Revista CIDOB d'Afers Internacionals
n.º 126, p. 139-161
ISSN:1133-6595 | E-ISSN:2013-035X
DOI: doi.org/10.24241/rcai.2020.126.3.139/en

Reception date: 07.04.20
Acceptance date: 05.10.20

Democracy, elite power and civil society: Bolivia and Peru compared

Democracia, poder de las élites y sociedad civil: una comparativa entre Bolivia y el Perú

John Crabtree

Research Associate, Latin American Centre, University of Oxford.
john.crabtree@lac.ox.ac.uk.

How to cite this article: Crabtree, John. "Democracy, elite power and civil society: Bolivia and Peru compared". *Revista CIDOB d'Afers Internacionals*, issue 126 (December 2020), pp. 139-161. DOI: doi.org/10.24241/rcai.2020.126.3.139/en

Abstract: Despite proximity and cultural similarities, Peru and Bolivia provide contrasting examples of elite power as opposed to that of popular movements. Peru in recent years has seen the consolidation of business power at the expense of a politically active civil society; opposition to neoliberal policies has been fragmented and weak. Bolivia has a history of strong social movements that underpinned successive administrations by the Movimiento al Socialismo (MAS). However, these trajectories are not fixed and the ability of civil society and elites to control the state fluctuates. The recent coup in Bolivia was a reminder of this. This article compares the two countries over different time periods: that of state-led development prior to 1980, the neoliberal period in the 1980s and 1990s, and that of post-neoliberalism after 2000.

Key words: Peru, Bolivia, elites, business power, social movements, state, democracy

Resumen: *A pesar de su proximidad y similitudes culturales, el Perú y Bolivia aportan ejemplos contrapuestos del poder de las élites frente al de los movimientos populares. En los últimos años, el Perú ha vivido la consolidación del poder empresarial en detrimento de una sociedad civil políticamente activa; con una oposición a las políticas neoliberales fragmentada y débil. Bolivia, en cambio, registra una historia de movimientos sociales fuertes que apuntalaron las sucesivas administraciones del partido Movimiento al Socialismo (MAS). Pero estas trayectorias no son fijas y la capacidad de la sociedad civil y de las élites de controlar el Estado fluctúa. El golpe de Estado de noviembre de 2019 en Bolivia nos lo recuerda. Este artículo compara los dos países en períodos diferentes: el del desarrollo liderado por el Estado, anterior a 1980, el neoliberal de las décadas de 1980 y 1990 y el del posneoliberalismo a partir del año 2000.*

Key words: *Perú, Bolivia, élites, poder empresarial, movimientos sociales, Estado, democracia*

Much has been written in recent years about the 'deepening' of democracy in Latin America, by which we mean the increase in democratic participation and the breakdown of time-honoured mechanisms of political exclusion. The period since 2000 has witnessed various attempts to widen the radius of participation and to incorporate new actors into processes of decision making within the state. These, of course, have not always been smooth, and embedded elites have sought ways in which to protect themselves from what is frequently dubbed 'populist' politics. Indeed, there have been several instances of reversion with the displacement of more progressive parties and movements by forces of the right linked to elite and/or business interests. Also, there have been cases where these interests have remained predominant and where democratic 'deepening' has had little or no impact.

The extent to which elite groups are prepared to accept the norms of democratic politics is context-specific and for that reason has varied over time. Many scholars, especially those of the 'democratic consolidation' school, have argued that the viability of democracy in Latin America depended on the willingness of elites to accept and embrace democracy.[1] However, repeated cases over the last 30 years have shown that such acceptance of democratic governance has been subject to clear limits (Bartell and Payne, 1995; Hagopian, 1996). Democratic politics have led to challenges to elite power and elites have not been reluctant to resort to authoritarian, right-wing modes of governance when popular-based actors, especially organised labour and left-wing parties, have mounted challenges. Recent political developments, notably in Brazil but also elsewhere, have shown the limits of elite acceptance of shifts to the left.

Bolivia and Peru, neighbouring countries with many similarities, represent contrasting experiences in this respect. From 2006, the left-of-centre Movimiento al Socialismo (MAS) in Bolivia took steps to break down the old exclusionary practices and to bring into spheres of political influence the country's strongly organised social movements. In Peru, by contrast, elite interests, strengthened by the neoliberal policies of the 1990s, imposed their agenda on policy making, especially in those areas of greatest material interest to them and to the exclusion of large sectors of the population; civil society organisations remained weak, fragmented and unable to impose their agenda on state policy. In Bolivia, faced with five more years of MAS government, the country's elites managed tem-

1 A key text here was the three-volume work edited by Guillermo O'Donnell et al. (1986) which compared Latin American transitions to the seemingly successful ones achieved in Spain, Portugal and Greece.

porarily to wrest back power in November 2019, installing a government with a clearly right-wing ideology that embraced not just business values but also a highly conservative social agenda.

Through a comparison of these two cases, this article seeks to elucidate some of the dynamics behind democratic 'deepening' (or otherwise) in Latin America in ways that contribute to the wider discussion over democratisation in the region. Also, as I will argue, these differences reflect not just developments in the recent past but more deeply rooted historical contrasts between the two cases.

Referring more concretely to the notion of democratic deepening in Latin America (and elsewhere), it is useful to compare the power of elites with that of civil society more generally and their respective influence over the direction of state policy. The relative power balance between elites and civil society in Latin America has undergone what we could term 'tectonic shifts' at particular critical junctures when the relative power of specific groups to influence decision making underwent significant changes.

Democratic politics have led to challenges to elite power and elites have not been reluctant to resort to authoritarian, right-wing modes of governance when popular-based actors, especially organised labour and left-wing parties, have mounted challenges. Bolivia and Peru, neighbouring countries with many similarities, represent contrasting experiences in this respect.

