

Capitalism, Power and the Imperial State

LATIN AMERICA IN THE VORTEX OF SOCIAL CHANGE

DEVELOPMENT AND RESISTANCE DYNAMICS

Henry Veltmeyer and James Petras



Latin America in the Vortex of Social Change

This book explores the dynamics of the recent ‘progressive cycle’ in Latin American politics associated with a red and pink tide of regime change. With this cycle of centre-left regimes oriented towards an alternative post-neoliberal form of development now coming to an end, coinciding with the end of a ‘primary commodities boom’ (the demand for natural resources exported in primary form on the world market), the authors seek to explore the dynamics of the transition from a progressive cycle of regimes oriented towards the search for a more inclusive form of development towards what appears to be another swing in the pendulum of electoral politics towards the far right and a return to neoliberal orthodoxy.

Within the vortex of forces of change pushing towards both the Left and the Right, Latin America lies at the centre of ongoing heated theoretical and political debates as to how to bring about a more inclusive and sustainable form of post-neoliberal and post-capitalist development. *Latin America in the Vortex of Social Change* crucially aims to cut through these debates and explore the dynamics of the forces of change at work in the current conjuncture of capitalist development. With reference to a theoretical framework based on the interaction of three different forms of capitalism (capitalism as usual, extractive capitalism, narco-capitalism), the authors proceed to an analysis of the development and resistance dynamics of the development process that is unfolding on the Latin American political landscape. The book will appeal to scholars of political sociology and political theory with an interest in the political economy of development and Latin American affairs.

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Introduction

Clearly the pendulum of regime change in Latin America has swung to the right in the past few years. This raises numerous questions. What kind of right? How far right? How did the right gain power? What is their appeal? How sustainable are the right-wing regimes? What is their social base, and who are their international allies and adversaries? Having taken power, how have the rightist regimes performed, and by what criteria can success or failure be measured?

While the Left has been in retreat, they still retain power in some states. Here numerous questions also arise. What is the nature of the Left today? Why have some regimes continued while others have declined or been vanquished? Can the Left recover its influence, and under what conditions, and with what programmatic appeal?

In this book, we try to provide answers to these questions. To do so we analyze in some depth, chapter by chapter, the complex dynamics of what might be described the political economy of capitalist development in Latin America – the new geoeconomics and geopolitics of capital.¹ But with this introduction we will proceed by reviewing in general terms the character and policies of both the Right and the Left, and the current position and direction of the pendulum of regime change. We conclude this introduction with a brief overview of the dynamics of Right and Left policies, alignments and future perspectives. The book will analyze these dynamics in greater detail.

Right-radicalism: the new face of state power²

As we see it, the right-wing regimes that have formed over the past few years are driven by an intent to overhaul and reverse the progressive policies and structural changes implemented over the course of a ‘progressive cycle’ of regime change that unfolded in conditions of a transition from one phase of capitalist development to another. The right-wing regimes are concerned to reorder the nature of the state, the form and content of public policy, the model operative in these policies in regard to national development, the social relations of production and development, and international political and economic alignments.

In the current conjuncture of capitalist development, radical-right regimes rule in Brazil, Argentina, Mexico, Colombia, Peru, Paraguay, Guatemala, Honduras and

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Chile. In several countries extreme-right regimes have made abrupt changes, while in others they are seeking to build on incremental changes constituted over time.

The changes in Argentina and Brazil are examples of extreme regressive transformations directed at reversing income distribution, property relations, international alignments and military strategies. The goal is to redistribute income upwardly, to re-concentrate wealth and property ownership upward and externally, and to subscribe to imperial doctrine. These plutocratic-populist regimes are run by rulers who represent very powerful domestic and overseas investors and are generous in their distribution of subsidies and state resources – a kind of ‘populism for the plutocrats’.

The rise and consolidation of extremist right regimes in Argentina and Brazil are based on several decisive interventions, combining elections and violence, purges and co-optation, mass media propaganda and deep corruption. In the case of Argentina, Mauricio Macri was backed by the major media led by the Clarín conglomerate, as well as by the international financial press (*Financial Times*, *Wall Street Journal*, etc.). Wall Street speculators and Washington’s overseas political apparatus subsidized his electoral campaign (Eurasia Review, 2019).

It was reported at the time that Macri himself, his family, cronies and financial accomplices transferred public resources to private accounts (Fontevicchia, 2018). Provincial political bosses and their patronage operations joined forces with the wealthy financial sectors of Buenos Aires to secure votes in the capitol (Hernández, 2017: 107–112).

Within a few weeks of Macri’s election, the regime transferred USD 5 billion to the notorious Wall Street speculator Paul Singer; signed off on multibillion-dollar, high-interest loans; increased utility fees sixfold; privatized oil, gas and public lands; and fired tens of thousands of public sector employees (Cruz, 2018; Hernández, 2017). He also organized a political purge and arrest of opposition political leaders, including former President Cristina Fernandez Kirchner. Several provincial activists were jailed or even assassinated (Hernández, 2017). Chapter 9 provides some details of some of these dynamics.

From the perspective of Wall Street, Washington and the Porteño business elite, Macri’s ascent to state power is a success story. Wages and salaries have fallen. Utility companies secured their highest profits ever. Bankers doubled interest rate returns. Importers became millionaires. Agribusiness incomes skyrocketed as corporate taxes were reduced. But from the perspective of Argentina’s small and medium-sized business enterprises, Macri’s regime has been a disaster. Many thousands of people have gone bankrupt because of high utility costs and harsh competition from cheap Chinese imports. In addition to the drop in wages and salaries, unemployment and under-employment doubled and the rate of extreme poverty tripled (Hernández, 2017; Vaz, 2018).

The Argentine economy as a whole has floundered. The interest rate on borrowing for public expenditures climbed to 60 percent, resulting in a ballooning public debt (Partington, 2018). But debt financing failed to promote growth, productivity, innovation and exports. Foreign investment experienced easy entry, big profits and fast departure, adding to the flight of foreign capital out of the country. By

many if not all accounts, Argentina is on the way to a deep financial, economic and social crisis. To offset and weaken the anticipated public discontent, the regime shut down independent media voices, unleashed thugs against critics and co-opted pliable gangster trade union bosses to break strikes. Public protests and strikes have multiplied but are ignored and repressed. Popular leaders and activists are stigmatized by the Macri-financed media hacks. But, in our opinion, barring a major social upheaval or economic collapse, Macri will exploit the fragmentation of the opposition to secure re-election as a model puppet regime subservient to Washington and Wall Street. By some accounts and many indications (South Front, 2018), he is prepared to sign off on US military bases and the militarization of the extractive frontier, EU free trade agreements and greater police liaison with Israel's sinister secret police, Mossad.

Brazil has followed Macri's far-right policies. Seizing power by means of trumped-up impeachment proceedings against President Rousseff, her vice president, the lawyer and politician – and according to some, mega-swindler – Michel Temer followed Macri in immediately moving to overhaul a decade of progressive policies, dismantle the entire public sector, freeze salaries for twenty years and extend the retirement age for pensioners an additional five to ten years. Temer also led more than a thousand bribe-taking elected officials in a multibillion-dollar pillage of the state oil company and other major public infrastructure projects. As he proudly announced at an annual meeting of the world's economic and political elite at Davos, 'Brazil is back in business' (*USA Today*, 24 January 2018).

The coup, corruption and contempt were hidden by a system granting congressional impunity until independent prosecutors investigated, charged and jailed several dozen politicians, but not Temer. Despite 96 percent public disapproval, President Temer remained in power until the recent presidential elections with the backing of Wall Street, the Pentagon and São Paulo bankers.

Argentina is an archetypical example of a trend associated with a pendulum swing of regime change from the left to the right, but it is not atypical. Mexico, a long-standing narco-state,³ continues to elect one PRI-PAN narco-political regime after another (see Chapter 3 for details). As a consequence, billions of dollars in illicit gains or superprofits continue to flow into the overseas tax havens of money laundering bankers, many of them US-based, and US and Canadian mine owners (Tharoor, 2014; Vulliamy, 2011).

Mexican manufacturers and foreign multinational corporations send double-digit profits derived from the super-exploitation of Mexican labour to their overseas accounts and tax havens. In the current context of regime change – from a centrist PRI (Institutional Revolutionary Party) regime lasting over sixty years to a right-wing PAN (National Action Party) regime – Mexico broke its own miserable record in elite tax avoidance while imposing a regressive sales tax on middle-class consumers and increasing the cost of living for the poor who make up anywhere from 36 to 57 percent of the population. Millions of Mexicans, forced to abandon their livelihoods and their rural communities, have joined their Central American counterparts in fleeing across the US border to escape their induced poverty or predatory gangster capitalism and drug trafficking violence. The northward flow

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of these migrants and hundreds of millions of dollars of profits made by US and Canadian multinationals on the backs of workers and the poor were a result of the ‘unequal exchange’ between US capital and Mexican labour maintained and held in place by Mexico’s corrupted electoral system (La Botz, 1994; Ochoa & Wilson, 2001; Vadi 2001; Petras & Veltmeyer 2017: chapter 8).

In at least two well-known presidential elections in 1988 and 2006, left-leaning social democratic candidates of the PRD (Party of the Democratic Revolution), Cuauhtémoc Cárdenas and Andrés Manuel López Obrador (AMLO), won with healthy margins of victory only to have their victories stolen by fraudulent vote counts (Rodríguez, 2018; Collins & Holland, 2006). It was not until July 2018 that the Left, in the form of a new progressive coalition put together by AMLO, finally captured state power – as it happens, in the midst of another right-wing swing of the pendulum of electoral politics.

Peru’s right-wing mining regimes alternated between the overtly bloody Fujimori dictatorship and several corrupt electoral regimes. Pedro Pablo Kuczynski (PPK) took over the presidency (in July 2016) from several nominally leftist politicians leaders after elections in 2015 and 2016, but he was forced to resign to avoid impeachment for corruption after less than two years in power (23 March 2018) (BBC News, 2018). What is consistent in Peruvian politics – throughout the pendulum swing from a right-wing disgraced neoliberal dictator (Fujimori) to the centre-left (nominally ‘progressive’) regimes of Alejandro Toledo and Ollanta Humala, and then the administration of Kuczynski, another US-aligned neoliberal⁴ – is the handover of mineral resources to foreign capital, pervasive corruption and the pillage of natural resources by US and Canadian mining companies in regions and territory inhabited by indigenous communities (Gustafsson, 2015; Veltmeyer, 2013). For details on these destructive operations of extractive capital, see Chapter 2.

The extreme Right ousted elected left-of-centre governments, including those of President Fernando Lugo in Paraguay (2008–2012) and President Manuel Zelaya in Honduras (2006–2009), by means of a non-constitutional and a constitutional coup, respectively, with the active support and approval of the US State Department. In these and several other countries (Colombia, Mexico, El Salvador, Guatemala), narco-presidents wield power by means of repression, including violence against popular movements and the killing of scores of peasant and urban activists. In 2017, a rigged election in Honduras ensured the continuity of the narco-regime and US military bases (Mackey, 2017; Kinosian, 2017).

The spread of the extreme right from Central America and Mexico to the Southern Cone provides the groundwork for the re-assertion of US-centred military alliances and regional trade pacts – the infrastructure of US imperialism in the twenty-first century. As discussed in Chapter 6, the Chavista Bolivarian regime in Venezuela is the principal target.

The rise of the extreme Right ensures the most lucrative privatizations and the highest rates of return on overseas bank loans. The far Right is quick to crack down on popular dissent and electoral challenges with violence. At most, the far Right allows a few rotating elites with nationalist pretensions to provide a façade of electoral democracy.

The shift from the centre-Left to the centre-Right

The political swings to the far Right have had profound ripple effects as nominal centre-Left regimes have swung to the centre-Right. Apart from Argentina and Brazil, where the pendulum of regime change displaced from power two major centre-Left ‘progressive’ regimes, two regimes in particular have moved decisively from the centre-Left to the centre-Right: Uruguay under Tabaré Vázquez of the ‘Broad Front’ and Ecuador with the recent election of Lenín Moreno of the PAIS Alliance. In both cases, the groundwork was established via accommodations with oligarchs of the traditional Right parties. The previous centre-Left regimes of Ecuadorean President Rafael Correa and Uruguayan President José Mujica succeeded in pushing for public investments and social reforms. They combined their leftist rhetoric while capitalizing on the global high prices and high demand for agro-mineral exports to finance their reforms. With the decline in world prices and the public exposure of corruption, the newly elected centre-Left parties nominated and elected centre-Right candidates who turned anti-corruption campaigns into vehicles for embracing neoliberal economic policies. The centre-Right presidents rejected economic nationalism, encouraged large-scale foreign investment and implemented fiscal austerity programs appealing to the upper-middle class and ruling class.

In their ascent to state power, the centre-Right regimes marginalized the leftist sectors of their parties in the same way that the progressive regimes they displaced had marginalized the social movements that had paved their way to state power. In the case of Ecuador, the governing party PAIS Alliance political movement split with the newly elected president Lenín Moreno realigning international policies away from the Left (Bolivia, Venezuela) and towards the United States and the far Right while shedding the legacy of popular social programs left by Rafael Correa’s presidency.

With the decline in export prices, the centre-Right regime of Lenin Moreno offered generous subsidies to foreign investors in agriculture and forestry in Uruguay and mine owners and exporters in Ecuador and, like its more established counterpart centrist regimes in Chile on the Pacific coast (Chile, Peru and Colombia), joined the Trans-Pacific Partnership with a number of Asian nations, the European Union and Canada (President Trump pulled the US out of the trade agreement) (Long, 2018; Southwick & J. Otis, 2018). The centre-Right in these countries, including the Moreno regime in Ecuador, sought to manipulate the social rhetoric of the previous centre-Left regimes in order to retain popular voters while securing support from the business elite.

The Left moves to the centre

In recent years, two regimes have moved decisively from the centre-left to the centre-right: Uruguay under Tabare Vazquez of the ‘Broad Front’ and Ecuador with the recent election of Lenin Moreno of PAIS Alliance. In both cases, the groundwork was established via accommodations with oligarchs of the traditional right parties. The previous centre-left regimes of Ecuadorean President Rafael

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Correa and Uruguayan President Jose Mujica succeeded in pushing for public investments and social reforms. They combined their leftist rhetoric while capitalizing on the global high prices and high demand for agro-mineral exports to finance their reforms. With the decline in world prices and the public exposure of corruption, the newly elected centre-left parties nominated and elected centre-right candidates who turned anti-corruption campaigns into vehicles for embracing neoliberal economic policies. The centre-right presidents rejected economic nationalism, encouraged large-scale foreign investment and implemented fiscal austerity programs appealing to the upper middle class and ruling class.⁵

Apart from Venezuela, which is a special case, Bolivia, under Evo Morales' leadership, is virtually the only country in the region that managed to stick with a progressive post-neoliberal policy regime when the primary commodities boom collapsed in 2015. Morales has demonstrated an exceptional capacity for sustaining growth, securing re-election and neutralizing the opposition by combining a radical-Left foreign policy with a moderate, mixed public-private export economy. While Bolivia condemns US imperialism, major oil, gas, metals and lithium multinationals have invested heavily in Bolivia. Evo Morales has moderated his ideological posture, shifting from revolutionary socialism to a local version of liberal-democratic cultural politics (Petras & Veltmeyer, 2005).

Evo Morales's embrace of a mixed economy has neutralized any overt hostility from the US and the new far-Right regimes in the region. Although remaining politically independent, Bolivia has integrated its exports with the far-right neoliberal regimes in the region. President Evo Morales's moderate economic policies, diversity of mineral exports, fiscal responsibility, incremental social reforms and support from well-organized social movements has led to political stability and social continuity despite the volatility of commodity prices.

Venezuela's leftist regimes under Presidents Hugo Chávez and Nicolás Maduro have followed a divergent course with harsh consequences. Totally dependent on extraordinary global oil prices, Venezuela proceeded to finance generous welfare programs at home and abroad. Under President Chavez's leadership, Venezuela adopted a consequential anti-imperialist policy successfully opposing the US-centred Latin American Free Trade Agreement (LAFTA) and launching an anti-imperialist alternative – the Bolivarian Alliance for the Americas (ALBA).

Advancing social welfare and financing overseas allies, without diversifying the economy and markets and increasing production, was predicated on continuous high returns on a single volatile export: oil.

Unlike Bolivia under President Morales, who built his power with the support of an organized, class conscious and disciplined mass base, Venezuela counted on an amorphous electoral alliance which included slum dwellers, defectors from the corrupt traditional parties (across the spectrum) and opportunists intent on grabbing office and perks. Political education was reduced to mouthing slogans, cheering the president and distributing consumer goods.

Venezuelan technocrats and political loyalists occupied highly lucrative positions, especially in the petroleum sector, and they were not held to account by workers' councils or competent state auditors (Ciccariello-Maher, 2013; Petras &

Veltmeyer, 2017, chapter 11) Corruption was rampant, and billions of dollars of oil wealth was stolen. This pillage was tolerated because of the huge influx of petrodollars due to historic high prices and high demand. This led to a bizarre situation where the regime spoke of socialism and funded massive social programs, while the major banks, food distributors, importers and transportation operators were controlled by hostile private oligarchs who pocketed enormous profits while manufacturing shortages and promoting inflation (Bronner & Smith, 2016; Smith & Kurmanaev, 2014; Katz, 2016; Valery, 2009). Despite the problems, the Venezuelan voters gave the regime a series of electoral victories over the US proxies and oligarch politicians. This tended to create overconfidence in the regime that the Bolivarian socialist model was irrevocable.

The precipitous drop of oil prices and global demand in 2014, and thus export earnings, led to the decline of imports and consumption. Unlike Bolivia, foreign reserves declined, some feel that the rampant theft of billions was belatedly uncovered and it is our belief that the US-backed right-wing opposition returned to violent ‘direct action’ and sabotage while hoarding essential food, consumer goods and medicine. Shortages led to widespread black marketeering. Public sector corruption and hostile opposition control of the private banking, retail and industrial sectors, backed by the US, paralyzed the economy. The economy has been in a free fall and electoral support has eroded. Despite the regime’s severe problems, we maintain that the majority of low-income voters correctly understood that their chances of surviving under the US-backed oligarchic opposition would be worse, and the embattled Left continued to win gubernatorial and municipal elections through 2017.

Venezuela’s economic vulnerability and negative growth rate led to increased indebtedness. The opposition of the extreme-Right regimes in Latin America and economic sanctions from Washington intensified food shortages and increased unemployment.

In contrast, Bolivia effectively defeated a number of US-supported and orchestrated elite coup plots between 2008 and 2016 (Burbach, 2008; Schipani, 2016). The Santa Cruz-based oligarchs faced the clear choice of either sharing profits and social stability by signing off on social pacts (workers/peasants, capital and state) with the Morales government or facing an alliance of the government and the militant labour movement prepared to expropriate their holdings. The elites chose economic collaboration while pursuing low-intensity electoral opposition.

Conclusion

Left opposition all over Latin America is in retreat from state power, but opposition to the extreme Right is likely to grow, given the harsh, uncompromising assault on income, pensions, the rise in the cost of living, severe reductions in social programs and attacks on private and public sector employment. Those on the extreme right have several options, none of which offers any concessions to the Left. They have chosen to heighten police state measures (the Macri solution); in our opinion, they attempt to fragment the opposition by negotiating with the

opportunist trade union and political party bosses; and they reshuffle degraded rulers with new faces to continue policies (the Brazilian solution).

The formerly revolutionary Left parties, movements and leaders have evolved towards electoral politics, protests and job action. Thus far, they do not represent an effective political force or an electoral option at the national level. The centre-Left, especially in Brazil and Ecuador, is in a stronger position with dynamic political leaders (Lula da Silva and Correa) but faces trumped-up charges by right-wing prosecutors who intend to exclude them from running for office (Petras, 2017). Unless the centre-Left reformers engage in prolonged large-scale mass activity, the far Right will effectively undermine their political recovery.

As we see it, the US imperial state has temporarily regained proxy regimes, military allies and economic resources and markets. China and the European Union profit from optimal economic conditions offered by the far-Right regimes. The US military program has effectively neutralized the radical opposition in Colombia, and the Trump regime has intensified and imposed new sanctions on Venezuela and Cuba.

It is our belief that the Trump government's 'triumphalist' celebration is premature: we feel that no decisive strategic victory has taken place, despite important short-term advances in Mexico, Brazil and Argentina. However, large outflows of profits, major transfers of ownership to foreign investors, favourable tax rates and low tariff and trade policies have yet to generate new productive facilities and sustainable growth and to ensure economic fundamentals. Maximizing profits and ignoring investments in productivity and innovation to promote domestic markets and demand has bankrupted tens of thousands of medium- and small-local commercial and manufacturing firms (Guillen, 2012; Sapir, 2008). This has led to rising chronic unemployment and under-employment. Marginalization and social polarization without political leadership is growing. Some feel that such conditions led to 'spontaneous' uprisings in Argentina (2001), Ecuador (2000) and Bolivia (2005).

The far Right in power may not evoke a rebellion of the far Left, but its policies can certainly undermine the stability and continuity of the current regimes. At a minimum, it can lead to some version of the centre-Left and restoration of the welfare and employment regimes now in tatters.

In the meantime, we believe that the far Right will press ahead with their perverse agenda combining deep reversals of social welfare, the degradation of national sovereignty and economic stagnation with a formidable profit-maximizing performance.

Notes

- 1 On the new geopolitics in Latin America, see Ceceña (2010) and Yedra, Barrios and Ceceña (2009).
- 2 The analysis and the opinions expressed in this section are based on empirical data provided by the Argentinian political analyst Mario Hernandez (2017) on the Mauricio Macri regime that succeeded the Kirschner regime in Argentina in 2015. The empirical data in Hernandez is sourced from day by day reporting and summary news analysis

of political developments in Argentina published in weekly news reports in *Resumen Latinoamericano/ANRed*. thedawn-news.org. But the interpretation of this empirical data and the opinions expressed in this section of the Introduction to the book are those of the authors. In any case, the authors revisit this analysis of political developments in Argentina, and substantiate the argument advanced in this section of the Introduction in Chapters 7 and 8.

- 3 The notion of a narco-state – a state that has been penetrated to various degrees by narco-traffickers or narco-capitalists and is beholden to them in support of their operations – has been advanced and explored in different contexts. See, for example, Hristov (2005, 2009), Paley (2014) and Villar and Cottle (2011) in regard to Latin America, and Rexton Kan (2016) for an international comparative study. Kan argues that the narco-state can be divided into five categories according to their level or degree of dependence on the narcotics trade and the threat that the narcotics trade poses to domestic and international stability. The five categories are incipient (e.g. Papua New Guinea, Iran), developing (e.g. Senegal, Thailand), serious (e.g. Mexico, El Salvador, Jamaica), critical (e.g. Tajikistan, Peru, Colombia) and advanced (Afghanistan, Guinea-Bissau, North Korea and Myanmar). It is not clear why he would place Venezuela in the fifth category.
- 4 Kuczynski worked in the United States and held positions at both the World Bank and the International Monetary Fund (IMF) before entering Peruvian politics. He held US citizenship until November 2015; he renounced it in order to run for the presidency.
- 5 For further details and a more systematic analysis of these political dynamics, see Petras and Veltmeyer (2017).



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Part I

Capitalism at work

Economic and social dynamics



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1 Monopoly capital and the agrarian question

Contemporary dynamics¹

Latin America is the crossroads of momentous social change associated with the latest advance in the evolution of capitalism. We are witnessing today a new phase in the national and global development of the productive forces where intellectual property and ownership of *patents* has become a key component of the imperialist system of domination under the aegis of neoliberal capitalism (Rodriguez, 2008). This phenomenon is unfolding within the institutional and policy framework of what Samir Amin (2013) describes as the *era of generalized monopolies*, where the concentration and centralization of capital has reached unprecedented levels. The dynamics of this process have been extensively studied and analyzed in different regional and national contexts. But a relatively understudied dimension of this process is the profound restructuring undergone by the system of technological innovation which is at the heart of the capitalist development process. This process has unfolded over the last two and a half decades in which the concentration and the private appropriation of the means of knowledge creation and technological innovation have reached global proportions. This trend, far from favouring a progressive or revolutionary development of the productive forces of society (in the direction of both development and socialism) – a historic mission that Marx ascribed to capitalism – has placed countries on the periphery of the world system on a regressive path in the advancement of knowledge, exacerbating the propensity of the world system towards crisis and placing at risk the material bedrock of life, work and nature – a problem that has also reached international and indeed planetary proportions.

This chapter aims to unpack fundamental features of this capitalist development process in the Latin American context, in what David Harvey, Andy Higginbottom and others have described as the *neoliberal era*, and what Samir Amin has termed the *era of generalized monopolies*. Regarding the systemic dynamics and forces at work in these conditions, the chapter is concerned with the expansion of corporate capital in the agricultural sector and the advance of resource-seeking extractive capital in this sector. Unlike the system whose dynamics were theorized by Marx, extractive capitalism is based not so much on the exploitation of labour as the looting and pillage of natural resource wealth. Needless to add, these two forms of capitalism are not mutually exclusive; at every stage in the evolution of capitalism they are normally combined and coexist, as do the diverse forms of resistance that capitalist development in any of its diverse forms gives rise to.

Historically, the capitalist development of the forces of production has always hinged on the exploitation of surplus labour traditionally or most often supplied by the agricultural sector, as well as the process of productive and social transformation associated with it. But as emphasized by Marx in *Capital*, the truly revolutionary pathway towards the accumulation of capital and capitalist development is scientific knowledge and its technological application to production, a process of technological and internal restructuring of the production apparatus in response to conditions of crisis (Marx, 1981: chapter 10). As Marx saw it, the development of science and technology or, more generally, knowledge production and technological innovation, is not only the best antidote to the propensity of capitalism towards crisis but is also a revolutionary pathway towards progressive development (Marx, 1977).

The challenge therefore is to establish the intersection of these two dynamics: the *exploitation of agricultural labour*, the origin and basic source of surplus value; and *technological innovation*, a fundamental means of increasing the productivity of labour and thus intensive growth based on the generation of surplus value. Another challenge is to analyze the intersection of these two dynamics in the context of a new phase of capitalist development associated with the advance of extractive capital on the periphery of the system.

On these points, we advance our argument in four parts. First, we establish the relevance of what we describe as the imperial innovation system and its implications for the agricultural sector. Second, we analyze and briefly discuss the advance of capital in the form of agribusiness with reference here to the imperialist innovation agenda as it plays out in a global context. Third, we briefly discuss the new geoeconomics of capital with reference to what might be viewed as the new political economy of agriculture: extractive capital and agro-extraction, in this case in the Latin American context. Fourth, we take a brief detour into what could be described as the political economy of biofuels capitalism on the extractive frontier. We end the chapter with a brief discourse on the dynamics of the resistance to capitalism and extractivism, highlighting the Zapatista initiative and proposals regarding the possible construction of another world – a world that in their words ‘encompasses many worlds’. We return to this theme in Chapter 5.

The emergence of Silicon Valley’s imperial innovation system

A critical dimension of capitalist development in the contemporary era lies in how large multinational corporations in the sector of communications and information technology – many of them headquartered with venture capital posts in Silicon Valley – have managed to place at their disposal the ‘human capital’ and knowledge production capacity formed in different countries across the world in both the centre and the periphery of the world system. This development – the accumulation of knowledge and skills as a productive resource and thus a crucial force of production² – has undergone a similar process and has been subjected to the same forces of change as capital in other sectors. This includes the concentration and centralization of capital, a process that works to reduce labour costs, transferring

associated risks to non-capitalist producers, and capitalizing on the appropriated benefits through the mechanism of patenting the knowledge or social technology embodied in the global production process today (Delgado Wise, 2015; Delgado Wise & Chávez, 2016; Míguez, 2013).

This capitalist development process over time has resulted in the construction of an ‘innovation system’³ within a knowledge-based global economy – what could be conceived of as an *imperial innovation system*, a system that has five characteristic features:

- 1 *The increasing internationalization and fragmentation of research and development activities* by means of the organization and promotion of collective forms of innovation, such as crowdsourcing, by means of what can be viewed as *open innovation*. In contrast to the traditional innovation processes that normally take place behind closed doors in research and development (R&D) departments internal to large multinational corporations, this trend includes the opening and spatial redistribution of knowledge-intensive activities with the participation of external partners, activities such as *start-ups* that operate as privileged cells of the new innovation architecture and the supply of risk capital, headhunters, firms of lawyers, subcontractors, universities, research institutions and so forth to create complex ‘ecosystems’ of innovation (Chesbrough, 2008).

This new modality of human capital formation has given rise to a new configuration of technological innovation networks that are linked in an institutional complex that brings together multinational corporations that are heavily invested in the production of scientific knowledge and technological innovation, research universities from which this knowledge is sourced, and what in the particular case of the Silicon Valley complex (see Figure 1.1) we might describe as the imperial state.

- 2 *The creation of scientific cities*, or centres of technological innovation such as Silicon Valley and the new ‘Silicon Valleys’ established in recent years in peripheral areas or emerging regions (principally in Asia), where collective synergies based on both public and private investment in science and technology (R&D) are used to accelerate innovation processes. As argued by Annalee Saxenian (2002, 2006), this development embodies a new paradigm of innovation based on the concentration of both financial and human capital (public and private investment in technological advance and the application of scientific knowledge to the process of global production). Silicon Valley stands as the central pivot of a new global innovation system surrounded by a constellation of scientific maquiladoras (see Figure 1.2).
- 3 *The development of new methods of controlling research and development agendas* (through venture capital, partnerships and subcontracting, among others) and the appropriation of intellectual property in the production of scientific knowledge through the *acquisition and monopoly control of patents*

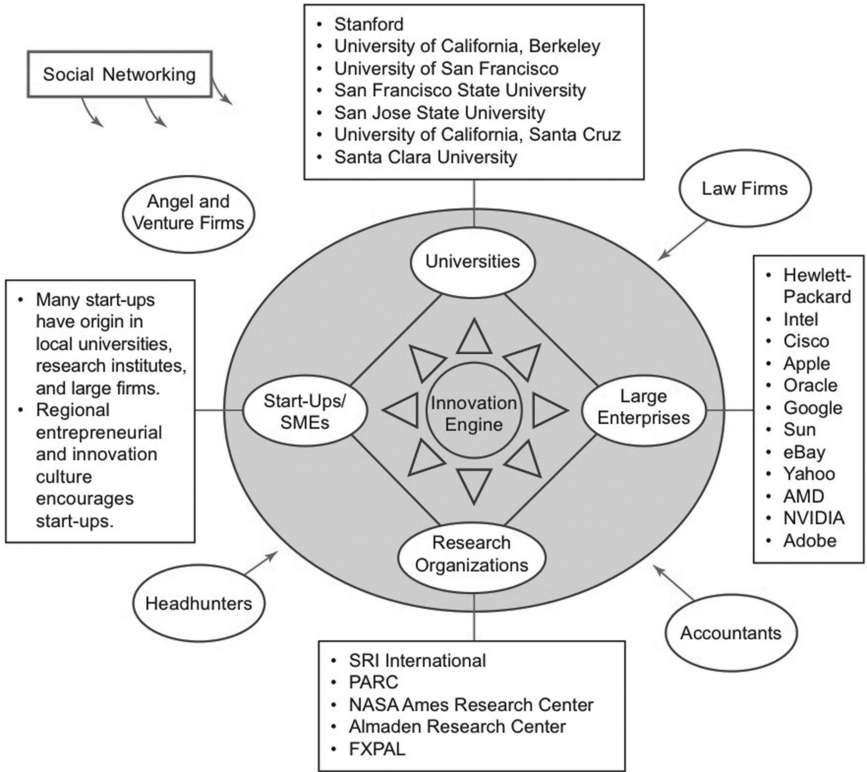


Figure 1.1 The Silicon Valley ecosystem

Source: Delgado Wise and Chávez (2016), based in part on Strategic Business insights (2017).

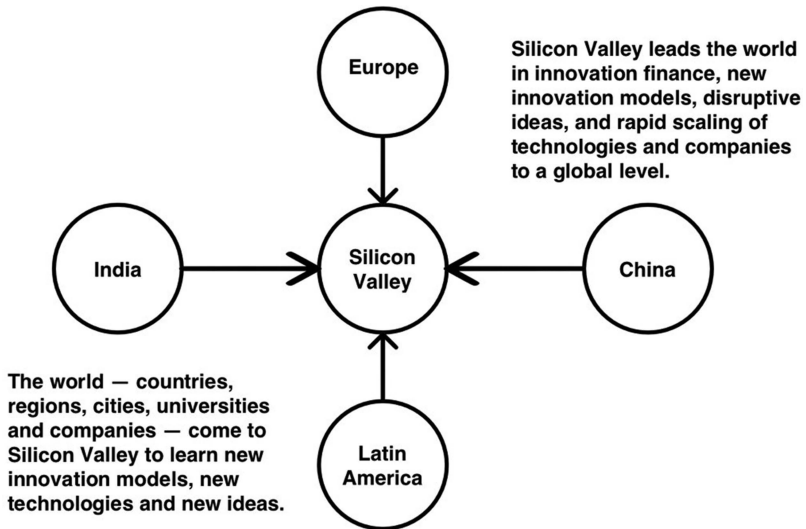


Figure 1.2 Silicon Valley: a global centre of innovation

Source: Delgado Wise and Chávez (2016).

by large multinational corporations. In this regard, the rhythm of patenting has increased exponentially over the last two decades. Between 1991 and 2011, more patents were registered in the United States than in the previous two hundred years.

- 4 *A rapidly expanding and highly skilled workforce formed in the global south* – particularly in the areas of science and engineering – is being tapped by multinational capital for research and development via partnerships, outsourcing and offshoring (Battelle, 2013). This spatial restructuring of R&D has crystallized into what could be described as a new geography of innovation in which – following the pattern of industrial production – R&D is shifting towards peripheral regions, creating a global north-south network. This trend can be conceived of as a higher stage in the development of global networks of monopoly capital, as a newly constructed international division of labour moves up the value-added chain to include R&D, and monopoly capital moves in to capture the productivity gains of a highly skilled workforce located in the global south as well as in the global north at the centre of the world system (Arocena & Sutz, 2002). This trend can be traced out in different strategic sectors of the global economy, including agriculture – biotechnology and biohegemony in transgenic crops, as well as the appropriation of indigenous knowledge regarding seed technology in the global commons (Gras & Hernández, 2018; Gutiérrez Escobar & Fitting, 2016; Lapegna & Otero, 2016; Motta, 2016).

Perhaps the most important component of the new innovation system is:

- 5 *The creation of an ad hoc institutional framework*, embodied in the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO), which is designed to concentrate and appropriate the products of what Marx described as the *general intellect*, and others have described as the global reservoir of ‘brain power’ or human capital; this is done by the mechanism of *patenting* (Delgado Wise & Chávez, 2016). Since the late 1980s, the US has initiated a process of ad hoc legislation in line with the strategic interests of the large US-based multinational corporations in regard to intellectual property rights (Messitte, 2012). This legislation has been broadly expanded by means of regulations promoted by the WTO. Through negotiations for the signing and implementation of diverse free trade agreements (FTAs), these negotiations have been carried out through the Office of the US Trade Representative, which in turn protects and represents the interests of industries that are intensively engaged in the productive use of intellectual property. Because of its multilateral nature, intellectual property disputes within the WTO have become more complex, thus the strategy of the US state includes bilateral FTA negotiations as a far-reaching means of controlling markets and increasing corporate profits. The regulations established by the Patent Cooperation Treaty (modified in 1984 and 2001) in the WIPO-WTO framework have contributed significantly to this trend.

All of this has led to the unprecedented concentration and the private appropriation of applied scientific knowledge which, as a form of capital or a productive resource, is an intangible social good – that is, part of the global commons and the heritage of humankind, what Marx understood as the product of the *general intellect* to which different generations of intellectuals all over the world have substantively contributed. With the private appropriation of this knowledge in the form of R&D and human capital, the monopolization of brainpower, the brainpower that has been cultivated on the periphery of the system, far from opening a progressive path in the development of the forces of production, has led to a regressive phase in the advancement and productive use of human capital. Moreover, sometimes patents are acquired by monopoly capital to prevent or postpone its application, with the aim of controlling and regulating the market, giving rise to what Foladori (2014) conceives of as ‘fictitious science’ – echoing here the notion of fictitious capital coined by Marx.

It is worth adding that in line with the imperial innovation system described earlier, the US is the world’s leading innovation capitalist power, accounting for 28 percent (Delgado Wise & Chávez Elorza, 2016) of all patent applications through the WIPO system from 1996 to 2010. Taking the total number of countries in the Organisation for Economic Co-operation and Development (OECD) together (excluding Mexico, Chile and Turkey), they account for 90 percent of global patent applications.

Agribusiness in the imperialist innovation agenda

Over the last two and a half decades, multinational corporations in the agricultural sector (i.e. food and farming) have achieved unprecedented levels of concentration and centralization worldwide. This process has been led by the ‘Big Six’: Monsanto, Dow, BASF, Bayer, Syngenta and DuPont. The principal areas of investment by these corporations have been pesticides, seeds and biotechnology.

Rather than competing among themselves, the Big Six engage in ‘cooperative strategies and collusive practices between the few major competitors, notably through the establishment of elaborate cross-licensing structures’ (Pesticide Action Network, 2011). Moreover, ‘cooperative strategies include licensing, cross-licensing agreements, subcontracting, and other contractual structures that frame patterns of inter-company alliances’. These are, the authors point out, current practices in agricultural biotechnology. Indeed, ‘because of the cumulative nature of the genetics and biotechnologies embodied in transgenic varieties, the next innovation is likely to “stack” traits upon those developed in the previous innovation’.

To avoid encroaching upon each other’s patent entitlements, companies are obliged to enter licensing and cross-licensing deals. All the leading firms in agricultural biotechnology (including Monsanto) are themselves licensed under patents covering many products, processes and product uses; these patents expire from time to time. Under a cross-licensing agreement, two parties grant a license to each other for the exploitation of the subject matter claimed in patents. In some

cases, cross-licensing is the mutual sharing of patents between companies without even payment of royalties if both patent portfolios are deemed equal in value (UNCTAD, 2006: 33–34).

The Big Six also promote ‘vertical integration upward along the food chain, with the establishment of food chain clusters that combine agricultural inputs with the grain handlers’ extensive processing and marketing facilities’ (Pesticide Action Network, 2011).

The unprecedented power secured by the Big Six allows them to (1) hegemonize the agricultural research agenda; (2) appropriate the fruits of technological advance and production knowledge in the agricultural sector; (3) exercise command over trade agreements and agricultural policies; (4) position their technologies as the ‘science-based’ ‘solution’ for increasing crop yields, feeding the hungry and ‘saving the planet’; (5) extend the value chain of corporate capital and corporate control over land, agricultural production and territories; (6) avoid ‘democratic’ and regulatory controls over their activities and the accumulation process; (7) undercut the counterhegemonic and anti-imperialist agenda and struggle for food sovereignty and agro-ecology advanced by *Vía Campesina* and other forces of resistance in the agricultural sector; and (8) subvert any possibility of promoting competitive markets in line with the hidden neoliberal agenda.

The monopolistic power exerted by the large multinational corporations in the agricultural sector has far-reaching implications regarding ‘the speed of concentration in the agricultural input sector, associated with the privatization and patenting of biological resources, raises serious competition issues. Further, it raises concerns over social justice and food security’ (UNCTAD, 2006: 38). We might add here the fundamental concern for environmental justice and food sovereignty, not to mention territorial rights and the private appropriation of nature, technological innovations and other elements of the global commons (Barkin, Fuente & Rosas, 2009; De Castro, 2016; Porto Goncalves & Leff, 2015; Leguizamón, 2016; Rosset, 2011).

According to the Patent Cooperation Treaty (PCT) system and WIPO statistics, in 2015–2016 the number of patent applications by Dow, Bayer, DuPont, BASF, Monsanto and Syngenta were 804, 761, 758, 714, 290 and 108, respectively. This accounted for 22 percent of the total number of patent applications in this period.

There are many examples of investments by venture capital groups of Monsanto, DuPont, Dow and Bayer in cutting-edge start-ups in Silicon Valley. Following are a few quotes that show the increasing connection of these corporations to the Silicon Valley innovation ecosystem:

Based in San Francisco, Monsanto’s venture capital group invests in cutting-edge Silicon Valley start-ups and sometimes acquires them. . . . Acquired in 2014 by Climate Corp., the technology subsidiary of Monsanto, 640 Labs soon will be doing business in Europe – an ancillary result of Climate’s recent acquisition of VitalFields, an Estonia-based software company.

(www.chicagotribune.com/business/ct-monsanto-growth-ventures-1209-biz-20161209-story.html)

The Palo Alto R&D Center hosts nearly 200 scientists and engineers conducting enzyme research in biochemistry, molecular biology, protein chemistry, and chemical engineering as well as senior executives, business and regulatory leaders, and intellectual property team members. . . . It is a central site for protein engineering enzyme production systems and pathway engineering for chemicals, and home to applications teams in grain processing, biomass conversion, fabric and household care, and textiles processing.

(www.dupont.com/corporate-functions/our-approach/innovation-excell)

The Bayer LifeScience iHUB in Silicon Valley is one of several initiatives in order to make sure Bayer leverages digital technologies for its LifeScience businesses. Digital technologies are very important to the future success of Bayer. Bayer is therefore building up competencies in digital technologies, especially with external partners.

(<https://stanford.applysci.com/sponsor/bayer/>)

Dow Chemicals is ‘catching up to Silicon Valley’. (<http://fortune.com/2015/07/15/dow-chief-chemical-science/>)

These quotes, and our tentative analysis as to how big capital in the agricultural sector features in a trend towards the concentration and private appropriation of a fundamental element of the global commons – scientific knowledge for development – raise several questions for closer study and further research, which we address below. But one tentative general conclusion that we can draw from this glimpse into these dynamics is that in many ways, the agricultural sector is at the forefront of the contradictions that characterize innovation (and the control and appropriation of knowledge) in the neoliberal era of generalized monopolies.

The new political economy of agriculture

Silicon Valley is a visible representation of the concentration and centralization of human capital (scientific knowledge applied to production) in the form of what we term an imperial innovation system, as well as the appropriation of production-based technologies and patents. However, Silicon Valley and the innovation system of communications and information technologies is not the only centre of human capital formation and scientific knowledge applied to production. As noted earlier, the cluster of firms that form the Big Six in the agricultural sector constitutes another centre of human capital production, formed in a dynamic process of mergers and acquisitions that characterized the development process in the 1990s and the first decade of the new millennium (UNDP, 2009).

This monopoly capital dynamic – the concentration and centralization of capital – is particularly evident in the international trade in grains. But it is also a dominant feature of what might be described as the new political economy of agriculture based on the expansion and advance of resource-seeking, or extractive, capital. This particularly relates to the formation and expansion of the soy

economy in the south-west of Brazil and the north of Argentina, as well as more recently in Bolivia, Paraguay and Uruguay: the so-called Soya Republic (Leguizamón, 2016; McKay & Colque, 2016; Ezquerro-Cañete, 2016).

The construction of this economy on the frontier of extractive capital in South America reflects a pronounced trend towards the expanded flow of ‘resource-seeking’ foreign investments in the acquisition of land and access to resources in high demand on the world market. This dynamic – which relates to the new geoeconomics of capital in the region⁴ – is also reflected in a trend towards land-grabbing as a means of gaining direct access to raw materials to supply the market for both agro-food products and biofuels for the production of oil in the food industry, feedstock for animals, and a renewable source of energy (Borras, Franco, Gomez, Kay & Spoor, 2012). In Latin America this dynamic, and an associated concentration and centralization of capital, is particularly evident in the formation of the soy complex. First, large tracts of arable land have come under ownership of firms in the agro-extraction sector and are used to either supply the market for feedstock and edible oils or converted from the production of food to supplying the demand for energy in the form of biomass and other biofuels. On average, since around 2008 an additional two million hectares of land in the Southern Cone, mostly in central-western Brazil and northern Argentina but also in Bolivia and Paraguay, is being brought into production each year.

