

## 6 Natural Resource Nationalisms and the Compensatory State in Progressive South America

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### Introduction

Latin America has witnessed repeated debates and policy initiatives on the issue of the national control of natural resources. This is understandable considering the region's distinct experience with past export booms, in which states were incapable of controlling them, or adequately benefiting from the revenue obtained. Of course, some political positions also rejected nationalization. In this respect, we are confronted with a long and complicated history that includes a diverse set of cases that range from the first attempts to assert national control of oil in Argentina under Hipólito Yrigoyen in the 1920s; the nationalization implemented by President Lázaro Cárdenas in Mexico in 1938; efforts to build state-owned companies in the mining sector, such as Companhia Vale do Rio Doce, created in 1942 by President Getúlio Vargas; to the nationalization of Chilean copper mining in 1971 under Salvador Allende.

In the last few years, even though we have seen a return to resource nationalism, it has occurred under very different circumstances than in the past. This chapter examines the current situation, paying particular attention to the governments identified as progressive or belonging to the new left in South America. Beyond their distinctive characteristics, all of these governments have embarked upon styles of development, in which *extractivisms* have become an essential component. This has generated a particular type of state, which here we characterize as *compensatory*. The chapter examines the nature of this state and some of its principal policy expressions.

### The Return of Resource Nationalism

At least since the middle of the 1990s, distinct narratives on natural resource nationalism have emerged, which played an important role in the political transformation that occurred in several South American countries when a new left replaced conservative governments. This shift included Hugo Chávez in Venezuela, and his gradual adoption of a 'Bolivarian' strategy; the Movement to Socialism (MAS), led by Evo Morales in Bolivia; Rafael Correa and his National Alliance (AP) in Ecuador; the Worker's Party (PT) administration and its allies in Brazil, with Presidents 'Lula' de Silva and Dilma Rousseff; the transformation of classical Peronism in Argentina under the presidencies of Néstor Kirchner and

1 later his wife, Cristina Fernández; and the Broad Front (FA) in Uruguay with  
2 Tabaré Vázquez and José ‘Pepe’ Mujica. Without a doubt, this is a diverse set of  
3 administrations, but for the purposes of this analysis it must be emphasized that  
4 all of them self-identify as part of the same political perspective, and share great  
5 similarities in comparison to conservative governments, as found in Colombia or  
6 Peru (for more information on the left turn see Moreira et al. 2008; and Philip and  
7 Panizza 2011). In this chapter, we refer to these administrations as *progressive* (a  
8 label used by these governments themselves, and which helps to differentiate  
9 them from their origins in the traditional left).

10 These governments rejected the idea that development is just a by-product of  
11 market capitalism, arguing instead that it is a process unto itself, which should be  
12 oriented towards improving people’s quality of life and reducing poverty, and that the  
13 state should have an important role in this process. Their strategies have been labelled  
14 *neo-developmental*, and understood as corresponding to the duties of a develop-  
15 mental state (referring, at least in part, to the debate at the end of the 1970s repre-  
16 sented by Cardoso and Faletto 1979; also see Schneider 1999; Sicsú et al. 2007).

17 The developmental approaches pursued between the 1950s and the 1970s were  
18 very popular in Latin America. They focused on industrialization (including  
19 import substitution industrialization) at a time when dependence on *extractivisms*  
20 and primary exports was understood as symptom of backwardness (see also  
21 Sikkink 1991). The stance of the modern-day progressives question that perspec-  
22 tive, both in discourse and in practice. On the one hand, they defend the intensi-  
23 fication of extraction and exportation of commodities such as hydrocarbons,  
24 minerals and agricultural goods as indispensable ‘engines’ of development. This  
25 corresponds with what has been called extractivist strategies (in the sense of  
26 Gudynas, 2015). On the other hand, although these governments have programmes  
27 that aim at industrialization, they have not always been successful, and a signifi-  
28 cant part of the concrete measures taken remain focused on the primary sector.

29 While in the past it was understood that countries should aim to eliminate their  
30 dependency on the extractive sectors, currently the progressive lines of thinking  
31 defend this option and emphasize that the state should play a leading role in it. In  
32 the past, the objective was to strengthen industrialization, but, today, efficiency in  
33 the export of commodities is promoted (that which separates this approach from  
34 Asian versions of the nationalist developmental state; see Johnson 1999). A  
35 conceptual shift is occurring in Latin America’s ideas about its own industrializa-  
36 tion, which are moving away from those defended by the Economic Commission  
37 for Latin America and the Caribbean, and accepting the region’s role as a provider  
38 of primary resources (see CEPAL and UNASUR 2013).