Here, I think it is useful to refer to the work of Joe Foweraker whose book 'Polity' (2018) complements recent work I have done on Peru (Crabtree and Durand, 2017). He sees the quality of democracy as the admixture of elite (or oligarchic) power and the power exercised by the rest of society.[2] He traces this back to Aristotelian concepts of government by the few (oligarchy) as against government by the many (democracy) and the need for the successful state, or 'polity' to use the classic term, to provide for a combination of the two. In the governance of the 'polity', these two elements stand counterposed. Modern Latin American states, Foweraker argues, reveal this tension. Politics in the region remain a terrain of dispute between the agendas of

2. Foweraker's book begins with the observation that "Polity is a political system that encompasses both oligarchy and democracy. The combination of these two distinct domains creates a contradictory and syncretic system that conjoins two forms of power holding that are clamped together – not always securely – by a specific mix of formal and informal institutions" (2018, p1). He argues that extremes of inequality in Latin America reflect the persistence of oligarchic (or elite) power through such forms as clientelism and patrimonialism (e.g. informal institutions) which tends to shape the rules of the democratic game to its own interests.

business elites and those of the wider society and, as the literature on democratisation in Latin America would have us believe (and as recent events have arguably borne out), the commitment of elites to even liberal democracy is far from unconditional. He sees 'oligarchy' as strongly entrenched in contemporary Latin America.

The balance of power between elite groups and the rest of society underwent a 'tectonic' shift in the 1980s and early 1990s with the ending of what is sometimes termed the 'populist' period of state-led development and its replacement by a neoliberal model in which private interests prevailed over public ones and business interests moved closer to the centre of political power. The policies pursued at this time favoured elites (or those best placed to take advantage of the opportunities created) while other formerly powerful interests (such as trade unions) were pushed towards the margins (Silva and Rossi, 2018).

It was at this time that Latin America, long the most unequal region on the planet, became ever more so. This paralleled shifts in other parts of the world, not least in the developed world, in western Europe and in North America. But what interests us here is not just inequality of income or asset holding, but inequalities in access to political power. The notion of democracy is thus tied to the way in which different groups seek influence over the management of the state and its use of public resources. Where the '*res-publica*' (the public interest) is subsumed into the prevalence of private interests (what we might term the '*res-privada*') on account of the imbalance of political power, the quality of democracy is necessarily impaired.

The era of state-led development (up until the 1980s)

Although Peru and Bolivia lagged well behind other Latin American countries in terms of the sort of policies intended to promote local industrialisation under the aegis of the state, both saw important moves in the period leading up to the 1970s that gave a new role for the state in the pursuit of development. However, the way in which this took place in each case was different in important respects.

In Bolivia, the 1952 revolution brought an abrupt change in the role of the state and, with it, its relationship both to the private sector and to popular organisation. Up until 1952, the private sector had been dominated by mining and the salient role played by the country's three 'tin barons', Patiño, Hochschild and Aramayo

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org

(Klein, 2011). Unusually for Latin America, Bolivia's key export industries were in the hands of local capitalists, albeit ones with powerful international connections. For much of the first half of the 20th century (with significant interruptions), the mining elite exercised significant control over the state, especially the economic policies that favoured its interests. Given the country's scant industrialisation, the main elites (or oligarchy) were agrarian, owners of vast (grossly underused) extensions of land, whose interests were also accommodated by those in power but whose economic power had been long in decline. European immigrants brought with them isolated attempts at industrialisation, assisted by Bolivia's landlocked nature and its distance from key sources of supply.[3]

However, from the 1930s onwards, new actors emerged who challenged the political control exercised by traditional elites. The debacle of the Chaco War with Paraguay (1932-1935) prompted the emergence of a nationalist military with reforming agendas. The nationalisation of oil in 1937 (well in advance of Mexico) was indicative of the new spirit, as was the 1938 constitution which enhanced the role of the state and subsumed the sanctity of private property to questions of social need. The growth of the largely middle-class Movimiento Nacionalista Revolucionario (MNR) in the 1940s, much influenced by Peronism in Argentina, was founded on ideas of economic nationalism. The MNR forged alliances with other sectors, notably with an emergent and radicalised labour movement.

The 1952 revolution produced a major about-turn in the influence of elites over policy. The nationalisation of the mining industry and the creation of the Corporación Minera de Bolivia (Comibol) abruptly ended the power exercised by the tin barons and their allies. Likewise, the agrarian reform abolished the system of *haciendas* and thus destroyed the residual power exercised by landowners. In their place, the political void was filled by middle-class radicals and the labour movement which vied for control over the MNR. In particular, the mineworkers' federation (FSTMB, established in 1944) and the newly established labour confederation (the Central Obrera Boliviana, COB) became key actors in government. For a brief period, at least, it is fair to say that these effectively controlled the state, displacing elite interests. At the same time, the MNR government introduced universal suffrage – a full 27 years before this happened in Peru – causing a significant change in the nature of politics in favour of the previously excluded masses.

3. For the role of immigrants in particular, and the development of elite power groups, see Fernando Molina (2019)

The 'revolutionary' phase of the Bolivian revolution proved short (Malloy and Thorn, 1971). The 1950s and 1960s saw the emergence of new elites, some with close ties to the MNR and some strongly pitted against it (as in Santa Cruz in the eastern lowlands). The developmentalist model pursued by the MNR sought to use public investment to modernise the country's economy and foment private enterprise. The retreat from the sort of proto-socialist agenda of the miners and the COB was prompted by the United States, which had viewed 1952 with alarm. It took advantage of the economic difficulties faced by the MNR governments to reassert influence, especially in driving a wedge between these and the labour movement (Field, 2014). By the 1960s, both under the MNR until 1964 and the military thereafter, policy shifted in a decidedly more business-friendly direction. Nowhere was this clearer than in Santa Cruz where the private sector flourished on the back of state loans (mostly never repaid) designed to promote agroindustrial development. So, as Catherine Conaghan and James Malloy (1994, p42) put it "1952 set the stage for a reshaping of Bolivian capitalism."

