

## Introduction

After an interlude of low international prices, raw material markets boomed at the dawn of the new century and carried renewed hopes for natural resources-rich countries. Accompanying the favorable external conditions, the internal circumstance of many Latin American countries renovated. The state reclaimed a principal role in defining the shape of the national development process after being relegated during the last decades of the twentieth century; a significant portion of the region experienced the rise to power of democratically-elected governments that declared their intention to fill the gaps left by the state's withdrawal from key economic and social arenas. Economic planning epitomized the state's efforts aimed at fighting dependence on natural resources rent.

The end of the twenty-first century commodities boom cast a shadow over the optimism that reigned during a decade. Only a few years after international prices of commodities plummeted, the region's domestic circumstance seems to be reshaping again. Governments that ruled during the long commodities boom ended their periods or were replaced by others that aim to take distance from their predecessors in Brazil, Uruguay, Argentina, Ecuador, and Bolivia. Amid skyrocketing fiscal deficits, traditional lenders such as the International Monetary Fund (IMF), returned with their well-known impositions to Argentina and Ecuador.

During 2019 Latin America went through a wave of social protests; people in Chile, Ecuador, Venezuela, Colombia, Bolivia are taking to the streets. The roots of the protests are not monocausal; though, a common thread is recognizable, disappointment with the outcomes of the prevailing natural resources-based development model and the insight into the lack of alternatives. The gloomy sociopolitical atmosphere reminded of that of the last decades of the twentieth century, when the region was heavily indebted and prices of commodities reached historical minimums. In such context, the state stepped aside from key economic decisions in favor of the prevalence of global market rules.

The pursuit of exorcising dependence on natural resources became a common theme in contemporary Latin American economic history; in order to cope with the volatility of international prices of commodities, individual Latin American states deployed extensive planning efforts aimed at diversifying national economies. Significant efforts coincided with periods

of high international commodities prices. Though, in the eyes of the rest of the world, Latin America is a traditional raw material provider; natural products are still topping the region's export portfolio, especially in South America (UNCTAD 2019; WTO 2014).

The legacy of (or the hangover from) the youngest commodities boom invites not only to revisit the question if natural resources are "a blessing or a curse" in natural resources-rich countries, but also revives the discussion on development itself. The irruption of environmental thinking into development theories introduced a new ontological perspective that insists on overhauling the concept of development in the twenty-first century. This book aims to converge upon these contemporary academic debates by delving into the legacy of half-century Ecuadorian oil era.

Hence, the contribution of this book is directed to present an interdisciplinary approach to recent Ecuadorian economic history with emphasis on an unique at this time diachronic comparative approach of two oil booms 1) 1972-1980, and 2) 2003-2014. Thereby, this work aims to shed light on the question how the state's efforts to exorcise dependence on natural resources during oil booms impacted on Ecuadorian social formation in the long run. The developmental endeavor of the Ecuadorian state is discussed within a historical-structural approach that takes into account the country's traditional position in the international division of labor. Alongside, the diachronic comparative approach to the oil booms seeks to identify processes of continuity and change by focusing on the interrelations between the concepts of nature, state, and development. It is argued that the incorporation of environmental thinking into the state's logic during the last decades of the twentieth century contributed to the articulation of the national development project and to the reformulation of the notion of development itself, in which more social actors became involved. The hypothesis from the case study and the theoretical implications aim to contribute to further research on the quest of development in natural resources-rich countries in the Global South.

### *Development in Latin American Social Thought: The Mobility of a Concept*

Economic growth has been central to the concept of development. In an analogous fashion as the role of money in the economy, orthodox development economists traditionally believed that economic growth made development possible and mostly pretended to legitimize their particular stance through abstract mathematical and statistical models. Whereas Rostow

(1990 [1960]; 1959) blindly believed in the “magic” of economic growth, Kuznets (1973; 1971) posited that economic diversification is central to development. Within this particular *weltanschauung*, industrialization functioned as the barometer for progress. The idea underlying the prioritization of industrial development was that more advanced sectors of the economy (such as the manufacturing sector) might lead to a more complex division of labor and hence to a higher standard of living (Sachs and Warner 1995, 5). This main postulate of development economics<sup>1</sup> fits perfectly well in modernization theory, where economic growth is essential to cause a collection of social and cultural changes, including occupational specialization, urbanization, and higher levels of education, which in turn might even catalyze democracy (Ross 2001, 336).

