Chapter 3: Nature, State, and Development: A Dissection in Three Acts

"[…] the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce" (Smith 2007 [1776], 43).

Act I. The State and Development: Modernization and the Rise of Middle Classes

The compendium of ideas generated in Latin America from the post-Second World War period to the late 1970s not only influenced development thinking worldwide, but also shaped development policymaking across the region. As mentioned before, a central contribution was the inclusion of national states as ubiquitous actors of the development process within the natural resources-rich region. Besides, Latin American theoretical schools of (under)development placed a paradigm that linked successful development with industrialization: ISI (import-substitution industrialization). The original proposal of ISI was the kernel of Latin American *estructuralismo*, which arose from ECLA (now ECLAC, the Economic Commission for Latin America and the Caribbean)[44]. ECLAC's theoretical contributions to neoclassical economics attributed the region's underdevelopment to the lack of penetration of capitalist production techniques (Rodríguez 1977, 211). Hence, *estructuralismo* prescribed the enforcement of ISI in order to catch up with developed economies by "diversifying and homogenizing" the region's productive structure[45] (Rodríguez 1977, 206). Since the enforcement of the industrialization project was unconceivable without a

44 *Comisión Económica para América Latina y el Caribe* (CEPAL).

45 According to Rodríguez (1977, 206), the economic structure of a country entails 1) the productive structure (all sectors that produce goods), 2) the physical infrastructure, and 3) the services sector. The author argued that the productive structure of peripheral countries is specialized and heterogeneous. In Rodríguez' (1977, 206) view, "heterogeneity" is related to the prevalence of low productivity in most economic activities except those connected with the external market (i.e. raw products); on the contrary, productive structures of capitalist centers are "diversified and homogeneous". In a pathbreaking 1970 study, Aníbal Pinto con-

leading role of the state, ECLAC provided the rationalization for 1) state's protection of domestic industry, 2) state's investment in infrastructure and manufacturing, and 3) state's economic planning (Sunkel 1976, 8). In *estructuralismo*, envisioned state's participation in the industrialization project went further than creating the conditions to support the rise of domestic private industry. The proposal went one step beyond the enforcement of preferential credits, the reduction of taxes, and the regulation of import tariffs in order to protect domestic industry; ECLAC's writings emphasized the importance of the creation of public enterprises due to 1) their influence in decisive sectors of the economy, and 2) their ability to serve as agents of development policy (CEPAL 1971, 1). Besides the promotion of investments in import-substitution industrialization, the accomplishment of the whole strategy of *estructuralismo* (i.e. the enforcement of ISI as the masterpiece of the inward-oriented development model) required fostering private consumption in order to enhance the domestic market. ISI comprised a first stage in which locally manufactured intermediate and capital goods were destined for domestic demand, the so-called "easy phase of ISI" (Kay 2005, 1204), and an ultimate stage where industrialization's output was anticipated for the external market. The limited size of the internal market was a recurrent concern of *estructuralismo*'s classic authors (Furtado 1962, 239). The small[46] size of individual national markets was made responsible for the failure of the ultimate phase of ISI (Kay 2005, 1203). Consequently, *estructuralismo* supported regional integration.

Natural resources were promptly incorporated into the regional integrationist discourse. The Latin American Energy Organization[47] (OLADE) was established in November 1973 within a historical context where the "use and value of natural resources was in the arena of the public debate on development versus underdevelopment" (Oxilia 2013, 13). The Agree-

nected the region's "structural heterogeneity" with the prevalence of the "internal periphery", i.e. the "urban marginality" that results from the migration to more developed areas within a country. Pinto arrived to his conclusions by analyzing Brazil, Peru, and Ecuador (Pinto 1970, 91).

46 Small economy refers to an economy that has "negligible shares in world trade and in the global stock of assets" (de la Torre 1987, 8).

47 The Latin American Energy Organization (OLADE, *Organización Latinoamericana de Energía*) was established in 1973 by the Agreement of Lima (*Convenio de Lima*). Twenty-two heads of state signed the agreement: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Trinidad and Tobago, Uruguay and Venezuela.

ment of Lima, OLADE's foundation stone, emphasized the "right of the Latin American peoples" 1) to defend and utilize their natural resources "in the manner deemed by each as most appropriate for its interests", and 2) to "defend themselves individually or collectively from all kinds of pressures" or interests that oppose the sovereign rights of their peoples (Agreement of Lima, 1973). According to Oxilia (2013, 20), OLADE's main duty was to support the region's integration "aimed at using existing [natural] resources as an engine of social and productive development". As the nationalist discourse increasingly emphasized the imperative of defending natural resources against external interests, the anti-oligarchical vein of the Latin American *desarrollista* state might be linked with the state's intention to transfer surplus from rentier sectors of the economy to more productive sectors. Hence, in order to advance its economic diversification project, the classic Latin American *desarrollista* state was expected 1) to appropriate natural resources rents with acquiescence of foreign and domestic capitalist factions, and 2) to exert sovereign control over natural resources rents, i.e. to become an arbiter of rent allocation among society. State's control over natural resources rents was supported 1) on the claim on property of subsoil resources and 2) on the establishment of public-owned companies responsible of the extraction of natural resources. Whilst, rent allocation rested upon state bureaucracy and aimed at regulating the sociopolitical sphere.