The military dictatorship of General Hugo Banzer (1971-1978), himself from Santa Cruz, confirmed the shift in the balance between these new elites and those of social movements such as the miners. Although at the pinnacle of an increasingly unequal income distribution, these elites were numerically small, weakly constituted and unable to destroy the power of organised labour. Nor could they impose a business model that would prove durable and serve their interests for the longer run. However, they were able to win political influence and use it to foster their own interests, often availing themselves of state resources and facilities. In the end, however, it was the power of the miners that eventually brought down the Banzer government in 1978, ushering in a period of political instability in which, among other actors, the military and the unions vied for control. The rapid growth of business power in the 1970s in the eastern half of the country, notably in Santa Cruz, proved unable to project itself over the country as a whole, while elites in La Paz remained largely dependent on the state and ill-disposed to push for policies that would undermine the statist model of development. The growth of private-sector mining, however, benefitted from the policies of successive governments in the 1960s and 1970s, and powerful new mining groups emerged which would gain political salience in the following decade, notably Comsur, the company owned and run by the Sánchez de Lozada family.

The Peruvian story differs in many respects from the Bolivian. Despite 'populist' challenges, the strength of the Peruvian elite, grounded in agriculture and mining, enabled it to maintain political control throughout much of this period, with oligarchic civilian governments, or ones in which the military

protected oligarchic interests. The main challenge came from APRA (Alianza Popular Revolucionaria Americana) which came close to displacing these interests in 1931. APRA, like the MNR in Bolivia, was anti-oligarchic and reformist in orientation but, unlike the MNR, never managed to win control over public office. The left in Peru remained a marginal force electorally, at least until the 1980s. Yet parties of the right failed also to gain a foothold.[4]

The post-World War Two economic boom provided economic sustenance for elites in Peru. The period saw a significant diversification into sectors like agriculture, fishing and mining. Unlike Bolivia, the laissez-faire model of development was not seriously questioned, at least not before the 1960s (Thorp and Bertram, 1978). It was at this time, the late 1950s and early 1960s, that, as the export boom slowed, signs emerged of a shift towards more interventionist approaches to diversification, especially in manufacturing. The 1959 Industries Law led to a modest reorientation in economic goals, but the manufacturing it promoted grew from a low base and was dominated largely by foreign investment, especially from the United States. This was accompanied by a growth in state involvement in economic planning, but on a modest scale. The reformist Belaunde government (1963-1968) represented a break from the past and brought forth plans for economic diversification and land reform. However, it was only after Belaunde was deposed in the 1968 military coup that more full-blooded plans for modernisation took root under General Juan Velasco Alvarado. As in Bolivia in 1952, in Peru after 1968 there was a clear and perceptible change in the balance of power between business groups and the wider civil society, although the impetus came 'from above' rather than from 'below'.

Although there are some similarities between Bolivia and Peru in this period, the differences are marked. In Peru, where the private sector was more developed, business proved able to ride out the challenges from statist regimes. In Bolivia, by contrast, the private sector was far weaker, its localised power-base unable to project itself nationally.

The Velasco government (1968-1975) was transformative.[5] The agrarian reform, announced soon after the Velasco coup, sought to break the power of the old agrarian oligarchy, although this had already lost much of its strength and

4. One of the best short overviews of Peruvian history is Klarén (2000).
5. The standard works on the Peruvian military governments (1968-1980) remain Lowenthal (1975) and Lowenthal and McClintock (1983). See also Aguirre and Drinot (2017).

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org

influence over previous decades. In terms of acreage, it was Latin America's most radical agrarian reform, seeking to redistribute land not only in the highlands but also in the far more productive coastal valleys where previously powerful interests resisted reform. The government also embarked on a programme of nationalisations whose main target was foreign-owned interests, especially in mining, oil and banking. Consequently, state intervention in the economy increased substantially and the political elites lost much of their access to the state and their power to influence (for instance through control over the media) diminished. They were replaced, at least in part, by a new bureaucracy which sought to affirm state autonomy. Party competition was suppressed.

The military government gave rise to a far more assertive popular movement. While it sought to control and direct participation through institutional mechanisms like Sinamos (Sistema Nacional de Movilización Social), radical energies quickly surpassed the state's ability to maintain control. Socialist agendas took root in the rural sector (encouraged by the agrarian reform), in the manufacturing sector and within rapidly growing squatter settlements on the fringes of major cities. It was this growing social pressure that, in 1975, encouraged more conservative generals to seize power, depose Velasco, and curtail the experiment in state-led change.

Deprived of power and impacted negatively by the military reforms, business elites sought to regroup after 1975, taking advantage of the liberalising changes introduced by the military under General Francisco Morales Bermúdez (1975-1980), and then by the civilian government of Fernando Belaunde (1980-1985). Under Velasco, many had seen their property expropriated or had been forced to cohabit with their workers in so-called 'industrial communities'. The government had sought to force the pace of industrialisation by encouraging domestic capital (or the national bourgeoisie) to shift from the agrarian to the industrial sector with a view to building a system of dialogue through which this would take place. But the strategy largely failed, with local business reluctant to invest. However, there were exceptions. The growth of the Romero group, the owners of the Banco de Crédito as well as important agroindustrial concerns, into Peru's largest business empire in the 1980s stemmed from recognition of the business opportunities available.

