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**Extracting Identity: Universal Social Policy in Post-Neoliberal Bolivia**

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**Extracting Identity: Universal Social Policy in Post-Neoliberal Bolivia**

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## **Abstract**

### **Extracting Identity: Universal Social Policy in Post-Neoliberal Bolivia**

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Examinations of social policy often focus on their economic and social outcomes without much concern for their political dimensions. Since Evo Morales assumed the presidency of Bolivia in 2006, the Andean country has emerged as a powerful example of how social policy can be leveraged for political purposes beyond clientelism. The government's famous nationalization of natural gas resources along with a hefty hydrocarbon tax funded two major social programs: the Bono Juancito Pinto, an education conditional cash transfer, and Renta Dignidad, a universal old-age pension.

Evidence from surveys, key informant interviews, reports, and official documents demonstrated that Bolivia's universal social policy was motivated by more than the goal of efficiently addressing the country's chronic social inequality. The Morales administration's implementation of these programs was a conscious decision to leverage windfall resource rents to build greater national solidarity and advance the MAS' political project to refound the country. Through a universalist approach to social policy, the MAS government has consolidated political hegemony, strengthened national solidarity, and secured the support of the armed forces. This political strategy, however, rests on shaky

ground. The rentier model the government depends on to fund universal social policy fuels social conflicts that could destabilize the MAS' recently won hegemony and its attempts at nation building.

Bolivia's experience with universal cash transfers lays the foundation for future study of social policy and nation building in the developing world; it is also important to examine how funding sources impact the efficacy of these programs. Considering cash transfers' exploding popularity and dissemination across the world in the last decade, this thesis calls for the more nuanced study of these programs in their political dimensions.

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## Chapter 1: Introduction

The 21<sup>st</sup> century has been a boom for the left in South America. After decades of right-wing governments and adherence to the Washington Consensus, South America elected a “pink tide” of leftist governments that began to assert greater control over their countries’ natural resources (Media Accuracy on Latin America, 2007). In a wave of resource nationalism over the last decade, Argentina, Bolivia, Ecuador, and Venezuela raised taxes and either partially or completely nationalized their hydrocarbon resources (Flintoff, 2012). Bolivia, one of the most aggressive pursuers of neoliberal policy during the 1980s and 1990s, abruptly reversed course in 2005 when Evo Morales, leader of the *Movimiento al Socialismo* (MAS) party, was elected president. On May 1, 2006, Morales made headlines around the world when he dramatically announced the nationalization of the hydrocarbon sector and ordered the military to occupy the gas fields. Bolivia nationalized its resources on the grounds that they should benefit the public, not private corporations. This post-neoliberal model of funding expansive national social policy with rents from natural resource development has come to be known as “neo” or “progressive” extractivism (Gudynas, 2010).

Since nationalization, there has been much discussion over how the government redistributes natural gas rents. Many studies focus on the social movements that influenced the demand for nationalization (von der Heydt-Coca, 2009; Perreault, 2006; Kohl, 2002) or the legalese of Law 3058, the law that asserted state ownership over the hydrocarbons (Velasquez-Donaldson, 2007; Weisbrot & Sandoval, 2008). Hidden inside these studies of resource nationalism and nationalization are brief mentions of the social programs funded by natural resource rents in Bolivia that have been largely overlooked: Bono Juancito Pinto (BJP), an early childhood education conditional cash transfer, and Renta Dignidad, a non-contributory old-age pension. Compared to larger, more famous programs in Mexico or Brazil, and smaller pilot programs in Honduras or Nicaragua, few

studies include Bolivia's direct cash transfers in their reviews. Despite the vast literature on Bolivia's nationalization, there has been very little study of the government's decision to redistribute resource wealth through cash transfers. Why have Bolivia's resource-funded social programs been overlooked?

Social policy has political dimensions beyond its issue-driven focus. Previous studies overlook social policy like BJP and Renta Dignidad because they are perceived as byproducts of increased resource revenues. These programs, however, are not afterthoughts but important links in the MAS' resource-nationalist discourse. Calls for redistribution are not answered by nationalization alone; they require social programs to channel resource revenues to the public. As programs funded by natural resource rents, these cash transfers reflect the rhetoric of resource nationalism and redistribution. This is most clearly seen in their unique universalism. Compared to many conditional cash transfers in Latin America, these programs do not have targeting mechanisms or means tests that limit the eligibility of groups based on income level, ethnicity, or geography.

Universal redistribution seems odd from a social policy perspective where studies suggest targeting measures have greater potential to fight poverty and achieve program goals (Handa & Davis, 2006; Fiszbein & Schady, 2009). It does make good sense politically, however, considering the discourse of resource nationalism where all citizens are to benefit from resource wealth. As universal cash transfers funded by nationalized resources, BJP and Renta Dignidad are the vehicles by which Bolivians enjoy the shared benefits of the country's resource wealth.

This thesis seeks to understand and answer the following questions: Why did the Morales administration decide to redistribute resource rents through BJP and Renta Dignidad? What are the political dimensions to these programs? This thesis limits the scope of political dimensions to how social policy builds political support and undercuts the opposition, as well as structures society to advance the MAS' broader political project. Finally, what are the limits to this kind of resource-led social policy? It is my

hope that these answers will elevate the discussion of universal social policy in post-neoliberal Bolivia.

Three main points take shape after examining these social programs from a political perspective. First, the government's decision to forgo means test and other limitations on eligibility for BJP and Renta Dignidad is significant. These programs' universalism unites Bolivians under the discourse of resource nationalism that says all Bolivians should benefit from natural resource development. Citizenship then is (in part) established by sharing the benefits of the country's natural resources, namely natural gas. Universalism manifested in these programs was a MAS strategy to build national solidarity and cement the loose coalition of Bolivians that formed in response to neoliberal reforms. This physical demonstration of collective social benefits is especially important for nation building in Bolivia where regional cleavages and weak nationalism have long divided the country.

Second, cash transfers addressed immediate political concerns as well as larger, more strategic ones. Quick rollout of both programs after Morales took office allowed the government to make good on its promises to redistribute resource wealth and consolidate its political base. Social policy also helped secure the support of the military following nationalization. Bolivia is no stranger to military coups so insuring the support of the military early in Morales' presidency was essential. Along with the assignment to protect the country's natural resources, the military became involved in the administration of resource-funded social policy, tightening bonds between the MAS central government and the armed forces. These immediate considerations helped the MAS stay in power in the shaky period following the 2005 election.

Third, the funding structure behind universal social policy in Bolivia impacts its political efficacy. Progressive extractivism has been the cornerstone of the MAS government's ability to expand the material benefits of resource development across Bolivia. Aggressive expansion of resource development and the shift toward a rentier

economy, however, have exacerbated regional conflicts. These conflicts perpetuate regional or ethnic identities, working against universal social policy's goal of fostering national solidarity.

This thesis will explore these three main ideas over four chapters. Chapter 2 reviews the theory of universal social policy in welfare states with a particular focus on its history of bridging class and territorial differences in fractious societies. There, I will argue for the importance of expanding the current focus of welfare state studies on Western cases into Latin America, along with a discussion of cash transfers as a form of universal social policy and nation building in the developing world. Chapter 3 examines BJP and Renta Dignidad from an issue-driven perspective. Focusing on their ability to meet their stated goals, I will explore their history, design, and impact on recipients. In Chapter 4, I will demonstrate specifically the political uses of these programs. Starting with a discussion of their ability to quickly address voter demands and build solidarity across class and regional lines, I will then detail how these programs helped secure the support of the armed forces and undercut regional opposition. Finally, in Chapter 5 I will explain how the Bolivian government's choice to fund BJP and Renta Dignidad with a rentier economy complicates the unifying goal of universal social policy by reinforcing regional identities.

## **BACKGROUND**

Bolivia has long struggled with creating an inclusive vision of what it means to be "Bolivian." The colonial legacy created two Bolivias: an elite, urban, white Bolivia with strong ties to the global market through extractive industries like mining; and another, largely indigenous Bolivia based on subsistence farming and remittances from migratory labor that was kept on the periphery of the modern, liberal conception of the Andean nation (Kohl, 2002; Klein, 2011). Geographically, Bolivia is today generally divided between the indigenous, poor, Andean western highlands and the more prosperous

Amazonian eastern lowlands, known as the Media Luna for the half-moon shape the departments make on a map.<sup>1</sup> Economically, the Andean departments are largely dependent on mining and subsistence agriculture. The Media Luna region is more commercial and tied to foreign investment with successful large-scale soy and cattle operations, the country's financial center in Santa Cruz de la Sierra, and, of course, natural gas. The resulting ethnic, cultural, geographic, and economic differences contribute to a stronger sense of community and belonging at the regional level with a weak sense of national identity (Albó, 2008).

The Chaco War with Paraguay from 1932 to 1935 is commonly credited as the starting point of Bolivian nationalism (Toranzo Roca, 2008) (Harten, 2011; Toranzo Roca, 2008) (Harten, 2011; Toranzo Roca, 2008). The war mobilization created a shared sense of nationhood as fighters from across the country had to define what the Bolivia they were fighting for was. Bolivia's defeat in the war delegitimized the oligarchs that ruled the country and created a shared sense of despair and humiliation across the country. This was the starting point for "a collective recognition of being equal with a shared frustration at socio-economic marginalization and political subjugation" that would position nationalism as an oppositional, middle class movement (Harten, 2011, p. 19). German Busch, one of the first nationalist leaders following the Chaco War, nationalized the Standard Oil Company's assets in Bolivia when he came to power in 1937 (Velasquez-Donaldson, 2007).

The 1952 revolution ushered in the golden age of Bolivian nationalism. Under the leadership of the *Movimiento Nacionalista Revolucionario* (MNR), the new government set out to unite different interests in a multi-class alliance against a common enemy in the feudal, colonial elites (Gray Molina, 2008). One way the MNR set out to build this multi-class alliance was through nationalizations and increased state control of natural

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<sup>1</sup> While the eastern lowlands are more *mestizo* in its make-up than the Andean departments, there are still large indigenous populations there.

<sup>2</sup> The IDH is responsible for the lion's share of the central government's natural

resources. The MNR's nationalist rhetoric lumped feudal elites and the colonial model of extraction together to provide a rallying cry to "refound the nation" for the rural peasants and middle class brought together by the aftermath of the Chaco War (Harten, 2011, p. 20). While the MNR tried to implement a "revolutionary nationalism" that would unite all Bolivian under a shared national identity, language, and culture, the project ultimately failed. A lack of infrastructure to connect the population through transportation and mass education hampered literacy and the ability to share in a common culture (indeed, even a common language in many rural parts of Bolivia) (Toranzo Roca, 2008).

Jumping ahead to the 1980's, Bolivia was faced with another crisis that would eventually lead to the rise of the MAS and a new opportunity to refound the Bolivian nation. Like many countries in Latin America, Bolivia experienced a "lost decade" in the 1980's, characterized by massive foreign debt, economic instability, and hyperinflation. Servicing the foreign debt rose from 28.9 percent of export value in 1980 to 39.5 percent in 1984. Foreign debt levels sparked hyperinflation that reached as high as 11,850 percent in 1985 (von der Heydt-Coca, 2009).

Convinced that the severity of the crisis facing the country demanded equally severe action, then Planning Minister Gonzalo Sánchez de Lozada (of the MNR) followed the advice of Harvard economist Jeffrey Sachs and other North American advisers in implementing a harsh austerity program (von der Heydt-Coca, 2009; Klein, 2011). In 1985, the government dramatically cut spending on health, social and education services, and froze public sector wages. Reforms brought increased profits and efficiency but at the cost of thousands of public sector jobs (Kohl, 2002). With the closing of state-owned mines and other businesses, unemployment exceeded 20 percent and underemployment rose to 50 percent in 1986 (Klein, 2011). Neoliberal reforms directed 65 percent of revenues of Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), the state hydrocarbon company, to paying down the country's massive debt. The result starved the state-owned company of capital to reinvest and maintain production levels, reasons that

would be presented to privatize the company. The reforms curbed hyperinflation but failed to produce economic growth.

The hydrocarbon sector played a key role in the neoliberal reforms. In 1990, the Bolivian state passed the Law of Investment and Law of Hydrocarbons 1194. These policies opened the hydrocarbon sector to external investment and aimed to attract foreign investment by setting up joint ventures between the state and trans-national corporations (Kaup, 2010). In 1994, during Sánchez de Lozada's first presidency, the government passed the *Plan de Todos* (Plan for Everyone) that included the Law of Capitalization. In 1996, YPF was privatized and sold off to foreign national and private oil and gas companies (Kaup, 2010; von der Heydt-Coca, 2009). YPF withdrew from active exploration, production, and transportation of oil and natural gas and employment dropped from 6,000 to 2,000 employees (Klein, 2011).

In order to spur greater foreign investment following the Law of Capitalization, the state reduced its cut of natural gas royalties from 50 percent to 18, some of the lowest in the world (von der Heydt-Coca, 2009). Over the following decade, investment increased in Bolivia's natural gas sector to \$3.435 billion in 2005 (Kaup, 2010). Exploration during this time increased proven and probable gas reserves from 5.69 trillion cubic feet (TCF) in 1997 to a peak of 54.86 TCF in 2003 (Kaup, 2010), the second largest reserves in Latin America. Natural gas promised to be Bolivia's golden goose, a boon that would transform South America's poorest country into a modern economy and a regional energy hub.

Despite the high hopes for neoliberal reforms, Bolivia's GDP grew only 1.25 percent per year from 1985 to 1995 (The World Bank, 2012). Instead, the Andean country suffered great social costs. In 1997, the price of liquid natural gas (LNG), cooking fuel for many urban Bolivians, electricity, water, gasoline and diesel all rose as basic services were privatized and subsidies cut (Kohl, 2002). Eduardo Silva (2009) notes that neoliberal reforms simultaneously affected economic, political, and social spheres,

threatening a wide gamut of Bolivian society ranging from popular sectors and indigenous folks, to the middle class. This broad vulnerability to neoliberal reforms laid the foundation for diverse socio-economic groups to rally around a common cause, what the *Movimiento al Socialismo* (MAS), Evo Morales' political party, would call a return to "sovereignty and dignity" for Bolivia after decades of poor growth and unfavorable experiences with foreign investment. The experience mirrors the nationalistic effects of the Chaco War by uniting Bolivians around a shared experience of economic marginalization and political turmoil. The wide-ranging vulnerability to neoliberal reforms and dissatisfaction with the privatization of YPFB would soon swell into massive protests that would paralyze the country.

The early 2000s were a turbulent time for Bolivia. Two major protest movements centered on the privatization of natural resources manifested a growing national frustration with neoliberal reforms and the overall direction of the country. In 2000, residents in Cochabamba protested the privatization of municipal and cooperative water utilities to a subsidiary of the U.S. engineering giant Bechtel, and the coinciding 200 percent rate hike. The "Water War" that followed mobilized thousands of local Bolivians against the privatization. The military was deployed to quell the demonstrations and one person was killed, but the protesters' demands were met and another pending water utility privatization in El Alto, a fast growing and largely indigenous city outside the capital, La Paz, was canceled (Klein, 2011).

While the Water War was essentially a regional conflict, the 2003 "Gas War" took resource nationalism to the national stage (Perreault, 2006). In 2003, the Bolivian government, led by President Sánchez de Lozada during his second presidency, organized a consortium named Pacific LNG to export the country's natural gas to California and Mexico. The cheapest, most direct route for the pipeline led through Chile, which had seized Bolivia's only coastline during the War of the Pacific in 1883. The plan to export gas through Chile to the United States and the global market reinforced cultural

tropes of foreign exploitation that resonated across the country (Perreault, 2006). In September 2003, protesters demanded the pipeline pass through Peru instead.

As the protests escalated, so did the violence. Tensions reached a boiling point on October 13, 2003, when over 20 unarmed protesters were killed in El Alto manning a barricade (Klein, 2011). Martial law was declared and demands radicalized. Protesters, mostly in the strongly indigenous departments of La Paz, Oruro, Potosí, and Chuquisaca, expanded their demands to include the nationalization of the natural gas industry and other strategic sectors, the convocation of a revolutionary constituent assembly, an end to racist colonial relations inside Bolivia, and a radical redistribution of land and wealth (Webber, 2010). The collection of demands came to be known as the October Agenda, named after October 2003, when the Gas War took place.

Political pressure on Sánchez de Lozada continued to mount following the violence. Cabinet ministers resigned in protest over the use of violent force to quell the demonstrations. The military withdrew its support of the president. On October 17, 2003, Sánchez de Lozada resigned and fled to Miami. Vice President Carlos Mesa was sworn in as president of Bolivia and promised to hold a referendum on the future of Bolivia's natural gas.

