Chapter 1: Eighty Years of "Sow the Oil": A State's Discourse

> "Instead of a curse, which turns us into a parasitic and idle nation, may oil be the fortunate circumstance that allows us, with its sudden richness, to boost and strengthen the productive evolution of our peoples" (Uslar Pietri 1936).

"Sow the Oil": Oil Booms and the State's Developmental Endeavor

Latin America has traditionally attracted the attention of scholars worldwide, who became fascinated by the quest if natural resources boost or hinder development. Venezuela has been the region's case study par excellence since the country relies on one natural export product since the early decades of the twentieth century: oil. Though, already by 1936 the potential negative effects of long-term reliance on oil concerned Arturo Uslar Pietri, a Venezuelan writer and politician. In an editorial to a local newspaper, the author pointed out the necessity of exorcising natural resources dependence by means of economic diversification. The metaphor used by Uslar Pietri (1936) to address the problem of Venezuela's economic diversification is well-known until present day as "sow the oil". Otherwise, so the author, oil was to "curse" the country and turn it into an "immense parasite […], unproductive and idle". Hence, Uslar Pietri's prescription applied particularly to avoid that "black gold" turned into the "devil's excrement" (Pérez Alfonzo 1976). For many years, this vision imprinted development thinking in Latin America as industrialization was regarded as the epitome of successful economic development.

Such a view was soon integrated into a more global perspective. Two oil shocks (1973-1974 and 1978-1979) dramatically multiplied international oil prices and confirmed that oil appraisal was governed by geopolitical criteria[6]. The first shock was provoked by the embargo that major members

6 From the viewpoint of macroeconomics, oil price might be estimated in the ground of supply and demand. Whilst, the recognition of a portion of surplus (i.e. the rent) for the owner of the subsoil resource, or the landlord, would play a main role in the microeconomic estimation of the price of oil. During the global oil shocks (1973-1974 and 1979-1980), supply of oil was disrupted due to political rea-

of the Organization of Petroleum Exporting Countries (OPEC) issued against the biggest oil consuming countries that supported Israel during the Yom Kippur War. As a consequence, international oil prices nearly quadrupled. The second shock, which doubled prices again, was triggered by the overthrow of the regime in Iran, a main member of OPEC[7], and the fears of new supply interruptions in Western countries. The shocks provoked an unprecedented oil boom that triggered distinct reactions around the globe. On the one hand, the oil boom disquieted major consuming industrialized countries grouped under the Organization of Economic Cooperation and Development (OECD)[8]. On the other hand, the extraordinary rise of oil prices gave national states in exporting countries the foretaste of nationalist control of natural resources rent. Yet, a new keyword was envisaged to link oil with development in exporting countries: Optimism. The boom fertilized the discussions on "sow the oil" and even the attempts to turn it into reality in exporting countries.

On the other side of the coin, in industrialized consuming countries[9], the end of cheap oil triggered discussions on the alternatives to deal with the break of flows and even on the possible options for the downfall of

sons. The interruption of the flow of oil put pressure on importing countries to recognize a higher value of rent for exporting countries, the owners of the subsoil resource.

7 The Organization of Petroleum Exporting Countries (OPEC) was established in 1960 in response to the previous international governance scheme for oil which was dominated by multinational private corporations. Current OPEC members are Algeria, Angola, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

8 In 1974 the Organization of Economic Cooperation and Development (OECD) established the International Energy Agency (IEA) as a political counterweight to OPEC. Main duty of the IEA was the assurance of energy supply for OECD member countries.

9 OECD countries demand about one half of current overall oil consumption of nearly 100 million barrels of oil per day. Oil has been the world's leading energy source for about the last hundred years; though, about 15 percent of worldwide oil consumption is linked to non-energy uses, i.e. oil is raw material for most diverse industrial processes.

stocks[10]. Already by 1956 the matter of the finiteness[11] of oil was implied in Hubbert's peak oil theory, which affirmed that US oil extraction (excluding Alaska) was about to reach its peak around 1970. This breakpoint supposed the start of progressing decline of oil fields productivity until exhaustion. M. King Hubbert, a geologist at Shell Oil Company, further predicted global peak oil for 2010 (Eccleston 2008, 25). Beyond questionable outcomes and methodology, the theory exposed a real concern: the fact that ahead of peak oil, "prices rise unless demand declines commensurately". As big consumers relied on fresh Alaskan and North Sea oil (Campbell and Laherrère 1998, 78), international oil prices followed a decreasing trend which began in the early 1980s and continued even after the end of the twentieth century, thus closing the boom period of the 1970s.