While the 1982 debt crisis, climatic disasters (the El Niño phenomenon) and the expansion of Sendero Luminoso (SL) hobbled the privatising impulses of the Belaunde government, its successor under Alan García (1985-1990) brought a return to a state-led approach that involved development through negotiated agreements with the private sector. Once again, however, the experiment failed, not least because of García's (misguided and unsuccessful) attempt to nationalise the private banking industry. The García presidency ended in a

hyperinflation and proliferation of political violence that effectively brought the state to its knees (Crabtree, 1991). It also saw the emergence of a more clearly defined right-wing opposition movement headed by the novelist Mario Vargas Llosa. While this represented business interests, it failed to muster sufficient popular backing to win power in 1990.

Although there are some similarities between Bolivia and Peru in this period of state-led development, the differences are marked. Driven from below by popular pressure, 1952 in Bolivia represented a rupture in the evolution of state power in which radical agendas, albeit briefly, surfaced to win control over the state. This experience of empowerment cast a long shadow over future generations. There was no such point of rupture in Peru where the military government of 1968 sought to thwart and control incipient radicalism through structural reforms although, as it turned out, it did much to encourage social mobilisation. By comparison, the state in Bolivia remained an entity that struggled to impose an agenda, a battleground between powerful influences, not least the fluctuating power of unions and the army. In Peru, where the private sector was more developed, business proved able to ride out the challenges from statist regimes under Velasco and García. In Bolivia, by contrast, the private sector was far weaker, its localised power-base unable to project itself nationally. In neither country, did mass parties of the right emerge capable of winning political power through elections.

The era of neoliberalism (1980-2000)

Certain parallels can be discerned between the two countries in the 1980s as the state-led model of development gave way to neoliberalism. Both countries, facing major problems in the repayment of debts acquired in the 1970s, entered into bouts of hyperinflation. In Bolivia, this took place in the early 1980s during the centre-left government of Hernan Siles Zuazo (1982-1985), ending up in a far-reaching stabilisation programme under his successor, Víctor Paz Estenssoro. In Peru, similar events – arguably more acute because of the way in which the conflict with SL exposed state weaknesses – led in the early 1990s to another radical restructuring under Alberto Fujimori. The scale of the economic and institutional crisis in each country meant that there was little alternative but to embark on policies, keenly supported by business and foreign creditors, to bury state-oriented development strategies in ways that would shift the 'tectonic plates' in the power balance between business elites and popular movements decisively towards the former.

In Bolivia, the structural adjustment initiated by the Paz Estenssoro government sought to liberalise the economy and reduce the size of the public sector in an economy which, since 1952, had been one of Latin America's most statist. As well as deregulation and trade liberalisation, the changes (enacted by supreme decree law 21060) eviscerated many public companies including, notably, Comibol with the closure of key mines and the dismissal of some 26,000 mining workers. This effectively emasculated the power exercised since the 1940s by the FSTMB. It also seriously undermined the power of the COB, for which the FSTMB was the backbone, in opposing the liberalising reforms. Many displaced mineworkers migrated to urban areas like El Alto or to the Chapare where they were absorbed into the burgeoning coca-growing sector (Grisaffi, 2019).

The private sector was the chief beneficiary of these changes, having suffered badly from the strikes and mobilisations that had occurred previously during the Siles government. The businessmen's federation, the CEPB (Confederación de Empresarios Privados de Bolivia), played a central role in the design and implementation of the package as well as engineering a publicity and education campaign criticising the state-dominated model of development (Conaghan, 1995). Key figures from the private sector played a leading role in the Paz administration, most conspicuously Gonzalo Sánchez de Lozada, the owner of Bolivia's largest private mining company (Comsur) and the main architect of adjustment under Paz Estenssoro.

Neoliberalism in Bolivia was introduced gradually and, although popular movements suffered its consequences, the traditions and organisational structures on which they were built persisted. In Peru, the neoliberal policies imposed by Fujimori, who resorted to increasingly personalist and authoritarian rule, represented an abrupt and radical change of direction.

With the main source of opposition disarticulated and relative price stability achieved (despite huge social cost), a firmer consensus emerged behind the liberalising agenda. This was reaffirmed when Sánchez de Lozada became president in 1993. His programme of second generation reforms, the so-called Plan de Todos (Plan For All), was premised on the idea that sustainability of the model required a consensus to be forged in Bolivian society with the benefits of liberalisation, to some extent, shared.[6] His plan to privatise Bolivia's remaining public companies, notably YPFB (Yacimientos Petrolíferos Fiscales Bolivianos), the state oil company, revolved around a scheme by which foreign investors would

6. Such ideas paralleled ideas about 'popular capitalism' developed in Chile and elsewhere

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org

be brought in to manage them but with the Bolivian public retaining a 50% stake which would be used to fund a universal pension scheme.[7] His policies of Popular Participation, based on an ambitious plan to create new municipalities, was also geared towards building and underpinning of political support.

This project proved problematic, particularly under the government of Hugo Banzer who returned to power as elected president in 1997. The late 1990s saw the re-emergence of powerful social movements organised around specific demands, albeit issues different from the labour demands that had characterised the earlier period. The emergence of the *cocalero* movement in the Chapare was a response to the 'drug wars' unleashed by Banzer at the behest of Washington. The so-called 'water war' in Cochabamba was a direct response to the attempt to privatise the city's water supply (Olivera and Lewis, 2004). Other social movements also reflected disputes around government policies in relation to the use and appropriation of natural resources (Crabtree, 2005). The newly formed Movimiento al Socialismo (MAS) proved adept at exploiting these poles of opposition and providing ideological and organizational linkages between them. It also took advantage of the discredit into which the party system (which had prevailed since 1985) had fallen for its failure to articulate growing public discontent with government policies.

Faced with this, the private sector was unable to provide convincing responses, not least given the failure of neoliberal policies to generate the employment benefits promised by the Plan de Todos. Though strengthened, it was far from hegemonic. Thus, the party system that emerged from the 1985 crisis, which had provided a modicum of political stability, failed to maintain the legitimacy of the project of liberalising reform. The scale of the threat to the 'new normal' became evident in 2002 when the MAS, with Evo Morales as its candidate, came from rank outsider nearly to beat Sánchez de Lozada in the 2002 elections. The MAS, with its support based in Bolivia's resurgent social movements, provided the political leadership and the voting power to challenge the neoliberal model.