Already in 2008 Brazil and Argentina had 21.3 million and 16.4 million hectares of land under soya cultivation, respectively – representing 38.8 percent of the total global area under soya cultivation and for the production of soybean oil, and 46 percent of total global soya production (FAO, 2011 based on FAOSTAT data). In recent years, other countries in the sub-region have also significantly increased their production capacity, driven by the global demand for soybean oil (for use in the food sector) and soybean meal (mainly as a source of animal feed protein), but increasingly as feedstock for the production of biodiesel and first-generation biofuels (Schoneveld, 2010). Brazil, in this context, exports most of its soybeans in unprocessed seed form while Argentina processes more than 80 percent of soybean seeds domestically into meal and oil. Currently approximately 16 percent of total soybeans harvested in Brazil is used for energy purposes, while approximately 3.5 percent of the soybean harvest is used to produce biodiesel – most of it exported (Van Gelder & Dros, 2002).

The production for export of agro-fuels, like the international trade in grains and foreign investments in land and agro-extraction, is highly concentrated and dominated by a small cluster of firms that have acquired an oligopoly in the marketing and sale of their production. This cluster of monopoly or oligopoly capital in the sector of agro-extraction intersects with the Big Six in Cargill, the largest privately owned corporation in the United States. It also includes other firms and various clusters of capital that have combined in a process of mergers and acquisitions or more flexible arrangements such as partnerships, contracts or joint ventures, to form a ‘real cluster of firms’ that could monopolize the global trade in grains and soy-based biofuels. Together, this ‘real cluster of firms’ – a cartel, in the judgement of economists at the UNDP (2007/08) – together controls 52 percent of

the global trade in staple grains, cereals and oilseed. More importantly, they have a commanding control of seed patents and agricultural production technologies.

This cartel, known as ABCD (ADM, Bunge, Cargill and (Louis) Dreyfus),⁵ currently finances 60 to 85 percent of soybean producers in Brazil, offering farmers credit as well as a technological package that effectively converts them into their agents in the new agricultural economy formed by companies that effectively control conditions for production in the Southern Cone territory.

Apart from its role as a supplier of surplus labour and cheap wage goods to hold down the cost of labour in the industrial sector, the important role of agriculture in the capitalist development process had been largely overlooked for the five decades prior to the current turn to – or return towards – agro-extraction and a policy of primary commodity exports.⁶ In this context, instead of capitalizing on the region's relatively abundant resource endowment and resultant comparative advantage, policymakers used the agricultural sector as a cash cow to subsidize relatively more inefficient firms in the industrial sector.

There is nothing particularly novel about this development; it is well-known and has been extensively studied and theorized over the years. Policymakers in this context pursued a strategy of export-led development – exporting primary products – thereby sustaining their assigned or self-assumed role as suppliers to industrial countries. The negative consequences of this strategy have been extensively theorized and analyzed, most often from a dependency theory perspective. But in the new millennium – in conditions of the new geoeconomics of capital (i.e. the phenomenon of large-scale foreign investments in land and resources) – the role of agriculture for development has significantly changed. For one thing, many multinational corporations in the agro-extraction sector, to guarantee a supply of raw materials and resources, shifted away from direct investments in the acquisition of assets to contract farming (UNCTAD, 2009: 110). For another, with the strong demand for biofuels and the conversion of land from the production of food to energy, the much-debated built-in barriers to the expansion of capital into the agricultural sector have been pushed back,⁷ leading to the increased subsumption of agricultural labour as well as another cycle in the expulsion of the direct producers to fuel the growth of a global reserve army of surplus labour and a global labour force available to monopoly capital for its expansion into its various redoubts of industrial capital, located mostly in the heartland of the world system. It would seem that here, at least, agriculture has been pushed back towards its traditional role as a supplier of surplus labour to industrial or monopoly capital.

Until the mid-1990s, the dominant strategy of development economists at the World Bank and other agencies in the UN system was to encourage the masses of dispossessed or 'rural landless workers' – the 'rural poor', in the lexicon of World Bank economists – to abandon agriculture and their rural communities and to take the development pathway out of rural poverty, namely, migration and labour (World Bank, 2008). However, by the mid-1990s, with the evident absence of an industrialization process and a functioning labour market – and the inability of the urban economy to absorb this excess supply of surplus agricultural labour – this development strategy was turned around and slowed the regular outflow of rural migrant labour.

At issue in this new strategy was the problem of reducing the pressures on both governments and the private sector to absorb the excess supply of surplus rural labour and what sociologists at the time described as ‘the new rurality’, namely, the response of the rural poor to the forces of social change and capitalist development in the form of a strategy of diversifying their sources of household income (Kay, 2008). Lula’s new social policy of conditional cash transfers to the poor played into this strategy.

However, the expansion of both market-seeking and resource-seeking extractive capital in the agricultural sector, and the rapid growth of both agro-extraction and agribusiness within the circuits and supply chains of monopoly capital, changed conditions regarding the international and regional political economy of agriculture. As noted by the UN Conference on Trade and Development (UNCTAD) in its 2009 report on world investments – with reference to these changed conditions: ‘after a long period of decline in . . . [the] participation [of multinational corporations] in agricultural production, a resurgence may . . . be under way’ (UNCTAD, 2009: 110).

As for the dynamics of this resurgence, by many accounts they include the following:

- 1 An expansion and the rapid advance of capital on the extractive frontier (see Chapter 2 on this).
- 2 The emergence of new modalities for the expansion of capital into the agricultural sector, including land-grabbing, agro-extraction, investment by private equity funds, the formation of wholly owned affiliates, the institution of joint ventures and management contracts, as well as the replacement of foreign direct investments (FDI) with contract farming.
- 3 A process of cross-border mergers and acquisitions, leading to vertical integration and the concentration of capital in both agriculture and associated industries such as food processing (Rastoin, 2008).
- 4 A major expansion of large-scale investments, both public and private, in agriculture and related activities, particularly food processing linked to the inflow of resource-seeking or extractive capital, or agro-extraction (UNCTAD, 2009: 113).
- 5 Technological restructuring of agricultural production, particularly as regards the dynamics of R&D and intellectual property rights and the patenting of technological innovations.
- 6 Monopoly control over the new means of production, based on the use of genetically modified crops, agro-chemicals and new sowing techniques has empowered multinational chemical and trading companies and other agribusinesses, and their vertical integration along the production chain is generating a commanding production structure (Turzi, 2007).
- 7 Companies in the agro-extractive sector have used their scientific and technological superiority to advance the sale of their agro-chemical products, integrating with traders and processors and leveraging scale advantages to establish dominant buying positions by drawing on their financial strength (Turzi, 2011). Also, national borders on the extractive frontier are losing

ground to a corporate-driven model of territorial organization, giving rise to new geopolitical fault lines and, in the case of Argentina, Bolivia, Paraguay and Uruguay, the formation of their combined geoeconomic space as a single unified Soybean Republic (Turzi, 2011).

- 8 The expansion of corporate capital into the agricultural sector is reducing the land available for food production, increasing pressures on small-scale peasant production and family farming, including an enclosure of the commons,⁸ with a consequent expulsion of poor peasants from agriculture and their rural communities on the extractive frontier.
- 9 Renewal of a rural exodus that had stalled in the context of what sociologists have described as ‘the new rurality’ (the rural poor being able to resist pressures to migrate in the context of diversifying the source of their household incomes), thereby fuelling the growth of a global workforce and the formation of an industrial reserve army (Delgado Wise & Veltmeyer, 2016), as well as new dynamic forces of resistance and alternative development (Zibechi, 2007, 2015). On this, see Chapter 5.

The political economy of biofuels capitalism

Agro-extractivism in the current context of capitalist development has assumed diverse forms, but what has dominated the debate surrounding it, at least in Latin America (apart from the meaning of the land-grabbing phenomenon), has been what we might term the political economy of biofuels capitalism: the conversion of farmland and agriculture for food production into the production of biofuels. What originally set off the debate was the change in land use in Brazil, from the use of corn as a food and feedlot product into the production of ethanol. But what sparked the current debate was the change in the use of farmland, converting it from food production into the production of soy as a biofuel form of energy.

Biofuels production and related financial speculation has been a major impetus behind land-grabbing, particularly in Argentina and Brazil, where enormous swathes of farmland have been turned over to soy production. It implicates the emergence and rapid growth in recent decades of new agribusinesses, such as the production of soy for export based on transgenic seeds which, according to the Argentine government which is a booster of expanded soy production as a national development strategy, has the potential to grow significantly in the near future (Giarracca & Teubal, 2014).

This strategy, together with the emergence of soy production based on transgenic seeds as a key sector of the global food regime, relates to the dramatic expansion in recent years of foreign investment in the acquisition of land (or land-grabbing) and the importance gained by large transnational corporations in controlling key segments of extractivist processes, not to mention the application of new technologies promoted by neoliberal policies implemented throughout the continent.

In this context, the production of biofuels has become a major driving force of capitalist development in South America. In the case of Paraguay and Uruguay,

over 60 percent of the country's arable land is now given over to the production of soybeans for export. In Bolivia, soybeans are the most treasured crop in the agricultural sector with over 14,000 producers and 45,000 workers, more than those engaged in the production of coca, the traditional agro-extraction crop. In Argentina, over 19.5 million hectares of farmland, accounting for 18 percent of worldwide soy production, is now dedicated to growing soybeans (Giarracca & Teubal, 2014: 54–55).

But what is the outcome and what are the consequences of this development? One outcome and a major feature of this land grab – and the associated territorial claim and resource grab – has been increased foreign ownership of land as well as the concentration of capital in the agricultural sector, adding another twist to the century-long land struggle (Moyo & Yeros, 2005; UNCTAD, 2011: 110–111). Other dimensions of the land-grabbing process include:

- 1 The privatization and commodification of land, and with it the transformation of a system of customary rights in regard to land usage into legal and written titles to land ownership.
- 2 Rationalization of the use of such demarcated landed property as a form of capital (land as a commodity) at the service of 'original' and expanded capital accumulation.
- 3 The proletarianization of the peasant farmers and agricultural producers in the form of rural outmigration – by means of enclosing the commons, thus reducing the access of the rural poor to land and the global commons (Cotula, Dyer & Vermeulen, 2008) – thereby creating a mobile rural and peri-urban semi-proletariat concentrated in the urban centres of what has become the world economy.
- 4 The forced displacement of the 'rural poor', the dispossessed and semi-proletarianized inhabitants of the rural communities contiguous to the major sites of extractive capital.
- 5 The emergence of new forces of resistance on capitalism's extractive frontier – resistance against the negative socioenvironmental impacts of capitalism and extractivism – and the mobilization of these forces by a new generation of social movements with their social base in the indigenous and peasant farming communities that make up the new proletariat, or what Barkin and Sánchez (2017) describes as a 'collective revolutionary subject' (a new force of social change).

Conclusion

The installation in the 1980s of what was then a 'new world order' brought about a new phase in the capitalist development of the forces of production, described by David Harvey as a 'brief history of neoliberalism'. As in all such transitions, this brief thirty-year interlude in the evolution of capitalism resulted in a major restructuring of the system, releasing and giving rise to dynamic forces of change

at the level of both production and politics. Systemwide, these forces of change included:

- 1 An expansion of productive capital in the form of FDI freed from regulatory constraint.
- 2 Globalization in the form of national economies being integrated into the world capitalist system under the new rules of engagement.
- 3 The deregulation of markets and the liberalization of both international trade and the flow of productive capital.
- 4 A shift in the sectoral distribution of productive capital flows, marked by a relatively greater expansion of 'extractive' or 'resource-seeking' investment capital in the search of opportunities for superprofits provided by the market demand for natural resources and primary commodities.
- 5 The financialization of the economy, leading to an expansion of capital markets relative to product markets and the hegemony of financial capital, as well as a growing disconnect between the economy based on capital markets and the real economy based on production, and a steady increase in the systemic propensity towards crisis.
- 6 Increased propensity towards the concentration and centralization of capital, leading to the growth of monopoly power over product markets as well as the hegemony of financial capital.

As for the Latin American periphery of the system, where the neoliberal policy agenda was implemented more forcefully than elsewhere, these forces of change took form as:

- 1 A dramatic increase in the flow of extractive, or resource-seeking, capital and associated 'developments' that include a turn of some governments (predominantly in South America) towards an extractivist strategy of national development, a strategy that combines a post-neoliberal form of 'inclusionary state activism' with a strategy of primary commodity exports.
- 2 The formation of a large, rural semi-proletariat of landless or near-landless 'peasants' or rural workers, many of whom are compelled to take the 'development pathway' out of rural poverty, namely, labour and migration; an expansion of agro-extraction as a strategy deployed by capital under conditions of 'large-scale foreign investments in land', the monopoly power of corporate agribusiness, a renewed dependency (the 'new dependency') of the state and local governments on FDI, with an associated coincidence of economic interests (superprofits for capital, resource rents and windfall revenues for the state).
- 3 Widespread implementation of a neoliberal policy regime based on a policy of privatization and actions designed to or having the effect of restricting access to the 'global commons' as well as means of production and a livelihood based on agriculture.
- 4 Widespread rejection in the popular sector of the neoliberal policy agenda, as well as active resistance in the form of anti-systemic social movements to the advances of both corporate or monopoly capital and extractive capital.

Notes

- 1 This chapter was written with the assistance of Raúl Delgado Wise, director of the PhD program in Development Studies (*Estudios del Desarrollo*) at the Universidad Autónoma de Zacatecas, Mexico.
- 2 Until recently, development economists always analyzed the wealth of nations, and the level of economic development, not in terms of wealth but of the total income generated in the production process (annual increments in gross domestic product). But in 2012 a consortium of UN agencies published the first real study of the ‘wealth of nations’ – wealth, or capital, measured along four dimensions: *financial* (capital in money form); *physical* (capital embodied in infrastructure, industrial plants and machinery, buildings, etc.); *natural* (capital embodied in sub-soil resources such as minerals and metals, fossil fuels and other sources of energy, agro-food/forest products, etc.); and *human* (capital in the form of knowledge and skills). In the comparative analysis of the wealth of nations vis-à-vis the structure of capital reported on in this study, it is human capital, knowledge as a productive resource, that has pride of place – the determinant factor in a society’s overall level of economic development within a modern knowledge-based economy (UNU-IHDP & UNEP, 2012).
- 3 A system of innovation is a ‘set of actors, organizations and institutions that interact in the generation, diffusion and use of new and economically useful knowledge in production processes’ (Fischer, 2001, cited in Garrido, Martínez, Rendón & Granados, 2016: 3147). In the classical view of the configuration of the system of national innovation devised by the economist John Kenneth Galbraith and developed by the scientist Jorge Sábato, ‘there is a series of interactions between the productive sphere, the scientific technological infrastructure and the State that generates a virtuous circle that allows to put science and technology at the service of economic development’ (Arocena & Sutz, 2002). The key to this model is the existence of three interrelated vertices (the state as designer and executor of policies, scientific-technological infrastructure as a supplier of innovation and the productive sphere as a source of demand for innovation).
- 4 On this dynamic – the sectoral distribution of capital inflows in the form of FDI, and pronounced trend (in the 1990s and into the new millennium) towards the inflow of ‘resource-seeking’ or extractive capital – see Veltmeyer (2013) and Veltmeyer and Petras (2014).
- 5 Other major players in the expansion of agribusiness into the complex of soybean production in Latin America include El Tejar, one of several large Argentine agribusiness companies that have moved into Brazil to take advantage of its productive capacity. Other large agro-extraction corporations that have moved into the new and expanding frontier of agro-extraction include Los Grobo, Cresud, MSU, ADM, Bunge, Dreyfus, Toepfer, NOBLE and China’s state corporation COFCO (Van Gelder & Dros, 2002).
- 6 On this trend towards the (re)primarization of exports, see Cypher (2012).
- 7 On this dynamic and the associated debates, see, inter alia, Boltvinik and Mann (2016).
- 8 In considering the ‘global commons’, a distinction needs to be made between ‘land’, the struggle for which dominated the rural political landscape throughout the twentieth century and which, according to Walter Barraza, the *camache* (chief) of the Tonokote people of Santiago del Estero province, Argentina, ‘relates to private property’ as a ‘capitalist concept’; and ‘territory’, which ‘includes . . . people who live in that place . . . [with an] obligation to take care of its nature’. He adds that ‘we native peoples live in harmony with our animal brothers, plants, water. We are part of the territory, which provides us with everything we need. Cutting forests down is like cutting a limb. They are coming for natural resources, while we live in harmony with those resources’ (Barraza, 2007).

2 Capitalism on the extractive frontier

Capitalism as a system of commodity production has been viewed as both a powerful engine of economic growth and as a monster that wreaks havoc on society and nature, not out of malice or because of the self-seeking behaviour and greed that it engenders, but simply by virtue of its nature as a system. Nothing has propelled this view of capitalism as much as the aftermath of forces set in motion in the 1980s with the installation of what was then a ‘new world order’.¹ This new world order, dubbed by many as ‘neoliberal globalization’, not only set new rules for international trade and the free flow of investment capital, but it also required of prospective entrants – governments seeking to integrate their economies into the global economy – an adjustment of their macroeconomic policies in the direction of an open economy: privatization, deregulation and liberalization (Petras & Veltmeyer, 2001). Nowhere was this ‘structural adjustment program’ implemented as fully as in Latin America, where the implementing agencies of this program (the World Bank and the International Monetary Fund [IMF]) had acquired the requisite leverage to impose it. The outcome of this Latin American turn towards a free-market form of capitalism, based on the ideas of the Mont Pelerin Society,² include a neoconservative counterrevolution in development thought and practice,³ the financialization of production and an associated propensity towards crisis, and the emergence of powerful forces of popular resistance against the neoliberal policy agenda. Together, these changes constituted an epoch-defining shift in the form taken by capitalism in Latin America, namely, ‘inclusionary state activism’: neodevelopmentalism combined with the extraction of natural resources and the (re)primarization of exports.

This chapter elucidates some critical dimensions of this capitalist development process. Our aim here is twofold. The first aim is to establish the fundamental difference between two forms of capitalism, one based on the capital-labour relation or the exploitation of labour power and the other based on the pillage (extraction) of wealth in the form of natural resources/capital. The second aim is to establish the economic and political dynamics of extractive capitalism in the Latin American context. Our focus regarding the political dynamics is on the response of the post-neoliberal policy regimes formed in the wake of what has been widely interpreted as a progressive cycle of Latin American politics – a cycle that appears to be coming to an end in another pendulum swing of regime change.

We also outline the responses made to the forces of social change and capitalist development by groups and communities in the popular sector. One response was for individual households to take one or both of the pathways out of rural poverty staked out by agencies of development and international cooperation, namely, labour and migration (Delgado Wise & Veltmeyer, 2016). Another response was in the form of collective action – for the communities negatively impacted by the destructive operations of extractive capital to mobilize the forces of resistance against the extractive model and to reclaim their territorial rights and their access to the commons.

Our argument is constructed as follows. First, we describe the dynamic pattern in the inflows of capital (foreign direct investments [FDI]) unleashed by the neo-liberal policy agenda. This capital, in the first instance, was to a significant extent directed towards the purchase of the assets of the state enterprises put up for sale by the neoliberal regimes that came to power in the 1990s (Petras & Veltmeyer, 2002). But in response to changing conditions in the world market that included a demand for primary commodities, an increasing proportion of these capital flows were ‘resource-seeking’, driven by the search for the commodities that would supply this demand.

The second part of the chapter outlines the changing role of the state in this process, with particular reference to the left-leaning or ‘progressive’ post-neoliberal governments that were formed in South America in a tidal wave of regime change (Barrett, Chavez & Rodríguez Garavito, 2008). These regimes were the primary recipients of the rapidly expanding wave of resource-seeking foreign investments, which we term ‘extractive capital’. By the same token, these regimes were eager to take advantage of the growing demand for natural resource or commodities and to strike a deal with the agents of extractive capital and the multinational corporations in the extractive sector.

In this part, we briefly discuss the policy dynamics of the post-neoliberal regimes formed in the first decade of the new millennium and also the search for a new economic model based on two pillars: ‘inclusionary state activism’ or the ‘new developmentalism’, a policy regime proposed by economists at the Comisión Económica para América Latina y el Caribe (CEPAL) (Bresser-Pereira, 2007); and what has been described as the ‘new extractivism’ (the allocation of the resource rents collected in the process of ‘natural resource development’) in the direction of social programs oriented towards inclusive development (i.e. poverty reduction) (Infante & Sunkel, 2009). Various dimensions of this new extractivism are discussed before the forces of popular resistance engendered by the operations of extractive capital are brought into focus.

The new geoeconomics of capital

The neoliberal reforms, implemented as the price of admission into the new world order, not only released the ‘forces of economic freedom’ from the regulatory constraints of the developmental state, but they also generated a massive inflow of capital in search of profit-making opportunities related to assets, resources and

markets. This was in the 1990s, which saw a sixfold increase in the inflows of capital in the form of FDI in the first four years of the decade and then another sharp increase from 1996 to 2001, which tripled (in less than ten years) the foreign capital accumulated in the region in the form of foreign-company subsidiaries (ECLAC, 2012: 71).⁴

Another major inflow occurred in the first decade of the new millennium, in conditions of a worldwide primary commodities boom that affected primarily South America. In 2009, Latin America received 26 percent of the capital invested globally in mineral exploration and extraction (Sena-Fobomade, 2011). According to the Metals Economics Group, a 2010 bonanza in world market prices led to another increase of 40 percent in investments related to mineral exploration, with governments in the region – both neoliberal and post-neoliberal – competing fiercely for this capital. In 2011, South America attracted 25 percent of global expenditures related to mining exploration (Kotze, 2012).

The growth of FDI flows to Latin America over the past two decades have been in the direction of services (particularly banking and finance) and the natural resources sector – the exploration, extraction and exploitation of fossil and biofuel sources of energy, precious metals and industrial minerals, and agro-food products.⁵ In the earlier era of state-led development, FDI had predominantly served as a means of financing the capitalist development of industry and a process of ‘productive transformation’ (technological conversion and modernization), reflected in the geoeconomics of global capital and the dynamics of FDI flows at the time. However, the new world order and two generations of neoliberal reforms changed and dramatically improved conditions for capital. For one thing, it opened a market for US technology and investment in Latin America, as well as goods manufactured at the centre of the system. It also provided greater opportunities for resource-seeking capital – consolidating the role of Latin America as a source and supplier of natural resources and exporter of primary commodities – a role reflected in the flows of productive investment away from manufacturing and services towards the extractive sector, a trend that unfolded over the years of the primary commodities boom.

In 2008, a downward trend began in resource-seeking investments, which corresponded closely to a decline in the price of many commodities on the world market. In some economies, such as Colombia, Ecuador and the Plurinational State of Bolivia, the natural resources sector continued to receive a large share of FDI inflows, but even in these economies that share is waning. The reason for this is a general decline in the prices of minerals and a sharp fall in the price of oil, a trend that can be traced out as of 2012 but is only now starting to affect FDI inflows. However, the end of the boom has led to a significant change in the sectoral distribution of FDI (see Table 2.1) as well as a slowdown in the rate of gross domestic product (GDP) growth for many countries, especially those like Venezuela that are heavily resource export dependent.

The sectoral shift in the distribution of FDI was particularly evident in the wake of what has been described as a ‘global financial crisis’ – a phenomenon that had such minimal repercussions in Latin America that some analysts (e.g. Porzecanski, 2009) would ask, ‘What crisis?’ In the midst of this supposed crisis, the inflow

Table 2.1 Percentage distribution of FDI by sector, Latin America 2000–14

	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09–'13	'14
Resources	10	12	12	11	12	13	12	15	30	24	17
Manufacturing	25	26	38	35	38	37	36	35	22	38	35
Services	60	61	51	48	46	48	51	49	47	38	48

Source: Arellano, 2010.

Table 2.2 Trendlines of commodity exports, percent of total exports, selected Latin American economies

	1990	2000	2004	2006	2008	2011	2013
Argentina	70.9	67.6	71.2	68.2	69.1	68.0	66.9
Bolivia	95.3	72.3	86.7	89.8	92.8	95.5	96.0
Brazil	48.1	42.0	47.0	49.5	55.4	66.2	63.6
Chile	89.1	84.0	86.8	89.0	88.9	89.2	86.1
Colombia	74.9	65.9	62.9	64.4	68.5	82.5	82.4
Ecuador	97.7	89.9	90.7	90.4	91.3	92.0	93.3
Peru	81.6	83.1	83.1	88.0	86.6	89.3	85.4
Venezuela	89.1	90.9	86.9	89.6	92.3	95.5	...
Latin America	66.9	40.9	46.2	51.3	56.7	59.8	53.0

Source: ECLAC (2004, 2012, 2014: 102).

of resource-seeking investments in 2008 reached unprecedented levels, accentuating the trend towards primarization – or, more precisely, reprimarization⁶ – that can be traced back to the new millennium in the context of the growing demand for energy and minerals, and foodstuffs for the expanding middle class in the emerging markets of China and the other BRICS countries (Brazil, Russia, India, China and South Africa).

The scope of this reprimarization process, and the increasing reliance of neoliberal and post-neoliberal regimes in South America on the export of primary commodities for foreign exchange and fiscal revenues, is evident in the data presented in Table 2.2.

At the turn of the new millennium, the service sector still accounted for almost half of FDI inflows, but Table 2.1 points towards a steady and increasing flow of capital towards the natural resources sector, at least in South America and especially in mining, over the past decade.⁷ In 2006, it grew by 49 percent to reach USD 59 billion, exceeding the total FDI inflows of any year since economic liberalization began in the 1990s (UNCTAD, 2011: figure II.18). Income on FDI (i.e. profits on capital invested in the resource sector) was particularly high in Brazil (USD 14 billion) and Chile (USD 20 billion), leading to a surge in the share of retained earnings in total FDI inflows.⁸ In the South American countries for which data are available, income on FDI soared from an average of 10 percent in 2000–03 to 61 percent in 2006 (ECLAC, 2012).⁹ Despite the global financial and economic crisis at the time, FDI flows towards Latin America and the Caribbean reached a record high in 2008 (USD 128.3 billion) – an extraordinary

development considering that FDI flows worldwide at the time had shrunk by at least 15 percent (ECLAC, 2012). This countercyclical trend signalled the continuation of the primary commodities boom and the steady expansion of resource-seeking capital in the region.

The rapid expansion in the flow of FDI towards Latin America in the 1990s reflected the increased opportunities for capital accumulation provided by the neoliberal policy regimes in the region. In the new millennium, however, conditions of capital accumulation and the context for capitalist development had radically changed. In this context, which included a major realignment of economic power and relations of trade in the world market, the shift of FDI towards Latin America signified a major change in the geoeconomics and geopolitics of global capital. For the first time, flows of FDI into Latin America from 2000 to 2007 exceeded that into the United States surpassed only by flows into Europe and Asia.

The global financial crisis brought about an even more radical change in the geoeconomics of global capital, both in regard to its regional distribution (increased flows to Latin America) and sectoral distribution (concentration in the extractive sector). In 2010, in the throes of crisis, the advanced capitalist economies at the centre of the system and the epicentre of the crisis (the United States and the European Union) received less than 97 percent of global investment capital – for the first time since UNCTAD has tracked and kept records of these flows (i.e. since 1970) (Zibechi, 2012). In 2005, the ‘developing’ and ‘emerging’ economies attracted only 12 percent of global flows of productive capital. But in 2010, FDI flows into Latin America increased by 34.6 percent – well above the growth rate in Asia, which was only 6.7 percent (UNCTAD, 2012).

The flow of productive capital into Latin America over the past decade has been fuelled by two factors: commodity prices, which remained high through most of this period, attracting ‘natural-resource-seeking investment’; and the solid economic growth of the South American sub-region, which encouraged market-seeking investment. This flow of FDI was concentrated in four South American countries (Argentina, Brazil, Chile and Colombia) which accounted for 89 percent of the sub-region’s total inflows. The extractive industry in these countries, particularly mining, absorbed the greatest share of these inflows. For example, in 2009, Latin America received 26 percent of global investments in mineral exploration (Sena-Fobomade, 2011). Together with the expansion of oil and gas projects, mineral extraction constitutes the single most important source of export revenues for a majority of countries in the region.

Although the flow of resource-seeking capital is concentrated in four South American countries, Brazil accounted for the bulk of FDI flows. FDI flows to Brazil reached a new high in 2008 of USD 45 billion – 30 percent above the record level posted the year before (ECLAC, 2012). Mexico, the second largest recipient of FDI in the region, was hit hard by the financial crisis and consequently saw FDI inflows fall 20 percent over the same year. Much of this fall can be attributed to the decline of FDI in the services and manufacturing sectors, as well as reduced US imports. In contrast, ‘natural resource seeking FDI’ drove an expansion of capital flows into Argentina, Chile and Colombia, especially in the mining sector.

Thus, while efficiency-seeking and market-seeking FDI have more weight in private capital flows into Mexico and the Caribbean, resource-seeking FDI accounts for the bulk and weight of FDI in the region (UNCTAD, 2007: 122–123). Thus, South America today is the centre of gravity for the new geoeconomics and geopolitics of global capital – the new extractivism and the post-neoliberal state.

Progressive extractivism: a new model for Latin America?

The new millennium opened with a boom – a primary commodities boom. This was stimulated by changes in the global economy, specifically the ascent of China as an economic power and the associated demand by industry and the middle class for raw materials (minerals, fuel and food). The demand for these commodities was stimulated by security needs of some governments related to energy and food, as well as the ‘economic opportunities’ perceived by the multinational corporations in the extractive sector. This demand led to the growth of what the Food and Agriculture Association of the United Nations (FAO, 2011) describes as ‘large-scale foreign investment in the acquisition of land’ – ‘land-grabbing’, in the parlance of critical agrarian studies (Borras, Franco, Gomez, Kay & Spoor, 2012).

The volume of the capital deployed to this end (the extraction of non-renewable natural resources) and the profits made in the process are staggering. Higginbottom (2013: 193) estimates that from 1997 to 2010, the multinationals that dominate the world economy extracted a total of USD 477.6 billion in profit and direct investment income from Latin America, most of it derived from primary commodity exports. As for the financial returns to other foreign investors, the *Financial Times* reported that trades in commodities, in the context of the primary commodities boom and the financialization of capitalist production,¹⁰ led to the accumulation of large reserves of capital and huge fortunes (Blas, 2013). As Blas observed: ‘The world’s top commodities traders have pocketed nearly USD 250 billion over the last decade, making the individuals and families that control the largely privately-owned sector big beneficiaries of the rise of China and other emerging countries’ – and, one might add, beneficiaries of the turn towards extractivism and export primarization.

A wave of resource-seeking FDI was a major feature of the political economy of global capitalist development at the turn of the new millennium. Another was neoliberalism’s fall from favour as an economic doctrine and model in several countries in Latin America, where powerful social movements successfully challenged this model. Over the past decade, as a result of social movement activism, a number of countries in South America underwent a process of regime change – a tilt towards the left, in what has been described as ‘progressive extractivism’.¹¹ The political victories of these democratically elected ‘progressive’ regimes opened a new chapter in Latin American history. At the same time, the wide embrace of resource-seeking FDI has generated deep paradoxes for these progressive regimes committed to addressing what UNDESA (2005) has described as Latin America’s ‘inequality predicament’ (the most unequal distribution of wealth and income in

the world),¹² and what diverse organizations representing the indigenous movement have described as ‘the crisis of nature’.¹³

Some leaders and social movements in this context speak of revolution – Venezuela’s ‘Bolivarian’ revolution, Bolivia’s ‘democratic and cultural revolution’, and Ecuador’s ‘citizens’ revolution’ – and, together with several governments that have embraced the new developmentalism (the search for a more inclusive form of development), these regimes have indeed taken some steps in the direction of poverty reduction and social inclusion, using the additional fiscal revenues derived from resource rents to this purpose. Yet, like their more conservative neighbours – regimes such as Mexico’s and Colombia’s, committed to both neoliberalism and an alliance with ‘imperialism’ – the left-leaning progressive regimes in the region find themselves entangled in a maze of renewed dependence on natural resource extraction (the ‘new extractivism’) and primary commodity exports (‘reprimarization’). Further, as argued by Gudynas (2009), this new ‘progressive’ extractivism is much like the old ‘classical’ extractivism in its destruction of both the environment and livelihoods, and its erosion of the territorial rights and sovereignty of indigenous communities most directly affected by the operations of extractive capital, which continues to generate relations of intense social conflict.

Despite the use by the ‘progressive’ centre-left governments of resource rents as a mechanism of social inclusion and direct cash transfers to the poor, it is not at all clear whether these governments are able or disposed to pursue revolutionary measures in their efforts to bring about more inclusive and sustainable forms of democratic development while continuing to toe the line of extractive capital and its global assault on nature and livelihoods. The problem here is twofold. One is a continuing reliance of these left-leaning post-neoliberal regimes (indeed, all but Venezuela) on neoliberalism (‘structural reforms’) at the level of macroeconomic public policy. The other relates to the ‘new extractivism’ based on ‘inclusionary state activism’ and continued reliance on FDI – on striking a deal with global capital in regard to sharing the resource rents derived from the extraction process.

The problem here relates to the inherent contradictions of extractive capitalism and the machinations of the imperial state in support of extractive capital. These contradictions are reflected in a process of uneven economic and social development – economic concentration tending towards the extremes of wealth and poverty – and what some economists call ‘the resource curse’ (the fact that so many resource-rich countries are developmentally poor, while many resource-poor countries have achieved a high level of economic and social development).¹⁴

One expression of this resource curse is what economists term the ‘Dutch disease’, reflected in the slowdown currently experienced by Brazil in its engine of economic growth – down from an average of over 6 percent a year from 2003 to 2010 to only 0.9 percent in 2012 (BBC News, 2013). Another is the boom-bust cycle characteristic of extractivism and natural resource development. The slowdown of the commodity super-cycle in the same year (Konold, 2013) suggests that extractive capitalism has not yet outgrown this propensity.¹⁵ A third manifestation of the resource curse is that sites of natural resource extraction cannot be established by design so as to take locational advantage of existing infrastructure,

markets and labour supply. Development projects based on natural resource extraction are necessarily localized in enclaves with linkages to the global market but with very few to other sectors of the local and national economy, with the inevitable result of relatively few multiplier effects regarding a broader development process.

The 'resource curse' can also be understood and explained in terms of a series of fundamental contradictions intrinsic to capitalism but which assume more extreme proportions under conditions of extractive capitalism, which is based on the exploitation of natural resource wealth rather than the classic form of capitalism, which is based on the exploitation of labour. This relates to what the French economist Piketty (2014) describes as the 'central contradiction' of capitalism, that is, its tendency to produce ever-greater levels of inequality.¹⁶

Whether, as argued by Piketty, uneven development and expanding social inequalities are the central contradictions of capitalism, there is no question that extractive capitalism generates more inequality than the capitalism of the post-Second World War years. The latter was based on the exploitation of the 'unlimited supplies of surplus labour' released in the process of capitalist development of agriculture, while the former is technology intensive and uses relatively little labour in the production process. As a result, labour receives a reduced and disproportionately small share of the social product, particularly in the mining sector.

Even in Bolivia, where the government 'nationalized' the country's reserves of non-renewable fossil fuels and sub-soil mineral resources, it is estimated that labour receives less than 10 percent of the world market value of exported minerals – 6 percent in the case of Argentina and Chile (Solanas, 2007: 2) and as little as 1.2 percent in the case of Mexico. Evidently workers in the sector have not benefitted from the extraction of minerals and primary commodity exports. James Cypher (2012) reports that after four years of booming exports (from 2002 to 2006), the index of the value of real wages in the extractive sector had grown by less than 0.5 percent. This is in contrast with the well-established pattern of cumulative wage increases in the era of post-war state-led development based on 'labour-seeking' FDI, human resource development, and industrialization. In this context, the share of labour (wages and salaries) in the social product (i.e. in the income derived from the production process) settled at a much higher rate – as much as 60 percent – with undeniably positive (although contradictory) development outcomes and implications.

Another contradiction of capitalist development relates to the historical process of transforming traditional forms of agrarian society based on diverse pre-capitalist relations of production into a modern industrial capitalist system. As some Marxists in the political ecology tradition (e.g. Foster, 2000) understand it, the contradiction – between nature and society, or between the logic of capital accumulation and the ecological foundations of society and the economy – is manifest in the ecological unsustainability of industrial capitalism. However, the destructive operations of extractive capital in the new millennium and the emergence of an evidently new phase in the development process (extractive capitalism) have brought into sharp relief the contours and dynamics of this fundamental

contradiction. It could even be argued that in the contemporary context, this contradiction between economic development and the biophysical world trumps both the so-called first contradiction (and relation of conflict), that between labour and capital, and the secondary north-south contradiction (Farah & Vasapollo, 2011).

Perhaps the most serious ‘contradiction’ of natural resource development is that a large part of the benefits of economic activity are externalized, that is, appropriated by groups outside the country and region, while virtually all the costs – economic, social and environmental – are internalized and disproportionately borne by the indigenous and farming communities contiguous to the open-pit mines and other sites of extraction. These costs have given rise to powerful forces of resistance: socioenvironmental movements concerned with preventing further enclosures of the global commons (land, labour, natural resources) and with the negative impacts of extractivism on their livelihoods.

Notes

- 1 This ‘new world order’ was based on the Washington Consensus on the need to promote a system of free-market capitalism and to liberate the ‘forces of economic freedom’ (as George W. Bush had it in his post-9/11 ‘National Security Strategy’) from the regulatory constraints of the welfare-development state.
- 2 The Mont Pelerin Society was a neoliberal thought collective established by Von Hayek in the 1930s but that did not achieve policy influence until the conservative counterrevolution of the early 1980s (Mirowski & Plehwe, 2009).
- 3 On this counterrevolution, see in particular Toye (1987). The major feature of this counterrevolution is turning away from the state as the fundamental agency of economic development (the development state) and towards the market, freed from regulatory constraints.
- 4 The ‘real FDI boom in Latin America and the Caribbean’, according to ECLAC, took place in the second half of the 1990s when many state-owned assets were privatized and many sectors, which until then had received little FDI, were opened up and deregulated. It was during this period that transnational corporations began to expand their role in the region’s economies. Their level of influence held steady in the years immediately after the boom (between 2002 and 2009) and has recently started to trend slightly up again (ECLAC, 2012: 72).
- 5 The share of the extractive industries in global inward FDI stocks declined throughout the 1990s until the start of the current commodity boom in 2003, after which it recovered to about 9 percent in 2005 (UNCTAD, 2011: figure IV.1). The decline of the primary sector’s share in global FDI has been due to its slower growth compared with FDI in manufacturing and services. In absolute terms, however, FDI in the primary sector has continued to grow: it increased in nominal terms nearly five times in the 1970s, 3.5 times in the 1980s, and four times from 1990 to 2005 (UNCTAD, 2011: Annex Table A.I.9). The stock of FDI in extractive industries was estimated at USD 755 billion in 2005 (UNCTAD, 2011: Annex Table A.I.9).
- 6 On the reprimarization of the economies in the region, in the context of recent changes in the global economy, see Cypher (2010). As shown in Table 2.2, the economies of many countries in the region, especially in South America, were already geared to the export of primary commodities in 1990, at the outset of the new geoeconomics of capital (an increased inflow of FDI, a growing trend towards investments in natural resources). However, it also shows a deepening and extension of this ‘structure’ in the new millennium.
- 7 According to ECLAC (2012), Canadian FDI in Latin America and the Caribbean is a recent phenomenon, taking place mainly in the 2000–2008 period. Since 1995, from

- 42 to 56 percent of the Canadian stock of FDI in developing countries has been concentrated in Latin America (CAD 60 billion in 2008, 42 percent of the total). And most of this 'natural resource seeking' FDI went to the mining sector, for both exploration and production.
- 8 In the context of this investment, the region remains the world's leading source of metals: iron ore (24 percent), copper (21 percent), gold (18 percent), nickel (17 percent), zinc (21 percent) and bauxite (27 percent) as well as silver (Campodónico, 2008; UNCTAD, 2007: 87). Oil made up 83.4 percent of Venezuela's total exports from 2000 to 2004, copper 45 percent of Chile's exports, nickel 33 percent of Cuba's exports, and gold, copper and zinc 33 percent of Peru's exports. Together with agricultural production, the extraction of oil, gas and metals remains central to the region's exports. From 2008 to 2009, exports of primary commodities accounted for 38.8 percent of total exports in Latin America (CEPAL, 2010).
 - 9 ECLAC (2012: 71) attributes the extraordinary increase in the profits of transnational corporations in the region since 2003 to a combination of two factors: a substantial FDI stock and higher returns on that stock – 'a sharp rise in the profitability of FDI in the region' (ECLAC, 2012: 71). Data on FDI disaggregated by sector shows that investments in the mining and hydrocarbon sectors of Peru, Chile and Colombia generated profitable returns at an average rate of 25 percent. By contrast, returns on investments in Mexico barely averaged 3 percent.
 - 10 Financialization meant a divorce of development finance and developments in the real economy from the economic transactions made in capital markets. Thus, while financial capital had for many years (in the 1950s to 1970s) played an important role as development finance in the expansion of production in the real economy, it has been estimated that at the turn of the new millennium, less than 5 percent of the capital circulating in the diverse capital markets had any productive role whatsoever (Bello, 2005).
 - 11 From the post-neoliberal perspective of the centre-left regimes formed in South America over the last decade, a strategy of natural resource extraction is viewed as a means of bringing about a process of inclusive development – using resource rents and taxes on corporate profits as a means of reducing poverty and securing a more equitable distribution of the social product – 'progressive extractivism', in the conception of Eduardo Gudynas (2009), a senior researcher at the Uruguay-based Latin American Centre of Social Ecology (CLAES).
 - 12 On this well-documented inequality predicament, see, inter alia, Veltmeyer and Tetreault (2013) and the UNDP (2010).
 - 13 There is a growing literature on this 'crisis of nature' which, in the current conjuncture of capitalist development in the region, is attributed to the destructive operations of extractive capital. Different studies into the magnitude and diverse dimensions of this crisis, and the assault on nature or 'mother earth' (*Pachamama*), has led to a substantive literature on the search for an alternative form of development and conceptions of 'living well' (*vivir bien*) in social solidarity and harmony with nature (Gudynas, 2009; Solón, 2014).
 - 14 On this resource curse, see Acosta (2009) and Auty (1993).
 - 15 Global commodity prices dropped by 6 percent in 2012, a marked change from the dizzying growth during the 'commodities super-cycle' of 2002–12, when prices surged an average of 9.5 percent a year, or 150 percent over the 10-year period (Konold, 2013). On the other hand, while prices declined overall in 2012, some commodity categories – energy, food and precious metals – continued their decade-long trend of price increases.
 - 16 Marxists generally attribute this feature of capitalist development to a fundamental imbalance of power between capital and labour, but neo-Marxist theorists of 'dependency' see it as the result of a secondary contradiction between countries on the south and north of a global divide in wealth and incomes, resulting in 'development' in the North and 'underdevelopment' in the South. For a review of the literature and debates surrounding this dependency theory of underdevelopment, see, inter alia, Kay (1989).

3 Dynamics of narco-capitalism

Wherever it operates – and today it operates worldwide – capitalism generates forces of resistance and proposals for alternative forms and pathways of development. Latin America is a veritable laboratory of experiments with alternative models and different ways of thinking associated with the forces of resistance against both neoliberalism and capitalism, as well as extractivism and what we describe as narco- or drug-war capitalism, a system designed to push forward the expanding frontier of extractive capital. In this chapter, we detour into a discussion of what has been termed narco- or drug-war capitalism, a worldwide phenomenon with its major expressions in Colombia and the ‘Northern Triangle’ (Honduras, El Salvador and Guatemala) in Central America. As with all forms of capitalism, its fundamental dynamics can be analyzed in terms of both the forces of development associated with its advance and the resistance generated by the working of these forces. In this chapter, our major concern is with the economic and political dynamics of narco-capitalism in the Latin American context.

Narco-capitalism – the case of Mexico

It is difficult to measure the total value of the goods and services produced in the economy of illicit drug trafficking or the number of people employed in the industry (and their income), but the narco-economy is estimated to account for anywhere up to a third of the region’s gross domestic product (GDP), and in some contexts (e.g. Mexico) it is seen as a leading potential employer of unemployed youth. By the same token, it is virtually impossible to gauge the contribution of the drug trade and the narco-economy to the capitalist development process in Latin America. Even so, a review of the economic and political dynamics associated with the narco-economy and the drug trade will help us to understand its fundamental role in shaping capitalism in the region today.

