most vulnerable population. The budgetary resources applied to PANES were in fact the most important priority of fiscal policy during the first phase of the first government of President Tabaré Vázquez.

FISCAL POLICY AND BUDGET PRIORITIES

With the backdrop of the effects of the economic and financial crisis of 2002, the first priority was to reach an agreement with the IMF, which had become Uruguay's main institutional lender.

In this context, fiscal policy became the anchor of the macroeconomic programme. The generation of primary surpluses was assumed as a prerequisite for the consistency and credibility of economic policy, guaranteeing macroeconomic predictability and the sustainability of public debt.

The financial vulnerabilities that the country faced at the beginning of 2005 strongly limited the use of fiscal policy for counter-cyclical purposes. The responsibility in the management of public finances had therefore become a decisive aspect for the design of the macroeconomic programme and was the only possible way to recover fiscal policy as an instrument of stabilisation.

The relevance of this strategy was validated at the end of 2008, when fiscal policy was used in response to the international economic and financial crisis, unleashed after the fall of Lehman Brothers. Under these circumstances, fiscal expansion, together with the exchange rate flexibility, were fundamental for offsetting the effects of the drastic change in the external scenario, preventing the Uruguayan economy from entering into recession, as occurred in most economies of the region.

Starting from the recognition that fiscal policy is the most "political" of all economic policies, the definition of the guidelines of budget management, in general, and public spending, in particular, played a key role during the FA's administrations. There was a political understanding between the Executive Branch and the parliamentary representatives about the relevance of strategic definitions over fiscal policy. Since the design process of the five-year National Budget for the period 2006-2010 the economic team had worked intensely to achieve political consensus in order to recognise that fiscal policy was fundamental to ensure the sustainability of the economic strategy.

In the initial stages of the first administration, strategic definitions regarding fiscal policy were adopted, justified by the large inherited public debt, the need to improve the conditions of access to financing in international capital markets, and the instability that could arise if it were necessary to implement a fiscal adjustment. The authorities' diagnosis was that uncertainty about the management of public finances could become a destabilising factor and generate disruptive events in economic policy. The strategy focused on fiscal policy sustainability, modernisation of the budget process and transparency in public finances.

The political agreements over fiscal policy were based on precise definitions of priorities. During the initial steps of the first President Vázquez administration, the attention was directed to the social emergency, the strengthening of the health system and the redesign of the social protection system, with an emphasis on programmes for children and adolescents, who were the main recipients of the increase in public expenditure. Public education was defined as the first priority in all the FA's administrations, assuming explicit commitments, expressed in terms of quantitative objectives, which implied a significant increase in public expenditure on education.

Budget priorities were key to ensuring that fiscal policy was aligned with the social goals included in the Government Programme. It is not possible to explain the drastic reduction in poverty and the significant improvement in distribution indicators without taking into account the priorities of public expenditure.

The recovery of public investment was achieved gradually, becoming an important priority for the administration of President José Mujica and during the second government of President Vázquez, involving multiple projects executed by public enterprises and a strong boost to infrastructure, financed with budgetary resources and with public-private partnership instruments.

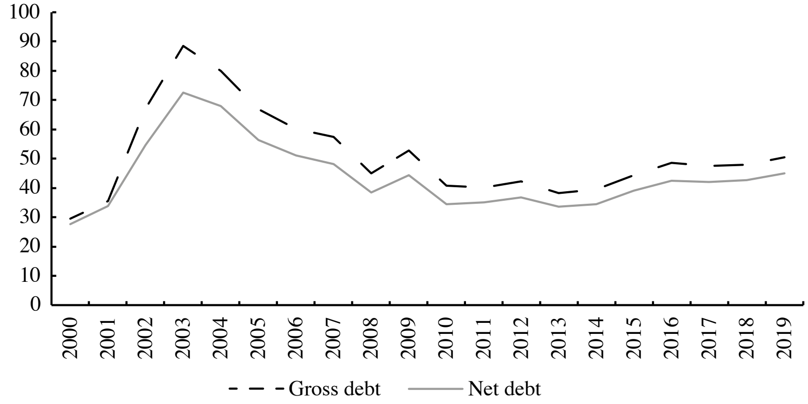
PROFESSIONAL MANAGEMENT OF PUBLIC DEBT

One of the most relevant transformations in public finances took place in the management of public debt. The pillar of the changes was the incorporation of a specialised office within the orbit of the Ministry of Economy and Finance. The Debt Management Unit (UGD) was created with the purpose of independently, professionally and transparently managing the financial liabilities and cash flows of the Central Government and ensuring the financial resources required to cover the financing needs of the public sector. This institutional innovation had to address one of the greatest vulnerabilities that faced the first FA administration, related to high public debt and huge financial costs.

