Institute of Social Studies

Graduate School of Development Studies

Bursting the Microfinance Bubble: On Fragile Claims to Post-Capitalist Governance In Venezuela and Bolivia

A Research Paper presented by:

Monica Cepak

(The United States)

in partial fulfilment of the requirements for obtaining the degree of
MASTERS OF ARTS IN DEVELOPMENT STUDIES

Specialisation:

Governance and Democracy
(G&D)

Members of the examining committee:

Dr. Karim Knio (supervisor)
Dr. Anirban Dasgupta (reader)

The Hague, The Netherlands
September, 2009

Disclaimer:

Inquiries:

Postal address:	Institute of Social Studies P.O. Box 29776 2502 LT The Hague The Netherlands
Location:	Kortenaerkade 12 2518 AX The Hague The Netherlands
Telephone:	+31 70 426 0460
Fax:	+31 70 426 0799

Contents

List of Figures

List of Acronyms

BANDES	The Bank of Economic and Social Development
BDP	The Bank of Productive Development
ISI	Import Substitution Industrialization
MoR	Mode of Regulation
PDVSA	Petróleos de Venezuela
RoA	Regime of Accumulation
VOC	Varieties of Capitalism
YPFB	Yacimientos Petroliferos Fiscales Bolivianos

Abstract

Post-capitalist declarations aside, Venezuela's President Hugo Chávez and Bolivian President Evo Morales have both recently introduced their own state-run microfinance banks. To fully grasp the nature of the Bolivarian Revolution's "new" social economic paradigm, it is first necessary though to consider how and why capitalist systems differ in an institutional manner. Accordingly, the following research will employ a French Regulation School theoretical scope, which offers a holistic, systematic approach for explaining productive logics, in particular, capitalist evolution or non-evolution over time. Attempts to classify the diverse nature of capitalist varieties in today's neoliberal era have, in fact, largely ignored the Third World experience. By mapping the interactions between growth patterns, institutional compromises and social norms underpinning periods of capitalist stability in Latin America, this paper will move beyond current theorization on the historical trajectory of capitalism to identify a hybrid, rentier growth model.

Using the case study of microfinance, the objective of this research is to therefore offer a neoliberal, populist interpretation of Latin America's so-called, alternative economic model. How post-capitalist then are Hugo Chávez's and Evo Morales' "post-neoliberal" movements? Can we really make reference to a new dynamic of capital accumulation when state-run microfinance banks continue to operate as agents of industrial development, providing loans, moreover, to Venezuela's oil and Bolivia's natural gas sectors?

Relevance to Development Studies

The 1980s in Latin America are often referred to as "the lost decade" of macroeconomic decline, beginning with Mexico's debt crisis in 1982, which prompted a decade of negative growth rates throughout the region. A series of subsequent Washington Consensus and Post-Washington Consensus institutional reforms, have yet though, to dramatically improve poverty figures in Latin America. Today, the region actually displays the highest levels of inequality in the world, which has fuelled a renewed interest in the role that microfinance may play in relieving economic downturn. Still, because micro-lending is often used as a form of "crisis-management," containing both the crises of global poverty and global capitalism, it effectively absorbs democratic demands into a market-oriented, neoliberal economic paradigm. As such, "poverty alleviation with profits" remains a politically contentious road to development.

Keywords

Post-Fordism, microfinance, populism, ISI, rentier capitalism, RoA, MoR

Chapter 1: Introduction

Microfinance is all too often hailed as the new cure-all for global poverty, promising to bring credit-based development to much of the Third World. In 2004, former Secretary General of The United Nations, Kofi Annan, himself dubbed the practice "one of the success stories of the last decade."[1] For those marginalized by the formal banking sector, microfinance is today's happy solution to growing democratic deficits. The development scheme boasts repayment rates as high as 95% all the while claiming to address gender, health and youth education issues (Women's World Banking, 2005). Still, despite proclamations of success, it remains unclear if small and medium-size enterprise lending in fact fosters long-term economic growth and whether or not its wholesale application confronts the basic structural problems of underdevelopment - those very shortcomings which obliged pro-poor banking in the first place (Mahmud 2003; Morduch 1998, 2000). Endowing "clients" with loans in an already over-crowded market, generates, at best, marginal social and economic betterment, even exacerbating at times the income inequality between middle and low-income families (Hulme 2000, 2008; Bello, 2006).

The banking phenomenon known as "microfinance" first emerged in the public sphere during the late 1970s and 1980s, when civil society organizations saw group lending as a solution to the structural adjustment programs of the now infamous "Washington Consensus" policy agenda, endorsed by The World Bank and International Monetary Fund (IMF) and characterized by market liberalizations and tight monetary policies.[2] The IMF's subsequent moral bankruptcy, however, also increased the political scope for certain low income countries to invest in social protection schemes, with micro-lending becoming an institutionalized form of crisis management.[3] It is in this context of policy de-legitimization that the Post-Washington Consensus materialized by the late 1990s to espouse finance-led development as a necessary social and political safety net. More recently, its spirit of "social entrepreneurship" has expanded, becoming co-opted by formal institutions (known simply as microfinance financial institutions or MFIs) and in some cases, the State. While the Washington Consensus focused on aggregate growth rates, Post-Washington Consensus policies evoke correlations between

---

[1] Quoted in Thomas Dichter (2008). "Hype and Hope: The Worrisome State of the Microcredit Movement." *The Microfinance Gateway*.

[2] For further elaboration on the Washington Consensus policy agenda see Appendix A.

[3] In general, because IMF structural adjustment programs have largely failed to generate the economic growth promised to the developing world, it has lost much of its political legitimacy. Argentina's 2001 peso crisis is often cited as a clear example of how the IMF's recommendations for tight fiscal and monetary policies often result in high inflation and unemployment. From 2003 – 2006, the IMF's outstanding credit actually decreased from USD $104 billion to USD $28 billion, which suggests a growing reluctance to engage with the international credit organization (Stiglitz, 2008: 314).

growth, openness and institutional reforms, offering a more "humane" path to neoliberal economic development (Williamson 1990, 1999). See Appendix B for a more detailed overview of the Post-Washington Consensus modus operandi.

Amidst the backdrop of global financial crisis today, neoliberalism has come under fire precisely for its finance-led investment plans and feeble attempts at applying a "humanist" logic. The year 2008 will, after all, go down in history as the worst economic crisis to befall global capitalism since the 1930s. It is interesting then that Latin America's most anti-neoliberal, "leftist" governments have introduced their own state-run microfinance banks, moving beyond what is typically considered an appropriate role for government e.g. ensuring economic stability and legislative clarity, vis-à-vis micro-lending.[4] Beginning in 2001 in Venezuela (The Bank of Economic and Social Development or BANDES) and in Bolivia in 2008 (The Productive Development Bank Joint Company or BDP), national microfinance banks have been introduced alongside a series of "revolutionary," social economic reforms, offering customers exceptionally low interest rates, ranging anywhere from 5-9% (this rate is, in fact, well below what many international aid organizations adhere to).[5] Surprisingly, it appears that even Latin America's "Socialism for the 21st Century" remains committed a finance-led, market system.

1.1 Research Objective

Applying the methodology of the French Regulation School to a case study of microfinance (a theoretical scope which offers insight into the diachronic interactions between a regime of capital accumulation and the legitimizing institutional forms which uphold its social relations of production), the objective of this research is to empirically demonstrate that the only structural change in Venezuela and Bolivia under the leadership of Hugo Chávez and Evo Morales has been an *institutional* one, while a market-oriented regime of capital accumulation remains largely in tact. In other words, by contextualizing institutional change, I will systematically decipher if the label "post-capitalist revolution" accurately represents Latin America's "Bolivarian Revolution." The choice of case studies logically points to the front runners of the region's latest political novelty, and to the material conditions underlying forms of capital accumulation here. For these reasons, highlighting the role that microfinance plays in Venezuela's and Bolivia's state-led development regimes will serve as the main objective of this paper. The two countries are

---

4 Such radical political shifts did not, however, formalize in countries with a long history of leftist traditions, as would be expected in Brazil, Chile, Argentina or Uruguay (now Social Democracies) where workers' movements had secured a place in political discourse during the industrialization process of the 1960s (Sader, 2008).

5 See Oxfam International's 1997 publication, *Microfinance and Poverty Reduction,* which justifies the imposition of high interest rates on micro-loans: Johnson, S. and Rogaly, B. (1997). *Microfinance and Poverty Reduction*. Oxfam Development Guidelines.

unique not only because they have collectively assumed the role of ushering in a new, anti-capitalist reality for Latin American, but also because both have assigned a particularly prominent role to newly nationalized micro-lending banks as agents of industrial sector growth.

1.2 Research Questions

1. How post-capitalist are Hugo Chávez's and Evo Morales' "post-neoliberal" movements?

2. Can we really make reference to a new regime of capital accumulation when state-run microfinance banks continue to operate as agents of industrial development?

3. Given the permanence of microfinance as a state-led development regime, to what extent are Venezuela's and Bolivia's "social economies" still embedded then in a state/market paradigm?

1.3 Sub-Research Questions

1. How, moreover, does an implicit recognition that undercapitalized banks are an impediment to economic growth uphold a fundamentally capitalist mode of capital accumulation?

2. How is micro-credit applied as a political safety net, introducing the poor to global capitalism and harnessing the power of clientelism?

1.4 In the Business of Crisis Management

Both Venezuela's President Hugo Chávez and Bolivian President Evo Morales profess to be governing under the mantra of new political and economic innovation, distinct, moreover, from the realm of traditional capitalism. Addressing the "crisis of neoliberalism," it is worth noting that both political endeavors have replied to a perceived *systemic* crisis and have gone about remedying economic failures apparently no longer solvable within the framework of "the system." As opposed to a conjectural crisis, or economic recession, structural crises, undertake economic or political restructuring to cure a specific shortcoming in the capitalist production model but similarly, leave the primacy of capitalism as a productive logic unchallenged. For example, the drive towards neoliberal restructuring during the 1980s was applied in the hopes of overcoming the structural crisis of stagflation, which plagued the American economy during the 1970s (D'Arcy, 2008).

Crisis deliberations are, of course, in no short supply and attempts at placing today's financial collapse as a juncture in the historical course of capitalist evolution are on the rise (Bina and Yaghmaian, 1989; Schumpeter, 1989; Simmons, 1999; Kitschelt, 1999; Hall and Soskice, 2001; Hodgson, 2002). While globally, efforts to surpass the new structural malaise hardly call for a rejection of "the system" as such. Hence, viewing microfinance as yet another crisis-management tool will serve to qualify the practice as one essentially tied the realm of capital consumption, often leaving the poor entangled in a cycle of financial market flux. In contrast to Milton Friedman's (1962) "humanizing capital" thesis, which seeks to involve the poor as active participants in capitalist development, the following research adopts a mutual understanding of the crisis of global capitalism and the crisis of global poverty, which are "constituted as one" (Weber, 2002: 554).

The crisis of global capitalism refers more broadly to the social costs of globalization's modernizing thrust. Thomas Freidman argues, for instance, that greater global connectivity has essentially "flattened" the Earth and created a level playing field of economic integration (Freidman, 2005). The nature and frequency of crises in Latin America, however, suggests an alternate reality. The process of globalization or rapid increase in the pace of world markets has, in fact, fueled great concern over the social and political impacts of free market convergence. Hardt and Negri propose the idea of a global "Empire" or new form of capitalist sovereignty that is "composed of a series of national and supranational organisms united under a single logic of rule" (Hardt and Negri, 2000: pxii). When combined with Fukuyama's "End of History" premise, globalization also involves the juncture of liberal democratic principles, privileging democracy as the ideal form of government for development throughout the world (Fukuyama, 1992). Yet, if we view the process of globalization not as an end to history but rather as Katz points out, "a new period of [capital] accumulation…sustained by the recomposition of profits…by transfers of major international imbalances to the weakest economies," a holistic political economy approach is needed to place microfinance within its proper global, macro-economic capitalist framework (2007: 1).

Heloise Weber more specifically de-constructs the façade of pro-poor banking by arguing that micro-credit "facilitates financial sector liberalization and the global trade in financial services" (2002: 537). Because the practice is functionally embedded in the global political economy as a "strategy of crisis management," micro-credit provokes "salient local ramifications as well as crucial multi-level policy implications" (Weber, 2002: 539). In serving as a "political safety net," micro-lending effectively quells local resistance to contractionary national or international monetary and fiscal policies. According to Weber, Karl Polanyi's (1944) "double movement" thesis best informs an understanding of the contemporary interaction between the crises of global poverty and capitalism, which are situated in this historical process of crisis management.

Polanyi refers to a "double-movement" to describe the process by which markets first emerged under the banner of "liberalism" (based on the principles of individual liberty and later associated with laissez faire economics and the free market) but initially employed social allies to gain legitimacy. Yet, when capitalism evolves at the expense of these social roots (effectively disembedding itself), then a second movement spontaneously surfaces to counter-act the first, taking the form, as Polanyi predicts, of an elite-driven, anti-neoliberal uprising. As he states, society will inevitably protect itself "against the perils inherent in a self-regulating market system" (1944: 76). To demonstrate this point, Weber refers to the 1970s, when efforts to revive the market saw policymaking limits at national levels. By the 1980s economic reforms had extended "the dynamic of the 'second movement' to the level of the 'local' or the 'life world,' prompting a further *counter*-response focused on problems of micro-level risk management," with the application of micro-lending serving as a political safety net to contain this more local second movement (Weber, 2002: 554).

In his seminal text, *The Great Transformation* (1944) Polanyi outlines this predictable trajectory of industrial capitalism, noting how an over-emphasis on markets leads to economic instability and consequently, crisis, particularly when commercial ventures become disembedded in "stark utopia" from social or state control. For him, the social and political relationships of reciprocity and redistribution are, on the other hand, those which ultimately govern an economic system: "The economic system will be run on non-economic motives" (Polanyi, 1944: 46). Offering a historical, sociological analysis of institutions, Polanyi's perspective is useful because it details how markets may ultimately be understood as a reflection of historically specific, permanently changing "social relationships." Because capitalism is subject to these societal and institutional forces, how then might we view capitalist evolution and the preconditions necessary for a paradigmatic shift? Even more basically, how is the nature of capitalism to be conceptualized? Why, also, do capitalist systems differ in an institutional manner? To answer these questions, the following research will therefore employ an analytical framework that takes into account the key variables guiding capitalist evolution, more specifically, mapping how patterns of macroeconomic growth engage with periods of crisis.

Treating microfinance as a form of crisis-management therefore points in the direction of a French Regulation School theoretical lens for deconstructing both Venezuela's and Bolivia's micro-credit experiments – a mode of analysis whose prescriptions most systematically delineate crisis as a period of new socio-political genesis. Regulation Theory is useful precisely because it offers a holistic approach for explaining capitalist evolution or non-evolution over time (Aglietta, 1979; Lipietz, 1985; Boyer, 1990). According to Robert Boyer, regulation theory at its most fundamental level, seeks to analyze "the long-term transformation in capitalist economies and their consequences for growth patterns and cyclical adjustments" (2004: 1). Hence, using microfinance as a case study, I will comparatively de-construct Chavez's and Morales' claims to regime change by exposing these governments as unequivocally populist in nature (according to Demmer's definition of *neoliberal populism* which will be explained below). The use of microfinance schemes is perhaps suggestive then of capitalist *permanence* because micro-lending effectively serves to "manage" crisis and thus abet the institutionalization of a new anti-capitalist growth model.

By waving an anti-establishment banner, one should expect to find a new "game in town," operating under a distinct market-state motivation. The type and nature of market-state interactions are therefore of key importance in categorizing the birth of a new capital accumulation regime. To contextualize the "Bolivarian" phenomenon within the French Regulation School, my research will rely on long-term analysis (beginning in the 1950s at the height of Latin America's Import Substitution Industrialization or ISI process) [6] to uncover the historical as well as political-economic trends associated with a given regime of capital accumulation (RoA) or system of capital creation, circulation and distribution, and a mode of regulation (MoR) or those written and unwritten norms in society underpinning institutional capitalist forms.

According to Regulation Theory, it is precisely the interaction between RoAs and MoRs that shapes the nature of capitalism's long-dureé and determines which one of four principal growth models it assumes: either a capital extensive, capital intensive, Fordist or Post-Fordist (Taylorist) production scheme (Boyer, 1990). While current theorization points to four such "capitalist forms," particularly in Boyer's scholarly contributions (1990, 2002, 2004, 2005), the findings of this research may very well uncover a fifth. Specifically because the latter categorization is a largely Euro-Centric one, delving deeper into the Latin American capitalist experience might point to a new growth regime, ripe with its own unique MoR and RoA interactions. Ominami (1986), for instance, already departs from previous detections and highlights the inherent diversity of the Third World capitalist experience, even allowing for hybrid forms. His contribution identifies a pre-industrial, rent-seeking/rentier, inward looking industrialization, Taylorist and/or a mixed variant (120 - 49).

Regulation Theory's raison d'etre according to Lipietz (1987) is ultimately to demonstrate that the "development of capitalism in any given country is first and foremost the outcome of internal class struggles, which result in embryonic regimes of accumulation being consolidated by forms of regulation that are backed up by the local state" (29). It is in this vein then that I will attempt to detail how the diachronic interaction between RoAs and MoRs influences (or does not influence) a systemic capitalist "defeat" in Bolivia and Venezuela. In order to do so, however, I will consider Boyer's (2004) 5 key codifications or key institutional forms in a national economy which coalesce to produce a unique capitalist variety, be it market-oriented, meso-corporatist, statist or social-democratic:

Figure 1: The Five Institutional Forms in a National Economy

1. Forms of monetary constraints (the monetary or financial regime in place)
2. The wage-labor nexus (the organization and hierarchy of work and formation of wages)
3. Forms of competition (whether is be competitive or monopolistic)
4. Incorporation into the international regime
5. State forms (whether they be limited or embedded)

Source: (Boyer and Saillard 2002); (Boyer, 2004).

[6] See Appendix C for a comprehensive definition of ISI.

Applied for the first time to a case study of microfinance, I will assess how RoAs and MoRs interact along these five key codifications in Venezuela and Bolivia, arguing, moreover, that the organization of capital creation, circulation and distribution has remained largely unchanged in these national settings, despite a presidential rhetoric which would suggest otherwise. Essentially, this research intends to lend empirical credence to a populist interpretation of Latin America's so-called "alternative," Bolivarian path to governance.

Although purporting new anti-capitalist systems, it bears noting that Chávez and Morales' re-founding has still largely taken place within "the democratic system," vaguely approaching what most scholars would classify as socialism (Osava, 2006). In fact, no socialist movement has ever materialized around a period of economic crisis. According to Claudio Katz, a member of the Economists of the Left in Argentina, the recent political shift in Latin America rather consolidated around 6 key factors: "material conditions, relations of social forces, social subjects, popular consciousness, institutional frameworks and the organization of the oppressed" (Katz, 2007: 1). Interestingly, Katz points out that all previous "socialist" revolutions responded to either conditions of war, colonial occupation or authoritarian oppression, never directly in the case of economic decline.[7] Marta Lagos, executive director of Latinobarómetro (a Chilean non-governmental research organization that carries out annual polls in 18 Latin American countries) similarly argues that while many leftist governments focus on "the construction of social safety nets to provide support for the most vulnerable," they do so within the framework of relatively "conservative" economic policies (quoted in Sader, 2008). The persistence of micro-finance as a form of crisis-management and its contributions to macroeconomic growth therefore undermine any socialist musings, and are, moreover, suggestive of mere institutional restructuring.

1.5 Hypothesis

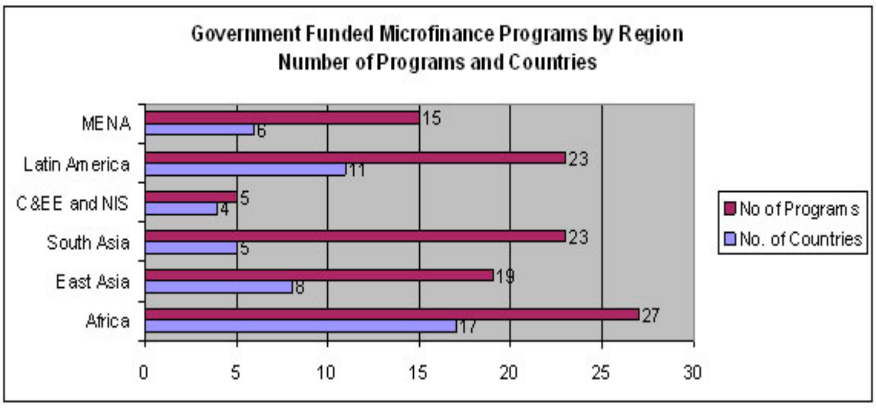
The hypothesis of this research therefore expects to find the productive heart of both the Venezuelan and Bolivian governments suspended in the capital-intensive production model of ISI, although with increased market participation, as state-sponsored micro-lending would suggest, a Post-Fordist growth model also applies. While a rhetorical, paradigmatic shift may have occurred, material circumstances remain entrenched in unwavering forms of capital accumulation. I hypothesize then that there is no crisis in the RoA but rather in the MoRs. For this reason, the MoRs functioning in Venezuela and Bolivia will serve as the dependent variables for this research.

[7] Whether it was the Bolsheviks that seized power in Russia during WWI or the Cuban revolution in 1959, the majority of these movements took place during the post-WWII period of "record capitalist growth" (Katz, 2007: 1).

1.6 The Latin American Context

Commercial microfinance schemes have been the norm in Latin America for over the past 15 years, shifting more recently under the leadership of Presidents Hugo Chávez, and Evo Morales to nationalized systems. While commercial banks usually offer credit on an individual basis, group lending has become a more common form of micro-lending today, employing either a community-based organization (CBO) approach or solidarity group method. While the CBO strategy seeks to contribute to the future independence of its client, solidarity lending generates long-term clients. For this reason, the Latin American solidarity group experience departs from the original Bangladeshi Grameen Model (and subsequent South Asian adaptations), the latter seeking to incorporate groups into the institutional fabric of its banks. Initially, microfinance organizations in Latin America materialized under NGO frameworks, lending though village banking and operating when formal financial institutions were unwilling to adopt social missions due to high transaction costs. Now many of these programs are, however, beginning to receive state funding according to a 2008 CGAP Report (The Consultative Group to Assist the Poor). [8] Latin America as a region, in fact, ranks second overall in terms of total government-funded microfinance programs. See Figure 2 below.