Setting the stage in Mexico: forced displacement and NAFTA

On 1 January 1994, the North American Free Trade Agreement (NAFTA) went into effect between the US, Canada and Mexico. Not coincidentally – indeed, intentionally – on that same day an armed uprising by indigenous peoples took

place in the southern Mexican state of Chiapas. The indigenous protesters, officially called the Zapatista Army of National Liberation (EZLN), but more commonly known as the Zapatistas, chose that specific day to rise up in order to protest NAFTA, particularly its impacts on the agricultural sector and the Mexican government's related decision to repeal Article 27 of the Constitution, which had permitted communal land titles for indigenous peoples (Selfa, 1997: n.p.).

The intent of NAFTA was to create a free market for agricultural and manufactured goods that transcended the borders of the three participating nations. But the free movement of labour was not part of the agreement. Even though workers are deemed to be a commodity under capitalism, the price of which (as with all commodities) reflects its production costs, they do not possess the same rights to free movement under NAFTA as other commodities. It is our opinion that ultimately, NAFTA was far from a free trade agreement, not only through its restrictions on the movements of workers but also because it allowed for so-called artificial trade barriers that (notwithstanding President Trump's contrary view) favour corporations, particularly US agribusinesses.

NAFTA dramatically reduced the tariffs and quotas that the three governments could apply to imports from a NAFTA partner. However, it still permitted agricultural subsidies, largely at the insistence of the US government (Wise, 2010: 165). Therefore, while in theory NAFTA permitted the three governments to provide subsidies to their agricultural producers, in reality the US (and also Canada) could and did provide huge subsidies to its farmers that Mexico could not. As Steve Suppan (1996: n.p.) had noted: 'subsidies of basic foodstuffs were among the public expenditures slashed to achieve macroeconomic objectives stipulated in the February 1995 US-Mexico loan agreement and in the loan Letter of Intent with the IMF'. While NAFTA permitted Mexico to subsidize its agricultural sector, neoliberal austerity measures imposed on the country through loan agreements ensured that Mexico would not be able to subsidize its agricultural sector to the same degree as the US and Canada.

The biased structure in favour of agribusiness based in the US and Canada proved devastating for Mexico's small farmers. The result was the dumping of heavily subsidized food products by US agribusiness onto the Mexican market – the most devastating product being corn, the principal food staple in Mexico. In the first decade of the NAFTA regime (between 1997 and 2005), US agricultural subsidies to domestic corn producers averaged USD 4.5 billion a year (Wise, 2010: 165). This allowed US agribusinesses to export corn to Mexico and to sell it for less than what it would have cost to produce if production were not subsidized. As a result of the disparity in subsidies, it is estimated that Mexican producers of corn, wheat, rice, cotton and soybeans have lost more than USD 1 billion a year in earnings under NAFTA (Wise, 2010: 167).

For proponents of NAFTA, this scenario was not necessarily problematic. As Suppan (1996: n.p.) noted: 'According to the theory of comparative advantage touted by NAFTA proponents, Mexico would be able to import basic grains more cheaply than it could produce them'. And this was certainly true, although only because of the subsidies provided to US agribusiness. Those Mexican farmers

who could no longer compete would, in theory, abandon agriculture and become wage labourers in Mexico's manufacturing sector and begin purchasing imported food. And Mexican farmers did abandon their lands; in fact, they abandoned them in startling numbers. By 2006, it was estimated that as many as two million Mexican farmers had quit farming (Bybee & Winter, 2006: n.p.). And since the World Bank reported that the rural poverty rate in Mexico by 1998 was on the order of 82 percent, those peasants who had been forced to abandon farming had little choice but to head to the cities in search of work. Meanwhile, multinational corporations (MNCs) in the agricultural sector bought up much of the abandoned farmland, including the indigenous lands (*ejidos*) that were no longer protected by the repealed Article 27 of the Mexican Constitution. NAFTA also established favourable investment conditions for US and Canadian mining companies that displaced hundreds of thousands of peasants and gained control over more than a million hectares of land in the state of Chiapas alone (Rowlands, 2010: n.p.).

Many of the displaced peasants joined the exodus of poor people from various parts of the country to cities in northern Mexico that were experiencing a boom in the manufacturing sector during the early years of NAFTA. By 2000, NAFTA had created 700,000 manufacturing jobs in maquiladoras, or assembly plants, and the massive displacement of peasants from the countryside to the cities ensured the existence of a reserve army of surplus labour sufficient in size for keeping wages low – an average of USD 1.74 an hour at the time, a fraction of the costs of US manufacturing labour. By 2003, more than 300,000 of those jobs had moved overseas, primarily to China, where the interests of capital were being better served through labour costs that were even lower than in Mexico (Cañas, Coronado, Gilmer & Saucedo, 2011).

Even in its heyday, NAFTA failed to create enough new manufacturing jobs to accommodate the displaced peasant population. Furthermore, many of the new jobs created simply replaced existing manufacturing jobs that were lost due to NAFTA. It is estimated that during the first decade of the free trade agreement some 28,000 small and medium-sized businesses shut down because of their inability to compete with the cheap consumer products being sold by MNCs such as Walmart that had begun operating in Mexico (Bybee & Winter, 2006: n.p.). Total manufacturing employment throughout the country declined from a high of 4.1 million in 2000 to 3.5 million by 2004 (Uchitelle, 2007: n.p.). Currently, after another decade of peripheral capitalist development and NAFTA, the industrial sector accounts for 24 percent of the labour force (versus 14 percent for Brazil and 23 percent for Chile, Ecuador and the United States) (NationMaster, n.d.).

The displacement of peasants in Mexico paralleled a similar process throughout Latin America where peasant farmers and small-scale non-capitalist producers were not only negatively impacted by neoliberal agricultural policies but also (as discussed in Chapter 2) by the opening up of natural resources to extraction by MNCs, particularly in the oil and mining sectors. This process of accumulation by dispossession has driven many peasants (or the 'rural poor', in the development discourse of World Bank economists) to the cities, where their lack of education and job skills left them no option but to struggle to survive in the informal sector.

At the turn of the millennium, 57 percent of the economically active population in Latin America existed in the informal sector which, according to Klein and Tokman (1988), accounted for four out of every five new jobs in the 1980s. In fact, according to Davis (2006: 176), who drew on the same database provided by the UN Economic Commission for Latin America and the Caribbean (ECLAC), ‘the *only* jobs created in Mexico between 2000 and 2004 were in the informal sector’ (emphasis in original).

One economic option for unemployed Mexican workers in the border region was to become engaged in the illicit drug trade.¹ Mexican drug cartels had become dominant players in the trafficking of cocaine and other illicit drugs into the United States. As one financial analyst wrote: ‘NAFTA . . . greatly strengthened the drug cartels, which thrive on social instability . . . the displaced population in northern Mexico couldn’t go back to their farming jobs, so they saw the drug trade as their only economic opportunity’. Supplied with a limitless pool of desperate, unemployed recruits, this trade – basically a smuggling conduit for Andean cocaine, worth at least USD 50 billion a year (according to Lorca, 2010, n.p.) – was soon converted into a fundamental sector of the economy, second only to oil production and migrant remittances as a source of export earnings and capital accumulation.

The turf wars subsequently waged between Mexico’s drug cartels, and between the cartels and the Mexican Army, resulted in skyrocketing death rates, particularly in northern Mexico. The violence not only impacted those involved in the drug trade. The social instability made it increasingly difficult for the general population to avoid getting caught up in violence related to an industry that thrives off the economic desperation of impoverished Mexicans. In 2010, the carnage reached new levels when 15,273 people were killed by drug-related violence – a 41 percent increase from the previous year – bringing the total number of deaths under the presidency of Felipe Calderón, who, under pressures exerted by the United States began his *sexenio* with a declaration of ‘war on drugs’ to over 100,000. Over the years since Calderón launched his crackdown on the cartels, it is estimated that the number of drug-war related deaths has reached 100,000 – a ‘development’ (widespread killings) described in the media as ‘criminal insurgency’, ‘narco-terrorism’ and ‘narco-insurgency’.²

Not coincidentally, the growth of the Mexican drug cartels and the related increase in violence followed on the heels of US drug war ‘victories’ in Colombia that dismantled the country’s two dominant cocaine cartels. In effect, the militarization of the war on drugs under Plan Colombia simply shifted the centre of drug trafficking operations – and drug violence – from Colombia to organized crime groups in Mexico and Central America.³ The United States once again responded with a militaristic counter-narcotics plan called the Mérida Initiative, dubbed Plan Mexico.⁴ Ultimately, the structural violence inherent in capitalism, which is reflected in the forcible dispossession of Mexican peasants and the destruction of their livelihoods, has evolved into direct physical violence perpetrated against tens of thousands of people who have found themselves caught up in the escalating drug war.⁵

In conclusion, the implementation of NAFTA and a broader program of neo-liberal ‘structural reforms’ and policy measures established and expanded the hegemony of capital in Mexico. With this hegemony and the intrusion and large-scale invasion of resource-seeking extractive capital – in addition to industrial capital in the search of cheap labour – large pools of capital were accumulated in the 1990s. Most of this capital, according to several Mexican political economists, was exported in the form of corporate profit on foreign direct investments (FDI) and operations in the region (Saxe-Fernandez & Nuñez, 2001). The main levers of capital accumulation have included violent or legal expropriation, dispossession of land and territory, cheap labour (labour exploitation), natural resource extraction and social violence in the form of assassination, assault and kidnapping for ransom, as well as the huge fortunes made in the drug trade. Of course, the volume of capital accumulated in the course of the narco-trafficking is difficult to determine if not impossible to quantify.

Even so, there is no question that in the course of needing to launder the vast volumes of money generated in the drug trade, numerous ventures were established and financed, leading to all sorts of ‘legitimate’ functioning and eventually profitable business ventures. The volume of money involved in the drug trade and narco-trafficking, even when proceeds are distributed to a wide array of partners, agents, functionaries and employees in the form of remuneration for services rendered, bribes, labour and so forth, is so large as to exceed the consumption capacity of the individuals, groups and organizations involved. Thus have the fortunes made in the drug trade served as an agency of capitalist development. Although there is no way of quantifying the volume of drug trade-related capital accumulated in the production process, it is estimated that the largely hidden narco-economy represents at least 20 percent, and perhaps up to 40 percent, of regional GDP.

The underside of this economy includes an intensified process of social breakdown resulting from dispossessing people of their sole means of subsistence, which contributes to higher levels of direct physical violence. Some of the elements that have been factors in the social chaos prevalent in Mexico’s border cities (havens of narco-capitalism as well as staging posts of the maquiladora industry) have been described by the American scholar (and, *inter alia*, editor in chief of *Capitalism, Nature, Socialism*) Joel Kovel (2007: 58) in the following (and not at all untypical) terms:

narcotrafficking, promiscuously available assault weapons, gangs (an estimated 250 in Juárez) arising from society’s breakup and become a law until themselves [*sic*], along with the breakup of moral systems that comes from having a superpower suck a society’s blood with instruments like NAFTA and the *maquiladora*, all played upon by capital’s ever-present culture of commodified desire and eroticism. There is a nihilism that brings out the predatory remorseless killing potential in human beings, bred in conditions of extreme alienation such as appears in the surging world megacities – Lagos, Nairobi, Mumbai, Djakarta, and Manila – where those tossed up by globalized capital try to reconstruct life in appalling circumstances.

Capitalism and the narco-state in Mexico

State power is an essential institutional mechanism of capital accumulation. From the beginnings of capitalism the state played an important role in creating conditions favourable to or needed for capital accumulation. This is no less or particularly true in the case of narco-capitalism. The case of Colombia as a paramilitary narco-state, and the role of former President Álvaro Uribe (2002–10), whose ties to the Medellín cartel have been exposed and documented, as an agent of narco-capitalism have been closely studied and are well known (Hristov, 2005, 2009). Investigating Uribe's ties to the cartel was met with extreme violence and did not succeed in damaging his career or political standing. He remains one of Colombia's most powerful and feared politicians and has become virtually untouchable for the country's justice system.

The case of Mexico is even more illustrative of the role of the state in facilitating the development of narco-capital, which in the context of Mexico we can trace back to the six-year presidency (*sexenio*) of Carlos Salinas de Gortari (1988–2004), which established conditions not only for the accumulation of capital in the basis of drug trafficking but for the massive invasion and influx of capital in the form of the MNC and FDI.

By the late 1980s a number of cartels had achieved a dominant position in contesting control of the drug trade in Mexico. The largest and most powerful cartel, headed by Joaquín 'El Chapo' Guzmán, was formed in Sinaloa. During the six-year administration of the Salinas regime, the Gulf cartel reached a dominant position in Mexican drug trafficking under the wing of the presidential family, which granted institutional protection. Juan Nepomuceno Guerra, founder of the cartel, was a mate of his father's, Raúl Salinas Lozano. His brother, Raúl Jr, was infamously criminal and spent ten years in prison for the murder of his brother-in-law and other activities such as money laundering, embezzlement, links with drug trafficking and so forth (Arsinoé, 2017).

In 1999, a Swiss report confirmed the collusion of the Salinas clan with the drug lords.

Since the late 70s, the Salinas de Gortari brothers were introduced in the drug business by their father Raúl Salinas Lozano, who would have been happier with Raúl in the presidency of the State of Mexico, but nevertheless gave his other son Carlos the support he needed because Raúl's indefensible way of life would not have allowed him to hold a high rank in politics.

(Golden, 1998)

Two years prior to this, in 1997, Swiss prosecutor Carla del Ponte presented a report that described the connections between Mexican politicians and organized crime. According to the testimony of a protected witness in the Cali prison, in 1990 a meeting was held in Cali with several criminal chiefs, including Arturo Acosta Chaparro, Francisco Quiroz Hermosillo, Manlio Fabio Beltrones, Emilio Gamboa Patrón and José María Córdoba Montoya. The latter was Carlos Salinas's closest advisor during his mandate (Orihuela, 2017).

In 1997 Manlio Fabio Beltrones Rivera was accused by the US Drug Enforcement Agency (DEA) of protecting the Juárez cartel, led by Amado Carrillo Fuentes, the ‘Lord of the Heavens’. According to the aforementioned Swiss report, Emilio Gamboa Patrón negotiated with the Gulf cartel for them to deposit USD 114 million to the name of Raúl Salinas de Gortari in a Swiss bank. Currently, Beltrones Rivera is the president of the PRI, and Gamboa Patrón is the PRI’s whip in the Senate (Orihuela, 2017).

The link between the state or political regime and the drug lords – between drug trafficking and the government – were maintained in subsequent *sexenios*, including that of President Felipe Calderón, who at the behest of the United States launched what would become known as the drug war. The presence of high-ranking institutional authorities is a constant in the equation of drug trafficking businesses in Mexico (as it is in Colombia). In Mexico’s case, almost by definition, security corporations have been led by civilians or military who are suspected (and at times proven) of colluding with organized crime, specifically drug trafficking: Miguel Nazar Haro, Mario Arturo Acosta Chaparro, Francisco Sahagún Baca, Jorge Maldonado Vega, Jesús Gutiérrez Rebollo, Oralio Castro Aparicio, Rafael Macedo de la Concha and Genaro García Luna, just to name a few (Orihuela, 2017).

If this were not enough, during the presidency of Mexico’s Enrique Peña Nieto alone, at least sixteen former governors were accused (some were detained, some fled from justice) of numerous crimes that involve illicit association with drug trafficking.

We should bear in mind that those former governors are part of the ‘new’ political generation that the previous president of Mexico, Enrique Peña Nieto, promoted as faithful representatives of the ‘new PRI’ (Institutional Revolutionary Party). And he was right – they accurately represent the nature of the PRI (as a facilitating agent for the expansion of capitalism).

At an event at George Washington University’s Homeland Security Policy Institute in October 2011, Daniel Brito of the Drug Policy Alliance asked keynote speaker General Barry McCaffrey if there was complicity between the Mexican government and the Sinaloa cartel – the Mexican drug trafficking organization led by the Joaquin ‘El Chapo’ Guzman (famous for his inclusion in the Forbes 500 list). McCaffrey was the drug czar during the Clinton administration (1996–2001).

His answer to this question offered a glimpse into a powerful dynamic of Calderón’s US-supported drug war (Miller, 2010); ‘Mexico Government-Drug Cartel Collusion: The Hybrid Threat’, NACLA, 26 October 2011). Initially McCaffrey responded to Brito’s question as follows:

do I think the Mexican government is complicit with the Sinaloa Cartel? For God’s sake, these people are fighting for their lives. They’re being murdered. You know these men and women of law enforcement, the journalists are being murdered. This is a criminal element inside Mexico that needs to be confronted and we need to stand with them.

But then, when asked ‘Is that a yes or a no?’ McCaffrey responded by saying ‘Well, almost nothing in life works with a yes or a no’ (quoted in Miller, 2011). He does not elaborate on this point, but McCaffrey’s response suggests that he was well aware of the evidence of collusion between the drug cartels and the Mexican government, and he was undoubtedly aware of the government’s siding with the Sinaloa cartel in its fight against the much more violent and more problematic rival (from the government’s point of view), the Zetas.

Following the capitalist recipe for corporate enterprise, the directors of Mexico’s increasingly powerful murder-for-hire firm, the Zetas, have begun to diversify from the company’s principal activity of providing armed enforcement for the drug trafficking Gulf cartel. According to both US and Mexican officials, the Zetas – the most violent of Mexico’s drug trafficking gangs with roots in the Special Armed Forces – has gone into the lucrative business of stealing and selling contraband gasoline. It steals from Mexico’s nationalized but increasingly privatized petroleum company PEMEX and resells to Texas oil companies, including one run by a former Bush administration insider.

Were the group not known for countless brutal murders in Mexico’s endless and ever-more violent drug war, it might be considered, Miller observes, ‘the poster child of the North American Free Trade Agreement (NAFTA), able to see a business opportunity when there is one, and to cut through trade barriers like a specialized drill cuts into a highly pressurized steel pipe carrying oil’ (Miller, 2011).

This is not only an example of criminals tapping savvy entrepreneurial skills to make another few million dollars; it is also, as Miller (2011) notes, an example of US policy blowback, the perversely unintended result of a failed policy. On one hand, the Zetas have been able to take advantage of NAFTA partly because of the ‘two-way overland highway of contraband’ that has been greatly facilitated by the agreement and which now includes companies that make deals with organized crime. However, as noted by Paley (2014), the real power of the Zetas that clearly sets them apart from Mexico’s other narco-trafficking death squads comes from their roots. Before the founding members of the Zetas deserted an elite unit of the Mexican army, they received highly sophisticated training by US Special Forces in anti-narcotic operations. This is not the only contribution made by the United States to narco-capitalism. Since 2008 Washington has pumped over a billion dollars into Mexico – foreign aid in the form of the Mérida Initiative – with millions designated to security (military and police training) (Miller, 2011).

Officials often justify collusion with organized crime, which evidently exists on both sides of the border, under the logic of making deals with the small guys to get to the bigger fish and ringleaders. This was the case, for example, for the ‘Fast and Furious’ weapons-smuggling operation that allowed weapons from the United States to pass into the hands of suspected gun smugglers so the arms could be traced to the higher echelons of Mexican drug cartels. And as Miller (2011) points out and as written about in NACLA (North American Congress on Latin America), it is the case with the ever-expanding army of US informants in

Mexico. Many also note that the co-optation of officials, military and police by organized crime is necessary for the lucrative USD 20–USD 35 billion a year illicit drug industry in the country to flourish.

The highly profitable drug trade and associated businesses have led to the enrichment of cartel members, associates and politicians. Profits have been used to pay both bribes all along the drug trafficking chain and the fees of the big banks, many in the United States, that have stepped up to launder the illicit gains, not to mention the salaries and wages of hundreds of thousands of ‘employees’ and workers in the industry (Paley, 2014: 28ff.; U.S. Department of State, 2001). However, although data and studies are hard to come by, it is evident that a significant part of the fortunes generated by the illicit drug industry does not materialize in the form of personal enrichment, bank deposits or conspicuous consumption but is invested either in real estate or more productively in the form of legitimately registered businesses (Matee, 2002). In other words, the profits of the drug trade are used to accumulate capital and expand the weight and reach of capitalism, both in the real economy and the underground shadow economy. On a regional level it has been estimated that, together with the expenditures or ‘consumption’ derived from or associated with the invested profits of the drug trade, the narco-economy accounts for up to one-third of GDP, or the total value of goods and services produced.

Narco-capitalism as a ‘war on the people’

Another important dimension of the destructive impacts of extractive capitalism, and the massive crisis that many societies across the world have experienced in recent times, can be traced out in the evolution of what might be described as narco-capitalism and the associated drug war. Again, although it has evolved in different parts of the world and has assumed global proportions in the form of a drug war, it is Latin America that exhibits most clearly the fundamental dynamics of what has been described as a ‘war against the people’, or *Drug War Capitalism* (Paley, 2014).

As noted by Guadalupe Correa-Cabrera, a Mexican-born professor of public policy and security studies at George Mason University in her introduction to Dawn Paley’s well-documented book *Drug War Capitalism*, there are essentially three types of analysis on the so-called drug war in the Americas. This war has deep roots in Colombia but has assumed a particular virulent form in Central America and in Mexico, where, since former president Felipe Calderón launched his drug war in December 2006, it is estimated to have resulted in more than 100,000 violent deaths – over 153,000 by some estimates – as well as up to 42,300 ‘disappearances’ by one official count (Paley, 2014: 25–26).

One popular view on the subject, present in most trade books displayed in airports and popular bookstores and propagated by the mass media, sees the drug war as an issue of ‘drug lords’ (*narcos*) and a war among ‘drug cartels’, of cartels fighting against each other and the state for control of drug trafficking routes. Another view focuses on prohibition and drug policy and the enormous social

damage and cost of lives involved. However, neither perspective is at all helpful in explaining the dynamics of the violence and organized crime associated with or behind the drug wars or the ‘war on drugs’. Nor do they allow us to grasp the scope and complex reality of transnational businesses involved, or how drug-war violence interacts with capitalism, state power and resource extraction, or the dynamics of capital accumulation (the productive investment of the enormous fortunes accumulated in the trafficking of drugs, as well as the laundering of the proceeds by some of the biggest US banks). As a point of fact, the drug cartels had moved into the space created by the collapse of Mexico’s traditional agriculture, which was virtually wiped out by the free trade regime established with the implementation of NAFTA on 1 January 2004.

A third approach to understanding the fundamental dynamics of the drug war might be termed the political economy of extractive capitalism, an approach that puts the drug war ‘into a broader context of US and transnational interests’ in the hemisphere and links ‘anti-drug policies to the territorial and social expansion of capitalism’ (Paley, 2014). In this context, land-grabbing and the acquisition of territory⁶ and resource extraction, as well as the dynamics of accumulation by dispossession, can be seen and should be understood as forces of capitalist development – ways of extending the reach of capital.

A feature and key element of this approach is the recognition that the US war against drugs in the context of Colombia, which is to say, with the agency of Plan Colombia (a program of massive ‘assistance’ to the government for its war against the Revolutionary Armed Forces of Colombia FARC),⁷ a class war fought continuously for over four decades but disguised as a war against drug trafficking), was merely a cover for a war against the people (i.e. local communities of peasant and indigenous farmers) to create conditions favourable for the expansion of oil companies and other MNCs in the extractive sector.⁸ These conditions included security, provided by both private security firms as well as the air force and other divisions of the state’s repressive apparatus, including paramilitary forces in the pay of the companies. Another condition, needed for the companies to operate without hindrance in the areas and on the land conceded to them on a long-term (thirty years plus) lease by the government for their exploration projects and extractive operations, is release from the conflicts generated by the resistance of local communities to their extractive operations.

These conflicts (see Table 3.1) not only surround the sites of oil and gas extraction and the open-pit mines throughout the land occupied by communities of indigenous and non-indigenous peasant farmers, but they impede the efforts of these companies to extend the extractive frontier in areas that are inaccessible for one reason or another, including the fact that the land is occupied by people not open to capitalism or resource extraction.

The way it works – a strategy pursued by the companies, often in collusion or active support of the government (particularly in Colombia, Mexico, Honduras and Guatemala, all permutations of what has been described as a narco-state) – can be illustrated in a case documented and discussed by Payley. In this case she describes an instance in which a helicopter owned by Occidental Petroleum

Table 3.1 Conflicts in the mining sector, Latin America, 2016

Argentina	29
Bolivia	9
Brazil	20
Chile	37
Colombia	14
Ecuador	7
Guatemala	6
Honduras	4
Mexico	37
Peru	39
Latin America	219
Projects implicated in conflicts	229
Communities affected	334

Source: OCMAL, Observatorio de Conflictos Mineros (2017).

(Oxy), a US-owned oil company, and used by its security forces, a private US security company called Airscan Inc., to provide pipeline surveillance and security against possible attacks by the FARC guerrillas, calls in a bomb strike some 500 kilometres away from the closest pipeline against a local farming community on the pretext that it was hiding guerrilla fighters. The immediate result was that seventeen people were killed and a further twenty-seven were injured, including fifteen children (Paley, 2014: 11). But the broader impact of this violence was terror – terrorizing the population at large to encourage (if not to force) them to abandon their communities. Some did, of course – those who were not killed. Others stayed, however, which was itself an act of resistance – an example of the ‘everyday’ or ‘subterranean’ resistances’ that Bebbington and Bury (2013) and Zibechi (2012) have written about. As for those families that abandoned their communities, we might understand their plight and decision to migrate through the lens of Harvey’s concept of accumulation by dispossession: the displacement and forced migration of communal and small landholders.

At the time of this event, the helicopter used in the bombing raid belonged to Occidental, which was funding the Colombian military directly to the tune of USD 750,000 in cash and in kind (Paley, 2014: 12). As it turned out it also supplied, directly or through contractors, troop transportation, planning facilities and fuel to Colombian military aircraft, including the helicopter crew that dropped the bomb.

The significance of this incident is that it showed how companies in the extractive sector often work in tandem with the US government in its support of these companies to advance their interests and profitable, albeit destructive, operations. The war on drugs and drug traffickers is but a smokescreen for advancing the interests of corporate capital in the extractive sector. In effect, in the name of arming the state in its fight against drug cultivation and trafficking, the drug war has bolstered a war strategy that ensures MNCs in the extractive sector access to resources through dispossession and terror. The violence associated with drug

trafficking and the war on drugs should be seen as an artefact of struggles over territory, land and resources. This strategy – dispossession by violence, improvised in the Colombian context – was subsequently extended to Mexico and Central America by means of the Mérida Initiative and the Central American Regional Security Initiative (CARSI) of the US state.

Paley's analysis of US-backed policy initiatives such as Plan Colombia and CARSI, both designed as vehicles to advance drug-war capitalism in the region, is an example of what we have described as a political economy or critical development approach to an analysis of the imperialist dynamics of extractive or drug-war capitalism.⁹ The initiatives that she describes serve to promote the militarization of foreign aid and anti-drug-trafficking operations, and also to steer anti-drug money towards fostering the creation of more welcoming investment policies and legal regulations of extractive operations. From the perspective of this approach, the fundamental motivation behind the war on drugs is to help expand the capitalist system into new or previously inaccessible territories and social spaces. In this way the war on drugs is designed as a short- and medium-term fix to capitalism's woes – in Paley's words, 'to crack open social worlds and territories once available to globalised capitalism' (2014: 16).

The US-backed war on drugs and the militarization of security strategies, with the alleged purpose of strengthening institutional reforms and the rule of law and preventing or reducing violence, coincided with a visible increase in the murder rate and the militarization of organized crime in the region, as well as the consolidation of what can well be described as a narco-state (Villar & Cottle, 2011). In this way the militarization of the war on drugs and the formation of crime groups have been very useful to the expansion of capitalism in the region. It explains the close connection and complicity between state actors and criminal groups in most of the cases analyzed by Paley in her book. And it confirms observations made by countless other observers and analysts.

A key factor in Paley's analysis of the dynamics of the drug war is to show how criminal and state violence has served to displace urban and rural populations, leading to changes in land ownership as well as labour exploitation and resource extraction. In each of her four country case studies, Paley carefully documents how a number of indigenous communities have been dispossessed, their land taken away by war, and how these properties were subsequently acquired by MNCs in the extractive sector. In effect, the war against drugs has served capital as a mechanism of capital accumulation – 'accumulation by dispossession', in the discourse of critical development studies (Harvey, 2003).

One important finding by Paley, confirmed for each of her four case studies (Colombia, Mexico, Honduras and Guatemala), is that both militarization and the internal conflicts related to resource extraction and the resistance have tended to concentrate in areas deemed important for energy projects or resource extraction. That is, these phenomena – resource conflicts and forced displacement because of severe drug-related violence – have taken place in areas where there are fierce social and land-territorial conflicts related to the imposition of mega-energy projects, oil and natural gas exploration and extraction, large-scale export agriculture

and forestry, mega-mining and hydroelectric projects, among others. In this context – the operations of extractive capital – it is evident that the real beneficiaries of the drug wars in the Americas (and it is probably the same in other areas of the world) are, among others, the big banks, local elites and capitalists, and the MNCs that operate in the extractive sector.¹⁰ Furthermore, the prosecution of the drug war and related policies have also helped the US gain more leverage and achieve its foreign policy objectives in the Americas and particularly in Colombia, which has long been and remains the linchpin of US imperialism, as well as in Mexico and Central America.

Narco-capitalism and Wall Street

We are of the opinion that narco-capitalism has been aided and abetted not only by the local state in a number of countries in South America, Mexico and Central America – the Northern Triangle (Guatemala, Honduras and El Salvador) – but by both Washington and Wall Street, two major agencies of US imperialism. A major stimulus for the formation of narco-capitalism (the use of profits from the illicit drug trade to finance ‘legitimate’ capitalist enterprises) has been the war on drug traffickers announced and prosecuted by Felipe Calderón, former president of Mexico, representing the party that had secured the levers of political power and governed the country for an interrupted seventy years from 2006 to 2012. That this war, which has devastated Mexican society and further destroyed the country’s forces of production, was promoted, if not designed, by the White House is well known. Less well known is the nefarious role played by Wall Street and the US banks. As we argue in the concluding essay, if Washington is the driving force of the war, Wall Street banks have been the main instrument for ensuring the profits of the drug cartels. The point is that these profits and associated fortunes are so huge that they are creating conditions for the productive investment of some of the profits, thereby leading to a potentially new form of capital accumulation.

Every major US bank has been deeply involved for the better part of the past decade in laundering hundreds of billions of dollars in drug profits. Mexico’s descent into the inferno has been engineered by the leading US financial and political institutions, each supporting ‘one side’ in the bloody ‘total war’ which spares no one, no place, at any time. While the Pentagon arms the Mexican government and the Drug Enforcement Agency enforces the ‘military solution’, the biggest US banks receive, launder and transfer hundreds of billions of dollars annually to drug lords’ accounts to buy modern arms, pay private armies of assassins and corrupt political and law enforcement officials. This is barbarism, not at its worst, but barbarism nonetheless. It is also capitalism – the capitalism of the twenty-first century.

Corruption at the top in all aspects of state and business activity – from state procurement to privatization to subsidies for the super-rich – encourages the growth of crime worldwide from top to bottom, the *lumpenization* of the capitalist class and a state where *law and order* have fallen into disrepute. The lumpenization process, manifest most clearly in the spread of narco-trafficking throughout

Mexico, has profoundly affected the financial system of both Mexico and the United States. For example, Mexico's Financial Intelligence Unit reported that during the first half of 2010, they detected 24,449 suspected cases of money laundering, including a 105 percent increase between the first and second quarters. International financial organizations estimate that Mexico's 'financial circuit' launders USD 15 billion to USD 25 billion in drug money annually (Israel Rodriguez, 2010). It turns out that major US, UK, EU, Swiss and Israeli banks are active collaborators. The *London Observer* in this connection quotes the head of the UN's drug and crime division as saying that most of the USD 352 billion of annual global drug profits was absorbed into the banking system during the crisis (Syal, 2009). In other words, *lumpen drug capitalism* played a major role in saving the world financial system from collapse, highlighting the ties between lumpen capital and barbarous imperialism not merely in regard to Mexico but also major countries of the Western world.

The growth of narco-power in the post-colonial countries of the global south as growers, processors and distributors is matched by the distributors, consumers and financiers in the imperial countries, the 'final market' of the drug chain. Experts claim that over 60 percent of the profits of the international narco-business are retained and recycled in the United States, the European Union and the United Kingdom, indicating the degree to which the 'respectable bourgeoisie' is embedded in the international circuits of lumpen capital.

One particularly disturbing manifestation of this lumpenization is in Mexico, a major outpost of the US empire where the trafficking of drugs by criminal organizations, it is estimated, now actively engages some 25,000 members. They have spawned an unprecedented wave of diverse forms of criminal activity that is estimated to have a black market value of some USD 60 billion, most of which is laundered by US, Swiss and UK banks. It has been estimated that the trafficking of migrant workers nets the narco-capitalists some USD 3 billion a year.

Mexico's biggest drug lord has now entered the ledgers of *Fortune* magazine as one of the ten richest individuals in the world, to the chagrin of the country's president, who is ostensibly engaging in a war against these criminal gangs with the resulting death of several thousand members of the security forces of the state. Of course, significant elements of these security forces, and other parts of the state apparatus, have been corrupted and are in the pay of the drug lords. In this connection, an interesting if unexplained statistic is that the operations of the government's security apparatus against one of the most powerful gangs of organized criminals have netted eight times more arrests than in regards to the second-largest gang, suggesting that the state is not totally neutral in this war.

Most significant and most disturbing about this lumpenization of capitalist enterprise is the incredible degree of insecurity that it generates for most of the working population, not to mention new forms of exploitation sustained by a campaign of shootings, assassinations and acts of violence that include the beheading of victims and the dumping of bodies in mass graves. These 'developments', which are spreading across the country, are associated with the efforts of the criminal gangs of lumpen capitalists to diversify their activities from the drug trade

into the trafficking of people as well as drugs, and the extortion of small business owners as well as migrant workers. The statistics on this development are horrendous: 28,000 killed between 2006 and 2010, thousands of kidnappings, hundreds of thousands of businesses subject to extortion and the length and breadth of the country 'covered' by gangs.

US banks and the dirty money empire

Washington and the mass media have portrayed the United States as being at the forefront of the struggle against narcotics trafficking, drug-money laundering, and political corruption. The image is of clean white hands fighting dirty money from the third world (or the former Communist countries). The truth is quite otherwise. US banks have developed an elaborate set of policies for transferring illicit funds to the United States and 'laundering' those funds by investing them in legitimate businesses or US government bonds. The US Congress over the years has held numerous hearings, provided detailed exposes of the illicit practices of the banks, passed several anti-laundering laws and called for stiffer enforcement by public regulators and private bankers. Yet the biggest banks continue their practices and the sums of dirty money grow exponentially. The USD 500 billion in criminal and dirty money flowing annually into and through the major US banks far exceeds the net revenues of all the information technology companies in the United States. These yearly inflows surpass the net profits repatriated from abroad by the major US oil producers, military industries and aeroplane manufacturers combined. Neither the banks nor the government has the will or any interest to put an end to practices that provide such high profits and help maintain US economic supremacy internationally.

Big US banks and dirty money laundering

Drug profits, in the most basic sense, are secured through the ability of the cartels to launder and transfer billions of dollars through the US banking system. The scale and scope of the US banking–drug cartel alliance surpasses any other economic activity of the US private banking system. According to US Justice Department records, one bank alone, Wachovia Bank (now owned by Wells Fargo), laundered USD 378.3 billion between 1 May 2004 and 31 May 2007 (Syal, 2009). Every major bank in the United States has served as an active financial partner of the murderous drug cartels – including Bank of America, Citibank and JP Morgan, as well as overseas banks operating out of New York, Miami, Los Angeles and London.

In 1999, Senator Carl Levin (D-MI), as part of a probe into the role of US banks in the illicit drug trade,¹¹ stated that 'current estimates are that USD 500 billion to USD 1 trillion in illegal funds from organized crime, narcotics trafficking and other criminal misconduct are laundered through banks worldwide each year, with about half going through US banks' (US Senate, Minority Staff, 2001). The senator's statement, however, only covered proceeds from activities that are crimes

under US law. It did not include financial transfers by corrupt political leaders or tax evasion by overseas businesses, since in those cases any criminal activity takes place outside the United States. Raymond Baker, a leading US expert on international finance and guest scholar in economic studies at the Brookings Institution, estimates the total 'flow of corrupt money . . . into Western coffers' from third world or former Communist economies at USD 20 billion to USD 40 billion a year (Baker, 2005). He also put the 'flow stemming from mispriced trade' (the difference between the price quoted, for tax purposes, of goods sold abroad and their real price) at a minimum of USD 80 billion a year. Thus, Baker (2005) concludes, 'my lowest estimate is USD 100 billion per year by these two means . . . a trillion dollars in the decade, at least half to the US'. He adds that if one were to include other elements such as illegal flight capital it would result in much higher figures.

We can conclude from these data that the money laundering business, whether 'criminal' or 'corrupt, is carried out by the United States' most important banks. And the bank officials involved in money laundering have backing from the highest levels of the banking institutions and the administration of the US imperial state.¹² These are not isolated offences perpetrated by loose cannons. Take the case of Citibank's laundering of Raúl Salinas's USD 200 million account. The day after Salinas, the brother of Mexico's former President Carlos Salinas de Gortari, was arrested and his large-scale theft of government funds was exposed, his private bank manager at Citibank, Amy Elliott, said in a phone conversation with colleagues (the transcript of which was made available to congressional investigators) that 'this goes [on] in the very, very top of the corporation, this was known . . . on the very top. We are little pawns in this whole thing'.

Citibank is the United States' largest bank, operating in one hundred countries with 180,000 employees worldwide and USD 700 billion in known assets. The bank operates what are known as 'private banking' offices in thirty countries, with over USD 100 billion in client assets. Private banking is the sector of a bank that caters to extremely wealthy clients with deposits of USD 1 million or more. The big banks charge customers for managing their assets and for providing the specialized services of the private banks. These services go beyond routine banking services like check clearing and deposits to include investment guidance, estate planning, tax assistance, offshore accounts and complicated schemes designed to secure the confidentiality of financial transactions. Private banks sell secrecy to their clients, making them ideal for money laundering. They routinely use code names for accounts. Their 'concentration accounts' disguise the movement of client funds by commingling them with bank funds, cutting off paper trails for billions of dollars in wire transfers. They locate offshore private investment corporations in countries such as the Cayman Islands and the Bahamas, which have strict banking secrecy laws. These laws allow offshore banks and corporations to hide a depositor's name, nationality, the amount of funds deposited and when they were deposited. They do not require any declarations from bank officials about sources of funds. Private investment corporations (PICs) are one particularly tricky way that big banks hold and hide a client's assets. The nominal officers,

trustees, and shareholders of these shell corporations are themselves shell corporations controlled by the private bank. The PIC then becomes the official holder of the client's accounts while the client's identity is buried in so-called records of jurisdiction in countries with strict secrecy laws. The big banks keep prepackaged PICs on the shelf awaiting activation when a private bank client wants one. The system works like Russian matryoshka dolls – shells within shells within shells, which in the end can be impenetrable to the legal process.

Hearings held in 1999 by the Senate's Permanent Subcommittee on Investigations (under the Governmental Affairs Committee) revealed that in the Salinas case, private banking personnel at Citibank, which has a larger global private banking operation than any other US bank, helped Salinas transfer USD 90–USD 100 million out of Mexico while disguising the funds' sources and destination. The bank set up a dummy offshore corporation and provided Salinas with an alias for a third-party intermediary who deposited the money in a Citibank account in Mexico, transferred the money in a concentration account to New York and finally moved it to Switzerland and London.

Instead of an account with the name 'Raúl Salinas' attached, investigators found a Cayman Islands account held by a PIC called 'Trocca, Ltd.', according to Minority Counsel Robert L. Roach of the Permanent Committee on Investigations. Three Panama shell companies formed Trocca, Ltd.'s board of directors and three Cayman shell companies were its officers and shareholders. 'Citibank controls all six of these shell companies and routinely uses them to function as directors and officers of PICs that it makes available to private clients', Roach said. Salinas was only referred to in Citibank documents as 'PETER KUPER Confidential Client No. 2', or 'CC-2'.

Historically, big-bank money laundering has been investigated, audited, criticized and subjected to legislation. The banks have written their own compliance procedures. But the big banks ignore the laws and procedures, and the government ignores their non-compliance. The Permanent Subcommittee on Investigations discovered that Citibank provided 'services', moving a total of at least USD 360 million, for four major political swindlers, all of whom lost their protection when the political winds shifted in their home countries: Raúl Salinas, between USD 80 and USD 100 million; Asif Ali Zardari (husband of former prime minister of Pakistan, Benazir Bhutto), over USD 40 million; El Hadj Omar Bongo (president of Gabon from 1967 to 2009), over USD 130 million; Mohammed, Ibrahim and Abba Sani Abacha (sons of former Nigerian dictator, General Sani Abacha), over USD 110 million. In all cases, Citibank violated its own procedures and government guidelines: there was no review of the client's background (known as the 'client profile'), no determination of the source of the funds and no inquiry into any violations of the laws of the country where the money originated. On the contrary, the bank facilitated the outflow in its prepackaged format: shell corporations were established, code names were provided, funds were moved through concentration accounts, and the funds were invested in legitimate businesses or in US bonds. In none of these cases did the banks practice 'due diligence', taking the steps required by law to ensure that it does not facilitate money laundering.

Yet top banking officials have never been brought to court and tried. Even after the arrest of its clients, Citibank continued to provide them with its services, including moving funds to secret accounts.

Another route that the big banks use to launder dirty money is ‘correspondent banking’. Correspondent banking is the provision of banking services by one bank to another. It enables overseas banks to conduct business and provide services for their customers in jurisdictions where the bank has no physical presence. A bank that is licensed in a foreign country and has no office in the United States can use correspondent banking to attract and retain wealthy criminal or corrupt clients interested in laundering money in the United States. Instead of exposing itself to US controls and incurring the high costs of locating in the United States, the bank will open a correspondent account with an existing US bank. By establishing such a relationship, the foreign bank (called the ‘respondent’) and its customers can receive many or all of the services offered by the US bank (called the ‘correspondent’).

Today, all the big US banks have established multiple correspondent relationships throughout the world so they may engage in international financial transactions for themselves and their clients in places where they do not have a physical presence. The largest US and European banks, located in financial centres like New York or London, serve as correspondents for thousands of other banks. Most of the offshore banks laundering billions for criminal clients have accounts in the United States. Through June 1999, the top five correspondent bank holding companies in the United States held correspondent account balances exceeding USD 17 billion; the total correspondent balances of the seventy-five largest US correspondent banks was USD 34.9 billion. For billionaire criminals, an important feature of correspondent relationships is that they provide access to international transfer systems. The biggest banks specializing in international fund transfers (called ‘money centre banks’) can process up to USD 1 trillion a day in wire transfers.

*Narco-capitalism and US imperialism: the ‘dirty money factor’
in US politics*

Hundreds of billions of dollars have been transferred through the private banking and correspondent banking systems from Africa, Asia, Latin America and Eastern Europe to the biggest banks in the United States and Europe. In all these regions, liberalization and privatization of the economy have opened lucrative opportunities for corruption and the easy movement of booty overseas. Authoritarian governments and close ties to Washington, meanwhile, have ensured impunity for most of the guilty parties. Russia alone saw over USD 200 billion illegally transferred out of the country over the course of the 1990s. The massive flows of capital out of these regions – really the pillaging of these countries’ wealth through the international banking system – is a major factor in their economic instability and mass impoverishment. The resulting economic crises, in turn, have made these countries more vulnerable to the prescriptions of the International Monetary Fund

and the World Bank, including liberalized banking and financial systems that lead to further capital flight.