After refusing to act on the July 2004 referendum where voters called for the nationalization of the natural gas sector, the Mesa administration oversaw the passing of the Direct Tax on Hydrocarbons (IDH) in 2005, an incomplete attempt to address protesters' concerns over natural gas revenues (Perreault, 2006). Hastily passed, the IDH has been criticized for its heavy bias towards gas-producing and sparsely populated departments—notably in the Media Luna—over larger, more indigenous, and poorer departments in the western highlands. The Media Luna receives 30 percent of hydrocarbon revenues compared to 19.7 percent for the remaining five departments,

despite the fact that the remaining departments have a population 79 percent greater than that of the Media Luna(Weisbrot & Sandoval, 2008).<sup>2</sup>

Continued pressure from social movements forced Mesa to resign. Eduardo Rodríguez, then chief justice of the Bolivian Supreme Court, briefly assumed the presidency until elections could be held in 2005. Evo Morales won the presidency in a landslide, taking 54 percent of the vote (von der Heydt-Coca, 2009).

### **NATIONALIZATION AND REDISTRIBUTION**

Morales' election as the first militant indigenous president in Latin America signaled a sea change in Bolivian politics. Broad participation across different cultural, social, economic, and ethnic groups cleared the way for sweeping change. The October Agenda's priorities of resource nationalism and redistribution would have a critical role in framing the new government's approach to using social policy to build national solidarity and address practical political concerns.

In January 2006, the MAS outlined their National Development Plan (NDP), the party's goals for Bolivia following Morales' election. In the NDP's introduction, the authors write, "The primary objective is the suppression of the causes of inequality and social exclusion in the country, which is to say to change the pattern of raw material exports and its foundations of colonialism and neoliberalism" (Translation mine, Ministerio de Planificación del Desarrollo, 2006). The NDP goes on to call for the redistribution of national wealth to benefit sectors of society traditionally excluded from the means of production and "dignified" employment. In order to achieve this new model of development the authors call for the growth and diversification of the economy, the recuperation of the domestic market, and, finally, the redefinition of Bolivia's

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<sup>2</sup> The IDH is responsible for the lion's share of the central government's natural gas revenues, even after nationalization.

relationship with the global economy. Morales soon grabbed headlines around the world when he addressed this final point by nationalizing the hydrocarbon sector.

Despite Morales' flamboyant occupation, the new president had to tread carefully with his nationalization plans. With YPFB a shadow of its former self, Morales had to strike a balance between fulfilling the public's demands for greater control over the country's resources with the private corporations it depended on to keep the economy going. The resulting agreement re-established the state as the owner of Bolivia's natural resources while retaining a prominent place for foreign operators in the hydrocarbon sector. Royalties were returned to their pre-1985 levels at 50 percent and some were temporarily increased to 82 percent to fund the re-establishment of YPFB (Kaup, 2010). Despite the government's drastic increase in taxes and royalties, many companies stayed because they continued enjoying profits thanks to the high demand for natural gas (Rochlin, 2007). While the Bolivian government owns the gas at the wellhead, transnational corporations still dominate the Bolivian gas fields. Petrobras, Repsol and British Gas are responsible for almost 80 percent of the country's total output, with YPFB covering the remaining 20 percent in partnership with foreign companies (Cambio, 2011). The move increased the Bolivian state's revenues from oil and natural gas from \$300 million in 2005 to \$1.6 billion in 2007 (von der Heydt-Coca, 2009).

Following the nationalization of the hydrocarbon sector, the government quickly addressed the October Agenda's call to use the nation's resource wealth for its own development. In November 2006, it launched an education conditional cash transfer (CCT) called the Bono Juancito Pinto (BJP)<sup>3</sup> granting Bolivian students 200 bolivianos (approximately US\$28) a year to fight school desertion. Transfers from YPFB and the Corporación Minera de Bolivia (COMIBOL), the state-owned mining company, fund BJP. A year later, in 2007, Morales introduced Renta Dignidad, a direct cash transfer

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<sup>3</sup> Bono Juancito Pinto was modeled after a similar, smaller municipal program in the city of El Alto, La Paz, Bono Esperanza.

designed as a universal pension for all Bolivians over 60 years of age of 1,200 bolivianos (approximately \$173) annually for citizens with a retirement plan and 2,400 bolivianos (approximately \$347) each year for those without (Ministerio de Hacienda, 2010). Renta Dignidad is directly funded by the IDH. Together, these cash transfers cover 23.8 percent of the population (Ministerio de Economía y Finanzas Públicas, 2011).<sup>4</sup>

Both of these cash transfers stand out for their universal eligibility. Unlike many cash transfers in Latin America (Fiszbein & Schady, 2009), BJP has no means test or geographic, gender, or ethnic limitations on eligibility. All Bolivian children attending public school are eligible. Renta Dignidad is even more inclusive, open to all Bolivians meeting the age requirement without any conditions attached to the transfer. The universal eligibility of these programs and their direct connection to politicized natural resources (natural gas, mining) demonstrate Bolivia's attempt to use natural-resource-funded universal social policy for political purposes that go beyond concerns over education and pension benefits.

In the absence of a strong national identity, the MAS campaigned as the vehicle to a new constitution and a new Bolivian nationhood (Harten, 2011). Unlike the MNR nationalist movement that sought to unite Bolivians under a single national culture and common language, the MAS project of "plurinationalism" wanted to create a socially decentralized state that supported a plurality of languages, cultures, political, economic and judicial systems (Escobar, 2010).

The plurinational project, referred to as *vivir bien*, or living well, in the 2009 Constitution, seeks to harmonize modern liberal and communitarian forms of government, redistributing national wealth to equalize economic opportunities while expanding political rights and granting autonomy to indigenous folks (Escobar, 2010). This two-headed approach pulls Bolivia in opposing directions: in one direction a

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<sup>4</sup> Based on 2011 population and enrollment data.

decentralized country with greater regional autonomy, and in another a burgeoning central government reasserting itself after decades of anemic activity in the economy and social sector. The question of how to balance traditional liberal and communitarian forms of government is something that will take much time and effort. The seemingly opposite forms of government lashed together in the Constitution might even lead to the eventual dissolution of the Bolivian nation-state. It is clear, however, that the MAS does not intend for the central government to wash away. In the face of greater regional and indigenous autonomy in a plurinational country, the role of national social policy to keep these disparate groups united as Bolivians seems more important than ever.

## Chapter 2: Theory

Social policy has political facets that play important roles in a government's wider political project. Much of the scholarship on social policy, understandably, focuses policy's ability to meet its stated goals, be they literacy, poverty alleviation, etc. This approach to social policy has obvious practical benefits in crafting ever-more effective programs to address society's ills but ignores social policy's political dimensions. This has certainly been the case with the large body of research on cash transfers in Latin America. Any examination of cash transfers beyond their stated goals has narrowly focused on their potential to win votes for the government (Sewall, 2008; Layton & Smith, 2011; Ansell & Mitchell, 2011). Social policy does play an important role in securing voters' support but its political ends extend beyond clientelism and vote buying to articulate a government's vision for society.

In a fractious society like Bolivia's, social policy has the potential to address social concerns and play an important role in the government's political vision for the country. One of the most pressing concerns for the MAS government following its rise to prominence, was finding a way to cement the loose coalition of Bolivians that formed in response to neoliberal reforms. Considering the differences that have historically divided Bolivians, social policy plays an important role in the MAS' attempt at nation building.

Bolivia's experience with social policy and nation building takes on a Latin American interpretation through the use of cash transfers. Cash transfers constitute one of the most successful poverty alleviation and human capital development efforts in Latin America and enjoy growing popularity across the developing world (Fiszbein & Schady, 2009). Including cash transfers in the literature about social policy's role in nation building not only offers greater insight into the political motivations behind the Morales administration's decisions to redistribute natural gas revenues but also a deeper

understanding of how social policy can bridge territorial and class divides in the developing world.

### **A POLITICAL PERSPECTIVE OF SOCIAL POLICY**

Social policy is often thought of in a narrow, issue-driven focus but outside its goals of education reform or old-age poverty lie broader political goals. Governments tailor social policy to attract support from specific groups. The shape of these policies reflects not only the populations the government covets for political support but also the government's wider vision of how society should be organized. Esping-Andersen's (1990) *Three Worlds of Welfare Capitalism* provides a detailed look at the ways conservative, liberal, and socialist governments use social policy to structure society.

Conservative welfare systems seek to preserve traditional authority (state, church, family) and privilege by reinforcing the system they rest on. The conservative model, epitomized by the Imperial German state under Otto von Bismarck in the 1880s, divides society along occupational lines. This system courts "fraternity based on status identity, obligatory and exclusive membership, mutualism, and monopoly of representation" (Esping-Andersen, 1990, p. 60). In its attempt to preserve traditional authority and its privileges, this system creates social policy that draws distinct lines between state servants, elites, and subjects. While social rights can be generous, they required close adherence to societal norms and morals. In exchange for elevated social status via distinct benefits, the state receives loyalty and deference from beneficiaries.

In contrast, the liberal system fights against traditional power structures, valuing the market as the best way to achieve equality and universalism. Liberals viewed conservative social policy as an instrument of stratification, creating paternal dependence on the state and immoral behavior like idleness. Despite the liberal goals of equality and universalism, this system tends to create a dual society of those who can and cannot actively participate in the market economy (and therefore provide for their own welfare).

Liberal social policy sought to reward entrepreneurialism and self-reliance, and punish market failure through punitive and stigmatizing social policy (Esping-Andersen, 1990, p. 62). Means tests became a popular tool of identifying the truly poor. The resulting structure leaves the poor at the bottom, dependent on stigmatized social benefits while the middle class and elites rely on the market for their welfare.

Esping-Andersen points out that socialists had to cut their own space between conservative and liberal systems. While socialists were similar to conservatives in their desire to protect labor from the liberal pro-market vision, they were firmly against the paternalism of conservative systems. Additionally, socialists opposed the stigmatizing means tests commonly used by liberal governments to split the working classes. Instead, socialist social policy avoided the divisiveness of conservative and liberal social policy by fomenting solidarity through cross-class universalism. Esping-Andersen notes that universalism became a guiding principle because it “equalized the status, benefits, and the responsibilities of citizenship, and because it helped build political coalitions” (1990, p. 68). The socialist model stands out from the previous two by focusing on solidarity over stratification.

The MAS’ approach to redistribution through cash transfers most closely resembles socialist tactics of using universal social policy to cultivate solidarity across class lines by asserting that all citizens are endowed with universal rights, regardless of their class or economic position in society. Socialist governments in Europe sought to eliminate means tests and other rules that limited eligibility, breaking down public benefits aimed at specific trades, populations, etc. Esping-Andersen (1990, p. 68) notes that the socialist notion of solidarity, where a society is dominated by masses of urban and rural poor need not be limited to traditionally socialist labor movements since other strata of society are also “victims of forces beyond their control, and face poverty and basic social risks.” This strategy not only fit the ideological leanings of socialists, but also proved an effective tool for building political coalitions.

The Bolivian experience with neoliberal reforms mirrors the socialist notion of solidarity beyond traditional workers' movements. Not only is 80 percent of the country working in low-productive, low-wage informal sector or subsistence agriculture (Klein, 2011), but the impact of neoliberal reforms crossed class lines, affecting the middle class as well. The wake of neoliberal shocks reminded several sectors of society that they all shared the same basic social risks and legitimated calls for radical change in the state's economic and social policies that led to Morales' election. The divides in Bolivia, however, extend beyond class lines. The MAS would have to use universal social policy to create a new national identity that crossed class, ethnic, and territorial lines.

Nations are imagined political communities, inherently limited, and sovereign (Anderson, 1991). Created where there were none before, nations are cultural constructions that unite different groups of people together in shared camaraderie. Once a nation is established though, the cultural processes behind it do not stop. Nations define themselves, in part, negatively, establishing whom to include by whom to exclude. Social policy becomes an indicator of that inclusion as citizenship. The bonds that tie diverse groups together cannot be taken for granted and nationality must be constantly reinforced (Boychuk, 2008). Since the first modern welfare state under Otto von Bismarck, social policy has proven an effective tool for building solidarity in fractious societies (Banting, 1995).

Building off Esping-Andersen's work, several authors (Banting, 1995; Banting, 2005; Boychuk, 2008; Béland & Lecours, 2008; Kpessa, Béland, & Lecours, 2011) expand the concept of universal social policy from a tool for cross-class solidarity into one of nation building inside a country through ethnic and territorial integration. Few nations are homogenous cultural bodies and many retain powerful ethnic or territorial identities that challenge their nation-state's dominant narrative of "who we are." Banting (2005) reminds the reader that identity has territorial as well as economic facets. Detailing the case of Quebec, a large, industrial state with a distinct cultural, linguistic,

and economic identity with panache for secession, Banting explains how universal social policy in the form of national healthcare served as a way to unite the Quebecois with the rest of Canada. National healthcare manifested the Canadian “imagined community” as something that defined Canadian citizenship, connecting the Quebecois directly with the federal government and the wider population. National healthcare played a similar role in maintaining the loyalty of the Scots to Great Britain during the 20<sup>th</sup> century (Béland & Lecours, 2008).

Kpessa, Béland, and Lecours (2011) later examine the use of social policy to build national unity in the recently independent countries of sub-Saharan Africa, breaking with the tendency of previous welfare states studies to focus on industrialized Western nations.<sup>5</sup> Kpessa et al. (2011) note that even though social policy in developing nations may not be as comprehensive as it is in the West, it still plays an important role in nation building. The authors argue that social policy in sub-Saharan Africa helped construct a sense of national solidarity after independence while promoting economic and social development. The resulting social policy aimed at building national—not ethnic—solidarity with particular significance for mitigating territorial fragmentation.

The collective ownership of natural gas through the reestablishment of YPFB and the IDH awarded all Bolivians a stakeholder position in the development of gas reserves, not just regional or private groups. It is upon this right to share in the wealth created by the country’s natural gas that Bolivians make claims on their government and, in turn, define the boundaries of a shared political community: Bolivian citizens have a right to benefit from the development of natural resources. This right to benefit from natural gas development is embodied in the BJP and Renta Dignidad’s universal eligibility and funding from nationalized resource revenues, tying citizenship (through universal eligibility) to natural resources (through the funding of the programs via nationalized

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<sup>5</sup> While this is the general trend, Richard Titmuss conducted a fair bit of cross-national social policy research outside the West, including Tanzania and Mauritius.

resources and taxes). Even though universal social policy in Bolivia does not reach all citizens all the time, the way universal healthcare does in Canada or Great Britain, Kpessa et al.'s examples of national social policy in sub-Saharan Africa demonstrate that these limitations do not preclude social policy in the developing world from playing an important role in defining a shared political community. In this way, the conception of natural gas as a *national* resource provided the theoretical foundation for the construction of national social policy to bridge territorial and class divides.

Interestingly, the case of Renta Dignidad and the Media Luna demonstrates how the financial structure of social policy can be just as important as its symbolic aspects. Regional elites in the Media Luna, who were at the center of the neoliberal model's focus on resource development and foreign investment, found themselves isolated from the MAS' new development model and responded with calls for autonomy. Bolivia's hydrocarbon wealth is largely concentrated in the Media Luna,<sup>6</sup> a politically hostile region for the Morales administration. Despite their favorable treatment under the IDH, Media Luna elites were wary of Morales and the MAS' calls for redistribution and how natural gas revenues originating in their region would be used to finance them. Media Luna leaders got the central government to agree to hold a referendum in July 2006 on autonomy from the central government. The measure would have granted unprecedented departmental control over natural resources, the taxes derived from them, and the authority to set policy on all regional matters. While the referendum failed at the national level, it passed overwhelming in the Media Luna department of Santa Cruz, the nucleus of the autonomy movement, with 71 percent voting in favor of autonomy (Eaton, 2007). Had departmental autonomy passed, it would have cut off the central government from the funding source necessary to carry out the October Agenda's calls for redistribution and collective ownership of natural gas.

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<sup>6</sup> While the Media Luna has been the traditional center of Bolivia's hydrocarbon sector, exploration for new natural gas wells is under way in the Andean department of La Paz

The MAS central government had a strong incentive to maintain control over universal social policy. Renta Dignidad offered the central government the opportunity to address chronic old-age poverty while building political coalitions in a hostile region (Müller, 2009). Mirroring the socialist universalist strategy, Renta Dignidad offers a pension to all Bolivians over 60, regardless of their participation in a social security scheme through formal employment.<sup>7</sup> The pension's universal eligibility allowed it to penetrate the opposition-controlled Media Luna region and help connect citizens there with the central government. In 2012 for example, 17.1 percent of Renta Dignidad was distributed to Santa Cruz, the epicenter of the conservative autonomous movement (Viceministerio de Pensiones y Servicios Financieros, 2012). The pension has also been credited with reducing poverty 5.8 percent between 2007 and 2009 (Gonzales, 2011). These positive impacts helped reinforce this nascent bond between the departments and the national government. Concentrating the management of social policy at the national level, the central government develops a direct relationship with all citizens, including those in the Media Luna.