Furthermore, within the framework of new fiscal policy management, the UGD laid the foundations for the recovery of the Investment Grade that the country currently holds by main sovereign risk rating agencies.

The UGD has played an important role in the development of the domestic financial market, has strengthened Uruguay's position as an issuer of sovereign bonds in international financial markets, has guided the relationships with multilateral financial organisations and has contributed to mitigating financial vulnerabilities. Figure 1 shows that, by the end of 2019, public debt had been reduced considerably to 50% of GDP for gross debt and 45% of GDP for net debt.

Figure 1.
Gross and Net Debt to GDP ratios (%)

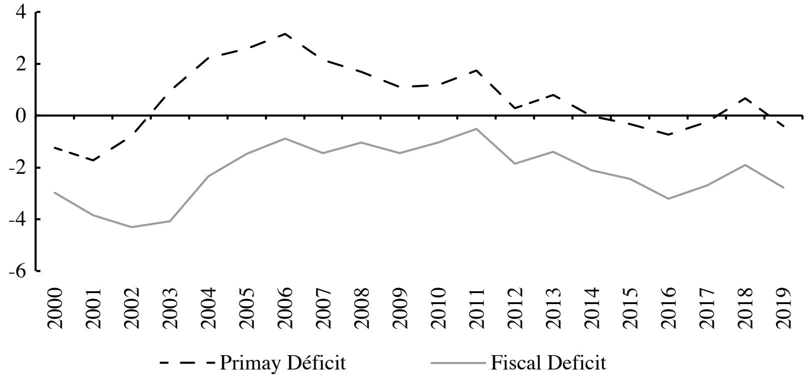


Source: Ministerio de Economía y Finanzas (MEF) and Banco Central del Uruguay (BCU).[1]

The development of technical capabilities for public debt management was important for reducing the cost of public debt, mitigating interest rate and liquidity risk, and drastically decreasing debt dollarisation. The UGD contributed to extending liability maturities. At the end of 2019, the average duration of public debt was more than13 years. The considerable reduction of roll-over risk contributed to avoiding stress derived from the accumulations of maturities. By converting a significant portion of the debt to a fixed rate, it was achieved that, currently, the proportion of public debt contracted at variable rates is virtually zero. The new debt management gradually advanced in the process of the de-dollarisation of public debt. Towards the end of 2004, the proportion of debt contracted in foreign currency exceeded 95% of the total public debt, while currently this proportion is around 50%. From the information presented in Figure 2 on primary and overall public finance performance, it can be seen that the annual interest bill, which in 2004 had amounted to 4.5% of GDP, represented less than half (2.4% of GDP) at the end of 2019.

[1] See https://www.gub.uy/ministerio-economia-finanzas/ and https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Cuentas-Nacionales-e-Internacionales.aspx

Figure 2.
Primary and Fiscal Deficit to GDP ratios (%)



Source: Ministerio de Economía y Finanzas (MEF) and Banco Central del Uruguay (BCU).[2]

The debt management strategy guidelines gave special priority to mitigating liquidity risk. Through agreements with multilateral financial institutions (IDF, World Bank, and CAF), contingent credit lines were available. The UGD used a share of sovereign bond issues to strengthen the cash position of the national treasury. This policy, which implied an increase in financial costs, proved to have a significant positive contribution in the face of the sudden-stop of capital inflows during the Lehman Brothers crisis. The strategy of anticipated financing allowed for the cancellation of the debt with the IMF at the end of 2006, which implied the early termination of the programme agreed upon at the beginning of the previous year. The advance payments of emergency loans that had been granted to address the effects of the 2002 crisis also contributed to reducing borrowing costs and eliminating the conditionality inherent to this type of operations.