Though, in such a model of the classic Latin American *desarrollista* state, a key social actor is missing: *whom* the state was supporting in order to forge the new industrialists class. According to Cardoso (1971, 76), segments of the bourgeoisie that began to differentiate from the traditional oligarchy due to its "modern entrepreneurial capacity, i.e. the ability to set in force a rational-capitalist mode of production", were historically foreseen to build a new industrialist class. Indeed, in line with Latin American populism, *desarrollismo* appealed to local bourgeois elites to integrate the anti-oligarchical coalition[48]. Though, this modern segment of the bourgeoisie was born into the core of the "traditional dominant classes" (Cardoso 1971, 119) and was nurtured by the natural resources-based develop-

48 In order to stress the importance of attaining an ample coalition, Chiasson-LeBel (2016, 891) argued that "the pursuit of an ISI development model interacts well with corporatism". According to the author, corporatism is understood as a form of state-society relationship characterized by "monopoly representation by sector-specific organizations, tolerated by business interest groups and protected by the state".

ment model and its original pact with foreign capital. Hence, the emerging modern capitalist bourgeoisie promptly (re)integrated the rentier classes with traditional agro-exporters and *latifundistas*, in a replica of the oligarchical coalition shaped by the possibilities of access to rent[49].

The kinship between modern bourgeoisie and traditional oligarchy, which linked them with natural resources rent, is central to the explanation of the rentier behavior of the Latin American bourgeoisies. Even modern capitalist segments of the bourgeoisie considered themselves released from the pressure of reinvesting their rents in productive sectors, or in large economic enterprises, like an industrialization project. According to Cardoso (1971, 119) the origins of the modern capitalist bourgeoisie determined its "opportunist" nature, which is the behavior of a faction that cannot aspire to hegemony and, therefore, builds alliances that respond to immediate interests. In this logic, Conaghan (1988, 15-16) argued that capitalists' opposition to or acceptance of developmental reformism can be regarded "as the product of complex and historically rooted calculations that encompass material interests, ideological predispositions, and speculations as to future outcomes and effects". The fact that state-supported local bourgeoisies were not able to take control of economic diversification in the long term nurtured the idea of the inability of the Latin American *desarrollista* state to crush the outward-oriented natural resources-based development model.

Though, the set of measures enforced by the Latin American *desarrollista* state since the end of the Second World War was central in tolling the knell of the crumbling oligarchical state and to the fall of the old oligarchy. Since "the concept of class is a relational concept" (Wright 1987, 21), the fall of the old oligarchy finds its counterpart in the rise of modern

49 Erik Olin Wright (1985, 124) argued that "the immediate class aspiration of people in contradictory locations is usually to enter the dominant exploiting class". In order to explain the mechanism of integration into the "dominant class", the author exposed two examples: 1) in feudalism, the rising bourgeoisie frequently used part of the surplus acquired through capitalist exploitation to buy land and feudal titles, i.e. to obtain feudal assets, 2) in capitalism, the exploitative transfers personally available to managers and professionals are often used to buy capital, property, stocks, etc., in order to obtain the unearned income from capital ownership. In the second example, the "unearned income from capital ownership" can be regarded as the access of the capitalists to rents. Following this logic, it can be argued that the mechanism of integration of the emerging modern capitalist bourgeoisie into the traditional oligarchy in Latin America followed through the acquisition (or inheritance) of land and participation in the agro-exporting business, i.e. through the access to natural resources rent.

urban middle classes. Hence, the state's developmental endeavor was reaped in the sociopolitical arena and not in the economic arena. During the years of prevalence of the ISI paradigm, "emergent middle classes" as the byproduct of the agency of the classic *desarrollista* state, were regarded as the social classes that would mostly contribute to economic development and political stability[50], i.e. as the carriers of modernization (O'Donnell 1978, 3). Middle classes played a triple role in the developmental endeavor of the Latin American *desarrollista* state: 1) as members of the anti-oligarchical coalition headed by state, 2) as potential members of the new industrialist class, and 3) as the objective base of an enhanced domestic market.

The Latin American *desarrollista* state dealt with the ISI requisite of increasing the size of the internal market by fostering the consumption of middle classes. Though, it did not fulfill the ultimate ISI requirement of bringing forth an enhanced internal market for *national* products. Instead, the Latin American *desarrollista* state decisively contributed to the integration of domestic middle classes into the capitalist world-economy by triggering its urban lifestyle and distinctive patterns of consumption based on *imported* manufactured goods. Hence, the Latin American *desarrollista* state endowed middle classes with "market capacities"[51] (Wright 1996, 694). A social class that is endowed with certain market capacities subscribes to the definition proposed by Wright (2009, 102-103): "class identifies those economically important attributes that shape people's opportunities and choices in a market economy, and thus their material conditions". According to the author, class is "a way of talking about the interconnections" between people's individual attributes and their material conditions of life. Hence, middle class "denotes people who have enough education and money to participate fully in some vaguely defined mainstream way of life

50 O'Donnell (1978, 3) explored the connection between middle classes and the emergence of the authoritarian state. The author argued that periods of political instability triggered by middle classes were solved by "more frequent authoritarian interventions". In this line, Amin (1990, 32) argued that emerging middle classes turned into the "objective base of authoritarian states".

51 According to Wright (1996, 694), Weberian and Marxist traditions identify the concept of class with the relationship between people and economically relevant assets or resources. Whereas the Marxist tradition places the "relations to the means of production" in the core of the definition of class, "market capacities" are the kernel of class characterization in the Weberian tradition. Furthermore, the Weberian tradition emphasizes the social relations of exchange in markets, which are defined by the nature of the assets that people bring to those exchange relations (Wright 2015, 94).

