

# Political Change, State Autonomy, and Post-Neoliberalism in Ecuador, 2007–2012

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*Along with other progressive experiments in the region, the government of the Citizens' Revolution has restored the state to a central position with regard to social coordination and the promotion of economic development. The open conflict created by the return of the state between 2007 and 2012 transformed power relationships, allowing civil government to expand the state's relative autonomy and orient it toward constructing a public policy agenda associated with transcending neoliberalism. The challenge of this transition has been to modify the pattern of commodity specialization away from the primacy of primary exports. While reappropriating the surplus that comes from the income from strategic resources increases national sovereignty, it may also contribute to preserving the nation's position in the international division of labor. The National Plan for Living Well aims at overcoming the centrality of the primary sector and of oil exports in the national economy.*

*En convergencia con otros gobiernos progresistas de la región, el gobierno de la Revolución Ciudadana relanza el Estado al primer plano de la coordinación social y la promoción del desarrollo. El conflictivo proceso político abierto en relación a dicho retorno estatal entre 2007 y 2012 trastrocó de los factores de poder y permitió al gobierno civil ampliar la autonomía relativa del Estado y orientarlo hacia la construcción de una agenda de políticas públicas asociada con la superación del neoliberalismo. El desafío de dicha transición reside en la posibilidad de modificar el patrón de especialización productiva más allá de la centralidad de las exportaciones primarias. Aunque la estrategia estatal de reappropriación del excedente que proviene de las rentas de recursos estratégicos eleva los márgenes de soberanía nacional respecto a la determinación global, también puede contribuir a la continuidad del lugar del país en la vigente división internacional del trabajo. El Plan Nacional del Buen Vivir apunta a superar en el mediano plazo la centralidad del sector primario y de las exportaciones petroleras en la economía nacional.*

**Keywords:** *Citizens' Revolution, State autonomy, Neoliberalism, Political conflict, Progressive governments*

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Destroying the political will of states to promote development, regulate markets, redistribute wealth, and orient society has been a fundamental part of the neoliberal project on a global level. The nations governed by various leftist

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coalitions in South America are directly attacking this project as the state is restored to a central position in social coordination. These so-called progressive governments have made the focus of their agenda the reconstruction of the political mechanisms of mediation that have historically contributed to these countries' subordinate integration into the global capitalist system. The reconstruction of these mechanisms is driven at the national level by the state's promotion of endogenous development, the regulation of markets, social inclusion, and at a regional level by the reconfiguration of the region's political space. Nevertheless, the idea of integration implies that a state does not have a choice of being integrated or not—is an isolationist strategy effectively viable?—and act within a definite international context. Even within the framework of state weakness promoted by neoliberalism it never meant that national policies were irrelevant but only that the model of global accumulation circumscribed them. Under such structural limits and in the middle of intense political conflict, the prevailing leftist governments have made state action the core of a series of strategies that provide them greater autonomy and sovereignty (Thwaites, 2008).

Although for various sectors, including progressives, local "city-states" and "autonomous regions" present the optimum conditions for the democratic reconstruction of political mediations and social relations with global markets,<sup>1</sup> these governments have opted for a different strategy for positioning themselves in the global power structure—reconstruction of the nation-state dimension of public action and delineation of a regional political space (e.g., the Unión de Naciones Suramericanas [Union of South American Nations—UNASUR], the Comunidad de Naciones Latinamericanos y Caribeños [Community of Latin American and Caribbean States—CELAC], and the Alianza Bolivariana para los Pueblos de Nuestra América [Bolivarian Alliance for the Peoples of Our America—ALBA]), establishing a cycle of "neo-sovereignty" intersected by the state's assertion of self-determination and the benefits of interstate integration. The novel and disruptive character of this strategy lies in its simultaneous break with a kind of nationalism reluctant to recognize the dynamics of global exchange and with the neoliberal perspective of regional integration regulated solely by the flow of free trade.

Thus, after a prolonged cycle of privatization of the economy and denationalization of political sovereignty that accompanied the hegemony of the Washington Consensus in Latin America (Cavarozzi, 2002), the state's arenas reemerge as the terrain on which national interests will be debated and without which it will be impossible to dispute alternative paths to development and to incorporation into the world market. The possibility of this orientation is conditioned by the logic of global accumulation and the capacity of the forces in contention to inscribe their demands on the materiality of the state and even channel it as the principal resource for the defense of the general interest. This raises the question, in each social formation, of the dynamics of sociopolitical conflict that permeate the decision making of the governing elites and confer a particular historical meaning on state action.