The Media Luna still, however, receives a disproportionate amount of the IDH (Weisbrot & Sandoval, 2008) and could use these funds to create rival social policy to weaken the central government's ability to build solidarity across territorial differences. The Morales administration solved this problem by funding Renta Dignidad out of the departments' IDH allotments. Renta Dignidad, a national old-age pension, is the purview of the central government, yet the funding for it comes from each department's allotment of the IDH tax (Müller, 2009). By forcing the department prefectures in the Media Luna to pay for the central government's social policy, the Morales administration undercut its political opposition's ability to use resource revenues against the national solidarity project.

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<sup>7</sup> The pension is tiered between those with a pre-existing social security plan they contributed to during formal employment and those without, primarily informal workers. See Chapter 3 for a detailed discussion.

Social policy not only helps bind departments and regions to the central government, it integrates institutions as well. Majority popular support is essential to the MAS socialist experiment in Bolivia, but it also depends on a strong, loyal relationship with the armed forces (Rochlin, 2007). Leftist leaders in Latin America have often struggled against counter-movements supported by the armed forces or outside political actors (often the United States), in episodes ranging from the Bay of Pigs in Cuba, to Pinochet's coup d'état against President Salvador Allende, and the Contras in Nicaragua. Even Latin America's more recent shift to the left, starting with Hugo Chávez's election in 1998, has faced violent pushback from the armed forces. Chávez survived a short-lived coup attempt in 2002<sup>8</sup>; Honduras' left-leaning President Manuel Zelaya was ousted in a coup d'état by the Central American country's military in 2009; and Ecuador's President Rafael Correa faced a military police strike in 2010 where he was tear-gassed and held captive in a hospital (Caselli, 2010).

Despite these aggressions, the relationship between the military and civilian government in leftist Latin American countries is undergoing a transformation. Presidents of Bolivia, Venezuela, Ecuador, and Nicaragua have started to re-define the military's relationship with civilians, emphasizing a greater role in national development. This process has reinserted the military into social development arenas it occupied during the bureaucratic-authoritarian period of the 1960s and 1970s that were ceded later during the neoliberal era (Giacalone, 2005; Roberts, 2007).

The military has played a major role in Bolivia's history, including 180 coup d'états since independence in 1825. The most recent coups included General Rene Barrientos' 1964 coup against the Revolutionary Nationalist Movement and General Hugo Banzer's military dictatorship that lasted from 1971 to 1978. While Bolivia saw flashes of violence in the eastern lowlands leading up the 2007 referendum on autonomy,

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<sup>8</sup> Who, it should be noted, led a military coup against then-Venezuelan President Carlos Andrés Pérez in 1992.

it is notable that the Bolivian military did not overthrow the democratically elected Morales.<sup>9</sup> During the neoliberal era, the Bolivian military saw its budgets cut and a reduced role in national development. Vice-President Álvaro García Linera went so far as to say the military suffered an “existential crisis” since the re-establishment of democracy in 1982 (2010, p. 41).

The MAS’ 2006 NDP presented a new vision for the Bolivian military, leveraging its institutional capabilities to defend the country’s natural resources, and improve productive and social infrastructure, specifically in the areas of health and education (Ministerio de Planificación del Desarrollo, 2006). The MAS government’s use of the military to occupy the natural gas fields in 2006 reinforced the military’s symbolic role as the defender of the nation’s resources. Furthermore, the government assigned the military to distribute BJP and assist with the distribution of Renta Dignidad. These missions assigned to the military have also been placed under the office of the president. This demonstrates the government’s attempt to use social policy to fold the military into the MAS development agenda, securing its loyalty through increased resources and an expanded mission in the post-neoliberal era.

Flush with natural gas royalties and tax revenues, the MAS government sought to redistribute wealth across Bolivia to help fortify a shared sense of solidarity and consolidate political support following the tumultuous neoliberal era. The broad, loosely defined coalition born in the aftershocks of neoliberal reforms created a shared experience on which a national identity could be built. Unlike Canadians, Bolivians are not symbolically connected through a single, nation-wide social program, like national healthcare. Instead, the Morales administration conceptualizes national solidarity through the shared benefits of the country’s resource wealth, especially natural gas. Considering Bolivia’s struggles with national unity, resource nationalism offered an attractive

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<sup>9</sup> In fact some sources allege that some members of the military supported a coup d’état in 2003 in favor of the MAS.

alternative to language or ethnicity to unify the country. More importantly, for redistribution via cash transfers to contribute to greater solidarity in Bolivia, all sectors of society, not just the MAS' political base, had to benefit from it. Leveraging the powerful symbolism behind the natural gas sector, the BJP and Renta Dignidad cash transfers wed resources and citizenship in Bolivia, contributing to a shared imagination of what it means to be Bolivian (Harten, 2011).

### **PROGRESSIVE EXTRACTIVISM AND NATIONAL SOCIAL POLICY**

Bolivia's experience with neoliberal reforms and its coinciding rejection of this market-based model presents an opportunity to see a government try to re-build national solidarity through social policy in a post-neoliberal context. While Kpessa et al. highlight how neoliberal retrenchment has re-kindled ethnic and territorial identities, Bolivia's decision to fund its universal social policy through resource development—especially natural gas—complicates its own goals of consolidating political power and building cross-class, cross-territorial solidarity. The nature of natural gas development sparks debates over whether national or local concerns should guide the development of Bolivia's natural resource wealth. These conflicts reinforce local identities and interests to the detriment of the MAS' national solidarity project. These conflicts demonstrate how funding sources affect the impact of national social policy.

While the redistribution of wealth from the country's nonrenewable resources is celebrated as a bold break with the previous neoliberal model, progressive extractivism,<sup>10</sup> the model of funding social programs and expanding public services through ever-growing resource development, retains the harmful externalities of traditional resource development, dependence on raw material exports, and foreign direct investment that have long plagued Bolivia (Gudynas, 2010; Klein, 2011; Guachalla, 2010). Despite a new

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<sup>10</sup> Bolivia's policy of progressive extractivism is not an outlier in the region. Both President Chávez in Venezuela and Ecuador's President Correa follow the same pattern of increasing social spending through aggressive resource development. See Guachalla, 2010; Gudynas, 2010.

model that favors increased redistribution and state control over nonrenewable resources, Bolivia under Morales maintains the same extractive pattern of development that has defined its economy since colonial times (Wanderley, 2008; Gudynas, 2010).

Influenced by the demands of social movements in 2003, the MAS resource development policy has prioritized national interests over regional ones. Perreault (2006) details that social movements, largely in the highlands and *cocaleros* in Cochabamba were instrumental in the 2003 protests over natural gas, despite their distance from the industry and its externalities. Regional elites seeking autonomy were not the only group displaced by the ascendant political power of the MAS and highland indigenous social movements. Notably, the Guaraní indigenous folk in the gas-rich state of Tarija were almost completely excluded from any national discussion on how gas should be developed (Perreault, 2006), despite the fact that they had the most to lose from poor extraction practices. The now dominant discourse of gas as a national resource displaces local groups' concerns about extractive industries because the government prioritizes the collective stakeholder position of all Bolivians over that of local groups.

This is one of the central problems with progressive extractivism in Bolivia.<sup>11</sup> The Morales administration's ability to fund its universal social policy depends on the financial resources that come from natural gas development. Without a reliable flow of income from these resources, the central government will be unable to maintain its commitments to the public via BJP and Renta Dignidad and would lose legitimacy with voters. This pressure to deliver on its commitments leads the government to encourage greater resource exploration and development. In 2012, 85 percent of the productive investment in Bolivia will be in the hydrocarbon and energy sectors of the economy (Vásquez, 2011).

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<sup>11</sup> The other being the dependence on the unsustainable boom-bust cycle that so often accompanies commodities like natural gas and minerals.

Bolivians have a collective right to benefit from the development of natural gas, but in the context of increasing resource development the burdens of that development are not borne evenly. Local communities bear the brunt of natural gas development's negative externalities and these externalities can lead to conflicts that pit local communities opposed to resource development or the allocation of its revenues against the central government. Studies of extractive industries' impacts on local communities show that resource development tends to reinforce local identities over national ones (Humphreys Bebbington, 2011; Bebbington & Bebbington, 2010). Local groups push back against national policy that aims to redistribute revenues more evenly across the country to maximize their own benefit from the development of profitable resources in their region.

Nowhere is this divide quite so evident as between the central government and indigenous communities. While conflicts over resource development and indigenous autonomy are hardly new in Bolivia, they persist under the Morales government. Morales' MAS political party started in Cochabama as a principally indigenous political party and has a record of supporting many indigenous causes, from plurinationalism to autonomy and education reform (Klein, 2011; Harten, 2011). Despite Morales' strong political base among many indigenous folks in Bolivia, his government's extractivist policies have rankled many supporters. Indigenous groups that protest natural gas exploration or development on their land have been accused of extorting YPF by obstructing company activities (La Razón, 2009), condemning Bolivia to perpetual poverty (Guachalla, 2010), and being the pawns of European and North American environmental NGOs (YPFB, 2011). These conflicts, based on geographically specific projects that are perceived to threaten traditional livelihoods, drive divisions between the MAS and indigenous groups, one of its most loyal constituents.

These conflicts over resource extraction emphasize local and ethnic identities at the cost of national solidarity. Certainly, one's membership in one community does not

necessarily detract from their inclusion in another; identity is not finite. A Bolivian can feel solidarity with their ethnic group and still maintain a strong national sense of being Bolivian. However, social policy's ability to bind different groups together across these diverse identities is compromised when one group feels the policy is implemented to their detriment. Indigenous groups in gas-rich Tarija are not likely to consider the collective benefit of gas development for the country when their livelihood is at stake. Gas development reinforces ethnic or local identities as they come under threat from an extractivist central government. The structure of progressive extractivism, the system that makes the political benefits of universal social policy financially possible in the short term threatens the MAS' long-term political project of national unity.

#### **SUMMARY**

Evo Morales and the MAS wed resource nationalism and universal social policy, embodied in direct cash transfers, to attempt to cement the loose coalition of Bolivians that formed in response to anemic economic growth and onerous neoliberal policies into a shared imagined community to re-found Bolivia as a plurinational country. Regional and ethnic identities, and the externalities of resource-led development policies, however, continue to pose great challenges for the MAS' plurinational project and the future governance of the Andean nation. The following chapters will explore the design and impact of BJP and Renta Dignidad from a policy perspective; the political maneuvers executed through universal social policy; and finally, how Bolivia's specific dependence on resource-based funding for BJP and Renta Dignidad work against their political goals of greater national solidarity.

### Chapter 3. Efficacy of Bolivia's New Cash Transfer Programs

Cash transfers in post-neoliberal Bolivia take two forms: conditional cash transfers (CCTs) and universal old-age pensions. CCTs became widespread in Latin America after initial success in the 1990s with Mexico's *Oportunidades*<sup>12</sup> and Brazil's *Bolsa Familia*<sup>13</sup>. Today, nearly every country in Latin America has some kind of CCT (Handa & Davis, 2006; Fiszbein & Schady, 2009). These programs typically transfer cash to poor households on the condition that families make prescribed investments in the human capital of their children. These conditions often demand regular attendance in school for young children, and nutrition, vaccinations, or health checkups for pregnant mothers depending on the program's goals. The assumption behind these conditions is that poor families either do not understand these behaviors' "return on investment," or do not have the time or financial means to do so (Fiszbein & Schady, 2009, p. 2). Small cash transfers are used to incentivize demand for these services by compensating the immediate costs (travel, school supplies, etc.) involved in accessing public services.<sup>14</sup> The supply side of the equation is physical infrastructure and services provided by the government (clinics, schools, etc.). A World Bank study of CCTs in Latin America suggests that they are most effective when both demand and supply-side concerns are addressed, e.g. incentivizing school attendance while simultaneously improving the physical infrastructure and quality of education (Fiszbein & Schady, 2009). The specific goals behind CCTs vary from country to country. Bolivia's BJP aims to fight school desertion to meet the United Nations Millennium Development Goal (MDG) of universal primary education.

After sub-Saharan Africa, Latin America is the most unequal region in the world, with an average Gini coefficient of 0.52. Educational inequality in Latin America

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<sup>12</sup> Originally named *Progresa*

<sup>13</sup> Originally named *Bolsa Escola*

<sup>14</sup> This is especially the case in rural areas where individuals might have to travel long distances to reach a public school or visit a clinic.

constitutes a major mechanism of income inequality reproduction (Humberto Lopez & Perry, 2008). Bolivia's school attendance rates and income levels, especially for poor, rural, and indigenous populations, reflect this trend (Gray Molina & Yáñez, 2010). Improving access to and the quality of primary education is a key step toward addressing Bolivia's Gini score of 0.563<sup>15</sup> (World Bank, 2012).

The kinds of conditions placed on CCTs are often the outcome of a political process (Handa & Davis, 2006; Fiszbein & Schady, 2009). Conditions can make taxpayers and voters more likely to support cash transfers programs if they are perceived to go to sectors investing in the education and health (or other social needs) of their children. Where this is the case, a society may be unwilling to transfer money to the public without some kind of conditions to ensure the recipients are actually spending the money on the specific goals of the program. Guarding CCTs against benefit leakage can consume large amounts of the program's resources. Mexico's *Oportunidades* for example spent 24 percent of its budget in 2000 investigating conditionality compliance (Caldés, Coady, & Maluccio, 2004). Reflecting a liberal model of social policy, these CCTs temporarily supply financial support to those in need with the understanding that they will eventually no longer need public assistance. Bolivia's CCT, BJP, is unique in its lack of a means test and its limited conditions. While the program is conditional upon regular attendance at a public primary school, there are no means tests, or targeted eligibility requirements based on gender, region, ethnicity, or any other characteristic. BJP's universal eligibility is a direct reflection of Bolivia's own political economy as defined by the redistributive demands of the October Agenda and the MAS government.

Targeting poor households and improving consumption of public services task CCTs with a dual objective: short-term poverty alleviation and long-term human capital development (Handa & Davis, 2006). Studies show that BJP has contributed to poverty

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<sup>15</sup> Based on most recent data from 2008

reduction albeit by small margins (Jemio, 2006; Medinaceli & Mokrani, 2010). After only six years, it is not yet possible to assess the impact BJP will have on improving Bolivia's long-term human capital development but the signs are positive (Gray Molina & Yáñez, 2010) (Gray Molina & Yáñez, 2010) (Gray Molina & Yáñez, 2010).

Pensions are staple of Latin American social policy. All three welfare regimes Esping-Andersen (1990) describes use them as one of the state's most important social benefits. Universal pensions are especially attractive because they affect everyone: everyone will one day (hopefully) grow old and become eligible for this kind of social assistance. More so, old-age poverty is a serious problem in Latin America where many work in the informal sector and have no access to state-backed social security schemes.

Before the 1990s, most Latin American countries followed a conservative-style pension system operating "a number of schemes targeted at specific occupational groups [...] under different eligibility and benefit rules and, in some cases, hiding privileges that affected the legitimacy of the system" (Arza, 2008). Pension reform in the 1990s moved away from the earnings-based pension scheme to individual private accounts, reducing the role of the state in pension administration and facilitating individual savings. While Bolivia too followed this wave of pension reform, in 1997 the government bucked the trend and implemented the only universal, non-contributory old-age pension in the region, Bonosol (Müller, 2009).

Like conditionality in CCTs, the terms of pension eligibility reflects the stratification strategy pursued by the government. Universalism in pensions involves a trade off between greater coverage for the poor and supporting groups that do not need the pension to meet their basic needs (Barrientos, 2006). While Renta Dignidad and Bonosol both contributed to reducing old-age poverty, especially in rural areas (Gonzales, 2011; Jemio, 2006; Medinaceli & Mokrani, 2010), this factor was not the only motivation behind their universalism. By introducing a universal pension in 1997, the Sánchez de Lozada administration started the process of conceptualizing social benefits

as rights in Bolivia, not merely insurance against poverty. This notion was codified in Article 67 of the 2009 Constitution, “The State shall provide an old age pension within the framework of full social security, in accordance with the law.”

BJP and Renta Dignidad both respond to social concerns in Bolivia, especially the MDG for primary education and high instances of old-age poverty. While the goals themselves are not novel in social policy, the programs’ universal eligibility is. Despite the rare instance of two major universalist social programs in the same country, few discussions of the MAS’ natural-resource-funded social spending critically examine the design and impact of these cash transfers. A careful review of these programs will also prime the discussion on the political role of social policy in post-neoliberal Bolivia in the following chapter.