(which might include particular consumption patterns)". in this line, Amin (1990, 32) argued that the developmental endeavor headed by the state "strengthened the position of middle classes". The author also posited that "urbanization" was a main outcome of state-led economic diversification attempts (Amin 1990, 32).Hence, "modern urban middle classes" (Oleas 2013, 39) constitute a comprehensive epitome of the strengthened middle classes that emerged as a result of the Latin American *desarrollista* state's agency from the post-Second World War period until the 1970s.

Central to the consolidation of Latin American middle classes is the expansion of the state bureaucracy and the formation of a privileged state class or ruling class[52] of relative well paid public servants with guaranteed social safeguards, i.e. a "segment of the middle class in power", which is linked to structural conditions of countries in the Global South (Ouaissa 2014, 14). In this line, Elsenhans (1981, 121), argued that state classes (*Staatsklassen*) are situated at the top of the broad public sector and are composed by state officials, who enjoy a higher income than the average, as well as higher possibilities of political participation and prestige. State classes also play a prevalent role in decision-making on the allocation of natural resources rent (Elsenhans 1981, 121 in Peters 2019, 49). Since Latin American state classes emerged as a part of middle classes[53], there might be no conflict between them; middle classes are rather be regarded as a clientele (Ouaissa 2014, 14) of state classes regarding rent allocation. Conflict might arise among state classes when antagonist factions dispute different possibilities and hence different beneficiaries of rent distribution[54].

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52 Elsenhans (1987, 77) argued that state classes (*Staatsklassen*) represent the modern version of centralized ruling classes in the Third World. According to the author, the centralization of ruling classes (in the state apparatus) was a consequence of the state's appropriation of rent (Elsenhans 1987, 77). In this book, *state* class and *ruling* class are rather used interchangeably in order to emphasize the leading role played by the state in the development process.

53 Ouaissa (2014, 13-14) recaps that Western middle classes are the result of intensified industrialization and consumer-oriented production; central to this economic origin of Western middle classes is the orientation toward profit. In contrast, the author suggests a political origin of Arab middle classes and, consequently, an orientation toward ensuring rent in natural resources-rich Arab countries. Similarities with Latin America are remarkable.

54 For the internal dispute within the Ecuadorian state class on the potential beneficiaries of industrialization policy between 2009 and 2013, see Andrade (2015).

Act II. Development and Nature: The Myth of Eldorado and the Legend of the Resource Curse

Just as art masterpieces, myths and legends prevail over time thanks to the significant portion of reality they reflect. The myth of Eldorado, which was originated in the sixteenth century during the conquest of the territories now called Latin America, pictures an unexpired modern representation of natural resources. The illusion of a city of gold and its quest promptly shaped the weltanschauung of the Western civilization. Not incidentally, in 1849, during the dawn of the Californian Gold Rush, Edgar Allan Poe published his poem *Eldorado*. The allegory persistently shows the connection between the domination of nature by some pioneers or *conquistadores* (conquerors) and long-term wealth thus neglecting "externalities" produced by the never peaceful subjugation of natural resources-rich territories and its peoples, the conquered. The worldview of the *conquistadores* became central to modernization theory and its premise of natural resources as a prerequisite for progress. On the other side of the coin (or on the other extreme of the world), Eldorado unveiled a hierarchical representation of the world-system based on what Coronil (1997, 29) calls the "international division of nature", i.e. the material foundation of the international division of labor. In the *Open Veins of Latin America*, Galeano (2014) maintained that the region's position in this particular world order was certainly not that of the *conquistadores*. Until present day, the fate of Global South natural resources-rich countries has been shaped by its proximity to the hallucinated city of gold due to its natural resources-richness and to the eagerness of the levels of consumption of the Global North.

Latin American social thought rationalized the hierarchical worldview of the international division of labor in its well-known center-periphery scheme, where peripheral countries occupy the niche of world's raw material suppliers by exporting their natural resources and importing intermediate and capital goods that are manufactured in capitalist metropolis. ECLAC scrutinized the outward-oriented development model through the lens of neoclassical economics, the Prebisch-Singer hypothesis showed that a long-term "deterioration of the terms of trade" takes place for natural resources-dependent economies since primary commodity prices tend to decline relative to the prices of imported manufactured goods[55] (Prebisch 1950, 10; Singer 1950, 477). ECLAC's assessment of the Latin American

55 According to UNCTAD (2017, 9), the main reason for the secular decline of primary commodity prices relative to the prices of manufactured goods is that the

economy concluded that reliance on the exploitation of comparative advantages (i.e. natural resources) did not contribute to internal accumulation in the long-term. Despite the early diagnosis of the resource curse[56], the compendium of ECLAC's writings never mentioned it explicitly. However, *estructuralismo* disapproved the region's specialization (on exports of natural resources) and denounced international free trade[57]. The ISI prescription for peripheral countries of embarking on the train of industrialization might then be regarded as *estructuralismo*'s vaccine against the symptoms of the resource curse in the economy.

Other representative theoretical school of (under)development, *dependentismo*, the Latin American school of dependency theory, argues that the historical development of capitalism is the fundamental cause of underdevelopment in the periphery. In his 1977 classic *El desarrollo del capitalismo en América Latina*[58], Cueva (2013, 219) forewarned that the advance of capitalism implies contradictions in time (a crisis-prone cyclical movement), and in space (growing contrasts between developed and backward countries as well as within individual countries). Hence, one essential tenet of *dependentismo* is to loosen up ties with the capitalist centers. At the same time, the postulate that development is not possible without breaking away from the capitalist world-system is a main source of criticism (Elsenhans 1987, 65). Kay (1989, 125) identified two main currents in *dependentismo*: The Reformist and the Marxist approaches to dependency. Whereas the imperative of detaching from the capitalist world-system might be re-

latter have a higher income elasticity of demand than primary goods. This means that with rising incomes, smaller shares of income are spent on primary goods.