In Peru, meanwhile, Fujimori unleashed the liberalisation package in 1990 with support from Washington and the international financial institutions (IFIs). It was to prove one of the most radical and rapid adjustments ever seen in the Americas. It involved the privatisation of virtually all public companies, a radical deregulation of markets, the opening of Peruvian markets to imports, and the provision of generous incentives to foreign investment, notably in the key mining sector. Any relics of the era of import substitutive industrialisation

7. For more detail, see Bauer and Bowen (1997).

(ISI) were discarded in favour of outward-oriented growth (Wise, 2002; Arce, 2010). The package was severe but successful in containing inflation and (eventually) kick-starting growth. However, it sat uneasily with respect for democratic norms, and the regime took on an increasingly authoritarian posture that sought to isolate decision making from public scrutiny and popular pressures.

The left in Peru was poorly placed to resist such changes. The once electorally powerful Izquierda Unida (United Left) proved a broken reed. Suffering serious internal splits, the left failed to mount a serious alternative in the 1990s, and indeed in subsequent elections, its social basis undermined by the twin challenges of hyperinflation and political violence. Organised labour proved ineffectual in resisting the collapse in workers' living standards of the late 1980s and suffered from the subsequent privatisation of public companies. The internal war with SL, meanwhile, destroyed the rural organisation built up by the left in previous decades while engendering a political malaise that played forcefully into the hands of the right and helped underpin support for Fujimori and his policies. In Bolivia at the end of the 1990s, meanwhile, popular organisation survived and re-emerged as a political force by the end of the 1990s, whereas in Peru -- as we shall see -- social movements remained atomised and divorced from spheres of decision-making.

The Peruvian private sector thus emerged strengthened, both economically and politically, from crises of the late 1980s, developing a close and mutually beneficial association with the Fujimori government. The liberalising reforms of the 1990s involved a massive transfer of assets from the public to the private sector. Business groups prospered accordingly, developing close -- albeit informal -- ties with the state and gaining powerful influence in those spheres of decision making that most interested them. This shift in the 'tectonics' of power in favour of the business class and employers enabled them to gain hegemonic control over the state at the expense of the wider society, propagating a powerful narrative about the virtues of private enterprise in promoting national development (Crabtree and Durand, 2017).

Moreover, unlike Bolivia, the neoliberal phase in Peru effectively outlasted its main architect. The return to democracy in 2000 did not lead to a change in the economic model. Under Alejandro Toledo (2001-2006), despite some democratic reforms, the neoliberal model remained firmly intact. Under Alan García (2006-2011), it was further reinforced, particularly with respect to trade liberalisation and the attraction of foreign investment. Even Ollanta Humala, whose candidacy for the presidency in both the 2006 and 2011 elections, was based on opposition to neoliberalism, was swift in jettisoning heterodox policies on taking office. Since 2001, economy ministers, who exercise huge power in Peru, have all been appointed for their links to global business and banking networks.

While neoliberalism in Bolivia was introduced gradually, in Peru it was the result of an abrupt and radical change of direction. In the former, the Sánchez de Lozada government sought to introduce reforms that would help sustain the model politically, but Fujimori in Peru was less concerned to build consensus, resorting to increasingly personalist and authoritarian rule. The long-term impact of political violence in Peru was missing in Bolivia; it is difficult to imagine an organisation like SL taking root there.[8] In Peru, the private sector won massively from the process of privatisation and the subsequent resumption of export-led growth. Although popular movements suffered as a result of neoliberalism in Bolivia, the traditions and organisational structures on which they were built persisted. In Peru, by contrast, the political and economic crises of the 1980s dealt a near fatal blow to them from which they struggled to recover.[9]

The power of social movements in the early 2000s

Divergence in the paths followed by Peru and Bolivia reached their clearest expression in 2006 when Morales, leader of the Chapare coca farmers, was sworn in as president of a government whose roots lay precisely in those sectors of the popular movement which had most aggressively opposed the policies of neoliberalism. The rise of the MAS revealed the failure of the reforms of the 1990s to build solid and lasting political support through the consolidation of an institutionalised party with strong roots in society. The emergence of social movements opposed to specific aspects of government policy from the late 1990s onwards belied the notion that decree law 21060 and the second-generation reforms of the 1990s had broken the back of popular resistance. The scope and extent of this rejection uncovered the weaknesses of the attempt to build a new dispensation in Bolivia based on neoliberal principles.

8. Bolivia's traditions of peasant unionisation militated against notions of armed struggle as a viable route to political power, underscoring the validity of participating in elections. Several attempts at guerrilla warfare were launched in the 1960s and 1970s but to limited effect.
9. The most resilient unions tended to be those that remained of the public sector, especially in sectors like health and education. Deprived of much of its previous social support, the left performed poorly in successive elections.

Between 1999 and 2006, popular movements managed to reorganise, multiply and build a political project that implied the reversal of such policy preferences. Through election campaigns and other forms of mobilisation, the MAS managed to coordinate disparate campaigns and to weld them into a movement that sought to break with the status quo.[10] The government that took office in 2006, rooted in social movements, was committed to a model of state intervention and defence of national sovereignty that broke with policy recommendations emanating from Washington. It also sought to challenge the systems of political power that had predominated since the mid-1980s and to incorporate previously excluded sectors into the decision-making functions of the state.[11]

I would argue that 2006 thus represents an important point of rupture, perhaps the most important since 1952. It certainly contrasts with the Peruvian story where 2006 brought Alan García back to power on a very conservative agenda based on opposition to the 'pink wave' elsewhere in Latin America. Indeed, Morales' election victory promised more by way of far-reaching changes in Bolivia than most other 'pink wave' countries. The government's decision to increase state control over the hydrocarbons sector (semi-privatised under Sánchez de Lozada) was a taste of things to come.