Even by an incomplete accounting (including both ‘criminal’ and ‘corrupt’ funds but not other illicit capital transfers, such as illegal shifts of real estate or securities titles, wire fraud, etc.), the dirty money coming from abroad into US banks amounted to USD 3.5 trillion to 6.0 trillion during the 1990s. While this is not the whole picture, it gives us a basis for estimating the significance of the ‘dirty money factor’ in the US economy. The United States currently runs an annual trade deficit of over USD 400 billion. The gap has to be financed with inflows of funds from abroad – at least a third of which is dirty money. Without the dirty money, the US economy’s external accounts would be unsustainable. No wonder the biggest banks in both the United States and Europe are actively involved, and the governments of these countries turn a blind eye. This is today’s capitalism, built in part around pillage, criminality, corruption and complicity.

Conclusion

Capitalism takes diverse forms. The classic case, industrial capitalism, the dynamics of which were theorized by Marx, was based on the capital-labour relation, a relation of exploitation, and took the form of a system in which all means of production, including labour power, are converted into commodities, produced for sale on the market. The leading heights and main strategic sector of this form of capitalism is industry. However, in its historic development of the forces of production, capitalism also took the form of extractivism, a system based on the exploitation of nature (natural resource wealth) rather than labour, and the export of natural resources in primary commodity form rather than an industrial or processed form. As discussed in Chapter 2, the installation in the 1980s of a world order based on neoliberal globalization and free-market capitalism on the Latin American periphery led to the expansion of resource-seeking extractive capital and a new phase in the evolution of capitalism. In this new phase of capitalist development, services of various sorts have become the dominant sector of the economy and natural resource extraction is given precedence over industry in a system dominated by financialization, information and communication technology, and the monopoly power of finance capital. In this system, industrial and resource-seeking extractive capital are both at play and combined in the development of the available forces of production. In Latin America, however, capitalism has taken another additional form: narco-capitalism, a system based on the accumulation of capital in the form not of industry or resource extraction but rather the production and trafficking of illegal drugs. Some of the dynamics and specific features of this form of capitalism were reviewed in this chapter.

Notes

- 1 And not just in the border regions. According to Edgardo Buscaglia, on the basis of interviews conducted by the Instituto Tecnológico Autónomo de México (ITAM), up to 60 percent of youth aged twelve to seventeen (in thirteen states with zones of violence generated by narco-trafficking) who were interviewed saw organized crime in the form

- of narco-trafficking (*los capos, el hampa*) as ‘tempting’ and a ‘viable alternative’ to the government and the private sector in terms of the provision of a possible sustainable livelihood (i.e. a job that might pay a living wage) (Castillo García, 2010).
- 2 The violence in Mexico has grown as the government moved from acquiescence and even tacit support for the drug trade under the PRI to confrontation with the traffickers by the PAN presidents, Fox and Calderón. Consequently, Mexico has suffered from what has been described (Williams, 2009) as ‘transitional violence: comfortable and collusive relationships between organized crime and the state have broken down, and alternative relationships have not been institutionalized’. The attacks by trafficking organizations on police chiefs, officials and soldiers can be understood as an attempt to pressure the state to move away from confrontation and to give the trafficking organizations space in which to operate. This does not constitute an insurgency, and the violence – although it has at times spilled over and killed innocent civilians – has not deliberately targeted civilians.
 - 3 Mexico’s involvement in the drug business is long-standing, and Mexican organizations are active in the cannabis and methamphetamine trade and in the cocaine business. The role of Mexico was transformed during the late 1980s and 1990s, however, as US interdiction efforts made it far more difficult for Colombian drug-trafficking organizations to transport cocaine successfully through the Caribbean. As a result, the Colombian groups started to go through Mexico, often making payments in cocaine to the Mexican trafficking organizations that assisted them. Inevitably, the Mexicans went into business for themselves and have gradually replaced the Colombians as the dominant force in cocaine trafficking throughout the United States – a development facilitated by both legal and illegal immigration of Mexicans into the United States. In effect, the trafficking organizations and networks took advantage of what in other ways can be understood as a location curse, in which Mexico is the natural transshipment point for drugs coming from Colombia to the United States.
 - 4 The Mérida Initiative (also called Plan Mexico by critics) is a security cooperation agreement between the United States and the government of Mexico and the countries of Central America, with the declared aim of combating the threats of drug trafficking, transnational organized crime and money laundering. The assistance includes training, equipment and intelligence. US State Department officials at the time were aware of the willingness of President Calderón, who headed the first post-PRI regime, to weaken and undercut the ties between the drug cartels and the PRI government, and also to work with the United States on issues of security, crime and drugs. The US Congress passed legislation in late June 2008 to provide Mexico with USD 400 million and Central American countries with USD 65 million that year for the Mérida Initiative. The initiative was announced on 22 October 2007 and signed into law on 30 June 2008.
 - 5 Initially the Mérida Initiative was called Plan Mexico, but this led people to identify it with Plan Colombia, which was presented as a war on the cartels and drug traffickers (part of the US-described ‘war on drugs’), but it is understood by many if not most observers and analysts as a pretext and cover for a war against FARC and other guerrilla groups and insurgents who threatened the interests of capital and US multinationals. In the case of the Mérida Initiative, the goal was undoubtedly also to protect the interests of capital and create conditions that are safe for its operations as well as the empire. It is not coincidental that Colombia and Mexico are the United States’ major strategic allies in the region and keystones in the imperial strategy of establishing a regional network of bases and military control.
 - 6 Given that the indigenous notion of ‘territory’ or ‘territoriality’ – as opposed to ‘land’ – expresses a relation of social solidarity and harmony with nature (humans as social beings at one with nature, themselves and each other), the violation of a community’s territorial rights is much more destructive than land-grabbing. It is destructive of the very rights of a community and people to exist.

- 7 Plan Colombia ended up directly costing the imperial state USD 10 billion in foreign aid over the span of fifteen years, most of it in the form of military expenditures related to the war on drug cultivation and trafficking, and in assistance to the Colombian state in its long war with FARC.
- 8 From a class analysis perspective, Plan Colombia had more to do with improving the conditions for FDI and resource extraction and for encouraging capitalism than it did with the stemming of the flow of drugs – or, for that matter, prosecuting the long war against subversives.
- 9 Plan Colombia is an egregious example of the workings of US imperialism in support of capital – as an agency of capitalist development (Gordon & Webber, 2016). Not only does the mining code allow international capital to enter unfettered indigenous territories containing mineral deposits, Plan Colombia ‘guarantees private sector control over natural resources, even if this means the forcible removal of the existing population from certain areas of the countryside’ (Hristov, 2005: 110).
- 10 As an example (one of many), immediately after the inception of Plan Colombia, the state oil company, Ecopetrol, was privatized and new laws designed to encourage foreign investment were introduced.
- 11 In 1999 the US Senate’s Permanent Subcommittee on Investigations (under the Governmental Affairs Committee) held hearings on the drug trafficking and the involvement of US banks in money laundering. The results were published in 2001 in a report titled ‘Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities’.
- 12 The most prominent economic officials of the Bush and Obama administrations, including Summers, Paulson, Geithner, Greenspan, Bernanke et al., were all long-term associates, advisers and members of the leading financial houses and banks implicated in laundering the billions of drug profits. Needless to say, the nefarious link between the drug trafficking cartels, Wall Street and the big banks, and state officials continues into the Trump administration. The link is not only a means of sharing the loot but also a mechanism of capital accumulation. In fact, it could be argued that capital flows from the drug billionaires were key to floating Wachovia and other leading banks in the 2008 global financial crisis, thus saving the capitalist financial system from collapse. In this connection, Antonio Maria Costa, head of the UN Office on Drugs and Crime, noted that ‘in many instances, drug money (was) currently the only liquid investment capital’. In the second half of 2008, he noted, liquidity was the banking system’s main problem and hence liquid capital became an important factor: ‘interbank loans were funded by money that originated from drug trade and other illegal activities’. There were, he argued, ‘signs that some banks were rescued in that way’ (Groendahl, 2009).

Part II

The politics of development and resistance



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4 Cycles of development and resistance

For Marxists, it is a matter of principle that the development of the forces of production within the institutional framework of capitalism (i.e. capitalist development) generates forces of social change that can be mobilized in one direction or the other by social movements that embody the forces of resistance. That is, each advance in the capitalist development process brings about a process of productive and social transformation and a corresponding change taken by the forces of resistance and the class struggle associated with it. This chapter illustrates this principle in terms of three major cycles of capitalist development that have unfolded on the Latin American periphery of the world capitalist system over the past six decades.

To clarify this point: within these three broad cycles, minor cyclical turns can also be identified. For example, towards the end of the third development-resistance cycle in 2013, we can see a revival of neoliberalism as a policy agenda, and associated with it a return of the class struggle from above and an apparent end of the progressive cycle in Latin American politics. In 2017, in the context of the election of Mauricio Macri as president of Argentina, we can also identify the possible beginnings of a new cycle of resistance in the form of working-class activism. It is too early to tell whether this cycle is symptomatic of a new development cycle. For example, the victory of López Obrador (AMLO) in the July presidential elections in Mexico has revived hopes among the Left of the possibility of a new progressive cycle, but the forces ranged against any move towards the Left by AMLO are formidable, and a recent announcement of his intention to proceed with a massive ‘Maya Train development project, with participation of private capital and an estimated total cost of USD 7.4 billion – a project that will traverse an important biosphere and indigenous territory without their consent – already casts doubt on his credentials as a ‘progressive’ (BBC News, 2019).

To further clarify, ‘development’ in this context is understood in two ways. First, with reference to the forces of production generated in the process, the dynamics of which can best be understood by a scientific analysis of conditions that are objective in their effect on people, classes and nations according to their location in the system. This is what we understand by ‘capitalist development’. A second reference point for the concept of ‘development’ are the actions taken by diverse ‘actors’ and agents of capitalist development – actions taken in a conscious effort

to improve the social and economic conditions of people across the world with the aim of ensuring the viability and stability of the capitalist system. Development in this context can be understood not as a 'process', the conditions of which from a Marxist perspective can be analyzed in scientific or 'structural' terms, but as a 'project' that dictates a strategic or political form of analysis that takes into account the intentionalist and the subjective and political conditions of the class struggle and the associated forces of resistance.

This chapter argues that a structural (economic) – strategic (political) analysis of the dynamics of capitalist development process over the past six decades – that is, within the framework of the system and the liberal capitalist world order established in 1944 at Bretton Woods – discloses the working of three cycles of capitalist development on the periphery of the system. The first phase in this process can be dated from the 1950s to the 1970s and implicates the agency of the development state (on the side of capital) and a class struggle (on the side of labour) led by union movement of organized labour and the dispossessed 'peasantry'. The second phase relates to the so-called neoliberal era of capitalist development, which can be dated as of the early 1980s, with the installation of a 'new world order' designed to liberate the 'forces of economic freedom', specifically the flow of capital in the form of foreign direct investments (FDI), from the regulatory constraints of the development state. The forces of resistance to this advance were mobilized in the 1990s, with a resulting widespread disenchantment and rejection of the neoliberal policy agenda by the end of the decade. The third development-resistance cycle unfolded in the new millennium with the advent of a new phase in the capitalist development process characterized by the predominance of 'resource-seeking' extractive capital. The conditions generated by what we describe as 'extractive capitalism' include the emergence of new forces of resistance and several twists and turns in the class struggle.

The chapter advances three specific arguments with respect to this peripheral capitalist development process. One is that each cycle implicates the agency of the imperial state – US-led imperialism – in facilitating the advance of capital and overcoming the forces of resistance. The second is that each advance in the capitalist development process generates distinctive forces of popular resistance that affect and change the shape and dynamics of the class struggle. The third argument is that the world system is in the throes of a process of transition towards a new phase in the capitalist development process. Like any such transition, the development dynamics are complex and uneven, taking different forms in different parts of the system. But the eventual general form taken by the forces of development and resistance in this process can best be understood by a close look at what is happening in Latin America. In no region in the world system was neoliberalism implemented with such force, but the region also provides a laboratory for diverse experiments with alternative forms of alternative development; a close look at and further study of these experiments and alternative models will allow us a first glimpse into what the future holds for us.

Dynamics of capitalist development and the popular resistance

For Marxists, the scientific study of the fundamental dynamics of capitalist development departs from a set of principles enunciated in the 1867 Preface to Marx's *Contributions to a Critique of Political Economy*. One of these principles is based on the idea that the development of the forces of production within the institutional framework of capitalism – capitalist development, in short – generates forces of social change that can be mobilized in the form of a class struggle and the emergence of social movements that embody and advance the forces of resistance. However, on the Latin American periphery of the world capitalist system, the emergence in the 1980s of what appeared to some scholars armed with a postmodern political imaginary as a new type of social movement – ‘new social movements’ that were not class-based but that were expressive of a heterogeneity of a new historic subject and agency of social change – led to what was described within academe as a ‘theoretical impasse’ and the end of history understood in terms of class struggle (Schuurman, 1993; Veltmeyer, 1997).

This theory of new social movements in the 1980s gave way to a theoretical discourse on the emergence and strengthening of what would later be viewed as ‘civil society’, a complex of non-governmental social organizations formed within the spaces vacated by a retreating state – a state that was obliged to withdraw from the development process under the dictates of the neoliberal world order.¹ At the same time, the emergence of political regimes committed to the neoliberal agenda of ‘structural reform’ in macroeconomic policy led to the formation of new sociopolitical movements that were mounted so as to mobilize the resistance of rural landless workers, peasant farmers and (in some contexts) indigenous communities. These movements led to a strengthening of the popular resistance to both the incursions of capital in the form of FDI and multinational corporations (MNCs) and to the policy agenda of the governments that conformed to the Washington Consensus. Given that the labour movement had been seriously weakened if not effectively destroyed by the forces of capitalist development, and that these new peasant-based movements displaced the leading role played by organized labour in an earlier period of capitalist development and class struggle, the emergence of these movements appeared to support the notion that the class struggle could no longer credibly be viewed as the dominant agency of social change, the motor force of history.

But this view has been disputed by scholars who note that although these movements were apparently community based rather than class based (i.e. formed on the basis of a shared relationship to production), a salient feature of the new social movements that have dominated and still dominate the political landscape in the twenty-first century is precisely the relation of community members to production, as well as the class nature of their demands for change (i.e. their engagement with the class struggle). Even so, while rejecting or moving beyond a postmodernist conception of the new social movements, these scholars (e.g. Zibechi, 2012) note that the resistance has not taken the form of a class struggle for state power.

The geoeconomics and geopolitics of capital in the new millennium led to new forms of resistance. Whereas hitherto the struggle had been primarily over land or wages, or in mobilizing the resistance against the neoliberal agenda, the resistance now assumed the form of a territorial struggle, a struggle of communities to reclaim their right of access to ‘the commons’² as well as a struggle against the destructive impacts of extractive capitalism – resistance to the destruction of their livelihoods and way of life, the degradation of the environment on which their way of life depends, and the denial of their territorial and human rights (Prada Alcoreza, 2013). In their analysis of these social movement dynamics, Raúl Zibechi and Anthony Bebbington among others argue that the resistance under these conditions does not take the form of a class struggle. Rather, they argue that it takes the form of localized subterranean struggles and everyday resistance (Bebbington, 2009; Bebbington & Bury, 2013; Zibechi, 2012).

The aim of this chapter is to sort out these different interpretations of the dynamics of struggle and to advance the Marxist argument that these contemporary social movement dynamics in fact constitute a form and a new dimension of the broader class struggle (under conditions of capitalist development in a new and changing context). This argument is advanced in the face of studies such as *El Estado ficticio al Estado real (Plurinacional)* by Humberto Echalar Flores (2015), who argues that the new dynamic forces of resistance put to bed the Marxist theory of the class struggle as the motor force of social change as well as the relevance of class analysis of these forces of resistance. As Echalar Flores sees and tells it, the emergence of indigenous peasants on the stage of Latin American history, in the form of social movements and state power in Bolivia and Ecuador (i.e. with the formation of a plurinational (or multiethnic) state) makes clear that neither the working class nor an alliance between workers and peasants, as imagined in the 1960s and 1970s, constitutes what Georg Lukacs – in his interpretation of the thinking of the early Marx – theorized as the ‘identical subject-object of history’. To paraphrase Lukacs, the indigenous communities at the base of the social movements that have emerged in the most recent phase and conditions of capitalist development in the region constitute the new identical-object of history.

We advance this argument as follows. First, we briefly reconstruct the social movement dynamics of the 1990s under conditions of the neoliberal agenda and the post-Washington Consensus regarding the need to bring the state back into the development process. In this context we offer a rather different interpretation of Latin American social movements than that offered by postmodernists in their interpretation of the Zapatista movement (Burbach, 1994; Holloway, 2002). We then reconstruct the circumstances in the new millennium that gave rise to new forces of change and resistance on what could be described as the new frontier of extractive capital. Our argument is that the political dynamics of the resistance movement in this context can best be understood as a new modality of the class struggle (i.e. the ‘communities in struggle’)³ – particularly those that are negatively impacted by the operations of extractive capital – in the agency of their social movements can be understood as a ‘new proletariat’ and a dominant (albeit nonhegemonic) force for change in a progressive direction against both neoliberalism and capitalism.

Phase I: development and the resistance in an era of state-led development

In the context of the system and world order established in the wake of the Second World War, the idea of ‘development’ (and the project of international cooperation) was constructed initially as a means of ensuring that in the process of liberating themselves from the yoke of colonialism and imperialist exploitation, the so-called economically backward countries on the periphery of the system would take a capitalist path towards national development. But in the aftermath of the Cuban Revolution, the development project of international cooperation was rejigged and redesigned so as ensure that the ‘rural poor’ – the proletarian mass of rural landless workers created by the capitalist development of agriculture – would turn away from the armies of national liberation and the movements seeking revolutionary change, essentially to prevent another Cuba and to dampen any fires of revolutionary ferment in the land struggle. The project of *integrated rural development* created for this purpose was the counterpart to the social reforms instituted in the cities and urban centres so as to prevent an upheaval and the rebellion of the working class, whose demands for improved working conditions and wages were advanced in the form of a labour movement but channelled by the state in a reformist direction. By the end of the 1970s, the class struggle for land to all intents and purposes was over and the revolutionary social movements that engaged this struggle were either brought to ground or defeated by a combination of two strategies in the class war launched by capital against labour. One of these involved the idea and project of *development*, a project of technical and financial assistance (integrated rural development) that offered the rural poor a nonconfrontational path towards social change. The other was *repression*, deployment of the state apparatus of armed force (the velvet glove of development deployed in the first instance, and the iron fist of armed force when needed).⁴

The 1980s produced an entirely different context for the capitalist development process and the social movement dynamics on the periphery of the system. First, the installation of a new world order designed to liberate the forces of economic freedom from the regulatory constraints of the development state offset not only the process of revolutionary change but also the liberal social reform agenda, advancing the capitalist development process but arresting and even reversing the slow but steady gains made by the working class and the peasantry via the agency of social movements. Second, the labour movement, the negotiating and organizational capacity of which had been severely weakened by actions taken by the state in concert with capital, was effectively destroyed by the working of forces released in the capitalist development process.

The capitalist development of industry on the periphery was predicated on the exploitation of the mass of surplus rural labour generated by the advance of capital in the countryside as well as a policy of import substitution industrialization. To promote the former, the development agencies of international cooperation encouraged the rural poor to abandon the countryside and seek an improvement in their social condition and their lives by taking one or both of the development pathways out of rural poverty, namely, labour and migration (World Bank,

2008). The problem here was that the institutional mechanism of this development, the labour market, had collapsed under the weight of the forces released in the capitalist development process. The structural reforms mandated under the Washington Consensus regarding the virtues of free-market capitalism – an opening to the world market, privatization of the means of production and economic enterprise, liberation of the flow of investment capital and international trade in goods and services, and deregulation of capital and product markets⁵ – had the unintended but inevitable consequence of destroying built-up forces of production in both agriculture and industry. The result was the virtual disappearance of an industrial proletariat based on the capital-labour relation and the formation of an informal sector in which workers were forced to work ‘on their account’ rather than exchange their labour power against capital for a living wage. Needless to say, this development also further weakened the class power of organized labour and the capacity to mobilize the forces of resistance against the advance of capital in the class struggle.

Phase II: development and the resistance in the neoliberal era

The 1990s once again saw a different, albeit not entirely new, context for the capitalist development process and for the resistance in the form of social movements. On the one hand, the structural reforms implemented under the Washington Consensus led to the rapid advance of capital and a massive inflow of investment capital – a sixfold increase from 1990 to 1997 alone and, according to an analysis made by Saxe-Fernandez and Nuñez (2001), an even more dramatic outflow of capital in the form of profit and returns on investments.⁶ On the other hand, the neoliberal ‘structural reform’ agenda, implemented by governments across the region to the purpose of facilitating these capital inflows and outflows, generated powerful new forces of resistance mobilized by a new generation of social movements rooted in the peasantry, the indigenous communities and a vast semi-proletariat of rural landless workers (Petras & Veltmeyer, 2005, 2009).⁷

The 1990s have been described as the ‘golden age of imperialism’, the leading agencies and agents of the empire having paved the way for a massive invasion of profit, market and resource-seeking capital and the unhindered operations of the bearers of this capital (Petras & Veltmeyer, 2001, 2004). However, the decade could also be described as the ‘golden age of the resistance’ in that the social movements mounted by landless rural workers, peasants and indigenous communities had effectively derailed the neoliberal agenda to the point that, by the end of the decade, neoliberalism as an economic model was in decline and to all intents and purposes was dead.

The irruption of the Zapatistas on the political stage on January 1994, a social movement that has been described as the ‘first postmodern movement in history’ (Burbach, 1994) but that was no more than the rebirth of an army of national liberation brought to ground in the early 1980s, was seen by many as the harbinger of a new wave of anti-systemic social movements. However, the Zapatista Army

of National Liberation (EZLN) was by no means the first nor the most dynamic movement in response to the neoliberal policy agenda. There was, of course, the *Movimento dos Trabalhadores Rurais Sem Terra* (MST), a powerful social movement of 'landless rural workers' (semi-proletarianized peasants) that over the course of the decade occupied and managed to resettle some 370,000 families on some 7.5 million hectares of land – land that they reclaimed through means of what movement leaders describe as 'the broader class struggle' (Stedile, 2008).⁸ But one of the first and most powerful anti-neoliberal social movements in the region was formed by a federation of some twenty-four indigenous nationalities, the Confederation of Indigenous Nationalities of Ecuador (CONAIE). In 1990 CONAIE mobilized the resistance of the indigenous communities against the neoliberal agenda of the Ecuadorian government in the form of an uprising, similar in form to an uprising ten years on that not only halted the neoliberal agenda in its tracks but also resulted in the conquest of state power, albeit for only a few hours (Petras & Veltmeyer, 2005). And these three social movements (the EZLN, the MST and CONAIE) were by no means alone. Similar forces of resistance and social movements were formed in Bolivia, in the form of *los cocaleros*, an organization of former miners and coca-producing peasants led by Evo Morales; and in Paraguay, with the agency of the *Federación Nacional Campesina* (Petras & Veltmeyer, 2005, 2009).

These social movements, all of which are class based in terms of their demands and none of which could be described as postmodern in the sense ascribed by the theorists of the new social movements (i.e. as heterogeneous bearers of a 'new way of doing politics'), dominated the political landscape in the Latin American countryside in the 1990s. However, this dominance – and the limits of what they were able to achieve – has to be contextualized with reference to other dimensions of an ongoing class struggle and other forces and modalities of social change. Truth be told, we can identify three different 'ways of doing politics' at the time – three fundamental modalities of social change. The traditional way of doing politics, to seek social change by taking state power, was to resort to the electoral mechanism of democratic politics, to contest the national and local elections. However, the social movements took and still take a different path towards social change, electing to confront and challenge the political power structure by mobilizing the forces of resistance against it – the 'revolutionary road' towards state power versus the 'parliamentary road' (Petras & Zeitlin, 1968).

The third modality of social change is associated with the development project of international cooperation.⁹ As in the 1960s and 1970s, the architects and practitioners of this project were concerned to provide the 'rural poor' an alternative and less confrontational approach and pathway towards social change than that provided by the social movements. To this end, in the 1990s the World Bank, which, together with the Inter-American Development Bank (IDB), assumed leadership of this project, took action to encourage activists in the indigenous movement (CONAIE, etc.) to turn towards democratic politics and the electoral mechanism in regards to their politics and 'development' (small-scale, community-based projects) to advance their demand for social change – for an improvement in their

social condition. As a result, by mid-decade Antonio Vargas, who had been the leader of CONAIE at the time of the 1990 uprising, had been transformed into the CEO of one of the largest and well-funded non-governmental organizations (NGOs) in Latin America.¹⁰ At the same time, some CONAIE activists and leaders had formed a political party, *Pachakutik*, that would allow the indigenous communities to contest both local elections and the national election. In practice, however, the formation of a political instrument with which to contest elections in a system of liberal-democratic politics served to divide the movement and disperse the forces of resistance that CONAIE had organized and mobilized in various earlier conjunctures.

Bolivia underwent a similar development with the formation of the *Movimiento al Socialismo* (MAS), which served the social movements constructed on the base of the indigenous communities as a political instrument for contesting elections. However, Ecuador provides a model case of how to divide and demobilize a social movement by diverting resources and energy away from a strategy of social mobilization towards a strategy of contesting elections and relying on a strategy of local development – to bring about social change in their lives at the local level without confronting and challenging state power by mobilizing the forces of resistance. As for CONAIE as a social movement, it was subsequently divided in three different directions, and by the end of the decade it was but a shadow of what it once was (the most powerful social movement in Latin America, able to successfully challenge state power and the government's neoliberal policy agenda).

There can be little to no doubt that the strategy of ethnodevelopment, and the politics of local development with the agency of development NGOs that were enlisted by the donors and the agencies of international cooperation to assist them in their project, were designed and tailored to the purpose of demobilizing the social movements – to turn towards a nonconfrontational development project approach to social change. There is also no doubt that a large part of the Left at the time bought into the strategy pursued by the World Bank and other agencies of international cooperation – or were unwitting accomplices (see, for example, Bebbington, Hickey & Mitlin, 2008). The thinking was as follows: the internecine divisive and sectoral politics of the traditional Left led to a widespread rejection within the popular movement of the old ways of doing politics via the agency of political parties. This rejection was encapsulated in the cry in the midst of a revolutionary struggle by *los piqueteros* in the streets of Buenos Aires – '*Que se Vayan todos!*' – and the need (articulated clearly by Comandante Marcos) for a different more indigenous way of doing politics, including 'to lead by following'. In support of this quest for a new politics, parts of the Left turned away from both the social movements (support of their mobilizations) and democratic politics. This new social left had materialized in the form of NGO activism – mediating between donor and the communities in the belief that they were assisting the communities rather than the donors in realizing their strategic goal and objectives (Petras & Veltmeyer, 2001). Even in the 1990s when CONAIE held a dominant position in social movement organizing, the leadership bought into this ideology, staking out a centre-left position generally associated with the NGOs. The same

was true for Bolivia, where Morales on achieving state power with the support of the social movements enlisted for his cabinet a significant number of individuals – many of them women, even before his government adopted a policy of gender parity – not from the social movements but from the NGO sector.

These three modalities of social change – electoral politics, social mobilization and local development¹¹ – do not always play out the same way. In Ecuador, for example, pursuit of a state-led development strategy with international cooperation and social/popular participation led to a weakening and the demobilization of what had been a powerful social movement with a notable capacity to mobilize the forces of resistance. The end result was a failure to achieve state power – to tread either the parliamentary or revolutionary road to state power. In Bolivia, however, the three modalities of social change were effectively combined in various conjunctures of a process that would lead to the ascension of Evo Morales to state power as leader of an indigenous social movement and as leader of what is described as a political movement but functions as a party – not to mobilize the resistance but to contest the elections (in this case, successfully) (Webber, 2005, 2006). In effect, Morales achieved state power by using the electoral mechanism and the party apparatus, but he did so with the active support and on the social base of the social movements, both the indigenous movement and a part of the labour movement. This electoral strategy would never have worked were it not for the active mobilization of the indigenous communities and the working class brought about by the agency of what in effect was a revolutionary social movement. In fact, in stepping away from the heat of the class struggle at a crucial juncture of the revolutionary situation in pursuit of his electoral strategy Morales almost lost control of the movement and thus his election to the presidency.

Phase III: development and the resistance in the new millennium

The new millennium once again provided conditions for launching a new phase of capitalist development and a corresponding change in both the relations production and the dynamics of the class struggle. At issue here was the emergence of a progressive cycle in Latin American politics – a pink and red tide of left-leaning ‘progressive regimes’ committed to moving beyond neoliberalism (Grugel & Riggirozzi, 2012; Levitsky & Roberts, 2011; MacDonald & Ruckert, 2009). Although there is a continuing debate on this question of regime change, it would appear to be the result of a number of changing conditions. One was the widespread disenchantment with and rejection of neoliberalism, which can be attributed to the activism of the social movements formed in the 1990s in the resistance against the policies pursued by the neoliberal regimes in the 1990s in a second cycle of ‘structural reforms’ (Petras & Veltmeyer, 2013). Another was the formation of a new consensus on the need to bring the state back into the development process and bring about a more inclusive form of development (Infante & Sunkel, 2009). A third ‘development’ related to changes in the world capitalist system and global economy: the ascension of China as an economic power and an associated

spurt in the demand for energy and natural resources to fuel the expanding economies and ‘emerging markets’ of China and the BRICs.

One of several outcomes of these changing conditions was the emergence and formation of what some analysts conceptualized as a post-neoliberal state, with reference to the ‘inclusionary state activism’ of the ‘progressive’ (centre-left) political regimes formed in this conjuncture of the capitalist development process (Barrett, Chavez & Rodríguez, 2008; Fine & Jomo, 2006). A second outcome was a heated and as yet unsettled debate regarding the pros and cons of several economic models: the *neoliberal* model promoted by the United States and the guardians of the new world order and used by the governments in Mexico, Colombia, Peru and undoubtedly by Argentina after Macri’s rise to state power; the *neodevelopmentalist* model used until 2016 as a guide to macroeconomic development policy in Argentina, Brazil, Chile and Uruguay; the *Vivir Bien* or *Bien Vivir* model used to frame a strategy of national development and as a guide to policy by the current governments of Bolivia and Ecuador; and the model of *twenty-first-century socialism* constructed by Hugo Chávez and still pursued – albeit in conditions of a vicious class struggle – by the Maduro regime in the Bolivarian Republic of Venezuela.

Not only is the Maduro regime in crisis and beset by forces released in an ongoing class struggle, but each of these development models and associated political projects in their own way are immersed in crisis (Petras & Veltmeyer, 2017). One of the conditions of this crisis is the pursuit of so many governments in the region (mostly in South America, as it happens) of an extractivist strategy of natural resource development and the export of these resources in primary commodity form (Gudynas, 2009). All of the governments mentioned above, no matter the policy regime (neoliberal or post-neoliberal), have elected to incorporate extractivism – natural resource extraction and primary commodity exports – into their national development plan, fomenting a heated theoretical and political debate but pushing each government into a crisis.

The implementation by various governments of extractivist model of national development – extractivism or new extractivism, as the case might be – have generated conditions of a profound political crisis (and the apparent end of a progressive cycle in Latin American politics).¹² It has also led to an extended policy and theoretical debate on the contradictions and pitfalls of extractivism, particularly as regards its negative socioenvironmental impacts but also what economists have described as a ‘resource curse’ (Acosta, 2009, 2011; Auty, 1993), not to mention the concentration of benefits of resource-led growth together with enormous social economic and environment costs.

In the vortex of the debates and the political conflicts that surround extractivism, some peasant and indigenous movements have not only engaged the resulting political conflicts and a class struggle over access to the commons, but they have joined the theoretical and political debate regarding projects of alternative development, or alternatives to development (Abya Yala, 2009).

Many of the organizations in these movements have coalesced and formed an alliance to the purpose of sharing experiences and ideas. In the case of Via

Campesina, an international movement of ‘peasants’ (basically small-landowning cooperative and family farmers committed to an anti-capitalist, non-corporate model of agricultural development), as well as Via Campesina Brazil, a key player in Via Campesina, these ideas have crystallized into a vision and model of a sustainable form of agriculture based on the virtues of small-scale production for local markets and the principles of an agro-ecological revolution that has swept across academe – agro-ecology as part of a broader program of agrarian reform (Robles & Veltmeyer, 2015; Via Campesina-Brazil, 2008, 2012).¹³ These peasant movements, together with the continental alliance of indigenous communities and social movements – Latin America in Movement (ALAI), are all but united in their opposition to the corporate agribusiness model and the capitalist global food regime (Abya Yala, 2009).

The resistance on the expanding frontier of extractive capital

A class struggle over access to the commons (land and natural resources) and associated conflicts has been part of Latin America for a long time, a fundamental legacy of the capitalist development process, which at the beginning involves the resistance and the struggle of communities against conditions conceptualized by David Harvey (2003) in terms of a process of ‘accumulation by dispossession’. This is the separation of the direct producers from the land and their means of production, and a resulting proletarianization (conversion of a peasantry into a proletariat and a working class of some sort or the other). In these terms, the capitalist development of the forces of production in the agricultural sector and the corresponding process of productive and social transformation are advanced in two ways: first, by exploiting the mass (and, according to Sir Arthur Lewis, the ‘unlimited supply’) of surplus rural labour generated by the transition towards capitalism; second (according to Ruy Mauro Marini),¹⁴ by means of ‘superexploitation’ – remunerating or ‘rewarding’ labour (working class and the small-landholding direct producers on the periphery of the system) at below its cost of production. This is the fundamental form taken by capitalism, namely, the exploitation of labour. However, capitalism also takes another form: extractivism – the extraction of natural capital, the wealth of natural resources bound up in land – and the transfer of these resources from the periphery to the centre of the system. This is the dominant form taken by capitalism in Latin America prior to the twentieth century (Girvan, 2014).

Capitalism in the form of natural resource extraction is bound up with the beginnings of the world capitalist system in the fifteenth century. However, in recent decades – with the massive inflows of ‘resource-seeking’ capital in the form of FDI (what we might describe as the ‘new geoeconomics of capital’) – there has been a pronounced shift towards extractivism as a development strategy, the second pillar of the new development model used by many governments, and, as an adjunct to this strategy, towards a ‘(re)primarization of exports’ (Cypher, 2012).

This ‘development’ is reflected in the increased use of land-grabbing (‘large-scale foreign investments in the acquisition of land’), commodification

(via privatization of the means of production and access to natural resources such as water), concessions to explore and extract metals and minerals, violation of territorial rights and environmental degradation as mechanisms of ‘accumulation by dispossession’ – the accumulation of extractive capital – what some analysts have conceptualized as a new way of ‘enclosing the commons’ (Spronk & Webber, 2007).

Under these conditions, both the resistance and the class struggle have necessarily assumed new forms, as have the social movements that can best be understood as an expression of the class struggle in the current conjuncture of capitalist development.

There is a burgeoning literature that analyzes the emergence of socioenvironmental conflicts related to the extractive sector – to the negative impacts of extractivism on both the environment and rural livelihoods and thus the sustainability of an indigenous culture and an entire way of life environment. This literature can be placed into four categories. First, there are those studies that explore the sociopolitical and cultural implications of such conflicts for development policies and processes (Tetreault, 2014; Collier & Venables, 2011).

A second set of studies stresses the implications of these conflicts on state-building processes as part of shifting interrelations between social movements, corporations and states (Bebbington, 2009). A third set of studies explores the negative socioenvironmental impacts of extractivism and the political responses of local communities directly affected by them, which is to demand respect for their territorial and human rights and the accountability of powerful state and corporate interests for undermining their sources of livelihood (Polischuk, 2016; Saguier, 2014; Tetreault, 2014). As Martinez-Alier (2003) sees it, conflicts emerge when there are asymmetric expectations and understandings concerning the economic, ecological, social and cultural value of different resource-sensitive projects. A fourth, small group of studies has begun to explore the regional and international dimensions of extractivism and related socioenvironmental conflicts (Collier & Venables, 2011; Tetreault, 2014; Veltmeyer & Petras, 2014).

Another set of studies and approaches, one used in the mainstream of development thinking and practice, focuses on how these conflicts can be managed (Collier & Venables, 2011). From this conflict resolution or resource management perspective, the problems associated with the political economy of natural resource extraction are not systemic or endemic but can be ‘managed’, while the negative impacts and associated social and environmental costs can be mitigated. Resource conflict management, it is argued, is a matter of ‘corporate social responsibility’ and ‘good governance’, which includes engagement of the communities and even ‘civil society’ in the process of securing a ‘social license’ to operate (explore and extract), in addition to a government-issued concession to explore for resources and a license to operate.

In addition to and in contrast to these studies, a number of scholars have begun to explore the social class dynamics of these socioenvironmental movements that have sprung up on the latest frontier of capitalist development (Veltmeyer & Petras, 2014). From this class struggle perspective, extractivism represents the

emergence of a new form of rentier capitalism based on the pillage of natural resources rather than the more customary exploitation of labour. It can also be seen as a new form of imperialism which, according to Girvan (2014: 49–61), has always involved pillage in the historical context of the Americas.

The class struggle and social movement dynamics of the resistance

A class analysis of these socioenvironmental conflicts concerns three issues, and each is a matter of debate. The first has to do with the social base of these social movements, establishing the social relation of community members to the system of economic production. The second concerns the matter of understanding the relationship of the communities affected by the operations of extractive capital with both the state and with the companies involved, as well as the relationship of capital to the state. A third issue, which is not explored here, concerns the political dynamics of the broader class struggle.

In regard to the first issue, the prevailing view is to see community members as a proletariat, the latest victims of the capitalist development process in which the direct producers are separated from their means of production as a mechanism of capital accumulation – ‘accumulation by dispossession’, as Harvey (2003) has it. In the classical context analyzed by Marx, the mechanism of accumulation – the generation of a proletariat, or a class for hire, and with it a reserve army of surplus labour – involved the enclosure of the commons needed by the communities of small-scale direct producers, or peasant farmers, to subsist. In the contemporary context, analysts have established two mechanisms of dispossession: one is large-scale foreign investment in the acquisition of land, or ‘land-grabbing’ (Borras, Franco, Gomez, Kay & Spoor, 2012); the other is enclosure of the commons by means of a public policy of privatization and commodification, converting natural resources into the means of production and productive resources or assets.

Extractivism in the current context has taken and is taking diverse forms, including ‘land-grabbing’:¹⁵ large-scale foreign investments in the acquisition of land with the aim of securing access to natural resources for extraction and sale on the world market. Although it has not generated significant forces of resistance or any social movements, it has resulted in a relation and condition of conflict with the local communities which are pressured to abandon the land either by the local agents of the foreign or local investors or by legislative or administrative fiat.

A second dimension of the class struggle on the expanding frontier of capitalism is the relation of the communities negatively impacted by the mining of minerals and metals, and by the commodification and extraction of water and other resources, to the companies in the extractive industry and to the state. The relation of the communities to these companies is one of economic exploitation and political conflict. However, their relation to the state, or the role of the state in this struggle, is a different matter and very much at issue. By a number of accounts (see, e.g., the case studies in Veltmeyer & Petras, 2014), because of a coincidence of economic interest (resource rents and additional fiscal resources

for the government, superprofit for the companies), the state tends to side with the companies in their relation of conflict with the communities negatively affected by the operations of extractive capital.

A revealing example of this is Peru under President Ollanta Humala, who came to power in June 2011 with a promise to support local communities against the mining companies (on a platform of ‘water before gold’). However, when open and violent protests erupted between the Canadian mining company Minera Afrodita and the Awajun indigenous communities in the town of Bagua, the armed forces under Humala’s watch turned against the protesters, resulting in thirty-three deaths, two hundred wounded and eighty-three detentions. This event, on 29 June 2013, was the last episode in a long line of protests led by the Awajun to oppose the concessions of exploration and exploitation rights to Afrodita in an area located in the Cordillera del Condor region, where there has been a long-standing controversy between the government, indigenous communities and the company (IWGIA, 2010).

The main ‘actors’ involved in this ‘politics of resistance’ against the incursions of capital in the exploitation of natural resources – and the Minera Afrodita–Awajun struggle is but one of many such struggles all across the region – are the predominantly indigenous communities that populate the areas ceded by the different governments (be they neoliberal or post-neoliberal in form) to the foreign mining companies for the exploration and exploitation of natural resources in their territorial lands. But they also include an array of civil society groups and NGOs that have been drawn into the conflict between global capital and local communities. And the forces of resistance to extractive capitalism and resource imperialism also include new social movements formed to protest against the damage caused by resource extraction to the environment, and against its effects on the health and livelihoods of the local population and the miners themselves, who face life-threatening working conditions and health concerns. In other words, many of these movements are mounted by those negatively affected by the impacts of resource extraction and mining operations (e.g. *Red Mexicana de Afectados por la Minería* and the *Confederación Nacional de Comunidades del Perú Afectadas por la Minería* [CONACAMI]).

The social classes and actors who engage these forces of resistance frequently use tactics such as marches and demonstrations, road and access blockades and other forms of direct collective action to impede mining operations. According to a forum of people, communities and groups affected by the operations of mining capital, the exploitation of the region’s mineral resources in 2009 had reached levels never before experienced (FPIMCCBV, 2010). Of particular concern was the Amazon region, where abundant deposits of gold, bauxite, precious stones, manganese, uranium and other materials are coveted by the companies operating in the mining sector.

Another concern was the perceived connection between the MNCs in the sector and a host of foundations and NGOs with an alleged humanitarian or religious concern for the environment and the livelihoods of indigenous peoples and communities. In this connection, Eddy Gómez Abreu, president of the *Parlamento*

Amazónico Internacional, declared that they had ‘incontrovertible evidence of these multinationals and foundations, under the cover of supposed ecological, religious or humanitarian concerns, collaborat[ing] in the effort to extract . . . strategic minerals’, as well as espionage and illegal medical experiments on the indigenous population (Sena-Fobomade, 2011). In effect, he alleged that the mining companies regularly used foundations and other NGOs as one of their tactics to secure the consent of the local population to their projects and operations, and to manipulate them. If this is true, these foundations and the NGOs continue to serve in the tradition (and sordid history) of the European missionaries in their mission to help the indigenous population to adjust to their new world.

Conclusion

In the pre-neoliberal era, the resistance and the popular movements in Latin America were primarily concerned with demands related to the land struggle and the labour struggle for improved wages and working conditions. But in the 1990s the popular movement, with the agency of peasant-based social organizations and indigenous communities, mobilized against the state in the form of the neoliberal policies of the governing regimes. By the end of the decade, some of these movements, led by semi-proletarianized indigenous peasant farmers and rural landless workers (e.g. in Ecuador, Chiapas, Brazil and Bolivia) had achieved one major gain in the struggle, which was to place the existing neoliberal regimes on the defensive and provoke a legitimization crisis regarding the economic model used by most governments to make public policy.

By the turn of the twenty-first century, this model (neoliberal globalization) was effectively dead, no longer able to serve its legitimating function or as a template for public policy. The social movements, organized by what remained of the peasantry as well as the mass of rural landless workers and the indigenous communities, had played an important role in advancing the class struggle – in creating the conditions for regime change and a new progressive cycle in Latin American politics. Thus the road to state power by the political left in the first decade of the new century was paved by the activism of the social movements in their resistance against the neoliberal policy agenda.

However, the role played by the social movements in the next and current phase of the class struggle is not so clear. On the one hand, the collective organized protests against the destructive operations of extractive capital engaged and mobilized the forces of resistance not just against the policy agenda of the governing regimes, but to some extent turned them against the operative capitalist system. Thus the so-called politics of natural resource extraction has turned out to be not merely a matter of better resource management, a post-neoliberal regulatory regime, a more socially inclusive development strategy or a new form of governance – securing the participation of local communities and stakeholders in the strategic decisions of policymakers. The opposition to, and resistance against, the neoliberal policy agenda took form not only in the search for an alternative form of (capitalist) development but as a rejection of the underlying

system – ‘post-development’, one might argue (Gudynas, 2017).¹⁶ On the other hand, the new social movements formed in recent decades on the frontier of extractive capital in the Latin American countryside have not been able to engage with the broader class struggle, consigning themselves to historical irrelevance in the ongoing process of social change and transformative development.