56 A more recent version of the resource curse thesis affirms that commodity-based development models lead to modest average growth rates and hinder structural change, economic diversification and industrialization (Peters 2017a, 47).

57 The Economic Commission for Latin America and the Caribbean was established in 1948 within the United Nations System. Raúl Prebisch was appointed executive director of ECLAC in 1950. After serving for thirteen years in ECLAC, Mr. Prebisch became the first secretary-general of the United Nations Conference on Trade and Development (UNCTAD) and laid out an agenda of alternative policies for tackling the balance of payments constraints on economic development that the underdeveloped countries faced. Key points of Prebisch's agenda, which deeply influenced UNCTAD's normative principles in favor of "development-led globalization" (Bielschowsky and Silva 2016, 291), were 1) a general framework for international commodity agreements, and 2) a demand for temporary preferences for the industrial exports that underdeveloped countries exported to developed country markets (UNCTAD 2014, 30).

58 The development of capitalism in Latin America.

garded as a landmark for the Marxist stance[59], the Reformist branch might be identified with not so radical postures. For instance, Cardoso and Faletto (2002, 25) argued that societies might undergo radical transformations of their productive systems without becoming "completely autonomous" from the capitalist centers, within a so-called "dependent development" arrangement[60] (Cardoso 1973; Evans 1979 in Elsenhans 1987, 65)

Thus, the nationalist discourse in *dependentismo* is often understood as an invitation to seize the state in order to establish an "*autocentric* national economy" (Amin 1990, 11). Since natural resources epitomize the ultimate link between the periphery and the capitalist world-system, they carry a priori a negative charge in *dependentismo*. Therefore, to regain possession and control of natural resources became an imperative in *dependentismo*'s nationalist discourse. Natural resources turn into strategic resources when they are recovered for the sake of an "*autocentric*" national economy. With its critique of capitalism, *dependentismo* advocates a more complex and comprehensive analysis of development and opens the doors for a wider understanding of underdevelopment as a political matter. When André Gunder Frank (2006, 146) affirmed that "today's developed countries had never been *under*developed", the author stressed the need to draw attention to 1) international hierarchies, as the international division of labor, and 2) particular social and economic histories that caused underdeveloped countries or regions (Frank 2006, 145). In the same logic, Cardoso and Faletto (2002, 24), in their 1969 classic *Dependencia y desarrollo en América Latina: Ensayo de interpretación sociológica*[61], recapped that the notion of dependency alludes the relationships between the economic and the political system, not only in the domestic scenario, but also in the international arena.

The global commodity price collapse and the Latin American *década perdida* of the 1980s further contributed to cloud the optimistic vision of nat-

59 A late Prebisch (1984, 84) subscribed to this Marxist postulate of *dependentismo* when he asserted that "peripheral industrialization had been greatly delayed and took place during successive crises at the centers", i.e. when ties with the capitalist centers were loose. Alternatively, Cueva (2013, 96) recapped that peripheral industrialization was determined by the necessities of the capitalist centers and, thus, took place when the ties with the capitalist centers were tighter.

60 In this vein, Quijano (2014, 490) argued that despite of the important presence of nationalist factions in the *Gobierno Revolucionario de la Fuerza Armada* (Revolutionary Government of the Armed Forces), that ruled Peru between 1968 and 1975, the Peruvian state could only aspire to a "negotiated dependence".

61 Dependency and development in Latin America.

ural resources held in development economics. Despite its different theoretical origin, the resource curse thesis mostly coincides with the gloomy vision of the Latin American theoretical schools of (under)development on natural resources rent. Therefore, the resource curse gradually acquired the characteristics of a *deus ex machina* to rationalize backwardness and economic underdevelopment in natural resources-rich peripheral countries. Even during natural resources booms, when transitory improvements in the barter terms of trade take place, the disconnection between natural resources and development in the periphery is highlighted through the "Dutch disease" (Corden and Neary 1982), i.e. the symptoms of the resource curse in the national economy that tend to cause the shrinkage of the manufacturing sector. The term disease was originally used to describe the negative effects on the Dutch economy of oil discoveries in the North Sea during the 1970s (Sinnott, Nash, and de la Torre 2010, 15). As Dutch disease models[62] become the widespread measure of the resource curse in natural resources-rich countries (even in the Global North), the term disease further contributes to link natural resources abundance with a curse.