For the business sector, 2006 represented a major reverse, cutting off access to state decision making. Lacking a party vehicle capable of representing its interests, the business sector, especially in Santa Cruz, took to the streets using right-wing local networks. This opposition peaked in 2008 when the Comité Pro-Santa Cruz, in which business groups were well represented, demanded an autonomy from central government that came close to secession. Its claims were repeated elsewhere in the eastern lowlands.

In view of this and following his re-election in 2009, Morales sought a modus vivendi with the elites of Santa Cruz, aware of the latent political dangers they posed and the need to give them a voice within government. For their part too, business elites realised that Morales would not easily be overthrown and that, as the economy picked up with the commodities boom, there was money to be made. An early sign of 'détente' was the decision in 2009 to provide agroindustrial interests in Santa Cruz with guarantees against land expropriation. However, 2011 proved the critical year in establishing cooperative and structured

10. There is now a large literature on the origins of the MAS and its rise to power in 2006. I cite here only a couple of titles, such as Anria (2019), Madrid (2012), and Zuazo (2008).
11. The most obvious manifestation of this was the work of the Constituent Assembly (2006-2008) in redrafting the constitution.

ties between business and government,[12] with significant policy shifts towards expanding the agricultural frontier in Santa Cruz to boost food production and soya exports. Business, it seemed, was no longer the enemy.

Détente with the business sector went parallel with other policies that caused frictions with social movements. Splits within the Pacto de Unidad, the coalition on which the MAS was elected in 2006, emerged as specific movements sought to pursue their own interests. The government meanwhile identified itself with the need to promote extractive industries. The so-called TIPNIS dispute – over the construction of a road that crossed through an indigenous reserve on the frontiers between Cochabamba and Beni departments – proved particularly divisive (Postero, 2017). Still, the bulk of the MAS's peasant support remained loyal to the party's agenda. Despite many accusations of social movements being co-opted and corrupted by government, my view is that these retained a strong measure of autonomy in pursuing their own specific interests (Crabtree and Chaplin, 2013).[13]

Divergence in the paths followed by Peru and Bolivia reached their clearest expression in 2006 when Morales, leader of the Chapare coca farmers, was sworn in as president of a government whose roots lay precisely in those sectors of the popular movement which had most aggressively opposed the policies of neoliberalism.

As we have seen, the situation in Peru proved very different. The social movements that emerged with force in the late 1970s and early 1980s and which had underpinned the United Left, were seriously weakened both by the political violence and economic upheavals of the late 1980s and by the force by which Fujimori implemented his neoliberal policies in the 1990s. In the period after 2000, the main signs of resistance to government policy came in those sectors where the development of extractive industries threatened community interests, notably in mining (in the highlands) and hydrocarbons (in the Amazon jungle). Other sectors led rear-guard actions such as the coca farmers who resisted government eradication plans.

Unlike Bolivia, the Peruvian left proved unable to coordinate these actions – to join up the dots, so to speak – to provide leadership and an ideology geared towards the protection of natural resources against free-wheeling capitalism. Social movements remained atomised and only local in their projection. There were events, such as the confrontation at Bagua in Amazonas in 2009 and the

12. Particularly useful is Wolff (2016)
13. For a more recent view, see Anria (2019)

2011 conflict over Conga in Cajamarca, which had clear repercussions in national politics, but not such as to cause major changes in overall policy priorities. The need for foreign investment, especially in mining, remained an unchanging dogma in the debates over policy.[14]

This is not to say that public opinion was strongly committed to a model which clearly benefitted some sectors more than others or, indeed, some regions more than others. Yearly editions of the Latinobarómetro bear witness to the strength of anti-system sentiment in Peru and distrust of both political elites and the ways in which they manage democratic institutions. Such dissatisfaction lay behind Humala's election victory in 2011, but it lacked political expression. Humala was swiftly obliged to backtrack on his agenda, accommodating himself to the de facto power of established business interests. The left-wing parties, marginalised politically since the late 1980s, were in no position to offer alternative leadership to an otherwise disenchanted electorate. Indeed, Peru in the 1990s saw parties of all colours reduced to structurally inchoate electoral vehicles with little or no organised presence in society.

Shifting tectonics?

Recent years have seen the relative power of business elites and social movements shift yet again in both countries.

The ability of business elites to dominate political decision making in Peru has been brought into question in recent years by corruption scandals that first emerged with the *lavo jato* investigations in Brazil involving the activities of major construction companies and their Peruvian counterparts (Durand, 2018). By exposing the way in which a succession of governments since the 1980s had received bribes from construction companies, it brought key sectors of the business community into discredit. The judiciary and other areas of the state apparatus had been actively involved in concealing and, indeed, promoting such activities.[15] A succession of presidents and other leading political figures have been

14. For a comparative assessment of responses to extractivism in the Andean region and beyond, see Bebbington (2013).
15. Corruption in government, the legislature and judiciary had been encouraged by the activities of drug trafficking and other illicit activities in both Peru and Bolivia. In order to carry out their business, those involved needed to buy the support from those in authority who, in turn, proved willing to be suborned.

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org

identified as engaging in illegal activities with business interests either to fund their election campaigns, for the purposes of individual enrichment, or both.