### **BONO JUANCITO PINTO**

Interviews with informants yielded little in the way of understanding why primary education took priority over other social concerns for the Morales administration but the program clearly aims to address the universal primary education MDG (F. Fernández, personal communication, July 7, 2011; M. Medinaceli, personal communication, June 28, 2011). The goal of the BJP is to incentivize the entrance, retention, and graduation of primary school students (Ministerio de la Presidencia, 2008). Based on a smaller program called Bono Esperanza implemented in El Alto, BJP initially targeted school children between first and sixth grade. The program soon grew to include students up to eighth grade. Public school teachers are tasked with recording and reporting students’ attendance, establishing their eligibility to receive the Bs 200 transfer. Most of the BJP goes towards school supplies, clothing and shoes (Tapia Huanaco, Murillo Zambrana, & Flores Sotomayor, 2011). Fernando Fernández, a representative of the BJP at the Bolivian Ministry of Education, reported that the BJP is also used for non-academic purposes like contributing to family expenses or debts, and even buying livestock. While

implemented by the Ministry of Education, the Bolivian military is tasked with distributing the CCT. In 2010, the government spent over US \$100 million on BJP and reached 1.925 million students in 2011 (CEPAL, 2011).

## **Findings**

Findings on the BJP presented here come from the Bolivian government and two studies: Medinaceli and Mokrani's (2010) *Impacto de los bonos financiados con la renta petrolera* (Impact of cash transfers financed by petroleum rents) and the Observatorio Social de Políticas Educativas de Bolivia (OSPEB) (Tapia Huanaco, Murillo Zambrana, & Flores Sotomayor, 2011). A representative from the BJP program at the Ministry of Education, Fernando Fernández, was also interviewed. Medinaceli and Mokrani's study uses Bolivian household surveys up to 2007<sup>16</sup> to examine the impacts of BJP (and Renta Dignidad, see later in this chapter), its ability to reach the poorest Bolivians, and its dependence on fluctuating hydrocarbon rents. OSPEB's study uses a combination of quantitative data and qualitative information, especially ethnographic survey data, to assess BJP. For the uses of this report, OSPEB describes how students spend the transfer, BJP's positive impact on retaining students and fighting desertion.

The Bolivian Ministry of Education reports that school desertion rates lowered from 6 percent to 1.9 percent since the BJP's launch in 2006 (Cambio, 2011). Both the OSPEB and Medinaceli and Mokrani's studies agree that BJP reduces school desertion. Children age 5 to 15 were more likely to attend school if they received the BJP; lived in an urban area; were older; already knew how to read and write; did not work; were part of a smaller family; had parents with more education; and, were part of a home with a higher per capita income (Medinaceli & Mokrani, 2010). Students receiving the BJP are also more likely to stay in school, especially older students approaching eighth grade (Tapia Huanaco, Murillo Zambrana, & Flores Sotomayor, 2011).

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<sup>16</sup> 2007 was the last time a national household survey was conducted.

The picture becomes more complicated, however, when asking if BJP increases overall school attendance. OSPEB's surveys showed that over 50 percent of teachers and parents believe that BJP has increased the number of students in school. The Ministry of Education reports that school matriculation rates have gone up since the implementation of BJP. Government statistics also report that the rolls of the BJP program have increased steadily over the last several years from just over 1 million in 2006 to 1.925 million in 2011. OSPEB, however, notes that increases in the program rolls (as it expanded to cover 8<sup>th</sup> graders) and matriculation rates are not sufficient data to show causation between receiving the BJP and increasing school attendance. The report is inconclusive on this matter. Fernández agreed that there was not enough information to attribute increased attendance rates to BJP.

Examining the distribution of the BJP across income levels, Medinaceli and Mokrani's study finds that the poorest Bolivians benefit most from BJP. The study also shows a slight reduction in extreme poverty for families receiving the transfer. While the BJP does not have a targeting mechanism or audit to ensure only the students most at risk of desertion receive the CCT, the majority of the funds still reach low-income students. One reason is that as income increases wealthy and middle class families are more likely to opt out of the public school system, making their children ineligible to receive the BJP (Medinaceli & Mokrani, 2010). The same study points out that leakage exists but lower-income groups enjoy the lion's share of the BJP. Dividing the population into 10 different groups based on highest to lowest income, the study shows that the poorest group alone received 16.4 percent of the BJP compared to the richest, which received only 3 percent.

To contribute to the data provided by these studies and what the government already collects, the military has been tasked with collecting data on the recipients of BJP, no longer just distributing the transfer (F. Fernández, personal communication, July 11, 2012).

## **Analysis**

There are many challenges facing the BJP in the future. One of the biggest is the question of whether or not universal transfers are the best way to address the program's goals of improving school retention rates. Since the BJP is universal, there was no push to conduct a control group or initial impact study to understand how the CCT would affect different families (Gray Molina & Yáñez, 2010). While the BJP has had positive impacts for urban students, rural students are the ones facing the greatest gap in access to education. Without targeting mechanisms to focus funds towards these students or supplementary funding to improve access to schools, the students who the government most needs to reach will remain out of range. Also, Bs 200 might not be sufficient encouragement to overcome the specific hurdles these populations face.

While the MDG focus on universal primary education, perhaps Bolivia would get a better return by focusing on older students. The NDP dedicates an entire section to the challenges facing education in Bolivia. The plan notes that 91.4 percent of children from six to 14 years of age regularly attend school while only 54.5 percent of students 15 to 19 years of age do (Ministerio de Planificación del Desarrollo, 2006). While the NDP states that these populations require special attention to lower desertion rates, the group most likely to abandon school—15 to 19-year-old students—is not eligible for the BJP. The educational rate of return climbs quickly for students with more than 12 years of schooling but the current bounds of the CCT do not encourage older children to continue their education (Gray Molina & Yáñez, 2010).

BJP's singular focus on school attendance rates is also unique in the region. Countries like Chile and Brazil have a more development-oriented approach to their education CCTs where funds are distributed based on retention rate and improved test scores (Tapia Huanaco, Murillo Zambrana, & Flores Sotomayor, 2011). Studies of CCTs elsewhere in Latin America suggest that they are most effective when the cash transfer addresses the demand side by encouraging students to attend school while simultaneously

addressing the supply side through improved quality of education (Humberto Lopez & Perry, 2008). Under the current funding allocation for the BJP, there is no additional funding for more teachers or more schools to accommodate the desired increase in student enrollment (Medinaceli & Mokrani, 2010). While there have been advancements in plurinational education in the form of communities having greater say over what their students learn and the languages spoken in the classroom, there have not been large efforts to reform the rigor of instruction.

Beyond the confines of BJP's criteria and design there are several factors that influence the efficacy of the CCT. The lack of official poverty data for Bolivia makes it difficult to gauge the accuracy of BJP's effects on the families that receive it. 2007 was the last year the Bolivian government conducted an official household survey. Based on prices in department capital cities, the Bolivian National Statistical Institute (INE) suggests that poverty fell from 59.63 percent in 2005 to 51.31 percent in 2009 (2011). While this data is encouraging, INE's estimates have not been verified with a national household survey and outside groups like the World Bank do not acknowledge them. Since BJP launched in 2006, the program rolls have nearly doubled along with the program's budget. This leaves only one year of data to gauge the program's effects on poverty alleviation. While this is admittedly a secondary goal of the program, studies like Medinaceli and Mokrani's would greatly benefit from more recent data. This would also aid the study of the program's political effects by measuring the financial impact of the program on recipient households.

Besides the lack of official data on the impacts of the BJP, the CCT also faces the vagaries of government funding. BJP does not have a fixed annual budget from the central government. Instead, it is funded through annual transfers from YPFB and the state-owned mining corporation, COMIBOL. If there is not enough liquidity in these state-owned enterprises to meet the BJP's obligations for that year, the National Treasury steps in to fill the gap. Fernández said the lack of a fixed budget hinders BJP's

administrators from being able to plan beyond the current fiscal year, never knowing if or when the funding might end.

Inconsistent funding for BJP is symptomatic of the government's lack of vision for the CCT. Fernández argued that the BJP has little independence to set its own agenda. He went on to say that the CCT was under-utilized. Fernández argued that by narrowly focusing on retention rates BJP ignored a more holistic approach to solving educational inequality in Bolivia. In particular, Fernández noted that BJP did not partner with anti-child labor efforts. Findings from school surveys on attendance noted that children who did not work were more likely to attend classes. At the time of the interview, in July 2012, BJP was just starting to partner with initiatives to address child labor. All of these hurdles reinforce Fernández's belief that there is no long-term plan for the CCT. The lack of imagination for what BJP can be outside directly redistributing money to school children limits the CCT's ability to contribute to social and economic development in Bolivia.

## **RENTA DIGNIDAD**

Old-age poverty is a critical issue in Bolivia. In 2003, Bolivians over the age of 60 had a poverty rate of 63 percent versus the national average of 58.6 percent. That same year, only one percent of rural elderly were living above the poverty line (Müller, 2009). Motivated in part by this problem, Bolivia launched Bono Solidario or Bonosol in 1997. While Bolivia had a social security scheme in place before the Bonosol, many elderly Bolivians were ineligible for it because they worked in the informal sector or had long periods of unemployment. Since the Bonosol was first implemented, benefits to elderly Bolivians have ebbed and flowed as different programs cut and expanded the payout and modified eligibility requirements. Morales' Renta Dignidad, the third iteration of the universal pension system, is the most generous to date and is credited with greatly diminishing the rate of extreme poverty in Bolivia (Gonzales, 2011).

The Bonosol provided cash transfers of \$248 annually to citizens over 65 years old. Arguably, the Bonosol was more concerned with political than social goals. Funded by dividends paid out by privatized state-owned enterprises, the Bonosol was designed to create domestic stakeholders to support Sánchez de Lozada's unpopular neoliberal reforms, including the privatization of YPFB (Müller, 2009). Under the scheme, the largest corporations were turned into joint-stock companies where the state retained minority shares while allowing foreign capital investments (Ministerio de Planificación del Desarrollo, 2006). The Bonosol could not be called a truly universal pension scheme, however, considering that the provision limited eligibility to Bolivians who were over the age of 21 by December 1995. Under this scenario, the program would have ceased to exist after the last of these beneficiaries passed away (Gonzales, 2011).

The economic stability of the cash transfer was constantly under debate as year after year dividends from the privatized funds failed to meet the program's obligations. Under Presidents Hugo Banzer and Jorge Quiroga, between 1998 and 2001, the Bonosol was replaced with a new, reduced benefit called the Bolivida. The Bolivida limited the group of beneficiaries to Bolivians over the age of 50 by 1995 and lowered the benefit to between \$56 and \$60 a year. In 2002, Sánchez de Lozada, recently reelected, reinstated the Bonosol at its original eligibility and payout. Concerns over the pension's sustainability never disappeared, however, and when Morales nationalized the hydrocarbon sector all private shares from the capitalization fund returned back to the state, bankrupting the pension.

While it undermined the Bonosol scheme, the nationalization along with the IDH provided the government windfall profits to fund Renta Dignidad. Passed in 2007 and implemented in 2008, Renta Dignidad expanded eligibility to Bolivians over the age of 60; dropped a restriction on the elderly born before 1975; and increased the benefit by 25 percent. Along with these benefits, Renta Dignidad also contributes \$254 to funeral expenses for Renta Dignidad beneficiaries. There are currently 800,000 recipients of

Renta Dignidad and over \$500 million has been paid since its inception (Gonzales, 2011). Like BJP, the armed forces play an important role in handing out the pension. Along with approved financial institutions, many military installations and mobile units distribute the pension, improving coverage especially in remote rural areas.

## **Findings**

Findings on the Renta Dignidad pension come from government reports, along with a UN report on the program by Marcelo Gonzales (2011) and the other half of the Medinaceli and Mokrani (2010) report cited in the above section on BJP. Surveys of Renta Dignidad recipients in El Alto (Vaughan, 2010) provide information on the daily uses of the pension and a report from Carlos Jemio (2006) brings context from the Bonosol program.

Studies based on data from the Bonosol program (Jemio, 2006; Medinaceli & Mokrani, 2010) and newer data (Gonzales, 2011) paint a developing picture of how Renta Dignidad reduces old-age poverty today. The study by Jemio reviews the impact Bonosol had on poverty alleviation from 2001 to 2004. Medinaceli and Mokrani's report also uses data collected on Bonosol to estimate the impact Renta Dignidad would have at its increased rate. Together, these reports indicate that those receiving the pension fare slightly better than those that do not. Up to 2007, poverty alleviation credited to Bonosol/Renta Dignidad in these studies ranges from less than one percent to two percent, depending on geography. The cash transfer tended to benefit poor rural recipients most. Renta Dignidad recipients spend the majority of their transfer on basic needs, like food, health, and clothing (Jemio, 2006; Vaughan, 2010; Gonzales, 2011). Unlike BJP, the larger size of Renta Dignidad payments makes it possible to re-invest the transfers beyond immediate consumption. Some recipients have used the CCT as capital to start small businesses.<sup>17</sup>

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<sup>17</sup> This is especially true if the individual does not need Renta Dignidad to make ends meet.

The Gonzales report, however, paints a different picture of Renta Dignidad's impact on poverty reduction. Expanding the program window out to 2009, Gonzales uses reports from the Ministry of Economy and Finance to show that extreme poverty fell rapidly from 37.7 percent of the population in 2007 to 31.9 percent by 2009. Gonzales attributes this steep drop in extreme poverty to Renta Dignidad as well as BJP and Bono Juana Azurduy. While there is a correlation between a drop in extreme poverty and the start of these social transfers, it is unclear if the decrease can be attributed to these programs alone, especially considering Bolivia's strong economic growth over the same window of time. Bolivia's GDP grew at 4.8 percent in 2006 and continued to rise, reaching 6.1 percent in 2008. Even in 2009, Bolivia's GDP rose 3.4 percent, one of the strongest growth rates in the region that year (ECLAC, 2011). Gonzales does not take this into consideration.

Like BJP, there is some debate over how effective Renta Dignidad is at reaching those that need it most. All Bolivians have the right to the pension but the two-tiered payout<sup>18</sup> prioritizes citizens without social security benefits. The question is whether or not the more vulnerable portions of the population are taking advantage of Renta Dignidad. Medinaceli and Mokrani's (2010) study based on Bonosol data suggests Renta Dignidad is progressive in its redistribution, favoring those without a pension, but the effect is moderated with different eligible socio-economic groups benefiting fairly evenly. A more recent study from the UN Development Programme (Gonzales, 2011) suggests the pension is much more progressive than previously thought. The report notes that 83 percent of the pension's recipients were not previously receiving a pension from the social security scheme, demonstrating that those most in need are receiving the lion's share of the benefit. The UNDP study also reports that 97 percent of eligible beneficiaries already receive the pension.

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<sup>18</sup> Bs 1,800 for those with a pension and Bs 2,400 for those without.

On a social level, the pension also has positive effects on the role recipients play in multi-generational households. Gonzales (2011) notes that Renta Dignidad recipients can use their pension to help contribute to family budgets, providing meaningful financial assistance to needy families. Abuse does happen, however. Interviews conducted in El Alto of Renta Dignidad and BJP recipients named alcohol as the most common form of mispending the transfer and also noted that family members sometimes take the transfer from elderly recipients without permission to pay debts (Vaughan, 2010).

### **Analysis**

While the UNDP report paints a positive picture of Renta Dignidad's coverage, access to the payment is still a challenge for many beneficiaries. Administrative and geographic hurdles impede beneficiaries' ability to claim their pension. Possession of state-issued identification is a common administrative challenge, as many would-be recipients, especially in rural areas, do not have the required documentation to claim their pension. The government is currently in the process of implementing a biometric registration of eligible beneficiaries to eliminate the need for personal identification documents to claim the pension (El Diario, 2011). While the process sidesteps a need for official identification it still requires people to register, which leads to the geographic challenges beneficiaries face. The Bonosol struggled to offer an adequate number of locations for beneficiaries to claim their benefit. While workers in the formal sector could have their payments posted on their paychecks, informal and rural workers had to use approved public locations. The Morales government has improved on this by incorporating the armed forces into the program. Today, mobile pay units operated by the military use satellite technology to greatly improve the reach of the program (Gonzales, 2011).