The anti-extractivist protesters and the resistance of those negatively impacted by the destructive operations of extractive capital – as for example, in the Mexican context, the *Asamblea Nacional de Afectados Ambientales* (ANAA) – have garnered international activist (and academic) recognition as part of a global environmental justice movement (rather than as a class struggle). But, just like the officials and functionaries of the neoliberal regimes found up and down the Pacific Coast from Chile to Mexico (excluding Ecuador), officials of the post-neoliberal regimes formed in the recent ‘progressive cycle’ of Latin American politics do not embrace these protesters and critics. Indeed, like Rafael Correa, president of a country that has gone so far as to embed the post-development concept of *Buen Vivir* in the Ecuadorian Constitution, in a coincidence of economic interest with global capital has branded the leaders of the socioenvironmental (anti-extractive) movements as criminals and terrorists who are prepared to put the environment ahead of the country’s poor and its development. Dismissing or criminalizing these anti-extractivist social movement activists and their supporters in the international and NGO community – or, in the case of Alvaro García Linera, Bolivia’s vice president, viewing them as stooges of US imperialism or outside interests – the agents and officials of the regimes formed in what remains of the ‘progressive cycle’ have denounced them as provocateurs or environmental terrorists (FIDH, 2015).¹⁷ Thus the politics of resistance against natural resource extraction, and the social movements formed in this resistance, resolve into a particular dimension of the broader class struggle: combatting the workings of capitalism and mobilizing the forces of resistance located in the indigenous communities of semi-proletarianized peasant farmers.

This is one conclusion that can be drawn from our review of social movement dynamics in the current context: that these socioenvironmental movements are in the vanguard of the resistance. But another conclusion is that these movements do not fundamentally challenge the power structure, the ruling class or the underlying system. As argued by Raul Zibechi (2012) and other theorists of the new social movements formed on the frontier of extractive capital, these movements are not anti-systemic; the social and political struggles that they convey tend to be episodic and localized and are not revolutionary in any way. They are disconnected from the main arena of the class struggle, which revolves around the capital-labour relation and the politics of regime change. With the exception of Bolivia, where it could be argued that the indigenous social movements played a crucial role in Evo Morales’s ascent to state power, the social movements in the current context of Latin American politics are not positioned, nor do they have the power, to challenge the guardians of the dominant capitalist system. For this we have to await the resurgence of the labour movement and a much-needed reconstruction of the political Left.

Notes

- 1 The concept of 'civil society' was formulated in the 1980s in the context of a movement to democratize the state and society relation. Here civil society, in the form of non-governmental development organizations, was conceived of as an intermediary, a partner in the project of international cooperation – 'social participation', in development discourse (versus 'political participation' in democratic discourse). In the field of international development, however, it did not enter into the discourse until the 1990s in the context of a United Nations project designed to incorporate the 'private sector' of profit-seeking corporations into the development process (Mitlin, 1998). In the 1980s, 'civil society' as a separate sphere, encompassing all manner of non-governmental or social organizations between the family and the state, was conceptualized as a 'third sector' (neither public nor private).
- 2 The concept of 'the commons' has various points of reference, including the notion of a territorially defined space where community members through their collective actions can preserve the integrity of the environment and thus the sustainability of their livelihoods and way of life. More generally, the idea of the global commons relates to the notion of cultural and natural resources accessible to all members of a society, including natural materials such as air, water, and a habitable earth. A study by sociologists Laval and Dardot (2015) defines the 'commons' (*el común*) in similar terms as a social space where participants or inhabitants through their collective actions and autonomy can preserve the environment and the integrity of the community from the depredations of capitalism and construct their own alternative future in a sustainable fashion. This conception of 'the commons' resembles that of Bollier and colleagues (Bollier, 2014; Bollier & Silke, 2012; Caffentzis & Federici, 2013), who describe the 'commons' as a 'template for transformation', a 'world beyond market and state' (i.e. capitalism). In this chapter, however, 'the commons' is understood and used in the way that Marx did, as an economic and social space where communities of producers and workers could access the resources needed for subsistence and to sustain their diverse economic activities. The 'enclosure of the commons' in this sense implies denying access of the community to the land, water and other resources needed for the subsistence of community members, including forest resources and wildlife – and in the contemporary context of extractive capitalism – sub-soil resources such as minerals and metals, access to which can be conceded to MNCs for the purpose of exploration and extraction.
- 3 The problem with this notion of 'communities in struggle' – and it is a fundamental problem – is the notion of 'community', namely the implicit (or sometimes explicit) assumption that people in a defined geographic space share not only a territory or locality but also a culture of solidarity that allows them to act collectively in the common interest. As argued by O'Malley (2001) among others – even promoters of a strategy of local development (e.g. Durston, 1998) – this notion more often than not flies in the face of reality. In many cases, communities so defined or idealized (as sharing not only a geographic space but a culture of solidarity) do not actually exist; in actuality many of these so-called communities are class divided and unable to collect collectively. To constitute these communities as 'political actors' or collective agents, as so many scholars in the postmodernist camp do, is a rather romantic and idealized notion with rather limited or dubious utility in social scientific analysis.
- 4 On the dynamics of this struggle, and an analysis of development as imperialism (a soft power strategy to ensure the advance of capital and to obviate the need to resort to a hard power of military force), see Veltmeyer (2005).
- 5 On the policy dynamics of these 'structural reforms', see, inter alia, Petras and Veltmeyer (2001).
- 6 Saxe-Fernandez and Nuñez (2001) calculated that the expanded inflows of capital over the decade functioned as a species of siphon to transfer to the 'centre' of the system up

- to USD 100 billion – a massive pool of capital that was undoubtedly used to advance the process of capitalist development in the centre of the system.
- 7 On the formation of this semi-proletariat, which provided capital (in the words of the economist Arthur Lewis) with ‘unlimited supply of surplus labour’, see Delgado Wise and Veltmeyer (2016).
 - 8 Since its inception in 1984, the MST has led more than 2,500 land occupations, settling about 370,000 families on 7.5 million hectares of land won as a result of the occupations. Through their organizing drives the MST has created and continued to push for schools, credit for agricultural production and cooperatives and access to health-care. Currently, there are approximately nine hundred encampments holding 150,000 landless families. Those camped (*asentados*), as well as those already settled, remain mobilized, ready to join the class struggle and fight for the realization of their political, social, economic, environmental and cultural rights.
 - 9 Development can be understood in two ways, first in structural terms as a *process* (as in capitalist development of the forces of production), and second in strategic terms as a *project* (actions taken and programs designed in function of a strategy).
 - 10 Vargas represented the indigenous nationalities in the Amazonian region of Ecuador, which had been thoroughly penetrated by the evangelical churches, and because their interests were tied more to territorial autonomy and ethnic cultural identity than the land, it was not too difficult for World Bank officials to turn him away from the confrontational politics of the class and land struggle towards their ethnodevelopment strategy and local micro-project development approach to ‘change’. Vargas now heads PRODEPINE, an NGO that is well financed by the World Bank with a large staff that operates in the localities and communities of the rural indigenous poor so as to build on the social capital of the poor rather than mobilize the forces of resistance.
 - 11 There is another modality of social change, which is to eschew electoral politics and bring together social mobilization and local development from below. This idea echoes the view advanced by Bollier (2014) and Caffentzis and Federici (2013), and will be briefly discussed below.
 - 12 On the policy and political dynamics of this progressive cycle, see Katz (2016), Gaudichaud (2012) and Petras and Veltmeyer (2017).
 - 13 ‘The MST and Via Campesina have developed a common understanding, a common reading, of the historical evolution of capitalism in Brazil. We had four centuries of what might be called the “agro-export model”, which was inaugurated by colonial capitalism. Industrial capitalism was not really implanted until 1930 [as] a model of dependent industrialization, because it was so highly dependent on foreign capital’ (Stedile, 2008: 193).
 - 14 Marini (1974) was one of the few exponents of ‘dependency theory’ who explained the dynamics of uneven capitalist development in terms of a Marxist theory of labour exploitation. He argued that development in the centre of the world system was based on ‘super-exploitation’, that is, remunerating the labour of workers and producers in peripheral social formations not at its value (exploitation) but below its value (superexploitation). He also elaborated a theory of class struggle and the resistance to the super-exploitation of workers and peasants in the form and with the agency of revolutionary social movements.
 - 15 ‘Land-grabbing’ makes reference to what the Food and Agriculture Organization of the United Nations (FAO) terms ‘large-scale investments in the acquisition of land’. This phenomenon has expanded dramatically both in Latin America and elsewhere in the context of what might be described as ‘agro-extractivism’.
 - 16 Post-development, as Gudynas understands it (i.e. with reference to the indigenous concept of *Vivir Bien* (Bolivia) or *Buen Vivir* (Ecuador): to live in social solidarity and harmony with nature), is anti-systemic (constructed within a ‘non-capitalist paradigm’) but is as opposed to socialism and any form of ‘structuralism’ as it is to capitalism.

- 17 The opposition of the most 'progressive' post-neoliberal regimes in the region, namely Bolivia and Ecuador, to the forces of resistance on the extractive frontier is a function of the regimes' dependence on extractive capital, a dependence that has led these regimes to side with capital (the MNCs in the extractive sector) in their relation of conflict with the communities that are negatively impacted by their extractive operations. On this, see Veltmeyer and Petras (2014).

5 Development from below

Constructing a social and solidarity economy

Many people and groups in Mexico and across Latin America today are organizing alternative ways of assuring their livelihood and that of their communities. There are numerous examples of people in both urban and rural areas promoting local activities and organizing cooperative and markets for local exchanges (through barter or use of local currencies or national monies) within and among communities. But as David Barkin (2016) has emphasized and documented, in most of Latin America these alternative strategies are emerging predominantly among peasants and indigenous groups, organized collectively in rural areas and forging social economies that reflect a commitment to a variety of models of social, solidarity and what Barkin (2013) terms ‘ecological economics from below’ (SSEE).¹ The proliferation of these initiatives, he argues, reflects a recognition of the importance of human development and the relationship of socio-economic processes with the environment, a relationship that is captured in the indigenous concept of *Buen Vivir* (or *Vivir Bien*) – to ‘live well’ in social solidarity and harmony with nature (Acosta, 2012; Gudynas, 2013, 2014).

In all of these diverse collective actions and experiments, there are two fundamentally different conceptions of a social and solidarity economy: one is advanced as part of a strategy to manage the complex dynamics of urban and rural development, and the other as part of a grassroots and social movement strategy for confronting what the Zapatistas term ‘the capitalist hydra’ and finding alternatives that offer more opportunities and a better quality of life than offered by today’s capitalist economy. The idea here is that the various strategies devised by the international organizations and forces involved in the project of international cooperation and development, including a strategy of community-based local development based on the ‘empowerment of the poor’ (mobilizing their social capital for self-development, to have them ‘own’ their own development), are designed as mechanisms of adjustment that are functional for the continuation of capitalism. From a leftist perspective, however, this strategy can well be seen as a neoliberal ploy to defend the system from the forces of resistance and subversion mobilized by the anti-capitalist movement.

The argument of this chapter is that the apparent vibrancy of the manifest efforts across the region to construct a social and solidarity economy derives from the fact that a social and solidarity economy is functional for both capitalism and

the anti-capitalist movement. In effect, it is not a question of which interpretation is superior or better able to explain the dynamics involved in the construction of a social and solidarity economy. The two theoretical perspectives involved, while seemingly in conflict, do in fact converge; they can be seen as complementary, responding to *both* the concerns of the guardians of the system and the demands of the anti-capitalist movement.

The chapter is organized as follows. First, we briefly reconstruct what we term the neoliberal pivot of the social economy regarding diverse efforts to construct a social economy within the local spaces created by collective actions taken by what are described in development discourse as the ‘rural poor’ and by governments in pursuit of a neoliberal policy agenda. Second, we reconstruct the history of cooperativism in the region, relating it to both the capitalist development process and diverse experiences with workers’ self-management and subsequent efforts to construct a social economy. In the third part of the chapter, we situate the concept and various projects of a social and solidarity economy within a strategy of community-based local development. As we see it, there two major theoretical perspectives on this strategy as well as diverse practices. We end the chapter with a brief discussion of the project of a social and solidarity economy under construction in Venezuela within the institutional and policy framework of the Bolivarian Revolution. This is not to romanticize or laud its achievement (the process is fraught with obstacles) but to show that the project of a social and solidarity economy can be constructed from above as well as below.

The neoliberal pivot of the social economy

The 1980s opened with a conservative counterrevolution, a movement to halt the incremental but steady gains made in earlier decades by the working class under the aegis and within the social liberal reform framework of the development-welfare state.² At the beginning of the 1980s, both the organized labour movement and the struggle for land in the countryside – the latter in the form of diverse armies of national liberation – had been defeated by a combination of state repression and a strategy of integrated rural development designed to turn the rural poor – the masses of dispossessed peasant families forced by the capitalist development of agriculture to abandon their rural livelihoods and communities in the countryside – away from the confrontational politics of the social movements seeking revolutionary change (Delgado Wise & Veltmeyer, 2016). This defeat, together with the dynamics of an accumulated and expanding external debt, created conditions that allowed the World Bank and the International Monetary Fund (IMF), the major operating agencies and guardians of the system, to impose on governments in the region a program of structural adjustments to their macro-economic policies, initiating what David Harvey among others have dubbed the ‘neoliberal era’.

A major aim and the stated goal of the neoliberal policy reform agenda – namely, the privatization of economic enterprise, the deregulation of the markets, the liberalization of trade and the flow of investment capital and the decentralization

of government administration – was to liberate the so-called forces of economic freedom from the regulatory constraints of the welfare-development state. The immediate outcome of these structural reforms, not to mention an extended process of decapitalization associated with the obligatory use of export revenues to service the accumulated external debt,³ have been extensively studied: an advance of capital in both the cities and the countryside resulted in the destruction of productive forces in both agriculture and industry and a virtual collapse and involution of the labour market, which forced the growing mass of rural migrants to work ‘on their own account’ on the streets rather than exchange their labour against capital for a living wage. Some economists and sociologists at the Programa Regional del Empleo para América Latina y el Caribe (PREALC) and the Economic Commission for Latin America and the Caribbean (ECLAC) estimated that in the vortex of these forces up to 80 percent of new jobs generated in the 1980s were formed in what was termed the ‘informal sector’ (Portes & Benton, 1987; Klein & Tokman, 1988; Tokman, 1991).

But a number of theorists and analysts in the development community (i.e. those associated with the project of international cooperation in the war against global poverty) focused their concern and attention not on these and structural changes but rather on the deterioration of the social condition of people in the urban centres, many of whom had replaced rural poverty with a new form of poverty (the ‘new poor’, as statisticians named them). The diagnosis of what the turn into the new world order had brought about – a deepening of social inequalities and increased poverty (from 40 to 44 percent in the 1980s) – was reflected in the phrase ‘a decade lost to development’.

What was almost entirely lost in diverse theoretical reflections on this process – the advance of capital and the retreat of the state – was the strategic and political response of the urban poor.⁴ This response took two forms. One was the formation of soup kitchens and other such collective actions and solidarity organizations to assist the poor in coping with the forces of capitalist development and surviving in the new conditions (Petras & Leiva, 1994). This response, which in some cases led to the formation of a vibrant social economy within the expanding cities of slums on the Latin American periphery – to cite a study by Mike Davis (2006) – was particularly advanced in Chile and Peru, as well as Mexico, where an earthquake measuring 8.0 on the Richter scale resulted in at least 10,000 deaths,⁵ and had a dramatic impact on the proliferation of non-governmental organizations (NGOs) stepping into the breach of a retreating state and the construction of a social economy based on self-help, mutual support and social solidarity.

Construction of a social economy based on relations of social solidarity⁶ and the emergence and mushrooming growth of ‘civil society’ based on an associational type of NGO resulted from a convergence of diverse forces. But this was only one of several responses to these forces and changing conditions. Another was widespread protest and resistance. At first, in the late 1970s and much of the 1980s, these protests and this resistance against the neoliberal reform agenda – in the form of what were then dubbed ‘IMF protests’ – was spontaneous and unorganized (Walton & Ragin, 1990).⁷ At the time, the primary target of these

protests were IMF-dictated austerity measures including cuts in government spending and the removal of subsidies on public services and utilities that raised the cost of transportation, fuel, electricity, water, food and so forth beyond the reach of the urban poor.⁸ However, in the 1990s the resistance, which was increasingly directed against the World Bank's neoliberal agenda of structural reform rather than the IMF's austerity measures, became more organized. The agency and agents of this resistance were new social movements formed in the countryside by the peasantry, the rural landless or semi-proletarianized workers and the indigenous communities (Petras & Veltmeyer, 2009). This new wave of organized social movements against the advance of capital and the government's neoliberal policy agenda began in Ecuador with an uprising in 1990 orchestrated by CONAIE – a confederation of more than several dozen indigenous nationalities (Petras & Veltmeyer, 2013).

With the irruption of CONAIE and other such peasant and indigenous movements across the region – most notably the EZLN (the Zapatista Army of National Liberation)⁹ – the 1990s were dubbed by some as a 'golden age' of resistance, with reference to the power of these movements to halt the neoliberal policy reform agenda in its tracks and place neoliberalism on the defensive – so much so as to bring about its eventual demise. By the end of the decade, the neoliberal agenda was effectively dead in the water, leading to a tide of regime change – the emergence of a progressive cycle in Latin American politics that can be traced back to the activism of the peasant social movements in the 1990s (Petras & Veltmeyer, 2013).

The social economy and the cooperative movement

In the Latin American context, the construction of a social economy has been closely associated with the cooperative movement, which can be traced back to the early years of the twentieth century and even further back in some cases (Fabra Ribas, 1943),¹⁰ although it did not begin to take shape and exercise a positive influence on national life until the early 1930s with the Mexican Revolution. The Mexican Revolution led to a major surge in the cooperative movement as well as unionism, which left its mark on the cooperative movement.¹¹ This history of cooperativism and unionism, which took different forms in different countries, also includes dynamics of local development and diverse experiments with worker self-management – worker-managed factories based on workers' councils and factory assemblies that emerged in some countries in the broader context of what might be described as a class struggle.

Take the case of Chile under the socialist regime of Salvador Allende (1970–73), when over 125 factories came under some system of worker self-management. About half were controlled by public officials or functionaries, representing a parliamentary form of government with its left-centre-right political splits; the others were run by factory-level commissions of workers organized along the lines of workers' councils or soviets, much like the Paris Commune of mid-nineteenth-century France.

Then there is Argentina in the context of the 2001–02 crisis, when workers occupied and took over more than two hundred factories, defending them from closure, protecting workers' employment and vastly improving the social conditions of work, and most importantly, raising workers' political consciousness. Most of these factories – ERTs as some have termed them (Enterprises Recovered by their Workers) – were organized as worker self-managed cooperatives or worker collectives (Petras & Veltmeyer, 2002; Montiel, 2005).

We also have the experience of Bolivia in the wake of the 1952 revolution, and Peru in 1967, when a group of progressive nationalist military officers led by General Velasco Alvarado took power and expropriated a large number of mines/factories/plantations, establishing a system of industrial cooperatives (and communities) based on joint decision-making by management and workers.

The case of Brazil is very important, although rarely mentioned. Currently more than two hundred companies have been recovered by workers, with the first experience at the shoe factory Makerli in 1991. ANTEAG (the National Association of Workers in Self-Managed Companies) was established in 1994 with the aim of coordinating the various projects that materialized in conditions of crisis and near-collapse of industry. It has offices in six states in charge of accompanying self-management projects, seeking integration with NGOs, state and municipal governments. ANTEAG views self-management as an organizational model that combines collective ownership of the means of production with autonomy of enterprise decision-making and active participation in democratic management.

The important point about these and other such experiments with cooperativism and unionism is that they need to be understood in the broader context of capitalist development – the history of capitalism in the region. Although the history of cooperativism in Latin America is very complex with a different experience in each country and a major surge in the 1930s, it makes sense to begin with the post-war period of capitalist development, the 1950s and 1960s, when 'development' as we understand it today (i.e. as a project of nation-building and international cooperation) was 'invented' as a means of preventing countries on the periphery of the world capitalist system that were struggling to liberate themselves from the ties of colonialism and imperialist exploitation from taking a socialist path towards national development;¹² and also, in the case of Latin America, to turn the 'rural poor' – the masses of small producers and peasant farmers dispossessed of their land in the transition towards capitalism – away from the revolutionary social movements, to prevent another Cuba.

The theoretical solution to these problems (i.e. the resistance to the advance of capital, socialism or communism as an alternative path towards national development, and the demand for revolutionary change) was threefold: (1) state-led reform at the level of social programs (health, education, welfare) and land tenure; (2) a program of local or rural community-based integrated development, based on the agency of the state with international cooperation and mediated by private voluntary associations – with the participation of what we now understand as NGOs financed by the agencies of international cooperation (US Agency for International Development [USAID] in particular); and (3) the organization of

cooperatives. In this context, the US government and several UN agencies commissioned a number of systematic studies of the cooperative movement and different country experiences (although it was not until 1985 that ECLAC and other agencies incorporated cooperativism into its social development program).

Cooperativism emerged as a form of local development, although it had a rather short history from the late 1960s to the mid-1970s (1967–1974). Although cooperatives were established in many countries with different degrees of success and failure – in many cases financed by the US government/USAID – the movement died out because often conditions were simply not conducive to cooperativism and cooperative development, and in addition the value of cooperativism was challenged. Some analysts – for example Robert Guimaraes, a Brazilian economist associated with ECLAC who has made a significant contribution to an understanding of alternative development dynamics in Latin America – argued that cooperatives were an ineffective form of organization for meeting the basic needs of the poor and unsuccessful as agencies for social transformation (Guimaraes, 1989).

On the basis of extensive field research and case studies commissioned by the UN Research Institute for Social Development (UNRISD) and coordinated by Fals Borda, the well-known Colombian social action theorist, Guimaraes concluded that cooperatives generally were not only an ineffective way of tackling poverty but that they were also unsuccessful as an agency of social transformation. The general conclusion reached by the UNRISD team, and supported by Guimaraes, can be summed up in four propositions:

- 1 Cooperatives are not agents for change, producing few benefits for the poorest sectors of the population; indeed, the strengthening of cooperatives in most places led to an unexplained increase in income gaps.
- 2 Cooperatives tend to reproduce the structure of community relations and conditions rather than transform it.
- 3 They tend to reinforce, as well as extend and deepen, pre-existing social inequalities, partly because groups and individuals who are accommodated to the power structure are more likely to control the key committees and the administration of co-ops.
- 4 In the few cases where co-ops actually were composed of poor peasants and represented their interests, they were manifestly incapable of promoting those interests (Guimaraes, 1989: 285–86).

As for the conditions needed or conducive for cooperative development, they include a culture of solidarity, which in the case of many communities was and is arguably absent (Durstun, 1998). O'Malley (2001) among others found and has argued that with the exception of indigenous communities in Bolivia, Ecuador, Mexico and Guatemala, many rural communities in the region are class divided or subject to forces that have undermined a sense of community and a culture of solidarity. Under these conditions non-indigenous peasants generally want their own plot of land to work with family labour. In addition, the penetration of diverse

forces of change (modernization, private enterprise and capitalism), the promotion of the private sector and the market by the World Bank and other financial institutions and development agencies, and a capitalist culture based on private property, possessive individualism and private enterprise, have all tended to work against cooperativism. In addition, most of the well-established or successful cooperatives, even in the agricultural sector, were not producer cooperatives or workers' collectives but were often just farmers marketing groups. In fact, at least in Mexico, according to the laws established at the time by the government to govern cooperatives, they could only draw their members from the working class. Production co-ops were forbidden to have salaried employees, and workers could only form union consumer cooperatives if the cooperative's general assembly coincided with the union itself.

In any case, the dominant development strategy was not to promote local or community-based development but rather to exploit the unlimited supply of surplus rural labour as a lever of capital accumulation; to encourage the rural poor to adjust to the forces of change by taking a development pathway out of rural poverty; and for the governments to incorporate the rural poor into the labour market to facilitate their labour force participation.¹³

This was the dominant strategy until the mid-1990s, when it became evident that the labour market was saturated and the mechanisms of migration and labour as an escape valve had reached or were reaching their inner and outer limits. The destruction of forces of production in both agriculture and industry had led to the formation of a large semi-proletariat of near-landless rural workers and an urban informal sector in which rural migrants had to fend for themselves rather than work for a wage.¹⁴ In the mid-1990s the strategy shifted towards the promotion of community-based local development so as to empower the poor to act for themselves in taking advantage of their social capital – the one asset they were deemed to have in abundance (Atria, Siles, Arriagada, Robison & Whiteford, 2004; Portes, 1998; Solow, 2000).

With the support of an appropriate institutional framework of decentralized governance, a new social policy focused on poverty reduction, international cooperation in the form of micro-finance, and social participation (i.e. the engagement of civil society in the development process), the strategy devised for the rural poor was for them to diversify their source of household income, enabling them to stay in and develop their rural communities. The solution – a survival strategy rather than a local development strategy – was to combine the following sources of household income: agriculture, labour, remittances, micro-development finance and projects, and conditional cash transfers from the government to poor households (Kay, 2008).

In this new context were found favourable conditions not only for the growth of cooperativism but for the construction of a social economy that would complement the dominant private sector of small, medium and large corporate enterprises and the public sector of state enterprises: a third sector sustained by solidarity economics and a process of community-based local development based on social capital rather than private enterprise and the state. This notion of a solidarity

economy first emerged in the late 1970s and early 1980s as an economic model, as a means of combatting poverty and inequality and as a vision of social transformation (Razeto, 1988). But in the second half of the 1990s it turned into the ‘new development paradigm’, or ‘Inclusive and Sustainable Development’ – designed to expand a third sector of the economy based on social capital and a culture of social solidarity, supported by a decentralized form of governance and a new social policy oriented towards poverty reduction and empowerment of the poor (Narayan, 2002; Rao, 2002; Rondinelli, McCullough & Johnson, 1989).

Economists at ECLAC, armed with a sociocentric and neostructuralist conception of national development based on the agency of the state (with international cooperation and social cooperation), conceptualized the new model alternatively as ‘development from within’ (Sunkel, 1993), the ‘new developmentalism’ (Bresser-Pereira, 2007, 2009) and ‘inclusive development’ (Infante & Sunkel, 2009).¹⁵ Others, however, from a local development perspective, viewed the ‘social and solidarity economy’ from the perspective of grassroots community-based social organizations as a form of ‘inclusive and sustainable development’ (Vieta, 2014). Here reference is made to a concept advanced by Peter Utting (2015), an economist at UNRISD, and in a reader edited by a team brought together by the Social and Solidarity Economy Academy at Campinas and published by the International Training Centre of the International Labour Organization (ILO). Both publications focused on exploring for the conditions for scaling up the social and solidarity economy, and they point to spaces and strategies for capacity building, institutional innovation and social change strategies for capacity building, and institutional innovation and social change in the context of existing internal constraints or oppositional forces.

In addition to these and other such studies that provide a ‘development’ perspective on the social and solidarity economy, there are those who view the social and solidarity economy not as an alternative development model but as a social movement or agency of social transformation – a way of confronting the capitalist hydra (EZLN, Sexta Comisión, 2015). An exemplar and paradigmatic model of this approach is Zapatismo, or the EZLN (the Zapatista Army of National Liberation) which, in the aftermath of the now famous *Sixth Declaration of the Lacandon Jungle* in 2005, constructed a vibrant social economy on the margins of the capitalist system and the Mexican state.

To date, a theoretically reconstructed model of this social and solidarity economy is not available, but by various accounts this economy is autonomous and communal in form and constructed from below with significant grassroots participation, relying on neither the market nor the state but the collective and cooperative effort of members of the community.¹⁶ The Zapatistas are not alone in this conception, nor are they isolated from a broad Latin American network dedicated to the promulgation of a social and solidarity economy (Coraggio, 2011; Jubeto, Guridi & Fernández Villa, 2014; Pérez de Mendiguren, Etxezarreta & Guridi, 2009; REASRed de Redes de Economía Alternativa y Solidaria, n.d.).

The Zapatista vision (and corresponding practice) of a social and solidarity economy is decidedly anti-capitalist and thus outside the mindset and the

institutional and policy framework of the economy and society envisioned by the theorists and practitioners in the mainstream and various alternate sidestreams of development.¹⁷ The architects and theorists of development at the ILO and other agencies of international development (including UNRISD and Brazil's National Bank for Economic and Social Development) view the *social economy* or solidarity economics as an agency of poverty reduction, inclusion and social transformation. At least, this is so at the level of discourse. In reality, it is basically conceived as an escape valve, a means of relieving the pressures on governments for them to reduce and alleviate poverty via the expenditure of fiscal revenues and pressures on the labour market/business to absorb excess rural labour.

As for cooperativism, it was (and still is) seen by the agencies of international development as an important form of social organization to help create a society of small business operators, entrepreneurs and managers rather than a working class with its attendant demands and problems.

Community-based local development and the social economy

The neoliberal agenda based on the Washington Consensus on the virtues of free-market capitalism was short-lived. By the end of the 1980s, barely six years on, it had already become apparent even to its functionaries that neoliberalism was economically dysfunctional – rather than delivering on the promise of ‘general prosperity’, the outcome included a ‘decade lost to development’ – and destabilizing, generating as it did massive social protests and political resistance (Veltmeyer & Petras, 2000). In response, some architects of the neoliberal agenda and some guardians of the new world order, such as the World Bank, came together towards the end of the decade to forge a new consensus and construct a new paradigm (World Bank, 2007).

The resulting post-Washington Consensus was formed around the need to ‘bring the state back in’ and establish a ‘better balance between the state and the market’, as well as a more ‘inclusive’ and participatory form of development (Infante & Sunkel, 2009). There were various formulations of the new consensus, including ‘structural adjustment with a human face’ (UNICEF, 1989), ‘growth with equity’ (Guimaraes, 1989), ‘development from within’ (Sunkel, 1993) and ‘inclusive development’ that were synthesized as ‘the new developmentalism’ (Bresser-Pereira, 2007, 2009). There was no consensus as to the best economic model but a broad agreement on principle regarding the need for (1) structural reform at the level of macroeconomic policy; (2) a ‘new social policy’ targeted at poverty reduction; (3) the formation of human capital via investments in education and health, the basic pillars of social inclusion; (4) good governance in the form of administrative decentralization and social (or popular) participation;¹⁸ and (5) empowering the poor to enable them to act for themselves in initiating a process of community-based local development (Veltmeyer, 2007).

As noted above, there was no consensus as to the best or appropriate model that would serve as a guide to policymakers to implement this policy agenda. To this purpose, the architects of the post-Washington Consensus who assembled behind

closed doors in 1989 to seek a solution turned to Gonzalo Sánchez de Lozada, Bolivia's Minister of Planning at the time and a convinced neoliberal ideologue who would in a few years assume the presidency. Bolivia was chosen and used by these architects of a more pragmatic form of neoliberalism as an experimental laboratory to try out the new policy and construct a new model.¹⁹ The institutional framework of this model was established by the Sánchez de Lozada administration in 1994 in the form of the Law of Administrative Decentralization and the Law of Popular Participation.²⁰

As established in several studies undertaken by Fernanda Wanderley and her associates at Universidad Mayor de San Andrés – Posgrado en Ciencias del Desarrollo (CIDES), this legislation not only provided the institutional framework for a neoliberal policy agenda focused on local development, but it also opened up space for the construction of an alternative social and solidarity economy. But some groups on the Left, particularly those engaged in what was increasingly viewed as the 'old politics' – the use of the electoral mechanism and other trappings of liberal democracy such as political parties as a pathway to state power – were critical of the regime's newfound interest in supporting and promoting community-based local development. They saw it naturally as a neoliberal stratagem, as undoubtedly it was. However, others on the Left – those who had turned away from the politics of seeking social change by taking state power²¹ towards a new development politics – saw it as an opportunity to construct a different economy and an alternative form of development that is initiated from below via the agency of the grassroots (Wanderley, 2015).

On one hand, the new institutional framework created spaces at the local level for political action and for the participation of grassroots social organizations in some decisions about development projects and social development in the community. In this context, it was difficult for the Left to oppose this policy of decentralization and popular participation. On the other hand, the policy did not result in what the World Bank (Bebbington et al., 2006) terms 'empowerment' of the poor. In Bolivia, the Law of Popular Participation in practice worked to *weaken* community-based and class-based solidarity organizations that had the capacity to go beyond the community to challenge economic and political power and to effect change at the national level.

The social and solidarity economy in Venezuela

Apart from the Zapatista project and several experiences in Bolivia (see Wanderley, 2015) the most interesting and important experiments in creating a social and solidarity economy can be found in Venezuela, namely, the project of creating the socialism of the twenty-first century. Although the Bolivarian Constitution of 1999 focused upon the development of human capacity, it also retained a support for capitalism. For example, while rejecting neoliberalism and stressing the importance of the state presence in strategic industries, the focus of the government's 2001–2007 Development Plan was to encourage investment by private capital – both domestic and foreign – by creating an 'atmosphere of trust'. To this

was added the development of a ‘social economy’, conceived as an ‘alternative and complementary road’ to the private sector and the public sector.

Cooperativism and cooperatives play a part in this social economy, but what is significant if not somewhat puzzling – as in the case of Cuba’s latest ‘update’ of its model (‘new guidelines’) – is how small a role was assigned to self-managing and cooperative activities. As it was for the development agencies of international cooperation, in Venezuela the development of the social economy seems to be essentially a program for incorporating the informal sector into the national economy. It is necessary, the government’s plan argued, to transform the informal workers into small managers. Accordingly, family, cooperative, and self-managed micro-enterprises were to be encouraged through training and micro-financing (from institutions such as the Women’s Development Bank) and by reducing regulations and tax burdens.

Therefore, the *social economy* was to play the role it plays in Brazil and elsewhere: islands of cooperation nurtured by states, NGOs, Grameen-type banks, and church charities that serve as shock absorbers for the economic and political effects of capitalist globalization. Of course, this would make things better for the unemployed and excluded (the half of the Venezuelan working class in the informal sector). But the point is that the social economy here was not envisioned as an alternative to capitalism (except insofar as survival within the nooks and crannies of global capitalism constitutes an alternative). The goal was not socialism as we understand it but rather a different type of capitalism, that is, socialism viewed as a different, more human form of capitalism – based on popular or social participation – to ensure the complete development of people, both individual and collective (which is, of course, a socialist ideal and nothing to do with capitalism, the logic of which runs in an entirely different direction).

But there is a fundamental difference between ‘development of the social economy’ in the context of the Bolivarian Revolution (as conceived by Hugo Chávez) and the social economy/solidarity economics as understood and promoted by ECLAC, FAO, ILO and the development agencies of International Cooperation. For the former, the social economy is a mechanism of adjustment to the forces of capitalist development, a way of creating spaces within the system for poverty reduction based on local sustainable self-development, the social capital of the poor and the empowerment and agency of the poor – and a means of converting the informal sector into a more productive sphere of economic development.

For the theorists and architects of the Bolivarian Revolution – see Articles 62 and 70 of the 1999 constitution – the social economy or solidarity economics is viewed through the lens of what be described as ‘socialist human development’ (i.e. ‘self-management, co-management, cooperatives in all forms’ as examples of ‘forms of association guided by the values of mutual cooperation and solidarity’). With its emphasis upon a ‘democratic, participatory and protagonistic’ society, the Bolivarian Constitution contains the seeds of the ‘social economy’ conceived of not as a supplement to the dominant private and public sectors but as nuclei of the socialism for the twenty-first century, that is, as a national, not just local, development model, brought about from below as well as above.

Cooperatives and cooperativism plays an important role in this model. Any form of development requires an institutional framework. The framework of endogenous socialist human development brought about by the Bolivarian Revolution is based on the institution of the *Misiones* and the *Comuna* (or Commune), which are oriented towards and designed to bring about the building of new human capacities both by teaching specific skills and preparing people to enter into new productive relations through courses in cooperation and self-management. The effect of this development program was dramatic: the number of cooperatives increased from under 800 when Chávez was first elected in 1998 to almost 84,000 by August 2005.

In January 2005 at the World Social Forum, Chávez explicitly called for the reinventing of socialism, different from that which existed in the Soviet Union. ‘We must reclaim socialism as a thesis, a project and a path, but a new type of socialism, a humanist one, which puts humans and not machines or the state ahead of everything’ (quoted in Sojo, 2005).

Six months later, Chávez argued the importance of building a new communal system of production and consumption, in which there is an exchange of activities determined by communal needs and communal purposes – not just what Marx described as the ‘cash nexus’ or the profit motive, the incentive to make money, accumulate capital. ‘We have to help to create it, from the popular bases, with the participation of the communities, through the community organizations, the cooperatives, self-management and different ways to create this system’ (quoted in Sojo, 2005).

The occasion was the creation of a new institution – the *Empresas de Producción Social* (EPS), which invites comparison with the ‘socially responsible enterprises’ (SREs) identified by Betancourt and Sagebien (2013) and others as the key operational units of a social and solidarity economy – and an organizational pathway towards achieving ‘inclusive growth’.²² Drawn from a number of sources – existing cooperatives pledged to commit themselves to the community rather than only collective self-interest, smaller state enterprises and private firms anxious to obtain access to state business and favourable credit terms – these new enterprises of social production were to be committed both to serving community needs and incorporating worker participation.

On Chávez’s re-election in December 2006, a new building block was added: the communal councils (based upon two hundred to four hundred families in existing urban neighbourhoods and twenty to fifty in the rural areas). These were established to diagnose democratic community needs and priorities. With the shift of resources from municipal levels to the community level, the support of new communal banks for local projects, and a size which permits the general assembly rather than elected representatives to be the supreme decision-making body, the councils were envisioned as a basis not only for the transformation of people in the course of changing circumstances but also for productive activity based upon communal needs and communal purposes.

These new councils were identified as the fundamental cell of Bolivarian socialism and the basis for a new state. ‘All power to the communal councils!’ Chávez

declared.²³ It was an ‘explosion in communal power’, designated as the fifth of ‘five motors’ driving the path towards socialism. The logic is one of a profound decentralization of decision-making and power.

Conclusion

There are basically two theoretical perspectives on the construction of a social and solidarity economy. One relates to a neoliberal strategy devised in the mid-1990s as a response to a problem generated by the workings of capitalism on the Latin American periphery. In this context, the social and solidarity economy is viewed as a third sector, complementary to the public sector of state enterprises and the private sector, as well as a mechanism of poverty reduction via the absorption of surplus rural labour trapped in the informal economy. In effect it serves as an escape valve, a way for reducing the pressures on both the government and the labour market. A second perspective has its clearest theoretical and practical expression in the social economy created by the Zapatistas in the years since they went to ground for a second time, in the wake of a failed attempt to negotiate an agreement with the Mexican state. From this perspective, the social and solidarity economy is an agency of social transformation, a space for social cooperation and grassroots solidarity action within a broader macroeconomic system, or as a non-capitalist, anti-capitalist and post-capitalist social movement. Also, there are two major variations on this perspective. In the one, cooperativism can be articulated with the institutions of the broader capitalist or socialist system and functions as one of several alternative organizational forms of local enterprise within the social economy (cooperatives) and the private sector (‘socially responsible enterprises’). However, from a post- or anti-capitalist perspective – as for example, articulated by the Zapatistas (EZLN, Sexta Comisión, 2015) – the social and solidarity economy is the nucleus of an alternative and emerging post-capitalist form of society.

As for the prospects for the development of a social and solidarity economy beyond various enclaves of local and community-based development – and the question as to whether they can be scaled up and coordinated in such a way as to constitute a viable and vibrant alternative form of development, or even an alternative to development – it remains to be seen. The jury is not out yet and the question begs a much closer look and further study.

Notes

- 1 Ecological economics from below, as Barkin (2016) has it, is based on principles that are widely agreed upon in the popular social movement and are based on consultations among the organizations and communities that make up this movement. They are autonomy, solidarity, self-sufficiency, productive diversification and the sustainable management of regional resources.
- 2 Throughout what historians have termed ‘the golden age of capitalism’ but which we might well term the ‘age of development’ (roughly from the 1950s to the 1970s), the primary agency for social change was the nation state via policies of economic development and social reform. Organized labour was another key factor, because it could negotiate collective agreements with capital to improve wages and working conditions.

- However, in the 1960s and 1970s, military regimes began to emerge in reaction to the political left and the slow but steady gains of the working and producing classes in the development process.
- 3 Throughout the 1980s Latin America experienced a low level of capital formation, the result of a policy concerted by the World Bank and the IMF, which joined forces in 1983 to compel indebted countries – especially Mexico, Brazil and Argentina, but also Chile – to open up their economies to the world market and use their export revenues to service the external debt.
 - 4 The responses of the rural poor were different (see Delgado Wise & Veltmeyer, 2016). While many adjusted to the forces of capitalist development (proletarianization, globalization, modernization, urbanization) by taking the development pathways of migration and labour opened by the development agencies, others took the path of organized collective resistance, and still others turned towards what has turned out to be a social economy based on relations of social solidarity – what a Chilean economist attached to the ILO's Regional Program on Employment (PREALC) conceptualized at the time (the mid-1980s) as a 'solidarity economy' (Razeto, 1988, 1993).
 - 5 Reports have numbered the dead anywhere from five thousand to thirty thousand (claimed by a number of citizens' groups) to as many as forty-five thousand claimed by the National Seismological Service (Crisp, 1998: 150). The most commonly cited figure is around ten thousand.
 - 6 In theory a social economy, and the accumulation of social capital, can only occur in conditions of a culture of solidarity, which normally only exists in the rural communities, especially those formed by indigenous peasants (Durston, 1998).
 - 7 Although in 1983 they were combined into what became known as the 'structural adjustment program' a distinction should be made between the 'structural reforms' pushed by the World Bank (privatization, liberalization, deregulation, decentralization) and the austerity measures imposed by the IMF as a condition of accessing public capital. In the 1980s, the resistance was in response to these IMF-prescribed austerity measures, while in the 1990s, the central target of the resistance was the World Bank's deeper structural reforms. In the case of the former in Venezuela, the *caracazo*, a street protest against these IMF reforms in the form of increases in the price of gasoline and transportation that began on 27 February 1989, resulted in the deaths of hundreds of protesters – thousands by some accounts (Uppsala Conflict Data Program Conflict Encyclopedia, Venezuela, One-sided Violence, Government of Venezuela – civilians, www.ucdp.uu.se/gpdatabase/gpcountry.php?id=167®ionSelect=5-South_ern_Americas#). The *caracazo* was probably the reason why the neoliberal reform agenda was not fully implemented, whereas Peru, Argentina and Brazil – the three major countries that had eluded the neoliberal reform agenda – fully embraced the second generation of structural reforms in the 1990s.
 - 8 In Argentina, IMF-prescribed cuts in social spending culminated in strong protests and strikes in 2000. In Bolivia, an IMF loan conditional on the privatization of water utilities led to a 200 percent increase in water prices, provoking widespread protests. In Ecuador, the IMF loan approved in 2000 required a cutback in government spending, wage restraint, the removal of subsidies, reforms in the labour market and the oil sector, and privatization. Thousands of protesters took to the streets in response, and workers went on a general strike against continuing economic reforms demanded by the IMF.
 - 9 In describing itself as an 'army of national liberation', the EZLN harks back to a period of revolutionary ferment in the 1960s and 1970s when the leading social movements at the time described themselves in these terms. But once the Zapatista movement settled down after an initial irruption in 1994, it augured a 'new way of "bringing about change and doing politics" – the "first postmodern movement in history"' (Burbach, 1994).
 - 10 Fabra Ribas (1943).