As oil prices plummeted, the external debt burden became tangible in former prosperous exporting countries, principally in Latin America. OPEC's quota system[12] revealed politically insufficient to halt the falling-off of oil prices, and rather caused the separation of member countries Ecuador in 1992 and Gabon in 1995. Exporting countries replied to low prices typically by trying to increase national oil extraction hand in hand with multinational corporations. Under such a scheme, privatization of state oil companies was not automatically a collateral effect, but an alignment with the policies of the Washington Consensus (WC) that sponsored state's withdrawal from key arenas of the economy during the height of neoliberal globalization.

However, in 1988, the World Bank assessed six oil exporting countries[13] in Africa, Asia, and Latin America. The title of the study seemed to reflect the zeitgeist of the epoch: *Oil Windfalls: Blessing or Curse?* (Gelb 1988). By and large, the assessments focused on the way how national states assimilated the global oil shocks, i.e. the way how the positive external condition

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10 Research on alternative energy sources was boosted in industrialized countries during periods of high international oil prices. Energy saving initiatives were also set into force, Germany and Switzerland, for example, enforced the plan *Autofreie Sonntage* (Car free Sundays) between November and December1973, a ban on family cars' use on Sundays.

11 Oil extracted nowadays took millions of years to be produced under high pressures and temperatures within the planet's subsoil. Since the rate of world's consumption of oil greatly exceeds its rate of production inside the Earth, oil is considered non-renewable.

12 OPEC monitors the global oil market and assigns member countries quotas to raise or lower oil extraction in order to control overall supply. Hence, the organization aims to influence oil prices from a macroeconomic perspective.

13 Algeria, Ecuador, Indonesia, Nigeria, Trinidad and Tobago, and Venezuela.

influenced domestic circumstances in individual countries. The problem of economic diversification was by far not exhausted, though, its approach involved a new main actor: The state. Regardless of the success of the enforced "sow the oil" strategies, oil windfalls allowed the state in oil exporting countries to improve its possibilities of intervention in the national development process, i.e. its agency. The enhanced state's agency materialized mainly as 1) the establishment of state-owned industries, 2) the support of nascent industrial enterprises with subsidies and tax exemptions for industrialists, and 3) the protection of domestic industry through import tariffs.

The twenty-first century commodities boom was triggered by increasing demand from non-industrialized countries, especially China (World Bank 2018, 52). "Sow the oil" seemed possible (again) as assessments ordered by multilateral organizations[14] reported particularly high economic growth rates based on natural resources rent. Moreover, economic growth frequently mirrored in key development indicators and even in social achievements in oil exporting countries. A renewed feeling of euphoria impregnated the atmosphere of the 2003-2014 boom, this time accompanied by the deliberate negation of the volatility of international commodities' prices. The state, which was kept to the minimum at the shadow of the market for the last two decades, reemerged (Peters 2019, 2; UNDP 2013, 66) and became the main actor of the domestic circumstance within oil exporting countries. This was the "*renaissance*" (Peters 2017b; Peters and Burchardt 2015, 7) of the state's developmental endeavor. A renewed tide of oil nationalism accompanied international high prices. Exporting countries rejuvenated strategies to better appropriate swollen oil rent: Ecuador resumed OPEC in 2007 and Gabon in 2016. In 2006, Ecuador, Venezuela, Bolivia, Chad, and Russia expropriated assets in the oil sector thereby restaging the trend of nationalizations that prevailed throughout exporting countries of the Global South between the 1960s and the mid 1980s (Arbatli 2018, 103). The *déjà vu* seemed complete when national states increased their investments in the primary sector of the economy in order to back state-owned oil companies.

Along with the youngest commodities boom, academic debates on resource nationalism, i.e. the state-led efforts to increase national control

14 The United Nations Development Programme entitled its 2013 Human Development Report "The rise of the South" (UNDP 2013), the World Trade Organization, in its 2014 World Trade Report, highlighted "the rise of the developing world" (WTO 2014, 5).

over natural endowments and to enhance state's influence over the primary sector of the economy at the expense of foreign participation, mushroomed (Arbatli 2018, 101; Pryke 2017; Haslam and Heidrich 2016; Childs 2016; Wilson 2015). Resource nationalism is rationalized by the idea that the enforcement of market-led strategies might not lead the state to fully benefit from the richness of its national (sub)soil. However, different from resource nationalism of the 1970s that was triggered by foremost ideological and political reasons, during the twenty-first century, pragmatism is regarded as a main driver of national states intervention. In the light of swollen natural resources rent income, exporting states pursued to increase their participation in the oil sector in order to leverage extraction for concrete economic goals and even developmental purposes. State ownership, state intermediation in the private sector and tax measures count as intervention strategies regarding state's different objectives of rent distribution, industrial transformation or market-based investment promotion (Arbatli 2018, 105; Wilson 2015, 412).