Figure 2: Government Funded Microfinance Programs (2008)



Source: CGAP Research on Government Funding of Retail Microfinance, 2008

[8] A development agency part of the World Bank, the CGAP was founded by the G8 member countries and has recently expanded to include 33 new members and the European Union. Agencies include: UNDP, ILO, USAID, UNCDF, DFID, AusAID, NORAD, Sida, Ford Foundation and The Bill and Melinda Gates Foundation.

The State is clearly taking a more active role in funding microfinance.[9] Hoping to build more productive and independent capital, and fueled by an official State decree, Venezuela and Bolivia have even gone so far as to introduce their own versions of micro-banking. Comparable initiatives have taken place in Mexico and Colombia but do not echo an equal concern for social economics nor do they make claims to a new model of capital accumulation. Venezuela's and Bolivia's "anti-establishment" declarations likely are upheld then by what Kanishka Jayasuriya (2005) has termed "the new welfare governance," which signals a move from social constitutionalism to economic constitutionalism, in this case, blending constitutional reforms with microfinance safety nets. For example, contemporary forms of welfare governance capitalize on "liberal subjects…that are ethically embedded in the productive sphere of the economy" (Jayasuriya, 2005: 250). A focus on market inclusion in a system of wealth redistribution means moreover that, "this new constitutional order is not confined merely to formal legal practices, but also pertains to the broader set of state-society relations as well as the guiding normative principles of the political order" (Jayasuriya, 2005: 235). The *institutional* entrenchment of a "market logic" means, moreover, that a system of welfare governance is inevitably linked to capitalist processes as well as related to populist politics.

1.7 On Populism

According to Ernesto Laclau "the [discursive] logic of difference" is often employed by populist leaders such as Chávez and Morales to justify regime change for a welfare state, supplanting popular dissatisfaction with material accommodations (Laclau, 2005: 78-79). To what extent then may Chavez and Morales be considered populist leaders? Populism, as the term is commonly invoked, extends however far beyond simple anti-establishment interpretations and must be located within its proper contemporary historical and political context. Coniff, for example, outlines a fundamentally political definition of populism as a governance system in which a leader manipulates a charismatic bond with his/her electorate for voting purposes (1999: 4-7). The harnessing of an "us versus them" language often leads to vertical decision-making practices, typical of Argentina's Juan Perón during the 1940s and 50s. What differentiates a populist movement, moreover, is its multi-class composition, allowing for an "elite-challenging, economic-nationalist policy

[9] In fact, according to a 2008 study conducted by the Consultative Group to Assist the Poor (CGAP), 51 "developing world" governments are engaged in some form of microfinance funding. Mexico's government, for example, has introduced 30 such programs while at least five programs are present in China, six in Nepal and seven in India. The CGAP research notes the logic for such programs cites combating poverty as well as improved rural development.

agenda" (Coniff, 1999: 14).[10] As Steve Ellner further notes, while "classical populists" appeal to lower and middle classes, usually in urban settings, neo-populists make strong appeals to the informal sector (Ellner, 2003: 1). Locating the Chávez and Morales governments along this spectrum is therefore contingent on an understating of the nature of capital production as well as the formal and informal terms of labor market inclusion.

According to Steve Ellner (2003), the rhetoric employed by Chávez actually resonates more with the characteristics of classical populism than with the privatization schemes of Menem and Fujimori during the 1990s (70). On the other hand, for scholars such as Weyland (2000), there are simply too many "affinities between neo-populism and neoliberalism" to overlook, since neoliberal policy prescriptions allow for populist presidents to ignore certain economic organizations e.g. trade unions, that had previously benefited from the state, allowing for a more direct appeal to the poor and consequently concentration of power in the presidency (181-89). This condition is referred to by Demmer (2001) as a "mix of neoliberalism and presidentialism" which "is perceived as a means to ensure populists their political legitimacy by preventing the economic inefficiencies of prior state interventionism" (xi-xii). Hence, conceptually linking Chávez and Morales to past populists e.g. Perón and Fujimori would be historically deterministic as both cases represent "a rather unique and complex phenomenon" (Ellner 2003: 226).

Demmer's account of populism is consequently most applicable to this research undertaking because it applies a political economy perspective to the evolution of populism. In particular, he distinguishes between three phases of populism: the "classic populism" of the 1930s-1960s, "late populism" of the 1970s-1980s and finally, "neoliberal populism" of the 1980s-1990s (Demmer, 2001: 2). Placing greater weigh on the political economy of populist regimes, Demmer's evaluation focuses less on individual personalities and more on the political-economic processes underpinning popular mobilizations - echoing a French Regulation agenda, which also attempts to apply a systematic political economy analysis to capitalist evolutions. This paper will additionally argue then that neoliberal populism has advanced into the 21st century. To validate this claim, however, it is necessary first to subscribe to a particular understanding of neoliberalism.

1.8 On Neoliberalism

As Andrew Gamble (2006) rightly points out, there is simply no pure functional form of neoliberalism and defining "it" remains a truly Herculean task. Rather, neoliberalism operates with "two faces" - that of a political ideology on the one hand, and a political economic agenda on the other. Some scholars, most notably Rachel Turner (2008), ultimately view neoliberalism as an ideological project rooted in the 1940s revival and following *re-invention* of

[10] This characterization points to the consolidation of "neo-populism" during the 1990s as practiced by former Peruvian President Alberto Fujimori and Argentina's Carlos Menem.

"liberalism," with a special commitment to the ideas of a limited state and free economy, which reacted to the post-WWII collectivism taking shape in Western Europe at the time. See Appendix D for more details regarding Turner's argument. Gamble (2008) adds that neoliberalism is fundamentally also a political economic system with competing laissez-faire and social market strands, and hence, inherently contradictory because for a market system to flourish it must rely on an active state to create enabling institutions (22). Yet, Gamble still fails to sufficiently weigh the underlying material factors responsible for institutional change, and hence, privileges the role of interpretation in the course of neoliberal governance.

Recognizing, on the other hand, that because markets ultimately need empire, David Harvey more accurately portrays markets as embedded social constructs. Harvey's (2005) characterization is, for this reason, more applicable to an analysis of microfinance because he discredits neoliberalism as a pure political ideology, opting for a more material vision of international political economy. His entry point is exactly this interplay between the economic and political and in this sense, Harvey's perspective fills the gap of previous accounts by understanding neoliberalism as a conscious *capitalist* project, rejecting an over-emphasis on the role of ideas in framing market principles. Rather, neoliberalism is to be viewed from the standpoint of the politics of production. Here, markets are *equivalent* to politics in a process of socio-economic restructuring. Neoliberalism is, "in the first instance, a theory of political economic practices that proposes human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong property rights, free markets and free trade" (Harvey, 2005: 2). Liberating "individual entrepreneurial freedoms and skills," is after all, microfinance's claim to fame. As Harvey further explains, neoliberalism actually functions by redistributing wealth rather than generating it i.e. promulgating capital "accumulation by dispossession" in contrast to capital accumulation via the expansion of waged labor (Harvey, 2005: 159). Again, the parallel with microfinance is applicable because a process of "accumulation by dispossession" is actually replacing the expansion of waged labor with a form of capital redistribution.

The following in depth look into state-run microfinance banks as neoliberal, populist projects in Venezuela and Bolivia will therefore begin with a brief description of the general context of microfinance, offering additional insights into Latin America's historical experience with micro-lending. Chapter 3 will provide a more detailed account of the French Regulation research methodology. Chapter 4 and 5 will next apply this logic to the case studies of BANDES and BDP with a subsequent comparative analysis and set of conclusions being offered in Chapter 6.

Chapter 2: The Microfinance Context

The United Nations officially designated 2005 "The International Year of Microcredit," raising the practice of offering small loans to low-income groups to new heights. The promise of microfinance relies of course on the premise that by simply "joining the global marketplace," the poor will find their way out of poverty (Flynn, 2007: 1). Its genesis is often attributed to microfinance guru, Muhammad Yunus, who started his Grameen Banking experiment in 1976 (later establishing the world's first *commercial* microfinance bank in 1983), which offered loans for micro-enterprise development to groups of Bangladeshi women during a time of famine (Yunus, 1999). [11]

Despite what appears to be a relatively short-lived existence, credit groups have, in fact, operated informally for centuries. The first formal system of credit was introduced by Jonathan Swift during the 1700s, lending to poor, collateral-less Irish families at a 20% interest rate. By the late 1800s, financial cooperatives were introduced in Germany and quickly spread throughout Europe as well as to the United Sates with variations making appearances in rural Latin America by the early 1990s. As Helms (2006) details, from 1950 - 1970s state-run financial institutions soon began channeling agricultural credit to farmers' cooperatives at low, sub-market interest rates but were largely unsuccessful because their subsidies were unable to cover the high costs of default (3). Still, during the 1970s, the majority of lending followed accordingly and targeted the agricultural sector (Cull *et. al.* 2008: 3). It wasn't until the late 1970s, though, that the Grameen Bank made its mark on development.[12] Further innovations during the 1980s, introduced by the Bank Rakayat in Indonesia (BRI), allowed for more sustainable micro-credit services with the application of cost-recovery interest rates, today expanding outreach to 30 million low-income users. These microfinance institutions (MFIs) are thought to have been successful by attracting investment capital and operating independently from government regulation (Helms, 2006: 4). During the late 1980s, the focus of microfinance hence shifted dramatically from farming communities to "non-farm enterprises," concentrating on economic activities practiced in village and town settings, although maintaining an inherent focus on women (Cull *et. al.* 2008: 4).

Robinson (2001) adds that, while during the 1980s microfinance provided "large-scale outreach profitability," the practice soon began "to development as an industry" by the 1990s (54). The term microfinance now including services such as insurance, and money transfers, and has replaced the old

[11] Under the Grameen model, no collateral is required to receive a loan but borrowers are asked to abide by "16 Decisions," which include a dedication to educating their children and maintaining the health of their families. As such, Yunus' Grameen Bank was the first successful solidarity-group micro-lending scheme and the program claims to have reduced Bangladesh' rate of poverty by 2% a year (Yunus, 1999).

[12] Although, ACCION International, operating in Latin America by 1961, had also laid important groundwork for investing in small businesses.

adage, "micro-credit." As such, greater attention is being given to the building of a financial service architecture, to incorporating formerly-excluded commercial players: "Over time the notion of microcredit broadened first from microcredit into microfinance then into the concept of building entire financial systems that serve their poor and low income communities" (CGAP Scenarios For 2015: 1). For these reasons, MFIs remain contentious forms of lending because the institutions utilize commercial finance for the purposes of alleviating poverty – an obvious conflict of interest for some critics. Others, on the other hand, argue that if interest rates are kept low, MFIs are constrained in their potential for greater profitability, suppressing their "competitive advantage" and impeding the USD $300 billion outreach required to meet the global demand for micro-loans[13] (Counts, 2007: 46). The line of reasoning follows that because resources are lacking to subsidize demand for credit, "no practical alternative exists to pursuing profitability and, ultimately, full commercial status," corroborating a seemingly "win-win" microfinance proposition (Cull *et. al.* 2008: 5). In fact, it is more expensive to offer several people small loans than it is to offer each person in a small group larger sums of money, which is why most micro-lending previously relied on subsidies and as a result, failed at efficient service delivery (Morduch, 1999: 1609).

2.1 The "Benefits" of Microfinance

For those in favor of increased micro-lending, the benefits include enhancing "households' abilities to cope with emergencies, [to] manage cash flow and [to] invest for the future" (Cull *et. al.* 2008: 4). Alex Counts (2008), in a recent *Stanford Social Innovation Review* publication, supports this belief, stating that, "poverty reduction and long-term business considerations reinforce each other" (52). Moreover, in its *Good Practices Guidelines for Microfinance*, the World Bank's Consultative Group to Assist the Poor (CGAP), which was created in 1995 to specifically link poverty reduction strategies with microcredit lending, extols the role that micro-lending plays as a key actor in the fight against poverty (2006: 3). In the CGAP's 2008 Annual Report, it was estimated that "nearly 3 billion poor people in developing countries lack access to the basic financial services needed to help them manage their precarious lives" (2008: 4). Access to credit is therefore increasingly being viewed as a means for individuals to improve both their productive capacity and reduce overall vulnerability. Moreover, because savings, credit and insurance schemes are usually understood in mutually constitutive roles, the poor in general are seen to have a difficult time saving and hence, must rely "on the promotional role of financial services as credit for investment" (Matin *et. al.* 2002: 276).

The CGAP firmly upholds then the need for financial system cohesion in guaranteeing successful lending. In other words, "Microfinance means building financial systems that serve the poor. Microfinance will reach its full potential only if it is integrated into a country's mainstream financial system" (2000: 4). Only by building "permanent" local financial institutions capable of attract-

[13] Currently, MFIs only provide USD $15 - $25 billion in loans globally.

ing domestic investments can loans be streamlined into the three key areas: the micro (service providers), meso (infrastructure and support services) and macro (legislation, regulation, supervision). The premise, nevertheless, remains market-driven - integration into the overall financial system for the purposes of "opening up" financial markets in developing countries (CGAP, 2000: 4).

This reliance on institutional building is significant because micro-lending increasingly relies on the assumption that "institutions can achieve greater efficiencies, and thus reduce costs" (CGAP, 2006: 11). In fact, MFIs, or those commercially oriented microfinance institutions, are not only collecting deposits but also "tapping into domestic and international capital markets to raise financing necessary to fuel growth," simultaneously becoming integrated into formal financial systems (CGAP, 2008: 8). According to the Inter-American Development Bank (IDB), for example, returns to capital for micro-loans are approximately 20%, confirming the practice as a profit-making venture. More recently, Wall Street has even entered the micro-lending market. In 2006, Morgan Stanely actually distributed $106 million worth of bonds to 65 microfinance institutions who then lent out the money in $100 to $500 amounts at 15-35% interest (Flynn, 2007: 7). The participation of commercial actors and international investment banks, has however, begun to shroud micro-lending in a contentious light.

2.2 Problematizing Micro-Lending Practices

Dichter (2008), among others, casts doubt on the potential of micro-credit to lead to "strong and flourishing economies" as "the movement engages in little serious impact study" and even engages in "microcredit evangelism" (2). This incongruity reveals how "the poorest people can do little productive with the credit, and the ones who can do the most with it are those who don't really need microcredit" (Dichter, 2008: 2). What is more, the paradox of micro-lending is that credit is often actually used for short-term consumption purposes and is not, contrary to popular belief, being invested in long-term productive ventures. And so, drawing a causal relationship between individuals paying back loans and the long-term rewards of credit is a hasty conjecture. Microfinance is, furthermore, not a job replacement program nor a system of skills training, which feasibly undermines any truly inclusive claim to sustainable poverty alleviation. Rather, in many contexts, "small grants, infrastructure improvements, employment and training programs and other non-financial services may be more appropriate" (Helms, 2006: 33). As Morduch (1999) adds, microfinance is also limited in its ability to alter patterns of employment because it "rarely generates new jobs…and success has been especially limited in regions with highly seasonal income patterns and low population densities" (1610). Anita Campion (2001) further details that historically, "microfinance has been particularly successful in densely populated urban areas and in countries with large informal sectors," which is hardly transferable to all national contexts (63).

The win-win proposition of microfinance as "poverty alleviation with profits" is thus, at best, a qualified premise, often moving "far ahead of the evidence, and even the most fundamental claims remain unsubstantiated" (Morduch, 1999: 1609). The language of "financial democracy," which is imbued, moreover, with the discourse on the right to financial services, only masks capitalist profits and fails to add to a "trickle down" effect (Flynn, 2007: 8). Walden Bello of the Amsterdam-based Transnational Institute (TNI) depicts microfinance precisely in this light, as a surface survival tool, far from any cure-all to global poverty, whilst "microcredit can [even] be seen as the safety net for millions of people destabilized by the large-scale-macro failures engendered by structural adjustment" (2006: 2).[14] Considering Latin America's experience with IMF-prescribed structural adjustment programs during the 1980s, the same applies here, where the trajectory of microfinance has taken on increasingly innovative forms.

2.3 Microfinance in Latin America

According to the Inter-American Development Bank (IDB), Latin America as a region represents 8 million micro-clients and supports 600 microfinance institutions, totaling a loan portfolio of approximately USD $9.2 billion (IDB, 2008). While these figures appear promising, the IDB, at a 2006 gathering in Washington D.C., documented that 360 million poor people in Latin America still did not have access to financial services while their purchasing power nears USD $510 billion per year (quoted in Flynn 2007: 3). What then has micro-lending's real effect been on Latin America, where 80% of the region's population remains poor and the three quarters of all workers are still employed in the informal sector (Katz, 2005)?

Brigit Helms in a 2006 CGAP publication entitled *Access for All: Building Inclusive Financial Systems*, distinguishes between four general categories of microfinance providers: informal (money lenders who offer short-term yet costly loans), member-owned financial cooperatives (such as financial cooperatives and credit unions), NGOs (such as the Grameen Bank which participates in group lending), and lastly formal financial institutions (2006: 56). The latter is, nevertheless, making itself more prevalent in Latin America today, with agricultural development and rural banking on the rise. Referring to Figure 3 below, we see that financial cooperatives also account for the highest percentage, 72%, of total loan balances per borrower as % of GNI per capita, in other words, as % of the region's average income per person.

[14] Bello cites the Chinese counter-example, where approximately 120 million Chinese have been lifted out of poverty from state-sponsored policy actions as opposed to micro-lending.

Figure 3: Institutional Categories of Microfinance in L. America (2006)

Latin America and the Caribbean in Numbers	Financial cooperatives	NGOs	Banks and NBFIs	All institutions
No. of borrowers (thousands)	12.6	17.0	36.0	21.0
Gross loan portfolio (million $)	35.2	10.1	36.9	22.1
Loan balance per borrower as % GNI per capita	72.2	47.3	71.7	58.4
Deposit per saver as % GNI per capita	30.9	55.3	213.4	129.3
Return on assets	-0.3	-1.0	1.4	-0.1
Costs per borrower ($)	156.2	150.3	224.7	176.1

Source: Helms, B. (2006: 9). *Access for All: Building Inclusive Financial Systems.* NBIF stands for non-bank financial institution.

As Helms further clarifies, Latin America as a region "has the longest tradition of commercially viable microfinance" (2006: 9). This approach actually represents one of two types of micro-lending: the individual approach over group lending schemes. Individual lending is usually employed by commercial banks while group lending harnesses the idea of peer pressure or "joint liability" to impose community retribution in cases of default. Group lending is said to be less expensive, although because operational costs are higher in the absence of real collateral, interest rates are set higher. In Latin America, a minimalist solidarity group approach is typically only implemented in urban settings while commercial banks (including state-run projects) are now increasingly reaching out to rural areas in the name of providing services to this under-capitalized sector (Thomas, 1995: 18). The application of commercial microfinance in a combination of individual and group loans which BANDES and BDP offer, has allowed these state banks to not only keep interest rates low, but also bridge the gap between urban and rural productive settings. Therefore, there is a growing consensus that government plays at least *some* role vis-à-vis microfinance, although the scope of this participation is debatable.

2.4 On the Role of Government

In general, the role of government in microfinance is seen to be limited to enabling financial services and maintaining macroeconomic stability through sound fiscal and monetary policies a.k.a. keeping interest rates high (CGAP, 2006: 17). Active government involvement is discouraged because subsidy support may create "dependency and disincentives that make matters worse, not better" (Murdoch, 1999: 1569). The assumption being made here of course is that when governments participate in lending to the poor they themselves do it poorly. Latin America's experience with micro-lending during the 1970s and 80s is actually a prime example of failed centralized banking, when many governments tried to subsidize credit programs which turned out to be unsustainable and which "generated a culture of not paying" (Bate, 2007: 2). The CGAP is of this same opinion that, "subsidized government lending programs…continue to undermine the development of sustainable financial services," giving rise to an acceptance and over-reliance of defaulting on government loans (2008: 10). Moreover, for those in favor of narrow attachments, "government-run credit programs generally distort markets, because they are subject to political rather than commercial imperatives" (CGAP, 2006: 18).

Greater state involvement is, on the other hand, then often inspired by the failure of microfinance to reach clients in rural areas (Bate, 2007: 3). Low-interest, "Banks for the Poor," as the CGAP has termed them, have sprung up accordingly in Latin America often operating below the costs of delivery. Their presences is, however, seen as unfair competition, which threatens and "squeezes out sustainable private MFIs," otherwise unable to operate with such low rates (CGAP Scenarios for 2015: 9). BANDES and the BDP are, nevertheless, able to survive and overcome budgetary constraints because the Venezuelan and Bolivian governments have harnessed states resources for this purpose, channeling oil and natural gas revenues towards productive micro-lending. What is more, cross-border cooperation has bolstered institutional capacities. For example, in 2006, Venezuela donated USD $100 million to the Bolivian government for establishing a state-run microcredit institution. This "South-to-South dialogue and technical support" has, more importantly, fostered the growth of additional state-run credit banks throughout the region, although to a lesser political extent (CGAP Scenarios for 2015: 9). This alliance of state microfinance projects with the policy-working of "capitalism on the ground" may be classified though as a political safety net, entangling trade in financial services and poverty alleviation in a web of crisis-management strategies. In this sense, state-sponsored microfinance banks essentially absorb anti-neoliberal demands into the framework of an equally capitalist system, which is dedicated, moreover, to historic forms of capital accumulation yet undergoes institutional restructuring to align the realms of capital redistribution and consumption. The "social economic" policy manifestations of this capitalism on the ground will be outlined for the Venezuelan and Bolivian microfinance case studies in Chapters 4 and 5 but first an appropriate theoretical framework for demystifying claims to post-capitalist governance must be provided.

Chapter 3: Theoretical Approach and Methodology

The Varieties of Capitalism Theory (VOC) outlines an institutional comparative analysis between two historic forms of capitalist convergences: that of a US, neoliberal capitalist system (liberal market economy or LME) and a German, coordinated market economy (CME) – the argument being that certain institutional dynamics give rise to different political economies. In contrast to the globalization thesis,[15] firms are not, according to the VOC perspective, arranged homogenously across borders but rather differ along two key capitalist models (Hall and Soskice, 2001; Schmidt, 2003). At first glance, it might seem useful to apply this lens to the Venezuelan and Bolivian microfinance examples, aligning surface attempts at regime change to either model. However, upon closer examination, it seems that with the end of the Post - WWII Fordist era of capital accumulation, a new process of institutional restructuring has given life to *multiple* capitalist strands. Hence, demystifying claims to post-capitalist governance with a case study of state-run microfinance banks in Venezuela and Bolivia requires a theoretical framework which takes into account not only the interaction between historical and social structures but also institutional and economic continuities and discontinuities. For these reasons, adopting a French Regulation School methodology is most useful.