REFORMING THE BUDGET PROCESS

During the FA administrations, the National Budget was conceived as a financial expression of the Government Programme. The definition of clear and explicit rules regarding the formulation, execution and control of the budget process constituted one of the main innovations in fiscal policy. The introduced changes contributed to improving the quality of the debate and facilitated a better understanding of fiscal strategy by representatives, economic analysts, journalists and citizens in general.

The budget proposal elaborated by the Executive Branch was accompanied by a narrative report, analysing the economic and financial outlook of the country and

[2] See https://www.gub.uy/ministerio-economia-finanzas/ and https://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Cuentas-Nacionales-e-Internacionales.aspx

contained a detailed explanation of the objectives, scope and fiscal cost of each of the articles that involved new expenditures or that affected public sector income.

In this way, when the FA came to power in March 2005, it left aside many rigidities, generated by the decision of previous administrations that have preferred the formulation of a single five-year budget at the beginning of the period, leaving aside the possibility of introducing annual adjustments to initial budget allocations. Through this strategy, the government proceeded to correct spending programming errors and allowed priorities to be updated, which facilitated the implementation of a gradual strategy consistent with medium-term macroeconomic programming.

The leadership in the budget process was fully assumed by the Ministry of Economy and Finance, linking the budgetary strategy with short-term financial programming, and with medium-term macroeconomic projections. This option represented a relevant institutional innovation with respect to the country's experience since the recovery of democracy, in which the Planning and Budget Office was the entity at the head of the budgetary process.

The budgetary strategy ensured the consistency of the fiscal policy with the priorities in the different areas of government. Thus, fiscal responsibility and the preservation of macroeconomic stability were assumed as central points in the design of the budget, within the framework of strict respect for the allocations approved by the Legislative Branch. The certainty in the availability of the resources included the system of intergovernmental transfers, which implied less discretion in financial relationships between the Central Government and the sub-national governments.

On the occasion of the approval of the budget regulations, the Legislative Branch set a public debt ceiling, established for broad institutional coverage of the public sector, which facilitated transparency and control over the debt policy. The maximum authorisation to contract debt, which played the role of an implicit fiscal rule, was referred to as a definition of net public debt, which gave greater flexibility to the Ministry of Economy and Finance to carry out asset and liability management operations.

TRANSFORMING TAX SYSTEM AND TAX ADMINISTRATIONS

Some of the most relevant structural transformations implemented by the FA administrations were focused on a comprehensive reform of the tax structure and production incentive systems, and on the strengthening and modernisation of tax administrations.

The design process and the parliamentary approval of the reform of the tax system took up a good part of the first three years of the first administration of President Tabaré Vázquez. The reform involved the elimination of 15 taxes, most of which were distorting taxes with little contribution in terms of tax collection, the reduction of the rates of the main indirect taxes, the creation of the personal income tax, following a dual scheme for the treatment of labour and capital income, a reduction and standardisation of employer contributions to the social security system and a reduction in tax expenditure.

The tax reform was designed with the purpose of ensuring a reasonable balance between criteria of equity, efficiency, sufficiency and administrative simplicity (Eibe, 2015). From the point of view of fiscal pressure, the reform was designed under the premise of neutrality in terms of total collection, promoting an increase in the relative importance of direct taxes (personal income, business income and assets), taking into account the capacity of contribution of the different agents.

In parallel with the transformations of the tax structure, institutional and organizational reforms were launched in the three main tax administrations: Tax Administration Office (DGI), National Customs Authority (DNA), and Social Security Administration (BPS).

The modernisation of the organisational structure of the DGI, advancing in the professionalisation of its officials and in the strengthening of technological capabilities and risk analysis, played a fundamental role in the implementation of the tax reform and had a positive impact in terms of collection efficiency. As an example, it can be mentioned that evasion of VAT, the main tax collected by the DGI, which in 2004 was at levels close to 40% of its potential, was persistently reduced over time until reaching levels just above 10% in 2019.

The process of change implied adaptation efforts to meet the requirements of the new international fiscal reality, promoted after the international financial crisis of 2008 and 2009, and the global initiatives to combat money laundering and terrorism financing, from the Financial Action Task Force. This process implied for Uruguay the abandonment of an extremist conception about the scope of banking secrecy, supported by arguments that historically had overvalued the benefits derived from a legal framework that favoured financial opacity. In the FA administrations, an approach based on transparency and the willingness to cooperate with other countries in tax and financial matters evolved. In this way, the adoption of new legal regulations was promoted to provide greater transparency in financial flows and Uruguay joined the international cooperation efforts between tax administrations, promoted by the OECD Global Forum on Transparency and Exchange of Information, improving the credibility and international reputation of the country in international forums.