Beyond administrative and geographic concerns, the greatest threat to Renta Dignidad's long-term success is its vulnerability to price shocks in Bolivia's main export,

natural gas. Unlike the BJP, which draws funding from YPFB and COMIBOL, Renta Dignidad's funding is completely dependent on the IDH and, by extension, the price of natural gas.<sup>19</sup> Thousands of Bolivians could be without their pension if the gas price drops or if Bolivia is unable to successfully renegotiate its contracts with Brazil or Argentina, who currently purchase all of Bolivia's gas exports. Renta Dignidad consumes approximately 30 percent of the IDH, reaching \$237 million in 2009 (Gonzales, 2011). Additional growth in the program's rolls will have to be proportionate to growth in the natural gas sector to maintain a balanced and sustainable redistribution of gas revenues. With 7.5 percent of the Bolivian population depending on Renta Dignidad, the Bolivian government should also invest in a stabilization fund to help offset future volatility in the price of natural gas.

Like BJP, the lack of official poverty data complicates assessments of Renta Dignidad (Salazar de la Torre, Dolores Castro Mantilla, & Medinaceli, 2011) (Salazar de la Torre, Dolores Castro Mantilla, & Medinaceli, 2011) (Salazar de la Torre, Dolores Castro Mantilla, & Medinaceli, 2011). Data that are available do not present a detailed picture of elderly Bolivians receiving the pension. Some argue that more specific information about beneficiaries could help target problem groups in the system and improve efficiency. Politically, the Morales government might be slow to react to this point since it could be portrayed as compromising the pension's universality. Without updated poverty statistics it is difficult to assess how Morales' changes to the program have influenced results. When updated poverty and demographic data are available, it will be difficult to gauge the impacts of Renta Dignidad versus the positive macroeconomic effects of the economy.

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<sup>19</sup> Arguably, the IDH and YPFB are not all that different, considering both rely on the price of natural gas for their contributions to social policy. COMIBOL, however dependent on mineral commodities, at least provides some insulation for BJP from natural gas price shocks.

Finally, Renta Dignidad needs support from additional social programs and labor policy to address the large number of older Bolivians working in the informal economy (Salazar de la Torre, Dolores Castro Mantilla, & Medinaceli, 2011). While Renta Dignidad presents an important step toward alleviating old-age poverty, it alone does little to restructure the wider economy that pushes individuals into the informal sector or low-paying jobs. Similar to how BJP would benefit from more supply-side support, Renta Dignidad would be more effective through a holistic approach.

#### **ASSESSING THE IMPACTS OF NON-TARGETED CASH TRANSFERS**

BJP and Renta Dignidad have generally met their goals but both programs face challenges going forward. BJP has helped maintain enrollment levels in primary school but has had little proven effect increasing student retention in schools. There is also debate as to whether or not a non-targeted approach—or cash transfers in general—allocates revenues from the country’s natural resources in the most productive way (Humberto Lopez & Perry, 2008). Without complementary investments in supply-side issues like school infrastructure and teachers, a long-term vision and commitment from the central government to ensure the program’s longevity, direct cash transfers alone will likely have limited results addressing school desertion. Renta Dignidad appears to have positive results, especially in diminishing extreme poverty. Data supporting this finding, however, is based on estimates, not actual household surveys. Bolivia has not seen as dramatic results from its cash transfers as those in neighboring Brazil, but these social programs are generally considered successful (Gonzales, 2011). In a country where education levels continue to hover among the lowest in Latin America, and poverty remains at over 50 percent<sup>20</sup>—higher still for the elderly—any progress is hard to dismiss.

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<sup>20</sup> Assuming estimates from INE prove true.

While the effectiveness of universal cash transfers is debatable and additional data is needed to verify their success rate meeting program goals, officials and academics interviewed shared concern over the politicization of these popular programs. Despite the benefits cash transfers have for poverty alleviation and human capital development, the act of handing out money to poor citizens has been criticized as thinly veiled vote buying (Sewall, 2008; Layton & Smith, 2011). When approached about this perceived clientelism, a government official responded that the resource-funded transfers are an “obligation, the money belongs to the Bolivian people,” (Tapia Huanaco, Murillo Zambrana, & Flores Sotomayor, 2011, p. 108), reflecting a rights-based approach to universal redistribution.

Interviews with key informants in La Paz did not present a unified vision of how the programs’ universality was perceived politically. Some argued that the lack of targeting de-politicized the transfers by their distribution to all Bolivians, regardless of economic, social, or political status (J. Pérez & R. Martínez, personal communication, July 6, 2012) while another cited universal eligibility as a way to protect against discriminatory spending that would unfairly benefit some groups over others (F. Fernández, July 11, 2012). Whatever the case, the decision to pursue universalist social policy breaks with the dominant norms of targeting and means tests in Latin America. While the government has issue-driven goals behind Renta Dignidad and BJP, their universalism speaks to the government’s wider political project (perhaps at the cost of their efficacy addressing social concerns). The following chapter will examine the political dimensions of these transfers, exploring how their universalism helps create political coalitions, improve national solidarity, secure the support of the armed forces, and undercut regional opposition.

## Chapter 4. Political Impact of Universal Social Policy

A survey from the Latin American Public Opinion Project (LAPOP) (Morales, Eguívar, Blum, Villazón, Nikitenko, & Seligson, 2010) noted that Morales was the first Bolivian president since 1997 to finish a full five-year term in office. Starting with Banzer's resignation in 2001 for health reasons, every following president has been forced from office (Sánchez de Lozada and Mesa) or did not win a full term in office (Rodríguez). Key informant interviews (F. Wanderley, personal communication, July 4, 2011; J. C. Guzmán, personal communication, June 29, 2011; F. Gatta, personal communication, July 13, 2011) suggested that the political benefits of universal social policy contributed to Morales' improved governability during his time in office. After reviewing the policy impacts of Bolivia's cash transfer programs in the previous chapter, it becomes clear that there were additional, political considerations that influenced the government's decision to make them universal.

As the fourth president of Bolivia in as many years, Evo Morales was under pressure to deliver quickly on his campaign promises. Jaime Solares, Morales' fellow leftist and leader of the Bolivian Workers' Confederation, said, "It is obvious that if Evo doesn't nationalize the gas and the hydrocarbons, he will fall like Gonzalo Sanchez [*sic*] de Lozada," (do Alto, 2005, para. 10). Morales did make good on his promise to increase state control of the industry but had to follow through with programs to redistribute natural gas wealth. Pushing forward his redistributive policies, Morales launched BJP in November 2006. This quick succession of events was designed, in part, to quell the public's demands for nationalization and redistribution. A CCT was an ideal solution because of its quick implementation and large pool of potential recipients. Renta Dignidad soon followed in 2007. Administratively, universal programs have the simplest structure and lowest transaction costs for the government (Müller, 2009).

The central government used cash transfers for three main political objectives: expanding the MAS' political base, nation building, and securing the support of the armed forces. The cash transfers rewarded low-income groups, mostly likely MAS supporters (Seligson, Cordova, Donoso, Morales, Orcés, & Blum, 2006), with quick material benefits while larger sums via Renta Dignidad attracted middle-class supporters. Meanwhile, the transfers' universalism contributed to the MAS' nation-building project. The program's universalism allowed it to reach across class and territorial lines, connecting Bolivians in a shared political community defined by mutual benefit derived from resource wealth. Furthermore, the central government headed off attempts by the Media Luna to create rival social policy by forcing them to pay for Renta Dignidad out of their IDH allocation. By involving the Bolivian military early in the implementation of the cash transfers as an extension of their role as defenders of the nation's resource wealth, Morales was able to secure the support of the armed forces and defend against the threat of a coup d'état.

Reaping political benefits from these cash transfers does not diminish the government's concern for social justice and responsive relationship to the public. Rather, it is important to recognize the wider environment in which these transfers operated and the role they played in solidifying critical political support for Morales and the MAS in the early years of his presidency.

#### **UNIVERSAL SOCIAL POLICY AS ECONOMIC POPULISM**

Considering the MAS' political base, universalism promised to be an effective tool to reward supporters while countering accusations of clientelism. Madrid's (2008) analysis of the 2005 election showed that groups who supported Morales likely had indigenous backgrounds, leftist or nationalist views, and were disenchanted with the political system. In addition, LAPOP's report on the 2005 elections highlights that poorer voters were statistically more likely to vote for Morales (Seligson, Cordova, Donoso,

Morales, Orcés, & Blum, 2006). Esping-Andersen's (1990) survey of social policy notes that programs like BJP and Renta Dignidad that distribute one flat-rate to its recipients reach all levels of the public but have greater financial impact for lower-income groups. Data from Medinaceli and Mokrani (2010) and Gonzales (2011) in the previous chapter demonstrate that low-income groups benefit the most from BJP and Renta Dignidad either because of upper-income groups selecting themselves out of the program or the greater contribution to household income the transfers make. Considering the MAS' mostly lower and middle class supporters in 2005, it is not surprising that the government's resulting social policy would aim, albeit indirectly, at these groups. The quick rollout, low cost, and high political benefits of these cash transfers helped the Morales administration secure widespread support.

Nationalization was already a popular political objective for indigenous and leftist social movements in Bolivia but centrist and right-wing voters were almost equally likely to support the return of the hydrocarbon industry to the state (Madrid, 2008, p. 495). Broad support for nationalizing the hydrocarbon sector illustrates the unique moment in Bolivia where diverse social and economic groups coalesced around a key political issue. The central government sought to cement this solidarity through social policy. Morales' approval rating jumped 13 points to 81 percent after the state takeover of the hydrocarbon industry in May 2006 (Madrid, 2008). That November, a survey by Equipo Mori (2007) in El Alto, La Paz, Santa Cruz, Cochabamba, and Tarija showed that 53 percent—up 27 percent from October—of Bolivians thought the country was headed in the right direction after the government launched BJP and gas contracts were signed, finalizing the terms of the nationalization.

Since BJP began, the Morales administration has been using universal social policy to strengthen the MAS' political base. Specifically, administration speeches from Morales and Vice President García Linera show that the administration wove the wider MAS political project, nationalization, and cash transfers together in the same cloth.

Speaking to supporters the same month that BJP went into effect, Morales warned that the opposition did not want that “the nationalization take hold, they [...] want to sign contracts without any benefit for Bolivia and the Bono ‘Juancito Pinto’ is also at risk,” (Translation mine, Agence France Presse - Spanish, 2006). The years have not diminished the government’s themes of resource nationalism and universal social policy. In 2009, looking to secure a two-thirds majority for the MAS in the Senate, Morales implored, “If you vote for the opposition candidates they’re going to end the Bono Juancito Pinto that benefits young children; they’ll end the Renta Dignidad that your fathers, grandfathers, and brothers collect,” (Translation mine, La Razón, 2009). At a ceremony for the BJP, García Linera told a crowd of school children and parents, “The president nationalized the gas and it is the obligation of boys and girls, of their parents to make sure they never take the Bolivians’ gas and oil, today you all need to defend the State, the gas and oil of the Bolivian people,” (Vicepresidencia del Estado Plurinacional de Bolivia, 2011). The vice president not only addresses the children, but their parents, the voters. Morales and García Linera clearly utilize resource-funded social policy to mobilize political support by presenting it as a social right constantly under threat from the opposition. Only by continuing to support the MAS, the argument goes, will the distribution of cash transfers be guaranteed.

Appealing to voters’ concerns over continued receipt of universal social policy is effective because sectors across the country have a strong preference for it. A 2012 report (Asociación Boliviana de Ciencia Política, 2012) on the quality of democracy in Bolivia further reinforced the political importance of universal social policy. Conducted in 2011, the survey asked what had been the Morales government’s most important contribution to date. Cash transfer social policy came in second (13 percent) to “social, political, intercultural inclusion” (31.3 percent). Interestingly, cash transfers were listed as more important than nationalization (5 percent) and the new Constitution (7 percent). This shows that the direct redistributive aspect of nationalization (resource-funded social

policy) resonates more with the Bolivian public than the abstract notion of state control over strategic sectors of the economy.<sup>21</sup>

Regional data on these programs further illustrates their ability to build political support for the central government. In May 2009, Ipsos Apoyo (2009) surveyed Bolivians in La Paz, El Alto, Cochabamba, and Santa Cruz if they approved of Morales' presidency and why. His perceived concern and actions to help the poor was the number one reason, with Santa Cruz, the epicenter of autonomy tensions, reporting the highest level of approval at 48 percent and El Alto the lowest at 19 percent. BJP was the second reason given with El Alto<sup>22</sup> reporting the highest level of support at 25 percent and Santa Cruz the lowest at 1 percent. Renta Dignidad came in slightly lower than BJP, with 13 and 17 percent in La Paz and El Alto. Santa Cruz again reported the lowest approval at 1 percent.

The February 2011 opinion survey from Ipsos Apoyo (2011) of the same cities, in fact, found that BJP and Renta Dignidad rose to the top reasons why Bolivians supported Evo Morales. Fifty percent overall of those surveyed listed BJP as the reason they approve of the president and 47 percent named Renta Dignidad. Approval for these social programs did not necessarily fall along territorial lines as might be expected. BJP, for example, was more popular in the city of Santa Cruz (39 percent) than in La Paz (37 percent). Heavily indigenous El Alto approved of BJP and Renta Dignidad by 67 percent and 59 percent, relatively. Cochabamba, the MAS' hometown, also showed strong support for these programs. All four of the major cities surveyed showed increased support for the president's social programs between 2009 and 2011.

The comparison of 2009 and 2011 survey data shows that the Morales administration's universal social policy has become more popular in Bolivia over time, most notably in opposition-controlled Santa Cruz. The case of improved support in Santa

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<sup>21</sup> Despite the fact that these programs, in their current form, would not be possible without nationalization (especially BJP).

<sup>22</sup> It is worth remembering that BJP was based on a similar, smaller program that started in El Alto named Bono Esperanza. This may contribute to the level of support Morales garners from BJP in this city.

Cruz for these programs is, in part,<sup>23</sup> thanks to the programs' universality. Since all school children and Bolivians over 60 are eligible for these programs, the level of coverage is essentially a question of population density. As one of the most populous departments in the country, Santa Cruz benefits more from these transfers than less populated departments like Beni or Pando. Santa Cruz has the highest BJP participation rate in the country at 25.5 percent with La Paz coming in second at 25.2 percent (Cambio, 2011). Santa Cruz also receives the second largest proportion of Renta Dignidad at 17.1 percent (Viceministerio de Pensiones y Servicios Financieros, 2012). Interestingly, the programs' ability to garner support in the opposition-controlled Santa Cruz illustrates the ability of universal social policy to cross territorial lines to connect diverse sectors of the country.

Support for the MAS continues to gain ground in the Media Luna region. While the Ipsos surveys do not present data on Beni and Tarija, LAPOP (Morales, Eguívar, Blum, Villazón, Nikitenko, & Seligson, 2010, p. 173) survey data from 2005 and 2009 showed that approval for the MAS rose in each state over that period of time. Approval in Tarija rose from 31.6 percent to 51.1 percent; approval in Beni rose from 16.5 percent to 37.7 percent. In 2010, the MAS won six of the country's nine prefectures, leaving only Beni, Santa Cruz, and Tarija in opposition control (Centellas, 2010).

Similar to the experience of Quebecois being brought into the fold of Canadian nationalism through national healthcare (Banting, 2005; Boychuk, 2008), BJP and Renta Dignidad made headway connecting regional groups to the central government and the Bolivian imagined community through the mutual benefit of resource-funded social policy. At the time of the 2011 survey, however, Morales' approval rating had fallen to 32 percent from its apex at 70 percent in January 2010. Despite Morales' drop in the polls, his cash transfers continue to buttress his political authority. This demonstrates the

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<sup>23</sup> Other factors beyond population alone could affect this number.

critical role social policy plays in building political support for the MAS even when the president is not popular. The Morales administration used universal social policy to reward poor voters and appease social movements, secure support for the MAS agenda, and expand its political base across territorial lines.

### **UNIVERSAL SOCIAL POLICY AS NATION BUILDING**

BJP and Renta Dignidad have been effective political tools for addressing the MAS administration's immediate concerns upon entering office but they also played a critical role in the new government's attempts at nation building. Since Morales took office in 2006 and the start of universal social policy, LAPOP (Morales, Eguívar, Blum, Villazón, Nikitenko, & Seligson, 2010) reports there has been a significant increase in the number of Bolivians who say they are proud to live under the current system. Since its 10-year low of 44 percent in 2000, 56 percent of Bolivians surveyed in 2010 said they were proud of the Bolivian political system. Receiving cash transfers from the government was listed as one of the factors that positively influenced peoples' perception of the Bolivian government. The largest single indicator of national pride was the administration's perceived dedication to fighting poverty.

The Morales administration used universal social policy to create a shared political community through the mutual benefit of nationalized resources and weaken regional autonomous movements. Understanding the MAS' conception of universal social policy as nation building starts with an examination of the NDP and how it frames resource redistribution and national identity. The MAS' unifying message of universalism also illustrates the central government's conflict with the Media Luna's calls for autonomy.