An evolutionary perspective, in which every country might attain development through economic growth, was displayed in Rostow’s 1960 classic *The Stages of Economic Growth: A Non-Communist Manifesto* (Rostow 1990). In line with modernization theory, the author presented the transit from traditional societies to mass consumer societies as a process to take place during the history of capitalism; the Rostowian transit entails successive stages: 1) the traditional society, 2) the preconditions period, 3) the take-off, 4) [technological] maturity, 5) the period of diffusion on a mass basis of durable consumers’ goods and services (Rostow 1990, 3). This orthodox vision that predominated in development economics also permeated the international political arena since the end of the Second World War. During his inaugural address (nicknamed “the Point Four Program”), Harry S. Truman, the thirty-third president of the United States, invoked the “vital forces” of capitalism, namely, capital, technology, and international cooperation (Escobar 1995a, 36; Alarcón 2020, 217) in order to launch the pursuit of development as “a new world order” (Rist 2008, 72):

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development (Harry S. Truman, inaugural address, January 20, 1949).

The quest of development as a world order imprinted the political practice in Latin America as well. When governments managed to increase their ex-

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1 For an economics orthodox perspective, see: Rosenstein-Rodan (1943); Solow (1957); Nurkse (1960 [1953]), Lewis (1954b); Rostow (1990 [1960]; 1959); Hirschman (1961); Kuznets (1973; 1971).

penditure for development purposes (support of domestic industry, construction of infrastructure to promote industrialization, among others), the state's action converged in an "ideological current known as *desarrollismo*" (Kay 1989, 28). Though, the mainstream stance on development presented in the "Point Four Program" was promptly called into question. Latin American social thought advocated a more comprehensive approach to the national development process, which included the switch of the unit of analysis from individual nations or regions to global interdependence. On the one hand, the pioneering perspective implied by the Latin American theoretical schools of (under)development evidenced the influence of international hierarchies on the national state's (under)development path. On the other hand, it opened the gates to the analysis of state's agency (i.e. its capacity to intervene in the national development process) within the cycles of the capitalist world-economy.

Hence, contrary to modernization theory, that centered its analysis on societies' characteristics, Latin American theoretical schools of (under)development postulated the thesis of the leading role of the state in the national process of development<sup>2</sup>. Essential to the more global perspective opened by Latin American social thought was the exposition of the outward-oriented development model, which rests on exports of raw material and imports of manufactured goods (and capital) and traditionally tied the region to the Global South. Hence, the state's developmental endeavors have been regarded in Latin American social thought as attempts to climb up the hierarchy of the international division of labor by establishing an "*autocentric* national economy" (or an inward-oriented development model), i.e. an economy in which the relations with the exterior are subject to the logic of internal accumulation and not the reverse (Amin 1990, 11).

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2 German economist Friedrich List is regarded as a pioneer in discussing an active role of the state in the national development process (Acosta 2004a, 82; Schuld 2004, 191). Schuld (2004, 191) argued that Germany's successful development model during the end of the nineteenth century was based on "state-led selective openness to globalization", which was inspired by List's 1841 opus *The National System of Political Economy (Das Nationale System der Politischen Ökonomie)*. In his work, List (1955) advocated 1) the prioritization of industry over agriculture, 2) state's protection of national industry, 3) the durability of state's institutions and laws, and 4) state's regulation of trade (List 1955, 9-29 in Schuld 2004, 212-214).

*Natural Resources Rent and the State: A Global South Perspective on Development*

Development economics also shares with modernization theory the idea of the centrality of natural resources to the process of development<sup>3</sup>; natural resources are venerated as a “development motor”. Therefore, a strong argument is that European industrialization indeed benefited from natural resource endowments (Peters 2017a, 47). Though, in order to bankroll its developmental endeavor, the Latin American state first faced the challenge of the appropriation of natural resources rent. This problem turned particularly evident during boom periods, which were triggered by improvements in the terms of trade with the Global North or by discoveries of new endowments. In classical Political Economy, rent refers to the kind of surplus generated by mere property over natural resources as opposed to the income obtained from the exploitation of labor/capital (profit) or the selling of labor (wages). Theoretically, rent is put straightaway at the rentier's disposal, since it is not gained on a basis of competition or profit. Though, an initial bargaining between the state and private actors (domestic or foreign) took place as a requisite to the control over a larger share of natural resources rent in Latin America. This antecedent decisively impacted on the forthcoming state's agency. On the one hand, the initial bargaining between the state and private actors left a legacy of “overly-centralized political power” (Karl 1999, 34). On the other hand, the appropriation of natural resources rent caused many Latin American states' proneness to rent dependence. This, in turn, was accompanied by a pessimistic vision of the possibilities of economic diversification, since industrialization efforts indeed require a basis of competition and profit that is not commonplace in rentier state configurations.