To say that the return of the state means the collapse of global finance and of the neoliberal consensus is a generalization as trivial as the notion that everything about the state supports capital. In order to understand the general orientation of political change it is necessary to investigate three fundamental questions: To

what extent does “bringing the state back” dismantle the core of the neoliberal agenda, with its different modalities and rhythms in each country? Have the transitional policies opened paths for disputing the configuration of alternative frameworks for accumulation and distribution of social wealth? What is the capacity of the governing coalitions for conducting the affairs of the state with relative autonomy from the neoliberal constellations and from the country’s major interest groups? This essay examines these three questions on the basis of an analysis of the conflictive process inaugurated in Ecuador with the advent of the government of President Rafael Correa’s Citizens’ Revolution in January 2007. Particular attention is paid to the transformation of power factors that has permitted an increase in the autonomy of the state and its reinstatement as the central axis for a social policy agenda associated with transcending neoliberalism. The last section of this essay will address the tensions inherent in this transition.

### THE RECONFIGURATION OF STATE COMMAND

Colonel Lucio Gutiérrez was elected president of the republic in 2002. He had presented himself as an independent candidate removed from party politics and established an alliance with the Pachakutik Movement (PK), the electoral branch of the *Movimiento Indígena Ecuatoriano* (Indigenous Movement of Ecuador—MIE), and with the *Movimiento Popular Democrático* (Popular Democratic Movement—MPD), a Maoist party that controlled the teachers’ union and various student organizations. These organizations had played an important role in the resistance to neoliberalism. After a brief sojourn in prison,<sup>2</sup> Gutiérrez was invited to participate in the World Social Forum. He was compared to Hugo Chávez, and Fidel Castro attended his inauguration. The elites viewed these developments with fear as military men, Indians, and leftists took power. The progressives expected at least the beginning of a post-neoliberal period.

This expectation rapidly collapsed as Gutiérrez formed a cabinet that put the PK and the rest of the left in a secondary role and continued the neoliberal orthodoxy, aligning himself with the Washington-Bogotá axis. However, he had come to power in a context of opportunity comparable to that in which a few years later Rafael Correa would find himself, with the exhaustion of the party system,<sup>3</sup> factionalism among the dominant elites,<sup>4</sup> and the loss of legitimacy of the Washington Consensus.<sup>5</sup> Furthermore, he had the support of a still powerful Indian movement that barely a year before had organized a massive uprising against an increase in fuel prices.

When Correa assumed the presidency, the indigenous organizations did not play a major role on the political scene. Despite having quickly withdrawn their support from the colonel, they had lost some of their prestige and capacity for mobilization after their frustrated governmental experience. Associated with the indigenous movement’s decline there was erosion of social mobilization in general. The 2006 electoral results recorded these trends. The PK received barely 2.19 percent of the votes, the worst showing in its history, and the MPD obtained 1.3 percent. At the same time, the candidate of the oligarchical right, the multimillionaire banana king Álvaro Noboa, won 27 percent of the vote in the first round, 10 points more than he had obtained in 2002, when he was

defeated by Gutiérrez. The outsider candidate, Rafael Correa, obtained only 23 percent of the votes after a frustrated attempt to forge an alliance with the PK. On the second ballot Correa was elected president with 54 percent of the votes. Afterward the relationship between the Citizens' Revolution and the MIE became turbulent (see Ramírez, 2010; Sánchez-Parga, 2010).

How are we to explain the different paths taken by the two coalitions thrown into this power struggle when they had a similar political perspectives and analogous anti-neoliberal projects? The factor to consider is the degree of autonomy from the local power groups and agents linked to the maintenance of the neoliberal agenda that each of these governments was able to achieve. Between the first and second round of 2002, Gutiérrez abandoned his radical discourse after a visit to the United States to enter into discussions with political leaders, businessmen, and the International Monetary Fund (IMF). As soon as he was elected he named an orthodox economist from the major national bank as finance minister and expressed the idea that Ecuador would be the "best ally" of President George W. Bush. Even before he began his term in office, the continuity of neoliberalism was ensured. Gutiérrez lacked both the will to power and the management skills to resist the pressure historically exercised on civil government by the economic powers and agents that operate on a national and global level to promote policies favorable to big capital.