- 11 Mexico, Argentina and Brazil could be considered to be the pioneers of the Latin American cooperative movement, which advanced slowly during the first decade of the twentieth century. *El Hogar Obrero*, founded in Argentina in 1905, is still in existence. In Brazil, a strong movement to form co-ops began early in the century in the states of Rio de Janeiro and Rio Grande do Sul.
- 12 There is an interesting theoretical convergence here between the argument advanced by several proponents of post-development in the mid-1980s and the argument later advanced by Veltmeyer (2005) from a Marxist political economy standpoint regarding ‘development’ as a form of imperialism and a means of political demobilization.
- 13 The theory behind this strategy is outlined very clearly by the World Bank in its 2008 *World Development Report* on ‘Agriculture for Development’.
- 14 For an elaboration of this point and an analysis of the formation of this semi-proletariat in conditions of peripheral capitalism, see Delgado Wise and Veltmeyer (2016). The fundamental theory advanced by Marx and Marxists was that the transition towards capitalist agriculture would lead to the disappearance of the peasantry and the formation of an industrial proletariat. Clearly this did not happen in Latin America. What we have instead with the onset of the neoliberal era and invasion of capital in the form of FDI and the MNCs is the persistence of the peasantry and the disappearance of the industrial proletariat – and the formation of a semi-proletariat with one foot in the modern urban (and capitalist) economy and the other in peasant agriculture and the rural community.
- 15 For an analysis of the connection between neostructuralism and the new developmentalism – the first as the theoretical foundation of the second – see Leiva (2008) and Mallorquin (2010).
- 16 By several accounts (conversations with activist scholars close to the organization), the Zapatistas have been very successful in organizing autonomous governance, autonomous schools and autonomous healthcare. But their economic situation has been more difficult to study, although they have some advantages from their location in the countryside where they have been able to take over land and establish autonomous territorial governance.
- 17 As for the actual performance of the economy constructed by the Zapatistas it is hard to assess, given that they have not authorized any such assessment. But more is known about the organization of what the Zapatistas themselves and several outside observers (David Barkin, Peter Rosset and Sergio Rodriguez Lascano, the editor of *Rebelde*) view as a social and solidarity economy. It appears that the Zapatistas have divided their territory into five regions, which they term *Caracoles*. Within each *Caracol* there are several autonomous municipalities. Each municipality is governed by a council made up of community members nominated to serve for two or three years. Each of the *Caracoles* has a Good Governance Council (*Junta de Buen Gobierno*). These councils comprise a rotating group of members who come from all of the autonomous municipalities that correspond to a particular *Caracol*. Municipal representatives serve as a feedback link between communities and the *Junta de Buen Gobierno*. There is a lot of consensus decision-making and a lot of consultation with the communities before decisions are taken. Community members who serve in the autonomous governing structures are unpaid, and they rotate frequently so that governance is a matter of grassroots participation.
- 18 The call for ‘popular participation’ originated in radical politics as a rallying cry for revolutionary change, but in the 1970s it became a tenet of liberal reform and soon thereafter a fundamental principle of another development. Participation in this context was viewed as ‘the missing link in the process of productive transformation with equity’ (Boisier et al., 1992). In the context of development programming and the project cycle, participation is viewed as a matter of principle and as such a question of equity. But for the World Bank it is also seen as a matter of efficiency, a way of improving the productivity of development projects (Blaikie, 1985).

- 19 Based on information provided by the Danish Association for International Development, the resulting development plan specified three strategic considerations. To advance these considerations, the government's economic team (headed by Sánchez de Lozada, Minister of Planning at the time) entered into a series of high-level meetings with officials from the international financial community (the World Bank, the IDB, etc.), the UN Development Programme (UNDP), and representatives of the most important overseas development associations operating in Bolivia (such as USAID). These meetings extended from 1986 to 1992, months before Sánchez de Lozada assumed the presidency.
- 20 These laws were established with clear reference to a neoliberal policy agenda. However, they were also in part a response to demands for territorial or regional autonomy and access to and control over land and other productive resources by the country's indigenous peoples and diverse civic associations, as well as calls on the left for popular participation.
- 21 One theoretical formulation of this new strategy was John Holloway's conception of how to 'change the world without taking state power', based on his interpretation of Zapatismo, the thinking associated with the Zapatista movement in Chiapas and articulated by Subcomandante Marcos (Holloway, 2002). For a variation of this interpretation of Zapatismo, see Burbach (1994).
- 22 The proponents of 'inclusive growth' see it as a form of national development, an alternative to 'inclusive development' conceived of within the neostructuralist framework of the post-Washington Consensus. The difference between these two 'models', one advanced by development economists at ECLAC and the other by a global network of neoliberal think tanks and policy forums, is that the one is predicated on 'inclusionary state activism' while the other assigns the role of 'driver' or the 'driving force' of the development process to the private sector. A 2012 report of Canada's *House of Commons Standing Committee on Foreign Affairs and International Development* is a paradigmatic formulation of the 'inclusive growth' model (House of Commons of Canada, 2012).
- 23 Needless to say, this was an ideological declaration of political intent rather than a programmatic statement. In practice it seems that the power of local councils is strictly limited to matters of local development. Even so, it would appear that these local councils are managing to function even with the macro-economy falling – or actively pushed – into crisis (Teruggi, 2015).

6 In the crosshairs of US imperialism

This chapter explores the contemporary dynamics of US imperialism in Latin America. This is in the current context of what we might describe as the new geopolitics of capital: the use of the imperial state apparatus by the US government to advance its ‘national interest’ (i.e. the economic interests of capital and the ruling class). In President Trump’s worldview of developments in Latin America, the evident decline of the US empire in recent years reflects on the failure of past administrations to protect and advance these interests over the past several decades, a problem that he proposes to redress. Under his leadership and administration, as he sees it, the national interest of the United States will take precedence (‘America first’), and the United States has the clout and military power to ensure that these interests are both protected and advanced. The US government, he has tweeted, will use all the powers available to it – including military force if necessary – to ensure that the United States regains its pre-eminence in the world of nation-states. In Trumpian bombastic rhetoric, the United States ‘will become “great” again’.

In the current context of the new global geopolitics, the areas of greatest strategic concern for the us seem to be focused on the Euro-Asian stage and theatre of the capitalist development process and the associated struggle for competitive advantage and hegemony (Klare, 2003). Even so, Latin America has always had, and continues to have, a pride of place in the US empire as the country’s ‘sphere of influence’ (domination) and ‘backyard’. Of particular strategic importance to the United States and its corporations is that the region is and has always been a major source of a virtually unlimited supply of cheap labour and a repository of strategically important natural resources,¹ as well as a partner for trade and a market for both capital and tradeable goods and services. To stake out and advance these vital economic interests, the United States repeatedly took action over the past century to ensure its hegemony – a long history of state intervention and imperial power exerted whenever a country or government in the region failed to toe the line, or to defeat any forces of resistance and subversion. This history provides the backdrop for understanding the contemporary dynamics of US-Latin American relations.

The changing face of US imperialism

The United States has always been imperialist in its approach to national development, but in the wake of the Second World War the situation in which it found itself – an occupying power of major proportions² – awakened in US policymaking circles and the foreign policy establishment a renewed sense of the country's historic mission regarding the Americas and the project of world domination, provoking also a quest to bring it about in the preferred form of an 'informal empire'. A key element of this project was to set up the rules for what would later be termed 'global governance' – securing its economic and geopolitical strategic interests in a world freed from colonial rule and competing empires. The resulting world order, dubbed Bretton Woods I by some,³ also provided a framework for advancing the geopolitical strategic interests of the United States in the context of a 'cold war' waged against the emerging power of the USSR and for advancing a cooperation for international development, a policy designed to ensure that the economically backward countries seeking to liberate themselves from the yoke of colonialism would not fall to the siren of communism, and that they would undertake a nation-building and development process along a capitalist path.

This nation-building and development project required the United States to assume the lead but also share power with its major allies – strategic partners in a common enterprise named the Organisation for Economic Co-operation and Development (OECD) and a united Europe, with a United Nations system to provide a multilateral response to security threats (to prevent any one country from seeking world domination via unilateral action). This was the price that the United States had to pay for national security under conditions of an emerging external threat presented by the USSR – Soviet communism backed up by a growing industrial might and state power.

In this context, the United States undertook to build an empire on the foundation of six pillars: (1) consolidation of the liberal capitalist world order, renovating it on neoliberal lines in the early 1980s when conditions allowed; (2) a system of military bases to provide the staging point and logistics for the projection of military power and rule by military force, when circumstances would dictate; (3) a project of cooperation for international development, providing financial and technical assistance to countries and regimes willing or forced to sign on, while also securing safe havens for US economic interests; (4) implementation of a neoliberal agenda for policy reform, to adjust national policies and institutions to the requirements of a new world order in which the forces of freedom would be released from the constraints of welfare development; (5) regional integration (economic integration in the diverse regions of the empire);⁴ and (6) globalization (the integration of economies across the world into the global economy in a system designed to give maximum freedom to the operating units of the global empire).

Each strategy not only served as a pillar of the empire, but it also provided the focal point for the projection of state power as circumstances required or permitted.

Together they constituted what might be termed the imperialist system. Each element of the system was dynamic in its operations but ultimately unstable because of the countervailing forces of resistance that they would generate in the popular sector of society.

US imperialism today

In the past (i.e. the nineteenth and twentieth centuries) the US imperial state had to resort to sponsoring military coups, rule by proxy and even direct military intervention in order to instal a compliant and subservient client state. In Latin America this meant, among other things, a cycle of military dictatorships that dominated regime politics in the region in the 1970s. But in the 1980s and 1990s (in the neoliberal era), imperialist intervention took a different form, particularly in imposing on governments in the region a neoliberal policy agenda and for this agenda an appropriate and effective institutional framework. This agenda and this framework created conditions that facilitated the influx of massive waves of global and US capital in the form of multinational corporations and foreign direct investment (FDI). But this invasion, facilitated by the imperial state, also saw the emergence of powerful forces of resistance that were mobilized by peasant-based social movements. By the end of the decade, these forces (social movement activism) had created conditions for the emergence of a progressive cycle in Latin American politics, a ten-year cycle that in turn invited the strategic response not only of the ruling classes and the right wing of the political class but also of the imperial state.

The response of the US imperialist state took diverse forms. The key problem was how to engineer regime change – how to instal client states. To this end, US imperialists could no longer rely on the tactic of sponsoring a series of military coups or military interventions. But it still had in place several reliable client states in Colombia, El Salvador and Honduras, as well as Paraguay, and a regional network of military bases coordinated from the Southern Command (SOUTH-COM) with 1,600 functionaries in Miami (Borón, 2012). With the extension of Plan Colombia and the Mérida Initiative to other countries in the region (see, e.g., Plan Puebla Panama, or PPP, announced by Mexican President Vicente Fox upon his election) this network of client states and military bases could be – and was – extended across the region like an iron belt (Luzzani, 2012).⁵

However, this was by no means the only strategy subsequently employed by the agents of the imperial state. One strategy was to finance the electoral campaigns and efforts of the opposition to existing left-leaning or quasi-socialist regimes. This strategy, implemented via non-governmental organizations (NGOs) such as the National Endowment for Democracy and the Atlas Network over the last ten to fifteen years, was effectively used in a number of countries and ineffectively in others. But until 2015 this strategy did not seem to bear fruit. However, by the end of 2016 and into 2017 conditions had changed and were much more favourable to the strategy in a number of countries, including Argentina and Brazil, two countries of particular strategic import to US imperialists.

The strategic importance of these two countries, as well as Venezuela, was a matter of helping US imperialists regain ground in the geopolitical arena and for the United States to restore its hegemony over forces of change in the region. In this regard, Argentina, Brazil and Venezuela were of particular strategic importance to the United States, in part because of the size of their economies. Over the last ten to fifteen years, these countries had turned away from the neoliberal policy agenda that the agents and agencies of US imperialism had imposed on governments in the region. And they also turned away from aligning their economies and policies with the United States, turning instead towards a more autonomous approach and various alternative regional cooperation agreements, including UNASUR⁶ and ALBA,⁷ an explicitly anti-imperialist trade agreement aligned with the project of a Bolivarian Revolution founded by Venezuela and Cuba and promoted by Chávez. By 2004, eleven countries in the region had joined this socialist alliance. Furthermore, almost all countries in the region supported the establishment of an anti-US axis and rejected the US-led project of a continental free trade zone.

Brazil appears to be the most important of the three countries for the United States, not only because of its size but also as a member of the BRICs, a group of 'emerging' fast growing economies that threatened the hegemony of the United States and Western global dominance.

The constitutional 'soft' coup made against Dilma Rousseff by her vice president with the help of the Atlas Network, an NGO financed in part by the Koch brothers, revealed the anxiety of the US establishment to regain control in Brazil through the puppet regime mechanism, a mechanism much in use in earlier days of the empire and also in Argentina in the time of Trump. See the discussion of these issues below.

As for Venezuela, its strategic importance to the US empire has to do with its significant and accessible oil reserves, which are the largest in the world. When Maduro approached Russia in order to strengthen economic cooperation between the two countries, he raised the alarm for the neocons in the United States. The concern here was that Venezuela could find an alternative to dependence on the United States in the form of Russia and BRICs, providing relief from the US-led economic war against the country.

The economic war waged by the United States and the Saudis against Russia, in the form of keeping the oil prices at historically low levels, had a significant impact on the Venezuelan economy as well. Low prices for Venezuelan oil created conditions – the lack of hard currency with which to pay for needed imports and the lack of fiscal resources to finance government programs – that allowed the United States to put maximum pressure on the regime and provide a unique opportunity to move against Venezuela to bring the government back in line. It did so in the form of funding the right-wing opposition forces to the Chavista regime and encouraging, as well as underwriting, the efforts of private sector groups and corporations in the country to destabilize and sabotage the economy by withholding basic consumer goods from the markets so as to mobilize popular and middle-class protests.

The case of Venezuela is particularly interesting. The US imperialists had been fiercely trying to overthrow the Leftist government ever since Chávez proposed to place Venezuela on a socialist path out of the US orbit. In Maduro they found a weaker president who did not have Chávez's strength and force of personality, and the collapse of the price of oil on the world market provided the US imperialist state a unique opportunity to make a move against Venezuela and bring the government back in line (i.e. to overthrow it). Venezuela was singularly dependent on the export of oil for the fiscal revenues needed to advance its socialist program, and the collapse of oil prices – which as it turns out was engineered by the United States with the assistance and support of Saudi Arabia, the United States' staunchest ally in the Middle East, with the strategic aim of undermining the economies of its enemies, namely, Russia and Iran in the Middle East and Venezuela closer to home – provided the US imperialist regime an unexpected opportunity of which it took maximum advantage. Caught in a scissor-squeeze of pressure exerted by the fall of oil prices on the one hand and the sabotage of the domestic economy engineered by the forces of right-wing opposition on the other, Venezuela sank – or rather was pushed – into a crisis of unprecedented proportions.

What is perhaps most surprising is the capacity of the Venezuelan state to survive the massive onslaught of US imperial power unleashed against it. For this the explanation can be found in the solid base of popular support for the Bolivarian Revolution achieved by the regime under the leadership of Hugo Chávez.

The role of NGOs and the Atlas Network

The state is by no means the only agency of US imperialism. The imperialist agenda is also advanced by an extensive network of non-state organizations that have assumed a major role in assuring the dominion of capital and the hegemony of the United States. One of these is the Atlas Economic Research Foundation, a leadership-training non-governmental organization now known simply as the Atlas Network. This network has played a key role in what might be described as a soft coup against Brazil's former president, Dilma Rousseff, by funding leaders of the Free Brazil Movement that took down her presidency. The millennial activists of the Free Brazil Movement, many of them trained in political organizing in the United States, led a mass movement formed to channel public anger over a vast corruption scandal against Rousseff. The Atlas Network, which now includes a newly formed network of Brazilian free-market ('inclusive growth') think tanks, has maintained and continues to wage a constant war in the Brazilian media against leftist ideas.⁸ It also funded the presidential campaign of Sebastián Piñera in Chile and is deeply immersed in the ongoing crisis in Venezuela. It has played a pivotal role in the chaos in Argentina via *Fundación Pensar*, the Atlas think tank that merged with the political party formed by Macri. The Atlas Network has received funding from the Koch brothers in the United States and it has also sponsored training sessions with the right-wing provocateur, James O'Keefe. In many ways, the Atlas Network appears to be a sort of modern-day analogue to what the United States has long done in Latin America

with the Central Intelligence Agency (CIA) and powerful multinational corporations (Fang, 2017).

The story of the Atlas Network – a non-governmental organization and loose partnership of some 475 neoliberal ‘think tanks’ and ‘charitable’ foundations in ninety countries around the world, including eighty affiliates across Latin America – and its profound impact on ideology and political power has never been fully told. But business filings and records from three continents, along with interviews with libertarian leaders across the hemisphere, reveal the scope of its influential history (Fang, 2017). The network, which has helped reshape political power in country after country, has also operated as a quiet extension of US foreign policy, with Atlas-associated think tanks receiving quiet funding from the State Department and the National Endowment for Democracy, a critical arm of American soft imperial power.

Venezuela in the crosshairs of the imperialist offensive

Venezuela today leads the anti-imperialist struggle in Latin America. This struggle, in the current form of the Bolivarian Revolution, according to President Maduro, can be traced back thirty years (27–28 February 1989) to the popular rebellion against the neoliberal policies of the Carlos Andrés Pérez government that produced the *Caracazo* – the massacre by government security forces of at least 3,000 protesters. ‘This was’, he noted (in a telephone conversation with the governor of the state of Aragua), ‘the beginning of the Bolivarian Revolution to escape the mistreatment [of the people], the pillaging and neocolonialism, [and] the false democracy [of the Republic]’ (El Jorope, 2015). Venezuela, he noted – in a televised broadcast at the time – under the leadership of Hugo Chávez was the first country in the region to say ‘no’ to the concerted effort of imperialist forces to convert the countries in the region into ‘colonies of the IMF’ and to reject ‘savage capitalism and neoliberalism’.

Maduro in this televised broadcast also alluded to the form that the anti-imperialist struggle would take under Chávez’s leadership, that of the Bolivarian Revolution or, as he had it, ‘the miracle of the socialist revolution and the *misiones*’ – the social programs of the government’s national executive. The course of this open-ended and ongoing revolutionary process (see Chapter 3) has been anything but smooth and far from consolidated – and indeed is currently in jeopardy, assailed as it is by forces of opposition from both within and outside the country.

Chávez and the anti-imperialist struggle

The Chávez years witnessed the thwarting of US efforts to restore client regimes in Latin America and the growth of anti-imperialist movements in the region. However, Colombia, with its seven US military bases, remained the linchpin of US foreign policy in the region and the principal adversary of Chávez’s anti-imperialist struggle.

The anti-imperialist struggle from the 1950s to the 1970s predominantly took the form of armed movements of national liberation, which combined anti-imperialist struggles with movements for revolutionary change in the direction of socialism. But in the new century, under Chávez's leadership the anti-imperialist struggle took the form of the Bolivarian Revolution, which involved mobilizing the resistance against imperialist exploitation, made tangible with two projects: (1) building a movement towards the socialism of the twenty-first century and (2) pushing for Latin America's integration, which has taken various forms including UNASUR, El Sistema Económico Latinoamericano y del Caribe (CELA) and ALBA, conceived of and led by Hugo Chávez and excluding Washington.

Needless to say, both projects converted Chávez into the United States' 'enemy number one' in the region. In response, Venezuela mobilized its power to deepen its commitment to Latin American-centred trade and diplomatic blocs.

With the defeat of US efforts to oust Chávez in 2002, considerable advances were made to further the Chávez project to socialize the economy and develop a comprehensive welfare state. In turning society towards socialism the government proposed to nationalize production, placing decisions in the hands of elected community councils; join the commit to progressive extractivism by using oil resources to reduce poverty; and promote ALBA as a counterweight to the US-dominated Organization of American States (OAS).

The approach adopted by Chávez to bring about twenty-first-century socialism was what might be termed 'progressive extractivism', or the 'new developmentalism' based on a post-Washington Consensus on the need for an inclusive development, an approach focused on reducing poverty through the use of oil rents and promoting forms of social ownership. This strategy, considered by some economists as the 'new developmentalism', points to the need to bring the state back into the development process and increase social expenditures as a more inclusive form of economic growth. This strategy of 'progressive extractivism' was also pursued in Bolivia and Ecuador (Gudynas, 2009; Veltmeyer & Petras, 2014). In Venezuela, however, the government went much further, moving beyond the institutional pillars of the new developmentalism by redistributing the proceeds, socializing the means of production and purporting to put the economy in the hands of the workers. This approach took the form of nationalizing enterprises as a first step. The second step would involve instituting communal councils where decisions as to production and marketing would be made at the local level – development from below, it could be argued.

Maduro and US imperialism

Over the past few years, Venezuela has been in a state of permanent and worsening crisis, reflected in conditions of hyperinflation, economic stagnation and scarcities of basic consumer goods. Although the crisis has been exacerbated by policy measures (such as devaluation) that the government was forced to take in dealing with a serious external imbalance, the major reason for the crisis was the fall in the world price for oil, which is the source of 95 percent of the country's

export and fiscal revenues for financing its social programs. Equally important, the crisis has resulted from a concerted strategy of economic and political destabilization engineered by the US imperial state. Acting through local supermarket owners and distributors organizing large-scale hoarding, Washington created a scarcity of products needed to meet the basic needs of the population. This resulted in increased prices and hyperinflation that has eroded the living standards of the population, and it has undermined the poverty reduction impacts of the government's progressive social policies. The economic crisis created conditions for plots to overthrow the government, attempts including the failed coup attempts in February 2014 (see the discussion below).

The crisis is also a result of serious imbalances in the economy, to some extent provoked by the destabilizing efforts of the United States but also because of structural contradictions in the economic model, including the reliance on extractivism and oil rents. Up to 95 percent of exports takes the form of oil, exposing Venezuela to what has been described as a 'resource curse', distorting the exchange rate and placing enormous pressures on non-petroleum exporters. When the world price of oil fell, the problems inherent in extractivism as a development strategy became evident. The United States took advantage of this vulnerability by pressuring Saudi Arabia not to cut back and indeed to increase production placing enormous pressures on the economies of the United States' main enemies: Russia, Iran and Venezuela. Oil price manipulation became a weapon in the Venezuelan class war.

The US strategy vs. Maduro

The United States has escalated its efforts to overthrow the government using all the mechanisms at its disposal, including violent street mobs – the so-called *guarimbas* – and mobilizing large retailers to provoke artificial shortages. With the aid of the local and international mass media and corporate-funded NGOs, they accuse the Maduro government of being 'authoritarian'. Self-styled human rights groups have launched a virulent propaganda campaign against the government for jailing oppositionists that have been exposed in their plotting of terrorist activity and a military coup – oppositionists like the mayor of Caracas, Antonio Ledezma who, it was revealed, signed a document endorsing a coup programmed for February 2015. The staged propaganda campaign was designed to take advantage of the crisis to discredit the government by exaggerating the deterioration and labelling the government as incompetent.

The US propaganda campaign has not worked in the region, where it is the United States that is isolated – its actions are almost universally denounced. The formation of a new political bloc inclusive of all governments in the region, with the exception of the two imperial powers (the United States and Canada), has rejected Washington's intervention and the anti-Venezuelan propaganda of the mass media – the BBC, the *New York Times* and the *Washington Post*.

All countries in the region and organizations such as the Caribbean Community (CARICOM) and beyond in the United Nations – the group of seventy-seven

(now well over one hundred) non-aligned countries – have supported and continue to support the Maduro government in diverse international forums against the transparent efforts of the US government to wield its formidable state power. Unfortunately, none of this appears in the North American mass media, which continues to engage on behalf of the United States. The media outlets in the propaganda war continue to present Venezuela's actions in defence of the constitutional order as undemocratic and as constituting a threat to the security of the region.

The anatomy of a failed coup (February 2015)

The second serious attempt to provoke a coup was in February 2015 in the context of Operation Jericó, a US operation supported by Germany, Canada, Israel and the United Kingdom.

The plan for this operation kicked in on 12 February 2015. A plane owned by Academi (formerly Blackwater, a mercenary organization closely tied to former US officials in the George W. Bush administration), disguised with the insignia of the armed forces of Venezuela, would bomb the presidential palace in Caracas and kill President Nicolás Maduro. The conspirators planned to put into power former congressional deputy María Corina Machado and seek the support of several former Latin American presidents who would acclaim the necessity and legitimacy of the coup as an act of restoring democracy.

President Obama had issued a clear warning. He put it in writing in his new defence doctrine (National Security Strategy): 'We are on the side of citizens whose full exercise of democracy is in danger, as in the case of Venezuelans'. In reality, since the adoption of its 1999 constitution, Venezuela is one of the most democratic states in the world. Obama's bellicose rhetoric presaged a worst-case scenario in terms of the US government's attempts to impede Venezuela's march on the road of national independence and the redistribution of national wealth – towards the socialism of the twenty-first century. By 6 February 2015, Washington was in the process of planning the overthrow of Venezuela's democratic institutions. The coup was planned for 12 February.

Operation Jericó had the oversight of the National Security Council, under the responsibility of Ricardo Zuñiga. This 'diplomat' is the grandson of another Ricardo Zuñiga, president of the National Party of Honduras who organized the military coups of 1963 and 1972 on behalf of General López Arellano. Zuñiga was appointed by President Obama as his Latin American policy advisor and directed the CIA station in Havana from 2009 to 2011, where he recruited agents and funded a feeble opposition against Fidel Castro.

As always in such operations, Washington strives not to seem involved in the events that it leads. The CIA organizes and directs the coup through supposedly 'non-governmental organizations', or 'civil society': the NED (National Endowment for Democracy) and its two tentacles on the Right and the Left – the International Republican Institute (IRI) and the National Democratic Institute (NDI); Freedom House and the International Center for Non-profit Law. Moreover, the United States always uses its domestic clients as contractors in organizing or

conducting certain aspects of the coup. This time, at least, Germany was an active participant, charged with the responsibility of ensuring the protection of citizens of NATO countries during the coup, As for Canada, an avid supporter of Obama's campaign against Venezuela, it was assigned control over Caracas' Simón Bolívar International Airport. Israel was put in charge of ensuring the murder of several Chavista personalities, while the United Kingdom was put in charge of propaganda for the coup, putting a 'democratic' spin on it. Finally, the US government planned to mobilize its political networks in securing recognition of the coup: in Washington, Senator Marco Rubio; in Chile, former President Sebastián Piñera; in Colombia, former President Álvaro Uribe Vélez; in Mexico, former Presidents Felipe Calderón and Vicente Fox; and in Spain, former Prime Minister José María Aznar.

To justify the planned coup, the White House encouraged large Venezuelan companies to hoard their stores of staples and sabotage the economy. The non-distribution of these products was aimed at causing large queues at the shops and the outbreak of riots provoked by the action of provocateurs infiltrated among disgruntled consumers. But the manoeuvre failed because, despite the artificially induced scarcity during January and February and the queues at the shops, Venezuelans did not riot or attack the shops as was hoped.

To strengthen the planned economic sabotage, President Obama on 18 December 2014 signed a law imposing sanctions against Venezuela and against several of its leaders. Officially Washington said it wanted to punish the persons responsible for the 'repression' of student demonstrations. But in actual fact, since the beginning of the year Washington had been paying a salary – at four times the average income of Venezuelans – to gang members to engage them in assaulting the police. The students' pseudo-riot led to the killing of forty-three people, mostly police and regime supporters, and spread terror in the streets of Caracas.

The military action was put under the supervision of General Thomas W. Geary from SOUTHCOM headquarters in Miami and Rebecca Chavez from the Pentagon. The actual military operation was subcontracted to Academi (formerly Blackwater), currently administered by Admiral Bobby R. Inman (former head of the National Security Agency [NSA]) and John Ashcroft (former attorney general in the George W. Bush administration).

According to this part of the plan, a Super Tucano military aircraft with the registration N314TG, purchased by Academi in Virginia in 2008, was to be used. The plane, to be falsely identified with the insignia of the armed forces of Venezuela, would bomb the Miraflores Palace and other targets such as the headquarters of the Ministry of Defense, the intelligence directorate and the headquarters of Telesur, a multinational television channel created by the ALBA. The plane was parked in Colombia, the headquarters of the coup makers who were installed in the US embassy in Bogota with the participation of US Ambassador Kevin Whitaker and his deputy, Benjamin Ziff.

Several senior officers, active and retired, had prepared a pre-recorded message to the nation announcing that they had seized power to restore order in the country. They were also expected to underwrite the Transition Plan, drafted by

the Department of State and published on the morning of 12 February 2015 in *El Nacional*. The plan included the formation of a new government, led by former deputy María Corina Machado, president of Súmate, the association that organized and lost the recall referendum against President Hugo Chávez in 2004. Machado's funds came from the National Endowment for Democracy. Machado was received with honours by President George W. Bush in the Oval Office of the White House on 21 March 2005. After being elected in 2011 as a representative from the state of Miranda, on 21 March 2014 Machado appeared before the OAS as head of the delegation of Panama to the continental forum and was immediately dismissed from her post as deputy for having violated Articles 149 and 191 of the Constitution of Venezuela.

Unfortunately for the coup makers, Venezuelan military intelligence had under surveillance individuals suspected of having fomented a previous plot to assassinate President Maduro. In May 2014, the prosecutor of Caracas accused María Corina Machado, Governor Henrique Salas Romer, former diplomat Diego Arria, lawyer Gustavo Tarre Birceño, banker Eligio Cedeño and businessman Pedro M. Burelli of an active role in a pending coup. By tracking the conspirators, military intelligence discovered Operation Jericho. On the night of 11 February, the main leaders of the conspiracy and an agent of the Israeli Mossad were arrested and aerial protection of the Venezuelan capital was reinforced. Others involved were arrested on 12 February. On 20 February, the confessions of those arrested led to the arrest of another accomplice – the mayor of Caracas, Antonio Ledezma, a liaison officer with Israel. The coup had totally unravelled (but not without the attempt of the White House to accuse the Maduro regime of actions to subvert democracy).

Obama's imperialist offensive against Venezuela

The Obama administration backed the plan of the 'oppositional' forces on the political hard right, composed of the traditional oligarchy and the economic and political elites linked to oil, imports and land ownership to overthrow the democratically elected Maduro government, by diverse measures including destabilizing the economy, and to provoke street violence and repression by the government. When this 'conspiracy' and attempted coup were discovered and made public, the *Washington Post* (23 February) and *New York Times* (14 February), published editorials denouncing the discovered 'conspiracy' as a 'distraction' engineered by the government to divert attention away from the growing economic crisis, and denounced the government's response (arrest of the plotters) as the actions of a 'repressive government'. They called on the government to resign and supported the opposition's call for Maduro to step down in favour of a regime which would implement the 'transition government program' elaborated and presented by the clearly undemocratic opposition forces.

On 9 March 2015, Obama signed an executive order declaring Venezuela to be a threat to national security and US foreign policy. Why did Obama declare a 'national emergency', claim that Venezuela represents a threat to US national

security and foreign policy, assume executive prerogatives and decree sanctions against top Venezuelan officials in charge of national security, all at that particular time? To answer this question, it is essential to begin by addressing Obama's specious and unsubstantiated charges of Venezuela constituting an 'extraordinary threat to national security and foreign policy'.

First, the White House presented no evidence whatsoever because there was nothing to present. There were no Venezuelan missiles, fighter planes, warships, special forces, secret agents or military bases poised to attack US domestic facilities or its overseas installations. On the other hand, the United States has warships in the Caribbean, seven military bases just across the border in Colombia manned by over two thousand US special forces, and air force bases in Central America. Washington has financed proxy political and military operations intervening in Venezuela with the intent of overthrowing the legally constituted and elected government.

President Obama's claims resemble a ploy that totalitarian and imperialist rulers frequently use: accusing their imminent victims of the crimes they are preparing to perpetrate against them. No country or leader, friend or foe, has supported Obama's accusations against Venezuela. His charge that Venezuela represents a 'threat' to US foreign policy requires clarification. First, which elements of US foreign policy are threatened? Venezuela has successfully proposed and supported several regional integration organizations which are voluntarily supported by their fellow Latin American and Caribbean members. These regional organizations, in large part, replace US-dominated structures which served Washington's imperial interests. In other words, Venezuela supports alternative diplomatic and economic organizations, which its members believe will better serve their economic and political interests than those promoted by the Obama administration. Petrocaribe, a Central American and Caribbean association of countries supported by Venezuela, addresses the development needs of their members better than US-dominated organizations like the OAS or the so-called Caribbean Initiative. And the same is true of Venezuela's support of CELAC (Community of Latin American and Caribbean States) and UNASUR (Union of South American Nations). These are Latin American organizations that exclude the dominating presence of the United States and Canada and are designed to promote greater regional independence. Both CELAC and UNASUR, together with the G77 within the United Kingdom and China, have denounced the Obama administration's decree regarding Venezuela as a threat to regional and national security.

Obama's charge that Venezuela represents a threat to US foreign policy is an accusation directed at all governments that have freely chosen to abandon US-centred organizations and who reject US hegemony. In other words, what aroused Obama's ire and motivated his aggressive threats towards Venezuela was Caracas's political leadership in challenging US imperialist foreign policy.

Venezuela does not have military bases in the rest of Latin America, nor has it invaded, occupied or sponsored military coups in other Latin American countries, as Obama and his predecessors did. Venezuela condemned the US invasion of Haiti, the US-supported military coups in Honduras (2009), Venezuela (2002,

2014, 2015), Bolivia (2008) and Ecuador (2010). Evidently, Obama's 'emergency' decree and sanctions against Venezuela were directed at maintaining unchallenged US imperial supremacy in Latin America and degrading Venezuela's independent, democratic foreign policy. So, to understand Obama's policy towards Venezuela we have to analyze why he chose overt, unilateral bellicose threats at that time.

Obama's war threat a response to political failure

The principal reason why Obama directly intervened in Venezuelan politics is that his other policy options designed to oust the Maduro government failed. In 2013, Obama relied on US financing of an opposition presidential candidate, Henrique Capriles, to oust the incumbent Chavista government. President Maduro defeated Obama's choice and derailed Washington's 'via electoral' to regime change. Subsequently, Obama attempted to boycott and discredit the Venezuelan voting process via an international smear campaign. The White House boycott lasted six months and received no support in Latin America, or from the European Union, since scores of international election observers, ranging from former President Jimmy Carter to representatives of the OAS, certified the outcome.

In 2014, the Obama regime backed violent large-scale riots which left forty-three persons dead and scores wounded (most victims were pro-government civilians and law enforcement officers) and caused millions of dollars in damages to public and private property, including power plants and clinics. Scores of vandals and right-wing terrorists were arrested, including Harvard-educated terrorist Leopoldo Lopez. However, the Maduro government released most of the saboteurs in a gesture of reconciliation. Obama, for his part, escalated the terror campaign of internal violence. He recycled his operatives and, in February 2015, backed a new coup. Several US embassy personnel (there were at least one hundred stationed in their embassy) turned out to be intelligence operatives using diplomatic cover to infiltrate and recruit a dozen Venezuelan military officials to plot the overthrow of the elected government and assassinate President Maduro by bombing the presidential palace.

But President Maduro and his national security team discovered the coup plot and arrested both the military and political leaders, including the mayor of Caracas. Obama, furious for having lost major internal assets and proxies, turned to his last resort: the threat of a direct US military intervention.

The purpose of Obama's 'national emergency' declaration

Obama's declaration of a national security emergency had psychological, political and military objectives. His bellicose posture was designed to bolster the spirit of his jailed and demoralized operatives and let them know that they still have US support. To that end, Obama demanded that President Maduro free the terrorist leaders. Washington's sanctions were primarily directed against the Venezuelan security officials who upheld the constitution and arrested Obama's hired thugs. Today, under the Trump regime, sanctions have been considerably extended to

encompass all senior officials in the Maduro government, who have been denied visas and whose accounts, if any, in the US have been frozen. More recently (January 29), sanctions have been extended to include Venezuela's state-owned oil company *Petroleos de Venezuela, S.A.*, bringing to bear the most significant financial pressure so far on Venezuela's embattled President Maduro.

The second goal of Obama's threat was to test the response of the Venezuelan and Latin American governments. The Pentagon and CIA sought to gauge how Venezuela's military, intelligence and civilian leaders would deal with this new challenge in order to identify the weak links in the chain of command, that is, those officials who will run for cover, cower or seek to conciliate by giving in to Obama's demands.

It should be remembered that during the US-backed coup in April 2002, many self-styled 'Chavista revolutionaries' went into hiding, some holing up in embassies. In addition, several military officials defected and a dozen politicians curried favour with the coup leaders until the tide turned and over a million ordinary Venezuelans, including slum dwellers, marched to surround the Presidential Palace and, with the backing of loyalist paratroopers, ousted the *golpistas* (coup makers) and freed President Chávez. Only then did the fair-weather Chavistas come out from under their beds to celebrate the restoration of Hugo Chávez and the return of democracy.

In other words, Obama's bellicose posture was part of a 'war of nerves', to test the resistance, determination and loyalty of the government officials when their positions are threatened, US bank accounts were frozen, their visas denied and access to 'Disneyland' was cut. Obama put the Venezuelan government on notice: a warning this time, an invasion next time.

The White House's openly thuggish rhetoric is also intended to test the degree of opposition in Latin America, and the kind of support Washington can expect in Latin America and elsewhere.

Cuba responded forcefully with unconditional support for Venezuela. Ecuador, Bolivia, Nicaragua and Argentina repudiated Obama's imperial threats. The European Union did not adopt the US sanctions, although the European Parliament did echo Obama's demand to free the jailed terrorists. Initially Brazil, Uruguay, Chile and Mexico neither backed the US nor the Venezuelan government. Uruguayan Vice President Raul Sendic was the only official in Latin America to deny US intervention. However, at an emergency meeting of UNASUR in Quito, Ecuador on 16 March 2015, the foreign ministers of Argentina, Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, Surinam, Uruguay and Venezuela unanimously denounced US sanctions and military intervention.

But what was most important is that President Maduro stood firm. He declared a national emergency and asked for special powers. He called for two weeks of nationwide military exercises involving 100,000 soldiers beginning 14 March. He made it clear to the Pentagon and the White House that a US invasion would meet resistance; that confronting millions of Venezuelan freedom fighters would not be a cakewalk; and that there would be US casualties, body bags and new US widows and orphans to mourn Obama's imperial schemes.

Notes

- 1 Latin America accounts for a significant part of global production and reserves of several minerals whose main destination is the United States. Six of the world's top ten mining countries in the world are located in South America (Peru, Chile, Brazil, Argentina, Bolivia and Venezuela), and then there is Mexico, an important producer of strategic minerals and precious metals that are readily available to the United States because of its geographic location. Latin America also has vast proven reserves of strategic minerals, such as antimony, bismuth, lithium, niobium, thorium, gold, zinc and uranium, on which the United States is dependent for imports and for which it is the main recipient. This includes bismuth (88 percent), zinc (72 percent), niobium (52 percent) and to a lesser extent fluorite (45 percent) and copper (45 percent).
- 2 US occupation of Germany and Japan was seen as temporary only and not as part of a colonization policy. In this context, Germans and Japanese, and people elsewhere welcomed US bases, seeing them as part of their own defences. And in the same spirit they accepted the rule of the dollar and welcomed US investment and multinational corporations. Lundestad (1998) dubs the resulting system 'Empire By Invitation'.
- 3 In the Bretton Woods negotiations, the British were overruled while the others were allowed almost no contribution. However, everyone was all too aware of the coercive element in the new international regime. But they accepted American hegemony as the price for economic growth and military protection from Soviet communism – leadership of the 'free world' based on the virtuous marriage of democracy and capitalism.
- 4 In regards to the global reach of US imperialism and the strategic projection of imperial power, the aim of geopolitical strategists for much of the twentieth century was to control and establish hegemony over the 'rimlands' of Eurasia – Western Europe, the Pacific Rim, and the Middle East – and thereby contain any emerging 'heartland' power (the USSR at the time). However, US elites have concluded that the European and East Asian rimlands of Eurasia are securely in American hands or less important, or both. The new centre of geopolitical competition, as they see it, is south-central Eurasia, encompassing the Persian Gulf area, which possesses two-thirds of the world's oil; the Caspian Sea basin, which has a large chunk of what is left; and the surrounding countries of central Asia. This is the new centre of imperial war and containment, although Latin America, as we have noted, is a region of particular importance for the US empire. However, the hegemony of US imperialism in the region is not contested, except for forces mobilized by the social and political left – forces that from an imperialist perspective are easily contained.
- 5 Whatever the issues that the Ecuadorian Left had with President Correa regarding his extractivist model of neodevelopment, his closing of the US military base in Manta signalled Correa's joining Chávez and Evo Morales in their anti-imperialist alliance.
- 6 UNASUR (Union of South American Nations) is an intergovernmental regional organization composed of six South American countries: Argentina, Bolivia, Brazil, Chile, Colombia and Ecuador. It was created in 2008 to propel regional integration on issues including democracy, education, energy, environment, infrastructure and security – and to eliminate social inequality and exclusion. It was inspired by and modelled after the European Union.
- 7 An acronym for the Bolivarian Alliance for the Peoples of Our America (*Alianza Bolivariana para los Pueblos de Nuestra América*), ALBA is an intergovernmental organization based on the idea of the social, political and economic integration of the countries of Latin America and the Caribbean. The name 'Bolivarian' refers to the ideology of Simón Bolívar, the nineteenth-century South American independence leader born in Caracas who wanted Hispanic America to unite as a single 'Great Nation'.

- 8 Fernando Schüler, an academic and columnist associated with Instituto Millenium, another Atlas think tank in Brazil, made the case against the Left – disseminated by the elite-controlled media – as follows: ‘Brazil has 17,000 unions paid by public money, one day of salary per year goes to unions, completely controlled by the left’ (quoted in Fang, 2017: 9). The only way to reverse the socialist trend, argues Schiller, has been to outmanoeuvre them. ‘With technology, people could by themselves participate, organize at low cost – WhatsApp, Facebook, YouTube, using networks, a kind of public manifestation’, he continued, explaining the way libertarian organizers mobilized a protest movement against left-leaning politicians.

7 The end of the progressive cycle

With the ‘Left turn’ or the ‘pink tide’ of regime change – or ‘red’, in the case of Bolivia, Ecuador and Venezuela – the Latin American political Left undeniably made important gains. From Venezuela to Argentina and from Bolivia to Brazil, it managed to finally assume state power, to take control of the state – no insignificant ‘development’ in itself. Taking advantage of this victory at the level of electoral politics, as well as of other contingencies such as a favourable geopolitical climate, the exhaustion or disarray of their immediate enemies, and an unanticipated commodities boom, left-leaning governments of different stripes have had almost unprecedented freedom for a decade to experiment with a variety of progressive political, economic and social solutions to some of the problems that have long ailed the region. This included the writing of new constitutions that threatened dramatically to improve participation and do away with some of the entrenched hierarchies of the creole republics in the Andes. They also ploughed money into diverse schemes to alleviate poverty and social inequalities in the distribution of income, and to improve public services for those who most needed them. And they presided over a series of reforms that increased the visibility and improved the social and legal rights of women, gays and lesbians, indigenous peoples, and others who have historically been marginalized and oppressed. In other words, there is no point denying that the left turn in regime change, or the so-called progressive cycle, constituted an almost unprecedented achievement on the part of the Latin American Left – although many observers and analysts insisted that they did not go far enough.

On this point, the social change sought by these regimes and the political Left was limited to a search for a more inclusive form of development, or poverty reduction, without tackling or moving beyond what the UNDP (2010) and ECLAC (2010) have described as the ‘structure of social inequality’ rooted in and reproduced by the underlying capitalist system (i.e. post-neoliberalism but not post-capitalism). As for the social Left, the solution was local or community-based development in the form of a social and solidarity economy, which also left the pillars of the capitalist system intact.

The end of the progressive cycle and a pendulum swing towards the Right

Since the end of the primary commodities boom in 2012 in the case of Brazil, and 2015 more generally, one after another of the post-neoliberal regimes formed

in conditions of this boom have succumbed to the political machinations of a resurgent Right. Regimes that have moved decisively from the centre-left to the centre-right in recent years include Tabaré Vázquez's 'Broad Front' government in Uruguay, and in Ecuador with the election of Lenín Moreno to replace Rafael Correa's 'Citizen's Revolution' and PAIS Alliance. In both cases, the groundwork was established via accommodations with oligarchs of the traditional right parties. The prior centre-left regimes of José Mujica and Rafael Correa had succeeded in pushing for public investments and social reforms. Capitalizing on the commodities boom on the world market and the high demand for agro-mineral exports to finance their reforms, they combined their leftist rhetoric with progressive policies oriented towards an 'inclusive' form of development based on poverty reduction. However, with the decline in world prices and the public exposure of corruption, the centre-left parties of Mujica and Correa changed direction, nominating and electing centre-right candidates (Lenín Moreno in the case of Ecuador) who turned anti-corruption campaigns into vehicles for embracing neo-liberal economic policies. Once in power, the centre-right presidents marginalized the leftist sectors of their parties and rejected economic nationalism, encouraging large-scale foreign investment and implementing fiscal austerity programs that appealed to the upper-middle class and ruling class.