In Latin America, nationalism was propelled by the democratic "left turn" of a significant portion of the region (Levitsky and Roberts 2011; Beasley-Murray, Cameron, and Hershberg 2010). Either adherents of the 'pink tide' or not, Latin American states revisited the "sow the oil" imperative, as did other natural resource-dependent economies around the globe. The creation of market niches, preferably with the participation of the domestic industrial sector, was the preferred option of economic diversification within the blatant evidence of market predominance. Hence, the updated "sow the oil" strategies advocated for a more selective integration into globalization based on "competitive rather than comparative advantages" (Kay and Gwynne 2000, 58).

Nevertheless, nearly eighty years after the appearance of the "sow the oil" discourse, the long twenty-first century commodities boom ended. According to the World Bank (2018, 51), the dramatic[15] decline of international oil prices was triggered by a combination of 1) surging United States shale oil production, 2) receding geopolitical risks involving some key exporters (e.g. Iran), 3) shifts in OPEC's policies, and 4) weakening global growth prospects. The legacy of the youngest oil boom in natural resources-rich countries was rather the re-primarization of the exports' portfolio, i.e. the reinforced reliance of the economy on natural resources rents

15 Oil prices dropped in such a dramatic way between mid-2014 and early 2016 that the World Bank (2018, 51) characterized the period as "one of the largest oil-price shocks in modern history".

(CEPAL 2014, 29; Bárcena and Prado 2015, 19; Burchardt et al. 2016, 8). Despite the modest improvement of international oil prices since 2016, the worldwide trend indicates that boom prices are far to be reached. Though, fostering economic transformation remained a "classic" contemporary task of national states (Evans 1995, 5), and fighting against oil dependence further topped the agenda in natural resources-rich states for economic, political, and environmental reasons. Venezuela's "changing industrialization strategies since 1920" (Di John 2009), or Ecuador's heralded *cambio de la matriz productiva* (transformation of the productive structure) add to further contemporary "sow the oil" endeavors in Sub-Saharan Africa and the Middle East: Nigeria's promotion of local participation in extractive activities (Ovadia 2014, 143; Ovadia 2013, 322), Angola's state efforts to encourage economic diversification (Peters 2019, 361) and to establish a fund to insulate the economy from volatile prices (AfDB et al. 2013, 192), or the *Saudi Vision 2030*, that aims to raise the share of non-oil exports (KSA 2016, 61) and to increase private sector's contribution to the economy of the Kingdom of Saudi Arabia (KSA 2016, 53) in order to deal with common concerns about reliance on volatile revenues (Ulrichsen 2017, 210).

New and old sets of policies to "sow the oil" are publicized, despite former partial successes or even sound failures. The way how oil booms shaped internal circumstances within oil rent-dependent states resembled Sisyphus' efforts to push the boulder to the top of the hill. Though, throughout eighty years "sow the oil" evolved from a particular view of economic diversification into the epitome of the relationships between the state and development in natural resources-rich countries; thus, functioned as a discourse where "concepts, theories, and practices were systematically created" (Escobar 1995a, 39).

Lost in Translation: Developmental State vs Desarrollista State

The developmental state theory provided a particular explanation to successful industrialization with a specific role of the state in East Asian countries. It emerged to make sense of the "meteoric rise" as economic powers of the so-called 'Asian Three', namely Japan, Taiwan, and South Korea, during the late 1970s (Thurbon and Weiss 2016, 637) and echoed during the very years of neoliberalism supremacy. Even though detractors of the developmental state theory argued that the extraordinary socioeconomic performance of the newly industrialized countries (NICs) was due to the benefits of free market and liberalization associated to state's retraction of key economic sectors (Lal 1983; Balassa 1981 in de la Cruz 2014, 28), further analysis appeared as a "counter- critique" and advocated for a certain developmental role played by the state (Johnson 1999; Öniş 1991, 109). In the context of the Cold War, the concept of the developmental state disclosed a third way that differed from free-market capitalism or state-directed communism and, hence, challenged the prevailing state-versus-market paradigm in an empirically informed way (Thurbon and Weiss 2016, 638). However, economic success of East Asian NICs contributed to further draw attention to the role of the state in development policymaking.

Following the pathbreaking study of Chalmers Johnson (1982), *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, which researched into the Japanese Ministry of International Trade and Industry (MITI) as a "pilot organization that controls industrial policy through its influence over [economic] planning" (Johnson 1982 in Stubbs 2009, 2), other scholars conducted pioneering studies in South Korea and Taiwan (Amsden 1985; Amsden 1989; Evans 1995), which exemplified the process that took place in East Asian newly industrialized countries (NICs) "of moving from a set of assets based on primary products, exploited by unskilled labor to a set of assets based on knowledge, exploited by skilled labor" (Amsden 2001, 2). Two key factors were regarded as essential to the economic success[16] of the developmental state in East Asia: 1) the role of bureaucracy in catalyzing domestic industrialization, and 2) the significance of market's realm to economy and society within the East Asian developmental state.