The NDP is key to understanding the MAS' view of redistribution through social policy as a tool for nation building. One of the first steps the NDP does is call for Bolivians to "[recognize] ourselves for who we are, diverse and many, and it is a long

process [...] to arrive at a collective conscience of a new national identity” (Ministerio de Planificación del Desarrollo, 2006, p. 14). The plan is blunt with its assessment of the state of the population: “profound social inequality and inhuman exclusion [...] oppresses the majority of the Bolivian people,” (Ministerio de Planificación del Desarrollo, 2006, p. 1). In light of the plight facing the majority of Bolivians, the role of the new development model is the generation, control, and distribution of the surplus produced by renewable and non-renewable natural resources to assist in national development. Arguing that the country’s “profound” inequality demands the “redistribution of the national wealth for the benefit of the social sectors traditionally excluded from the means of production and dignified work” (Ministerio de Planificación del Desarrollo, 2006, p. 5), the NDP connects redistribution with social inclusion and development. In this way the MAS conceptualizes universal social policy as the vehicle for national wealth redistribution to expand social inclusion and address poverty in pursuit of a new Bolivian identity.

In order to raise the welfare of the majority of Bolivians, the NDP anticipates cash transfers as the vehicle for this redistribution, stating that welfare will be necessary “in the first stage [...] to grant food transfers and basic services to reach a minimum level of dignity in the communities that live in the worst conditions” (Ministerio de Planificación del Desarrollo, 2006, p. 33). Among the groups listed for such welfare assistance are young children (specifically in the context of school desertion), the elderly, and pregnant women. All three groups have cash transfers today. The connection between resources and social inclusion is spelled out explicitly in Supreme Decree 28899 which established BJP. The decree reads, “Considering that [...] the nationalization of hydrocarbons generates large income for the State, [these rents] should be used to improve the lives of the Bolivian people and especially the youth,” (Translation mine). Again, the benefits of natural resources are framed universally, reserved to improve the lives of all Bolivians. The language of the NDP and Supreme Decree 28899 demonstrate the connection the

MAS administration draws between redistribution and the formation of a new Bolivian identity.

### **Autonomy and Social Policy**

Universal social policy has been shown to be an effective tool for building political support across territorial lines and even improving national pride but its financing structure also has the potential to fight elite-organized autonomy movements in the Media Luna. Autonomy itself is not anathema to the MAS political project. The MAS' plurinational project envisions several layers of community-focused autonomy in Bolivia. The 2009 Constitution lays out four levels of autonomy in Bolivia: departmental, regional, municipal, and indigenous. The MAS, as described by García Linera, sees the central government as the core of these nesting autonomies, holding them all together. By financing *Renta Dignidad* out of prefecture budgets, the Morales administration kept the departments dependent on transfers from the central government while weakening their ability to fund rival social policy.

It is not surprising that the gas-rich states strive for greater control over the resources produced in their own region. Departments and municipalities are both heavily dependent on the IDH for their budgets. The IDH allocates a disproportionately high percentage of natural gas royalties back to gas-producing departments and the sparsely populated departments of Beni and Pando. Under the IDH the Media Luna receives 30 percent of hydrocarbon revenues compared to 19.7 percent for the remaining five departments, despite the fact that the remaining departments have a population 79 percent greater than that of the Media Luna (Weisbrot & Sandoval, 2008). The tax's preference for gas-producing departments led to the expectation of greater fiscal decentralization in the extractive sector, as seen in the calls for autonomy following Morales' election (Bebbington & Bebbington, 2010).

The conservative Media Luna region's definition of regional autonomy was a radical shift from Bolivia's unitary model. The Media Luna, and the department of Santa Cruz, in particular, demanded regional control over natural resources, the right to retain two-thirds of all tax revenues generated in the department, and the authority to set all policies other than defense, currency, tariffs, and foreign relations (Eaton, 2007). Elites in these gas-producing states wanted to deal directly with multi-national corporations, issuing their own concessions and capturing the majority of the rents (von der Heydt-Coca, 2009). The autonomy movement threatened to erode Bolivian nationalism through radical decentralization while cutting off the central government's most important revenue stream.

Prefectures dispensed their IDH allocations with largesse. The department of Tarija, for example, spent its IDH funds to provide free health insurance, small farm development, and highway projects (Bebbington & Bebbington, 2010). This kind of social policy competes with the central government's role as the sole guarantor of resource-funded social programs and attracts loyalty to department governments. In response to the autonomy movement's threat to national integrity and accompanying social policy the MAS proposed funding the re-branded Bonosol, Renta Dignidad, with the IDH funds (Müller, 2009). When the plan was originally announced in 2007, protests spread across the country as departmental and municipal supporters, and university students challenged any reduction in their IDH funds (El Deber, 2007).

In the end, municipal governments and universities did not suffer any reduction in their IDH transfer. Renta Dignidad was paid out exclusively from prefecture budgets (Bebbington & Bebbington, 2010; Müller, 2009). Prefectures contested the payment plan, arguing that it amounted to a 38 percent reduction in their IDH transfers or eight percent of their total funds (Gray Molina & Yañez, 2010; Gray Molina, 2010). Morales retorted that the money from the IDH was not for "one or two, but all Bolivians," and framed the decision to pay for Renta Dignidad with prefecture funds in order to "improve the

redistribution” of the tax revenues, referring to the Media Luna’s disproportionate benefit from the tax (El Deber, 2007). The Media Luna proposed its own scheme for funding Renta Dignidad without touching the IDH. When the central government came back with its own compromise to compensate prefectures with a \$117 million fund and later to return part of the money raised from the IDH, the opposition balked, refusing to agree to any reductions (International Crisis Group, 2008). Unable to reach a compromise, the central government pushed through its own plan, funding the pension completely from prefectures’ share of the IDH. The result punished what the government perceived to be overly aggressive demands for autonomy without harming municipal governments (which tend to be more supportive of the MAS (Eaton, 2007)) and university budgets.

Despite complaints about the financing of the pension, the decision to fund Renta Dignidad with prefecture budgets paid off well for Morales. Müller (2009) notes that Renta Dignidad is more popular than its predecessor, the Bonosol. Even critics of the program focus their challenge on its financing scheme, not the pension itself. With the program’s broad acceptance and popularity, the quibbling over the financing mechanisms was lost on the average voter to Morales’ benefit. Opposition leaders in the eastern lowlands, like Carlos Mesa (2010), continue to bemoan the central government’s control over natural resource rents, saying, “the mechanism for distribution has frozen up with the government ceding nothing. Neither have they conceptually established autonomous mechanisms for the reassigning of resources.” Mesa’s statement reinforces the continued importance of controlling access to natural resource revenues as a means to build political support. Reducing the prefectures’ ability to fund ambitious social policy while expanding the central government’s own programs, the Morales administration strengthened the impact of universal social policy in the Media Luna.

Despite the victory against opposition prefectures, the expansion of universal social policy’s popularity across the country does not coincide with reduced desire for autonomy. The 2010 LAPOP survey on democracy in Bolivia (Morales, Eguívar, Blum,

Villazón, Nikitenko, & Seligson, 2010) reported that support for departmental and indigenous autonomy in Bolivia increased between 2008 and 2010. LAPOP reports that 57.6 percent of those surveyed thought departmental autonomy would be positive for the country and 50.3 approved of indigenous autonomy (p. 177). Support for autonomy does not necessarily mean individuals do not have a strong national identity. Data from Gallup (Crabtree & Ríos, 2008) collected in 2007, soon after the national referendum on departmental autonomy, showed that upper- and middle-class (57 percent), and lower- or working-class Bolivians (53 percent) identified most with the nation over their region. It is also notable that while support for autonomy has increased, support for government intervention in the economy and especially the hydrocarbon sector remains high.

LAPOP created a statism index to measure groups' approval of the State taking an active role in solving the country's social and economic problems.<sup>24</sup> The report (Morales, Eguívar, Blum, Villazón, Nikitenko, & Seligson, 2010) noted that there was a slight decrease in approval for state interference in the economy but the approval rating overall remained very high in 2010. The index reached as high as 74.4 percent approval in Cochabamba and even Chuquisaca, registering the lowest approval rating for active state involvement, came in at 63.9 percent. LAPOP points out that favoring central government involvement in strategic sectors of the economy tended to fall along an east-west divide, with Media Luna departments favoring less central government involvement. Regardless, the approval rating remains high across the board, despite lower levels of support in the lowlands. The results show that preference for autonomy and support for a strong central government role in economic and social affairs are not mutually exclusive.

Considering the increased level of national pride since Morales took office, the important role that social policy plays in people's perception of the administration, and continually high approval of the state's role in solving economic and social problems, it

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<sup>24</sup> Includes a positive vision of the State's potential as a protagonist in guaranteeing economic stability and growth and the provision of public services.

is likely that universal social policy has contributed to nation building efforts by the Morales administration. The NDP sought to create a new Bolivian identity by addressing chronic inequality through the universal redistribution of natural resource rents. Surveys reviewed here show that the government's attempts at fighting poverty and its universal social policy are some of the greatest reasons for voter approval of the government. This demonstrates the government's ability to successfully pursue its nationalist agenda. Finally, the high levels of support for government involvement in fighting poverty (as expressed in the statism index) and in strategic sectors of the economy (i.e., hydrocarbon) persist alongside rising approval for autonomy. This shows that a positive view of autonomy does not necessarily coincide with a negative view of the MAS nation-building project.

It is not my intention to suggest that the receipt of universal social policy equates total acquiescence with the MAS political project. Bolivia remains a country with challenging political differences and active social movements that do not necessarily follow party lines.<sup>25</sup> In the face of fractious identity politics, universal social policy offered the MAS an attractive means to unify a diverse population. The broad, loosely defined coalition born in the aftershocks of neoliberal reforms created a shared experience on which a national identity could be built. Universal social policy was designed to cement that bond. By extending the benefits from the widely supported nationalization, the Morales administration leveraged the powerful symbolism behind the natural gas sector and universal social policy to build a shared imagination of being Bolivian, portraying the MAS as the vehicle to a new plurinational nationhood (Harten, 2011). At this level, universal social policy no longer simply complies with immediate political demands but plays a role in defining Bolivian citizenship.

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<sup>25</sup> See (Moseley & Moreno, 2010)

The Bolivian central government's behavior shows how social policy theory based in the West applies in a Latin American context. Facing regional opposition and autonomous movements, the central government utilized universal social policy to form bonds between citizens across class and territorial lines. Furthermore, the central government's decision to fund Renta Dignidad out of prefecture budgets limited the Media Luna's ability to fund rival social policy that would compete with the central government's role as sole guarantor of resource wealth redistribution. Survey data on BJP and Renta Dignidad from 2009 and 2011 demonstrate how universal social policy continues to make inroads across territorial lines to the benefit of the MAS nation-building project.

#### **SECURING THE ARMED FORCES**

The MAS needed broad political support to shore up their government but they also needed to secure the armed forces. So far the MAS has been able to secure the military through increased budgets and tapping into the armed forces' inherent nationalism (Kohl, 2010; Rochlin, 2007). These factors certainly play important roles in winning over the military but focusing on these points alone overlooks the administrative involvement the military has in implementing universal social policy. The Morales administration incorporated the armed forces into its social policy by drawing parallels between the MAS nationalist project and the institution's own history and resource nationalism and sovereignty.

The connection between natural resources and sovereignty was a strong theme throughout 20<sup>th</sup> century Bolivia. The military socialist regime of General David Toro nationalized Standard Oil's Bolivian concessions and property in 1937 and founded the Bolivian state oil company, YPFB (Maalderink, 2009). Along with the nationalization scheme, the military socialists foreshadowed the MAS' emphasis on sovereignty as a political ideal. Following Bolivia's defeat in the War of the Chaco, the military socialists

likened the territorial losses Bolivia suffered to a loss of economic sovereignty experienced through Bolivia's dependent relationship on foreign countries. The MAS would use similar language in 2005, saying that Bolivia had to reassert its sovereignty in the face of decades of indebtedness to international financial institutions and subservience to the United States.

García Linera (2010) writes that the Morales administration successfully integrated the armed forces into his government by addressing an "existential crisis" that the institution faced since the end of the military dictatorship in 1982. Neoliberal reforms had hollowed out the state and downplayed the role of sovereignty in a global market. The MAS NDP outlines the need to modernize the armed forces and involve them in national development. The NDP reproached the neoliberal government for not leveraging the military's potential to "support public works and infrastructure [...and the] extension of health and educational services, among others," (Ministerio de Planificación del Desarrollo, 2006, p. 62).

Along with the call to involve the military more in social development and assistance, the NDP assigned the military the role of protecting Bolivia's strategic resources. Using the military to seize privatized natural gas fields was a symbolic gesture Bolivia made to the rest of the world but it also demonstrated to the armed forces that they too were part of the MAS' transformative vision for a new Bolivia. Since then, Morales has continued to increase the armed forces' role in the implementation of national development programs and social policy.

When Evo Morales took office windfall income from the new tax structure governing natural gas exploitation allotted the government a staggering increase in revenues to fund anti-poverty programs but little in the way of infrastructure or bureaucracy to distribute the benefits. The government turned to the military—not the Ministry of Education—to distribute the funds for the BJP and Renta Dignidad programs. Considering the financial and administrative limitations of the central

government, the military was the practical choice for reaching schools and the aged in urban and far-flung parts of the country. The insistence on using the military to reach groups in all parts of the country also guarantees these social policies' universalism, reinforcing the discourse that these benefits are for all Bolivians, regardless of their status or means to collect them. Within 10 months of Evo Morales taking office the military was handing out Bs 200 to BJP recipients.

The military seems to have taken a shine to its new social development role. In 2009, then-Commander-in-Chief of the Armed Forces Admiral José Luis Cabas said that all Bolivian children should feel that the State is a presence that protects and supports the development of all its citizens, noting that the armed forces participation in BJP reaffirms its duty to the Bolivian people and nation (Translation mine, ABI, 2009). Speaking to his support of the government's social policies in 2012, former leader of the Bolivian Air Force, Gen. Tito Gandarillas said, "My two years at the helm of the Air Force allowed me to see the true dimension of the positive and promising process of change our beloved Bolivia is undergoing, in which the armed forces are deeply immersed," (Translation mine, La Jornada, 2012). In fact, the armed forces' connections to the current government have come under fire for being too cozy. In March 2012, representatives of the military were present at the MAS party congress in Cochabamba. Gandarillas said the military was present to show its support of the institution's "completely distinct new role" in Bolivia's process of change, supporting humanitarian, health, and educational tasks along with the distribution of social transfers (Los Tiempos, 2012). Critics alleged the military's presence at a political event broke with all norms and perhaps even violated the Constitution.

The MAS' support of the military since the beginning of the Morales administration has helped ensure the institution's loyalty. Along with expanding the armed forces budget, the government assigned them the new role of administering universal social policy. Framing BJP and Renta Dignidad as social rights derived from

nationalized sectors of the economy, the administration expanded the military's role from defending natural resources to redistributing their wealth.

### **LIMITS OF UNIVERSAL SOCIAL POLICY**

Considering the wider political context outside social policy alone, it becomes clear why the government decided to implement BJP and Renta Dignidad with universal eligibility. Morales and the MAS' universal social policies rewarded political supporters with quick material benefits, designed funding mechanisms to undercut autonomy movements that would have compromised the government's redistributive agenda, and re-defined the military's relationship to the public. Beyond these political motivations, the administration sought to use universal social policy to forge a new national identity for Bolivia that united the fractious country through shared benefits from the nation's resource wealth. Bolivia was primed to re-imagine itself as a nation after coming together around a shared sense of frustration with neoliberalism and its outcomes. Leveraging the symbolism of the natural gas sector, the Morales administration extended the benefits from nationalization widely through cash transfers to cement cross-class and territorial solidarity. Not only did cash transfers help shore up broad political support for the MAS but their universalism helped further the ideological goal of laying the foundation for a new shared national identity.

Morales' use of cash transfers to build broader political coalitions and neutralize potential threats to the MAS government largely represents the successful consolidation of power achieved during his first term as president. His efforts established a wide base of support to draft a new constitution in 2006 and its eventual approval by referendum in 2009; he overcame a tumultuous (and violent) autonomy movement in the eastern lowlands and a 2008 recall referendum; and, ultimately, Morales was reelected in 2009 under the new constitution with an absolute majority of 64.2 percent, surpassing his historic 2005 victory where he won 53.7 percent of the vote (Morales, Eguívar, Blum,

Villazón, Nikitenko, & Seligson, 2010). Morales and the MAS' universal social policies and resource nationalism played instrumental roles in securing these victories.