Such revelations led to a shift in public policy, especially since the resignation of Pedro Pablo Kuczynski as president in March 2018. His successor, Martín Vizcarra sought to conduct a clean-up in public life. His administration was not in any way 'anti-business', but the previously undisputed power of business gave way to a more critical position.[16] Attempts by erstwhile *fujimoristas* to exploit social conservatism (around such issues as abortion and gay marriage) largely failed to create a popular-based right-wing party. Still, the political power of the private sector remained entrenched while social movements and the left posed little immediate threat.[17]

Bolivia, meanwhile presented a rather contrasting picture. Here, the revival of elite power led ultimately to the ousting of Morales as president in November 2019 and his replacement with a government avowedly linked to the power of elite interests, especially those of Santa Cruz whose influence had been relegated during the 14-year Morales presidency.[18]

Recent years have seen the relative power of business elites and social movements shift yet again in both countries. In Peru, the ability of business elites to dominate political decision making has been brought into question in recent years by corruption scandals. In Bolivia, the revival of elite power led ultimately to the ousting of Morales as president in November 2019, although the MAS returned to office following the elections of October 2020.

As noted above, the influence of business elites over state decision-making became stronger during the third successive period of the Morales government, with state authorities making significant concessions to business demands. Not only did the government appreciate the importance of private investment as a complement to that of the state, but business organisations became increasingly confident of their ability to press their demands in specific ways. Still, the process by which Morales was finally ousted owed much to the tactical mistakes committed by the government, and in par-

16. The overturning of the Vizcarra government in November 2020 was the result of opposition interests, strongly represented in Congress, which identified dangers in his policies of anti-corruption. They attacked the president for supposedly engaging in corrupt activities when he was governor of Moquegua between 2011 and 2014.
17. The mobilisations that came about as a result of Vizcarra's impeachment revealed widespread social discontent but in a form that was spontaneous and unstructured.
18. The Comité Pro Santa Cruz, to which key business interests were closely linked, played a crucial role in the overthrow of Morales, especially its then president, Fernando Camacho.

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org

ticular Morales' insistence in standing for a fourth term irrespective of the 'no' vote registered in the referendum of February 2016.[19]

The 'coup' that finally removed Morales from office, propagated by interests from Santa Cruz, was widely welcomed by the private sector. The CEPB made no secret of its satisfaction with the removal of a government that it considered excessively interventionist and beholden to worker interests and the COB. The disturbances that followed the controversial October 2019 elections were reminiscent of those that had shaken the country in 2008 but which Morales had managed to overcome.

However, the return of the MAS to office following the elections of October 2020 underlined the incapacity of Bolivia's elite to construct for itself a popular base. The 'interim' government of Jeanine Añez, which had sought to reverse many of the policies of the Morales government, was finally obliged as a result of popular pressure, to hold elections. In these Luis Arce, the MAS candidate, won an overwhelming victory with 55% of the vote. However, at the time of writing, it remained to be seen how Bolivia's elite, especially that of Santa Cruz, would respond and, indeed, the extent to which the new government would seek to reach some sort of accommodation with it.

Conclusions

I set out to look at the limits to democratic 'deepening' posed by the force of elite (or 'oligarchic') interests and given the shifts in the power 'tectonics' exercised by these and popular movements over time. Despite similarities, Peru and Bolivia provide some striking contrasts in the relative power of these two forces at different times over the last 80 years or so amid different phases of the historical development cycle. This long-run view shows how such power relations can change, often in unpredictable ways.

The Bolivian story points to the weakness of elites compared to those of Peru in imposing their preferred policy priorities on state actors. It also

19. The 2016 referendum was a narrow win for those opposing Morales' bid for re-election. It led to a growing opposition movement led, for the most part, by former president Carlos Mesa (2003-2005). Mesa came second in the 2019 elections and was a forceful voice in declaring these fraudulent. The veracity of such claims remained in some doubt at the time of writing. The declared outcome put Morales in first place with a 10% margin of difference between himself and Mesa, enabling him to claim he had won on the first round.

points to the perseverance of social movements and their ability to maintain and, at times, impose their agenda and displace the power of elites altogether. The Peruvian story points, by contrast, to the continuities in elite power, even at times (as under the Velasco government) when they found themselves on the defensive.

With respect to sustaining and deepening democratic governance, both countries show how difficult it has been to establish some sort of equilibrium in which the interests of business harmonise with those of popular sectors in ways that help stabilise politics and legitimate government. The recent turn in events in Bolivia suggests that, despite attempts to appeal to the private sector, there is only limited elite tolerance for governments that seek to modify the rules of economic engagement and redistribute social benefits. It also suggests that the electoral power of the popular movement is capable of overturning right-wing governments that represent the interests only of a small minority.

The strengthening of democratic institutions in these two countries, and in Latin America more broadly, will depend on finding the formula whereby elites and popular movements, separated by social rifts of deep inequalities, can find common purpose.

The private sector has signally failed in both countries to develop a political party of broad appeal that is capable of winning elections. The MNR tried to do so in Bolivia in the 1990s but failed, while in Peru the party structures that have fought elections since 2000 lack any firm footing in society and therefore enjoy limited legitimacy. Popular organisations, by contrast, managed to win power in Bolivia both in the 1950s and again after 2006, but found it difficult to establish a stable and mutually respectful relationship with the business sector.

Attempts in both countries by business elites to widen their political appeal within a broadly democratic setting have failed to gain much traction. In Peru, the supporters of *fujimorismo* have appealed to varieties of religious conservatism, not least among rapidly expanding evangelical groups; in Bolivia those who ousted Morales in 2019 appealed to traditional Catholic and racist values as a counterpoint to Morales' pro-indigenous leanings. But both countries have found it hard to establish political institutions and practices in which elite power is prepared to adapt itself to shifts in political power involving greater participation, inclusion and redistribution.

As Foweraker (2018) suggests, the strengthening of democratic institutions in these two countries, and in Latin America more broadly, will depend on finding the formula whereby elites and popular movements, separated by social rifts of deep inequalities, can find common purpose. Meanwhile, democratic

'deepening', meaning growing involvement of previously excluded people in decision making, will run into constant opposition from established elites when the power of 'voice' challenges the status quo.