First, despite industrialization in East Asia was undertaken by the private sector, state bureaucracy occupies a leading position in developmental state theory due to the role it played in the creation of strong links with national industrial elites (Evans 1998, 142; Evans 1995). Two main characteristics of the bureaucracy in connection with the developmental state were already exposed by Johnson (1982), namely, 1) the existence of a small, inexpensive, but elite state bureaucracy staffed by the best managerial talent available, and 2) a political system in which the bureaucracy was given sufficient scope to take initiative and operate effectively (Johnson

16 Success of East Asian NICs might also be connected with inflow of foreign capital in form of development cooperation during the Cold War. Up to the mid-1960s, Northeast Asian states received "huge amounts" of US financial, technical, and even military support (Wade 2018, 530). "According to geopolitics, those countries built a frontier. Beyond that border, there was the *other* part of the world. Welfare and progress had to be exhibited to that *other* part of the world" (Víctor Bretón, interview, August 8, 2016).

1982 in Stubbs 2009, 2). However, the developmental state managed to maintain autonomy from industrial elites due to the weakness of the private capital in the aftermath of the Second World War (Evans 1998, 142); such a configuration of state's autonomy in a context of strong connections between industrial elites and state bureaucracy was termed by Evans (1995) "embedded autonomy".

Second, besides the role of the state bureaucracy, the significance of the market (or of competence) to economy and society was central to the East Asian developmental state theory. The state was expected to cultivate certain "market-conforming methods" (Johnson 1982 in Stubbs 2009, 2) or "developmental capacities" (Leftwich 1993a, 620) in order to "influence the course of economic and social change" (Evans 1995, 18). Efforts undertaken by the East Asian developmental state to "tame domestic and international market forces and harnessing them to national ends" (Öniş 1991, 110) or, in Wade's (1990) words, to "govern the market", mostly materialized in state's protection of national industry (particularly infant industry) within a market-led, outward-oriented development model[17]. The state's hand manifested in a series of incentives and rewards to persuade domestic capitalists to undertake investments in targeted sectors of the national economy (Nem Singh and Ovadia 2018, 1038); among the principal mechanisms enforced were directed credit, fiscal incentives, trade protection, and hard bargaining with multinationals intending to channel foreign investments into the national economy (Wade 2018, 527). Though, many authors coincide in arguing that the East Asian developmental state implemented a carrot and stick policy in which time-limited support was conditioned by performance requirements measured in international competence standards (Nem Singh and Ovadia 2018, 1038; Wade 2018, 528; Thurbon and Weiss 2016, 640). In this line, de la Cruz (2014, 38) argued that penalizations consisted in reducing incentives, such as tax rebates, and in cancelling bail-ins in order to force fusions. A developmental state's measure, which is highly unlikely to be enforced in Latin America, is the implementation of mechanisms to "restrain non-productive wealth accumulation and luxury consumption" (Wade 2018, 528).

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17 When approaching development, Leftwich (1993a, 620) advocated for the return of politics. In the author's vision, politics was expected to give rise to a state with certain "capacities" to generate "positive developmental consequences" (Leftwich 1993a, 620). Though, the envisioned kind of state was only to be found in "a few societies (mainly Southeast and East Asia) with anything comparable to the strong or long state traditions of the West" (Leftwich 1993b, 57), i.e. the East Asian NICs.

Based on 1) the role of state bureaucracy in the national industrialization process, and 2) the relationship between state and market (or even between the state and the private sector), it is argued that the developmental state theory could not be easily grafted onto the Latin American context. On the one hand, whereas a state bureaucracy that catalyzed industrialization by building strong links with domestic industrialists was at the East Asian developmental state's disposal, strong personal leaderships that overshadowed weak political institutions[18] traditionally regulated the relationship between the Latin American *desarrollista* state and local economic elites. On the other hand, the recognition of market's supremacy and the East Asian developmental state's orientation towards "market-conforming methods" also diverges from the pro-statist stance of the Latin American *desarrollista* state.

In order to rationalize the developmental success in East Asia during the post-Second World War period, another widely explored field, besides 1) the role of state bureaucracy in the industrialization process and 2) the significance of market's realm to economy and society, was the relationship between the agrarian and the industrial sectors of the economy. Kay (2002, 82) argued that there is widespread consensus among development economists upon the necessity of surplus transfer from the agrarian sector to the industrial sector, especially during the earlier stages of industrialization in order to support industrial capital accumulation. Central to the developmental state's successful transference of surplus from the agrarian to the industrial sector was the scenario left by the Second World War and the enforcement of land reform prior to industrialization; Japan, Taiwan and Korea carried out expropriative land reforms (Wade 2018, 529; Evans 1989, 575). As a result of this particular historical cocktail, the landowner class was practically absent, peasants' pressure was heavily reduced, industrial groups were disorganized and undercapitalized, and foreign capital was channeled through the state apparatus (de la Cruz 2014, 45; Kay 2002, 54; Evans 1989, 575). Kay (2002, 54) argued that a repressive state appropriated peasants' agrarian surplus in order to bankroll the national industrialization process. The latter has been further associated with the authoritarian vein of the developmental state (Nem Singh and Ovadia 2018, 1034). Regarding the majority of Latin American countries, Cueva (2013, 167) argued that the economic expansion of the United States after the Second

18 For a brief rationalization of the social construction of the figure of the leader in Latin America, see the section *Latin American populism: Desarrollismo's (un)invited guest*.