Thus, rent contributed to the construction of a negative vision of natural resources abundance in countries in the Global South. Rent transfer, or the international transfer of surplus from consumer states towards extractivist states (Peters 2017a, 48), enabled the latter to increase their import capacity of manufactured goods from the Global North through mere nat-

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<sup>3</sup> Though, Hirschman (1961, 110), a development economist, already questioned the too few “backward linkages” of the natural resources sector with other sectors of the economy and advocated for industrialization, since it provides with more “backward and forward linkages”. According to the author, every country ought to identify and support the domestic economic sectors that are likely to be most interdependent, i.e. the sectors that hold the most “linkages with other sectors of the economy.

ural resources extraction, i.e. without the need of promoting other more productive sectors of the domestic economy (Baptista 2010, 153). Consequently, natural resources rent was central to the perpetuation of the outward-oriented development model. The concept of rent itself was assigned a negative load, which was charged up during boom periods as windfall revenues poured generously into natural resources-rich states. Saad-Filho and Weeks (2013, 19), defined windfalls as “economic gains realized without sacrifice, or without the expenditure of resources”; the authors emphasized that the term windfall is used to imply that the gain is temporary, and suggested that it results from “luck rather than effort”. This added a further argument to link rent to an “unearned, temporary, and undeserved” revenue<sup>4</sup> (Saad-Filho and Weeks 2013, 4). In a contemporary definition of rent, Mayer (1999, 4) argued that it corresponds to any revenue “in excess of production costs and a normal return on capital”; inherent to the nature of rent is the way how it might be collected, either from “power-based means” (Wilcock et al. 2016, 12), or from privilege-based means. In this vein, Becker (2008, 15) recapped that rents enjoyed by natural resources-exporting countries stem from “special natural production advantages”.

However, in many Latin American countries, state’s appropriation of natural resources rent led to economic growth, which in turn mirrored in the improvement of socioeconomic and development indicators (e.g. the Gini index, the Human Development Index, the multidimensional poverty index). Such positive advances were particularly evident during boom periods and contrasted with the negative vision of natural resources that prevailed in Latin American social thought, thus updated the academic research question if natural resources abundance is a blessing or a curse.

#### *Nature and Environmental Awareness: Latest Guests on Development Thinking*

During the last decades of the twentieth century, Latin American states embraced the official environmental discourse inspired by United Nations’ sustainable development (United Nations 1992; 1987). The discourse relies on the utopia of combining the polar opposites of natural resources extrac-

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4 Elsenhans (1986, 32) argued that due to this origin, the use of rent is not subject to economic control mechanisms. In the same vein, Ross (2012, 27) argued that oil revenues are marked by their exceptionally large size, unusual source, lack of stability, and secrecy.

tion and environmental protection on the basis of technology, capital, and international cooperation<sup>5</sup>, hence, it rests on green capitalism. Together with the state's construction of an official environmental discourse, environmental awareness mushroomed among society. Whereas states advocated for natural resources and environmental management, society bet on conservation of nature. Increased social environmental consciousness was central to the denouncement of the destructive socioecological consequences of extractivism, i.e. the "intensification of natural resources' extraction for commodification in the global market" (Burchardt et al. 2016, 7). Hence, the rise of social environmental awareness in Latin America stacked up a strong argument to the "resource curse" thesis, which affirms that natural resources-based development models hinder economic diversification and industrialization (Auty 1993).

The irruption of environmental thinking into Latin American social thought thus had an ambiguous impact on the approach of the outward-oriented development model. On the one hand, the official environmental discourse of sustainable development further legitimized the reliance on natural resources. On the other hand, widespread social environmental awareness was central to the incubation of further arguments to the critique against the natural resources-based development model. The construction of antagonist environmental discourses, 1) an official discourse that stemmed from green capitalism, and 2) a discourse that was rooted in the cultural critique of modern society (Hajer and Fischer 1999, 3), is founded on different meanings of nature. Whereas states hold the notion of natural resources available for commodification, civil society defends the concept of natural heritage. These antagonist environmental discourses became, in turn, central to the construction of different concepts of development during the first decades of the twenty-first century.