For Regulationists, the nature of institutions is "codified" and involves some sort of institutional compromise. Unlike the VOC approach where the firm is the main variable of analysis, formal and informal institutions now matter. As such, paradigmatic institutional types refer to Boyer's 5 key codifications: the monetary constraint, the wage-labor nexus, forms of competition, insertion into the international regime as well as State forms (Chavance, 2009: 79). Although the role of the firm is today greater than ever because capital production spans across borders and shifts to follow demand, evaluating systems of production and redistribution must not ignore the macro-economic view. As Nahee Kang (2006) argues, an over-emphasis on the firm and a rational choice understanding of institutions only underscore the many shortcomings of VOC's understanding of comparative capitalism. More attention therefore needs to be placed on "social systems of production" (Hollingsworth and Boyer, 1997: 19). Social systems of production, according to Hollingsworth and Boyer (1997), are "a configuration of complex institutions which include the internal structure of the firm along with the society's industrial relations…the structure of capital markets, the nature of state interventions, and finally the conceptions of social justice" (191).

[15] The "globalization thesis" argues that in today's system of international interdependence, capital enjoys greater exit options. The balance of power has, as a result, surpassed labor and privileged capital, a movement otherwise referred to as capitalist "convergence" (Hall and Soskice, 2001).

Rejecting a market paradigm, which views markets as an optimal allocation of resources in a world of perfect information, the French Regulation approach undertakes an analysis of markets as a configuration of complex institutions or social constructs. Still, the starting point of its theoretical scope is that capital accumulation is the driving force of all societies. As Collinge notes, "the dependence – both fiscal and political – of regulatory structures upon the accumulation process means that these structures improve their chances of survival if they contribute (through the emergent consequences of their activities in aggregate) to the successfulness of accumulation" (Collinge, 1999: 5). In this sense, we can situate Regulation Theory within an institutional economics framework, yet one which refutes the so-called neo-classical economic premise – the view that individuals act rationally and that markets are self-regulating, transparent entities, while institutions function to reduce transaction costs and regulate the behavior of individuals (North, 1990; Veblen, 1919; Hodson, 1994, 1998, 2002). See Appendix E for a more detailed account of institutional economics.

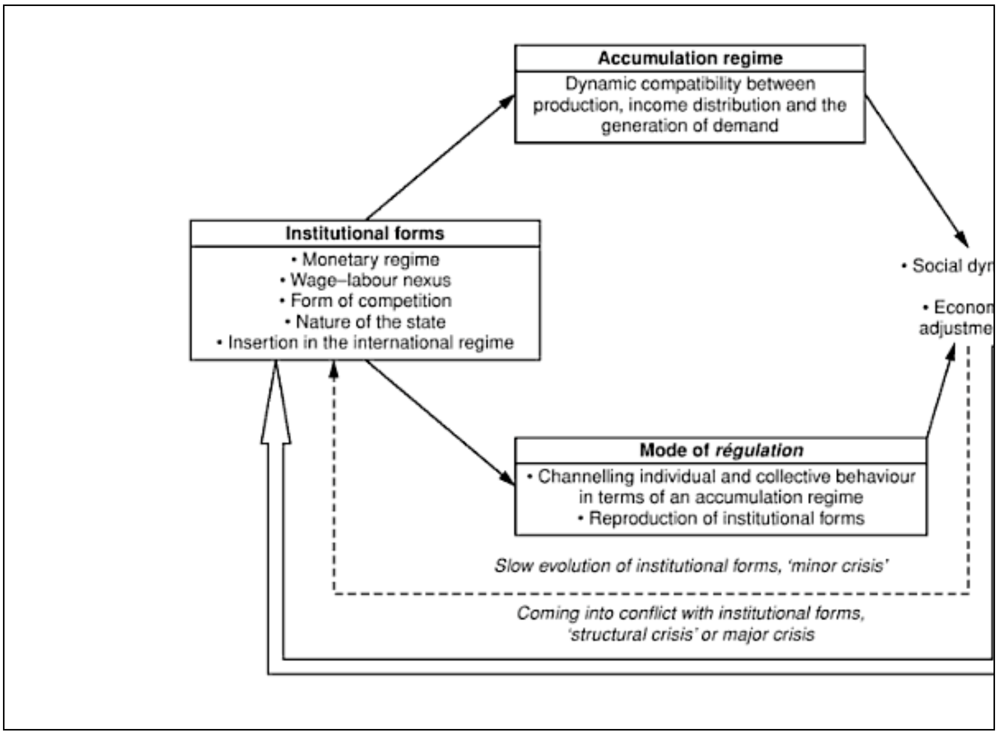
Conversely, the dispersion of capital ownership takes place along a regime of capital accumulation or RoA, whereby the creation, circulation and distribution of capital is based on "historic institutional configurations" (Chavance, 2009: 61). According to Boyer (1990), the interactions between this RoA and the mode of regulation (MoR) or set of socio-political "procedures that support and steer" a variety of capitalist forms, are first informed by 5 key institutional codifications and coalesce around a pattern of regular *macroeconomic* growth, known simply as a growth regime (quoted in Chavance, 2009: 63).[16] Still, an important distinction needs to be made between capital accumulation, which speaks to the dynamic between production and consumption, and the *regime* of accumulation, which subjects the former to consumption norms, societal forces and institutional compromises. The mode of regulation is therefore a set of institutional forms or political compromises that guarantee the reproduction of these social relations of production (Lipietz, 1987). MoRs, for example, assume one of four capitalist varieties, the market-oriented, meso-corporatist, statist of social-democratic approach, each of which may be distinguished by its own expression of the principal institutional forms i.e. the monetary regime, the wage-labor nexus, forms of competition, nature of the state and insertion into the international regime (Boyer, 1997: 194-195). See Figure 4 below for a visual representation of the French Regulation method of analysis as it details the long-term trajectory of capital accumulation. [17]

---

[16] To reiterate, four main growth regimes have been identified: the capital-extensive, capital-intensive, Fordist and Post-Fordist models. Lipietz (1994) adds that a growth regime is then basically "an observed *macroeconomic* regularity" (339).

[17] Although not pictured here, a growth regime might be placed in a box of its own to the right of the graph, where the arrows extending from an accumulation regime and mode of regulation meet.

Figure 4: Conceptualizing French Regulation Theory



Source: Boyer and Saillard (2002: 44).

Concerned with the social embeddedness of market relations, Regulationists all agree on Boyer's 5 key institutional forms, although they assign a different priority to the "driving" codification in each capitalist manifestation. While Boyer (2002) takes an anthropocentric view, focusing on education and health care in transforming economies, Aglietta's perspective (1998) weighs the role of finance capital. See Appendix G for more on Aglietta's work. But is ultimately Lipietz (1987) who provides a framework for analyzing capitalist evolution in the Third World and as such, will serve as the backbone for this research. Specifically, Lipietz identifies the state as the "archetypal" institutional form of regulation because it acts as the guarantor of all other structural forms and hence, is most applicable to a study of state-run microfinance projects (19). The State plays a particularly important, *super-regulatory* role because it is "there alone, that the cohesion of the structural forms can be assured," and where institutional crises, in part, may be avoided (Aglietta, 1979: 383).

3.1 The Impact of Crisis on Patterns of Growth

What truly distinguishes regulation theory from the institutionalist family then, is its "insistence on the heuristic importance of crises," with specific attention being paid to the distinctions between major and minor crises.[18] After all, the French Regulation School began to consolidate its research during the

[18] See Appendix F for prescriptions on ways to reduce the incidence of crisis and maintain economic growth.

1970s capitalist crisis (plagued by unemployment, high inflation and budget deficits) in an attempt to classify institutional restructuring around a Post-Fordist or Taylorist growth regime, more popularly known as the neoliberal policy agenda. Minor crises, for example, are often resolved "endogenously" or rather, within the system, while major or structural crises require institutional change (Chavance, 2009: 65). Minor crises may occur in modes of regulation, while major crises are unresolved until a structural, *institutional* change takes place, that is when an outdated MoR no longer servers the needs of a RoA and calls for a new growth regime (Boyer, 1990). Boyer himself ranks crises according to their level of gravity on a political system. The most perilous type is one that destabilizes the mode of production, followed in descending order by, a crisis in the regime of accumulation, a crisis in the mode of regulation, and finally, a crisis in the cyclical mode of regulation (Boyer, 1990). Still, regulation theory is unique in its emphasis on the first, structural crisis, noting the effect that an oil shock may, for instance, have on productivity trends (Boyer, 2002: 321). Aglietta similarly offers insights into the impact that the crisis of Fordism, in "conjunction with the increase in economic integration," had on the opening of financial markets, which later "produced the banking crises and the upheaval within the finance markets which punctuated the 1980s and 1990s" (Aglietta, 2005: 68).

As previously noted, Boyer (1990) projects 4 main types of growth regimes (the manifestation of RoA and MoR interactions) and offers a systematized outlook of capital accumulation since the early 1880s i.e. capital extensive, capital intensive, Fordist and Post-Fordist variants. Beginning in the 1880s, Boyer observes that during the Industrial Revolution the capital extensive model prevailed, focusing on raw material production, "spreading its production relations to new spheres of economic activity, without altering conditions of production and the efficiency of labor or capital in any significant manner" (Boyer and Saillard, 2002: 154). In contrast, during the 1920s, capital-intensive methods were introduced (the experience of the Soviet Union is often cited), where "conditions of production are systematically transformed with a view to increasing the productivity of labour," yet mass consumption had not yet set in (Boyer and Saillard, 2002: 155). Capital-intensive regimes, as Chavance argues, ultimately collapsed because the crisis of over-accumulation privileged one sector over another (2008: 268). The Import Substitution Industrialization (ISI) process in Latin America during the 1930s is also a useful example of a capital-intensive, inward-looking domestic manufacturing model.

The subsequent Fordist growth regime that consolidated from the 1940s to early 1970s in Europe and the United States was, on the other hand, based on stable growth rates, a monetary regime grounded in credit and a wage-labor nexus based on mass production (Fordist style assembly lines) while mass consumption was channeled through a monopolist-type of regulation (Boyer, 2004: 3). The success of the "post-WWII miracle" can be attributed "to the taming of the market by large corporations, unions and, of course, numerous state agencies" (Hollingsworth and Boyer, 1997: 435). Institutional re-designs, namely changes in monetary schemes and industrial relations were crucial. Here, the shift in wage relations is noteworthy because wage earners began to internalize and accept a credit-based monetary system to fuel their mass consumerism. According to Lipietz (1994),

> The Fordist societal paradigm offered a conception of progress which itself rested on three pillars: technical progress (conceived as technological progress unconditionally driven by 'intellectual workers'); social progress (conceived as progress in purchasing power while respecting the constraint of full employment); and state progress, the state conceived as general guarantor of the general interest against the encroachment of 'individual interests' (342).

National governments were therefore generally interventionist, "they established rules in favour of concentrated banking systems," and frequently controlled interest rates (Aglietta, 2005: 61). However, with the ensuing crisis of stagflation as well as technological and institutional restructuring during the mid-1960s, a new institutional architecture of financial deregulation took shape by the mid-1970s referred to as Post-Fordism or Taylorism, and it is here where the French Regulation School begins its in-depth look into the multi-layered evolution of capitalism. Post-Fordism refers then to a reversal of many Fordist ideals, with a new emphasis on product specialization, information technologies, self-correcting markets as well as flexible work. The main objective of the French Regulation School is therefore to simply explain, "how capitalism could survive even though the capital relation itself inevitably produced antagonisms, contradictions, and crises" (Jessop, 1990: 170).

To uncover the nature of capitalism's development in the Venezuelan and Bolivian experience, it is necessary then to delve into the symbiotic relationship between RoAs and MoRs in these so-called socialist systems. As Collinge (1999) points out, capitalist schemes are only able to "reproduce themselves at a system level by recreating a pattern of opportunities for individual capitals…just as it is in their ability to find an alternative basis for reproducing themselves via new kinds of economic opportunities that we can talk about the viability of socialist systems" (4). By offering "new [mico-credit] kinds of economic opportunities," Venezuela and Bolivia's growth regimes have arguably undergone this "alternative" process of capital reproduction, slightly altering the MoRs or institutional channels of individual and collective behavior. Hollingsworth and Boyer (1997) actually offer an important outlook on the preconditions for institutional change, as one contingent on *polity* or social solidarity i.e. the "essential ingredient in the transition from one institutional type to another" (441). A "market mentality" or reliance on credit, in fact, inhibits members of society from forming strong bonds of solidarity.[19] Hence, if post-capitalism is to have emerged in Venezuela and Bolivia, the presence of microfinance and a credit culture undermines the claim in both economic and institutional terms.

[19] Polanyi (1957) substantiates this view by noting how the types of institutions which consolidate around a market mentality are typically inefficient and short-sighted.

3.2 Methodology

The applications of the French Regulation approach are useful in part because they stem from The Annales School of historiography, a research methodology which emerged in the 1930s as a critique of positivism to map long-term structural continuities and change. This study of "embedded events" discounts any isolated examination of politics, economics or sociology (Burguière, 2009). Similarly, the French Regulation School upholds that each economy is privy to its own crises but goes one step further by describing the influence that social "mentalities" exert on this process. As Regulationist Lipietz argues, one "must study each national social formation in its own right, using the weaponry of history, statistics and even econometrics to identify its successive regimes of accumulation and modes of regulation" (1987: 20). In this way "it is then possible to examine the way each accumulation regime relies on its own market regime and how the complementarities emerging between markets and institutions guarantee the long-term existence of the variety of capitalisms" (Coriat and Weinstein, 2005: 3).

Thus, data collection for a study of microfinance as an enabler of market institutions will consist of both qualitative and quantitative means to properly capture a long-term vision of capitalist evolution in Venezuela and Bolivia. Regulation Theory is especially salient because its methodology allows for going beyond reductionist economic indicators, noting instead the *interactions* between RoAs and MoRs along Boyer's 5 key institutional codifications, which in turn, inform a particular growth regime. Because the MoRs serve as our dependent variable, it will be the objective of this case study to identify which variety of capitalism (or combination of types) upholds the relevant growth regime in Venezuela and Bolivia (also to be determined). See Appendix H for a visual representation of the research agenda.

Because markets are not defined in the Walrasian, rational - price maximizing sense, the regulation approach undertakes a historical-economic methodology from the understanding of markets as socially-constructed *institutions*. After all, capital accumulation is by nature crisis prone and must rely on economic and extra-economic institutions for stabilization as well as on socially-based rules and norms (Lipietz 1987; Boyer 1990). In this way, the theoretical framework best combines a historically sensitive and a political-economy-informed method for exposing the contradictions implicit in Latin America's Bolivarian Revolution. Nevertheless, criticisms of this approach do exist and must be addressed before proceeding.

J.K. Gibson-Gramm's (1996) *The End of Capitalism*, for example, offers a structuralist critique of the regulationist methodology. The author contends that "the current penchant for representing the history of 20th century capitalism development in terms of a series of progressive steps from pre-Fordism to Fordism to post-Fordism places economic organisms on a ladder of sequential adaptation" (113). Bob Jessop in *Beyond the Regulation Approach* (2006) makes the most striking case, though, against the regulation school by arguing its methodology assumes, "that an inevitable, pre-ordained transition is under way – impelled by the changing logic of the productive forces and/or competitive pressures imposed by the strongest capitalist forces (82). This "randomization of history" extends more strikingly, according to Jessop (1990) to theories of the state. In his view, states should not be seen as merely entering the political sphere whenever capitalist interests are involved (200). Rather, "the state must be studied as an object as well as agent of regulation" to avoid treating politics as "concentrated economics" (Jessop, 2006: 96). As Jessop remarks, while regulation theory was "developed precisely in order to overcome structuralism as well as mechanical theories of general equilibrium…it has not fully delivered on this promise in regard to the state" (2006: 103). Bearing these criticisms in mind, capturing the totality of interactions between RoAs and MoRs along the 5 institutional codifications will avoid historical randomization by also allowing for the possibility of a fifth growth regime, outside the scope of current theorization.

Nevertheless, the French Regulation School is still a relevant research methodology because in addition to identifying four types of growth regimes it acknowledges at least four different varieties of capitalism: market-led, meso-corporatist, social democratic and state-led, which express a particular mode of regulation (Boyer, 1996). The first refers to a process by which independent authorities are responsible for "staving off market excesses," while meso-corporatism is a "modernized version of the paternalistic capitalism that was typical of the nineteenth century," leading to the emergence of large firms. The social democratic strand, on the other hand, highlights the role of "social partners" and the wage-labor nexus in institutional management, especially in fostering social protection systems. And lastly, state-led capitalism is spearheaded by "national, regional, or local state authorities in making economic adjustments" (Boyer, 2005: 13). The latter will serve as an obvious comparative reference point for problematizing state-run microfinance projects in Venezuela and Bolivia, although the market strand and meso-corporatist forms also highlight capitalist manifestations here.

Quemia (2001) has, in fact, already applied a French Regulation methodology to Latin America, beginning to fill the gap of a Eurocentric research penchant, by analyzing the trajectories of crises that countries have experienced since the 1970s. He specifically focuses on modes of regulations and political compromises vis-à-vis forms of the state. For example, Quemia classifies Venezuela's accumulation regime during the 1990s as characteristically rentier, devoid of significant increases in productivity, which results from an "accommodating" monetary policy. Likewise, Latin American regulationist, Ominami (1986) notes how, as a result of the institutionalization of the wage-labor nexus around the raw material exports of mining, a new process of industrialization occurred in Chile in 1986. However, these contributions need updating with an examination of contemporary industrial sectors i.e. oil and natural gas production in Venezuela and Bolivia, accounting for increasingly hybrid capitalist varieties and even, if applicable, a growth regime specific to the Latin American experience.

To compare, then, the two cases of BANDES and BDP, I will expose the *nestedness* of these national micro-lending institutions in "a complex intertwining of institutions at all levels" (Hollingsworth and Boyer, 1997: 470). Because BANDES engages as an international actor, even investing into financial markets in Bolivia, its capitalist affiliations are no longer simply embedded in a national context. Perhaps then it is the *lack* of crisis in neoliberal institutions (abetted by micro-lending schemes) that constitutes today's MoR, which embeds the State in a global market mechanism and leads to the permanence of a finance-led RoA. The manifestation of this interface on a specific model of macroeconomic growth will also be detected, offering, if appropriate, a shared or diverging market logic between the two, so-called "Bolivarian" systems.

Boyer and Freyssenet (2002), for example, already offer a useful framework for viewing the interactions between RoAs and MoRs in Venezuela and Bolivia and outline an "inegalitarian and rent-oriented" arrangement contingent on "vote-catching" maneuvers. This type of capital accumulation tends to be "erratic and depends on world prices for raw goods and agricultural products" and is privy, moreover, to the "sudden contraction or expansion" of the market. Employing a flexible, yet poorly organized labor force means that the industrialization process inevitably "runs into significant hurdles" (12-13). Of course, the experience of rentier capitalism is not new in Latin America, but what is noteworthy, is the consolidation of a relatively successful capital-intensive (ISI) regime of accumulation, RoA, around both statist and market-oriented institutional forms or MoRs. It is therefore this unique dynamic that the following research will underscore.

Chapter 4: The Venezuelan Case Study [20]

The 1980s in Latin America are often referred to as "the lost decade" of macroeconomic decline, beginning with Mexico's debt crisis in 1982, which prompted a decade of negative growth rates throughout the region. The solution, however, became packaged in a series of Washington Consensus and subsequent Post-Washington Consensus institutional reforms, which have yet to dramatically improve poverty figures in Latin America. [21] Today, in fact, the region displays "the highest levels of inequality in the world," which has fueled a renewed interest in the role that microfinance may play in relieving economic downturn (Sader, 2008: 1).

Therefore, in this chapter, I will try to locate Venezuela's state-run microfinance bank, BANDES, within the categorization of the Regulation School's four principal growth models, with surface suggestions pointing to the continuation of an oil-based capital intensive model of production (echoing an ISI legacy), although not excluding Post-Fordist, populist associations à la Demmer's (2001) definition of neoliberalism. Because our dependent variable are the MoRs, or collective set of norms which ultimately ensure the continuation of the social relations of production (RoA), the mutually constitutive relationship between BANDES as an agent of capital distribution *and* as a contributing factor in the institutional consolidation of a capitalist variety (be it market-oriented, meso-corporatist, statist or social democratic) will be probed. This analysis will, moreover, take into account the singular nature of Latin America's capitalist experience and leaves open the possibility of identifying a fifth growth regime.

In 2001, Venezuela's government began expanding its microfinance skeleton in the hopes of targeting those rural communities formerly unable to access credit, in large part also to foster a new industrial sector. Under the directive of President Chávez, a number of nationally-owned microfinance banks were created in 2001: BANDES (The Bank of Economic and Social Development) and BANMUJER (The Bank of Women). See Appendix J for more information on BANMUJER. The Fund for the Development of Microfinance and the Ministry of Development of the Social Economy act as supporting institutions, although all banks, public or private, are now required to allocate 40% of all loans to either microfinance, agriculture, housing or tourism purposes.[22] These efforts, of course, correspond to The Simón Bolívar

---

[20] See Appendix I for an overview of key historical events in Venezuela. All subsequent translations were undertaken by the author.

[21] Although, according to the INE or the National Institute of Statistics, poverty rates in Venezuela have decreased an overall 24.5% over the past decade to level off at about 30%. See the Venezuela Information Center (VIC) for more detailed statistics: http://www.vicuk.org/index.php?option=com_content&task=view&id=380&Itemid=30

[22] "Venezuela Banking Outlook." *Latin Business Chronicle*. August 11, 2008. <http://www.latinbusinesschronicle.com/app/article.aspx?id=2645>.

Plan for Economic and Social Development 2007 – 2013 in which President Chávez has outlined a "new production model," divided into 5 *new* categories of ownership:

1. Public or belonging to the State.
2. Social, which can either be:
    a. Direct – when the State assigns a productive role to a specific community
    b. Indirect – when the State acts on behalf of a community
3. Collective or communal ownership over the means of production
4. Mixed – shared between public, private and collective
5. Private.