In this period, cooperation was intensified and joint oversight between DGI and BPS was promoted. This made it possible to articulate the fight against tax evasion and labour informality. The advances in this matter were widespread in the labour market, although taking into account their social economic significance, the advances in the labour formalisation of rural workers and domestic service are among the most relevant events that can be attributed to FA administrations in matters of active coverage of the Social Security contributory systems. The links between both institutions were strengthened through the participation of the BPS in the implementation of the personal income tax collection system and with the use of its computer capabilities to manage the PANES programmes and the monetary transfer systems to the lower-income families.

In addition to a substantial organisational change and technological advances that substantially improved the relationship with private agents and logistics operators, the DNA reform implied a new paradigm regarding the role that the customs authority must play. The customs reform led to a harmonisation between the efficient control of foreign trade flows of goods and trade facilitation. The comprehensive change in customs regulations provided for a more transparent and less discretionary process and with greater legal and operational certainties for foreign trade activities.

The transformation process began in 2007 with the implementation of the Modernisation Programme of the National Customs Authority and was consolidated, from a regulatory point of view, with the almost unanimous parliamentary approval of the new Customs Code, inspired by the modern Mercosur Customs Code.

This represented a change in the internal organisation of the DNA and its capabilities, which materialised through the incorporation of technological tools, the adoption of new risk assessment mechanisms, regulatory updates and the training and renewal of human resources. The process of change in the DNA also involved the qualification of foreign trade agents and opted for the establishment of a strategic alliance with the private sector.

The most important milestones of the customs reform were the launch of the Single Customs Document computerised system, the implementation of the goods declaration inspection system, the Port of Montevideo Project for the facilitation and intelligent control of goods, the electronic seal of cargo containers and the incorporation of non-intrusive equipment and technologies in inspection. The change process was completed in 2013 with the creation of the Single Window for Foreign Trade and the figure of the Authorised Economic Operator, which certifies that a company is safe and reliable in the international supply chain and, therefore, customs controls are applied through simplified and more agile processes.

MITIGATING FINANCIAL VULNERABILITIES

The banking financial sector was at the epicenter of the 2002-2003 crisis. At the beginning of 2005, it appeared as a potential vulnerability factor that could threaten the economic recovery process and could destabilise an economic policy strategy that aimed to improve the prospects for long-term growth.

In this context, the authorities option was to introduce structural changes in the regulation of the financial system and promote a profound transformation of all public banking entities: Banco Hipotecario, Banco de la República Oriental del Uruguay and Banco de Seguros del Estado (Bergara, 2015).

The reform of the organic law of the Central Bank of Uruguay (BCU) of 2008 laid the foundations to clarify the relationship between the BCU with the Legislative Branch and with the Executive Branch, outlining the scope of its autonomy, defining a new system of responsibilities in matters of regulation of financial markets and incorporating new mechanisms to address insolvency situations of banking entities.

Within this framework, the central bank authorities adopted both a micro-prudential approach and a macro-prudential perspective, which contributed to identifying, monitoring and mitigating systemic risks. These functions were carried out by the Financial Stability Committee, which became the body for the exchange, coordination and joint evaluation of the situation of the financial system.

Regarding the relationship with the Ministry of Economy and Finance, the most important legal innovation was the creation of the Macroeconomic Coordination Committee, which meets quarterly. This body, which is made up of the Minister and two other Ministry of Economy and Finance officials and three members of the BCU Board of Directors (including its President), is in charge of sharing information related to central bank powers and economic policy. The Macroeconomic Coordination Committee determines the inflation goals and the exchange rate regime, to whose compliance the monetary authority is committed.

The new regulations opted for a centralised regulation and supervision scheme of the financial system, integrating the set of regulation and supervision responsibilities into a single Superintendency of Financial Services (SSF). In addition, a new institutional framework for the resolution of possible insolvency situations in banking entities and a new deposit guarantee fund were created.