Bibliographical references

Aguirre, Carlos (eds.) and Paulo Drinot. *The Peculiar Revolution: Rethinking the Peruvian Experiment under Military Rule* Austin: University of Texas Press, 2017.

Anria, Santiago. *When Movements Become Parties: the Bolivian MAS in Comparative Perspective* Cambridge: Cambridge University Press, 2019.

Arce, Moisés. *El fujimorismo y la reforma del mercado en la sociedad peruana.* Lima: Instituto de Estudios Peruanos, 2010.

Bauer, Richard and Sally Bowen *La fórmula boliviana: del capitalismo del estado a la capitalización* Santiago de Chile: McGraw-Hill Interamericana de Chile, 1997.

Bartell, Ernest, and Leigh Payne. *Business and Democracy in Latin America.* Pittsburgh: University of Pittsburgh Press, 1995.

Bebbington, Anthony, ed. *Social Conflict, Economic Development and Extractive Industry: Evidence from South America* Abingdon: Routledge, 2013.

Conaghan, Catherine and James Malloy. *Unsettling Statecraft: Democracy and Neoliberalism in the Central Andes.* Pittsburgh: University of Pittsburgh Press, 1994.

Conaghan, Catherine. 'The Private Sector and the Public Transcript: the Political Mobilization of Business in Bolivia' in Ernest Bartell and Leigh Payne (eds.) *Business and Democracy in Latin America* Pittsburgh: University of Pittsburgh Press, 1995.

Crabtree, John. *Peru under Garcia: an Opportunity Lost* Basingstoke: Macmillan, 1991.

Crabtree, John. *Patterns of Protest: Politics and Social Movements in Bolivia* London: Latin America Bureau, 2005.

Crabtree, John and Ann Chaplin. *Bolivia: Processes of Change* London: Zed Books, 2013.

Crabtree, John, and Francisco Durand. *Peru: Elite Power and Political Capture.* London: Zed Books, 2017.

Durand, Francisco. *Cuando el poder extractivo captura el Estado: lobbies, puertas giratorias y paquetazo ambiental en el Perú.* Lima: Oxfam, 2016.

Durand, Francisco. *Odebrecht: la empresa que capturaba gobiernos* Lima: Oxfam and Pontificia Universidad Católica del Perú, 2018.

Field, Thomas *From Development to Dictatorship: Bolivia and the Alliance for Progress in the Kennedy Era* Ithaca: Cornell University Press, 2014.

Foweraker, Joe. *Polity: Demystifying Democracy in Latin America and Beyond* Boulder and London: Lynne Rienner, 2018.

Grisaffi, Thomas. *Coca Yes, Cocaine No: How Bolivia's Coca Growers Reshaped Democracy* Durham and London: Duke University Press, 2019.

Hagopian, Frances. 'Traditional Power Structures and Democratic Governance in Latin America' in Jorge I. Domínguez and Abraham Lowenthal (eds.). *Constructing Democratic Governance: Latin America and the Caribbean in the 1990s. Themes and Issues*. Baltimore: Johns Hopkins University Press, 1996.

Klarén, Peter *Peru: Society and Nationhood in the Andes* New York and Oxford: Oxford University Press. 2000.

Klein, Herbert S. *A Concise History of Bolivia* Cambridge: Cambridge University Press, 2011.

Lowenthal, Abraham *The Peruvian Experiment: Continuity and Change under Military Rule* Princeton: Princeton University Press, 1975.

Lowenthal, Abraham, and Cynthia McClintock (eds.) *The Peruvian Experiment Reconsidered* Princeton: Princeton University Press, 1983.

Madrid, Raúl *The Rise of Ethnic Politics in Latin America* New York: Cambridge University Press, 2012.

Malloy, James M. and Richard S. Thorn (eds.) *Beyond the Revolution: Bolivia since 1952* Pittsburgh: University of Pittsburgh Press, 1971.

Molina, Fernando *Modos de privilegio: alta burguesía y alta gerencia en la Bolivia contemporánea* La Paz: Vicepresidencia del Estado Boliviano de Bolivia, Centro de Investigación Sociales and Oxfam, 2019.

O'Donnell, Guillermo, Philippe Schmitter and Laurence Whitehead Transitions from Authoritarian Rule: Comparative Perspectives. Baltimore and London: Johns Hopkins University Press, 1986.

Olivera, Oscar and Tom Lewis *Cochabamba: Water War in Bolivia*. Cambridge MA: South End Press, 2004.

Panfichi, Aldo 'Contentious Representation and its Impact in Contemporary Peru' in John Crabtree (ed.) *Fractured Politics: Peruvian Democracy Past and Present* London: Institute for the Study of the Americas, 2011.

Postero, Nancy *The Indigenous State: Race, Politics and Performance in Plurinational Bolivia* Oakland: University of California Press, 2017.

Silva, Eduardo and Federico M. Rossi *Reshaping the Political Arena in Latin America: From Resisting Neoliberalism to the Second Incorporation*. Pittsburgh: Pittsburgh University Press, 2018.

Thorp, Rosemary and Geoffrey Bertram *Peru 1890-1977: Growth and Policy in an Open Economy*. London: Macmillan, 1978.

Wise, Carol *Reinventando el Estado: estratégia económica y cambio institucional en el Perú* Lima: Universidad del Pacífico, 2002.

Wolff, Jonas 'Business Power and the Politics of Neoliberalism: Relations between Governments and Economic Elites in Bolivia and Ecuador' *Latin American Politics and Society* 58:2 124-147, 2016.

Zuazo, Moira *Cómo nació el MAS: la ruralización de la política en Bolivia* La Paz: Friedrich Ebert Stiftung, 2008.

ISSN:1133-6595 – E-ISSN:2013-035X – www.cidob.org