But the honeymoon may be over. Morales' approval rating was at 70 percent in January 2009 but had fallen by half to 35 percent by December 2011; approval slumped even further to 32 percent by February 2012 (Miranda, 2011). As the MAS has moved into political dominance in Bolivia, the question has become whether or not Morales has enough political capital to continue pushing his political agenda. The December 2010 *gasolinazo*, an ill-timed repeal of state gasoline and diesel subsidies, erupted into a "flashback to the neoliberal days" (F. Wanderley, personal communication, July 4, 2011) with mass mobilizations across the country, including Morales' political base. Within a week of the announcement, the government responded to public pressure and reversed its decision. Graffiti still litters La Paz calling Morales a "traitor."

In 2011, Morales faced the most dramatic conflict yet with his political base. The Indigenous Territory and Isiboro Sécure National Park (TIPNIS) in the eastern lowlands of Bolivia is home to the Chuman, Yurucare and Moxos indigenous communities. The park faces encroachment from ranchers, illegal loggers, landless Aymara and Quechua migrants from the highlands looking to plant coca, and possible natural gas development. A highway project funded by Brazil aims to improve its access to the Pacific through Bolivia and on to Peru and Chile. Most of the highway's Bolivian portion is already complete but a key section of the road was planned to pass through TIPNIS.

On August 15, 2011, indigenous groups and their supporters decried the project as a violation of their right to prior consent under the 2009 Constitution and announced a march on La Paz in protest. As nearly 1,000 marchers reached the town of Yucumo, riot police attacked the protestors in a scene of violence that would have seemed unimaginable in 2006, when Evo Morales assumed the presidency. The Yucumo attack's political fallout led to the resignations of three cabinet members and a public apology from Morales (Read, 2011; Shahriari, 2011). When the march reached Plaza Murillo, the

seat of Bolivian government in La Paz, the government again bowed to popular pressure and canceled the highway project in October 2011 (El País, 2011).

Both the *gasolinazo* and TIPINIS conflicts illustrate that the MAS, despite its ascension to power, is still influenced by and beholden to grassroots social movements. The “flashback to neoliberal times” during the *gasolinazo* demonstrated that Morales did not have enough political capital from these social programs and other political assets to push through the unpopular reform. The TIPINIS controversy demonstrates the limits of universal social policy’s ability to bridge a fractious society and the increasingly complicated relationship the MAS has with its constituents. In order to maintain the government’s redistributive agenda, Morales’ administration has found itself defending large extractive projects to local communities. The unifying benefits of universal social policy break down as some groups disproportionately experience the negative externalities born from these industrial development projects as local groups prioritize their own agenda over the national one favoring extraction. The result leads to either a demand for greater control over the revenues, as in the Media Luna, or a refusal to comply with projects through free and informed and prior consent (FIPC) objections, as in the TIPINIS case. The next section aims to further develop this conflict between the need to fund universal social policy through extractive industries and the extractive model’s potential to undo the government’s inchoate achievements.

## **Chapter 5. Universal Social Policy in a Rentier State**

Since nationalizing the country's hydrocarbons, Morales has directed gas royalties from wells in the eastern Media Luna region to fund national social programs for education, maternal health, and non-contributory pension schemes. One of the primary goals of Morales' universal social policy was to cement a shared national identity. The result has tied industrial gas development to social development in Bolivia, pitting local and national interests against one another as one group demands the royalties from natural gas development and another demands the end of natural gas development as an infringement on their way of life. These conflicts demonstrate that while governability has improved since neoliberal administrations, universal social policy and resource nationalism are not panaceas for a persistently divided Bolivia. Social policy funded by natural resources aimed to create greater national solidarity in Bolivia but its structure exacerbates conflicts over resource development and the distribution of rents, ultimately threatening the early gains of universal social policy by re-enforcing regional identities.

Bolivia's experience with resource windfalls contrasts with the typical behavior of rentier states (Weyland, 2009). Most examples of the rentier state, one that derives the majority of its revenue from rents from natural resources, focus on the abundance of natural resource revenues as a cushion for elites to avoid political risks by keeping taxes low and buying off the opposition. Weyland (2009) notes that in Bolivia's case this sudden influx of natural gas profits prompted the Morales government to take dramatic risks with its boom rents by boldly increasing social spending. Adjusting for inflation, social spending as a percentage of GDP rose 6.3 percent between 2005 and 2008 (Weisbrot, Ray, & Johnston, 2009), the time period in which both BJP and *Renta Dignidad* were launched. These permanent commitments rest on fickle natural gas prices with little thought as to how the system would survive a downturn.

Asserting that Bolivia's national resources should benefit the public served as a powerful tool to unify broad coalitions during Morales' 2005 and 2009 elections. The implementation of this goal, however, could potentially splinter the nascent nationalism on which those victories depended. Bolivia's shift toward a rentier economy provides the government the resources to implement popular cash transfers like BJP and Renta Dignidad, but leaves social development beholden to ever-expanding natural resource exploitation and volatile prices.

This rentier approach poses several economic and political challenges for the long-term sustainability of these popular cash transfers and the MAS' stated goals for the development of Bolivia. President Morales faces the difficult task of increasing natural gas production in the short term while exploring new fields and innovative ways to develop the broader economy if the dream of resource-led development is to come true. This chapter aims to explain why Bolivia's economy is considered rentier and how this model manifests itself in the current Bolivian political context as progressive extractivism. Finally, the chapter explores several examples of how the extractivist model drives social conflicts, reinforcing ethnic and regional identities.

### **RENTIER ECONOMY IN BOLIVIA**

Due to Bolivia's windfall profits from natural gas exports and limited other economic options, demands for redistribution and other spending have pushed the country toward a rentier model. Considering the structural deficits in Bolivia's economy, from a small manufacturing base to its land-locked geography, there is little doubt natural gas will continue to play an essential role in the Andean country's economy (Wanderley, 2008). A rentier model can have negative long-term outcomes (Karl, 1997), especially for a country that aims to move away from a dependence on raw material exports. Bolivia's growing dependence on extractive industries and the lack of a diversified economy illustrate the economic concerns threatening the stability of Morales' cash transfers.

Sachs and Warner's (2001) "curse of natural resources" theory plots the tendency of resource-rich countries to suffer from weak domestic economies. Sachs and Warner's assessment does not address the lasting impacts of a colonial past—for which Bolivia is the example par excellence—but it does serve as a cautionary tale for the impacts that sudden resource booms can have on a country. Laserna (2011; 2010), a vocal critic of Morales, claims the curse is taking shape in Bolivia through the current government's rentier<sup>26</sup> approach. Laserna (2011, p. 38) describes the "rentier trap" as, "the convergence of three factors: rent concentration, weak institutions, and social inequality."

Bolivia's geographic concentration of wealth and social inequality have been discussed earlier, but the country finds itself at a distinct disadvantage regarding its institutions. Weak institutions are one of the themes running through many of the countries suffering from the resource curse (Mehlum, Moene, & Torvik, 2006). YPF, the state oil company, lost much of its institutional knowledge and technical expertise under Sánchez de Lozada's neoliberal reforms (Kohl, 2006). Many previous employees of YPF who were fired have now been hired as consultants for foreign companies to do the same job they did for the state-owned company (M. Medinaceli, June 28, 2011; F. Wanderley, July 4, 2011). YPF and the Ministry of Hydrocarbons have struggled with high turnover rates. In the first four years of Morales' administration there were six different presidents of YPF, many named thanks to political connections rather than expertise with the natural gas sector (Kaup, 2010).

Riding high natural gas prices, Bolivia earned the acclaim of the International Monetary Fund for prudent savings during the boom times and applying counter-cyclical financial policies directed at re-investing in the public sector and social protection, including cash transfers (Schultz, 2010). The opportune timing of the nationalization also allowed Bolivia to pay down its national debt, running surpluses between 2006 and 2009

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<sup>26</sup> See also Weyland (2009), Gray Molina,(2010)

(Weisbrot, Ray, & Johnston, 2009). While Bolivia's economic growth is encouraging, its current rentier economy is top heavy, balanced on the success of extractive industries.

Political instability has proven a greater deterrent to investment than nationalization or higher taxes. Despite the concerns of international financial institutions, Morales' nationalization has not harmed foreign direct investment in the country. FDI tanked in the tumultuous early 2000s, falling as low as -4.6 percent of GDP in 2005. Since then, the MAS' improved governability has made the country more stable and facilitated some investment, climbing back up to between 2 and 3 percent between 2006 and 2008 (Weisbrot, Ray, & Johnston, 2009). The majority of FDI, however, remains concentrated in the natural resource sector, nearly doubling from \$370 million in 2007 to \$734 million in 2008, 62 percent of total foreign investment (Calderón, Mortimore, Razo, & Tavares, 2008). Since Morales took office, the World Bank (2012) reports, FDI has steadily increased, reaching nearly \$622 million in 2010. Investment numbers have not been that high since 2002, before the Gas War. Bolstered by high international demand for natural resources, Bolivia's GDP has also steadily grown at an average rate of 4.5 percent from 2004 to 2010 (ECLAC, 2011), buoying the country through the global recession. Thanks to the IDH and nationalization, 24 percent of the government's revenue came from hydrocarbons in 2008 as opposed to 5.6 percent in 2005 (Weisbrot, Ray, & Johnston, 2009).

Despite the improving economy, cracks are starting to show in the rentier model. The Morales administration's management of the economy helped insulate it from the worst shocks of the global recession by minimizing Bolivia's dependence on U.S. markets and by adopting a counter-cyclical fiscal policy (Weisbrot, Ray, & Johnston, 2009), but the drop in hydrocarbon sales world-wide and the resulting reduction in the IDH had significant impacts on regional and municipal budgets in Bolivia. Bolivia's universal social policy is dependent not only on a few booming commodities but also limited customers. Currently, Bolivia's gas exports are sold exclusively to Brazil and

Argentina. Bolivia got a taste of decreased demand for its gas in 2009, when Brazil reduced its demand (Oxford Analytica, 2009). In 2009, IDH distribution to municipalities, prefectures, universities, and other funds dropped 40.53 percent due to falling hydrocarbon prices, 17 percent lower than expected (Bolpress, 2009). Furthermore, the Economy and Finance Ministry reported that there would be a 35 percent decrease in IDH transfers to prefectures in 2010 (La Prensa, 2009). As a result of their great dependence on natural gas revenues, prefecture and municipal governments had to reorganize their budgets, holding infrastructure projects and reducing departmental and municipal social services. Given the volatility of hydrocarbon prices, it is difficult for prefecture and municipal governments to effectively manage their budgets and what services can be offered when the IDH can shift so dramatically.

Price shocks aside, even Bolivia's gas reserves are in doubt. In 2005, Bolivia was thought to hold the second largest natural gas reserves in South America after Venezuela. An April 2011 audit from the firm Ryder-Scott, however, challenged this optimistic vision. The firm dropped its estimate of Bolivia's proven reserves to 9.94 trillion cubic feet (TCF) from the original 12.1 TCF (Shahriari, 2011). The downgrade knocked Bolivia from the region's second largest reserves to the sixth, less than its two biggest export markets, Brazil and Argentina (BP, 2011). YPFB leadership says that Bolivia's current proven reserves would meet external and internal demand until the year 2026, when export contracts expire (La Prensa, 2011).

### **Progressive Extractivism**

High taxes and strong demand for natural gas have granted Bolivia windfall profits but they also increase the state's dependence on an extractive boom-bust model. The emergence of cash transfers in Bolivia over the last six years is one example of how Bolivia's permanent spending obligations have increased under the Morales government. While there have been tangible benefits from this increased spending, the funding model

threatens the country's ability to continue paying these transfers in the years to come. Currently, the government must encourage continued expansion of extractive industries to generate the revenues needed to meet these programs' commitments.

Bolivia's current level of production owes its success to gas found a decade ago, when neoliberal reforms opened the country to a burst of foreign exploration (Vargas, 2011; M. Medinaceli, personal communication, June 28, 2012; G. Gray Molina, personal communication, July 11, 2011). Gas exploration, however, had been declining when the Morales government nationalized the industry, creating the challenge of not only finding new wells but also getting them online (Kaup, 2010). The government has been committing great financial resources to this end. In 2011, Bolivia re-invested over \$1.8 billion in the hydrocarbon and electricity industry (Vásquez, 2011). Bolivia has opened investment in exploratory wells and announced a joint venture with Venezuela's state oil company, PDVSA, known as Petroandina (AP, 2011). The joint venture's total investment surpasses \$1 billion for extraction and exploratory activities (Calderón, Mortimore, Razo, & Tavares, 2008). The billion-dollar joint venture will look for natural gas in the Amazon region closer to the capital, La Paz, far away from the established gas fields in the eastern departments.

The Petroandina joint venture illustrates well the premise of ever-expanding extraction to fund Bolivia's budget. Noting that the country experiences an asymmetry between the gas-rich lowlands and the more populated, poorer altiplano departments, García Linera trumpeted exploration as a way to address this inequality (EFE, 2008). Instead of reforming the IDH, which disproportionately favors gas-producing departments over more populated ones, like La Paz (Weisbrot & Sandoval, *The Distribution of Bolivia's Most Important Natural Resources and the Autonomy Conflicts*, 2008), the government aims to increase production in the west. The policy does little to address the issue of gas-producing departments benefitting disproportionately from gas

extraction and increases the environmental and social costs of such development over a greater area.

Morales and the MAS' legitimacy rests on their ability to continue harnessing these resources for the nation's benefit. An extraction-based model provides the government windfall profits but it also makes the government increasingly dependent on a single commodity. Without a robust domestic market for its natural gas, Bolivia must continually attract foreign investment to have wealth to redistribute (Rochlin, 2007). The potential for large windfalls from additional gas operations isolates government investment in the hydrocarbon and electricity sectors. As investment in extractive industries continues to grow and further concentrates the economy it becomes more difficult to tackle the long-term project of a diversified economy and stronger tax base (Karl, 1997). Chasing windfall profits from hydrocarbons, the Morales administration runs the risk of falling victim to boom-bust cycles of resource extraction that have plagued Bolivia throughout its history. The current model harnesses the productive capacity of capitalism for social development but faces the system's harmful externalities to the detriment of the MAS political base.

#### **SOCIAL CONFLICTS UNDER THE RENTIER MODEL**

Despite the MAS' goal of using nationalized resource wealth to address social inequality and build solidarity, the rentier model of funding nation-building programs inside Bolivia has led to more conflicts over time, not fewer. Using data on social conflicts<sup>27</sup> in Bolivia from 1970 to 2008 from the Observatorio de Conflictos de CERES, Roberto Laserna (2010) outlined the close correlation between social conflicts in Bolivia and increasing estimates of natural resource wealth. As gas fields began to develop and rents from natural gas grew, so did public demonstrations calling for greater redistribution. Social conflicts continued to grow despite the Morales administration's

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<sup>27</sup> Laserna notes that 89 percent of social conflicts recorded targeted a government body; 11 percent were directed to private actors.

nationalization, and despite increased social and infrastructure spending. In 2010, CERES reported 811 social conflicts in Bolivia, the highest number recorded since the group started collecting data in 1970.<sup>28</sup> Quoted in an article with BBC Mundo, Laserna noted the conflicts generally were over the distribution of natural resource rents (Vaca, 2011). Considering the rising public pressure to redistribute resource wealth yet limited revenue streams, the government is pushed to continue expanding natural gas development to meet expectations.

Expanding resource development has come into conflict with Morales' own political base, most notably in the department of La Paz. Due to its large population, 31.8 percent of the Renta Dignidad recipients live in the department of La Paz (Viceministerio de Pensiones y Servicios Financieros , 2012). Similarly, La Paz has the second largest number of recipients of BJP, next to the department of Santa Cruz. Due to its large population, La Paz department benefits more on average from these social programs funded by natural resource wealth than others in the country. Because of the IDH's bias toward gas-producing and sparsely populated departments, however, La Paz receives the lowest redistribution of hydrocarbon revenues per capita at \$27<sup>29</sup> (Weisbrot & Sandoval, 2008).

The department's high consumption of social programs and low amount of per capita IDH revenue has contributed to the need for new exploration and development of natural gas fields in the department's northern Amazonian region. García Linera trumpeted the development as a means to "reorganize the economic landscape" of Bolivia, expanding natural gas development into western departments (Translation mine, EFE, 2008). Resource extraction's central role in the MAS' economic plan, however, has

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<sup>28</sup> Another explanation for this increasing number of conflicts is the active participatory democracy encouraged by the Morales administration. Social movements have an influential role in shaping policy within the MAS and Morales responds readily to demands from these civil actor (see Roberts, 2007; Madrid, 2008; Laserna, 2008).