The Simon Bolivar General Guidelines stipulate that the 2007-2013 period, "shall be aimed at eliminating the social division of work in its current hierarchy as well as eliminating the difference between satisfying needs and producing wealth." The plan lays out a framework for Social Production Companies (Empresas de Producción Social, or EPSs) that will function as the base for a "socialist" productive model. Defined as "economic entities dedicated to the production of goods and services in which labor has its own relevance, is not alienated and is authentic, where there is no social discrimination in the workplace, nor discrimination between any kinds of jobs, there are no job privileges associated with hierarchical positions, and where there is real equality among the participants, based on participative and responsible planning," ESPs challenge the Post-Fordist, neoliberal economic agenda. Yet, upon closer examination, we find that the co-existence of State companies and private capitalist ones are interestingly enough still permitted.[23]

Under the Chávez government, the ideals of a *social economy* have most strikingly manifested themselves in the form of microfinance and cooperative-led development schemes. As outlined by former Planning and Development Minister Felipe Perez and Vice-Minister for local planning Roland Denis, the Bolivarian Republic's *social economy* is marked by the following key characteristics:

1. The social economy is an *alternative* economy.
2. It is where democratic and self-governing practices dominate.
3. It is driven by forms of work-based partnerships and not on wage-earning.
4. Ownership over the means of production is collective (*except in the case of micro-enterprise*).

[23] "The New Venezuelan Production Model." *CONAPRI.* <http://www.conapri.org/english/ArticleDetailIV.asp?articleid=301587&CategoryId2=15278>.

5. It is based on the equal distribution of surplus.
6. It is solidaristic with the environment in which it develops.
7. It holds on to its own autonomy in the face of monopolistic centers of economic or political power.[24]

Embodying these ideals, cooperatives have become increasingly dynamic elements of Venezuela's social economy and have experienced significant growth (50-fold since Chávez's ascent to power), simultaneously enhancing the small business sector. It is worth mentioning, however, that a clear qualification is made concerning micro-enterprises – an exception to new collective ownership over the means of production. With such criterion in mind, we can begin to unpack what appears to be a contradiction in Venezuela's claims to post-capitalist governance.

BANDES, by far the most prominent and influential microfinance bank in Venezuela, was formed under the directive of the Ministry of Financing for Development in Venezuela in 2001 and today serves as the leading financial agent of the State. It stands besides the Industrial Bank of Venezuela (BIV), which was created in 1989. Its mission is to fund projects for economic decentralization, stimulate private investment into economically depressed areas and to offer financial support for regional development projects. Accordingly, BANDES' official mission statement reads: "We are the bank aimed at boosting the sustainable development of Venezuela according to the Bolivarian Socialist Model, through the application of technical and financial support via productive and social investment at national and international levels." Moreover, the bank envisions itself as "the leader in providing services which ensure the success of social and productive investment," and offers its borrowers a grace period of up to 5 years for loan repayment as well as interest rates ranging from 5% to 9%.[25] In accordance with the general goals outlined in the Simón Bolívar Plan for Economic and Social Development 2007 – 2013, individuals, community councils, mayors, nonprofit foundations as well as other social organizations may apply for financial loans.[26] See Appendix K for conditions of financial support and terms of evaluation criteria.

In sum, BANDES' goals are to stimulate private investment in areas of need, support economic diversification, foster technical and financial expansion while also ensuring the modernization and competitiveness of productive and social infrastructure. In 2007, BANDES reported it would adapt bank policies to the "real" needs of the people. Accordingly, it allocated USD $15.37 million to the Industrial Sector, USD $14.9 million to Tourism, USD $9.32 million to the Agricultural Sector, USD $8.85 million to the Service

---

[24] Quoted in "Venezuela's Mission to Fight Poverty" (Wilpert, 2003).
[25] "BANDES Institutional Information." <http://www.bandes.gov.ve/infinst/index.shtml>.
[26] "BANDES Conditions of Finance." <http://www.bandes.gov.ve/prosoc/noremmb.shtml>.

Sector and USD $8.85 million to the Agribusiness Sector. Its actions aim "to minimize risks and combat inefficiency."[27] However, the industrial sector has clearly been privileged as the most *direct* route for addressing "the needs of the people," which echoes Venezuela's development rhetoric during the 1970s, combining rapid urbanization with industrial growth (Watts, 2004: 211). By 2009, additional financing in the amount of USD $34.5 million was given out to boost Venezuela's productive profile. [28] See Appendix L for more information concerning BANDES' success rate and productive scope.

To reach these goals, President Chávez has himself pledged to strengthen the institutions that constitute the public finance system in the hopes of extending credit to productive national sectors while guaranteeing the growth of Venezuela's financial indicators. BANDES President, Cedeño Alejandro Andrade, commented that this type of industrial financing not only contributes to the "democratization of capital," but also leads to the generation of new sources of employment in strategic national sectors.[29] BANDES is furthermore committed to the promotion of venture capital firms and marketing of goods or services in priority national sectors. As such, the following 11 strategic goals are outlined on the bank's website:

1. Finance and support regional development.
2. Finance and support investment projects for the medium and long term.
3. Finance public and private investment in infrastructure
4. Finance innovative projects and develop the capacity for technological transfer.
5. Manage public sector resources to finance projects aimed at economic decentralization, encouraging investment in areas of depressed and low growth.
6. The expansion of technical and financial support, diversification, modernization and competitiveness of the productive sector and social infrastructure.
7. Act as a trustee.
8. Manage resources from multilateral, bilateral and other international financial arrangements established by the National Executive.

---

[27] "BANDES Uruguay Completes its First Year of Service." Sept. 6th 2007. <http://www.bandes.gov.ve/pubbandes/noticias/ago-07/33.shtml>.

[28] "BANDES Productive Credit Benefits 95,000 People." Feb. 10th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/feb-09/02.shtml>.

[29] Ibid.

> 9. Develop international cooperation programs where commercial, technical and financial support will be allocated by the National Executive within the framework of foreign policy.
>
> 10. Support the participation of private capital firms, investment programs and projects of high priority for the country.
>
> 11. Contribute to the equal development of different national regions.[30]

In February of 2009, BANDES even began coordinating social projects with representatives from 20 governorates, echoing a Bolivarian commitment to decentralization. Under the leadership of the Executive Management of Social Programs (the bank's arm for social policy support) a meeting was called to outline a process for streamlining funding applications and technical assistance to all states and municipalities. The Executive Manager of Social Programs, Jesus Alberto Hernandez, commented that such contacts are important for creating synergy between all levels of government, "to introduce the guidelines and methodologies for the structuring of future projects." Secretary of Social Development in the State of Guarico, David Gallucci, also noted how this initiative "fill gaps that may exist in the areas most neglected by social investment."[31]

Accordingly, BANDES has moved into the sphere of social welfare funding, reaching out to some 2.7 million Venezuelans in 2008, with USD $5.2 million being provided by the bank's Executive Management of Social Programs to emergency medical care, school supplies and infrastructure repairs.[32] In September 2008, BANDES also approved the extension of USD $7.4 million credit to livestock and poultry in the hopes of increasing the supply and marketing of beef, chicken and milk products as well as reducing a dependence on imports.[33]

International cooperation in commercial, technical and financial sphere is still perhaps BANDES' most unique feature though. The micro-lending bank has been given the specific task of channeling resources allocated by the National Executive to develop international cooperation programs and may contract foreign loans to finance development projects. At the request of the

---

[30] "Gaceta Oficial." *N. 5.890 Extraordinario.* <http://www.bandes.gov.ve/infinst/Modificacion_Ley.pdf>.

[31] "BANDES Coordinate Social Projects with 20 Municipalities." Feb. 27th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/feb-09/05.shtml>.

[32] "BANDES Finances Social Welfare Programs in 2008." Jan. 26th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/dic-08/04.shtml>.

[33] "BANDES Loans Optimize Agricultural Productivity." Sept. 24th 2008. <http://www.bandes.gov.ve/pubbandes/noticias/sep-08/06.shtml>.

Venezuelan Republic, BANDES also supports the negotiation, execution and administration of funds from abroad, whose fate is linked to the Bank's objectives.[34] For example, in 2006, BANDES opened up a branch office in Uruguay with total loans exceeding USD $200 million. Rafael Isea Romero, Deputy Minister of the People's Power for Endogenous Development in Uruguay pointed out that, "The Revolutionary Government will support and contribute to social progress in the Southern Cone." A total of 40,000 families have, for example, already increased their productivity and competitive advantage as a direct result of receiving micro-credit.[35] By April 2007, President Chávez offered an additional USD $1 billion in credit bonds to small producers in Ecuador, Haiti and Nicaragua. [36] See Appendix M for an overview of BANDES' international commitments (Jacobs, 2008).

What is more, since May of 2008, BANDES now owns Bolivia's 3rd largest microfinance institution, Prodem, with a portfolio of USD $123 million and 77,000 outstanding loans, controlling 94% of Prodem's stock option package.[37] The purchase of Prodem, Bolivia's microfinance institution with the most national branches, coincided with an announcement that BANDES also plans to invest USD $49 million dollars into Bolivia's financial market (*La Razon*, May 13th 2008).

4.1 A Capital-Intensive Growth Model?

At first glance, BANDES' actions are reminiscent of the domestic industrialization processes during the 1950s when a *capital-intensive* production model meant major structural reforms in Venezuela. According to the Singer-Prebisch theory of domestic industrialization (also known as Dependency Theory), a reliance on Western industrialized nations can only be overcome by boosting local production and applying protective tariffs. In this vein, from approximately the 1930s – late 1970s, inward-looking government-subsidized ISI policies targeted domestic raw-materials expansion in Latin America (Amsden, 2008: 102-106).

To reiterate, the French Regulation School has identified 4 historic growth models beginning with the early 1880s (capital extensive, capital intensive, Fordist and Post-Fordist), which classify the interactions between RoAs and MoRs along 5 key institutional codifications. A capital extensive framework does not apply to BANDES-sponsored industrial development projects because raw materials production is not concerned with expanding to "new spheres of economic activity," but rather concentrating in Venezuela's

---

34 "BANDES Institutional Information." <http://www.bandes.gov.ve/infinst/index.shtml>.

35 ""BANDES Uruguay Completes its First Year of Service." Sept. 6th 2007. <http://www.bandes.gov.ve/pubbandes/noticias/ago-07/33.shtml>.

36 "BANDES Inaugurates Office in Nicaragua this Week." June 9th 2007. <http://www.bandes.gov.ve/pubbandes/noticias/jun-07/19.shtml>.

37 "Top Bolivian Microbank Bought by Venezuelan Government?" *MicroCapital.* Dec. 14th 2006.

most productive sector: oil. Moreover, the growth regime in question is not Fordist because mass production and consumption are not currently aligned in Venezuela. While under a Post-Fordist motivation information technologies assume a privileged productive role, Venezuela's own market logic and micro-lending practices do not, however, completely rebuff the Post-Fordist ideals of internationalized capital, those typified by neoliberal economic policies. Still, if we recall, BANDES' 11 major strategic goals, aims 3- 6 clearly reference capital-intensive ISI objectives:

> 3. Finance public and private investment in infrastructure.
> 4. Finance innovative projects and develop the capacity for technological transfer.
> 5. Manage public sector resources to finance projects aimed at economic decentralization, encouraging investment in depressed areas and low growth.
> 6. The expansion of technical and financial support, diversification, modernization and competitiveness of the productive sector and social infrastructure.

Such subsidized loans to local industries, along with protective tariffs, are aimed at reducing a dependency on foreign markets, capitalizing on a domestic comparative advantage in value-added products. As a result, Venezuela experienced a sharp increase in industrial output beginning in the early 1960s with the introduction of state-led steel mill SIDOR in 1962 and the expansion of the auto industry (Hausmann, 1981). Although, as Jonathan DiJohn (2004) notes, writing on the political economy of industrial policy in Latin America, it is more useful to consider a periodization of ISI polices over time. First, he identifies "small-scale, easy phase of ISI" from the period 1910-1920 until the period of 1965-1973, followed by the 1973-1982 interval, when Venezuela's industrial strategy switched to a natural-resource-based, oil "big push," entering a more advanced stage (DiJohn, 2004: 35). It is this last ISI phase that Chavez's BANDES bank attempts to complement with microfinance.

During the Pérez administration from 1974-79 Venezuela's government first set out on a national project called *La Gran Venezuela* to put Venezuela on a path towards a more stable and robust state-owned, resource-based industrialization. Petróleos de Venezuela (PDVSA), now Venezuela's largest, state-owned and operated oil company, emerged in 1976 as the state organ through which oil refining was to expand and modernize. As DiJohn (2004) details:

> In addition to the nationalization of the oil and iron ore industries in 1976, numerous public enterprises were expanded in heavy industries (steel, iron ore, aluminium, bauxite, petrochemicals, oil refining, and hydroelectric power) to provide inputs for domestic industry in an attempt to vertically integrate the import substitution process and to accelerate the technological capacity and diversification of the industrial and export structure (38).

This "big push" or natural-resource-based industrialization program may therefore be viewed as an attempt by the state to re-vive its role in capital creation. Refer to Appendix N for a table summary correlating regime type, development policies and economic outcomes in Venezuela from 1958-1998.

However, to demonstrate the continuation of ISI tendencies, it is necessary to highlight the interactions between a capital-intensive RoA with statist institutional forms or MoRs, as they relate along five key codifications: the monetary constraint, wage-labor nexus, forms of competition, state forms and incorporation into the international regime. Only in this manner, may a holistic vision of Venezuela's current "capitalist" growth pattern be established and a case for capitalist evolution be made.

Monetary Constraint

Since Venezuela's recession in 2003, the Chávez government has undertaken a series of expansionary fiscal and monetary policies. Not only has money supply increased, but exchange rate controls have also been introduced to foster economic recovery. As a result, in 2008, real gross domestic product (GDP adjusted for inflation) peaked at 87.3%, while interest rates remain low (Weisbrot and Sandoval, 2008: 3). Inflation is, still high though at 22.5% (Weisbrot and Sandoval, 2008: 4).

Most noteworthy, is a recent Chávez-led proposal for the creation of a monetary zone or common currency between the nations involved in Bolivarian Alliance for the Americas (ALBA). Venezuela's Bolivar is currently pegged to the US dollar but the new currency, SUCRE, will overturn this monetary policy dependency. An alternative to the Free Trade Area of the Americas (FTAA) in 2004, President Chávez introduced the regional trade area known as the (ALBA), expanding its members in 2006, from Cuba to include Ecuador, Bolivia, Nicaragua and the Caribbean Islands of Antigua and Barbuda, Saint Vincent, Dominica and the Grenadines. In addition to pledging endogenous growth with an emphasis on industrial development, the regional alliance hopes to synergize oil, energy, natural resources and financial capacities (Walter, 2009).

Wage-Labor Nexus

For 40 years prior to Chávez's rise to power, the AD-COPEI "hegemony" or "puntofijismo" alternated control of Venezuela's oil rich government, with the Accion Democratica Party or Democratic Action Party (AD) and the Partido Social Cristiano de Venezuela or Social Christian Party of Venezuela (COPEI) swapping terms in office. Under this system, union leaders often enjoyed privileged positions, job security and higher wages (Ellner, 1989). However, the introduction of neoliberal policies from 1985-2000, removed the power of old labor federations (established during the ISI period) and many populist parties consequently lost control of worker movements.[38] Replacing the old system of banking oligopolies, corporatist relationships have characterized labor's integration into state affairs since the 1930s.

Petroleum workers have, in fact, remained a vital element in Venezuela's "institutional compromise," protesting big business in December, 2001, supporting President Chávez against an attempted coup in April, 2002 and defending Chávez during the 2004 plebiscite (Katz, 2005: 2). Even still, Venezuela has experienced a sharp decline in real industrial and minimum wages, approaching 1950s levels, undermining the President's populist, social economy rhetoric (Roberts, 2002: 59). Real wages also continue to suffer and welfare support programs are beginning to lose much of their budget support (*The Economist,* June 18th 2009). Low domestic wages and weakened industrial relations actually reflect a similar process that occurred with internationalization during the 1990s (Hollingsworth and Boyer, 1997: 476).

Although promising a new social order, "Hugo Chávez became the inspirer of a working class socialist movement in Venezuela… [but] labor unions have not been central to his government," nor has he drastically improved conditions for workers (LaBotz, 2007: 67). Chávez has, rather, on numerous occasions extolled the end of organized labor outright, most recently proclaiming that "In the revolution, unions must disappear" and "Unions cannot be autonomous."[39] While the number of unions has grown from 200 to approximately 600 over the past ten years, the number of collective contracts has decreased from 854 in 2004 to 538 in 2006.[40] The Bolivarian Revolution may have bolstered union membership but it has, in most other cases, hindered collective bargaining rights. President Chávez has therefore undermined the opportunities for organized labor to engage with modes of production.

Today's labor reality is ironic because Venezuelan politics during the 20th century did not fall prey to the class-based politics that plagued, for example, Chile nor did its government brutally repress working class protests as in Argentina or Bolivia (Ellner 2008: 5). The massacre of miners by the Venezuelan government in October of 2006 is a far cry from time-honored, peaceful labor relations, those necessary for sustainable industrialization (Diaz, 2008). The increasing importance of informal "cooperatives," excluded from national labor legislation, further corroborates this point (Watts, 2004: 219). As Fernando (2006) points out, under a neoliberal market system, the informal

---

[38] In 1989 at the request of mass public demonstrations, Carlos Andrés Perez of the AD party introduced the "Great Turnaround" intended to shock start the economy but 6.7 million workers went on strike to protest the austere policy. It wouldn't be until the military coup led by Hugo Chávez in 1992, that the working class and poor in Venezuela again mobilized for political action. Freed from prison in 1994, Chávez organized the Bolivarian Revolutionary Movement (MBR) and instated Venezuela's 5th Republic. In December of 1998 he was elected President and has been re-elected to term in 2000 and also in 2006.

[39] Quoted in "Sindicalistas revolucionarios responden al Presidente Chávez en torno a la 'no autonomía' de los sindicatos."*Aporrea.org.* March 27th 2007. <http://www.aporrea.org/trabajadores/n92511.html>.

[40] "República Bolivariana de Venezuela Ministerio de Trabajo: La Asamblea Nacional 2006." Caracas, 2006.

sector often gets ignored by formal financial institutions. Accordingly, no significant proportion of Venezuelan workers are today employed in the formal sector. See Appendix Q for Venezuela's labor force indicators from 1997-2007. Even though PVDSA is Venezuela's largest single employer, the state-run company only employs about 1% of the total work force available.[41] The oil industry also alienates other potentially productive areas such as agriculture, while "the build-up of the state-capitalist oil sector strengthens class interests and class forces that have a strong stake in maintaining the dominant macro-economic structure," while PDVSA's management even forbids worker co-participation (Lotta, 2007).

Forms of Competition

At the industry level, competitiveness may be defined as "the ability of the nation's firm to achieve sustained success against…foreign competitors…without protection or subsidies" (Enright, 1996: 46). Thus, a fully competitive commercial system limits state intervention and subjects wages to market forces. In the case of Venezuela, competition is monopolistic then because oil sector wages are set by national policies. Although oil remains the crux of Venezuela's economy, economic diversification is hindered by the growth of the large, state-owned export company PDVSA. While imports are cheaper, non-oil exports become too expensive to generate any real profits on the world market. Accordingly, the economy is unable to diversify away from its dependence on oil (Weisbrot and Sandoval, 2008: 4).

The role of microfinance in this process is significant because BANDES has increasingly assumed the role of allocating capital towards "modernizing" Venezuela and bolstering small enterprises development, specifically in key national sectors such as oil. While micro-lending fosters an ongoing process of capital distribution by providing loans to small and medium sized enterprises in the domestic market, the creation of capital primarily takes place on the national, oil-sector level.

Incorporation into the International Regime

Viewing the factors of production in a context of competitive advantages and disadvantages invariably links the productive heart of Venezuela's growth regime to the international circulation of capital. Already holding USD $21.5 billion in off shore accounts, President Chávez has committed his government to several international ventures, embedding Venezuela's national oil industry in a global production chain. Trade with the US is particularly important despite anti-US rhetoric, in large part because of the ease with which exports may reach the United States, where the

[41] According to the INE, Venezuela's National Institute of Statistics, unemployment rates have decreased from 15%, when Chavez took office, to 7.8% by 2008. For more information consult: http://www.ine.gov.ve/

infrastructure of refineries is already in place. The US is without a doubt Venezuela's most important businesses partner and trade increased by 36% in 2006 alone (Weisbrot and Sandoval, 2008: 3).

Still, involving new, non-Western investors remains a key objective. Closer relations have already been forged with China, India and Russia, while initiatives for greater Latin American regional integration involve plans for oil pipeline construction in Argentina. On September 7th 2009, President Chávez announced that he would even now begin exporting 20,000 gallons of gasoline to Iran (*CNN*, 2009). The Multinational corporations BP, Chevron, Shell, Total and Brazil's Petrobras have likewise expressed interest in investing in the Orinoco basin where 272 barrels of crude oil are concentrated, although Venezuela's' government would still be entitled to 33% of the profits (*The Economist*, Sept. 3rd 2009). The crux of this international investment cooperation is visibly capitalist in nature and its success will be measured, moreover, in capitalist terms because a "relatively stable business-receptive environment," is a prerequisite for any long-term foreign capital investment (Lotta, 2007). The 2008 sale of USD $7.5 billion worth of PDVSA's stock to international investors is an example of policies which create a more attractive investor climate (Weisbrot and Sandoval, 2008: 19).

State Form

President Chávez clearly engages in a form of active industrial policy instating price controls for various national sectors e.g. the subsided grocery store Mercal, which offers 40% discounts. PDVSA also directly funds social missions or welfare programs, because oil revenues comprising 50% of Venezuela's total national budget (*The Economist*, June 18th 2009). Hence, central government spending has increased overall from 21.4% of GDP in 1998 to 30% in 2006 (Weisbrot and Sandoval, 2008: 3). With increased revenues, Venezuela's government actually achieved a balanced budget in 2006 but all future spending is, of course, subject to the world market price for crude oil (Weisbrot and Sandoval, 2008: 3).