Neoclassical economics traditionally imputed the impossibility of countries that rely on natural resources or other low value added sectors (e.g. agriculture, raw material-, or labor intensive-manufacturing) to transit to high value added sectors (e.g. technology-intensive manufactures) to its low productivity, i.e. the output per unit of all inputs (Kuznets 1973, 248) or the capacity to transform factors of production into manufactured products (Herrero 2019, 79). Kuznets (1973, 248) rationalized the phenomenon under the umbrella of the "structural change of the economy"; for the author, major aspects of a structural transformation of the economy that add to the shift away from agriculture to industry might include 1) the transit from industry to services, and 2) a shift from personal enterprise to impersonal organization of economic firms, with a corresponding change in the occupational status of labor; in Domínguez' and Caria's (2016, 99) words, the reallocation of production factors from the less productive sectors of

62 A common theme in the Dutch disease is that natural resources booms provoke the reduction of the incentives to invest in manufacturing and generally make the manufacturing sector uncompetitive. The mechanism of disincentive in the models of the Dutch disease is the appreciation of the currency (Di John 2009, location 1028). Exchange rate revaluations produced by a booming sector, such as natural resources, make imports less expensive and increase the demand for other sectors, such as services. Hence, a shift in production factors (capital and labor) towards the natural resources sector and the services sector takes place at the expense of the manufacturing sector (Sachs and Warner 1995, 6).

the economy to more productive ones. As the concept of productivity turned particularly relevant to expose the failure of structural change initiatives in Latin America, scholars delve into 1) the total factor productivity (TFP), often understood as a measure of the pace of innovation and technological change[63] (Gordon 2017, 537), and 2) the labor productivity. Ferreira, Pessoa, and Veloso (2013, 18-20) argued that between 1960 and the late 1970s Latin American countries had high productivity levels relative to the United States; on average, TFP corresponded to 82 percent of the U.S. During that period, TFP in Latin America was close to that of Western Europe and 25 percent higher than East Asian TFP. However, the authors brought to light a collapse in the TFP annual growth rate after 1980, which resulted in a decline of relative productivity. By 2007, the mean TFP in Latin America reached only 54 percent of U.S. TFP, as Western Europe and East Asia surpassed the region's productivity by more than 50 percent. In this vein, Hofman et al. (2017, 259) argued that the negative contribution of TFP affected the region's economic growth during the last 20 years. Herrero (2019, 80-87) posited that the region's TFP plummeted during the *década perdida* and reached its historical minimum between 1996 and 2002; despite a slight recovery of the TFP during the twenty-first century commodities boom, so the author, the achievements were "not significant".

In a study conducted in Latin America during the period 1981-2010, Aravena and Fuentes (2013, 9) argued that labor productivity reduced by 0.3 percent in average. Table No. 4 depicts the growing gap between the labor productivity in Latin America (measured as GDP per working hour) and that of the United States, with the exception of Chile. Labor productivity in Latin America continued declining during the last decade and, in average, reached only one third of the U.S. in 2016. This deterioration contrasts with the growing productivity of South Korea and, more recently, of

63 Aravena and Fuentes (2013, 21) dissent from such vision. The authors posit that expansions and contractions of total factor productivity during boom and bust periods speak rather for a link between variation of TFP and financial constraints. In a strict definition, total factor productivity is "the portion of output not explained by the amount of inputs used in production", such as labor and capital. Hence, TFP is indeed a measure of "how efficiently and intensely" the inputs are utilized in production (Comin 2010, 260). This definition stems from Solow's (1957) groundbreaking *Technical Change and the Aggregate Production Function*, where the author sought to segregate "variations in output per head due to technical change from those due to changes in the availability of capital per head" (Solow 1957, 312).

China, and even with natural resources-exporter Australia (OCDE, CEPAL, and CAF 2016, 65).

Table No. 4: Labor productivity, measured as GDP per working hour, as percentage of the U.S., Latin America (selected countries) 1980-2010

	1980	**1990**	**2000**	**2010**
Argentina	36	28	31	27
Bolivia	21	13	7	7
Brazil	30	22	19	18
Chile	37	30	39	41
Colombia	23	21	17	17
Ecuador	29	22	15	16
Mexico	38	29	27	26
Peru	40	23	16	19
Uruguay	40	30	38	28
Venezuela	61	46	34	27

Source: Aravena and Fuentes (2013, 12)

Among other contributions of neoclassical economics to explore the bottlenecks of the transit from economies that rely on natural resources rent to economies based on high value added sectors number 1) the "middle-income trap" (Gill and Kharas 2007), sometimes called the "glass ceiling " (Wade 2018), which alludes to the enduring deceleration in growth of countries that attained middle income levels per capita due to their inability to complete the productive transformation (Domínguez and Caria 2016, 89; OCDE, CEPAL, and CAF 2016, 70), and 2) the "empty box", which refers to the fact that no Latin American country attained simultaneously "growth and equality" (Fajnzylber 1992, 23). Whereas, the phenomenon of the middle-income trap affects most countries of Latin America[64], the Middle East, and even some East Asian countries (Gill and Kharas 2007, 17),

64 About 75 percent of the world's population lives nowadays in middle-income countries (Domínguez and Caria 2016, 91). According to OCDE, CEPAL, and CAF (2016, 71), Latin America, with the exceptions of Chile and Uruguay, has been unable to escape the middle-income trap for the last seven decades. Only 13 out of 101 countries worldwide identified as 'middle-income' reached 'high-income' from the mid-twentieth century until the beginning of the twenty-first century (World Bank 2013 in Wade 2018, 523).

the "syndrome" of the empty box is exclusively Latin American (Fajnzylber 1992, 23). Domínguez and Caria (2014, 3) pointed out that countries facing currently the middle-income trap might have attained growth based on accumulation of the production factors, mainly natural resources and unskilled labor. This might converge upon what Fajnzylber (1992, 24) called "spurious competitiveness". According to the author, contrasting with "authentic international industrial competitiveness", which could lead to growth and equality, "spurious competitiveness" is based on a "geographical rent or natural resources" and might be attained through lower wages. Further, competitiveness is "spurious and ephemeral" when the income generated this way is not invested in technological progress but channeled through consumption (Fajnzylber 1992, 24). Among the most effective widgets to disarm the middle-income trap count the development of technological capacity (OCDE, CEPAL, and CAF 2016, 70) and the development of economies of scale (Gill and Kharas 2017, 18). Otherwise, in order to prevent the syndrome of the empty box, Fajnzylber (1992, 25) prescribes a productive transformation aiming at 1) sustaining "authentic international industrial competitiveness" on the basis of the incorporation of technological progress, 2) improving the productivity and the qualification of the workforce, and 3) expanding the Latin American industrial basis through effective cooperation between government and industrialists.