Apart from Costa Rica, the only regime that has thus far resisted this right turn in Latin American politics is that established by Evo Morales in Bolivia. The reason for this is probably because this regime is the only one in the region that had or still has the backing of the social movements. In the other cases of regime change in the context of changes in the global economy and domestic politics, the social movements were cast aside in the rise to political power of the political left.¹ Another regime that has thus far managed to resist the machinations of the political Right and US imperialism is that established by Chávez and maintained by Maduro in Venezuela. But in this case the social movements were never a force for social change. The Bolivarian regime is the only one established in the progressive cycle that never had a social movement base or the backing of the social movements. The progressive cycle was fuelled by the activism and mobilizations of peasant-based social movements in the 1990s, but in Venezuela regime change was initiated from above rather than from below.

Argentina: the awakening of the Right and the Macri factor in electoral politics

The regimes that were formed in the progressive cycle derived their legitimacy from the use of the electoral mechanism – contesting and winning the elections. But as of 2015, regime after progressive regime lost electoral support for their projects and candidates. Without overstating the relevance of electoral politics in the dynamics of social change, this drop in electoral support and the resulting pendulum swing in politics catapulted the political class on the centre-right or far right to power in a number of countries: Argentina, Brazil, Chile, Colombia, Peru, Paraguay, Guatemala and Honduras. And although they were not part of this pendulum swing, right-wing regimes committed to neoliberalism and aligned

with the US also hold state power in Colombia and (despite Trump's anti-Mexico rhetoric) in Mexico.

With the exception of Mexico, where a centre-left coalition regime headed by Andrés Manuel Lopez Obrador (AMLO) won the presidential elections in July 2018, and Costa Rica, where the centre-left also captured the presidency, a further series of elections in 2019 promises to bring a resurgent right to power across the region (see the discussion below). On 3 February 2019, Nayib Bukele, a right-wing businessman and former mayor, who contested the presidential elections with an anti-corruption campaign – and somewhat like Trump in having contested the elections as an outsider vis-à-vis the two traditional parties that have dominated politics in El Salvador – claimed victory over his centre-left and conservative rivals. For all intents and purposes, the progressive cycle has come to an end, giving rise to an extended debate as to the causal factors in this pendulum swing in electoral politics – first the formation of a progressive cycle and then the resurgence of the Right.

The resurgence of the Right is part of a political dynamic reflected in a series of pendulum swings in electoral politics that can be traced back to a cycle of military dictatorships formed in the 1970s in conditions of the US National Security Doctrine: in Chile (Pinochet), Argentina (Videla), Uruguay (Bordaberry), Bolivia (Mesa Tejada, Banzer) and Paraguay (Stroessner).² This cycle of dictatorships (or authoritarian regimes, as liberals prefer to call them), after a transition period in the late 1980s and 1990 dominated by neoliberal policy regimes, was succeeded by a cycle of progressive regimes in what has been described as the 'era of UNASUR' – with reference here to Hugo Chávez, the Kirchners, Lula, Evo and Correa. And now, it would appear, this progressive cycle has come to an end in another pendulum swing back towards forces on the centre-right or more radical far right that are concerned to overhaul the progressive policies of the centre-left regimes and to restore order as well as a neoliberal policy regime. After a decade of progressive regimes with the centre-left in power in a number of South American countries (Argentina and Brazil, Bolivia and Ecuador, Uruguay and Venezuela, Nicaragua and Honduras), the landscape over the past few years has radically changed. Now radical right-wing regimes rule in Brazil, Argentina, Mexico, Colombia, Peru, Paraguay, Guatemala, Honduras and Chile.

The spread of the far right from Central America and Mexico to the Southern Cone also provides the groundwork for the reassertion of US-centred military alliances and regional trade pacts. This latest swing in the pendulum of electoral politics is associated with a series of resounding political defeats, as in Argentina. But it also shows the workings of US imperialism and resort to a tactic of soft coups as in the case of Brazil, Paraguay, Uruguay and Honduras. Venezuela, however, has been the major target of US intervention in support of the far right or centre-right, but the machinations of the US imperial state can be traced out in virtually every country where the centre-left had come to power. This includes massive support for the right-wing opposition to progressive policies, the economic sabotage and a tactic of soft coups, as well as – in the case of Argentina and Paraguay – a policy of militarization supported by a regional network of client state and army bases

centred in the US Southern Command. The role and agency of US imperialism in the return to the Right will be further discussed in the next chapter.

The awakening and resurgence of the Right first materialized in Argentina in the person of right-wing billionaire businessman Mauricio Macri, one of the richest scions of Argentina's plutocracy, who won the presidential elections in what pundits and the media³ described in Trumpian terms as 'huge', a 'great historic' victory, 'a historic feat!' (see Borón, 2017).⁴ Immediately on gaining control over the levers of political power, Macri set about to overhaul and reverse the progressive policies of the Kirchners, implementing in their stead a regressive regime of extreme austerity measures and policies designed to shift income from labour to capital, ostensibly to activate a process of capital accumulation, productive investment and economic growth. To this end, the regime also increased fees for public services and utilities sixfold; privatized oil, gas and public lands; and fired tens of thousands of public sector employees.

In the electoral campaign, Macri promised to end capital controls, export taxes and retentions on agro-business exports; devalue the peso and pay the Wall Street speculator Paul Singer over USD 1.2 billion in debt that he bought for USD 49 million; privatize and denationalize the state-owned airline, oil company and pension funds; sign off on EU-based and US-based free trade agreements, thus undermining Latin America integration projects like MERCOSUR; terminate a joint memo of understanding with Iran so as to investigate a terror bombing as requested by Israel; and expel Venezuela from MERCOSUR, which ingratiated him with the Obama regime, which had doubled down on its project to bring about the overthrow of the Chavista regime.

On assuming office, Macri lost no time in overhauling twelve years of progressive economic and social policies implemented by the successive Néstor and Cristina Kirchner governments. He called for reduced public expenditures on education and social welfare, and harsh austerity (for the working class) – while providing bountiful handouts for the economic elite with the pretext of activating a process of productive investment and economic growth.⁵ Investment fund managers incited Macri to act swiftly in implementing what they dubbed 'sweeping reforms' before mass popular resistance was organized to stymie his draconian policies. But already in December, after just a few months in office, the fears of these investors were realized in the emergence of mass protest that brought hundreds of thousands of workers onto the streets. It was evident that the working class was not going to take Macri's policies lying down, and that these policies might very well augur the beginnings of a renewed class struggle from below.⁶ With these policies Macri had 'sown the wind', but it is evident that they will 'reap the whirlwind'. On this see our discussion below.

Election countdown 2018: the class struggle in the arena of electoral politics

After a decade in which most countries in Latin America were ruled by left-wing governments, today only Venezuela and Bolivia, and to some extent Nicaragua,

fit into that category. In Argentina and Peru, market-friendly candidates Macri and Pedro Pablo Kuczynski (PPK) replaced nominally leftist leaders after elections in 2015 and 2016.⁷ In Brazil, after the impeachment of *Partido do Trabalhadores* President Dilma Rousseff, her right-of-centre vice president, Michel Temer, was sworn in for the remainder of her term (2016–2018). Temer promptly embarked on a right-wing political course in alignment with his right-wing congressional cronies. Even in Ecuador, although the Left retained power after presidential elections in early 2017, Rafael Correa's successor, now President Lenín Moreno, abandoned Correa's policies with a vengeance and moved swiftly to the right. The elections in both Chile and Honduras saw new victories for the right,⁸ although a few polls showed that a centre-left coalition (*Colombia Humana*) had a fighting chance in the presidential election in Colombia in May 2018, and indeed it came a close second to Duque and the right-wing Democratic Party under whose banner he ran. The country has not elected a left-wing leader in the past thirty years.

The rightward electoral shift can be partially attributed to the downturn in the economic cycle across the region and the end of the export commodity boom. After more than a decade of favourable terms of trade for Latin American countries, declining prices for commodity exports have put fiscal pressure on cash-strapped governments. Meanwhile, social needs are increasing and the demand for additional government spending keeps rising. As a result, it would appear that voters have elected to punish left-wing incumbents at the polls.

2019 promises to be another turbulent year in Latin American politics. With six presidential elections on the agenda, the region will experience significant political turmoil as the pendulum in many cases swings from the left to the right. These elections are part of a super-cycle of elections, with fourteen presidential elections scheduled to take place between November 2017 and November 2019 (Chile and Honduras went to the polls in 2016).

Costa Rica was the first to enter the arena of electoral politics – on 4 February 2018 – bringing to power Carlos Alvarado and his progressive Citizens' Action Party, which managed to capture the presidency if not the legislative assembly. Alvarado, a graduate of the University of Sussex's development studies program and the leader of a centre-left political force, was of very few who managed to swim against the wave of support for the political Right – at least at the level of the presidency. The new legislative chamber is still under control of the traditional centre-right in the form of the National Liberation Party (which holds seventeen seats in the new legislative assembly versus ten for Alvarado's Citizens' Action Party).

As for Venezuela, presidential elections were held on 20 May 2018, although without the participation of political opposition forces who boycotted the elections because of the anticipated landslide win of President Maduro.⁹ Elections were also held in Paraguay (22 April), Colombia (27 May), Mexico (1 July) and Brazil (7 October). Thus in a matter of just six months, the countries with some of the biggest economies in the region (Brazil, Mexico and Colombia) elected new presidents in an electoral cycle that began with the election of Mauricio Macri, who was sworn into office in December 2015, and that will end with general

elections scheduled to be held in Argentina on 27 October 2019. This simultaneous changeover happens only once every twelve years.

To this electoral cycle we could add the Ecuadorian referendum (February 2018), the legislative elections in El Salvador (March 2018), the election in Cuba of legislators for the new National Assembly, which in April 2018 elected the successor to Raúl Castro as the next president of Cuba. And then we had the midterm legislative elections in the United States, which by many accounts constituted a plebiscite on the first two years of Donald Trump's administration.

The political context in which these elections took place and will take place is complex, with any number of challenges and unforeseen or changing circumstances. Mounting social conflicts, along with high levels of citizen insecurity and serious corruption scandals, will continue to pose problems of governability in several countries of the region. The corruption pit of liberal representative politics and some budget shenanigans led to the impeachment of Dilma Rousseff, bringing to power Michel Temer, who was linked by the media to various corruption scandals and in the latest polls had the support of only four percent of the electorate. In Peru the scourge of corruption, seemingly endemic in the liberal 'democratic' political system, forced the resignation of Pedro Pablo Kuczynski (PPK) to avoid impeachment, creating a vacuum where his enemies – principally 'the Fujis' (Fujimori's Fuerza Popular Party) still dominated the Congress.¹⁰ Thus did the Odebrecht scandal – which had already brought down Dilma Rousseff and Lula in Brazil, and both of PPK's immediate predecessors, Alejandro Toledo and Ollanta Humala in Peru – ensnare another member of the political elite.

On the economic side, while growth in the region is projected to be better than last year, most pundits predict that it will likely continue to be weak. Such growth is insufficient to answer the growing demands of the middle class, avoid an increase in poverty and inequality, and ensure that quality jobs are created.

Costa Rica led off the electoral countdown on 4 February 2018 with the election of both a new president and the legislative assembly. The attrition of the leading parties allowed new candidates to emerge, such as Juan Diego Castro of the *Partido de Integración Nacional* (PIN), who, with a discourse critical of the traditional political forces, enjoyed a narrow lead in the polls leading up to the presidential election. He was followed by Antonio Álvarez Desanti of the traditional *Partido de Liberación Nacional* (PLN) and Rodolfo Piza of the right-wing *Partido de la Unidad Social Cristiana* (PUSC). The scant difference separating the three leading candidates into the elections, and the large number of undecided voters, foreshadowed an election too close to call. In the end, as it turned out, the presidency was captured by Alvarado's Progressive Citizens' Action Party, who split to vote on the centre-right and far right.

Paraguay went to the polls on 22 April 2018. The *Partido Liberal Radical Auténtico* (PLRA) and the leftist Frente Guasú, with the Efraín Alegre of the PLRA as their presidential candidate, had formed an opposition coalition called Gran Alianza Nacional Renovadora (GANAR) to attempt to dislodge the Partido Colorado (ANR), led by Mario Abdo Benítez, from the presidency. But Benítez won, bringing back to power the forces of the traditional Right, which

had governed the country for some sixty years before a centre-left hiatus under the short-lived presidency and regime of a left-leaning priest Fernando Lugo, who was subsequently ousted in 2012 in a similar manoeuvre to that used in Brazil to oust the PT (Workers' Party) President Dilma Rousseff. Abdo Benítez represents and is supported by an oligarchy formed by the big landowners, an importer bourgeoisie and the military. His electoral victory ends the pushback over the last decade spearheaded by forces on the left that pushed for agrarian reform, sovereignty and national development. It means the return of a regime historically tied to the dictator Stroessner, who held state power for thirty-five years (1954–89), and which is closely aligned with the United States and the Paulist oligarchy in Brazil. It probably also means an intensification of the class struggle over land and the soya-zation of agriculture, the advancement in soy monoculture and the penetration of Brazilian capital, which has been the breeding ground for the increasing presence on the Brazilian border of the political-military organization Paraguayan People's Army (EPP).

Colombia held legislative elections on 11 March and presidential elections on 27 May. A second round was needed to determine who would be the next president. These elections were characterized not only by a high degree of fragmentation and independent candidates but also by a major polarization between the right and the left and between supporters and critics of the peace accords with the FARC. Recently, the main coalitions aspiring to the presidential palace (Casa de Nariño) were defined in the following terms: the conservative right-wing coalition led by former presidents Uribe and Pastrana, whose candidate will be Iván Duque or Marta Lucía Ramírez; and a second, more centrist coalition led by Sergio Fajardo (*Coalición Colombia*). There were also negotiations in place to form a third coalition, more to the left, in which there is no clear candidate yet, with the names mentioned including Gustavo Petro (*Colombia Humana*) and Clara López (ASI). To these coalitions must be added the candidacy of the former chief negotiator (from the government side) of the peace accord with the FARC, Humberto de la Calle (of *Partido Liberal*), and former Vice President Germán Vargas Lleras – of the centre-right. As for the FARC, which recently undertook the transformation from guerrilla army to political party, it announced that its candidate for president, Rodrigo Londoño 'Timochenko', would withdraw from the contest, presumably because security conditions for the participation of FARC at the national level were totally absent. For one thing, Santos had betrayed the peace accord with the arrest of Timochenko, whose health has deteriorated. In addition, over fifty FARC candidates for political office had been assassinated with impunity.

Mexicans voted on 1 July, and there was only one round of voting. Andrés Manuel López Obrador, the leader of *Movimiento Regeneración Nacional* (MORENA), headed up a centre-left coalition that brought together the anti-PRI (*Partido Revolucionario Institucional*) and anti-traditional political class forces in the political arena. Having been defeated twice before, in 2006 and 2012, and robbed here at least once of an electoral victory, he finally won the presidency and began his *sexenio* (his six-year term as president) in December 2018. The most

notable feature of this electoral outcome is that it flies in the face of a regional trend towards the election of forces on the Far Right.

Brazil went to the polls on 7 October 2018, with the possibility of the presidency being defined in second-round elections, which if needed (and it was) would be held 28 October. The election process and outcome depended on the judicial status of former President Lula da Silva; he had led in all the polls leading up to the election, but with his conviction of bribery upheld on appeal, he was disqualified from participating in the electoral contest. This led to the election of extreme right-wing and fascistic populist Jair Bolsonaro who, in his bid to capitalize on Latin America's move to the right, had painted himself as a tropical Trump, an anti-establishment crusader set on 'draining the swamp' and restoring law and order. With Bolsonaro's electoral victory – which had been viewed by most pundits as extremely unlikely (much as the election of Donald Trump had been), Brazil followed Argentina in a hard swing to the right and the influence of the agro-export elite over public policy. At the time, Brian Winter, editor-in-chief of *Americas Quarterly*, had written that 'it's unlikely but very possible [he will win]' (quoted in *The Guardian Weekly*, 27 April 2018: 8). He noted that notwithstanding (or perhaps because of) Bolsonaro's flamboyant rhetoric and rambling speeches about 'fake news' in a country with 60,000 homicides a year and the biggest corruption scandal ever detected anywhere, Bolsonaro's basic message on law and order resonated deeply.

Taking stock. Where is the tide of electoral politics headed?

First, this super-cycle of elections is coming at a time when, according to the Latin American Public Opinion Project (LAPOP), support for democracy in Latin America has been experiencing a sharp decline. This is accompanied by greater dissatisfaction with democracy, a major drop in support for the governments, and low levels of confidence in elections and in the leading institutions of representative democracy.

Second, this set of elections will prove crucial for assessing the quality of democracy and the integrity of electoral processes in Latin America.

Third, in the vast majority of cases, these elections are characterized by a high degree of polarization and uncertainty.

Fourth, it is not clear how strong the outsider candidates and populist trends (very present in several parts of the world today) will be in these six presidential elections.

And fifth, the outcomes of the 2018–2019 electoral marathon (14 electoral contests) will be key for defining the trends, direction and intensity of political change in Latin America in coming years. Would the region suffer a populist relapse? Would the moderate Left win the strategic elections in Colombia, Mexico and Brazil? Or would the middle classes (more pragmatic than ideological and mostly situated in the political centre) decide to go with moderate centre-Right candidates, thereby consolidating the ideological turn that the region began in this

direction with the election of Macri and Kuczynski (in Argentina in 2015 and in Peru in 2016, respectively), and which was reinforced by the election of Sebastián Piñera in Chile?

This was what was at stake in the 2018 presidential election marathon. However, it was also possible, if not likely, that these developments in the electoral era – the swing of the pendulum of electoral politics to the right – would be swamped by a popular response to the policies of the neoliberal authoritarian regimes that rode the wave of electoral support for the forces on the far Right. At issue here was the possibility of a renewed class struggle from below. This issue can best be illustrated by the case of Argentina and what we have described as the Macri factor in Latin American politics.

The return of the class struggle from below: the storm to come

The return of the class struggle in a number of countries in response to the turn towards the centre or far right across the region is particularly evident in Argentina in the popular reaction to policies implemented by Macri in the last quarter of 2017. In fact, within just a few months of initiating this radical neoliberal policy regime, Macri had galvanized the resistance of the working class to his policies. To the dismay of the leadership of the labour movement, the General Confederation of Labour (the CGT), Macri began the New Year by ordering thousands of public sector layoffs across the country – 14,000 by mid-January – with anywhere between 60,000 and 200,000 more projected for the coming months. According to Carlos Aznarez, director of Resumen Latinoamericano, a major trusted new agency, since the beginning of the Macri's 'Happiness Revolution' around 300,000 Argentinians have been left without jobs, while another 150,000 are moving towards the same fate by the end of the year (Aznarez, 2018: 2). Needless to say, not even the quiescent CGT, many of whose leaders had become rich by corporatist accommodations made to whatever government happened to be in power, could turn the other cheek. The leadership soon informed the government that it was planning to call for a general strike and join its members on the streets. Meanwhile, forces on the political Left began to organize.

A major problem faced by Macri is the resistance against the austerity policies that were implemented immediately upon his taking office in the belief that this would pre-empt the attempt of the left-wing opposition to mobilize the forces of resistance. Another problem is that ending the policy of tax retention on agro-exports had a boomerang effect, as it decreased a crucial source of fiscal revenues for the government, exacerbating the fiscal deficit and thus necessitating even deeper reductions in social expenditures. Even more decisive in fomenting discontent and resistance, Macri's 'export strategy' was badly undermined by the low prices of Argentine commodity exports. Ending capital and price controls on his first day in office provoked a major devaluation, which now exceeds 60 percent. This resulted in severe increases in the price of consumer goods and increased profits for the export elites, while provoking mass unrest across the occupational

and class spectrum. And the contrast between higher earnings for the agribusiness elite and lower living standards for labour was an invitation to greater class hostility and strife. In addition, by ignoring the institutional damage, his authoritarian approach would have totally underestimated the increase in the public's sense of a lawless regime willing to trample constitutional rules to impose his free-market dogma. This was an open invitation for the middle classes to oppose Macri's policies and join the resistance.

Macri mistakenly believed that he could rush through a dose of 'harsh medicine' – and thus avoid the inevitable mass protest – and attract thereby a massive inflow of capital that would rapidly 'grow' the economy. But he was gravely mistaken. After the initial giveaways and uptake of the stock market, the Soros and Loeb speculators took their profits and left. Weakened domestic consumption and the depressed global commodity market did not attract long-term, large-scale productive capital.

Another problem faced by Macri in implementing his policy agenda and a catalyst for working-class resistance was the regime's engineering of a 300 percent increase in household expenses for gas and light, which resulted in a major increase in taxes, 40 percent devaluation and 30 percent inflation in rents, food and clothing, which has already pushed a million workers below the poverty line according to a study by the National Council of Statistics, Science and Technology.

In addition to these problems, a wave of bankruptcies rippled through the retail commerce sector, threatening to spread throughout the economy and so doubling the unemployment rate.¹¹ Also, a massive strike wave has gained momentum, rippling out from the public sector to the private sector and culminating in a call by the three major labour confederations for a general strike. Under these conditions, the real question is not – as the financial pundits claimed when he was elected – whether Macri would 'seize the moment and his opportunity', but how long can his regime last? Or how soon will it crash amidst the ruins of a depressed economy, raging inflation and general strikes? Towards the end of September 2018 the policies of the regime had galvanized another general strike, the fourth since December 2017. Whether this or the next strike will bring down the government is an open question that many observers are asking. At the time of this writing (early February 2019), the Trump regime tightened the screws on the Maduro administration by extending sanctions, recognizing the self-declared but unelected president Guaidó, the head of the National Assembly, as interim president, and rallying support for this undemocratic action from other heads of government in the region (as it happens, those who had assumed power in conditions of the pendulum swing to the far right).

Another reason that Macri has encountered so many difficulties in implementing his policy agenda is that a sizeable number of Argentinians lived through the first cycle of neoliberal reforms implemented by President Menem in the 1990s and thus remember all too well what it meant. This earlier experiment with free-market capitalism led to the most severe economic depression in Argentine history: double-digit negative growth, unemployment rates exceeding 50 percent in working-class districts (and 25 percent nationally), and rates of poverty and

indigency that exceeded sub-Saharan Africa. Many Argentinians also remember the period of economic and political crisis that resulted from Menem's single-mindedly radical neoliberal policy agenda. And they likely remember that it was the resistance organized by a movement of unemployed workers (*los piqueteros*) that helped create conditions for a period of economic recovery and growth under the first Kirchner regime.

With a vestige of collective class consciousness, the previous and even the current generation of working-class and middle-class Argentinean citizens are unlikely to swallow the Macri regime's bitter medicine lying down. Nor is Macri's policy regime likely to survive the storm that it has seeded with its draconian policies, which include cutting pensions (the issue that in December brought 400,000 workers and middle-class Argentinians into the streets), extending the retirement age and freezing the wages of state workers – while turning over the economy to his cronies and fellow oligarchs in the ruling class. Under these conditions, with a looming crisis Macri today faces an entirely different scenario than he did even six months ago: an organized, if not mobilized, working class; the trade unions and militant popular movements intact, having experienced a decade of substantial gains under a centre-left government; up to 1.5 million unemployed workers, raising the spectre of a revival of the *los piqueteros* movement of unemployed workers, which had brought about an end to the pre-Kirchner neoliberal regime; and a hitherto compliant and accommodating union leadership threatening to abandon its traditional tripartite negotiations stance and join the resistance in the streets. When the forces of this resistance are mobilized and the associated class struggle from below takes hold, developments in Argentina – which saw the beginning of the end of the progressive cycle – might very well prefigure what is to come: another possible, even likely, region-wide swing in the pendulum of political and regime change.

Conclusion

The progressive cycle in Latin American politics that unfolded in the first decade of the new millennium reflected a number of important changes in the capitalist development of the forces of global and regional production, and in the resistance to the forces generated by these changes. The most important change in the global economy was the rise of China and the BRICs, which resulted in a growing demand for diverse sources of energy and other natural resources, and consequently a primary commodities boom.

The conjunction of this 'development' with a widespread disenchantment and rejection of neoliberal orthodoxy, a development brought about by the activism of peasant and community-based social movements, gave rise to a series of regimes oriented towards both extractivism and a more inclusive form of economic development. However, when the conditions that gave rise to this progressive cycle disappeared, so did the 'progressive' regimes; they began to fall apart in 2016 in a pendulum swing towards the Right in the arena of electoral politics.

One possible or even likely outcome of this latest twist and turn in the class struggle is a change in the agency, form and locus of active resistance. The end of the progressive cycle signifies the return of the anti-systemic movements to the centre of the political stage. But these movements are not the same, nor do they have the same methods of organization, as those who led the class struggle and the popular movement in the 1990s. For example, the *piquetero* movement in Argentina no longer exists, but nevertheless it has left deep scars and lessons and an organized working sector in the neighbourhoods of the big cities in Argentina, with new initiatives such as the popular high schools and homes for women, and a social economy based on workers' cooperatives and relations of solidarity rather than commercial exchange.

Although it is too early to tell – a series of elections in 2018 and 2019 will tell the tale – the right-wing regimes formed in the wake of the progressive cycle are not likely to last. Judging by current political developments in Argentina, these right-wing regimes will in the near future most likely find themselves hoisted on the petard of their own policies. What we predict is a resurrection and return of a protracted class struggle. Where this will lead is anyone's guess.

Notes

- 1 On this see Petras and Veltmeyer (2009).
- 2 For an analysis of the dynamics of this National Security Doctrine and the associated Operation Condor plan to exterminate 'subversives' (left-wing activists and sympathizers), see Calloni (2006). For an analysis of the broader imperialist militarization strategy, see Bertaccini (2010).
- 3 Macri was backed by the mass media, led by the Clarín conglomerate, as well as by the international financial press (*Financial Times*, *Wall Street Journal*, etc.). Wall Street speculators and Washington's overseas political apparatus also financed his electoral campaign (upon Macri's election, the regime transferred USD 5 billion to the notorious Wall Street speculator Paul Singer). As the presidential election results rolled in and Macri was pronounced the victor, Wall Street and the City of London, and their financial mouthpieces the *Wall Street Journal* and the *Financial Times*, announced the coming of a new era, the end of 'anti-investor, populism and nationalism, wasteful social spending', referring to increases in pensions, family allowances and wages, approved by the previous centre-left government.
- 4 Atilio Borón (2012), an astute political analyst on the Left, explains the collapse of Kirchnerism and the ascension of Macri to state power in terms of widespread messaging by the media oligopoly ('Kirchnerismo is the past . . . a perverse combination of incompetence and corruption that created a false illusion of prosperity that proved to be unsustainable'). Hernández (2017), however, explains Macrismo in terms of the changing dynamics of a class struggle and the political vacuum left by a legitimization crisis of Kirchnerism.
- 5 In his first two weeks in the presidency, and governing by 'emergency' decree, Macri lifted currency controls, devaluing the peso by 30 percent; passed a decree seeking approval from Congress to slash education spending by half; and attacked the hard-won Broadcast Media Law that limited media concentration (Kozameh, 2016). He also eliminated the Kirchners' agricultural export taxes, removed a series of electric and gas subsidies, and shut down the popular Kirchnerist television talk show *678*. Although many conservatives heralded the changes, the country's social movements responded with outcry and protest.

- 6 On 10 March 2016, in response to the assault on the working class, which included various austerity decrees and laying off thousands of state workers (200,000 in just the first hundred days of Macri's regime), the Association of State Workers (ATE) held a plenary meeting of the country's twenty-four secretaries general. At this meeting it was unanimously decided to continue the struggle on lines elaborated at the end of the year, which led to milestone mobilizations on 29 December and 29 February. Another outcome of the meeting was the declaration of a national day of struggle with a series of strikes and mobilizations throughout the entire country in a week's time (16 March).
- 7 The Alan García (2006–2011) and Ollanta Humala (2011–2016) regimes were nominally leftist, but their policies were 'market friendly' or neoliberal. As it turned out, when he assumed power in 2016, PPK received a country in much better condition than in Argentina or Brazil, so that he was in a much better position than his neoliberal counterparts in Macri's Argentina and Temer's Brazil to show that right-wing, market-friendly presidents could put the country back on the path of sustained growth.
- 8 In the case of Chile, the electoral victory of Sebastián Piñera was to a considerable extent the result of voter apathy and absenteeism which, it is estimated, was as high as 60 percent in the popular barrios (52 percent overall). As a result, billionaire conservative Sebastián Piñera won the presidency with less than 30 percent of the electorate. The centre-left candidate, former journalist and sociologist Alejandro Guillier, who vowed to build on Bachelet's reform agenda, had the support of 46 percent of those who voted but less than 30 percent of the electorate. As for the reasons for voter apathy in the popular barrios, we need look no further than the residues of Bachelet's ostensibly socialist regime: deep and persistent social inequalities in the distribution of income, with large numbers a hair's breadth above the poverty line, low wages, the lack of housing, and the privatized pension plan in the hands (or rather the banks) of the economic elite, who have enriched themselves and their enterprises by 'managing' these plans.
- 9 Current President Maduro was the projected winner of this electoral contest, and indeed he won handily. This was the fifth round of democratic elections in Venezuela since Chavez was elected in 1998. The elections take place at an extremely difficult time. While the political crisis that engulfed major parts of the country in violence and chaos around the same time last year has subsided, a different sort of violence and warfare continues to be waged on the Venezuelan people through harsh economic sanctions that have affected the country's foreign trade, currency and access to basic goods and medicines. Despite the difficult panorama and the dire economic conditions, most people are quite optimistic regarding the elections. The right-wing forces suffered a huge blow to their legitimacy and weakened after the four long months of violence that they waged against the Venezuelan state and its supporters in 2017, which resulted in the death of at least 125 people. Despite a strong campaign of threats and intimidation waged by the right wing to impede voting in the National Constituent Assembly elections, people turned out en masse to participate in them. This show of popular support forced the right wing to literally retreat from the streets and to boycott the elections.
- 10 To some extent PPK's fate was already sealed when Peru learned about the unconstitutional pardon he had given some months earlier to Alberto Fujimori, the genocidal president-in-exile who kept Peru captive for the entire decade of the 1990s. There were two reasons for this unconstitutional and unscrupulous action. On the one hand, despite PPK having defeated Fujimori's daughter in the electoral contest that he won, he thought that with this pardon he would win over the still-powerful Fujimori family. On the other hand, it was a product of their ideological affinity: both of them were encouraged by the International Monetary Fund (IMF) and the World Bank to apply the neoliberal 'adjustment' plan. PPK's alignment with neoliberalism is a long story. As an official of the Central Reserve Bank in the 1960s, he dutifully served the empire by benefitting their International Petroleum Company. In later years, he performed

different kinds of tasks in the service of big capital. Luck put him on the path to the presidency, on which he worked for the last seventeen months, without cutting the umbilical cord to the empire (*The Dawn News*, 8 March 2018).

- 11 In case of small and medium-sized enterprises, the current economic policy is forced to close its doors to some 10,000 establishments (Aznarez, 2018). As in 2001, in the midst of the crisis that put an end to a decade-long experiment with a radical neoliberal shock therapy, anybody who walks in the streets of Buenos Aires today will see the numerous notices of 'for sale' or 'for rent'. These are businesses which until 2015 were not very prosperous but were sustaining jobs for their staff and workers. Considering that small and medium-sized enterprises (PyMES) make up about 75 percent of the registered workforce in the formal sector, it is not surprising that today thousands of such workers have been left in the streets. Among various reasons behind this crisis situation is the rise from 500 to 1000 percent in electricity, gas and water tariffs. Another is the indiscriminate opening up to imports, which has left a lot of entrepreneurs unable to compete (Aznarez, 2018).

8 A right-wing interlude or the death rattle of neoliberalism?

In Chapter 4, we noted the idea that each advance of capital in the development process generates new forces of resistance as a fundamental principle of Marxism. It is also a truism of political analysis – the idea that each new phase of capitalist development generates forces of change and resistance that can be mobilized either towards the Left or the Right depending on the correlation of force in the class struggle. Latin America at this particular conjuncture of the development process (i.e. in the time of Donald Trump as US president, is at such a point: at the crossroads of fundamental social change. However, the connection between the forces of capitalist development and the diverse forms taken by the resistance is by no means direct or immediate: they are mediated by structural forces released by the contradictions of the capitalist system (on this, see Chapters 1 and 2) and by political conditions that are both specific and conjunctural, and thus cannot be predetermined in thought; they require a concrete empirical analysis of diverse situations.

What adds to the complexity of these diverse situations is that capitalism takes diverse forms, and it is difficult to determine the dynamics associated with each form and how these dynamics interact in different ways in diverse situations. For example, in the current context of capitalist development in Latin America – capitalism in the time of Trump, we might say, we can identify and have discussed diverse forms of capitalism based on the exploitation of labour, the pillage of natural resources, and the trafficking of drugs.

Evidently, the resistance to the advance of capital – the forces of resistance mobilized by the latest onslaught of capital – necessarily takes different forms in different situations. For example, on the extractive frontier – the frontier of extractive capitalism in the countryside – the resistance is taking the form of the demand for land and access to other means of production but improved access to the global commons, as well as the demand for respect of fundamental human rights as well as territorial rights. Here it could be argued that the class struggle over land and labour has been transformed into a territorial struggle for sustainable, community-based local development.

However, in the cities and urban centres, where the development process fundamentally revolves around the capital-labour relation, the resistance has taken, and is taking, the form of protests against the draconian policies of the neoliberal

regimes that have re-emerged in response to the ebbing tide of progressive regime change – the end of the progressive cycle in Latin American politics. In this context and the diverse situations that it encompasses, the pendulum swing to the Right over the past three years is confronting the spontaneous and organized resistance of the working class. Where this might lead is difficult to determine at this point.

Latin America in the time of Trump

I think the Monroe Doctrine is as relevant today as it was the day it was written [two centuries ago].

– Rex Tillerson, Secretary of State, 31 March 2018

President Trump cancelled his attendance at the Summit of the Americas meeting of all the thirty-five presidents of the region designed to debate and formulate a common policy. Trump sent Vice President Mike Pence in his place. As someone with zero experience and even less knowledge of Latin American–US relations, Pence’s presence indicates the Trump regime’s disdain and low opinion of the 8th meeting of the tri-annual Summit.

Trump did not feel obligated to attend because the agenda, decisions and outcome – to the degree that he was capable of grasping their import – had already been decided in accordance with the best interests of the empire. Former Secretary of State Rex Tillerson made clear that Latin America was Washington’s backyard. The Monroe Doctrine was alive and well.

The revival of the Monroe Doctrine is a work in progress – a collective effort that preceded the Trump regime and which is now in full display (Suárez Salazar, 2006). Monroeism is a joint venture involving Washington empire builders and Latin American oligarchs, congressional coup makers, presidential narco-swindlers and military-paramilitary thugs. To understand the ascendancy of the two-century-old Monroe Doctrine requires that we examine the process – the means and methods that installed Trump’s satraps.

Many roads, common outcomes

The twenty-first century began with a series of upheavals that challenged incumbent neoliberal client states and installed a series of centre-left regimes that increased social spending and declared their independence from the United States and its imperial power. The politicians that came to power in this progressive cycle (see Chapter 7) wrote premature death certificates for the Monroe Doctrine, as they were co-signed with the local bankers, generals and business oligarchs. In other words, Latin America experienced a series of temporary reforms based on oligarchical foundations.

After a decade and a half, the Trump administration proclaimed the resurrection of Monroeism in the form of the Trump doctrine: the United States has economic

interests, which in its international relations come first, and it has the clout and military might to enforce these interests anywhere and everywhere, certainly in its backyard and immediate sphere of influence. For Latin America, this meant compliance and submission to US hegemony; puppets, pillage and plunder became the new order of the day throughout Latin America – all justified in the name of fairness to the United States and its right to even the score and its playing field. Client legislators successfully plotted a series of soft coups, ousting elected presidents in Brazil, Paraguay and Honduras, replacing them with bona fide US-approved satraps.

The secretary general of the Organization of American States (OAS; i.e. colonies), Luis Almagro, a former foreign minister in Uruguay during the progressive cycle, blessed Washington's mouthpieces.

Rigged elections held in Mexico on 1 July 2012 and in Guatemala in 2015 ensured Washington a pair of reliable flunkies to join Colombia and Honduras and an imperialist support network of client states. An agreement signed and finalized on 30 October 2009 with narco-President Santos allowed the US military the use of seven existing bases in Colombia. These bases are now part of a regional network of bases and military installations and operations coordinated from Miami by the US Southern Command (SOUTHCOM). It is responsible for providing contingency planning, operations, and security cooperation for Central and South America, the Caribbean, their territorial waters, and protection of both US military resources and the oil fields operated by US-based corporations in Colombia and elsewhere in the region.

Well-known swindlers and fraudsters, a number of them with intimate ties to Wall Street as well as the far Right in both countries, took office in Argentina and Peru in 2015 and 2016, effectively stilling all talk of a progressive cycle in Latin American politics. In addition, the soft coup perpetrated in 2016 against PT leader Dilma Rousseff by right-wing congressional leaders in the form of a trumped-up impeachment gave further evidence of the end of the progressive cycle. In 2017 in Ecuador, Lenin Moreno – an ostensible leftist and the handpicked successor to President Rafael Correa who was ineligible to run for a third term as president – won the elections, but once he took office he turned towards the right and worked for the oligarchs in the country. One of the more progressive regimes in the region was thus brought to an end.

In effect, through diverse routes that included rigged elections, a soft coup, political violence and betrayal, the stage was set for President Trump in the road towards the 8th Summit of the Americas in Lima on 13–14 April 2018 to inherit a servile entourage of self-styled democratic satraps. In these circumstances there was no need for President Trump to join the Summit of the Americas, since his scribes had written the program and policies to be implemented.

In the run-up to the Summit, the Latin American presidents spent their time demonstrating their fealty to the Trump version of the Monroe Doctrine. For example, Argentina President Macri, on taking office, paid USD 6 billion to a Wall Street speculator; contracted a USD 100 billion debt to US and UK bankers; lowered and/or eliminated corporate taxes for agro-exporters; quadrupled charges

on gas, electric and water utilities for households and small and medium-sized business; privatized mines and oil fields; fired several thousand public sector medical and educational professionals, impoverishing health and educational facilities; extended US military bases across the country; and welcomed toxic chemical companies to contaminate the countryside. In exchange, Trump overlooked Macri's swindles and overseas bank accounts and praised his police state measures.

Brazil's President Michel Temer, installed in the presidency by means of a congressional coup, promised to privatize the entire public transport system, infrastructure, mining, oil, and the electrical power sector, as well as the financial and banking system. Temer and his congressional and judicial allies ensured that military and diplomatic alliances would serve Washington's drive to overthrow the Venezuelan, Cuban and Bolivian governments. Temer and his judicial allies jailed the leading opposition presidential candidate, Lula da Silva. And Trump's satraps in the Brazilian military joined the United States in policing the continent. In exchange, President Temer, with 95 percent popular disapproval and facing jail, obtained President Trump's permission to secure asylum in Miami and membership in his golf club were he to be pushed out of office.

As for Mexico, President Peña Nieto, who ended his six-year term in November 2018, also finalized the privatization and denationalization of the country's national patrimony – the lucrative industrial enterprises of the oil fields, mines and banks – begun by his neoliberal predecessors over the past thirty years. He has collaborated with military and paramilitary groups and the police in murdering or 'disappearing' dozens of opposition students, critical journalists and human rights workers. Over the course 2018, since the precampaign for the presidency began in September 2017, at least 102 candidates and political workers were murdered. Peña Nieto allowed drug trafficking, bankers and business leaders to launder billions of dollars in overseas accounts to evade taxes. And as president he was an active supporter of Washington's international policies, in particular regarding strenuous efforts to isolate and overthrow the Venezuelan government. Because of Peña Nieto's subservience to Washington and thus his weakness in President Trump's eyes, Trump demanded further concessions including US control of the Mexican border, immigration and internal policing, and in the negotiations to rewrite the North American Free Trade Agreement (NAFTA). The only sticking point in Peña Nieto's subservience was his refusal to pay for Trump's 'great wall' to keep out illegal immigrants from Central America and Mexico.

Colombia, under the presidential regimes of Uribe and Santos, provided the US with seven military bases. President Santos signed a peace agreement with the FARC and proceeded to disarm and murder over fifty former FARC guerrillas, and he has ordered the jailing and extradition of one of their leaders, Jesús Santrich. He also signed off on lucrative oil concessions with US multinationals.

Newly elected Ecuadorian President Lenín Moreno followed Brazilian, Mexican, Peruvian, Argentine and Chilean presidents in handing over strategic natural resources to US multinationals. All of these political clients supported US efforts to exclude Venezuelan President Maduro from the Summit of the Americas for opposing coups, Trump and the Monroe Doctrine. The oligarchs backed

Washington's efforts to delegitimize the Venezuelan elections in May 2018 and to paralyze its economy in order to overthrow the elected president.

The triumph of neo-Monroeism

President Trump now presides over the Americas with the exception of Cuba, Venezuela and Bolivia. With a change in the tide of electoral politics, Washington successfully orchestrated the conversion of Latin America into a major political, military and diplomatic launchpad for US global domination. On the other hand, none of the regimes has any legitimacy. They all came to power through illicit means, their elections fuelled by corruption, force, violence and US complicity.

The Americas is the destination and recipient of 42 percent of US manufacturing exports (mostly to Mexico and Canada) and is a major US market for arms and toxic agro-chemicals. However, Washington is losing in its economic competition with China in the rest of Latin America; as a result, Trump is attempting to pressure its clients to reduce their ties to China, accusing it of being 'imperialist'. Latin America's ruling class, however, wants it both ways – to serve both powers: the US politically, and China economically.

Is Latin America moving towards another progressive cycle?

The most recent cycle of electoral politics in Chile, Peru, Colombia and Peru brought to the fore a new bloc of progressive forces in each country. Regardless of whether they were successful in the most recent cycle of national elections or whether they will win the popular vote in the next – only Andrés Manuel López Obrador (AMLO) from the National Regeneration Movement (*Moreno*) in Mexico has managed to capture the presidency – these progressive forces augur another swing in the pendulum of electoral politics. Apart from AMLO, this progressive bloc includes Gustavo Petro of the progressive movement *Colombia Humana*, who captured over 25 percent of the vote for president in the July 2018 elections, coming a close second to Iván Duque, a conservative banker and lawyer who ran as the candidate of Uribe's right-wing Democratic Centre Party. It also includes Verónica Mendoza with New Peru (*Nuevo Perú*) and Gabriel Boric and Giorgio Jackson from the Broad Front (*Frente Amplio*) in Chile.

None of these personalities is new in politics, but their political experience and training is. Each has their own peculiarities, reflecting the historical context of each country, and yet they share certain traits, to wit:

- 1 The new progressives have emerged in countries that have had neoliberal regimes for decades – on the Pacific Coast from Chile to Mexico (with the exception of Ecuador), which represented a neoliberal axis known as the Pacific Alliance, throughout the progressive cycle that encompassed Brazil and the Andean countries of South America. It is precisely in the neoliberal regimes of the Pacific Alliance that the emergence of alternative proposals can be observed. These are based on the demand for basic guarantees of

social rights and sovereignty. After years of living with the normalization of poverty or poor living and working conditions for the working classes – a large part of the population – political options have emerged in harmony with basic demands for the improvement of education, health, employment and wages, and opportunities for youth.