The focus on financial stability was not limited to banking activity, but came to include insurance companies, investment and pension fund administrators, the stock market and credit administrators. The new regulatory system sought to correct the notorious weaknesses that had become evident with the 2002 crisis and incorporate the lessons derived from the Lehman Brothers crisis into the design of the regulatory framework.

The SSF began to function as a decentralised entity of the BCU Board of Directors, with broad powers for its technical decisions and to establish planning and accountability mechanisms.

On the occasion of the reform of the organic law of the BCU, the Bank Savings Protection Corporation was created, which is in charge of the administration of deposit insurance, which is integrated into the security network of the financial system and has responsibilities in the resolution processes of financial intermediation institutions that eventually find themselves in crisis. Within this framework, rules of action were established for each of the agents involved in the banking security network, contributing to better outline the responsibilities of each of them and to determine the deadlines for action, and generating a more efficient framework to deal with insolvency situations of banking entities.

REOPENING WAGE NEGOTIATION AND PROMOTING NEW LABOUR RELATIONSHIPS

At the beginning of the first administration of President Tabaré Vázquez, priority was given to the reestablishment of collective bargaining, within the framework of which the government authorities committed to fully and gradually recovered the significant loss of real wages withstood by private and public workers as a consequence of the 2002 crisis and the fiscal adjustment that took place during the second half of the government of President Jorge Batlle (Mazzuchi, 2015). Furthermore, the government promoted a rebalancing of power between workers and employers, after an extensive period in which collective bargaining had practically been reduced to a minimum.

The call for Salary Councils, which are based on a law approved during the 1940s, defined the scope of tripartite wage negotiation (workers, employers and the State). This was the tool the government used to organise labour relations, ensuring their consistency with the general orientation of macroeconomic policy, in particular, with respect to the maintenance of price stability and the recovery of employment levels, which had been severely affected after the 2002 crisis.

The general framework of the new policy aimed to encourage workers and employers to reach bipartite agreements at the sectoral level, and in the event of a lack of agreement, the Executive Branch would settle the differences by tipping the balance, in some cases in favour of the aspirations of the workers, and in other cases of the employers.

The negotiation between workers and employers was conceived as a fundamental tool to match the recovery of economic growth with the improvement in income distribution. Both objectives were assumed as commitments in the Government Programme.

The evolution of real wages and the intense process of job creation can be considered key factors to account for the drastic reduction in poverty and distributive inequality indicators that took place since 2006. To promote an improvement in income distribution, the government explicitly promoted increases in the national minimum wage above the average wage and supported workers in their demands for better wages in the sectors and occupations that received lower wages (commerce, rural, domestic service, among others). The evolution of real wages and the unemployment rate presented in Figure 3 illustrates the results obtained as a consequence of the implementation of the new labour policy strategy.

Figures 3.
Real wages and Unemployment (%)

Source: Instituto Nacional de Estadística (INE).[3]

Labour policies were focused on dialogue and negotiation between workers and employers, assigning new roles to social actors, within the framework of a process of expanding labour and union rights. This operated as a driving factor for the expansion of the number of members of the Single Trade Union Central (PIT-CNT), which quadrupled over the course of the first decade of FA administrations (Araya & Parada, 2023). Among the main legal innovations are union immunity, corporate criminal liability, outsourcing, the eight-hour work day for the rural sector, collective bargaining in the state and the promotion of negotiation for domestic service.

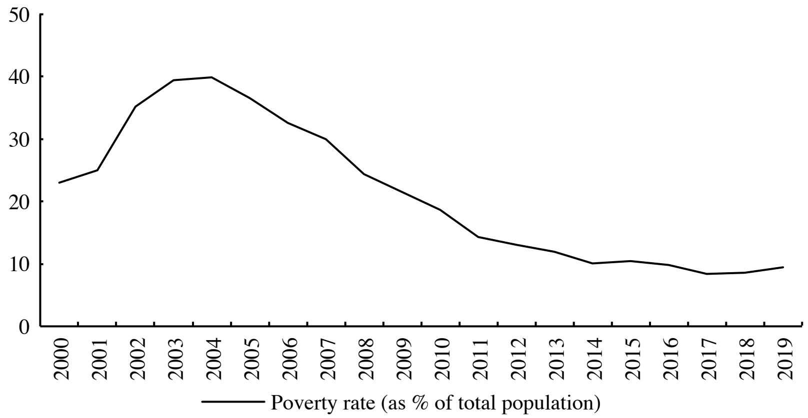
[3] See https://www.gub.uy/instituto-nacional-estadistica/estadisticas

STRENGTHENING THE ARTICULATION BETWEEN ECONOMIC AND SOCIAL POLICIES

The FA adopted an integrative approach to economic and social policies, consistent with a vision that prioritised the importance of coordination between both, in order to meet the objectives established in the Government Programme, which officiated as a guiding light of the long-term development strategy.