A key point of convergence between the visions of the middle-income trap and the empty box is Latin America's "enormous technological backwardness" (Ocampo 2015b, 100). Table No. 5 depicts the regions technological backwardness compared with other regions of the world on the basis of three indicators of the presence of technology in the productive structure, namely, 1) the relative contribution of engineering-intensive industries to industrial GDP, 2) investments in research and development as percentage of GDP, and 3) the number of patents per million inhabitants. According to Ocampo (2015b, 100) the differences with other regions are "considerable" regarding the first two indicators, and "dramatic" regarding patents.

Table No. 5: Indicators of the presence of technology in the productive structure, selected regions 1996-2007

	Relative[65] contribution of engineering industries to industrial GDP	**Investments in research and development (as percentage of GDP)**	**Patents (accumulated per million inhabitants)**
Latin America	0.23	0.40	0.5
Developed economies with 40 percent or more of exports based on natural resources	0.72	1.89	65.4
Emergent Asian NICs	0.99	1.21	30.5
Mature economies (USA, France, Italy, Japan, UK, and Sweden)	0.97	2.43	132.6

Source: Ocampo (2015b, 100)

Approaches as the "middle-income trap" or the "empty box" remind of the orthodox vision of development economics in which every country might attain development by invoking the vital forces of capitalism. Karl (1997, 5) recalled the "inadequacy of economic explanations" that fail to capture the political and institutional processes underlying poor development results in rentier states. Adding to this critique, in the influential study on Venezuela, *From Windfall to Curse? Oil and Industrialization in Venezuela, 1920 to the Present*, Di John (2009) questioned the validity of Dutch disease models to assess the performance of the Venezuelan economy over time. Di John based his contention on "the little evidence" that oil booms were the primary cause of the contraction of the manufacturing sector. The author rather argued that the manufacturing sector expanded hand in hand with oil activity between the early 1920s (the beginning of the Venezuelan oil era) and the late 1960s, and advocated the study of the role of the state in the national development process (Di John 2009, location 1810).

Nonetheless, it was the notion of the "paradox of plenty" (Karl 1997) that definitely doomed natural resources abundance in the Global South to be treated as a curse in academic literature. When Terry Lynn Karl coined the concept in her pathbreaking *The Paradox of Plenty: Oil Booms and Petro-States* (Karl 1997), the author added a sociopolitical dimension to

65 Compared to the U.S. 2002-07.

the resource curse and strengthened the link between oil and the devil's excrement. Karl (1999) summarized the "paradox of plenty" in the incapacity of oil rich-countries to engage in policy-making and construction of political and administrative institutions leading to break with the natural resources-based development model; in the author's words, rentier states "rely on an unsustainable development trajectory fueled by an exhaustible resource, and the very rents produced by this resource form an implacable barrier to change" (Karl 1999, 31).

However, even most pessimistic approaches such as the paradox of plenty leave the door open for criticism. Karl (1999, 47) argued that "periods of low oil prices offer the best opportunity for constructing the political and administrative institutions capable of managing petroleum". Following this logic, Saad-Filho and Weeks (2013, 19) argued that the Dutch disease and the resource curse are avoidable, since they are "policy outcomes or consequences of misguided policy choices" and, thus, can be filtered out by "coordinated fiscal, monetary, financial, and exchange rate policies". Hence, Saad-Filho and Weeks (2013) advocated for a broad-spectrum political economy perspective to address the abundance of natural resources, which includes the analysis of "social institutions, class structures and government policies" (Saad-Filho and Weeks 2013, 8).

Act III. Nature and the State: A Handbook on the Imposition of a Natural Resources-Based Developmental Project

The imposition of a national development model on society might be regarded as a task of the authoritarian state. As mentioned before, Malloy (1977, 4) identified authoritarian state configurations with the intention of "imposing on the society a system of interest representation". Besides, Coronil (1997) shed light on the possibilities of the state's imposition of a development project on society (or on the chances of society's acceptance of a particular development project) when he assessed the state's leading role in the insertion of the Venezuelan society into modernity; therein, the author explained how the state used its "magical" powers, which emanated from oil revenues, to conjure up development and other illusions of modernity. From the theoretical perspective of mainstream rentier theory, Ross (2001) exposed the causal mechanisms that linked oil revenues with the authoritarian rule of the rentier state in his groundbreaking *Does Oil Hinder Democracy*? Particularly relevant to understand the connection between oil rent and authoritarian state rule are the "rentier effect" and the "repression effect" (Ross 2001, 332-335). Whereas the former relates to the state's use of oil rent to "relieve social pressures that might otherwise lead to demands for greater accountability", the latter takes place when oil wealth and authoritarianism manifest in repression. According to Ross (2001, 332-334), the "rentier effect" occurs in three ways: 1) the "taxation effect", i.e. a tax burden[66] reduction thanks to inflated oil rents at state's disposal; as a consequence of this relief, society might become "less likely to demand accountability from and representation in their government", 2) the "spending effect" that consists in a greater spending in patronage, "which in turn dampens latent pressures for democratization", and 3) the "group formation effect", i.e. the capacity of the wealthy rentier state to "prevent the formation of social groups that are independent from the state and hence that may be inclined to demand political rights".