Meanwhile, the Alianza PAIS (PAIS Alliance—AP)<sup>6</sup> and its allies, among which the Socialist Party figured prominently, had throughout the campaign maintained the radical, anti-neoliberal, and leftist discourse that had brought them to public life. Their confrontation with the elites and the dominant political parties was not merely a campaign ploy. The virtual absence of major financing of Correa's candidacy by the national economic power groups contributed to this situation and was the basis of the "primitive political accumulation" of the Citizens' Revolution. For this reason, when Correa named his cabinet he was able to avoid selecting individuals who were close to the business and financial sectors. It was the founding members of the movement's governing board who occupied strategic positions in the state apparatus.

The founding nucleus of the AP consisted of past leaders of the traditional left, intellectuals and activists of the new left, emerging figures of the recent civic organizations, and individuals with no militant leanings who were personally close to Correa. A heterodox force emerged under the umbrella of a radical antiparty stance, the desire to overcome neoliberalism, and the clout of presidential leadership. This profile involved a broadening of the spectrum of social representation of the left to include what Quintero (2007) has called "the auxiliary social sectors or intermediate classes of the country's global structure."<sup>7</sup> Although this class formation did not suppose the political projection of labor onto the state, as in Brazil's Workers' Party, or of the Indian-peasant sector in Bolivia's Movement toward Socialism, it did entail the rise of a variety of middle-class factions, some of them very radical, active, and close to the sectors responsible for the mobilizations against neoliberalism. Their differentiation from the dominant classes and the major political power groups emerged as an essential condition in the struggle for state autonomy.

When, on the day of the presidential inauguration, Correa signed the decree that called for a referendum on convening a constituent assembly, few doubted

the new government's determination to break the hold of the elites and the traditional political parties. During the period after the fall of Gutiérrez in April 2005 (see Ramírez, 2005), the elites had directly opposed any attempt at political reform that would take place outside of the institutional spaces in which they maintained complete power. The persistence of this opposition increased the popular support for Correa. This support and the president's decision-making power were all that the government could mobilize in its favor, since the AP's strategy for the 2006 campaign had meant that it had not run any candidates for Congress. Correa appeared to be the first president not only to win an election without the support of any political party but also to govern without a supporting block in Congress. Paradoxically, this configuration of power was one of the conditions that allowed the government to act with relative independence from the various organized interests.

Given AP's lack of congressional representation and opposition control of the legislative majority, the call for a referendum was the object of intense struggle between the two principal branches of the state. While previous political crises had been resolved with the dismissal of heads of state who did not have solid congressional support and social credibility,<sup>8</sup> in 2007 a president whose only capital was the vigorous popular support that his figure produced used the electoral tribunal to dismiss 57 congressmen charged with obstructing the referendum. The "congressional collapse" paved the way for the constituent process.

In the referendum held in March 2007, 80 percent of the citizenry voted in favor of convening a constituent assembly. Furthermore, at the end of the year the left triumphed in the elections for members of the assembly: AP won 80 of the 130 seats and other progressive forces won 10 more. The strength of the electoral results consolidated the Citizens' Revolution project and left the dominant political parties without much capacity for influencing the constitutional debates. The wide approval of the constitution (63 percent) in the referendum of September 2008 was another political blow for those sectors and the whole of the creole right. Opposition to the new constitutional text united the business class, the major mass media, the upper echelons of the Catholic Church, and the political parties that had been dominant since the return of democracy in 1979.

The continual popular ratification of the Citizens' Revolution in the course of the 2006–2008 electoral cycle gradually broadened the arena of political articulations surrounding its project for change and expanded its democratic legitimacy. Although fundamental, the electoral victories did not in themselves reduce the influence of the real powers on the public agenda. In this regard, the democratic struggle was not easy. The achievement of state autonomy demanded a combination of progressive reforms and radical political decisions that attacked the control of public institutions by private interests.

### THE POLITICS OF STATE AUTONOMY

Under the Constituent Assembly (2007–2008) the Citizens' Revolution passed a series of measures that had been demanded by the popular movement for a decade: the end of the military cooperation contract that allowed the United States access to the Manta air base, the ratification of the expiration of

the contract with the U.S. oil company Occidental Petroleum, the suspension of free-trade-agreement negotiations with the United States, the banning of labor outsourcing, and the confiscation of the property of the bankers implicated in the bankruptcy of the financial system and the dollarization of the economy (1999–2000). The programmatic orientation of these decisions signified the virtual decoupling of civil government from the power block that supported economic liberalization, the rentier capture of institutions, and the subordination of foreign policy to Washington's interests.