The existence of explicit priorities in terms of public spending was combined with the strengthening of social public spending allocations in the macroeconomic programming exercises and in the definition of the fiscal strategy that would provide sustainability to the progress that was being made in the different areas of government action. Figure 4 shows the dynamics of poverty indicator during the three FA' administrations.

Figure 4.
Poverty rates (%)



Source: Instituto Nacional de Estadística (INE).[4]

This articulating approach was expressed, on one hand, in the establishment of certainties regarding the budgetary resources that were applied, among others, in PANES, in the Equity Plan, in the Health Reform, in the notable increase in budget allocations to public education, in the improvement of retirements and minimum pensions, in the Plan Ceibal (one laptop per child) and in the restructuring of the public support system for housing policies.

The implementation of PANES allowed the accumulation of fundamental information to improve the design and implementation of programmes focused on the most vulnerable social sectors. In this way, the impact of social policy actions

[4] See https://www.gub.uy/instituto-nacional-estadistica/estadisticas

aimed at addressing the situation of the population that was below the poverty and indigence lines was strengthened. The improvements in the information systems allowed to define focused actions addressing the most pressing situations regarding Unsatisfied Basic Needs. The priority assigned to children and adolescents served as a fundamental guide to the redesigning of social policies and contributed decisively to some of the main distributive advances that were registered during the FA administrations.

The reasonable balance between focused actions and the implementation of coverage expansions in certain areas of social policies can be considered hallmarks of the articulation between economic and social policies, which together contributed to defining a new matrix of social protection, which, in essence, has been maintained after the three periods in which the FA was at the head of the government in Uruguay (Campanella, 2015; Soto, 2023).

The Plan Ceibal was an emblematic initiative for the educational system that ensured connectivity in the classroom and universal access to information technologies for all students at primary and secondary levels. This programme played a very important role in promoting equal opportunities and closing gaps with regards to access to digital technologies. The contribution of this experience was felt very quickly in educational activities, mainly at the primary level, but it was with the outbreak of the Covid-19 pandemic in March 2020 that the importance of this programme was highlighted to massively sustain educational activity at all levels of education.

The creation by means of legal mandate of the National Integrated Health System in 2007 can be considered an example of the scope of the redesigning of the social protection matrix. The health reform implied a profound change in the organisational structure of health services (Vallcorba, 2015; Zumar, 2023).

On this occasion, the functions of providing public health services, which were responsible for a decentralised and functionally autonomous public entity of the Executive Branch that manages public hospitals, were separated from the responsibilities of steering health policies, which corresponded to the Ministry of Public Health. The powers related to the administration of the system were entrusted to the National Health Board, the entity in charge of managing the resources coming from private contributions (contributions from employees and employers) and budget funds that ensure the intertemporal sustainability of the National Health Fund.

In practice, the reform implied a substantial increase in public resources allocated to health services. The universal nature in terms of coverage and the gradualness in the implementation process can be considered distinctive elements and, at the same time, fundamental explanatory factors for the success of the health reform.

Among social policies, the transformations promoted in housing policies can be considered as an example of the institutional approach with which social policy reforms were carried out (Polgar, 2015).

In the past, the main public actor in housing policies had been the Banco Hipotecario del Uruguay (BHU). In March 2005, this entity was bankrupt and was not able to grant mortgage loans for quite some time, which is why the institution was created. The BHU had played the role of promoter of housing policies, had been involved in direct construction projects, captured public savings, channeled subsidies and granted loans to families. The operation of the BHU deserves to be considered as an eloquent example of the extent to which the culture of non-compliance with financial obligations with public banks had reached in the country: delinquency had reached levels close to 70% of the credit portfolio managed by the institution.