Even though, Ross' (2012; 2001) research focused on the Middle East, his proposal became central to understand the connection between oil rent and authoritarian state rule in other natural resources-rich countries of the Global South. Peters (2019, 48) enhanced Ross' (2001) initially quantitative perspective and drew attention to 1) the high autonomy of rentier states from society, and 2) the "extraordinary stability" of authoritarian regimes. According to the author, these both variables stemmed from the states' dependence on natural resources rents (Peters 2019, 48). Regarding the "rentier effect", Peters (2019, 48) argued that its mechanisms entail hidden and unhidden forms of state-led rent allocation, which are central to understand the autonomy of the rentier state and the stability of authoritarian regimes[67]. Besides 1) the reduction of the tax burden and 2) the overvaluation of currency, the author identified other forms of rent distribution, mainly related to 3) the expansion of the public sector, i.e. the increase of the state bureaucratic apparatus, 4) subventions (in the form of

66 Ross (2001, 332) and Peters (2019, 48) recalled the importance of the "fiscal contract" to the formation of the Western state. Tilly (1985, 180) argued that "war, state apparatus, taxation, and external debt advanced in tight cadence" in Europe between the sixteenth and the eighteenth century. In absence of a fiscal contract (i.e. when the state relieves society of taxes), society might relax its demands for accountability and representation. Then, the state might follow its own interests (Ross 2001, 332, Peters 2019, 48), financed further by rent rather than by the fiscal obligations of businesses and general population.

67 Regarding "petro-states", Karl (1999, 34) argued that the initial bargaining between foreign oil companies and local petro-states' rulers left a legacy of "overly-centralized political power". Whereas oil companies were anxious to secure new sources of crude, local rulers were eager to cement their own bases of support (Karl 1999, 34).

preferential credits) and subsidies (principally import subsidies and consumption subsidies such as electricity, fuel and public transport[68] subsidies), and 5) patronage. By comparing rentier states in Latin America, Sub-Saharan Africa, and the Middle East, Peters (2019, 48) suggested that these forms of state-driven rent allocation might result in the de-politicization of society, which in turn might enhance the power base of the state and legitimize authoritarianism. Hence, the politically driven distribution of natural resources rents might be regarded as a tool to exert control over the sociopolitical system or, in Peters' (2019, 49) words, natural resources rent might be used by the state to 1) create and consolidate clientelistic networks, and 2) to co-opt selected political actors in order to tie them to the state. This particular form of relationship between state and society shares origins with corporatism. In the corporative scheme of political domination proposed by Collier and Collier (1979, 968), the state "encourages the formation of a limited number of officially recognized, non-competing, state-supervised groups". According to the authors, two mechanisms are central to the formation of such groups of interest representation. On the one hand, the state imposed "constraints" (not necessarily through outright repression) on organizations or groups on "demand-making, leadership, and internal governance" (Collier and Collier 1979, 968). On the other hand, when the state provided organizations or groups with "structuring[69] and subsidy help", the authors identified not only benefits for the organizations or groups, but also "inducements" to motivate them to cooperate with the state's goals and accept the state-imposed constraints (Collier and Collier 1979, 969). The chirurgical task of enforcing such corporative system on rentier societies of the Global South is a responsibility of state classes. The creation of clientelistic networks as well as the co-optation of selected political actors are essential factors in the increase of the size of the public sector and hence the prestige of the state classes. The enforcement of corporative mechanisms of political domination have contributed to the consolidation of middle classes, the clientele of state classes, and made

68 Whereas Latin American upper and middle classes benefit from fuel subsidies, lower classes benefit mainly from public transport subsidies. The unequal nature of fuel/transport subsidies in Latin America becomes evident when the gains of upper and middle classes depend on the number of private automobiles a family or a person possesses. On the other hand, lower classes "enjoy" low quality and meager comfort in public transportation.

69 "Structuring help" took place when the state provided organizations or groups with "official recognition, monopoly of representation, and compulsory membership" (Collier and Collier 1979, 969).

them highly dependent on governmental decisions. Besides, it might be argued that the creation of clientelistic networks with lower classes might be regarded as a long term generator of middle classes.

The corporatist mediation between the state (via state classes) and lower classes fits well with the building of coalitions of "emergent elites with the popular sectors", which is an essential characteristic of populist politics (de la Torre 2000, 140). Nevertheless, in rentier states, the question of ensuring population's political loyalty does not follow the dynamics of democratic participation, it is rather shifted to the arena of the promises of participation in wealth, which originates in the distribution of natural resources rents (Peters 2019, 49). The fact that rentier states sometimes overlook democratic participation[70], and instead favor rent distribution based on corporative criteria, unveil the "ambiguous relationship with democracy", which is another characteristic of populist politics in Latin America highlighted by de la Torre (2000, 140); besides, the politically driven allocation of natural resources rent becomes central to the social construction of a leader "as a symbol of redemption", the ultimate landmark of populist politics. Whereas in rentier state theory society regards the distribution of natural resources wealth as a duty the state must fulfil, in Latin American populism the access to a slice of benefits is sometimes considered as a gesture of the leader's largesse rather than an acquired right.