In the initial stages of the government these political options corresponded to the will of the governing power. Subsequently, however, this decision-making capacity contributed to the reconstruction of the power dynamic that, by weakening the neoliberal coalitions, would support the revival of state action. Four themes of the public agenda and institutional regulation have been of major importance:

*National management, without the interference of global capital, of a substantial portion of the local surplus coming from the income from strategic resources.* The creation, support, and/or capitalization of public enterprises in key sectors of the economy (petroleum, mining, public services, etc.) and the renegotiation of contracts with a number of transnational corporations in order to increase the level of state participation in the revenues and dividends that are produced in these sectors appear to be fundamental challenges facing the creation and (re)appropriation of resources with a high capacity to generate differential income. This strategy is of vital importance for a peripheral state that seeks to increase its independence with regard to global power and finance national development with its own capital.

*The breakup of financial capital's influence on the national economy.* After initiating a comprehensive audit of the foreign debt<sup>9</sup> and declaring the illegitimacy of some tranches, the national government filed lawsuits against suspects implicated in the fraudulent acquisition of credit, declared a technical moratorium, and defaulted on a significant part of the debt pertaining to the 2012 and 2030 bonds. During this period, the country was able to retire 93 percent of the debt represented by those bonds. The transformation of the public management of the debt acquired before 2006 meant a substantial reduction of the burden of foreign debt<sup>10</sup> and, more significant, of the power of financial speculation.

*A new way of regulating financial capital.* In attempting to lower interest rates, achieve the repatriation of banking reserves deposited abroad, energize the productive sector, and support the cooperative and public banking sector, the government reversed the deregulation that had been in effect since 1992. Along these lines, one of the most sensitive actions was the legislative's issuing a new regulation that eliminated the autonomy of the Central Bank and gave the executive branch authority to set monetary policy. In orthodox economic discourse, the independence of the central bank is essential to secure the confidence of the markets. In relation to the regulation of banking power the constitution stipulates that its shareholding will be concentrated only in activities associated with that sector. Special attention has been given to the delinking of shares in the bank and the mass media. Furthermore, there has been a gradual increase

in taxes (from 1 percent to 5 percent between 2007 and 2011) on capital flight and an increase in the tax on banking profits.

*Institutional reform and the power to determine the public agenda.* In order to recover civil control over public policy, the government designed an ambitious institutional reform that included three core ideas: making public planning an articulating principle of the national and sectoral agendas, designating the ministries as the sole administrators of public policy in the areas under their control (and thus eliminating numerous agencies, councils, and commissions), and dismantling influential corporative structures in various fields of management. Although the emphasis here was on reducing the influence of private capital in any public policy council in which it had a voice and a vote,<sup>11</sup> this also affected the decision-making power of some popular guilds.<sup>12</sup> This series of reforms assumes an agreement among decision makers to increase the civil government's capacity to determine the public agenda.

The implementation of these policies opened various fronts of political conflict. From "above," the unions associated with the banking industry, the commercial sector, the mass media, and other private sectors systematically confronted what they considered the statism of the Citizens' Revolution. Fiscal policies, for example, have produced various lawsuits between the government and big-business interests. At the same time, while some transnational corporations have denounced Ecuador in the world commercial and investment courts,<sup>13</sup> on a few occasions the financial markets have played the card of capital flight, bank closure, or the end of dollarization. From "below," various social organizations (teachers', indigenous) have claimed the legitimacy of trade union and communal interest representation in public institutions and objected to their loss of that representation in various state organizations, denouncing a deficit of social participation, threats to their autonomy, and a governmental attempt to enclose all institutions. A major component of social protest is related to the democratic legitimacy of corporatism (Ramírez and Guijarro, 2011). Other sectors (public employee unions) contest the elimination of charters, institutions, and special protections in public administration that according to the government impede the universalization of rights.<sup>14</sup>

This conflict expresses, in any case, the loss of influence by a broad spectrum of social interests that had previously gained representation, decision-making power, and/or the ability to manage the state apparatus from the inside. Of particular importance, bearing in mind the country's political evolution during the 1990s, was the displacement of the banking-speculative investment lobby from the public policy networks that influence decisions regarding the economic agenda. One must not lose sight of the fact that the power block made up of the political parties that supported the Washington Consensus and the financial sector had a few years before led the nation to the most disastrous crisis of the republican period. In fact, the banking crisis and the subsequent dollarization of the economy (in 2000) occurred in the context of the dominance of the financial sector over civil governments. The Christian Democratic government of the time asserted throughout the crisis that the problem was the instability of the financial system and fiscal weakness, and under these circumstances the economic authorities justified unlimited help to the troubled banks.<sup>15</sup> The government took responsibility for managing the declining economic activity and the

increase in unemployment as the lesser evil. As throughout the neoliberal adjustment, financial stabilization took precedence over productivity.<sup>16</sup>