During the 1980s, Venezuela's government capped interest rates at low levels, which led to massive capital flight and left the country with a legacy of negative interest rates. Because its government was historically unable to balance the budget, Venezuela's banking sector functioned as an oligopoly to resolve the situation (without competition from foreign banks) and was even granted full autonomy in 1992 with the passage of the Central Bank Law (Enright, 1996: 230). The financial sphere has, as a result, occupied an important role given previous central government failures at balancing the budget. Similarly, BANDES has taken on the responsibility of driving economic prosperity with low interest, micro-loans. Although its funds, at the end of the day, originate with the revenues generated from oil sales, the State maintains its authority in guiding industrial policy.

4.2 Towards A Rentier Growth Model

It seems then that Venezuela's new industrial push and accompanying state-run micro-lending experiments, while reflecting the logic of indigenous development common to capital-intensive ISI policies, also demonstrate key "neoliberal" features, namely the internationalization of capital and flexible labor policies. The two historic growth patterns, capital-intensive and Post-Fordist (as the Regulation School has outlined them), have joined forces with the help of statist and market-oriented institutional codifications i.e. under the directive of micro-credit, which points to a unique, Latin America growth model: a rentier model type. If we remember, the pattern of capital accumulation, characterized by the creation, circulation and distribution of wealth, only becomes a growth *regime* though, when both political and socio-economic factors internalize a particular accumulation logic. Not only was BANDES made possible by profits from Venezuelan oil production but it also funds continued industrial development and capitalizes on the social appeal of credit as a viable solution to poverty alleviation.

As DiJohn (2004) specified, the "advanced stage" of ISI policies from 1993 onwards, has meant not only a triumph for capital-intensive, natural resource-based industrial development, but also, upon closer examination, an acceptance of certain Post-Fordist ideals - rejecting domestic non-oil manufacturing for international markets. What is particularly interesting though, is the renewed practice of instating protectionist tariffs and funneling oil profits to Venezuela's state budget, making use, more recently of microfinance banks as a conduit for continuing industrial development (Edwards, 1995: 198-203). According to Sader (2008), under this form of rentier capitalism "the economy could only mean the capitalist market economy, the client and the consumer occluded the citizen and the worker" (9).

The experience of rentier states is of course not new in Latin America (Beblawi and Luciani, 1987). During Venezuela's 1970s oil boom, for example, the state accrued significant profits from the foreign sale of oil but suffered from an oil "bust" when world prices for oil declined (Coppedge, 2005: 307-314). In an effort to then control Venezuela's capital flight during the 1980s, the Democratic Action (AD) Party continued its rent distribution to hold on to populist support. After all, "populist and clientelist accommodation has been manifested in Venezuela through well-known patterns of excessive entry into industry" (DiJohm, 2004: 42). Reaping the benefits of state rents, BANDES, a state-funded credit scheme which invests in future industrialization programs, likewise upholds a historical affinity for rentier capitalism.

Venezuela's oil boom years (from the mid 1970s – mid 1980s) were focused on becoming an industrialized country.[42] During this time, most

[42] Although, central policies often ignored agricultural land reform, free health care and education supplemented public works projects and a high minimum wage (Wilpert, 2003: 2).

OPEC countries also devoted close to 50% of their gross domestic product (GDP) from oil revenues to domestic investment.[43] The 2003 nationalization of Venezuela's oil industry (PDVSA) again means that, "oil accrues to the state as an independent source of revenue, which affords it an unusual degree of political and economic autonomy" (Watts, 2004: 210). Furthermore, because oil is an internationalized commodity and relies on world markets, monocultural development takes place via petro-dollar spending (Watts, 2004: 210). The sheer value of Venezuela's petro-dollars is staggering not to mention the involvement of PDVSA in new state-financed, microfinance development schemes. According to PDVSA's financial and operational report for 2007, which embodies the Bolivarian Republic's social mission, trust funds in the amount of USD $229 million were allocated to BANDES in 2006 for "social programs and projects, work, goods and services aimed at the development of infrastructure, agricultural activities, roads, health and education in the country" (PDVSA, 2007: 61). At the end of 2007, PDVSA's balance with BANDES totaled USD $698 million (PDVSA, 2007: 88).

The volume and scope of such investments, however, run counter to many assumptions regarding microfinance in Venezuela. According to a 2007 study by The Economist Intelligence Unit, carried out as a joint effort with the Andean Development Corporation (CAF) and the Inter-American Development Bank (IDB), despite being an oil-rich nation, Venezuela greatly *under-performs* in the area of micro-lending, ranking next to last overall on the analysis of 15 Latin American countries engaged with microfinance. See Appendix P for the full results of the study. Specifically, it is "the lack of a market-based, customised approach to microfinance regulation [which] hampers the development of the industry" (*The Economist Intelligence Unit,* 2007: 10). The presence of BANDES, albeit a state-run and state-funded banking entity, largely undermines this claim because it offers hundreds of millions of US dollars in small loans to small and medium size Venezuelan enterprises, having recently even purchased Bolivia's microfinance bank Prodem and pledging to invest an additional USD $50 million in Bolivia's financial markets. None of these political endeavors would be possible though without the rents generated by oil sales and redistributed to Venezuela's new "social economy." Venezuela's revolutionary, socialist status is therefore questionable, specifically considering the alliance that financiers and industrialists have forged around microfinance as a form of crisis-management. In short, Venezuela remains committed to a rentier capitalist growth pattern, dedicated to industrial endeavors but now financed by a newly nationalized banking sector. In the following chapter, the same methodology will next determine the nature of capitalist evolution or non-evolution for Venezuela's Bolivarian "partner-in-revolution," Bolivia.

[43] According to OPEC data, although from 1973 -1983 per capita oil exports doubled, per capita oil income declined as a result of deteriorating oil prices (Rodriguez, 2000).

Chapter 5: The Bolivian Case Study[44]

In line with the Venezuelan experience, a series of neoliberal economic and institutional reforms undertaken in the 1980s have rendered poverty and inequality figures unaffected in Bolivia, with 60% of citizens still living in poverty, 37% of whom today suffer from extreme poverty[45] (INE, 2006). The case study is interesting because the microfinance industry here is often cited as one of the most successful and efficient service delivery programs worldwide, despite Bolivia's status as Latin America's poorest nation. According to the same 2007 Economist Intelligence Unit Report, Bolivia ranks first out of fifteen Latin American countries measured, in terms of its micro-lending regulatory framework and institutional development, reflecting a "proactive, gradualist posture" (EIU, 2007: 7). See Appendix P for the full results of the study. Again employing the methodology of the French Regulation School, I will illustrate the capitalist logic underwriting The Productive Development Bank Joint Company or the BDP, Bolivia's new state-run microfinance bank and will demonstrate, moreover, how its industry-focused lending practices reflect an ISI, Post-Fordist or even, hybrid macroeconomic growth model. Tracing these reverberations through institutional codifications or MoRs, will therefore highlight an accompanying regime of accumulation, RoA.

In May of 2008, three years after being elected to office, Bolivia's President Evo Morales introduced The Productive Development Bank Joint Company (BDP-SAM) on behalf of the Movement Towards Socialism (MAS). Similar to Venezuela's Simon Bolivar Plan, Bolivia's National Plan sets out to target poverty reduction though employment creation and financial support to "productive" national sectors with a credit line of USD $60 million for textiles, leather, wood and silver producing enterprises.[46] Under the leadership of an active government, the new bank hopes to promote the redistribution of national income via finance-led development for urban and rural sectors, especially in previously excluded regions. Although BDP's first loan awarded USD $10 million dollars to farmers and ranchers who suffered economic damage from flooding which affected much of Bolivia in the first part of 2007,[47] the majority of its loans actually target resources for investment into machinery, production infrastructure or vehicles that can be used in productive activity. The BDP also provides funding for working capital purposes e.g. to the purchase of raw materials, inputs, resources for recruit-

---

[44] See Appendix O for an overview of key historical events in Bolivia. All subsequent translations were undertaken by the author.

[45] From 1999-2006, the official incidence of poverty actually decreased from 63.47% - 59.92%. For more information on poverty figures see the INE or National Institute of Statistics in Bolivia: http://www.ine.gov.bo/indice/visualizador.aspx?ah=PC3060101.HTM

[46] "What is the BDP?" <http://www.bdp.com.bo/que_es_bdp.php>.

[47] "Bolivia Opens the BDP." *PortalALBA*. May 9th 2008. <http://www.alternativabolivariana.org/modules.php?name=News&file=article&sid=1844>.

ment and marketing to individuals and partnerships at a fixed interest rate of 6%, with a return of up to 12 years and a grace period of 2 years.[48] A micro-producer may, for example, receive up to USD $3,000 dollars, a small producer, USD $10,000 dollars after proper project evaluation.[49]

The BDP was first created out of the institutional adaptation of the Nacional Financiera Boliviana (NAFIBO), which had previously managed Bolivia's national microfinance provisions.[50] By 2006, Bolivia's financial system had reached a USD $3 billion loan portfolio but was largely concentrated in the service and trade sectors (57.6%) and to a lesser extent in manufacturing (42.4%).[51] The creation of BDP, thus, initially responded to this imbalance - to the lack of credit being offered to Bolivia's productive sector, especially to small-scale enterprises, although now micro-lending increasingly favors extractive industries, particularly natural gas.

A new financial institution that promotes Bolivia's productive sectors, the BDP therefore represents a shift away from the export of primary goods such as tin to a model focused on value-added industries, which enhance employment, infrastructure development as well as long-term social investments. Microfinance's involvement with productive sectors was historically non-existent though because of perceived high risks. For example, lending to farmers is considered risky business because it involves variables such as weather and long repayment cycles. It is contrary to this logic then, that the Morales government has undertaken a marriage between the formal financial sector and Bolivia's hydrocarbons sector.

The correlation between financial markets and microfinance is not a new phenomenon though. Morales' initiative is unsurprising according to Elizabeth Rhyne (2001) because the micro lending practiced in Bolivia has typically taken on the form of a "financial systems" approach. Beginning in 1986, with the help of ACCION International, a microfinance group dedicated to increasing services in Latin America, BancoSol[52] first linked microfinance to capital markets, making it the most profitable bank in Bolivia to date since its inception in 1987 (Emmons, 2007). Rhyne (2001), however, attributes factors such as "liberal economic policies" and a "modernizing fi-

---

48 "The BDP Begins Operations May 2." *BolPress*. May 2nd 2008. <http://www.bolpress.com/art.php?Cod=2007043015>.

49 "What is the BDP?" <http://www.bdp.com.bo/que_es_bdp.php>.

50 Historically, microcredit in Bolivia has functioned under the guidance of regulatory institutions with the capacity to tap into "public funds," although most MFIs harnessed savings to comprise their loan portfolios. In November 2004, for instance, the most prominent MFIs in Bolivia, BancoSol and PRODEM, financed 44-79% of their loans with savings as opposed to public funds (Helms, 2006: 80).

51 "The Bank of Productive Development: Threat or Opportunity?" *PADEP*. May 21st 2007. <http://www.padep.org.bo/www/index.php?pg=meta/datos/amenazauoprtunidad/>.

52 BancoSol began operations in 1987 and shifted to commercial status in 1992. It refers to itself as the "leader" in Bolivia's microfinance business and is often attributed with heralding in the global shift towards profit-led, commercial microfinance. For more information see: http://www.bancosol.com.bo/

nancial sector" with inflationary control and liberalized interest rates as vital to microfinance's sustainability (204 - 206). Although the BDP is officially a second-tier financial institution, meaning it distributes capital to other institutions, which loan out funds to public ventures, its state-led industrial lending arrangement, I will argue, is reminiscent of the import-substitution industrialization (ISI) which characterized development polices in Bolivia during the 1970s tin boom. Although now with a greater insertion into international financial markets internalizing a neoliberal market logic, perhaps again, it's more appropriate to reference a rentier capitalist growth regime which combines capital-intensive and Post-Fordist growth patterns for an extractive, statist yet also-market oriented capitalist variant.

5.1 A Capital-Intensive Growth Model?

Until the early 1980s, Bolivia's pattern of development was largely tin-dependent. Upholding this resource extraction model, a series of state nationalizations began to take shape in 1937 with the nationalization of Standard Oil and the birth of Yacimientos Petroliferos Fiscales Bolivianos (YPFB), the state-owned petroleum and natural company. Subsequently, the Corporación Minera de Bolivia or the Bolivian Mine Corporation (COMIBOL) was started in 1952 (Molina, 2007: 122). Beginning then with the National Revolution in 1952 throughout the 1970s, Bolivia's economy adhered then to the economic development espoused by the import substitution industrialization (ISI) model, favoring tin as the agent of national growth, specifically during the 1971-1978 military dictatorship of Preside Hugo Banzer Suarez (McKissick, 2008). For this reason, the political clout of the mining sector retains a historical importance considering the standard inclusion of the labor movement was standard in most administrations, whether authoritarian or democratic who stayed in power through support from the rural and mining sectors of the population. As McKissick (2008) describes, not only did the mining sector enjoy a privileged position in society but "the government [also] subsidized and catered to this sector because of the potential challenge miners may have posed to military and economic stability under this growth model."

However, when the world price for tin declined, Bolivian exports seriously suffered and by 1985, hyper-inflation reached 180% while "the causes of the economic meltdown could be found in government policies left over from the ISI era" (McKissick, 2008). In order to remedy economic downturn, a series of "neoliberal" i.e. deregulation, privatizations and free market principles institutionalized between 1985 and 2005. This period is often referred to as the neoliberal era in Bolivia, but even this phase is considered "a window of missed opportunity to diversify the economy," because a reliance on natural resources ultimately continued, shifting more recently from tin to natural gas[53]

[53] Rhyne (2001) describes how the process of economic liberalization during the 1980s actually facilitated the entrenchment of microfinance in Bolivia. More specifically, MFIs (microfinance institutions) actually granted greater leverage to the national government for introducing

(Molina, 2007: 122). The 2005 Hydrocarbons Law, for instance, nationalized the natural gas industry confirming Bolivia's commitment to the sphere of raw materials extraction[54] (Molina, 2007: 122). The use of microfinance in this process indicates, moreover, that capitalism has not yet been "defeated" by Bolivia's social economy. To corroborate this point with a more nuanced analysis of the socio-political currents underpinning historical growth patterns in Bolivia, below I will outline the interactions between RoAs and MoRs along the five key institutional codifications offered by Regulation Theory, specifically noting the reinforcing role that micro-lending plays in capital accumulation.

Monetary Constraint

According to the IMF, Bolivia is a small yet "open" economy, which sets itself apart by offering the lowest tariff rates in all of Latin America, also allowing for free capital flows. The banking sector is, nevertheless, "dollarized," meaning that about 90% of deposits and credit are pegged to the US dollar. In other words, "Bolivian monetary policy is not independent of the US monetary policy (Ioannidou *et. al.* 2008). As in the case of Venezuela, Bolivia's Central Bank engages in an expansionary monetary policy, maintaining low interest rates. The BDP's 6% interest rate is an example of this.[55] Between 1950 and 2005, Bolivia's average growth rate was only 2.8% though, a product of years of fiscal crisis and public debt, as well as a low national savings rate and low productivity but has by 2007, almost doubled to 4.5% (Molina, 2007: 128).

Wage-Labor Nexus

Given the importance of hydrocarbons to Bolivia's industrialization process, miners in Bolivia have traditionally occupied a prominent role in national politics. However, this class began losing political clout in 1986 when the state-run Corporation of Bolivian Miners dismissed 21,000 of 27,000 miners, ending years of a peasant-miner-government alliance (McKissick, 2008). Recent mass protests (2000 in Cochabamba and El Alto in 2003) have

---

economic reforms which responded to the structural adjustment programs being applied all throughout Latin America (Rhyne: 2001: 41). Heloise Weber (2002) further describes the self-reinforcing relationship between central policy making and micro-lending. For example, the Emergency Social Fund (ESF), which was introduced as part of Bolivia's New Economic Program in 1986 was an unconventional public welfare program that incorporated a microfinance element. As such, it may be referred to as the first attempted "counter-response to the [Polanyi's] second movement" (548). Weber argues that "the 'dual function' of microcredit in Bolivia functioned to sustain as well as facilitate the liberalization agenda from the 'bottom-up'" (2002: 548).

[54] The Hydrocarbons Law responded to a 2004 national referendum, which called for greater state involvement in allocating and managing the hydrocarbon sector (IMF, 2008: 7).
[55] Interest rates in Bolivia peaked at 50% during the 1990s (Helms, 2006: 9).

though contributed to the re-crystallization and re-invigoration of Bolivia's labor movement in opposition to to deregulation and privatization schemes (Spence and Shenkin, 2008).

The 2000 "Water War" in Chochabamba is therefore a key juncture in Bolivia's labor movement because this national protest brought together historically unaligned social groups e.g. coca growers, indigenous groups as well as urban and rural citizens. In 2003, social solidarity also emerged over proposals to sell the United States a share of Bolivia's natural gas exportation, eventually running then-President Gonzalo Sánchez de Lozada out of office. As a result, the labor movement has consolidated its efforts and represents a more formidable political threat than in previous years (McKissick, 2008).

Spearheaded by former coca grower himself Evo Morales, Bolivia's wage-labor nexus appears to be competitive, although income distribution remains largely unbalanced and informal work persists. Most collective bargaining agreements have also yet to be fully formalized. As the ILO points out, "Although there is a right to collective bargaining, only a few collective agreements are in existence" (ILO, 2007). The concentration of Bolivia's labor force is moreover uneven, despite strong central initiatives to develop the hydrocarbons industry. For instance, manufacturing currently employs 85% of workers, while 5% of workers are concentrated in small companies and 10% in middle-sized corporations (Molina, 2007: 123). Bolivia's natural gas sector actually only employs 0.04% of the total workforce available (IMF, 2008: 9).

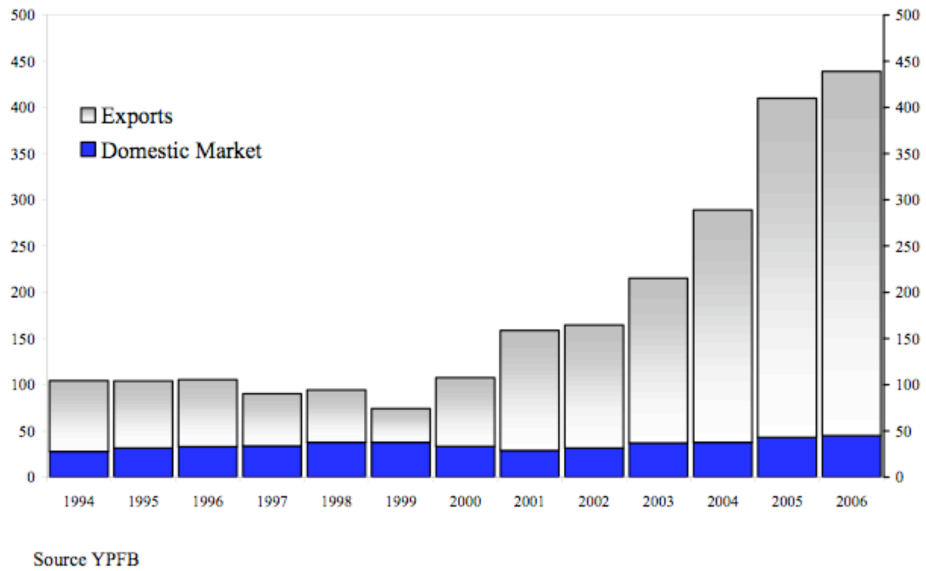
Forms of Competition

Bolivia's only natural gas exporter, the YPFB (Yacimientos Petroliferos Fiscales Bolivianos), essentially acts as a monopoly, having taken over all of production from foreign partnerships, even gaining the legislative authority to set prices as well as control exports and distribution. Additionally, an agreement has been signed allowing the state-run company to take back control over five additional hydrocarbon companies, which had been privatized during the 1990s (IMF, 2008: 8). As such, the YPFB has seen an increase in revenue from 18 to 50% from 2005-2008, which it contributes to bolstering Bolivia's financial markets. Although forms of competition are generally monopolistic when it comes to the hydrocarbons industry, there is scope for greater competition because the YPFB continues to boost the operations of the BDP, which in turn, develops the overall financial system and enhances the burgeoning small and medium sized sector, but this too is tied to the "revolutionary" objectives of Bolivia's National Plan (Gonzalez-Vega, 2007).

Incorporation into the International Regime

The Inter-American Development Bank (IDB) notes that beginning in 2006, Bolivia has enjoyed an increase in the price for its exports, as well as low international interest rates and an influx of remittances from abroad. Because Bolivia's foreign debt has, moreover, been forgiven by many international agencies, the country's public debt has decreased to now only 30% of GDP (IDB, 2008: i). The Morales government aims then to take advantage of high world prices for raw materials because "given the small size of Bolivia, its insertion in foreign markets is essential for growth" (Molina, 2007: 124). Natural gas sales are, of course, the motivation behind Bolivia's ongoing international insertion. See Figure 5 below for a more detailed breakdown of domestic market vs. foreign volumes of natural gas sales in billions of cubic feet per year. In 2006, foreign exports reached close to 450 billion cubic feet while domestically, only 50 billion cubic feet were sold. According to existing energy legislation, domestic consumption of natural gas is, however, supposed to enjoy legal preferential treatment over exports (IMF, 2008: 7).

Figure 5: Natural Gas Sales Volume (Billions of cubic feet per year)



Source: IMF (2008: 6).

The involvement of microfinance in international markets is noteworthy as well because the BDP is effectively involved in the sphere of global trade. The BDP, in January 2009, announced that it would provide USD $8 million in loans to those exporters who wanted to continue selling their products to the United States at a zero tariff rate, an agreement previously established with the United States in 1992 under the terms of the Andean Trade Promotion and Drug Eradication (ATPDEA) but suspended by President Bush who ended Bolivia's privileged access to American markets in 2009 before leaving office (in retaliation for alleged sub-par anti drug-trafficking initiatives). With the assistance of BDP though, exporters who wish to continue exporting may now qualify for a line of credit with a 10-year grace period and a variable interest rate to retain their market share in the United States.[56] Moreover, because the BDP technically functions as a second-tier financial

[56] "The BDP says that Exporters Can Access Credit." *Finanza y Banca en Bolivia*. Dec. 16th 2008. <http://finanzasybanca.blogspot.com/2008/12/bdp-dice-que-exportadores-pueden.html>.

ond-tier financial institution, the state owns 80% of shares, while the Corporación Andina de Fomento (CAF), a multilateral financial institution that mobilizes resources from international markets to Latin America, owns the remaining 20% of shares, which imparts an additional international business interest on mirco-lending decisions.[57]

State Form

In a recent interview, Bolivia's Vice President Alvaro Garcia Linera stated, "Our aim is for the state to assume an active role. In one year we have recuperated state control over hydrocarbons, mining and telecommunications. From 6% of the GDP, the state now controls 19%, and is today the principal economic actor in Bolivia. The objective is to reach, at least, 30% or 40%" (quoted in Stefanoni, 2007). Morales' governance style, therefore, clearly departs from the neoliberal politics practiced since 1985 when (IDB, 2008: i).