World War deeply influenced their actual domestic industrialization process. Latin America's insertion into the capitalist world-economy was reinforced through raw material and natural resources exports as the primary sector confirmed to be the most dynamic sector of the economy (Cueva 2013, 166; Fajnzylber 1990, 15). Hence, a key problem regarding industrialization in Latin America was the transference of surplus from the primary sector of the economy (not only the agrarian sector) to the industrial sector (Cueva 2013, 162-166).

However, Kay (2002, 52) argued that land reform in Latin America (with the exception of Mexico) was enforced subsequently after the industrialization process of the aftermath of the Second World War; according to the author, this fact negatively impacted on the capacity of the Latin American state to appropriate agrarian surplus for the industrial sector[19]. Different from East Asia, land reform in Latin America (with the exception of Cuba) had a meager impact on redistribution (de la Cruz 2014, 44). Big landowners outlasted land reform until the 1970s (except for Mexico and Bolivia) and adamantly opposed the process to the point of reverting it in Guatemala (from 1954 on) and in Chile (after 1973) (Bretón 2006, 61). Hence, the higher degree of autonomy of the East Asian developmental state of the aftermath of the Second World War, which enabled the transference of surplus from the agrarian to the industrial sector, blatantly contrasted with the efforts of the Latin American state to content powerful domestic propertied classes.

Despite an alleged demise of the developmental state theory, academic research on the role of the state in the national development process never lost momentum. De la Cruz (2014, 31) argued that the end of the twentieth century witnessed the "collapse" of developmental states due to 1) external conditions such as the 1997 financial crisis of the Asian markets, and 2) internal circumstances within Asian developmental states related to capitalist cronyism between government officials and big corporations. Though, the developmental state adapted and evolved, and even "moved in a neoliberal direction" during the "gestalt shift" of the rise of market globalization policies (Wade 2018, 531-535).

During the beginning of the twenty-first century, attempts to transplant the East Asian developmental state mindset to the study of the role of the

19 The process of land reform in Latin America has been rather related to a process of migration from the countryside to urban areas. According to CEPAL (1977, 20), migration was central to the region's social change during the period 1950-1975.

Latin American state in the national development process resulted largely in academic approaches to governance strategies aimed at creating globalization with a "human face". However, as the conceptual framework of the developmental state further stretched to fit Latin American perspectives, it overlapped other concepts, mainly post-neoliberalism, neo-structuralism, neo-developmentalism, and neo-extractivism (Nem Singh and Ovadia 2018, 1039). In order to contribute to shed light to these contemporary academic debates, the next section focuses on region-specific analytical characteristics of the Latin American *desarrollista* within conditions imposed by the capitalist world-economy.

The Classic Latin American Desarrollista State: A "Poulantzas' Reformulation"

The peripheral capitalist state has been widely approached in academic literature through its extraversion and its socio-structural heterogeneity. On the one hand, the idea of extraversion emphasizes on the integration of the peripheral state into the capitalist world-economy through its outward-oriented development model. On the other hand, socio-structural heterogeneity makes reference 1) to the prevalence of pre-capitalist modes of production (which are shaped by personal dependence relationships) within capitalism, and 2) to the growing urban marginal population that, away from the agrarian sector, fails to integrate into the urban labor market (Becker 2008, 18). Whereas the concept of extraversion reminds of the external conditions imposed by the capitalist world-economy on peripheral states, socio-structural heterogeneity recalls the domestic circumstances within Global South countries. Other theoretical constructions have also contributed to understand the peripheral state, such as rentier theory and the already mentioned developmental state theory. Rentier theory provides rationalization to the consequences of the enforcement of the rentier state's political regime, which is bond to the transfer of surplus from states in the Global North to extractivist states in the Global South and, hence, might cause dependence of the latter on rent generated by the sales of natural resources overseas. Besides, the developmental state theory focuses on states' agency, i.e. their capacity to intervene in the national development process, through the role of state bureaucracy and the relationship between the state and the market (or the private sector of the economy). Though, the mainstream of rentier theory, which rests on neoclassical and institutionalist[20] theoretical backgrounds, and the developmental state theory, which provides a particular explanation to successful economic development in East Asian countries[21], conflict with the approach of this book that aims to highlight 1) the prevailing role of the Latin American state (over the market and over social classes) in the domestic decisions on the national development process during commodities boom periods, and 2) weak national political institutions that are overshadowed by strong leaderships.