In March 1999 President Jamil Mahuad froze the deposits of bank customers while the central bank continued printing money to avoid the collapse of the financial system. The contradiction was clear: while the budget for the social sector declined in order to reduce the fiscal deficit, the state gave systematic support to the private banking sector. When a few months later one of the few bankers to be tried charged that his contribution to the presidential campaign had been poorly utilized, it was possible to understand the inner workings of the political crisis: “[Mahuad] was held hostage by the financial investors in his campaign, and they were at the helm until the final day of his presidential term” (Estupiñán, 2000: 16). In an environment of financial deregulation, the “gangster-oligarchical nexus” between the banks and the political class guaranteed the protection of particular power groups at the expense of social interests (Ramírez and Rivera, 2005).

Although Mahuad was overthrown in the midst of the crisis, the banking sector’s power continued intact. The right realigned itself around the dollarization of the economy and the continuation of neoliberalism. Bankers occupied powerful positions in the subsequent governments. As we have seen, Gutiérrez handed over the powerful finance ministry to them. Meanwhile, in Congress, the dominant political parties blocked intervention concerning the property of the bankers and obstructed the granting of immunity to the supervisory authorities responsible for prosecuting them (Estupiñán, 2000). Their trials were tortuous exercises in evading public authority. While the authorities participating in them often ended up being indicted, the return of the savings confiscated from the public was postponed.

The position of the Citizens’ Revolution on the consequences of the bank rescue was decisive in eroding the influence of the banking sector. In mid-2008, with the support of all of the branches of the state, Correa announced the seizure of 200 businesses of the Isaías group, one of the nation’s most powerful business groups, in order to recover part of the US\$660 million that the bank customers and the state had lost to it during the banking crisis. The Isaías group was affected by public power to an unprecedented degree. Popular support for the measure was unanimous: the state had proved its willingness to act in the name of the common good. The seizure expressed the emergence of a new juncture in the democratic period opened in 1979 in which the conditions of power enabled the state to confront and even settle in favor of the public interest negotiations with various social agents that had taken control over key segments of public policy in favor of their own limited interests.

## TOWARD A POST-NEOLIBERAL AGENDA

In neoliberal discourse globalization has been seen as a situation in which the nation-state loses relevance (Bresser, 2007). The Citizens’ Revolution, in contrast, considers the state as a necessary agent for directing a strategy of national development. This is one of the primary differences from the Washington Consensus agenda: the reconstruction of a national project that dismantles the hard core of the neoliberal program. Although various nations

of the region share this project, the singularity of the Ecuadorean process resides in the “constitutionalization” of the rupture with the previous order. Some aspects of this process were the assertion of the affirmative role of the state as an agent of development, progressive taxation, a strong trade policy and a new regional integration, changes in labor policy, and the reinforcement of the state’s redistributive role.

#### THE STATE AS AN AGENT OF DEVELOPMENT

In contrast to the orthodox discourse, which holds that external savings and foreign investment are the principal mechanisms for financing development, the government has given priority to national capital and internal savings in stimulating national development. Its planning and public finance code enhances the budgetary instruments for public action and dismantles the tortuous regulations implemented in past decades to avoid increasing public expenditures.<sup>17</sup> It has repatriated and mobilized the international monetary reserves previously deposited in foreign banks toward productive investment and public banking. The resources invested in the Social Security Institute have also been used to finance strategic projects and housing development. The use of national savings has been condemned as fiscally irresponsible, but the constitution establishes that fiscal policy cannot be divorced from generating incentives for productive investment. Under this umbrella, between 2007 and 2011 public investment as a percentage of the gross domestic product (GDP) grew at an average rate of 11.7 percent, double the percentage of the 2001–2006 period (5.4 percent).

#### PROGRESSIVE TAXATION

Emphasizing progressive taxation<sup>18</sup> and the political necessity of containing the historical “tax rebellion” of the elites and the large economically powerful interest groups, the government has undertaken 10 tax reforms that have resulted in a 65 percent increase in revenues between 2003–2006 and 2007–2011 (SRI, 2012). A vigorous tax policy is fundamental for a nation whose income structure depends on the collection capacity of the state<sup>19</sup> and a government dedicated to supporting wealth distribution as a primary goal of its public actions.