Environmental thinking and social environmental awareness enriched the interdisciplinary academic approach of (under)development and added up a new set of challenges to the study of the process of development in natural resources-rich countries. The developmental role of the Latin American state was not immune to the irruption of environmental thinking and social environmental awareness. On the one hand, the state was compelled to revisit its logic in order to include an official environmental

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5 The reiterated allusion to the "vital forces" of capitalism (Escobar 1995a, 36) in the environmental discourse of sustainable development (United Nations 1992; 1987) suggests a continuity with the orthodox perspective of development economics as it is displayed in the Point Four Program of 1949.

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discourse. On the other hand, social environmental awareness proved to be capable of steering the relationship between state and society during the first decades of the twenty-first century.

## *Structure of the Book*

The theoretical section (chapters 1 to 3) begins with a discussion on the role of the state in the development process of natural resources-rich countries. The developmental state theory has prevailed in academic literature approaches to the problem of the state's leading role in successful industrialization. Chapter 1 *Eighty Years of "Sow the Oil": A State's Discourse* argues that the developmental state theory cannot be easily transplanted to approach the Latin American state's effort to break dependence on natural resources. Alternatively, the chapter presents the concept of the Latin American *desarrollista* state and advocates for the inclusion of region-specific particularities, such as natural resource-abundance and Latin American populism, into the study of the state's capacity to intervene in the national development process. The discussion on the irruption of nature into development thinking during the last decades of the twentieth century and its consequences for today's Latin American social thought is presented in chapter 2 *Bringing Nature Into the "Sow the Oil" Discourse*. The chapter argues that the irruption of environmental thinking, which led to the incorporation of different meanings of nature into development studies, represents an ontological and epistemological challenge to the contemporary academic approach to (under)development. Chapter 3 *Nature, State, and Development: A Dissection in Three Acts* is the core of the theoretical section and elaborates the triad nature-state-development as a theoretical tool to analyze the process of (under)development in Latin America with a leading role of the state since the end of the Second World War. The critical review of literature showed that Latin American development thinking treated the problem rather unconnectedly. Alternatively, the triad nature-state-development opens the gates for a more thoroughgoing approach to the role of the state in the development process within region-specific external conditions and domestic circumstances.

The methodological section (chapter 4 *Ecuador 1972-2017: Case Study and Methodological Approach*) begins with an explanation of the conditions that make Ecuador a most relevant case study within Latin America. Then, the chapter highlights the interdisciplinary perspective needed to carry out the historical-structural approach with emphasis on the diachronic com-

parative approach of its oil booms. Finally, the methodological section 1) exposes the research categories, 2) describes its operationalization for the country study, and 3) explains the methods for gathering relevant information.

The empirical section entails two chapters where half-century of recent Ecuadorian economic history is observed through the lens of the triad nature-state-development. Chapter 5 *“Sow the Oil”: The Ecuadorian Classic Desarrollista State* approaches the developmental endeavor of the Ecuadorian state and its outcomes during the 1970s’ oil boom with an emphasis on the period 1972-1980. Chapter 5 highlights the struggle of the Ecuadorian state for the appropriation of a larger share of oil rent and its further influence on capitalist modernization. Chapter 6 *“Sow the Oil” Revisited: Nature and the Ecuadorian Neo-Desarrollista State* focuses on the twenty-first century commodities boom (2003-2014) and its assimilation by the Ecuadorian state during the period 2007-2017. The inclusion of environmental thinking and social environmental awareness into development policymaking resulted in the particular discourse of *buen vivir* that was built upon the indigenous weltanschauung of *sumak kawsay* (good living). The rise and fall of the discourse of *buen vivir* is epitomized by the Yasuní-ITT initiative, a failed plan to save the Yasuní National Park (YNP) in the Ecuadorian Amazonia from oil drilling.

The last chapter (*Conclusion: Beyond the Ecuadorian Case*) summarizes the research’s principal empirical findings and proposes some theoretical implications for a further academic approach to the (dis)connection between natural resource-abundance and development. The closing discussion presents a further research agenda that emphasizes on pending research questions, which are motivated by the approach of the concepts of nature, state, and development in natural resource-rich countries in the Global South.