- 2 The emerging ‘progressives’ are not the product of mobilizations, which are not necessarily a good thing; they are just a fact to be taken into account. These are not times of road blockades and mass marches, although Macri’s neoliberal regime might very well bring them back onto the political agenda of the resistance. On the Pacific Rim the new still silent majority does not protest vehemently, but even so their discontentment grows, perhaps without turning back. The populace distrusts almost everything that comes from politics as usual, and therefore their way of approaching new proposals for social change is more ‘light’. Again, what this means is not clear. The popular support for change – for abandoning neoliberalism – is not visceral, nor does it come with a party loyalty contract. For now it appears to be temporary, cyclical, everything hanging by a thread. But slowly, as progressivism retreats and neoliberal policies advance and inequality and exclusion grow, the possibility to put an end to the old becomes tangible, and the vote for change in the electoral process might be expected to grow. In this context, the electoral path to social change – as opposed to the revolutionary road of social mobilization and political protest – might very well appeal to the working classes as a way of bringing about social change by stealth, channelling widespread discontent into a force for change without the need to hit the barracks or invade the plazas. What this might mean as regards change in the direction of alternative development is unclear.
- 3 The emerging progressive forces have their origins in the left wing of the political class. All the current representatives of this emerging or new progressive Latin American wave come from the same political place, but each with its own nuances. For one thing, they have all served in the trenches of class war which they abandoned with the passage of time, and they have all experimented with various left-wing proposals. For example, Petro left M19 and the Alternative Democratic Pole; López Obrador left the Party of the Democratic Revolution (PRD); Verónica Mendoza left the Frente Amplio; and Boric and Jackson left behind left-wing university politics to take the leap into national politics.
- 4 In other words, all of the leading forces in an incipient revival of the political left had a starting point in left-wing politics, but over the years they transformed themselves according to their circumstances without failing to be what they were but updating proposals and political projects that they are now defending. In other words, they are moving towards a progressive political project still very much under construction. Thus it is too early to confine and label them. The outcome will depend on the range of possibilities for opening gaps and also on what the people want. For one thing, they do not seek to make revolutions or political change from a preconceived agenda or

any software. Not that everything is in flux. Everything is based on the maturation of objective conditions and emerging subjectivities. In this situation, the first task is to adjust to the people's current demands. Later, everything else will be taken care of, whether or not they will govern and under what conditions. There are multiple factors that will mark the life of each political project. But thus far they do coincide in the following: a demand for basic social rights, more inclusive policies, more equal opportunities and a higher degree of sovereignty.

- 5 The new progressives seek to maintain equidistance between the old right wing disguised as new and the left-wing born at the beginning of the twenty-first century. They are situated in the antipodes of a right-wing conservative offensive. However, they evidently are also trying to maintain a certain distance from the left-wing politics of the former progressives: Chávez, Maduro, Evo Morales, Correa, the Kirchners, Lula and Rousseff. They do not want to inherit the assets and liabilities of other processes that are alien to them, even though they have had a certain impact on their thinking, at least a lesson: the need to take power in order to change things. The postmodern idea of bringing about change without taking power is seen as a utopian dream if not misguided politics. At the same time, however, it is like a shadow that haunts them because it is used by their opponents to stigmatize them as quickly as the New Left attacked the old way of doing politics. This is a dilemma that still needs to be resolved.

A new progressive cycle?

Even as the right-wing parties once again take power throughout Latin America, they are falling victim to the very contradictions of the structures they impose. Their reliance on debt financing, accompanied by rising interest rates, undermines any efforts to stimulate industrial recovery. In addition, economic fundamentals are ignored. Infrastructure investments to attract long-term and large-scale capital flows are neglected. And dependence on speculators attracts the wrong capital at excessive cost with virtually no multiplier effect. In addition, the economies of Argentina and Brazil, the countries that are heading the right turn or white tide, are stagnating, and both countries are mired in deepening political and social conflicts and economic crises. Even Wall Street expectations of stable markets and large-scale investments have not materialized. Thus the launching of a new cycle of neoliberal ascendancy seems to be stillborn and abruptly aborted. The Latin American neoliberal 'wave', which presumed a north-south convergence, has failed to materialize. And President Trump has no agenda to open US markets and borders to Latin American agro-mineral exporters and labour.

This abrupt demise of the neoliberal 'revival' opens prospects for a new progressive cycle that will reverse the regressive socioeconomic measures introduced in recent months. Although the armed forces across Latin America have exhibited no appetite for coup-making or otherwise directly intervening in the political process (in Brazil up to thirty military officials have thrown their hats into the

electoral ring), the ousting of the neoliberal regimes formed in the recent right-wing turn from power may cause the business elite and Washington once more to turn towards the military as their 'last best hope'. In turn, the survival or prospects of another a progressive alliance survival will depend on its ability to change the state and the direction of public policy in order to preserve and deepen consequential structural socioeconomic changes.

A right-wing interlude or the death rattle of neoliberalism?

Business writers, neoliberal economists and politicians in North America and the European Union heralded Latin America's embrace of a 'new wave of free markets and free elections' that swept across Latin America over the past three years. With reference to recent developments in Argentina and Brazil, they predicted a new era of growth, stability and 'good government' free of corruption and run by technocratic policymakers. However, by early 2018, barely two years into the hoped-for return to normalcy, the entire neoliberal edifice was crumbling, the promises and predictions of a neoliberal success story forgotten.

To conclude our analysis of the political economy and politics of capitalist development in Latin America in the latest development-resistance cycle, we need to critically re-evaluate the initial claims and the fragile foundations of a return to neoliberal orthodoxy, as well as the program promoted by the neoliberal elite in Latin America. We do so below, before concluding with some reflections on the reasons why neoliberalism has always been a crisis-ridden project, a regime whose fundamentals are structurally unstable and based on capitalism's easy entry and fast departures.

The neoliberal wake

From the beginnings of 2015 and extending to 7 October 2018 with the Brazilian general elections, a series of right-wing neoliberal regimes have come to power in some of the most important countries of Latin America. This includes Argentina, Brazil, Ecuador and Colombia. With this political development (a sharp swing to the Right), these countries joined a cluster of existing 'free market' regimes in Mexico, Peru, Honduras and Paraguay. Wall Street, the financial press and the White House hailed this development as a 'right-wing wave', a return to 'normalcy' and a rejection of populism, corruption and economic mismanagement. Leading investment houses looked forward to technocratic economists intent on following the precepts of neoliberalism. Bankers and investors looked forward to long-term stability, dynamic growth and lucrative opportunities.

Neoliberalism: a wave or a washout?

The formulae applied by the neoliberal regimes included deregulation of the economy: lowering tariffs; eliminating subsidies on energy, fuels and public utilities;

firing thousands of public employees; and privatizing entire sectors of the mining, energy telecom and infrastructure sectors.

Debt moratoriums were brought to end and bankers were rewarded with lucrative billion-dollar payments for loans they had purchased for pennies on a dollar.

The neoliberal regimes promised that foreign investors would flock through the 'open doors' with long-term, large-scale investments. Lucrative capital gains, benefiting from tax exemptions, would encourage the return of overseas holdings of domestic speculators. These regimes claimed that privatized firms would end corruption and increase both employment and mass consumption. They argued that deficits and unemployment would decline and that the 'neoliberal wave' would last a generation or two.

However, within months of coming to power, most of these neoliberal regimes entered a period of instability and what might turn out to be a terminal crisis. First of all, most of these regimes did not come to power by the institutional means of democratic elections. For instance, as noted above in Brazil, Michel Temer took over the presidency by means of a congressional 'soft' coup based on President Dilma Rousseff's alleged administrative mismanagement. In Honduras, a US-backed military coup ousted the progressive liberal government of President José Manuel Zelaya, as was the case in Paraguay with President Fernando Lugo. In Argentina, Macri exploited the provincial patronage machine capitalized by a banker-media-agro-mineral alliance to take power based on a Mexican-style 'electoral' process. In Ecuador, newly elected President Lenin Moreno followed a Trojan horse ploy – he pretended to follow in the footsteps of national populist President Rafael Correa, but once elected he embraced the Guayaquil oligarchs and the Wall Street bankers.

Thus neoliberalism's democratic credentials are of dubious legitimacy.

As for the socioeconomic policies adopted by these regimes, they undermined their optimistic promises and in each case led to what can be described as a socio-economic disaster. In Argentina, Macri's neoliberal regime led to a doubling of the rate of unemployment and under-employment while living standards declined precipitously. In addition, tens of thousands of public employees were fired. Interest rates rose to a high of 65 percent, effectively eliminating business loans and financing. Many business enterprises were initially eager to back the neoliberal regime, but faced with devaluation, debt and depression, investors fled to safer havens after pocketing windfall profits.

In Brazil, a truckers' strike paralyzed economic activity in the major cities and forced the Temer regime to retract its policy of letting petrol prices float upwards in response to market forces. In addition, widespread popular discontent and massive street demonstrations that mobilized hundreds of thousands of workers effectively blocked the regime's regressive privatization and pension programs. As a result of the forces mobilized by this popular resistance against his neoliberal policies, Temer's standing in the polls fell to single digits, lagging 30 percent below the level of popularity in the polls of Workers' Party leader Lula da Silva, who is still in jail, having been framed by the forces of right-wing opposition to his candidacy for the presidency. At the beginning of September, only weeks

before another round of elections, the PT finally removed Lula as its presidential candidate, having succumbed to the ability of the right-wing congressional opposition to prevent the release of Lula from jail. In this circumstance, with none of the established political parties able to garner sufficient electoral support to gain the presidency, Trump-like populist and proto-fascist candidate for president, Jair Bolsonaro – a federal deputy for three decades (but presenting himself as anti-system) and a former army captain and defender of the erstwhile military dictatorship who was advised by military and foreign-funded economists – won the presidential elections and assumed the levers of state power. It was a stunning reversal of the progressive cycle.

This development was four years in the making, a period in which the forces on the Far Right used all the tools at its disposal to regain power: a parliamentary coup against the President Dilma Rousseff and fabricated judicial proceedings against Lula, the still popular leader of the PT and former president. None of the traditional parties was able to compete with the power of the social movements, the militancy of the judiciary and the media campaign against the institutions of liberal democracy fuelled by Bolsonaro's fascistic populist discourse. Bolsonaro's speech of violence, anti-gay homophobia and populist radicalism (cutting back on publicly funded pensions and social welfare) was amplified with the support of the media, who hoped that in the polarization between Bolsonaro and the Left, the traditional Right might re-emerge and present itself as a 'moderate' alternative. But in the event the population decided to punish the parties that carried out the coup against Dilma Rousseff, parties such as the PSDB of Fernando Henrique Cardoso and Aécio Neves, and Michel Temer's MDB. While Bolsonaro secured 47 percent of the vote in the first round of the electoral process, and the Workers' Party candidate received 28 percent, neither of the traditional parties on the right received anywhere near two-digit support – a humiliating defeat expressive of a profound contempt for traditional right-wing politics. Bolsonaro, an avowed right-wing 'populist' and by all accounts (even his own) a proto-fascist with authoritarian leanings and ties to both the agro-export elite and São Paulo bankers – the real social base of his rise to power – will assume the presidency after the second round of voting at the end of October.

Turning to Colombia, regime corruption led to a popular referendum opposed by the far right. The leaders of the social movements in the country have charged the new neoliberal President Ivan Duque with ignoring and encouraging the assassination of over three hundred social activists over the past three years.

In Honduras and Paraguay, economic stagnation and social regression have driven tens of thousands to flee abroad or engage in militant movements occupying fallow fields.

In Ecuador the fake reform regime's embrace of the business elite and IMF-style 'adjustments' has led to widespread disillusionment. As he lays the groundwork for privatizing mines, telecoms and banks, President Moreno's austerity program has reduced gross domestic product (GDP) to barely 1 percent and resulted in a dismantling of the robust social programs, which under President Correa had brought about a 50 percent reduction in the official poverty rate.

As the neoliberal regimes face the abyss, they are increasingly relying on a militarized state. In Brazil, for example, the military has taken over the favelas. In Argentina, military operations have proliferated while formerly productive capital has fled, replaced by a coterie of speculative swindlers.

Conclusion

A number of neoliberal regimes formed in the wake of the most recent progressive cycle in Latin American politics took power with Wall Street cheers and plaudits, but these cheers were notably dampened by evidence of failure and imminent crisis – and in the case of Argentina, possible economic collapse. While financial journalists and private investment consultants express surprise and the ensuring crises to regime ‘mistakes’ and ‘mismanagement’, the real reason for the predictable failure of neoliberal regimes is a result of forces released by fundamental contradictions (on this, see Chapters 1 and 2) and major policy flaws intrinsic to the neoliberal agenda.

For example, the policy of deregulation undermines local industries that cannot compete with Asian, US and EU manufacturers. Increases in the costs of utilities bankrupt small and medium-sized producers. Privatization deprives the state of revenues for public financing. Austerity programs lower deficits, undermine domestic consumption and eliminate fiscal financing. The resulting capital flight and rising interest rates increase the cost of borrowing and devalue the currency. And devaluations and capital flight deepen the recession and increase inflation. Finance ministers raid reserves to avoid a financial crash. And austerity, stagnation, unemployment and social regression – all conditions of neoliberal policies – provoke labour interest and public sector strikes. Consumer discontent and bankruptcies have led to a deep decline in regime popularity.

As the political crisis continues to unfold, the regime reshuffles ministers, increases repression and seeks salvation with International Monetary Fund (IMF) financing. And financiers have begun to balk at sending good money after bad. Thus the neoliberal regimes seem to be entering what might prove to be a terminal crisis.

While current neoliberal regimes appear moribund, they still retain state power, a modicum of elite influence and a capacity to exploit internal divisions among their adversaries. Meanwhile, the anti-neoliberal opposition in many countries is challenging the swing to the Right and a return to neoliberal orthodoxy at the level of macroeconomic and social policies but is experiencing great difficulty in formulating an alternative political economic strategy for state power. In addition, the business and financial press have expressed concern, particularly in regard to Argentina, that despite the IMF’s bailout to the tune of USD 57 billion, pressure seems to be building for a social explosion – and a possible return to 2001, when the president was forced to flee the country by a helicopter to a safe haven in the US empire.

The decisive electoral victory of far-right Brazilian presidential candidate Jair Bolsonaro startled politicians and analysts of the traditional parties of the Left and

Right. It also raised a number of fundamental questions as to whether it represents a 'model' or possible pathway for other countries in the region (what we might describe as 'right-wing populism', 'neoliberal fascism' or 'authoritarian neoliberalism'), or whether it is the result of the specific circumstances of Brazil and thus not necessarily the face of the near future.

In this regard, several considerations if not firm conclusions are in order. First, Bolsonaro's neoliberal fascist policy undoubtedly resonates with several regimes in Latin America, namely, Colombia and Argentina. But in Colombia, large-scale militarization and death squads' collaboration in support of neoliberalism were in place for decades prior to Bolsonaro's rise to power. Moreover, Colombia's oligarchic regime does not depend on the mass base and charismatic leadership of a 'fascist' regime. As for Argentina, President Mauricio Macri might very well like to imitate Bolsonaro, but his dependence on the IMF and its austerity program precludes the formation of any 'mass base' which might have been mobilized at the start of his neoliberal regime.

A second set of considerations relates to the immediate prospects for Bolsonaro in regard to implementation of his fascistic neoliberal policy agenda. First, Bolsonaro's embrace of radical attacks on wage earners, salary employees, pensioners, debtors, small farmers and businesspeople may erode his 'mass appeal' and charisma. The mass electoral fervour may well not withstand the deterioration of basic socioeconomic living standards. Second, Bolsonaro's lack of a congressional majority will obligate him to form alliances with the same corrupt parties and politicians that he denounced. The inevitable post-election political deal-making may disillusion many of his 'moral' supporters. Third, if his free-market program deepens social polarization and the class struggle, as is happening in Argentina in response to Macri's policy regime, the result might very well be widespread disillusionment, protest and general strikes, although Brazil lacks Argentina's working-class tradition of class struggle. Fourth, the agro-mineral elite, the military and the bankers will probably back Bolsonaro's 'war on crime' and even benefit from the war in the slums, but unless he can stimulate investments, export markets and incorporate skilled workers and innovative technology, Brazil would be reduced to becoming merely an agro-mineral economy run by oligarchs and warmed-over corrupt politicians. Fifth, Bolsonaro's hostility to blacks, women, gays, trade unions and urban and rural social movements may have helped him win votes, but it will not increase profits and growth. Furthermore, this hostility has already generated outbursts of political and personal violence which are increasing by the day. Reactionary policies may attract amorphous middle-class voters, but it is not a program for governing nor does it serve as a coherent economic strategy. Finally, while explosive appeal of a populist anti-establishment rhetoric has been initially successful with the electorate, and there is no doubt that the military-regime alliance can withstand and repress a popular backlash, can the regime rule by sitting on bayonets?

Our conclusion: the defeat of right-wing populism and neoliberal fascism in Brazil and its possible imitators elsewhere depends on the scope and depth of organized resistance. For example, Bolsonaro's ability to implement his assault

on the living standards of the popular classes will depend on the scope and intensity of the class struggle. Bolsonaro has won an election, but it has yet to be determined whether neoliberal fascism is a viable, durable alternative to populist nationalism and social democracy. Likewise, it is not yet evident that the declining Left, fragmented and discredited, can regroup and find an alternative road to power. What this means is that the outcome of current developments in Brazil, Argentina and elsewhere, where the Right have returned to power with the intention of consolidating both their power and their neoliberal policy agenda, depends on the correlation of force in the class struggle. Unfortunately, the dynamics of this correlation cannot be predicted in advance of collective actions taken by the people in response to and against the advance of capital in the development process.

9 The politics of neoliberal authoritarianism

What we see today all around the world is a political swing towards the hard right and the emergence of authoritarian regimes brought to power in a wave of authoritarian neoliberalism. Although it is tempting to see this as a worldwide phenomenon, it is also evident that the conditions of this authoritarian tide vary in different parts of the world. As for Latin America, the turn towards the hard right has taken place in the ebbing tide of a progressive cycle in Latin American politics which was brought about by the activism of anti-neoliberal, peasant-based social movements in the 1990s. But in other parts of the world, the conditions that led to the (re)emergence of authoritarian or right-wing neoliberal regimes are undoubtedly different. In this chapter we concern ourselves with the dynamics of right-wing neoliberal authoritarianism in Latin America with particular reference to Brazil, which represents the most dramatic instance of this phenomenon. The argument advanced is that right-wing neoliberalism in Latin America can only be understood in terms of the dynamics of US imperialism in support of advancing the march of capital in the development process. We construct this argument as follows. First, we identify and review the forces of change that have emerged on the political landscape over the past three decades of the neoliberal era. We then discuss the dynamics of several development-resistance cycles that have unfolded on the changing frontier of capitalist development in the region – what we might describe as the new geoeconomics of capital, characterized by the advance of resource-seeking ‘extractive’ capital. As we see it, the powerful forces of resistance mounted by the peasant movements in the 1990s, together with several epoch-defining changes in the configuration of global economic power, created the conditions of a progressive cycle in Latin American politics. We then provide a detailed analysis of the forces of change associated with the end of this progressive cycle and the emergence of a pendulum swing towards the far right, creating conditions for the emergence of neoliberal authoritarianism. We end the chapter with some reflections on the likely outcome of this political development.

Setting the stage for a progressive cycle in Latin American politics

Neoliberal authoritarianism is not new to Latin America. In 1964, Brazil pioneered a swing to the right and a first round of experimentations with what would

materialize in the 1970s (with Augusto Pinochet) and then more generally on a global scale in the 1980s as neoliberalism, with an authoritarian military dictatorship formed with the promise of halting and reversing the growing tide of revolutionary change associated with and epitomized by the Cuban Revolution. To prevent a similar development taking hold in Brazil, members of the armed forces led by Medici took power with the full backing and collaboration of the US imperial state, which, in the person of President Lyndon Johnson, telephoned the military junta within four hours of the coup to congratulate them for having 'restored democracy'. The military coup overthrew the administration of President João Goulart – who, having been vice president, had assumed the office of president upon the resignation of the democratically elected president, Jânio Quadros – and ended when José Sarney assumed the presidency on 15 March 1985.

On 11 September 1973, a similar development unfolded in Chile with a military coup led by Augusto Pinochet against a democratically elected socialist regime formed by Salvador Allende. Once again, this coup had the full support of the United States – indeed the coup was engineered by the Department of State – promising to teach the world a lesson in how to 'build democracy'. The lesson, by Pinochet's own account, rested on the institution of a neoliberal policy regime of structural reforms such as privatization and denationalization, the same economic model used by the military regime in Brazil to design macroeconomic policy, a model that was predicated on a belief in the virtues of free-market capitalism. With the help of the 'Chicago boys' (economists trained in the doctrine espoused by Milton Friedman at the University of Chicago), Pinochet set about to restructure the economy, putting its commanding heights at the disposal of both domestic and US multinational capital. By 1989, after eighteen years of undisputed power, Pinochet lost control of the state apparatus through a miscalculation of the political support of his policies and his regime. The economy and society had been totally restructured, and all of the strategic heights of the economy were privatized with the exception of copper, the export proceeds of which were directed by the dictatorship's constitution towards support of the armed forces.

With the region-wide implementation of the National Security Doctrine, a pillar of US imperialism at the time (the 1970s), in the form of a war waged against the forces of 'subversion' (all opponents of government policy), the dynamics of class war, hard-line conservative politics and neoliberal economics were extended to Argentina, Bolivia and Uruguay. This created a broad zone of authoritarian politics in the Southern Cone, where a cluster of right-wing military dictatorships – and what liberal political scientists described as 'bureaucratic authoritarian regimes' – held sway.

The irony is that the very factor that was meant to consolidate the advance of capital in the region – the displacement and its weakening of the state in terms of its policymaking and regulatory powers – resulted in a reawakening of the forces of anti-imperialist resistance which had been defeated or brought to ground through a two-pronged strategy of state repression and rural development (Veltmeyer, 2005). This strategy had succeeded in both undermining the power of the labour unions and destroying the forces mobilized in the land struggle – a struggle

for national liberation and revolutionary social change (Moyo & Yeros, 2005). During the 1980s, the popular resistance rebounded in a concerted effort to reject the imposition of free-market reforms (understood at the time as ‘IMF reforms’) and rally the forces of social mobilization led by the urban poor in defending poor neighbourhoods against the forces of capitalist development. The agency of this resistance included the neighbourhood associations of the urban poor, but also a myriad of non-governmental organizations (NGOs) that occupied the space left by the retreating state (Petras & Leiva, 1994). This emerging ‘civil society’, misunderstood by a new generation of European and American social scientists as ‘new social movements’ that eschewed class politics (Veltmeyer, 1997), took aim not only against the destructive impacts of neoliberal reforms but the authoritarian military regimes that continued to wield state power.

By 1989 these authoritarian regimes under conditions of an unresolved economic crisis were forced to surrender regime power, restoring the ‘rule of law’ as well as a series of liberal-democratic regimes that were committed to a neoliberal policy agenda. The renewal of class struggle in the 1990s took the form of resistance against this neoliberal policy agenda led by a series of newly formed sociopolitical movements with their social base in what remained of the peasantry after the onslaught of forces released in the capitalist development process. The theory, advanced by both mainstream development economists and orthodox Marxists, was that capitalist development of the forces of production would result in the transformation of the peasantry into an industrial proletariat with its reserve armies of surplus labour. This did indeed occur to some extent. But the dominant pattern was the formation of a semi-proletariat of dispossessed peasants or landless rural workers with one foot in the urban economy (in the informal sector, on the margins of the capitalist system) and the other in the rural communities.

As in the 1950s and 1960s, in an earlier development-resistance cycle, this semi-proletariat – the ‘rural poor’ in development discourse – essentially had two options: (1) to resist the forces of capitalist development, as many did with the formation of social movements directed against the neoliberal policy agenda (Petras & Veltmeyer, 2005, 2009, 2013); or (2) to adapt or adjust to these forces by abandoning agriculture and their rural communities, and taking the development pathway out of rural poverty, namely, migration and informal labour (World Bank, 2008). However, in the mid-1990s the ‘rural poor’ had available to them a third option, which was to stay in their rural communities under conditions of a ‘new rurality’ (Kay, 2008). This was a subsistence strategy of the rural poor in the form of diversifying the sources of their household income – adding to agriculture and labour income, the proceeds of migrant remittances and micro-development projects – and, in response to a policy initiative of Luiz Inácio Lula da Silva, leader of the Workers’ Party and president of Brazil at the time, direct cash transfers to the poor households (Veltmeyer & Tetreault, 2013). By the end of the decade the rural exodus, which had dramatically expanded in the neoliberal era, had begun to slow down. The neoliberal policy agenda, pursued by most of the governments in the region was forcefully resisted by the peasant movements,

was on the defensive, creating conditions for the emergence of a progressive cycle in Latin American politics based on a search for a post-neoliberal alternative.

Inclusive development or extractive imperialism?

The policies of the centre-left governments formed in the ‘pink’ and ‘red’ tide of regime change were based on what the economists at ECLAC (the UN Economic Commission for Latin America and the Caribbean) have conceptualized and describe as ‘neo-developmentalism’, a model constructed on the base of two pillars: (1) ‘inclusive state activism’ and (2) extractivism – the extraction of natural resources for the purpose of exporting them in primary commodity form. The policy aim of this model is to use the proceeds (extra or windfall fiscal revenues) of exporting these commodities (rents collected or appropriated in the form of royalties and export taxes) to finance their programs of poverty reduction – the policy means of achieving or bringing about a more ‘inclusive’ form of national development. And indeed, the policy has been widely lauded in regard to these progressive regimes, and has in fact effectively reduced the rate of poverty in some cases by as much as 50 percent over the course of the ‘progressive cycle’ (2003–2012). In Brazil, the national poverty rate fell by more than 25 percentage points from 1992 to 2013 (from 45 to 19 percent). This was in stark contrast to regimes such as Mexico that steadfastly held to the neoliberal policy agenda. In the case of Mexico, the poverty rate actually increased – to 57 percent of the population, according to official figures released by the government. This compares with progressive post-neoliberal regimes such as Bolivia and Brazil, where the number of people living in poverty from 2002 to 2016 fell or was reduced by 15 percent in the former and 25 percent of the population in the latter.

The problem with this interpretation of the facts related to poverty is that it ignores the political pact of these regimes with capital. The deal struck by these ‘progressive’ governments with the multinational corporations in the extractive sector did not lead to the growth of new productive forces to sustain rising incomes for workers and farmers or even to sustain the poverty reduction process. For example, according to a report by ECLAC, the rate of poverty and extreme poverty began to rise in 2015 and has been on the increase since then, and this after more than a decade of decline in the majority of countries in the region. Nor did the pact resolve major structural problems in the economy; indeed, it exacerbated them under conditions in which up to 80 percent of the value of the exported commodities on the world market is appropriated by ‘capital’ while the local communities that are contiguous to the open pit mines and other sites of extraction have had to bear all of the socioenvironmental costs – and they are onerous and many.

In addition, implementation of the extractive model has led to a fundamental contradiction between it and the commitment of the government – as well as the stated aim of the Constitution – to not only bring about an inclusive form of development but to ensure a generalized condition of *Buen Vivir*, which is to live in social solidarity and harmony with nature (Acosta, 2010, 2012; Gudynas, 2014).

Furthermore, the dependence of the model on foreign direct investment (FDI) has generated new forms and conditions of ‘dependency’, including the fact that because of their reliance on extractive capital for funding their social programs the governments, even the more ‘progressive’ ones like Ecuador, tend to side with these companies in their conflicts with the local communities that are negatively impacted by the destructive operations of extractive capital. For example, activists in the struggle of these communities against the depredations of extractive capital are regularly branded by these governments as ‘environmental terrorists’ who are willing to sacrifice the common good (the fight for development, against poverty) for their personal interests.¹ According to the latest report (2017) of the Observatory of Mining Conflicts in Latin America (ocmal, 2017) there are currently 219 conflicts in the mining sector, with 229 projects involving 234 communities in twenty countries. Peru has the largest number of conflicts with thirty-nine, followed by Mexico and Chile with thirty-seven each, then Argentina with twenty-seven, Brazil with twenty, and Colombia with fourteen.

Centre-left politics in the progressive cycle

The downfall, at the turn of the twenty-first century, of neoliberal regimes weakened by the powerful forces of resistance mobilized by the peasant movements brought to the fore the political Left, activists and political parties concerned with moving beyond neoliberalism and US imperialism, if not capitalism. However, notwithstanding their ideological stance in regard to neoliberalism and the need for a more inclusive form of development, these emerging leaders of the ‘progressive Left’ replaced the ‘old neoliberal Right’ as the new partners of the business, agro-mineral and banking elite – while the Left in the academic world celebrated the ‘rising red tide’.

The ‘new pact’ formed between the new/old Left and the business elite, the oligarchy and other elements of the ruling class promised to preserve the power of big business and the oligarchy, as well as the holdings of national and foreign banks. Most important, the social class hierarchy was left intact and unchanged. The ‘Left’ in this context – the centre-Left to be more precise – took the reins of the existing kleptocratic² networks to finance their own elections and facilitate the upward mobility of a rising Left political and NGO elite.

The marriage of incremental reforms and populist ideology (twenty-first-century ‘revolutionary’ demagoguery) with oligarchic klepto-capitalism led to both the election of leftist leaders and the demobilization of the populace. A new Left political oligarchy was in the making, born to enrich itself at the public trough. Parasitical rentiers continued to evade taxes as ‘Left’ bureaucrats looked the other way. And the public-private petro-swindlers stuffed the pockets of the new political leaders. The informal but effective deal was that the Left would secure needed parliamentary votes as well as allies from the technocratic elite, uniting in a common goal of plundering the public treasury.

The global commodity boom, which lasted from 2003 to 2012, fuelled the Left’s largesse in the form of poverty programs and other minimalist measures.

Business elites prospered, minimum wages increased and social expenditures on poverty reduction, especially ‘survival baskets for the poor’, surged with great fanfare. Worldwide, Left academics performed victory dances in thrall to this over-rated ‘red tide’.

But the political pact between the Left and capital did not lead to the growth of new productive forces to sustain rising incomes for workers and farmers. There were no new technological inputs in the economy. Instead they mounted flashy pharaonic ‘prestige projects’ linked to corrupt contracts to crony capitalists which devoured the growing public revenues derived from the commodity boom. In fact, the patronage machine had never functioned more smoothly.

Predictably, uncritical Left academics celebrated these new ‘radical’ regimes while ignoring corruption scandals and Right-Left alliances. Even the Workers’ Party in Brazil, which at its foundation had strong roots among the masses and the working class and which had pioneered the inclusive development strategy and *Bolsa Familia*, the new social policy of direct cash transfers to the poor, which almost instantly lifted millions out of poverty, rather than allying with the most powerful social movement in the countryside, the *Movimento dos Trabalhadores Sem Terra* (MST), were more disposed to form tactical alliances with the Ruralistas, a powerful congressional bloc representing the interests and reactionary politics of the country’s most powerful agribusiness elite. The critics who identified the precarious nature of the regime’s economic foundations and political alliances were dismissed or ridiculed as ultra-Leftists.

The collapse of the commodity boom, the growth of massive fiscal deficits, the reversal of the popular consumer gains, the loss of access to cheap credit and the all too visible entrenched corruption within the public-private partnerships provoked mass discontent and protests. This gave the right-wing political parties the opportunity to ‘clean house’ by ousting their erstwhile partners on the Left, reverse the minimalist social pacts and harken back to the ‘Golden Age of the 1990s’. Striking a moral posture against leftist corruption, they abandoned the coalition and took power.

The Left catastrophe: 2015–2018

In Brazil and Argentina, ‘democratic electoral’ transition meant simply that the klepto-Left would be replaced by a more ‘efficient’ klepto-Right. Brazilian President Dilma Rousseff was ‘impeached’ by a Congress of thieves, and her coalition partner and kleptocrat supremo Vice President Michel Temer assumed power. Argentine President Cristina Fernandez Kirchner was succeeded by Mauricio Macri.

Throughout these changes, the banking, petroleum, construction and meat-packing klepto-oligarchs continued to operate with the same mafia principles regardless of the ‘tint’ of the presidency: lucrative contracts, captured markets and record profits allowed for the uninterrupted flow of illicit payoffs to the right-wing presidents and their entourage of business cronies.

Left academics have ignored the nature of the klepto-state and its pervasive networks of corruption. Many held their noses and dived right into the lie factories in exchange for privileged access to the mass media (publicity, talk shows, intellectual and cultural ‘round tables’, etc.), invitations to fancy gatherings at the presidential palaces, speaking engagements abroad and an ever-expanding source of sideline income as professors, columnists, advisers and publicists.

The oligarchs’ marriage of convenience with the Left, and their prolonged honeymoon, was financed by million-dollar bribes to the Left-Right political allies. In exchange, the oligarchs received billions of dollars of lucrative state contracts.

When the agro-mineral extractive model collapsed as it did in Brazil in 2012 and elsewhere a few years later, many of their voters abandoned the political Left and turned to street protests – and the politicians on the hard authoritarian right promising to rein in the widespread corruption and ‘drain the swamp’, to use Trump’s language. The oligarchs and the right-wing parties knew the time was ripe for the people to dump the political class and the presidents who had ridden the wave of regime change to power. They deftly seized the instruments of political power to further concentrate their own economic wealth, property and social control over labour.

The return of right-wing neoliberal authoritarianism

The collapse of the primary commodities boom in 2012 appears to have precipitated another swing in the pendulum of electoral politics – this towards the hard right. The first sign of this pendulum switch was the election of Maurice Macri in Argentina, an election that many observers saw as the beginning of the end of the progressive cycle. And indeed, it seems to be the case, with similar political developments in Brazil, Peru, Chile, Colombia, Paraguay, Guatemala and Honduras, and even Ecuador with the ascension to power of Lenín Moreno in 2017, which some observers have painted as a struggle for the soul of the country’s (and Latin America’s) Left.

The awakening and resurgence of the Right first materialized in Argentina in the person of a right-wing billionaire businessman, one of the richest scions of Argentina’s plutocracy, who won the presidential elections in what pundits and the media described in Trumpian terms as ‘huge’, a ‘great historic’ victory, ‘a historic feat!’ (Borón, 2017). Immediately on gaining control over the levers of political power, Mauricio Macri set about to overhaul and reverse the progressive policies of the Kirchners, implementing in their stead a regressive regime combining massive overseas borrowing with extreme austerity measures and policies designed to shift income from labour to capital, ostensibly to activate a process of capital accumulation, productive investment and economic growth. To this end, the regime also increased fees for public services and utilities sixfold; privatized oil, gas and public lands; and fired thousands of public sector employees.

Apart from Macri in Argentina, regimes that have moved decisively from the centre-Left to the centre-Right in recent years include Tabaré Vázquez’s ‘Broad

Front' government in Uruguay, and in Ecuador with the election of Lenín Moreno to replace Rafael Correa's 'Citizen's Revolution' and PAIS Alliance. In both cases the groundwork was established via accommodations with oligarchs of the traditional Right parties.

Interestingly, one of the few countries that appears to have escaped this latest pendulum swing to the Right – apart from Bolivia and Costa Rica – is Mexico, one of the few countries in the region that to date has hewed closely to the neoliberal model and an alignment with US imperialism. What has changed, or might finally change developments in Mexico, is the election of Andrés Manuel López Obrador (AMLO), a centre-left politician who led a progressive coalition to victory in the 2018 presidential elections. He will be president for the next six years, providing ample opportunities and time to implement a progressive agenda which, according to his electoral campaign, would include an increase in financial aid for students and the elderly, amnesty for some drug-war criminals, universal access to public colleges, a referendum on energy reforms that ended PEMEX's monopoly in the oil industry, stimulus of the country's agricultural sector, delay of the renegotiation of the North American Free Trade Agreement (NAFTA) until after the elections, the construction of more oil refineries, increased social spending, slashing politicians' salaries and perks and the decentralization of the executive cabinet by moving government departments and agencies from the capital to the states. Time will tell.

Over the last few years, Macri and the ascendant right-wing political parties and leaders in the region have implemented their most retrograde agenda. This includes raiding pension funds, raising the retirement age and cutting the budget for social security, public education, housing and health programs. The oligarchs and the Wall Street bankers seemed too eager to strip the public corpse.

As for Brazil, the right-wing alliance's ambitious plan to seize power by 'criminalizing' the left may have backfired. The right relied on the judiciary for its peaceful return to power. This began successfully with the prosecution and ouster of the Left regime through the courts. However, the courts did not stop there: they proceeded to investigate, arrest and jail elected politicians from the Right, creating a crisis of state. Over 1,900 congresspeople, senators, cabinet ministers, public sector executive officers, governors and mayors from Right to Left have faced or are facing investigation and arrest, including the former president of Brazil, Michel Temer, and the current president of Argentina, Mauricio Macri.

Initially, foreign and domestic bankers, speculators and investors, and the financial press celebrated the return of the right. The stock markets soared and all made ready for the grand privatizing fiesta of the public sector. When the courts continued to pursue the right-wing politicians and bureaucrats, the pervasive nature of state klepto-capitalism was exposed. Members of the business elite joined their politico-partners in jail and investors pulled out their capital. The press's celebration of the 'return of the free market' faded to a whisper.

As the rightist regimes' elected leaders went on trial, the klepto-market economies collapsed. The 'reformist' (regressive) business agenda, which had depended on effective presidential power linking klepto-patronage to legislation, retreated.

Without their accustomed diet of corruption, elected officials fled. Judges and prosecutors investigated and undermined the authority of the new rightist regimes.

Faced with weakened and discredited presidential authority, urban trade unions, rural social movements, students and the unemployed woke up and marched on the presidential palace.

The validity of the elections by rightist majorities has been undermined. Faced with jail for large-scale bribery and fraud, leading executives of the largest conglomerates bargained with the courts, implicating their business partners, party leaders, congresspeople and cabinet ministers.

The right-wing's rapid rise and demise has sown consternation among the kleptocratic oligarchy. In just two years, the courts have done more to undermine the power of the oligarchy-business-rightist political nexus than an entire decade of leftist klepto-political rule during the celebrated 'red tide'.

While in power, the Left did nothing to dismantle the large-scale kleptocracy they had inherited from the previous rightist regimes of Menem and De la Rúa (Argentina), Cardoso (Brazil) and Sánchez de Lozada (Bolivia). This was because they expected to take control of the network and profit from the existing system of business-political pacts.

The Left regimes did not end alliances among corrupt bankers and the agro-business elite because it might undermine their own 'development model'. Instead, the Left appointed its own pliable functionaries to key ministries to mediate and ensure cooperation within the system of klepto-profit sharing. Only when the business-rightist pact emerged to undermine and eject the elected leftists from power were they charged with corruption.

To avoid prosecution for business-rightist corruption, the oligarchs gladly shifted their bribe machinery from the Right to the Left (and vice versa). The business-Left alliance, based on corruption and demagoguery, ensured the continued success of neoliberal extractive capitalism – until the global financial crisis and the collapse of commodity prices ended the happy fiesta. As the commodity bubble collapsed and the Left regimes were forced to borrow heavily to finance their own political survival, deficit spending, corruption, economic stagnation, unemployment and rising deficits which provoked a broad array of opposing forces. These ranged from bankers and investors to trade unions and informal workers. At no point did the Left consider the alternative of fundamentally transforming the agro-mineral enclave economies. Instead, they borrowed from the international and domestic banks, slashed social programs and imposed regressive austerity programs – all to maintain their political power.

What can we conclude from this? One conclusion is that corruption, like the extraction and pillage of natural resource wealth, is a functional feature of capitalism in Latin America today. Capitalism is based on exploitation – of labour (in its classical industrial form) and of nature (the endowment or patrimony of natural resource wealth) in the case of extractive capitalism. But as evidenced by recent developments in Latin America, it is also based on rentierism, the exploitation of public resources and government contracts that serve not only the purpose of personal enrichment but to promote the accumulation of capital. In this context

(corruption, or kleptocratic capitalism) the class struggle and its dynamics of development and resistance to some extent has been replaced by a series of tripartite kleptocratic alliances within the ruling class and the state.

Notes

- 1 In the case of Bolivia, Álvaro García Linera, the country's vice president, has characterized the activists in the struggle over the rights of nature and associated NGOs as stooges of US imperialism, provocateurs or environmental terrorists (FIDH, 2015).
- 2 Kleptocracy is a government with corrupt leaders (kleptocrats) who use their power to exploit the people and natural resources of their own territory in order to expand their personal wealth and political power. Typically, this system involves embezzlement of public funds at the expense of the wider population.

Conclusion

Latin America at the present time – in the era of neoliberal globalization – is caught up in a vortex of diverse forces of change released in the current conjecture of the capitalist development process. These forces, which in recent years have been mobilized towards both the Left and the Right, have to do with both the advance of capital and US imperialism in the development process, as well as the resistance to this advance.

As for the forces of resistance embodied in and mobilized by the social movements, they have taken and are taking diverse forms in changing conditions, from a class struggle for land and labour, and opposition to the policy agenda implemented by many governments in the 1990s within the institutional and policy framework of the ‘new world order’ of neoliberal globalization, to the construction of social movements that challenge both the advance of capital on the extractive frontier and various permutations of ‘development from below’ – the search for alternative models of development based on the construction of a social and solidarity economy on the margins or the interstices of the system. The construction of a social economy based on local development and cooperativism is one of various forms of resistance that has emerged in the countryside on the frontier of extractive capital. Other forms of resistance on the extractive frontier include collective actions of protest against both the destructive impacts of extractive operations and ‘land-grabbing’ (large-scale foreign investments in the acquisition of land), as well as the commodification of water and the enclosure of the commons needed by communities for social production and subsistence. In addition, we see the emergence of collective actions of protest and the formation of social movements protesting the violation of the territorial as well as the fundamental human rights of the communities that are forced to share their habitat and territory with multinational corporations in the extractive sector.

The destructive operations of these companies and their negative socioenvironmental impacts have placed enormous pressures on rural inhabitants to migrate and abandon their communities – to take the development pathway out of rural poverty. In short, what we find on the frontier of extractive capital in the countryside is an evident transformation of the class struggle for land and labour that dominated the political landscape throughout the twentieth century into a socio-territorial struggle.

But in the political arena, the resistance and the class struggle have taken, and are taking, a different form. The most significant development in recent years has been a pendulum swing first towards the left in the form of ‘inclusive state activism’ and a cycle of ‘progressive reforms’ in macroeconomic policy in the direction of ‘inclusive development’, and then – with the collapse of the primary commodities boom on the world market from 2002 to 2012 – towards the far right in the form of authoritarian regimes oriented towards a restoration of a neoliberal policy agenda (neoliberal authoritarianism).

In the current conjuncture of capitalist development in the region, the likely outcome of these conflicting forces is difficult to determine or predict. It depends on the correlation of force in both the class struggle and the dynamics of electoral politics. At the moment, the forces of right-wing reaction in support of the neoliberal policy agenda are ascendant, but even with this swing of the pendulum of electoral politics towards the far right we can discern the beginnings of a ‘class struggle from below’ – an incipient resistance of the working class against a re-imposition of the draconian neoliberal reforms favoured by the ascendant political elite within the ruling class. At the moment – as far as we have been able to determine – there is no evident agency capable of effectively mobilizing these forces of resistance. But at the same time, the current policy swing towards the far right is likely to provoke a deepening and broadening of working-class resistance. If this resistance were to coalesce with the new forces of resistance that are emerging on the extractive frontier in the countryside, the situation could radically change. And this might very well happen over the next few years, as it did in Bolivia at the turn of the millennium with the radicalization and extension of the government’s neoliberal policy agenda into hitherto taboo areas such as the privatization of water.

In the case of Bolivia, the government’s extension of its neoliberal policy agenda into the privatization (and thus the commodification) of water, a source of life as well as a crucial element of the global commons, was a ‘bridge (reform) too far’, creating conditions that led to a ‘revolutionary situation’, thus sparking collective actions against the neoliberal policy agenda and the defenestration of the regime. Whether the policies of the authoritarian neoliberal regimes that were formed in the right-wing swing of the electoral politics pendulum will recreate these conditions and create a ‘revolutionary situation’ remains to be seen. What also remains to be seen is whether the mobilization of the forces of working-class resistance, which evidently are already building in Argentina against the policies of the Macri regime, will spark a similar movement in other countries, and whether the Left can rise to the challenge of revolutionary change.

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