#### TRADE POLICY AND THE NEW REGIONAL INTEGRATION

For a dollarized country that lacks the capacity to devalue its currency (a measure that the neighboring nations took in the midst of the 2009 global crisis), a strong trade policy is a basic tool for stimulating national production and preventing instability in the balance of payments. The government has attempted to outline an agenda in that direction, but the road has not been easy. Besides rejecting a free-trade agreement with the United States, it has been reluctant to sign a similar agreement with Europe. Its only action has been to diversify its commodities and control the destination of its exports. The business sector’s pressure to reopen the free-trade agenda increases in proportion to its productive inertia (primary exporting) and the persistence of balance-of-trade problems.<sup>20</sup>

Within this framework, the government has given priority to expanding its geopolitical relations and accelerating the regional integration led by the

Brasilia–Buenos Aires–Caracas axis: it actively promotes the UNASUR and the ALBA. Furthermore, it has taken practical steps to increase the consular presence of Ecuador around the world, ended the nation's participation in the Convention on the Settlement of Investment Disputes, and denounced bilateral investment treaties. At the same time, it has advanced innovative proposals for a new regional financial structure involving the Banco del Sur and the Fondo Común de Reservas del Sur and supported the Sistema Único de Compensaciones Regionales (SUCRE), which proposes to employ payments in electronic currency to minimize the cost of transactions in regional trade, disconnecting it from the restrictions imposed by using the dollar or some other foreign currency.

### LABOR POLICY

Among its first measures, the Constituent Assembly decreed the outsourcing of labor illegal. Subsequently, the government presented regulatory plans with the goal of putting an end to contract flexibility. At the same time the obligation of workers to participate in social security was reaffirmed: between 2007 and 2011 the percentage of fully employed individuals with social security went from 38 percent to more than 57 percent. At the same time, since the end of 2011 businesses have been prevented from profit taking until all their workers have a living wage that covers the basic food basket. Furthermore, besides recognizing self-sufficient unpaid labor and care giving, progressive social security is guaranteed to people who perform unpaid labor, the majority of whom are women. Nevertheless, neoliberal inertia is observed in the continuity of regulatory frameworks that do not encourage but present difficulties for the collective organization of work.

### REDISTRIBUTIVE POLICIES

With the goal of consolidating a society of rights, the constitutional text reinforces the redistributive role of the state. Correspondingly, social investment exceeded 18 percent of the state's budget in 2001–2006 and reached an average of 26 percent in 2007–2011 (SENPLADES, 2012).<sup>21</sup> There have been various increases in the basic wage, and real wages have been adjusted to the annual inflation rate. Therefore “the government's policies have helped in maintaining, even increasing, the purchasing power of households” (Acosta et al., 2010: 65). While in 2007 the average family income covered 65.9 percent of the basic food basket, in 2012 it covered more than 93 percent.

The human development voucher, which benefits the poor, has been increased from US\$15 to US\$30. This program has been one of the state's core programs for more than a decade, and in its continuation one can observe the inertia of the limited vision of neoliberal social policy. A certain departure from this perspective is realized in the decision to give recipients of the voucher access to credit. The housing voucher was doubled (from US\$1,800 to US\$3,600), and a voucher was created for those who provide care to the disabled. The government has also continued the universal subsidy for domestic gas and gasoline and established differential rates for public services.<sup>22</sup> Barriers to access to education and health care have been eliminated by universalizing

their coverage. Payment for enrollment in schools and colleges has been abolished, textbooks have been distributed free, and school uniforms have been given to students in rural schools. All costs for medical consultation have been eliminated, free access to essential medicines has been expanded, and the routine wait for medical treatment has been reduced to eight hours. The number of available positions for teachers and doctors has increased, and public university education has been made free of charge.

The distribution of the factors of production is also included in the constitution. While the government has transferred and distributed title to unproductive lands belonging to the state and sold shares in confiscated companies to the workers, the bulk of the agrarian reform is still pending. The law that facilitated some water redistribution remains stalled in Congress in the midst of an intense struggle between the government and various indigenous organizations regarding the regulation of the water sector and between pro-government sectors and certain business groups that prefer that the water sector continue, as it has been since 1994, unregulated. In some sectors certain power groups (inside and outside of government) and bureaucratic circles retain veto power. This situation, along with the distance of the government from the social organizations<sup>23</sup> and the powerlessness of those organizations, impedes redistributive options of a strictly structural character.

Nevertheless, under such conditions, the post-neoliberal agenda and the redistributive policies have achieved a network of social inclusion, the protection of purchasing power, continuation of subsidies, and a combination of universalism and focused social protections and access to rights that is based on the imperative to reactivate local productive forces, reduce poverty, and achieve greater equality.<sup>24</sup> Social wealth benefits broader sectors, social strata, and social classes. Most of the popular demands that had largely been repressed have received an institutional response, and this has increased citizen confidence in public action.