Peters (2019, 50; 2017a, 49) argued that when the carrot of rent distribution does not suffice, rentier states dip into the stick of repression. Whereas Ross (2001, 335) linked the agency of rentier petro-states with overt repression in order to demobilize society, Peters (2019, 50) recapped that besides outright repression, rentier states might resort to latent repression in order to enforce the First Law of *Petropolitics*. Friedman (2006, 31) named as the "First Law of *Petropolitics*" the hypothesis that connects high international oil prices with growing proclivity of petro-state leaders to show disrespect for "free speech, free press, free and fair elections, an independent judiciary, the rule of law, and independent political parties".

70 Collier and Collier (1979, 968) related democratic participation with a pattern of interest politics based on autonomous, competing groups. According to the authors, antipodal to such arrangement is the total suppression of groups. In this logic, mobilization is related to the appeal made by governments to win support for their policies or its imposition.

Postlude to Nature and the State: Towards the New Meanings of Development

The irruption of environmental thinking into development studies marked a watershed in the approaches to the natural resources rent-based relationship between the state and society. The assimilation of environmental thinking by social movements and the construction of an environmental discourse decisively contributed to erode the apparent hegemonic[71] stance on the centrality of natural resources extraction to the achievement of modernization goals. Hence, with the irruption of environmental thinking, the authoritarian state faced a new set of challenges to impose on society the natural resources-based development model. The position of the Latin American state towards environmental thinking transited through three stations since the end of the Second World War. The journey began with 1) the hegemonic discourse on the central role of natural resources in economic development, which in turn was considered essential to trigger the social and cultural changes of modernization (the modernization imperative). Once the hegemonic discourse was eroded, 2) the dominant[72] discourse was sustainable development that advocated environmental protection and natural resources management (the environmental imperative). After the end of the youngest commodities boom, 3) the disputed discourse, which the state aims to impose on society, rests on the central role of neo-extractivism in economic and social development (the "extractive imperative") (Arsel, Hogenboom, and Pellegrini 2016, 880). Alternatively, during the twenty-first century commodities boom, social movements departed from the official discourse and denounced the negative socioecological consequences of natural resources extraction (the ecological

71 The term "hegemony" is used in this book in a Gramscian sense, which refers to an idea that is deeply anchored to society and confirmed and ensured by the state (Becker 2008, 19); hence, it alludes to a type of centrality that places a concept in the center of the rationalization in a concrete social formation (Laclau and Mouffe 2001, 7). In this sense, it might be argued that the "sow the oil" discourse had the characteristics of a hegemonic discourse, since it represented a general consensus among social actors on the centrality of oil extraction to the achievement of modernization. The arguments of the resource curse thesis, which gradually charged up natural resources (particularly oil) with a negative load, eroded the apparent hegemonic discourse that rested on progress and opened the gates to a wider debate on the concept of development.

72 The term "dominant" is used in this book for the most widespread and influential discourse among different social actors. Different from the hegemonic discourse, the dominant discourse might permeate the state, but it might not be confirmed and ensured by society, or vice versa.

imperative). On the basis of a critique of modernity, social movements condemned development as the cause of the global environmental crisis and advocated for less utilitarian forms of relationship between nature and society, which became central to the quest for alternative meanings of development. Table No. 6 depicts the evolution of the environmental discourses of the Latin American state and society from the end of the Second World War until present day, regarding the three relevant epochs of the relationship between natural resources and development.

Table No. 6: Developmental and environmental discourses in Latin America: An evolution

	ISI consensus	**Washington Consensus**	**Commodities consensus**
State	Hegemonic discourse: Modernization imperative The role of natural resources in economic development	Dominant discourse: Environmental imperative Sustainable development (Environmental protection, natural resources management)	Disputed discourse: Extractive imperative Legitimation of neo-extractivism on the basis of economic and social development
Social movements	Hegemonic discourse: Modernization imperative The role of natural resources in economic development	Dominant discourse: Ecological imperative Environmental awareness of socioecological consequences of extractivism	Disputed discourse: Search-out imperative Quest for alternative meanings of development

Source: Alarcón (2020, 220)

Ecuador and Bolivia are certainly the Latin American countries that most accurately portray the evolution of developmental and environmental discourses across the region. though, both states embraced Latin American neo-extractivism as the preferred development strategy during the twenty-first century commodities boom despite of environmental discourses of the state and social movements. Besides, both states dipped principally into corporative mechanisms, but also into outright repression[73], in order to

73 Particularly for the case of Ecuador, the spearhead of the state's latent repression apparatus was government's co-optation of moral, cultural, human, material, social and organizational resources (Jima and Paradela 2019, 8-15). Overt repression

deal with diverse forms of social resistance against the imposition of the natural resources-based development model.

Despite the defense of the natural resources-based development model (sometimes even explicitly) undertaken by many Latin American states, the discussion on the actual possibilities of "sowing the oil" is far from being exhausted. A significant arena, where debates took place during the twenty-first century commodities boom, was inside governments. State classes disputed the role of nature or natural resources in economic planning and even the revival of the classic ISI paradigm. As globalization emphasized the unbreakable link between economic diversification and technology, positions within governments were challenged to revisit the paradigm of the comparative advantages in many ways. Thereby, different meanings of nature became central to the construction of the concept of development in the twenty-first century.

strategies enforced by the Ecuadorian government during the second oil boom included 1) deployment of the armed forces repression apparatus, 2) criminalization of environmental protest and 3) imprisonment of activists by a government-controlled judiciary (Tibán, 2018; Pérez and Solíz 2014, 153).