<sup>29</sup> This is also a result of the department's larger population and therefore thinner spread of IDH benefits.

led the government to prioritize industrial development over environmental and indigenous concerns (Guachalla, 2010).

Confronting the MAS' centralized approach to resource control, there are also ethnic/indigenous and departmental forces seeking localized control over resources. These efforts mobilize regional and ethnic identities to capture greater control over gas rents. Environmental and indigenous groups protesting gas extraction or demanding greater control over the resources found in the Amazon have been attacked as anti-development by the Morales administration. When faced with accusations that the government was not complying with free informed prior consent (FIPC) procedures during gas exploration by the Petroandina joint venture, García Linera accused U.S.- and European-funded non-governmental organizations of manipulating indigenous groups to drum up environmental concerns to stop the project (YPFB, 2011). Framing the debate over expanded natural gas exploration in the Amazon as a zero-sum game, Morales asserted that the choice was between social programs like BJP and Renta Dignidad, and poverty: "if some NGOs say 'no oil drilling in the Amazon' [...] they're saying, in other words, that the Bolivian people have no money, that there's no IDH, no royalties, but they're also saying that there's no (Bono) Juancito Pinto nor Renta Dignidad nor the Bono Juana Azurduy" (Translation mine, quoted in Guachalla, 2010). Morales used similar rhetoric to demonize opposition candidates in 2009, but here he implements the same strategy against indigenous groups for threatening the source of universal social policy.

Indigenous concerns over gas development are not unique to La Paz. Before Morales' election, during the Gas War, indigenous opinions on the development of gas in the department of Tarija were never considered in the national debate over how Bolivia's gas reserves should be developed (Perreault, 2006). Since then, the social costs facing traditional cultures in the Tarijeño gas fields have been well documented (Gustafson, 2009; Bebbington & Bebbington, 2010; Humphreys Bebbington, 2011). In an almost

unbelievable statement from Morales' administration, José Magela, president of the Bolivian Board of Hydrocarbons, said oil companies were victims of extortion by groups of Guaraní indians blocking development in the southern Chaco region, where Tarija is located (La Razón, 2009). Natural gas' status as a strategic resource, fueling the MAS' social and political agenda, clashes with the Constitution's aim to extend meaningful FIPC rights to peasant and indigenous groups. The conflict isolates protesting indigenous folks from the MAS nationalist project.

Departmental autonomy movements also sought greater control over their region's rents to the detriment of national solidarity. Debates over the control of natural resource rents in the Media Luna were influential in crafting regional identities to legitimate autonomy movements (Eaton, 2007; Vacaflares & Lizárraga, 2005; Bebbington & Bebbington, 2010). The divisive repercussions of rent seeking for national solidarity are perhaps best seen in the southern department of Tarija. Tarija has long been a frontier department connected to extractive industries. Its distance from the political centers of Bolivia, La Paz and Santa Cruz, forced Tarijeño leaders to fight for financial support and recognition from the central government before the discovery of natural gas (Bebbington & Bebbington, 2010).

Today, Tarija produces the vast majority of Bolivia's natural gas and the department benefits heartily from its IDH transfer. In the time between the year the IDH began, 2005, and 2007, before major protests in 2008 broke out over autonomy, 89 percent of Tarija's budget depended on hydrocarbon revenues (CEDLA, 2008). Facing the MAS government's attempt to centralize natural resource rents, opposition elites successfully mobilized large-scale support for the autonomy vote on the basis of recapturing hydrocarbon tax revenues. Opposition leaders argued that these revenues could be used instead for improving social services and infrastructure across the department. In July 2006, 60 percent of Tarijeños voted "yes" on the autonomy referendum (Bebbington & Bebbington, 2010). Eaton (2007) writes that Santa Cruz elites

similarly sought to craft a regional identity based around prefecture control of natural resources.

The promise of hydrocarbon rents in the Media Luna was so great that elite business interests were able to mobilize large sections of the urban and rural populations in the name of recovering hydrocarbon rents from the central government. Eaton (2007) points out that, despite the opposition's ability to attract non-elite voters, the rent-oriented identity crafted by the Media Luna would likely have little impact on their lives, reinforcing the divide between the haves and have-nots. Framing the debate over hydrocarbons regionally, elites were able to sidestep the thorny issue of class during the autonomy debates (Vacaflores & Lizárraga, 2005). Attempts to maximize rents from hydrocarbons motivated business elites in the Media Luna to craft regionally focused identities to help insulate themselves from the MAS' national development project.

Ultimately, these conflicts with indigenous groups and prefectures are based on the continued extractive pattern of development. The government has taken two steps forward, regaining national sovereignty over its natural resources and redistributing its profits for the country's development but the persistence of the extractive pattern of development takes the government a step backwards, inflaming regional conflicts to the detriment of national solidarity. Natural gas is a bridge to a more diverse, inclusive economy, not an end in itself. Uruguayan economist Eduardo Gudynas notes "the emphasis granted to cash transfers as a synonym for social justice reduces the wide and diverse field of justice to a single dimension (redistributive economic justice)" (Translation mine, ERBOL, 2012). Universal social policy has a long history of building national solidarity but a more inclusive, stable economy will likely do more for bringing the country together than cash transfers alone.

## Chapter 6. Conclusions

The aim of this thesis was to move the discussion of social policy beyond a narrow issue-based focus and toward a better understanding of its political potential. Looking at the case of post-neoliberal Bolivia, it examined the Morales administration's decision to redistribute nationalized resource rents through universal social policy. Specifically, I investigated how universalism was leveraged for specific political goals: coalition building, nation building, and securing the support of the armed forces. Finally, the discussion turned to the rentier model that the Morales administration depends on to fund universal social policy and how it exacerbates ethnic and regional conflicts. Evidence from surveys, key informant interviews, reports, and official documents demonstrated that universal social policy was motivated by more than the goal to provide an efficient solution to the country's chronic social inequality and education infrastructure. The Morales administration's decision to implement universal social policy was a conscious effort to leverage windfall resource rents to build greater national solidarity and advance the MAS' political project to refound the country.

The Bolivian case is especially pertinent for expanding existing social policy theory. A country with deep ethnic, regional, and economic differences, Bolivia is a strong case to examine the political potential of universal social policy. Following the example of socialist governments in Western Europe, the MAS government used a universal model of redistribution to create a common bond across regional, class, and ethnic lines, and indirectly reward its working-class political base. The MAS' marriage of citizenship and natural resources envisioned in the NDP was incarnated through universal social policy, tying diverse groups together to forge a shared identity. The result showed that social policy plays an important political role in the developing world. The Bolivian case is more than an echo of previous studies of national social policy: it expands the field into the uses of social policy in plurinational states. In the midst of nation-wide

efforts to decentralize many aspects of the Bolivian government and encourage an equality of cultural identities, the Morales administration maintains a hold on the country's strategic sectors of the economy. In the face of a political project that radically redefines the nation and could arguably dissolve the State, the central government uses resource-funded universal social policy to define Bolivian citizenship through mutual benefit of natural resources, holding together this loose coalition of disparate identities.

Along with its political contribution to nation building, universal social policy was instrumental in helping the Morales government consolidate political hegemony. Universalism allowed the administration to quickly implement BJP and Renta Dignidad without expensive upfront targeting studies and laborious compliance assessments. Impact studies show that despite the lack of targeting, universal cash transfers still reach the poorest Bolivians, assisting those with the most need while indirectly rewarding the party's political base. The effort resonated with voters. Surveys demonstrated that cash transfers were consistently listed as one of the top reasons—even over nationalization—why voters supported Morales (Asociación Boliviana de Ciencia Política, 2012; Ipsos APOYO, 2011; Ipsos APOYO, 2009).

Perhaps the most interesting result of universal social policy in Bolivia, especially BJP, was its ability to gain a strong base of support in the locus of the opposition-led autonomy movement, Santa Cruz. While support for Morales in this opposition stronghold remains low compared to Andean departments, universal distribution allowed resources to flow to the most populous sections of Bolivia without regard for their political position. Paired with statistics that show increased national pride, and consistently high support for central government involvement in social and economic issues, universal social policy is shown to unite diverse, autonomy-minded territories to the wider nation. Surveys reviewed did not include information on how other Media Luna departments felt about BJP and Renta Dignidad, but general support for the MAS and

Morales has increased in Beni and Tarija; the MAS even won the prefecture governorship in Pando in 2010, controlling six of the nine prefectures.

These surveys support my argument that the vehicles of redistribution—universal social policy—resonate more with people than the abstract notion of state control of strategic resources. Too often cash transfers have been glossed over as a supplement to the MAS political project instead of the key role it plays in the effort to refound the nation as described in the NDP. The studies and surveys on the process of nationalization and rent maximization squeeze out room for debate over the relationship between resources and citizenship in post-neoliberal Bolivia. The effect is seen in the way many surveys do not include cash transfers in their questionnaires. During the research phase of this thesis, it was difficult to find resources that addressed cash transfers as a reason for supporting Morales or the MAS. While academic assessments of Morales' term in office focus on large-scale changes, there is little research into how everyday people receiving these cash transfers feel about them and their relationship to the government.<sup>30</sup> “People on the ground don't have a good sense about the policy [that funds cash transfers],” Gray Molina (personal communication, July 11, 2012) said in an interview, “they're looking at what's better than yesterday.” Gray Molina's comment illustrates the need for more studies that focus on recipient perceptions of cash transfers while acknowledging their central part of the MAS government's agenda.

Besides using universal social policy to garner more support from the Media Luna region, Morales' administration used the financing of Renta Dignidad to undercut the opposition. Taking advantage of the IDH's preference for gas-producing departments, prefectures in Santa Cruz and Tarija used their hydrocarbon royalties to develop local infrastructure and social programs that competed with the central government's universal social policy. The generosity of the prefectures' social assistance played a role in the elite

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<sup>30</sup> Vaughan (2010) is a notable exception.

opposition's attempts to lure loyalty from residents by creating local stakeholders in high IDH transfers and the administrations that guaranteed them. By forcing prefectures to pay for the central government's social policy, the MAS government limited the opposition's access to resource revenues, reducing their ability to court regional loyalties through social policy. Even at the height of tensions over the autonomy debate, a majority of Bolivians identified with the nation over their region. Strong support for the central government to solve social and economic problems paired with growing calls for autonomy show that backing the MAS national agenda and decentralization are not mutually exclusive. Continued support for the central government in these areas suggests that universal social policy serves to unite the public behind the national government.

Perhaps the most inventive political use of social policy by the Morales administration has been securing the support of the armed forces. Past studies (Rochlin, 2007; Kohl, *Bolivia under Morales: A Work in Progress*, 2010) rightfully note that increased funding for the military has helped buy the loyalty of the institution but little is made of the armed forces' role in administering social policy. Given the central government's weak bureaucracy, the military was the practical choice to distribute cash transfers, especially in sparsely populated rural areas. Beyond practicality, however, the military's involvement in social policy helped reorient the institution's *raison d'être*. The MAS' nationalism resonates with the armed forces and its iconic role in seizing natural gas fields helped demonstrate that the military would have a prominent role in Morales' government. The NDP outlines a greatly expanded role for the military, from defending the nation's natural resources to actively supporting its social and economic development. Statements from military leadership suggest that the institution views its "completely distinct new role" positively. Whether or not the military's increasing comfort with the MAS will lead to future troubles is yet to be seen.

Another critical part of Bolivia's new cash transfers is the rentier model that funds them. Previous studies of social policy and nation building often ignore where the money

comes from to fund these programs. In the West, developed economies rely on a stable tax base to fund government social programs.<sup>31</sup> Bolivia, however, is highly dependent on a small number of large corporations and its natural resource wealth to buoy its annual budget. Furthermore, the MAS' nationalist project specifically associates (and funds) BJP and Renta Dignidad with resource nationalism. While the October Agenda proved to be an effective ideology to build solidarity around the shared benefit of nationalized resources, the effects of a rentier economy are starting to fray the coalition that the MAS government sought to sow together with universal social policy.

Research presented by Laserna (2010) shows that social conflict has been steadily rising in Bolivia since the early 2000s, when the first large natural gas fields were found. These conflicts involve ethnic/indigenous groups seeking greater control over the development of resources in their territory and those seeking to maximize their own cut of rents. Some (Wolff, 2012) have argued that the Morales government, due to its close connections with social movements, actively encourages protest as a means to pursue MAS political goals through direct democracy. Moseley & Moreno (2010, p. 4) suggest, "protest participation has been absorbed almost completely into the conventional 'repertoire' in Bolivia." While protest might be a more acceptable political strategy in Bolivia, these arguments do little to answer *why* Bolivians are turning out in record numbers. Laserna's point that most mobilizations were over resource allocations suggests that the rentier system incentivizes aggressive public action. And nationalizations continue. Six years to the day Morales announced the nationalization of the natural gas fields, the government ordered the military to seize the local assets of the Spanish company responsible for a large part of Bolivia's electrical grid, Transportadora de Electricidad, (Minder, 2012). In the summer of 2012, Morales' government nationalized

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<sup>31</sup> Norway is the famous counter example. The Scandinavian country has successfully avoided the resource curse by forgoing royalty payments in favor of a system that taxes producer profits and draws on dividends from state-run oil and gas companies.

a tin and zinc mine operated by Glencore International, Inc., and the Canadian-run Malku Khota silver mine following protest from local indigenous groups (Jordan, 2012). Along with rising conflicts over the development and allocation of natural resources, protracted social conflicts continue to mire the MAS in a tension-filled relationship with its own base. Morales' political capital was severely reduced by the botched *gasolinazo* and police violence against TIPNIS marchers.<sup>32</sup> The government's response seems to be expanding the cash transfer system. Morales' administration launched a conditional cash transfer for pregnant mothers, Bono Juana Azurduy in 2009. In March 2012, Morales gave a speech on the International Women's Day calling for a cash transfer for single mothers (Calle, 2012). In July 2012, García Linera announced yet another, the Bono Solidaria, a cash transfer for severely handicapped Bolivians (Rojas, 2012).

Jaime Pérez (personal communication, July 6, 2011) of Fundación Jubileo opined that cash transfers were very successful at the beginning but that their political efficacy could be waning. Pérez compared the transfers to Band-Aids, short-term solutions for deeply rooted problems. Several subjects interviewed agreed, noting that cash transfers were not the same thing as addressing structural poverty in Bolivia (J. C. Guzmán, personal communication, June 29, 2011; F. Wanderley, personal communication, July 4, 2011; R. Martínez, personal communication, July 6, 2011; L. Mokrani, personal communication, July 6, 2011). Many interviewed questioned whether or not the MAS government has any intention of moving past the current cash transfer approach to social inequality and poverty reduction, noting that the material means of many Bolivians have not improved in the last six years.<sup>33</sup>

Defenders of Morales would surely counter (and perhaps rightly so) that the project proposed by the MAS is nothing short of herculean and that results should not be

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<sup>32</sup> At this writing, the conflict is on going.

<sup>33</sup> Remember, there are no official statistics showing a decline in poverty since 2007. Even if government estimates are correct, a majority of Bolivians are still living in either moderate or severe poverty.

judged so quickly. Admittedly, the NDP acknowledges that direct redistribution is the first step, not the only, toward refounding the nation. Bolivia is in a difficult position: by trying to move past a raw-material export model the government depends even more so on extracting its natural resource wealth to guarantee economic growth and provide social safety nets.<sup>34</sup> If the economy continues to concentrate on extractive industries, however, and not diversify to meet the material needs of the population, the problems that drive rent seeking and demand for cash transfers will persist along with social conflicts. In the face of expanding demands from the public, the question will be whether or not universal social policy will be able to continue playing a unifying role in the country or if the tensions generated by the rentier model drive the nation toward even greater fragmentation.

The experience of BJP and Renta Dignidad offers an opportunity to expand the way future studies approach cash transfers beyond Bolivia. The number of these transfers has exploded around the world over the last decade, growing from three in 1997 to 30 in 2008 (Fiszbein & Schady, 2009). Eighteen of these programs are in Latin America. Past study of cash transfers has focused on cost-benefit analyses and whether or not they successfully address their program goals. The proliferation of cash transfers around the world makes the study of their political dimensions urgent. The Bolivian case of universal eligibility illustrates how cash transfers can be implemented for purposes beyond social issues and clientelism toward larger, more ideological and political projects like nation building. If social policy is used like this in Bolivia, it reasons that other countries also leverage national cash transfers for political purposes. Additional research would benefit the study of social policy in Latin America, where the greatest concentration of these programs exists, and offer a new perspective on universal cash transfers in other countries around the world.

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<sup>34</sup> Doing justice to this dilemma alone would require another thesis (if not a book). Indeed, it would be the holy grail of sustainable resource-led development.

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