## ON THE FRONTIER OF THE TRANSITION

Between the recovery of the capacity for state action and the challenge of regional integration, the progressive governments have achieved a reconsideration of the logic of power that has underlined the historical inertia of a subordinate integration into the world market. Now directed toward state appropriation of a significant portion of the rents stemming from the strategic sectors, these states are achieving zones of autonomy in relation to the international system and the ability to implement policies that distance them from the dominant logic of flexible global accumulation. The maintenance of this strategy depends, however, on the capacity of the experiments in integration, especially the Banco del Sur, to position themselves as superregional organizations that “capture” and valorize the capital that circulates through the region and the surplus produced within it (Thwaites, 2010). The support of the regional development bank assumes a disconnection from the cycle of global capital that would protect the regional economy from the domination of financial speculation and open up the possibility of a reorientation of financing away from

the primary export axis toward an alternative articulation between the distinct types of economies (popular, social, private, state) in the countries of the region.

The challenge of the transition of dominant developmental models in Ecuador and in the region is to modify the pattern of commodity specialization away from the dominance of primary exports. Distancing from neoliberalism increases the possibility of such a reconfiguration by questioning the primacy of finance over the real sector of the economy but by no means guarantees it. In fact, although reappropriating the surplus that comes from the income from strategic resources increases the margin of national sovereignty, it may also contribute to the persistence of the nation's position and that of the region in the international division of labor. When certain indigenous organizations warn about the continuation of neoliberalism in the Ecuador of the Citizens' Revolution, especially with regard to mining policy, they may be highlighting the tendency to refocus the economy on the production of primary commodities for export. Numerous studies have emphasized, nevertheless, that despite certain continuities, the extractive economies of the leftist South American governments are important departures from those of the neoliberal decades. One speaks, for this reason, of a "progressive neo-extractivism" that emphasizes, among other elements, stronger state regulation of the sector, more participation of the state in redistributive benefits, and policies directed toward alleviating poverty and contributing to national development (Gudynas, 2010). Ecuador's National Plan for Living Well (2009–2013) incorporates these elements and at the same time recognizes the complexity of a situation of extractive inertia. For this reason it points out that in the next two decades the country will have to undergo a transition to a knowledge-based service economy and the development of a national industry in the context of a policy of selective import substitution,<sup>25</sup> the aim being to transcend the centrality of the primary sector and of oil exports in the national economy.

The bases for the transformation of the productive structure of the nation are still not clearly defined. Between 2007 and 2011 the nation's industrial sector maintained a growth rate of 14 percent (SENPLADES, 2012: 19). Furthermore, from the government's viewpoint there are no alternatives to the development of the hydrocarbons industry and mining for financing the transition in the pattern of specialization in production. This has led to protests against a transition that, although it has post-neoliberal and redistributive elements, reproduces the usual forms of exploitation of natural resources. The ongoing debate has not made clear to what degree the surplus generated by hydrocarbons exploitation will lead to the development of national industry in the context of a diversified economy and a society of full rights. While solving this problem will require some combination of endogenous financing for national development and efforts that emerge from accelerated regional integration, it will also call for public policies that encourage new modes of articulation between the public-state, the private, the popular, and the communitarian spheres. This supposes opening up options for scientific and technological innovation and transfer in various sectors of the economy that improve the distribution of the factors of production within the biophysical limits of the environment and the social and solidary character that the constitution confers on the whole economy. All of this will require the preservation

of the autonomy of the state in articulation with the autonomous mobilization of social actors who have endured the concentrating dynamics of an economy centered on finance and primary exports. The weakness of those actors and the fragility of that articulation raise questions regarding the sustainability of the post-neoliberal transition.

In any case, while the neoliberal capitalist crisis intensified in the North, the Citizens' Revolution has exhibited, for 2012, a growth rate of 5 percent, the lowest rate of urban unemployment in the region (less than 5 percent), and a series of redistributive policies. The endogenous promotion of development advocates significant economic activity with the capacity of generating employment and promoting equality. This constellation of policies has permeated the society but not finance: Standard & Poor's, a global institution of financial power, has placed Ecuador in the "red zone" for investors with a grade of sovereign risk that has oscillated between CCC+ and B- for the past few years. For January 2012, only Bolivia and Argentina reached similar indices. The South American heterodoxy has not convinced the markets, and for more than a decade the local representatives of these markets have not been able to convince the electorate.