The state has undoubtedly assumed a more active role in managing the country's natural resources i.e. mining as well as oil and gas production. This harnessing of state authority for state-led development is again indicative of ISI policies, when corporatist labor alliances were formed with key national sectors. Labor's incorporation into national industrial planning is, however, much weaker today while Bolivia's industrialization process is, with a new focus on natural gas, more notably inserted into international financial market.

Vice President Linera, when asked if Bolivia's new policies reflect the ISI development drive of the 1950s, argued that, "There exist different dynamics of modernisation: that of the modern industrial economy, of urban family micro-enterprises and that of the communitarian *campesino* economy," in contrast to the "single road" to modernization practiced during the 1940s and 50s (quoted in Stefanoni, 2007). Although it rejects private investments, Bolivia's social democracy certainly toes the line of free markets with such a large percentage of exports going to foreign trade. See Figure 6. Still, although the state-run natural gas company, YPFB, is able to engage independently with other third parties (national or foreign) concerning hydrocarbons production, the state maintains marketing control (IMF, 2008: 4). Therefore, there appears to be a more diverse road to modernization, which permits greater flexibility and which has allowed for a re-imagination of the ISI logic around both statist and market-oriented varieties of capitalism. The re-interpretation of the industrialization process is contingent then on a set of institutional compromises, which have negotiated capital-intensive and Post-Fordist growth regimes, but whose union signals a Latin-American specific rentier growth model.

---

[57] CAF is the main source of multilateral financing in the Andean region, with approximately USD $18 million of financing given out in the past five years. See the organization's website for more information: http://www.caf.com/view/index.asp?ms=17

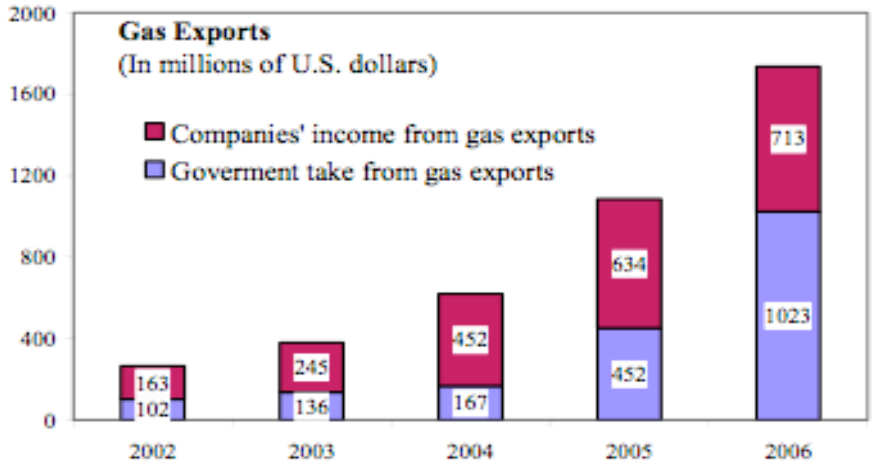
5.2 Towards A Rentier Growth Model

According to the IMF (2008), "a sharp increase in the government's tax …has bolstered hydrocarbons-based public sector revenue" (3). Today, for instance, hydrocarbon sales contribute to 1/3 of the Bolivian government's revenue or 10% of GDP, which trickles down to micro-lending purposes carried out by the BDP (IMF, 2008: 1). In 2008, President Morales even announced that 10,000 debtors would be absolved of their debt with the profits generated from natural gas revenues (*La Razon,* 2009). The state energy company YPFB has assumed a pivotal new role in "productive development," recently opening a special lending fund with the BDP (IMF, 2008: 3). Molina (2007) explains Bolivia's "rentier" growth model observing how, "the effect of the new legislation is to reverse certain aspects of the 1990s privatization/capitalization program in the hydrocarbons sector, and to markedly raise the government's tax take from it" (118).

Still, it is noteworthy that President Morales chose not to completely nationalize Bolivia's natural gas industry.[58] Although as of 2006, full control of natural gas fields has been granted to YPFB (when one fifth of Bolivia's total GDP came from the export of hydrocarbons), private companies were given a period of 180 days to renegotiate their contracts (Rochelin, 2007). Interestingly, the measures did not involve the repossession of multinational company assets as in the past, perhaps underscoring the importance of international ties for the Morales government (Molina, 2007: 119). The IMF, moreover, highlights Bolivia's international embeddedness, noticing that "the hydrocarbons sector has become one of the most dynamic economic activities in the Bolivian economy and the main driver of improved export performance and international reserve accumulation," involving 85% of the USD $2.3 billion earned from exports in 2007 (IMF, 2008: 3). Total revenues for the public sector have also risen from 27.5% of GDP in 2004 to 40.2% in 2006 (Weisbrot and Sandoval, 2007: 1). See Figure 6 for the US dollar amount being accumulated by the Bolivian government from the export of natural gas. In 2006, the government's share of gas exports equaled over USD $1 billion as compared to the USD $713 earned by private companies.

[58] Previous attempts at nationalizing the hydrocarbon sector date back to 1937 to the nationalization of Standard Oil and to the nationalization of Gulf Oil in 1969.

Figure 6: Distribution of Bolivia's Gas Exports (2002-2006)



Source: IMF (2008: 10).

President Morales has visibly shifted natural gas production outwards, retaining the value of exports for domestic development and utilizing state rents for re-investment into Bolivia's productive sphere via the micro-lending services that the BDP now offers. In this sense, microfinance is part and parcel to Bolivia's rentier capitalist growth regime, whose institutional manifestations not only display a hybrid growth pattern but also point to competing statist and market-led capitalist varieties, while meso-corporatist characteristics are also present. The following chapter will speak then to this novelty and to the Latin American capitalist experience, comparing BANDES and the BDP while examining their contributions to Venezuela's and Bolivia's modes of regulation, MoRs and regimes of capital accumulation, RoAs.

Chapter 6: Conclusions and Analysis

According to The Latinobarómetro Poll published in the November 2007 edition of *The Economist*, public support for a market economy in Venezuela is approximately 49%, while support in Bolivia is even higher, reaching 57%. The average score for all eleven Latin American countries measured was 52%. See Appendix R for more details concerning The Latinobarómetro Poll. It is worth noting then that public opinion in both "social economies" does not stray far from this regional average. After years of banking failures and production decline, both countries are back on the road to natural resource-based industrialization, hoping to reap the benefits of high oil and natural gas prices. In fact, "rising commodity prices and the international impact of the North American recession are favorable for the export of Latin American primary products" (Sader, 2008: 13). The material impulse for a long-term, anti-capitalist push therefore simply appears to be lacking. Returning to my original research question, I have meticulously shown that the modes of production and forms of capital accumulation in Venezuela and Bolivia have not ushered in a new post-capitalist reality. Moreover, given the permanence of microfinance as a state-led development regime, Venezuela's and Bolivia's "social economies" are still embedded in a state/market paradigm.

Because microfinance is ultimately linked to the process of capital distribution, it contributes to the "reproduction of institutional forms" and channels "individual and collective behavior in terms of an accumulation regime" (Boyer and Saillard, 2002: 44). Probing the relationship between industrialist and financers in this process, Boyer's recommendations for a long-term historical analysis of growth patterns, which consolidate around the interactions between RoAs and MoRs, have provided the theoretical framework for exposing BANDES' and the BDP's capitalist impulses (Osava, 2006). In contrast to the Varieties of Capitalism (VOC) approach, which distinguishes between two historical forms of capitalism i.e. the CME (coordinated market economy) and LME (liberal market economy), the French Regulation School offers a more nuanced understating of Post-Fordist realities because it recognizes at least four capitalist subtypes: market-oriented, statist, meso-corporatist and social-democratic.

This analysis has been especially useful in detecting a hybrid growth regime in Latin America first, because in broadening the scope of the VOC, it moves beyond deterministic considerations, and secondly, by allowing for a contextualization of the practice of micro-lending as a form of crisis management, it has demystified claims to post-neoliberal governance. Referencing the Regulation School's key institutional codifications, specifically a compromised wage-labor nexus and embedded international participation so characteristic of the Chávez and Morales governments, we find a strong disconnect with the ideals of a "socialist" system and historically capital-intensive and Post-Fordist growth patterns. Polanyi's "second movement," which responds to the crisis of neoliberalism, has not therefore produced a new post-capitalist reality but rather revived a rentier macroeconomic growth pattern endogenous to Latin America, now employing state-run micro-lending schemes, to link "productive development" with income distribution.

The experience of rentier capitalism is, of course, not new in Latin American, as large landowners have historically promoted high levels of agro-exports. The rapid growth of the non-oil manufacturing sector in Venezuela from the 1950s-1970s and the tin industry during the 1920s in Bolivia are prime examples. Under this system, landowners enjoyed a privileged position because they served as the only link between domestic and foreign markets in a non-diversified economy, capitalizing on a "comparative advantage" in raw materials. However, when oil and natural gas production entered this alliance, it became necessary to restructure the MoRs or institutional designs that lend legitimacy to this production logic. Accordingly, "revenue streams [act] as a cushion for established elites to avoid political risks by keeping the burden of taxation low and by buying off potential opposition with plentiful patronage" (Ross 1999: 311-13). The inclusion of microfinance in this process is the newest twist. What is more, industrialists and financiers seem to have joined forces in upholding this rentier growth model, hiding under the guise of domestic industrialization. As Sader clarifies, "the dominant alliance of financiers, industrial capital and agro-export industries that holds the reigns of power" does not adhere to the 1960s "classical national bourgeois." Rather, financiers and industrialists have more recently, "reinforced their integration into international financial circuits (as borrowers and state creditors) and they consolidated their export-oriented profiles" (Sader, 2008: 13).

Bina and Yaghmaian (1989) argue that this internationalization of capital may be broken down into three historically specific stages: "the early stage of 'primitive accumulation,' the advanced stage of 'primitive accumulation' and import substitution industrialization, and export led industrialization and global integration" (236). Under the early stage of primitive accumulation, production revolved around "absolute surplus value" and coincided with the "extraction of the Third World's cheap natural resources (Bina and Yaghmaian, 1989: 237). While the capital-intensive ISI model is an "advanced" form of capital accumulation, it is "not a policy of 'self-reliance' but a phase in the Third World's development…[and] tends to forge additional material linkage between developing countries and the third world" (Bina and Yaghmaian, 1989: 238). Therefore, capital-intensive ISI policies may be been seen as a stepping-stone to export-led industrialization and to a Post-Fordist growth regime. As Bina and Yaghamaian also suggest, although the "sectoral compass," so-to-speak, has widened (now including oil and natural gas) the fundamental market logic remains the same in Venezuela and Bolivia. In other words, "import substitution and export-led industrialization are two phases of the same dynamic process associated with the internationalization of the circuit of productive capital," and with rentier capitalist manifestations (239).

Although Lipietz (1987) widened the Regulationist research agenda to include the capitalist experience of developing countries, his argument is largely outdated because he analyzes the Third World in broad terms and only deals with forms of *primitive* accumulation as opposed to more advanced stages. So far, the Regulation School has adhered theoretically to four main growth regimes but because "neoliberalism" a la Harvey's (2005) capitalist understanding, has globalized, a Eurocentric research scope no longer suffices. Boyer's (2005) discussion of how and why capitalisms differ updated the French Regulation research agenda by including a more sophisticated treatment of the nuances of Fordism and Post-Fordism and introduced multiple varieties of capitalisms or four, Post-Fordist MoR subtypes. Still, a systematic attempt at characterizing the Third World's capitalist development is, nevertheless, lacking.[59]A closer look at Latin America has offered then important new insights into a fifth growth regime that deals with both capital intensive and Post-Fordist growth patterns as they interact.

The French Regulation research agenda is, at its core, relational, and maps the interaction between a RoA (which refers to the creation, distribution and circulation of capital) and MoRs or institutional codifications, which ensure a particular capitalist production model. The four historical growth regimes (extensive, capital intensive, Fordist and Post-Fordist) correspond then to self-reinforcing institutional arrangements i.e. a market-oriented, meso-corporatist, statist and/or social-democratic capitalist variety (Boyer, 2005: 21-22). Because the independent variable I have attempted to measure is the MoR, or mode of regulation, it remains to be determined which of the four, or combination of the four "capitalist varieties," best captures the Venezuelan and Bolivian capitalist experience. Obviously, a strict market-oriented form of capitalism with banking autonomy is not being practiced in either country. Both Chávez and Morales explicitly deny the commercial logic by espousing new social economies. However, the logic of capitalism is still implicit in the process of capital distribution which BANDES and BDP represent.

Moreover, "frequent negotiations between social partners and public authorities concerning the rules governing most of the components of social life and economic activity," those which underline a social-democratic form of capitalism do not regularly materialize, specifically as the wage-labor nexus in both Venezuela and Bolivia remains defined by weak collective bargaining agreements and segmented labor markets (Boyer, 2005: 21). Fault lines between economic actors and the workers they employ are on the rise (Rodrik, 1997). Polanyi's "second movement," which both Chávez's and Morale's social movements apparently represent, similarly alienates labor though. The Bolivarian presidents have actually increasingly turned their back on the very labor movements which put them into power, e.g. both PDVSA (1%), and YPFB (0.04%) only employ a small percentages of the total work force available.

Rather, what the presence of BANDES and BDP institutionally embody is the functioning of *state-driven capitalism* or "an economic circuit where most of the components (innovation, production, demand, industrial relationships, credit etc.) are moulded by a myriad of public interventions

[59] If we remember, each growth regime acts essentially acts as an umbrella for an accompanying RoA and MoR. For example, under Fordism, a consensus on active state policies corresponded to meso-corporatist and statist institutional forms or MoRs.

occurring at national, regional or local level" (Boyer, 2005: 21). Under this MoR, the wage labor nexus, however, features a "strong institutionalization of rules on employment" while monetary policy is guided by a "state [that] has tight control over credit." Moreover, because of a high degree of capital concentration, competition tends to be "moderate" and "channeled by public regulations or by professional associations." Although banks are centrally controlled, international finance plays an extremely important role in undermining a statist system. In this regard, BANDES and BDP depart from a statist model and the large, state-run corporations of PDVSA and YPFB perhaps sustain a meso-corporatist competition model whereby large companies are involved in many different market areas and continue to expand. The state codification in a meso-corporatist model is therefore more applicable because, although defined by limited autonomy, Chávez and Morales do focus on "public infrastructure development" by controlling "nationalized companies, regulations, public spending" (Boyer, 2005: 22). In conclusion, the meso-corporatist model therefore most accurately informs an understanding of the nature of capitalism being embodied by state – led microfinance development schemes in Venezuela and Bolivia, because "large companies [in this case either PDVSA or YPFB], the market, and the state make adjustments at the meso-economic level" in support of a rentier capitalist growth regime. Even more revealing in a meso-corporatist form of capitalism, "trade and finance-related choices are conditioned by the imperative of …economic development" (Boyer, 2005: 22).

As Aglietta (2005) notes, the rentier capitalist growth regime operating in Venezuela and Bolivia emerged, in part, because the MoR now equals an income distribution in favor of capital over labor (Aglietta, 2005). This is why, according to Sader, "the successive crises of the neoliberal economic order have not prompted an overt challenge to capitalism as such" (2008: 9). Rather, social projects in Venezuela and Bolivia serve as "new historical subjects" with the indigenous movement in Bolivia replacing the dissolution of the mine workers movement and an anti-imperialism movement referencing a military tradition in Venezuela (Sader, 2008: 9). Katz's (2007) depiction of "fragmented industrialization and financial dependence" sheds even greater light on this process. For instance, Venezuela's and Bolivia's popular uprisings were essentially "the consequence of "the non-institutional character" of economic crises and hence, the advent of BANDES and BDP became absorbed into a regime of capital accumulation, which dictates the creation, circulation and distribution of capital according to rent seeking tendencies, in accordance with a social relations of production which legitimize this form of accumulation (Katz, 2005: 1).

Thus, according to the French Regulation School, for there to have truly emerged a new RoA, a structural or major crisis in the MoRs would need to have taken place. Only these crises act as an impetus for new socio-political genesis. Rather, we are only witnessing a *minor* crisis in the MoRs or modes of regulation, because capitalism as a productive logic remains in tact but has, to some minor extent, come into conflict with institutional forms. The use of commercial microfinance lending as a "political safety net" therefore masks trade in financial services with finance-led industrialization processes. An institutional restructuring, merging statist and market-oriented institutional forms has instead produced to a meso-corporatist capitalist subtype.

The finding of this research is simply that the MoRs in Venezuela and Bolivia has shifted towards a meso-corporatist flavor after years of a mixed statist, neoliberal model. The Post-Fordist experience has actually left the state "in charge of managing [capital] accumulation," transforming its role into that of an "entrepreneur" committed to a novel market paradigm – rejecting neoliberalism, yet also accepting market-oriented institutions such as microfinance banks (Fernando, 2006). This hybrid form of neoliberalism, à la Harvey's (2005) definition, is actually unique to Latin America with its long history of statism. Hence, the rentier growth model may be viewed as a Latin American peculiarity, where state-sponsored microfinance banks are being employed as both regulatory and industrializing institutions, shedding light on a "neoliberal populist" interpretation of the Bolivarian Revolution.

References

Aglietta, M. (1979). *A Theory of Capitalist Regulation: The US Experience*. London: Verso.

---. 2005). *Issues in Regulation Theory*. No. 51. Accessed Feb. 15th 2009. <http://webu2.upmfgrenoble.fr/regulation/Issue_Regulation_theory/LR51english.pdf>.

Amsden, A. (2008). "The Wild Ones. Industrial Policy in the Developing World." In Serra, N. and Siglitz, J. (eds.) *The Washington Consensus Reconsidered: Towards A New Global Governance.* Oxford: Oxford University Press.

Arun, T.G. (2005). "Regulating for Development." *The Quarterly Review of Economics and Finance.* 45(2-3): 345 - 357.

"BANDES Institutional Information." Accessed Dec. 13th 2008. <http://www.bandes.gov.ve/infinst/index.shtml>.

"BANDES Conditions of Finance." Accessed Dec. 13th 2008. <http://www.bandes.gov.ve/prosoc/noremmb.shtml>.

"BANDES Uruguay Completes its First Year of Service." Sept. 6th 2007. Accessed Dec. 16th 2008. <http://www.bandes.gov.ve/pubbandes/noticias/ago-07/33.shtml>.

"BANDES Inaugurates Office in Nicaragua this Week." June 9th 2007. Accessed Oct. 17th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/jun-07/19.shtml>.

"BANDES Loans Optimize Agricultural Productivity." Sept. 24th 2008. Accessed Oct. 25th 2008. <http://www.bandes.gov.ve/pubbandes/noticias/sep-08/06.shtml>.

"BANDES Finances Social Welfare Programs in 2008." Jan. 26th 2009. Accessed Apr. 13th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/dic-08/04.shtml>.

"BANDES Productive Credit Benefits 95,000 People." Feb. 10th 2009. Accessed Jan. 15th 2009. <http://www/bandes.gov.ve/pubbandes/noticias/feb-09/02.shtml>.

"BANDES Coordinate Social Projects with 20 Municipalities." Feb. 27th 2009. Accessed April 12th 2009. <http://www.bandes.gov.ve/pubbandes/noticias/feb-09/05.shtml>.

Barrientos, A. and Hulme, D. (2008). *Social Protection for the Poor and Poorest: Concepts, Policies and Politics*. Basingstoke, UK: Palgrave Macmillan.

Bate, P. (2007). "Governments in Microfinance: Threat or Opportunity?" *Micro-enterprise Americas Magazine*. Fall Edition.

Bello, W. (2006). "Microcredit, Macro Problems." *The Nation.* Accessed Nov. 11th 2008. <http://www.countercurrents.org/eco-bello171006.htm>.

Beblawi, H. and Luciani, G. (eds.) (1987). *The Rentier State*. London: Croom Helm.
Bina, C. and Yaghmaian, B. (1989). "Import Substitution and Export Promotion Within the Context of the Internationalization of Capital." *Review of Radical Political Economics*. 20(2&3): 234-240.
"Bolivia Opens the BDP." *PortalALBA*. May 9th 2008. Accessed Dec. 3rd 2008. <http://www.alternativabolivariana.org/modules.php?name=News&file=article&sid=1844>.
Boyer, R. (1990). *The Regulation School: A Critical Introduction*. New York: Columbia University Press.
Boyer, R. (1996). "The Convergence Hypothesis Revisited: Globalization, but Still the Century of Nations." In Berger, S. and Dore, R. (eds.) *National Diversity and Global Capitalism*. Ithaca: Cornell University Press.
---. (2004). *The Future of Economic Growth*. Cheltenham: Edward Elgar.
---. (2005) *How and Why Capitalisms Differ*. MPIfG Discussion Paper 05/4. Cologne: Max Planck Institute for the Study of Societies.
Boyer, R. and Saillard, Y. (eds.) (2002). *Regulation Theory: The State of the Art*. London: Routledge.
Boyer, R. and Freyssenet, M. (eds.) (2002). *The Productive Models: The Conditions of Profitability*. Paris: Palgrave MacMillan.
BRAC's "Targeting the Ultra-poor" Programme." In Barrientos, A. and Hulme, D. (eds). *Social Protection for the Poor and Poorest: Concepts, Policies and Practices*. London: Routledge.
Burguière, A. (2009). The Annales School: An Intellectual History. Ithaca: Cornell University Press.
Campion. A. (2001). Challenges to Microfinance Commercialization. Journal Microfinance. 4(2): 57- 65.
Chavance, B. and Francis Wells (2008). *Institutional Economics*. London; New York: Routledge.
CGAP (2006). "Four Scenarios for the Future of Microfinance." *FocusNote*. 39: 1-15.
CGAP (2006). *Good Practice Guidelines for Funders of Microfinance*. CGAP. 2nd Edition.
CGAP (2008). *Advancing Financial Access for the World's Poor*. CGAP Annual Report.
CNN (2009). "Venezuela to Export Gasoline to Iran." CCN.com/world. Sept. 7th 2009. Accessed Sept. 7th 2009. <http://edition.cnn.com/2009/WORLD/americas/09/07/iran.venezuela.gasoline/index.html>.
Collinge, C. (1999). *Self-organisation of society by scale: a spatial reworking of regulation theory*. The University of Birmingham, Edgbaston: Centre for Urban and Regional Studies.