Thus, this section delves into the traditions of state theory in order to propose an adequate rationalization for a natural resources-rich peripheral state that strives to "sow the oil". Two concepts become key to the approach proposed in this book: State bureaucracy and state's autonomy. *First*, the Marxist and the Weberian traditions of state theory have in common the idea of the state as a domination form that exerts authority through bureaucracy. Whereas the Marxist tradition considered the state as an instrument of the dominant class, or as an instrument that aimed to mirror the balance of powers between social classes (Cantamutto 2013, 103), the Weberian tradition focused rather on "how the state works" (Leftwich 1993b, 56). Hence, scholarly approaches to the state bureaucracy had been mostly backed by the Weberian tradition[22]. *Second*, discussions on the concept of autonomy, which are shared by both traditions, the

20 The climax of new institutional economics took place in 1993, when the institutional theorist Douglass North was awarded the Nobel Prize for Economics. Then, the notion that "getting the institutions right is the key to successful economic development" (Harris 2014, 558) became widely accepted among orthodox analyses of less developed countries. In such period, when "good governance" was the keyword to approach the economic as well as the sociopolitical sphere, the state was considered a mere actor under the umbrella of the market.

21 "Market-conforming methods" (Johnson 1982 in Stubbs 2009, 2) and "developmental capacities" (Leftwich 1993a, 620) cultivated by the East Asian developmental state in order to "govern the market" (Wade 1990) comply with the idea of a "strong but limited government" prescribed by New Institutional Economics (Bardhan and Udry 1999, 222).

22 Pablo Andrade (2015) deployed the Weberian baggage in *Política de industrialización selectiva y nuevo modelo de desarrollo* (Selective industrialization policy and new development model), in order to research into industrial policy in Ecuador during Correa's government between 2009 and 2013. Andrade (2015, 15) used the questionnaire to "measure the degree of *Weberianity*" designed by Evans and Rauch (2007) to conduct interviews with an ample range of high-ranking government officials (from ministers and state secretaries to intermediate managers), i.e. the "state's bureaucracy in charge of industrialization policy". In his conclusions, Andrade (2015, 82) argued that government's internal struggles hindered the cre-

Marxist and the Weberian, stem from the *Manifest der Kommunistischen Partei* that regards the state as "a committee for managing the common affairs of the whole bourgeoisie" (Marx and Engels 1848, 4).

Neo-Marxist authors further developed the concept of state's autonomy from social classes or dominant social factions. In line with the idea of the state as an instrument of the dominant class, Miliband (1969, 15) argued that economic elites and state elites "can be assimilated". Hence, the project of economic elites may result in the project of the state since the state is considered as "the only social institution with capacity to achieve that interests of specific groups appear as interests of the whole society" (Osorio 2014, 71). Poulantzas (1978, 122) contested such a vision and posited that the state strives to impose its capitalist project on society, not as the politics of a dominant faction, but as "the politics of the political elites or the politics of the bureaucracy". Thus, contrary to Miliband (1969), Poulantzas (1978) implied that state elites are not necessarily saturated with economic elites. This position was central to the idea of the "relative autonomy" of the state in capitalist society (Poulantzas 1978). Leftwich (1993b, 56) argued that "considered strictly from a developmental point of view", a vision of the state that focuses on its relative autonomy is "essentially a conception of a modernizing state, active and pervasive in the promotion of capitalist development". Hence, the state might be regarded, in Poulantzas' Neo-Marxist reformulation, as the subject of development (Poulantzas 1978, 121) instead of a mere agent of the politics of the dominant classes.

Though, neither the Weberian nor the Marxist tradition of state theory integrated the role of natural resources rent into the analysis of state's relative autonomy. As mentioned before, the endeavor of economic diversification in natural resources-rich peripheral states recalls the original problem of the transference of surplus from the primary sector of the economy to the industrial sector, which in turn evokes the challenge of state's relative autonomy from social classes. In order to approach this theoretical gap, this book aims to sustain that the appropriation of natural resources

ation of an "autonomous bureaucracy" capable of heading economic development. Andrade (2015, 83) identified two antagonist positions regarding industrialization within Correa's government. On the one hand, a faction that grouped together ministries and governmental organizations in charge of planning and higher education prioritized a vision of industrialization based on science and technology. On the other hand, the Office of the Vice President headed the group of governmental agencies that promoted petrochemical industry and energy infrastructure.

rent endowed the Latin American *desarrollista* state with relative autonomy from dominant social factions. Whereas the East Asian developmental state managed to maintain autonomy from industrial elites due to the weakness of the private capital in the aftermath of the Second World War (Evans 1998, 142), the Latin American *desarrollista* state was able to gain autonomy from dominant social factions on the basis of the appropriation of natural resources rent. Therefore, the Latin American *desarrollista* state struggled with the private capital (domestic and foreign) in order to appropriate a larger portion of rent. Relative autonomy not only improved Latin American states' agency (their capacity to intervene in the national development process), but also was central to the imposition of a rentier capitalist developmental project on society.