## NOTES

1. During the 1990s, many leftist political parties and social movements suggested that local power, decentralization, and territorial autonomy could be a political response to the power of the globalization of capital. For the Ecuadorean case see Barrera et al. (1999).

2. For his participation in the overthrow of President Jamil Mahuad, who had favored a bank rescue that contributed to the most severe economic crisis in the history of the republic.

3. Between 1995 and 2006, the average percentage of credibility for the political parties was less than 8 percent. In 1997, 48 percent of the public believed that democracy could function without parties, and in 2008 the proportion of Ecuadoreans taking this position reached 61 percent (Freidenberg, 2000; SENPLADES-INEC, 2008).

4. The failure of the privatization of the telephone and electricity industries at the end of the 1990s is only one example of the consequences of this type of dispute (*Diario Hoy*, 2002).

5. In 1998, 73 percent of Ecuadoreans declared that they had faith in the market economy. Four years later that number had dropped to 54 percent, and in 2007 it was down to 44 percent (*Latinobarómetro*, 2008).

6. The electoral platform established to advance Correa's candidacy in 2006. At its first national convention in 2010, it was a political movement rather than a political party and ratified its identity as socialist, Alfarista, and Bolivarian.

7. Including the "middle sectors, urban and rural, salaried workers who are not proletarians, the petite urban and rural bourgeoisie, intellectuals, bureaucrats, urban and rural professionals, small and medium-sized merchants, drivers, active workers, and nationalist businessmen."

8. Besides Gutiérrez in 2005, two other democratically elected presidents ended their terms in office as a result of important social mobilizations: Abdalá Bucaram in 1997 and Jamil Mahuad in 2000.

9. The Comisión para la Auditoría Integral del Crédito Público, composed of experts, citizens, and representatives of national and international organizations, audited various types of credit acquisitions at the multilateral and bilateral levels.

10. Therefore, while the proportion of the public debt to GDP reached 49 percent in 2000–2006, it was 25 percent in 2007–2011. In 2006, 24 percent of the budget went toward payment of the foreign debt, but by the end of 2011 this figure had fallen to 7 percent (SENPLADES, 2012).

11. For example, the Corporación para la Promoción de Exportaciones e Inversiones abolished the participation of exporters and business associations, which had amounted to 62 percent of its membership compared with only 31 percent from the public sector. Subsequently, it was replaced by a public body.

12. As in the undermining of the public teachers' union's control over the selection and evaluation of teachers.

13. The majority of these conflicts are due to the government's decision to renegotiate the contracts with those corporations.

14. The police putsch of September 30, 2010, was related to various institutional reforms aimed at dismantling mechanisms that protected the estate status of the security forces (Paz y Miño, 2011).

15. The public resources channeled to this sector reached 24 percent of the GDP in 1999 (Romero, 1999).

16. In 1999, 2,500 businesses were closed, and open unemployment went from 9.2 percent in March 1998 to 17 percent in July 1999 (Romero, 1999).

17. For example, it abrogated a law that had set rigid limits on public expenditures and facilitated the creation of stabilization funds deposited in international banks in order to repurchase debt.

18. The direct tax burden went from 34 percent to 43 percent of total taxes between 2006 and 2011 (SRI, 2012: 151–153).

19. In 2011 the non-petroleum tax burden in the treasury's permanent revenues was on the order of 53 percent (Ministerio de Coordinación de la Política Económica, 2012).

20. In the midst of the 2008 global crisis and, later, in 2012, the government maintained national production through the application of safeguards on imports, which favored certain industrial sectors and prevented currency from leaving the country.

21. The resources devoted to servicing the debt before 2007 were double those allocated to social investment. Currently, the opposite is true (Acosta et al., 2010).

22. For example, the "dignity tariff" (the cost of electricity) was reduced by half for the poorest consumers and increased for middle- and upper-middle-class consumers.

23. Tension between the Confederación de Nacionalidades Indígenas del Ecuador and the government erupted during the constituent process, but the indigenous organizations still supported the "yes" vote in the 2008 referendum (Becker, 2011).

24. Poverty by income fell from 37.6 percent in 2006 to 28.6 percent in 2011, and the Gini coefficient went from 0.54 to 0.44 (INEC, 2012). According to the last CEPAL study (2012), Ecuador was one of three countries to have experienced a major reduction in the poverty level between 2010 and 2011.

25. See <http://www.senplades.gov.ec/web/senplades-portal/plan-nacional-para-el-buen-vivir-2009-2013>.

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