The reform involved a drastic adjustment in the design of housing policies, facilitating access for private commercial banks to the mortgage loan market. The BHU was capitalised, its operational capabilities were strengthened, and its functions were concentrated on collecting savings and granting mortgage loans under market conditions. The reforms promoted legal changes in the mortgage guarantee system and important tax exemptions were implemented for housing construction projects for low and middle socioeconomic sectors of the population. Public subsidies to families began to be channelled transparently from specific budget allocations, administered by the National Housing Agency, which operates within the orbit of the Ministry of Housing, Territorial Planning and Environment. It was also necessary to provide solutions for the serious pre-existing situations, linked to the delinquent portfolio and the need to have stimulus instruments specially designed for the financing of social housing. In addition, the granting of housing at subsidised prices was cancelled. In its place, a transparent system of explicit subsidies for mortgage loan installment payments was implemented and a subsidy mechanism for housing rentals was created, based on a guarantee fund.

LESSONS AND FINAL REMARKS

The analysis of the Uruguayan experience between 2005 and 2019 allows us to draw lessons regarding the main factors that explain a profound process of change that produced multiple benefits in terms of social welfare in Uruguay and that generated a favourable scenario for economic expansion to be compatible with improvements in income distribution.

Undoubtedly, the political, economic and social circumstances in which the FA came to power played a relevant role in understanding the economic strategy implemented. The consequences of the 2002 crisis generated a favourable context for a significant change in the political preferences of the citizenry and for the consolidation of majority support for a political party that unequivocally represented a vocation for change. The clearest expression of this is that for the first time in decades, the political party at the head of the administration had its own parliamentary majorities to promote a broad set of reforms that were part of the Government Programme. The political force that came to government in 2005 had been forged on the basis of intense internal debates and negotiations and had demonstrated its ability to maintain internal cohesion and to ensure a reasonable balance between diverse economic and social interests.

The orientation of the economic policy was guided by a close articulation between politics and technical capabilities. The management of the economy had been placed under the responsibility of a team headed by Danilo Astori, who has been Minister of Economy and Finance on two occasions and Vice-President during Frente Amplio administrations. Astori's leadership was based on an extensive and well-recognised professional and academic career and on the fact that he was the main figure of one of principal Frente Amplio sectors in terms of parliamentary support.

The Uruguayan experience shows the advantages derived from the fact that the orientation of the economic strategy was defined on the basis of coherence between short-term management and long-term development targets. Initiatives to mitigate the economic, social and institutional vulnerabilities that were present at the starting point were addressed simultaneously with the implementation of reforms that implied changes in the rules of the game and in the institutional designs on which public policies were based. Furthermore, the reduction of discretion in decision-making and the creation of new regulatory frameworks played a fundamental role in the change of direction of the economic strategy.

It should be emphasised that, during the three administrations, the role of the private sector in the production of goods and services was emphasised and important efforts were made to improve the functioning of markets. The initiatives combined the preservation of macroeconomic stability, the introduction of regulatory changes, the generation of a new framework of rules and incentives, and the simplification of administrative procedures.

This process in Uruguay clearly indicates that, beyond the role that the external context has undoubtedly played and the importance of external shocks in explaining economic performance during the 15 years of Frente Amplio administrations, coherent macroeconomic policies and the capacity to design and implement major structural reforms have made significant contributions to promote growth and improve the living conditions of the population.

This is, perhaps, one of the most important lessons that can be drawn from the experience of a small open economy that is part of a region where most of economic and social successes and failures have been attributed to the international context.

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Concerning Cuadernos De Economía

"Cuadernos de Economía" is published every six months by the Universidad Nacional de Colombia's School of Economics (Economics' Faculty). It is one of the oldest economic journals in Colombia; its first edition appeared during the first semester of 1979.

This is a refereed journal, indexed in SCOPUS, Redalyc, SciELO Brasil, EBSCO, ESCI (Clarivate Analytics) / Thomson Reuters Web of Science (antiguo ISI)- SciELO Citation Index, Dialnet, Latindex -Sistema regional de información en línea, CIBERA (Biblioteca Virtual Iberoamericana España / Portugal, Ulrich's Directory, ProQuest, DOAJ (Directory of Open Access Journals), CLASE -Citas Latinoamericanas en Ciencias Sociales y Humanidades, IBSS -International Bibliography of the Social Sciences, e-revistas, HLAS -Handbook of Latin American Studies, RePEc -Research Papers in Economics, CAPES -Portal Brasilero de Información Científica, SSRN (Social Sciences Research Network), Econlit -Journal of Economic Literature (JEL), DoTEc -Colombia, Publindex, LatAm-Studies y Econpapers.