The conception of the Latin American *desarrollista* state proposed in this book highlights the state's relative autonomy on the basis of rent appropriation and aims to mirror the dispute between the state and (foreign) private actors for the appropriation of natural resources rent[23]. It is argued that an imperative of the Latin American *desarrollista* state was to assume the role of a "effective landlord" (Coronil 1997, 65), i.e. a state that exerts control over the rents generated by the natural resources of its national (sub)soil. The role of landlord was fulfilled when the state was also able to determine the allocation of natural resources rents among society. Then, the state assumed the role of "arbiter" of the natural resources' surplus (Conaghan 1988, 48). The purpose of presenting a landlord-arbiter state configuration is to open the gates to a wider understanding of the capacity of the Latin American *desarrollista* state to steer the interest of even antagonist social classes to follow its developmental project. Conaghan (1988, 48) stated that during the first Ecuadorian oil boom, "the locus of decisions on the distribution of the surplus shifted from the market into the heart of the state bureaucracy". Hence, state bureaucracy played a key role in the landlord-arbiter state configuration, not the role of cultivating links with the private capital (like in the East Asian developmental state), but the role of supporting the imposition on society of the developmental project of the Latin American *desarrollista* state.

Following this logic, this book regards governments as the head of the state apparatus that give direction to the whole state-administrative activi-

23 A balance of powers between social classes that materialized in the struggles of the modern Latin American state to overthrow the oligarchical state during the twentieth century is also mentioned; though, presenting an analysis of the balance of powers between social classes is beyond the scope of this book.

ty. The emergence of so-called *progresista* governments with a strong anti-oligarchical or anti-elite discourse during natural resources boom periods is compatible with the afore mentioned premise of the possible separation between economic elites and state elites (Poulantzas 1978). Regarding the character of the imposition of the state's project on society, two main outcomes are considered. On the one hand, developmental politics can be regarded as "the politics of the bureaucracy", when the state and society coincide in a common vision of development. On the other hand, when the imposition of a developmental project provokes a break between state and society, developmental politics can be regarded as "the politics of the political elites".

Latin American Populism: Desarrollismo's (Un)Invited Guest

According to Cueva (2013, 158), populist politics was the preferred mediation between *desarrollismo* and society. Hence, an approach to populism becomes central to any theoretical rationalization of eighty years of "sow the oil" attempts across the region. Latin American populism, understood as a political strategy that "vacillating, deviously, and incompletely accomplished several essential missions for the transit from the oligarchical society to the modern bourgeois society" (Cueva 2012, 232), coupled with *desarrollismo*, provides a comprehensive perspective to assess the sociopolitical processes linked to economic diversification and its attempts. Since *desarrollismo* advocated the departure from the established natural resources-based development model, it adhered to one of the main objectives of Latin American populism: To seize the state in order to take control over the national economy. The alternative proposed by *desarrollismo* is a more autonomous (and less rentier) development model, which relies on the domestic market and on internal accumulation rather than on "the gambles of the world market and its international price policy" (Baran 1968, 101), i.e. the so-called inward-oriented development model. Hence, the *desarrollista* proposal was doomed to come into conflict with the domestic *status quo* since an alliance of local agro-exporters, landlords, and banking and financial oligarchy traditionally profited from the natural resources-based outward-oriented development model.

The *desarrollista* state summoned an ample developmental coalition, headed it, and challenged the power of local oligarchy (Malloy 1977, 13). Hence, the Latin American classic *desarrollista* state emerged as a response to the previous natural resources-based development model that was enforced within feeble national states. The developmental coalition that challenged the local oligarchical elite was held together[24], not without tensions, by "policies that combined state support for import-substitution industrialization with social and economic concessions to the urban middle and working classes" (Conaghan 1988, 22). Cueva (2013, 158) identified opposition to the oligarchy as a seminal characteristic of Latin American populism. In order to summon an ample anti-oligarchical coalition, populism did not appeal to class (Malloy 1977, 13), but invoked 1) peoples' sovereignty as "the incarnation of authentic nation that antagonistically confronts the oligarchy, which represents the foreign-dominated antination" (de la Torre 2000, 141), and 2) citizenship as a hypothetical tie between society and state[25]. Once in government, populist regimes aimed for a "more effective and directive governmental decision-making" (Malloy 1977, 13) by mobilizing popular support on the basis of the promise of distributive policies.