Conniff, M. (ed.) (1999). *Populism in Latin America.* Tuscaloosa and London: The University of Alabama Press.

Coppedge, M. (2005). "Explaining Democratic Deterioration in Venezuela." In Hagopian, F. and Mainwaring, S. (eds.) *The Third Wave of Democratization in Latin America.* Cambridge: Cambridge University Press.

Coriat, B. and Weinstein, O. (2005). *Issues in Regulation Theory*. No. 53. Accessed December 12th 2009. <http://webu2.upmfgrenoble.fr/regulation/Issue_Regulation_theory/LR53english.pdf>.

Counts, A. (2008). Reimaginging Microfinance. *Stanford Social Innovation Review*. Summer 2008 Edition: 46 – 53.

Cull, R., Demirguc-Kunt, A. and Morduch, J. (2008). Microfinance Meets the Market. The World Bank Development Research Group: Policy Research Working Paper 4630.

Daley-Harris, S. (2007). *State of the Microcredit Summit Campaign Report 2007*. Washington, DC: Microcredit Summit Campaign.

D'Arcy, S. (2008). "The Financial Crisis." *The London Project for Participatory Society*. Accessed May 1st 2009. <http://www.zmag.org/znet/viewArticle/19249>.

Demmers, J. et al. (2001). *Miraculous Metamorphoses: The Neoliberalization of Latin American Populism.* London and New York: Zed Books, Palgrave.

De Montesquiou et. al. (2008). "Governments Give Credit." *CGAP Microfinance Gateway*. Accessed March 11th 2009. <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.9164/>.

Diaz, R. (2008). "Panorama Sindical en la Venezuela de Chávez." Paper presented in Berlin: January 2008.

Dichter, T. (2008). "Hype and Hope: The Worrisome State of the Microcredit Movement." *The Microfinance Gateway*. Accessed Jan. 28th 2009. <http://www.microfinancegateway.org/content/article/detail/31747>.

DiJohn, J. (2004). "The Political Economy of Industrial Policy in Venezuela." University of Cambridge PhD Thesis.

Edwards, S. (1995). "Trade and Industrial Policy Reform in Latin America." In Resende, A.L. (ed.) *Policies for Growth: The Latin American Experience*. Washington, D.C.: IMF.

EIU. (2007)."Microscope on the Microfinance Business Environment in Latin America 2007." *The Economist Intelligence Unit*. Accessed Aug. 25th 2009. <http://www.caf.com/attach/17/default/MicroscopeontheMicrofinace-español.pdf>.

Ellner, S. (1989). "Organized Labor's Political Influence and Party Ties in Venezuela: Accion Democratica and Its Labor Leadership." *Journal of Inter-american Studies and World Affairs*. 31(4): 91-129.

---. (2008). *Rethinking Venezuelan Politics: Class, Conflict, and the Chávez Phenomenon.* Boulder: Lynne Rienner Publishers.

Ellner, S. and Hellinger, D.(eds.) (2003). *Venezuelan Politics in the Chávez Era: Class, Polarization, and Conflict.* Boulder and London: Lynne Rienner Publishers.

Emmons, G. (2007). The Business of Global Poverty. *Harvard Business School Working Knowledge*.

Enright, M. (1996). *Venezuela: The Challenges of Competitiveness*. New York: St. Martin's Press.

Fernando, J. (2006). *Microfinance: Perils and Prospects.* Kindle Edition. Routledge Studies in Development Economics. New York: Routledge.

Fine, B. (2001). "Neither the Washington nor the Post-Washington Consensus." In Fine, B. Costas Lapavitsas and Jonathan Pincus (eds.) *Development Policy in the Twenty-First Century: Beyond the Post Washington Consensus*. London: Routledge. 1 – 27.

Flynn, P. (2007). Microfinance: The Newest Financial Technology of the Washington Consensus. *Challenge: The Magazine of Economic Affairs.* 50(2): 1-9.

Fukuyama, F. (1992) *The End of History and the Last Man*, New York: Free Press.

Friedman, T. (2005). *The World is Flat: A Brief History of the Twenty-First Century.* New York: Farrar, Strauss and Giroux.

Friedman, M. (1962). *Capitalism and Freedom.* Chicago: University of Chicago Press.

"Gaceta Oficial." *N. 5.890 Extraordinario.* Accessed June 13th 2009. <http://www.bandes.gov.ve/infinst/Modificacion_Ley.pdf>.

Gamble, R. (2006). "Two Faces of Neoliberalism." In Robison, R. (ed) *The Neo-Liberal Revolution.* Basingstoke: Palgrave Macmillan.

Green, D. (2008) *From Poverty to Power: How Active Citizens and Effective States can Change the World.* Oxford: Oxfam International.

Gibson-Graham, J.K. (1996). *The End of Capitalism (As We Knew It): A Feminist Critique of Political Economy*. Oxford UK and Cambridge USA: Blackwell Publishers.

Gibson-Graham, J.K. (2006). *A Postcapitalist Politics*, Minneapolis: University of Minnesota Press.

Gonzalez-Vega, C. and Villafani-Ibarnegaray, M. (2007). "Las microfinanzas en la profundización del sistema financiero: El caso de Bolivia." In El Trimestre Economico. 74(1): 5-65.

Hall, P. and Soskice, D. (eds) (2001). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage.* Oxford: Oxford University Press.

Hardt, M. and Negri, A. (2000). *Empire*. Cambridge: Harvard University Press.

Harvey, D. (2005). *A Brief History of Neo Liberalism.* Oxford: Oxford University Press.

Hashemi, S. and Rosenberg, R. (2006). "Graduating the Poorest into Microfinance: Linking Safety Nets and Financial Services." *CGAP Focus Note 34*.

Hausmann. R. (1981). "State Landed Property, Oil Rent and Accumulation in the Venezuelan Economy." Ithaca: Cornell University. PhD Thesis.

Helms, B. (2006). *Access for All: Building Inclusive Financial Systems.* Consultative Group to Assist the Poor (CGAP).

Hodgson, G. (1994). "The Return of Institutional Economics." In Smelser, N. and Swedberg, R (eds.) *Handbook of Economic Sociology*. Princeton: Princeton University Press. 58-76.

---. (1998). "The Approach to Institutional Economics." *Journal of Economic Literature.* XXXVI. March: 166-92.

---. (2002). "Darwinism in Economics: From Analogy to Ontology." *Journal of Evolutionary Economics*. 12(2): 259-81.

Hollingsworth, J.R. and Boyer, R. (eds.) (1997). *Contemporary Capitalism: The Embeddedness of Institutions.* Cambridge: Cambridge University Press.

Hulme, D. (2000). Is Microcredit Good for Poor People?" *Small Enterprise Development.* 11(1): 26 – 28.

---. (2008). "The Story of Grameen Bank: From Subsidized Microcredit to Market Based Microfinance." In Hulme, D. and Arun, T. (eds.) *Microfinance: A Reader.* London: Routledge.

Hulme, D. and Arun, T. (2008). "The Future of Microfinance." In Hulme, D. and Arun, T. (eds.) *Microfinance: A Reader.* London, UK: Routledge.

Hulme, D. and Mosley P. (1996). *Finance Against Poverty*. London: Routledge.

IDB (2008). "IDB Underscores Support for Microfinance in Latin America in Face of International Turmoil." *Inter-American Development Bank New Releases.* Accessed March. 3rd 2009. <http://www.iadb.org/news/detail.cfm?Language=English&id=4795>.

IDB (2008). *The Bank's Country Strategy with Bolivia: 2008-2010.* Accessed April 5th 2009. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1777701>.

ILO (2007). “Bolivia: Industrial and Employment Relations Department.” Accessed Aug. 8th 2009. <http://www.ilo.org/public/english/dialogue/ifpdial/info/termination/countries/bolivia.htm>.

IMF (2008). “Bolivia: The Hydrocarbons Boom and the Risk of Dutch Disease.” Working Paper WP/08/154. International Monetary Fund Western Hemisphere Department. Accessed Sept. 2nd 2009 <http://imf.org/external/pubs/ft/wp/2008/wp08154.pdf>.

IMF. Washington, D.C. November 13-14th 2008. Accessed Sept. 7th 2009. <http://www.imf.org/external/np/res/seminars/2008/arc/pdf/iop1 pdf>.

Ioannidou, V. et. al. (2008). “Monetary Policy, Risk-Taking and Pricing: Evidence from a Semi-Natural Experiment.” 9th Jacques Polak Annual Research Conference.

Jacobs, K. (2008). “Coverage of ALBA in Nicaragua's corporate media: when intellectual integrity no longer fits the bill.” Sep. 10th 2008. Accessed June 15th 2009. <http://www.tortillaconsal.com/alba_media.html>.

Jayasuriya, K. (2006). “Economic Constitutionalism, Liberalism and the New Welfare Governance.” In Robison, R. (ed) *The Neo-Liberal Revolution.* Basingstoke: Palgrave Macmillan.

Jessop, B. (1990). *State Theory.* Cambridge: Polity Press.

---. (1993). “Towards a Schumpeterian Workfare State? Preliminary Remarks on Post-Fordist Political economy.” *Studies in Political Economy.* (40): 7-39.

---. (1997). “Capitalism and its future: remarks on regulation, government and governance.” *Review of International Political Economy.* (4): 561-581.

Jessop. B. and Sum, N. (2006). Beyond the Regulation Approach: Putting Capitalist Economies in Their Place. Camberley, UK: Edward Elgar Publishers.

Kang, N. (2006). *A Critique of the Varieties of Capitalism Approach.* International Center for Corporate Social Responsibility. Nottingham: Nottingham University Business School.

Katz, C. (2005). “The Center Left, Nationalism and Socialism.” *International Viewpoint Online.* Accessed March 16th 2009. <http://www.internationalviewpoint.org/spip.php?auteur171>.

---. (2007). “Strategies of the Left in Latin America.” *International Viewpoint Online.* Accessed March 14th 2009. <http://www.internationalviewpoint.org/spip.php?article1301>.

Kitschelt, H. et. al. (1999). “Convergence and Divergence in Advanced Capitalist Democracies.” In Kitschelt, H. et. al. (eds.) *Continuity and Change in Contemporary Capitalism.* Cambridge Studies in Comparative Politics. Cambridge: Cambridge University Press.

LaBotz, D. (2007). "Latin America Leans Left: Labor and the Politics of Anti-Imperialism." *New Labor Forum* 16(2): 67.

Laclau, E. (2005). *On Populist Reason*. London: Verso.

La Razon. (2007)."El BDP da prioridad a 5 sectores y revoluciona el acceso al crédito." May 2, 2007. Accessed Aug. 25, 2009. <http://www.larazon.com/versiones/20070502_005894/nota_244_421557.htm>.

---. (2008). "La condonación de los microprestamos." Editorial. Feb. 9th 2008. Accessed Aug. 14th 2009. <http://www.larazon.com/versiones/20080209_006177/nota_245_546000.htm>.

---. (2008). "El Bandes de Venezuela compra Prodem." May 13th 2008. Accessed July 18th 2009. <http://www.larazon.com/versiones/20080519_006277/nota_248_598494.htm>.

"Latinobarómetro Poll: A Warning for Reformers." (2007). *The Economist.com* Nov. 15,th 2007 Accessed August 3rd 2008. <http://www.economist.com/world/la/PrinterFriendly.cfm?story_id=10136464>.

Lipietz, A. (1984). "Imperialism or the beast of the apocalypse." *Capital and Class*. (22): 81-109.

---. (1985). *The Enchanted World: Inflation, Credit and the World Crisis*. London: New Left Books.

---. (1987). *Mirages and Miracles: The Crisis of Global Fordism*. London: Verso.

---. (1994). "Post-Fordism and Democracy." *Les Temps Modernes*. (524): 97 – 121. Translated by Gregory Elliot. In Amin, A. (ed.) *Post-Fordism: A Reader*. Oxford: Basil Blackwell.

Lotta, R. (2007). "Hugo Chavez Has an Oil Strategy...But Can This Lead to Liberation?"*New Series on Venezuela*. Accessed Sept. 4th 2009. <http://revcom.us/a/094/chavez-en.html>.

Mahmud, S. (2003). "Actually How Empowering is Micocredit?" *Development and Change*. 34(4): 577-605.

Marconi, R. and Mosley, P. (2006). "Bolivia During the Global Crisis 1998-2004: Towards a Macroeconomics of Microfinance." *Journal of International Development*. 18(2): 237-261.

Matin, I. Hulme, D. and Rutherford, S. (2002). Finance for the Poor: From Mirco-Credit To Microfinancial Services. *Journal of International Development*. 14: 273-294.

McKissick, P. (2008). "Economic Policy in Bolivia: Lessons from the 'Water War.'" *The Heinz Journal*. 5(1).

Molina, G. (2007). "El reto posneoliberal de Bolivia." *Nueva Sociedad*: 209. Accessed Aug. 25th 2009. <http://www.nuso.org/upload/articulos/3433_1.pdf>.

Morales, E. (2008). "The WTO's Round of Negotiations." Accessed Aug. 29th 2009. <http://upsidedownworld.org/main/content/view/1387/1/>.

Morduch, J. (1998). "Does Microfinance Really Help the Poor: New Evidence from Flagship Programs in Bangladesh." Harvard University: Department of Economics.

---. (1999). "The Microfinance Promise." *Journal of Economic Literature*. 27: 1569 – 1614.

---. (2000). The Microfinance Schism. *World Development*. 28 (4): 617 – 629.

Mushtaq K. (2005). "Markets, States and Democracy: Patron-Client Networks and the Case for Democracy in Developing Countries." *Democratization* 12 (5).

North, D. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

Navajas, S. Conning, J. and Gonzalez-Vega, C. (2003). "Lending Technologies, Competition and Consolidation in the Market for Microfinance in Bolivia." *Journal of International Development*. 15: 747-770.

Ominami, C. (1986). *Le tiers monde dans la crise*. Paris: La découverte. (44): 79-95.

Osava, M. (2006). "Challenges 2006-2007: Defining Latin America's Leftists Governments." *Inter-Press News*. Accessed March 12th 2009. <http://ipsnews.net/news.asp?idnews=35987>.

Pahnke, A. (2008). *Producing the New-Client/Debtor: A Critical Analysis of Micro-Finance*. Twin Cities: University of Michigan.

PDVSA (2007). Financial and Operational Information: December 31st 2007. Accessed Aug. 4th 2009. <http://www.pdvsa.com/interface.sp/database/fichero/free/3271/245.PDF>.

Polanyi, K. (1944). T*he Great Transformation. The Political and Economic Origins of Our Time*. Boston: Beacon Press.

---. (1957). "The Economy and the Instituted Process." In Polanyi, K. Arensberg, C. and Pearson, K. (eds.) *Trade and Market in the Early Empires*. Chicago: Gateway. 243 – 270.

Partlow, J. (2009). "Latin America's Document-Driven Revolutions." *The Washington Post Foreign Service*.

Petras, J. (2005). "Evo Morales/Bolivia: Populist gestures and neo-liberal substance." *Rebelión.org*. <http://www.rebelion.org/noticia.php?id=25142>.

Quemia, M. (2001). "Théorie de la Régulation et développement: trajectoires latino-américaines." In *L'Année de la régulation. Economie, Institutions, Pouvoir*. Paris: Presses de Sciences Po.

"República Bolivariana de Venezuela Ministerio de Trabajo: La Asamblea Nacional 2006." Caracas, 2006. Accessed June 25th 2009. <http://www.lib.utexas.edu/benson/lagovdocs/venezuela/federal/trabajo/memoria2005.pdf>.

Roberts, K. (2002). "Socialist Polarization and the Populist Resurgence in Venezuela." In Ellner, S. and Hellinger, D. (eds.) *Venezuelan Politics in the Chavez Era*. Boulder: Lynne Reiner Publishers.

Roberts, K. (2007). "Latin America's Populist Revival." *SAIS Review*. 27(1): 3-15.

Robinson, M. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. Washington, DC: World Bank.

Robles, A. (1994). *French Theories of Regulation and Conceptions of the International Division of Labor*. International Political Economy Series. New York: St. Martin's Press; London: Macmillan.

Rochlin, J. (2007). "Latin America's Left Turn and the New Strategic Landscape: The Case of Bolivia." *Third World Quarterly*. 28(7): 1327.

Rodriguez, F. (2000). "Factor Shares and Resource Booms: Accounting for the Evolution of Venezuela's Inequality." *World Institute for Development Economics Research*. Accessed March 19th 2009. <http://www.wider.unu.edu/publications/wp205.pdf>.

Rodrik, D. (1997). *Has Globalization Gone Too Far?* Washington DC: Institute for International Economics.

Ross, M. (1999). "The Political Economy of the Resource Curse." *World Politics*. 51(2): 297-322.

Ryne, E. (2001). *Mainstreaming Microfinance: How Lending to the Poor Began, Grew, and Came of Age in Bolivia.* Canada: Kumarian Press.

Sader, E. (2008). "The Weakest Link? Neoliberalism in Latin America." *New Left Review*. 52: 1- 13.

Schmidt, V. (2003). "French Capitalism Transformed, Yet Still a Third Variety of Capitalism." *Economy and Society.* (32): 526 – 554.

Schumpeter, J. (1989). *Essays On Entrepreneurs, Innovations, Business Cycles, and the Evolution of Capitalism*. New Jersey: Transaction Publishers.

Simmons, B. (1999). "The Internationalization of Capital." In Kitschelt, H. et. al. (eds.) *Continuity and Change in Contemporary Capitalism*. Cambridge Studies in Comparative Politics. Cambridge: Cambridge University Press.

"Sindicalistas revolucionarios responden al Presidente Chávez en torno a la 'no autonomía' de los sindicatos."*Aporrea.org*. March 27th 2007. Accessed July 24th 2009. <http://www.aporrea.org/trabajadores/n92511.html>.

Spence, C. and Shenkin, M. (2008). "The rebirth of politics in Bolivia: the role of popular resistance to business." *Critical Perspectives on International Business*. 4(4): 344- 366.

Stefanoni, P. (2007). "Bolivia: We Want a Capitalism with a Big State Presence." *GreenLeftOnline*. Accessed Aug. 27th 2009. <http://www.greenleft.org.au/2007/711/36905>.

Stiglitz, J. (2008). "The Future of Global Governance." In Serra, N. and Siglitz, J. (eds.) *The Washington Consensus Reconsidered: Towards A New Global Governance*. Oxford: Oxford University Press.

"Superintendencia de Bancos y Entidades Financieras. La Regulación y Supervisión De Las Entidades Microfinancieras En Bolivia." Accessed Aug. 8th 2009.

<http://www.sbef.gov.bo/archivos/Reg_y_Sup_de_EMFs.pdf>.

"The Bank of Productive Development: Threat or Opportunity?" *PADEP*. May 21st 2007.
<http://www.padep.org.bo/www/index.php?pg=meta/datos/amenazauoprtunidad/>.

"The BDP Begins Operations May 2" *BolPress*. May 2nd 2008. Accessed Dec. 5th 2008. <http://www.bolpress.com/art.php?Cod=2007043015>.

"The BDP says that Exporters Can Access Credit." *Finanza y Banca en Bolivia*. Dec. 16th 2008. Accessed Feb. 11th 2009.
<http://finanzasybanca.blogspot.com/2008/12/bdp-dice-que-exportadores-pueden.html>.

The Economist (2009). "Venezuela's Oil Policy: A Sticky Proposition." *The Economist: The Americas*. Sept. 3rd 2009. Accessed Sept. 4th 2009.

<http://www.economist.com/world/americas/displaystory.cfm?story_id=14382525>.

The Economist (2009). "Socialism on the Never-Never." *The Economist: The Americas*. June 18th 2009. Accessed Sept. 4th 2009.

<http://rss.economist.com/displayStory.cfm?story_id=13864830>.

"The New Venezuelan Production Model." *CONAPRI*. Accessed September 6th 2009.
<http://www.conapri.org/english/ArticleDetailIV.asp?articleid=301587&CategoryId2=15278>.

Thomas, J.J. (1995). Replicating the Grameen Bank – The Latin American Experience. Small Enterprise Development. 6(2): 16-26.

Todaro, M. (1997). *Economic Development*. Longman: New York.

"Top Bolivian Microbank Bought by Venezuelan Government?" *MicroCapital*. Dec. 14th 2006. Accessed May 21st 2009.

<http://microcapitalmonitor.com/cblog/index.php?/archives/527-Top-Bolivian-Microbank-Bought-by-Venezuelan-Government.html>.

Turner, R. (2008) *Neo-Liberal Ideology: History, Concepts and Policies*. Edinburgh: Edinburgh University Press.

Vargas Llosa, A. (2009). "Hugo Chavez's Imperial Chess Game." *RealClearPolitics*. Accessed Aug. 28th 2009. <http://www.realclearpolitics.com/articles/2009/08/12/hugo_chavez s_imperial_chess_game_97863.html>.

Veblen, T. (1919). *The Place of Science in Modern Civilization.* New York: Russel & Russel.

"Venezuela Banking Outlook." *Latin Business Chronicle.* August 11th 2008. Accessed August 15th 2009. <http://www.latinbusinesschronicle.com/app/article.aspx?id=2645>.

Villegas Quiroga, C. (2006). National Development Plan 2006. La Paz, Bolivia: Ministry of Development Planning.

Walter, M. (2009). "Chavez Says Alba Countries to Propose Monetary Zone." *Bloomberg.com.* Nov. 26th 2009. Accessed Aug. 28th 2009. <http://www.bloomberg.com/apps/news?pid=20601086&refer=Lati n_America&si d=aT9rzetYgQDQ>.

Watts, M. J. (2004). "Oil as Money: The Devil's Excrement and the Spectacle of Black Gold." In Barnes, T. et al. (eds.) Wales: Blackwell Publishing.