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We aim at contributing to the academic debate among national and regional scholars allowing a wide spectrum of competing theoretical approaches. Its public consists of academics (researchers, teachers and university students), members of government institutions and private entities interested in studying economic theory, economic policy, socioeconomic development and other topics of interest for the discipline. Cuadernos de Economía can reject a manuscript if, after an initial internal revision, it is stated that the manuscript does not fulfill certain academic or editorial standards. Those manuscripts passing this first revision, will go through double blind refereeing.

Our publication uses double-blind refereeing (i.e. both the evaluators and the authors remain anonymous). The foregoing guarantees the impartiality of the concept being put forward. The referees are selected according to their knowledge of the topics being covered by each article. Evaluation takes into account such aspects as: the originality of the content, conceptual rigor, methodological aspects, clarity and coherence in both the argument and how it is expressed and the pertinence of the conclusions. The content of an article is the author's responsibility and does not commit the journal or the institution in any way.

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AUTHOR GUIDELINES

Cuadernos de Economía takes into consideration for possible publication unedited academic contributions, research articles, reports and case studies, essays, bibliographic reviews, criticism and analytical reports of books written in Spanish, English, French or Portuguese which have not been previously published (except as a working paper) and which are not under consideration for publication elsewhere. If such material has been presented as a working paper, then the complete reference must be included. The texts must make a contribution towards advancing knowledge in economic, political, social, administrative and demographic areas.

Candidates must apply through the OJS editorial management system and include the documents listed following the link http://bit.ly/ZsvX1j.

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1. Work must be sent in a Latex or text file (Word for Windows (.doc) or Rich Text Format (.RTF)) and must comply with the following requirements: material shall have between 4,000 and 10,000 words including notes and bibliographic references (be aware that documents in Economics have between 4.000 and 6.000 words); the text shall be written in single space, Garamond font size 13, on letter-sized pages having 3 cm margins.
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5. The article's title must be explanatory and illustrate the essence of the work.

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La revue a l'objectif de divulguer, dans l'enceinte académique nationale et internationale, les avances intellectuelles dans des théories, des méthodologies et des applications économiques, ainsi que les résultats de recherches et de travaux spécialisés.

Son public est composé par les académiciens (chercheurs, enseignants et étudiants universitaires), les membres d'institutions gouvernementales et d'entités privées qui s'occupent de l'étude de la théorie économique, de la politique économique, du développement socioéconomique et d'autres sujets d'intérêt pour la discipline.

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Le contenu des articles est responsabilité des auteurs et il ne compromet, d'aucune manière,

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La revue *Cuadernos de Economía* prend en considération, pour sa publication, de contributions académiques inédites, d'articles d'investigation, de rapports et études de cas, d'essais, de révisions bibliographiques, de critiques et des descriptions analytiques de livres, en Espagnol, en Anglais, en Français ou en portugais, qui n´aient pas été proposés dans d´autres revues académiques. Au cas où ils se sont présentés comme documents de travail, il faut inclure la référence complète. Les textes doivent contribuer à l´avancée de la connaissance dans les domaines économique, politique, social, administratif et démographique.

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Il est important de clarifier que l'envoie de matériel n'oblige pas à effectuer son publication. L'équipe de travail de la revue se engage à maintenir informé au (aux) auteur (s) pendant les différentes étapes du processus éditorial.

La réception des articles se fait tout au long de l´année.

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2. Les données sur l'auteur seront indiquées en note de bas de page avec un astérisque : nom de l'auteur, son occupation ou office, le niveau d'études, l'emploi actuel, le lieu de travail et, obligatoirement, son courrier électronique.
3. On doit inclure un résumé en Espagnol et en Anglais de 100 mots au maximum. Celui-ci doit être clair et fournir l'information suffisante pour que les lecteurs puissent identifier le sujet de l'article.
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14. La bibliographie ne doit mentionner que les sources citées dans le texte, pour cette raison la section s´intitule Références bibliographiques. Les normes de citation employées par la revue sont celles de l'American Psychological Association (APA) : http://flash1r.apa.org/apastyle/basics/index.htm.

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