In line with the aim of taking control over national economic activity, the anti-oligarchical coalition (i.e. the developmental alliance headed by the state), cultivated a nationalist[26] discourse, which rejected the influence of external actors in domestic economy and politics. The nationalist discourse reminded of the fact that natural resources rents had to be disputed with foreign capital. Defense of natural resources against foreign interests and the claim that natural resources would mainly serve for national interests converged upon a key notion of the nationalist discourse: 'strategic resources', i.e. natural resources rent to be used to boost the national development process. Besides the anti-oligarchical vein, the ideology of *desarrollismo* entailed also an "anti-feudal" component (Kay 1989, 28). The establishment of an inward-oriented development model required the creation of an internal market, such endeavor meant the consolidation of the capi-

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24 The developmental coalition and its partakers are approached comprehensively in the section *The Challenges of Latin American Social Thought*.

25 Malloy (1977, 13) connected the concept of citizenship with "the nation", which was incarnated by the state. Alternatively, de la Torre (2000, 145) argued that central to the concept of citizenship is the promise of "access to constitutionally prescribed but unmet rights" in a context of prevalence of economic, social, ethnic, and status inequalities.

26 Kay (1989, 14) recapped that in contrast to Eurocentric academic debates, that often associate nationalism with imperialism and right wing political ideologies and movements, in the context of Latin America "nationalism acquires a progressive connotation, being the expression of anti-colonial, anti-imperialist, or even anti-capitalist struggles".

talist mode of production, thus, the removal of the traces of feudalism. Import-substitution industrialization was in the core of the capitalist developmental endeavor; though, even industrialization, the emblem of development for the classic Latin American *desarrollista* state, depended on natural resources, since they dispensed the only mechanism of capital accumulation within the region (Cueva 2013, 96).

By placing natural resources in the center of its industrialization project, *desarrollismo* emulated modernization theory and its idea of natural resources as a prerequisite, and industrialization as the core of economic development. Though, while modernization theory centered its analysis of the development process on societies' characteristics, *desarrollismo* rather focused on state's agency. The Latin American *desarrollista* state mirrored another key feature of *desarrollismo*: its "technocratic" (Kay 1989, 28) imprint. *Desarrollismo* also shared with modernization theory its faith in economic planning. Therefore, the establishment of the inward-oriented development model relied on an "administrative machine that can do the work of planning" (Lewis 1954a, 122), which materialized in the creation of specific governmental organizations. In *desarrollismo*, as in modernization theory, popular support was central to governmental decision-making. Lewis (1954a, 128) argued that "popular enthusiasm was the lubricant of planning and the fuel of economic development".

Despite the fact that comprehensive economic planning in *desarrollismo* entailed the enforcement of distributive policies, *asistencialismo* was the norm rather than the exception (North 1985, 452). Patronage or *asistencialismo* comprises the set of measures that are intended to benefit lower income classes, such as subventions and subsidies, but mainly conditional cash transfer programs. The enforcement of such measures might fall under the wide scope of clientelistic practices, which offer certain social groups privileged access to state services or benefits in exchange of political loyalty to a certain political group (Becker 2008, 19). However, populism was present in Latin America before the outbreak of *desarrollismo* as a political force, and outlived the end of *desarrollismo*'s nationalist and distributive state policies (de la Torre 2000). Notwithstanding modernization theory argued that populism was predestined to be a temporary phenomenon, Latin American populism transfigured and populist politics were recognizable throughout time across the region. De la Torre (2000, 140) identified four prevailing characteristics of Latin American populism: 1) its "Manichaean discourse" of people versus elites, 2) the building of coalitions of "emergent elites with the popular sectors", 3) its "ambiguous relationship with democracy", and 4) the social construction of a leader "as a symbol of redemption".

The possibility of a Manichaean construction of the categories *peoples* and *elites*, due to their inherent vagueness as concepts and their mutable nature throughout time, might be a powerful reason to explain the adaptation of populism in most diverse moments of Latin American contemporary history, in which coalitions of social forces were summoned to challenge (domestic or foreign) traditional elites. Whilst, the "ambiguous relationship" of Latin American populism with democracy not only refers to (military) dictatorships, but also to authoritarian regimes. Malloy (1977, 4) identified authoritarian state configurations with the intention of "impose on society a system of interest representation". Hence, the Latin American *desarrollista* state fits well into Malloy's (1977) definition of authoritarian states with its intention to impose on society a representation of development linked to the establishment of an inward-oriented development based on industrialization. Undoubtedly, the social construction of a leader "as a symbol of redemption" has been a landmark in recent Latin American history. Cueva (2012, 229) argued that populism "materialized in *caudillista* movements", instead of in sound political parties. One important consequence of this statement is that strong leaderships appear in the forefront of the narrative of eighty years of "sow the oil".