Weber, H. (2002). "The Imposition of a Global Development Architecture: The Example of Microcredit." *Review of International Studies* (28): 537-555.

Weisbrot, M and Sandoval, L. (2007). *Bolivia's Economy: An Update*. Center for Economic and Policy Research (CEPR). Washington D.C.

--- (2008). *Update: The Venezuelan Economy in the Chávez Years*. Center for Economic and Policy Research (CEPR). Washington D.C.

--- (2008). *The Distribution of Bolivia's Most Important Natural Resources and the Autonomy Conflicts*. Center for Economic and Policy Research (CEPR). Washington D.C.

Weyland, K. (2000). "Neopopulism and Market Reform in Argentina, Brazil, Peru, and Venezuela." Paper presented at conference of the Latin American Studies Association, Miami. March 16–18.

"What is the BDP?" Accessed Dec. 12th 2008.. <http://www.bdp.com.bo/que_es_bdp.php>.

Williamson, J. (1990). "What Washington Means by Policy Reform." In John Williamson (ed.) *Latin American Adjustment: How Much has Changed?* Washington: Institute for International Economics.

---. (1999). What Should the Bank Think about the Washington Consensus? In World Bank, *World Development Report 2000*. Washington D.C.

Wilpert, G. (2003). "Venezuela's Mission to Fight Poverty." *Znet*. Accessed March 16th 2009. <http://www.zmag.org/znet/viewArticle/9551>.

Women's World Banking. (2005). *Expert Group +10: Building Domestic Financial Systems that Work for the Majority*. New York: Women's World Banking.

Woolcock, M. (1998). "Social capital and economic development: toward a theoretical synthesis and policy framework." *Theory and Society* 27(2): 151-208.

Yunus, M. (1999). *Banker to the Poor: Microlending and the Battle Against World Poverty*. New York: Public Affairs.

Appendices

Appendix A

The term "Washington Consensus" typically refers to a set of policies which favor fiscal discipline, tax reform, exchange rate unification, public expenditure in areas with high economic returns, privatization schemes, FDI promotion, a restrictive monetary policy, financial and trade liberalization, deregulation of production as well as careful attention to property rights. Its ascendancy is often attributed to the creation of certain post-WWII Bretton Woods institutions i.e. the IMF, World Bank and more recently the WTO. A preoccupation with "getting the prices right," limited state interventionism and macroeconomic stability are central to a Washington Consensus understanding of markets. For this very reason, the policy agenda and "neoliberalism" are frequently used interchangeably, yet the association is a much more nuanced one and will be probed later in this paper (Williamson 1990, 1999).

Appendix B

Shifting in the early 1990s to economic policies now concerned with the *nature* of state interventions, the Post-Washington Consensus links economic performance with good governance practices. To view the Washington Consensus and Post-Washington Consensus, however, as a continuum would be hasty, even though many of the underlying assumptions are similar. Rather, as Ben Fine highlights, the Post-Washington Consensus "replaces an understanding of the economy as relying harmoniously on the market by an understanding of society as a whole based on (informational) market imperfections" (Fine, 2001: 4).

Appendix C

According to Michael Todaro (1997), Import Substitution Industrialization (ISI) refers to: "A deliberate effort to replace major consumer imports by promoting the emergence and expansion of domestic industries such as textiles, shoes, household appliances usually requiring the imposition of protective tariffs and quotas to protect new or infant industries" (681). Beginning in the 1970s with Augusto Pinochet's neoliberal reforms in Chile, a new model in favor of regional economic integration was introduced to Latin America. By the 1980s, a regional debt crisis had, nevertheless, spelled an end to ISI policies.

Appendix D

Although intellectuals such as Friedrich Hayek, Ludwig von Mises and Alexander Rustow differed in opinion during neoliberalism's foundational gathering of the Mont Pelerin Society in 1947, all agreed that inflation and increasing public interventionism were dangerous to economic health. Turner's depiction, nevertheless, does not account for the ontological possibility that ideas may very well be an articulation of material interests (Turner, 2008).

Appendix E

Douglas North's New Institutional Economics (NEI) thesis tells us that institutional evolution is determined by a historical path dependency and that power-holding groups in society are typically responsible for setting new rules of the game. Thorstein Veblen (1899), on the other hand, points to the "natural selection of institutions" while Geoffrey Hodgson notes the embedded nature of social interactions. Hodgson's "thesmology" proposition seeks to understand the genesis, evolution and nature of the rules and norms, which constitute social life. In contrast to Regulation Theory, which views the wage-labor nexus, the state and money as paradigmatic institutions, for North this role is given to property, for Veblen to the business firm while for Hodgson, language is key (Chavance, 2009: 78-79).

Appendix F

Quelling labor uncertainty is a key factor in reducing crises and maintaining economic growth, which can either be achieved by establishing "a contract of lasting trust with wage earners…in exchange for a compensation that can be negotiated" or conversely, restricting "through the preparation of and prescription of work, employees' freedom to evaluate things themselves" (Boyer and Freyssenet, 2002: 6). This classic "division of the intelligence of labor" speaks to the distancing of workers from the means of production. To supplement this deficiency, "various coordinating mechanism provide actors with vocabularies and logics for pursuing their goals," such as trade unions (Hollingsworth and Boyer, 1997: 3).

Appendix G

Aglietta's three layers of regime of accumulation are concerned with how capital is created, circulated and lastly, distributed, within the context of global financial markets. The effect of FDI on a country is primarily determined though by how a political and socio-economic environment fashions investment and growth. More specifically, as Aglietta (2005) points out: "our analysis leads us to place the firm and its governance at the center of the type of regulation which, taking into account the growing role of market finance, would permit capitalism to revive its ties with social progress" (Aglietta: 5).

Each growth regime is similarly accompanied by a specific productive norm, referring to the conventions underpinning ideas of national wealth. Petit contends that, "the evolution of today's economies towards a more decisive role for financial governance [even] seems to call into question the relevance of the notion of productivity" (2002: 1). Aglietta's approach is significant because he sets out to construct a general logic informing the qualitative or social nature of money. For him, monetary crises are crises of trust. He shows that a monetary crisis happens when trust collapses in all the dimensions of the monetary system e.g. the value of the means of payment, the repayment of debts, the trust in political authority as well as the symbolic trust in the foundations of the social order.

Appendix H

The French Regulation Methodology

<table>
<tr><td colspan="2">GROWTH REGIME
1. Capital Extensive
2. Capital Intensive
3. Fordist
4. Post-Fordist
5. Or Fifth Type (a hybrid variety)</td></tr>
<tr><td>REGIME OF ACCUMULATION (ROA)
1. Creation
2. Circulation
3. Distribution of Capital
+ Social Relations of Production</td><td>MODE OF REGULATION (MOR) =
DEPENDENT VARIABLE
[The totality of these 5 institutional forms narrates either a market-oriented, meso-corporatist, statist or social-democratic capitalist variety.]</td></tr>
<tr><td colspan="2">1. FORMS OF MONETARY CONSTRAINT
• What type of monetary policy is practiced?</td></tr>
<tr><td colspan="2">2. WAGE-LABOR NEXUS
• How balanced is income distribution?
• What is the nature of collective bargaining?
• How organized are trade unions?
• Is the labor market segmented?
• What percentage of workers are in the informal sector?</td></tr>
<tr><td colspan="2">3. FORMS OF COMPETITION
• Large export companies?
• Or small and medium-sized firms in domestic markets?
• Monopoly or oligopoly?
• What role has the main bank played in funding capital allocation?</td></tr>
<tr><td colspan="2">4. STATE FORMS
• Is the state active in industrial policy?
• Fiscal reform efficiency?
• Deregulation or privatization?
• Balanced budget?
• Did the financial sphere historically play a major role in state affairs?</td></tr>
<tr><td colspan="2">5. INCORPORATION INTO INT'L REGIME
• Open to world markets?
• Or protected economy?</td></tr>
</table>

Appendix I

VENEZUELA: KEY DATES
1908-35: Venezuela reigns as the number one exporter of oil under the dictatorship of Juan Vicente Gomez.
1973: The oil and steel industries are nationalized while Venezuela's currency surpasses the US dollar, signaling an oil boom.
1983-84: A decline in world price for oil incites political strife in response to abrogated welfare spending. Dr Jaime Lusinchi (Accion Democratica Party) is elected president and signs pact involving government, trade unions and business.
1989: Carlos Andres Perez of the Accion Democratica Party is elected as President and pledges to use oil revenues for industrialization purposes, in part also to overcome so-called underdevelopment. With loans from the IMF structural adjustment programs are introduced, further inciting political unrest.
1992: Chavez attempts coup but then jailed.
1998: Chavez elected president.
2000: Chavez secures another six-year term in office and a mandate to pursue political reforms.
2001 May: Chavez introduced BANDES (The Bank of Economic and Social Development)
2001, November: Chavez introduces 49 reform laws, particularly land and oil industry reforms, powers which did not require approval by the National Assembly.
2002, February: National currency, the Bolivar, plummets 25% against the US dollar after the government gets rid of exchange rate controls.
2002, February: Chavez seats new board of directors to the state-owned oil monopoly Petroleos de Venezuela.
2002, April: Military uprising ousts Chavez and seats an interim head of transitional government, Pedro Carmona, but Chavez returns to office that same month after the breakdown of the interim government.
2002, December: Oil industry is brought to a halt by an opposition strike, leading to fuel shortages.
2004 August: Chavez wins referendum, granting him the right to serve out the rest of his two-and-a-half year term.
2005 January: Chavez signs legislation on land reform, which aims to eliminate Venezuela's large estates. Chavez claims that land redistribution will finally bring justice to rural poor.
2006: Chavez wins third term in office.
2007 January: President Chavez announces that energy and telecommunications companies will be nationalized. The National Assembly grants President Chavez sweeping powers to rule by decree for the next eighteen months.
2007 May: Government takes control of oil projects in the Orinoco Delta as part of a series of nationalizations.
2008 August: President Chavez announces plans to nationalize one of the country's largest private banks, the Spanish-owned Bank of Venezuela.
2009 February: Voters in a referendum approve plans to abolish limits on the number of terms in office for elected officials; this would allow President Chavez to stand again when his current term expires in 2012.

Source: Taken directly from BBC's Timeline "Venezuela."
<http://news.bbc.co.uk/2/hi/americas/1229348.stm>.

Appendix J

The Bank of Women is a relatively successful state-run microfinance institution created on March 8, 2001 to "promote the more equitable distribution of national income, the democratization of capital, combating poverty in Venezuela, while generating self-sufficient and self-productive growth, so that family income may rise in rural as well as urban areas within the context of economic solidarity." The lending strategy of the bank is relatively simple: a group of "promoters," scattered throughout various districts act as liaisons to help Venezuelan women secure a more sustainable livelihood for themselves and for their families. Typically, a cooperative of women develops their own draft proposal and then asks for a micro-loan. The credit is granted at very low interest but the beneficiaries must repay the amount in a short period of time (a year and a half). Therefore, the bank offers women two types of services: micro-credit (financial services) and secondly, technical assistance (non-financial services) to assist women in the production and organization of projects with an added focus on administrative capacities and marketing. For further information see: http://www.banmujer.gob.ve/

Appendix K

The conditions for BANDES-sponsored financial support are the following:

- The project should improve the quality of life of the population being excluded and /or reintegrated into society
- The project must be sustainable over time

In terms of evaluation criteria, social impact is measured in the following ways:

- Reduction of marginalization and decline in the mechanisms that re-produce poverty.
- Positive effects on the quality of life of the people.
- Creation or strengthening of the population's capacity for participation or development.

See BANDES' Complete Conditions of Finance:
http://www.bandes.gov.ve/prosoc/noremmb.shtml

Appendix L

By February 2009, credit given out by BANDES had apparently benefited a total 95,000 people with programs developed for the neediest sectors in the states of Aragua, Zulia, Anzoategui, Lara, Cojedes, Barinas and Táchira. The bank will also oversee the construction of two hotel complexes, reactivate industrial channels of agricultural distribution, targeting also the construction sectors through the development of mass transportation. See: http://www/bandes.gov.ve/pubbandes/noticias/feb-09/02.shtml

Appendix M

In addition, BANDES has been doing business in Nicaragua, where it started operations in June of 2007. Granting preferential loans to small and micro-producers, the move materialized under the umbrella of the Bolivarian Alternative for the Americas (ALBA), and was signed between the President of Nicaragua, Daniel Ortega and Venezuela's Hugo Chávez, quite literally the day after that Sandinista leader returned to the presidency. Accordingly, BANDES' office in Nicaragua has provided USD $10 million in economic assistance for social projects. In July 2008, BANDES offered yet another USD $3.5 million at low interest to those affected by Nicaragua's Hurricane Felix. See: http://www.bandes.gov.ve/pubbandes/noticias/jun-07/19.shtml

Appendix N:

Regime Type, Industrial Policy and Economic Outcomes in Venezuela (1958-98)

An Overview of Evolution of Regime Type, Development Policies and Economic Outcomes in Venezuela, 1958-1998

Period	**Regime type/Main political trends and settlements**	**Industrial Policy Orientation**	**Stage of ISI/Dominant Technologies**	**Main economic results**
1958-1973	1) Pacted democracy; less radical form of populist clientelism 2) Political pacts begin to break down in 1968	1) State-led industrialization: blanket protection of industry through import quotas and tariffs and substantial increase in industrial credit 2) Manufacturing investment still dominated by private sector conglomerates	1) Transition period to more advanced stage of ISI (1960-1973) 2) Scale economies and exports become decisive to manufacturing productivity and output growth	1) Rapid, but slowing growth in non-oil and manufacturing growth 2) Low inflation
1973-1993	1) Two-party electoral rivalry within democratic pact 2) Growth in factionalism and fragmentation of populist clientelism	1) Continued blanket protections; proliferation of subsidies 2) Public enterprises in heavy natural-resource-based industry dominate manufacturing investments 3) Multiple exchange rate system (RECADI, 1984-1988) generates large subsidies for firms with political contacts and/or import licenses	Advanced stage of ISI; "big push" state-led natural-resource-based industrialization strategy 1974-1985	1) Non-oil and manufacturing growth stagnates 2) Proliferation of public enterprises 3) Excessive entry into manufacturing sectors 4) Little discipline of state or private subsidy recipients 5) Capital flight - debt crisis (1974-85) indication of massive macro co-ordination failures 6) Moderate and growing inflation
1993-1998	1) Multi-party electoral rivalry 2) Decline of AD and COPEI (two main political parties) 3) Rise of political outsiders and increase in anti-political party radical populism	1) Radical trade and financial liberalization 2) Partial privatisation of steel and aluminium state-owned enterprises	Advanced stage of ISI continues; capital-intensive natural resource-based industries remain most productive relative to the USA level	1) Manufacturing growth, productivity and investment collapse 2) Sharp decrease in number of large-scale manufacturing firms 3) Banking crisis (1994) 5) High inflation 6) Capital flight

1999-2003	Rise in anti-party politics, centralization of executive power; polarization of politics	1) Little attention paid to industrial strategy; reversal of oil opening policy 2) Introduction of capital controls	Advanced stage of ISI continues; capital-intensive natural resource-based industries remain most productive relative to the USA level	1) Collapse in non-oil and manufacturing growth 2) Increase in unemployment

Source: DiJohn (2004: 67).

Appendix O

BOLIVIA: KEY DATES
1825: Bolivia achieves independence, with Simon Bolivar becoming president.
1952: A miners and peasants' movement overthrows the military regime, replacing it with Victor Paz Estenssoro who subsequently nationalizes Bolivia's tin mines, redistributes land and greatly improves the condition of indigenous peoples.
1964: Military coup staged by Vice President Rene Barrientos.
1971: Hugo Banzer Suarez assumes power by staging a military coup.
1974: Banzer postpones elections while also banning political and trade union activity in order to thwart an attempted coup.
1980: General Luis Garcia undertakes a coup after elections are deemed inconclusive; US and European countries halt aid in light of corruption and drug trafficking allegations.
1981: General Celso Torrelio Villa replaces General Luis Garcia, who is forced to resign.
1982: Torrelio resigns himself a year later as the economy worsens; military junta hands over power to civilian administration led by Siles Zuazo's leftist government. This is the official return to democratic rule.
1985: Siles resigns due to a general strike and an attempted coup; elections are held but are inconclusive; parliament chooses Paz Estenssoro as president.
1986: Twenty-one thousand miners lose their jobs with the collapse of the tin market.
1989: Leftist Jaime Paz Zamora becomes president and enters a power-sharing pact with former dictator Hugo Banzer.
2000: "Water War" or a series of mass protests in Cochabamba in opposition to the privatization of the municipal water system.
2003 September-October: 80 people are killed and hundreds more injured in protests fuelled by government plans to export natural gas via Chile. President Sanchez de Lozada resigns under these pressures and is succeeded by Carlos Mesa.
2004 April: President Mesa signs natural gas export deal with Argentina. Opponents claim that the deal pre-empts a referendum on gas exports planned for July. Protesters demand president's resignation.
2004 July: Referendum on gas exports takes place and voters approve greater state involvement in the industry and approve future exports of the resource.
2004 August: Agreement signed to allow for the export of gas through Peruvian port.
2005 January: Rising fuel prices trigger large-scale anti-government protests.
2005 May: Protests over energy resources bring La Paz, and government business, to a near standstill. President Mesa promises to rewrite the constitution and a referendum on autonomy demands from resource-rich provinces.
2005 December: Evo Morales wins presidential elections. He becomes the first indigenous Bolivian to take office. His Movement to Socialism Party combines pro-poor and pro-poor indigenous movements.
2006 December: Morales nationalizes the gas industry, taking over control of the operations of foreign firms in the country.
2007 August: Bolivia, Venezuela and Argentina sign a USD $1 billion energy deal.
2007 December: President Morales formally receives controversial new draft constitution which he says will promote re-distribution of the country's wealth and give a greater voice to the indigenous majority.
2008 December: U.S. President Bush suspends Bolivia's duty free access to the U.S. as was agreed in 1992 under the Andean Trade Promotion and Drug Eradication (ATPDEA).
2008 May: Morales instates the Productive Development Bank (BDP) to offer micro-credit loans
2008 August: President Morales gains 67% of vote in recall referendum on his leadership.
2009 January: New constitution giving greater rights to indigenous majority is approved in a national referendum, with more than 60% voting in favor.

Source: Taken directly from BBC's Timeline "Bolivia."
<http://news.bbc.co.uk/2/hi/americas/1229348.stm>.

Appendix P

Table 1: The overall and category scores and rankings in the Microscope on the Microfinance Business Environment											
Overall score			**Regulatory Framework**			**Investment Climate**			**Institutional Development**		
1	Bolivia	79.4	1	Bolivia	100.0	1	Chile	75.0	1	Bolivia	75.0
2	Peru	74.1	2	Peru	81.3	2	Brazil	62.1	2	Dominican Rep	75.0
3	Ecuador	68.3	3	Ecuador	75.0	3	Mexico	58.3	3	Ecuador	75.0
4	El Salvador	61.5	4	El Salvador	62.5	4	Peru	57.9	4	Peru	75.0
5	Dominican Rep	57.5	5	Paraguay	62.5	5	Uruguay	54.2	5	El Salvador	66.7
6	Nicaragua	53.8	6	Guatemala	56.3	6	El Salvador	49.2	6	Nicaragua	58.3
7	Paraguay	52.9	7	Nicaragua	56.3	7	Bolivia	47.1	7	Paraguay	50.0
8	Chile	48.3	8	Chile	50.0	8	Colombia	47.1	8	Colombia	41.7
9	Mexico	48.3	9	Colombia	50.0	9	Argentina	46.7	9	Mexico	41.7
10	Colombia	46.1	10	Dominican Rep	50.0	10	Ecuador	41.3	10	Brazil	33.3
11	Guatemala	44.0	11	Mexico	50.0	11	Venezuela	41.3	11	Chile	33.3
12	Brazil	43.3	12	Brazil	43.8	12	Guatemala	40.8	12	Guatemala	33.3
13	Uruguay	35.8	13	Uruguay	37.5	13	Nicaragua	40.0	13	Argentina	25.0
14	Venezuela	27.4	14	Venezuela	31.3	14	Paraguay	39.6	14	Uruguay	25.0
15	Argentina	26.8	15	Argentina	18.8	15	Dominican Rep	37.5	15	Venezuela	16.7

Source: The Economist Intelligence Unit (2007).

Appendix Q

Venezuela: Labor Force Indicators (1998-2007)[a]

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
					(in thousands)					
Labor Force	9,699.3	10,259.2	10,163.9	10,576.0	11,369.0	11,793.5	12,036.3	11,936.5	12,056.5	12,211.8
Total Employed	8,605.1	8,691.4	8,682.7	9,123.5	9,611.7	9,524.8	10,035.7	10,344.1	10,783.2	11,079.7
Public Sector	1,402.6	1,348.2	1,352.8	1,378.4	1,364.8	1,371.3	1,491.7	1,633.6	1,804.8	1,926.2
Private Sector	7,202.5	7,343.3	7,329.9	7,745.1	8,246.9	8,153.4	8,544.0	8,710.6	8,978.4	9,153.5
Formal Sector	4,403.9	4,253.7	4,110.9	4,491.9	4,752.5	4,528.8	4,923.2	5,387.1	5,853.4	6,173.9
Informal Sector	4,147.4	4,435.0	4,565.7	4,630.1	4,856.1	4,988.4	5,108.8	4,924.2	4,929.7	4,803.1
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
					(% of total labor force)					
Labor Force	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Employed	88.7	84.7	85.4	86.3	84.5	80.8	83.4	86.7	89.4	90.7
Public Sector	14.5	13.1	13.3	13.0	12.0	11.6	12.4	13.7	15.0	15.8
Private Sector	74.3	71.6	72.1	73.2	72.5	69.1	71.0	73.0	74.5	75.0
Formal Sector	45.4	41.5	40.4	42.5	41.8	38.4	40.9	45.1	48.6	50.6
Informal Sector	42.8	43.2	44.9	43.8	42.7	42.3	42.4	41.3	40.9	39.3
Unemployment Rate	11.3	15.3	14.6	13.7	15.5	19.2	16.6	13.3	10.6	9.3

Source: Instituto Nacional de Estadística (INE), República Bolivariana de Venezuela

Source: Weisbrot and Sandoval (2008: 14).

Appendix R

Source: The Latinobarómetro Poll (*The Economist*, 2007).