Within this framework, governments in the region have debated, proposed or  
pushed forward particular varieties of this type of development. In terms of  
examples, we point to the following:

- Neo-developmentalism in Brazil (*neodesenvolvimento*), widely promoted by the economist L.C. Bresser Pereira (for example, Bresser-Pereira 2011; Sicsú et al. 2007);

- National and popular development in Argentina (known as the ‘nac & pot’ strategy), which is based on government practices more than academic theories;
- Various references to a ‘socialism of the 21st century’, especially in Venezuela;
- Andean-Amazonian communitarianism, which is contemporarily capitalist, but which aims to re-orient itself as a form of socialism or communism, along the lines of propositions made by the Vice-President of Bolivia, Alvaro Garcia Linera (for example, Garcia Linera 2015);
- Socialist biorepublicanism of *buen vivir* (living well), promoted by intellectuals working in the Ecuadoran government (i.e., Ramirez 2010).

In almost all of these strategies, natural resources are understood to be the property of the people, the nation, or the state – and the state acts as the governor, administrator and authority responsible for managing them, taking advantage of their developmental potential. The sentiment behind these ideas is expressed in a speech by Hugo Chávez, President of Venezuela, at the 141st OPEC Ministerial in Caracas, when he asserted that, ‘Never, was there a drop of oil for the people of Venezuela, instead oil has always been sucked up by the *criollo* oligarchy and by the American empire. Now, oil belongs to the Venezuelan people, and it will be used for justice, for equality, and for the development of our people – this is the truth’ (MPPPM and PDVSA, 2006).

Of course, these ideas are racked by various tensions. For example, what do we understand by ‘people’ or ‘nation’, what measures will the state use to manage these resources, and how effective will the state be in promoting its version of development? Furthermore, in Bolivia and Ecuador, which are now recognised as ‘plurinational’ states, natural resources could be the property of a specific indigenous nation. It is important to keep in mind these two levels, especially since there are already cases of resource nationalism by indigenous peoples who oppose foreign actors, the government, and other groups within the same country. In these cases, we see conflicts over what is meant by ‘national’ in multi-ethnic societies.

The enormous importance attributed to natural resources occurred in a very particular context of high prices for many primary commodities, high demand for these resources from consuming nations, and inflows of foreign direct investment. This generated an important increase in commodity exports from the region, and the arrival of new investors.

This context allowed almost all of the Latin American countries to register solid levels of economic growth, and even meant that many passed through the financial-economic crisis of 2007–2008 without major problems. Imports also took off, as did public consumption, particularly among the popular sectors, who gained access to household appliances, cars, motorcycles, etc., thanks to cheaper goods, new sources of imports, and lines of personal credit. In parallel, every one of these countries strengthened social assistance programmes for the poorest segments of society, in particular, by using conditional cash transfers (CCTs). Poverty declined from the high levels registered in 1990s, estimated at 48% of

1 the population, to 26% in 2014. Links between factors such as economic and  
2 political stability, the reduction of poverty, and the increase in consumption,  
3 explain the widespread perception of advancement and increased wellbeing.

4 In any case, as previously discussed, a wide range of practices exists among  
5 progressive governments, from those that exercise more intensive controls,  
6 including expropriations and nationalizations (such as Venezuela), to heterodox  
7 practices (Argentina's intervention in markets for certain goods and capital  
8 flows), and finally, more moderate approaches (Brazil and Uruguay).

9 All of these governments, without exception, defend extractivisms. They  
10 promote the intensification of activities in sectors that already have projects under  
11 way, and also encourage expansion into to new sectors. Moving beyond their  
12 diverse theoretical positions and slogans (from 21st century Bolivarian socialism  
13 to conventional neo-developmentalism in Brazil), in practice, all agree on a  
14 resource nationalism that should be in the hands of the state.

15 The simplest formulation of this position is expressed in direct state control,  
16 for example, through state-owned companies. This practice has been repeatedly  
17 used in the petroleum sector in Argentina, Bolivia, Ecuador, and Venezuela.  
18 In other cases, the state controls using indirect methods (as with Petrobras in  
19 Brazil). In mining, the situation is much more diversified. The largest state presence  
20 in mining is found in Bolivia (especially through COMIBOL, and more recently  
21 with state-owned companies in gold and lithium). In Brazil, the Vale Corporation  
22 is formally private, but the state retains enormous influence through federal  
23 financing and as a shareholder, via some unions' pension funds. Most other coun-  
24 tries promote mining through private enterprise. In the agribusiness sector private  
25 business activity also predominates, and state intervention is much more limited  
26 (with the exception of Argentina, which taxes the export of grains).

27 There are various ways to capture surplus (note that in my theoretical work  
28 on extractivisms, the concept of surplus is used as an umbrella category that  
29 includes surplus value created by labour and also rents from renewable and non-  
30 renewable resources; see the discussion in Gudynas 2015: 209–30). Royalties  
31 and taxes have been substantially increased in the petroleum sector, including  
32 through direct taxation such as the Direct Hydrocarbons Tax (IDH) in Bolivia. In  
33 comparison, taxes on mining projects are much lower, and even less on export  
34 agriculture.

35 Justifications for this resource nationalism and the role of the state in it are  
36 varied. Often, allusions are made to national identity or patriotic pride, but also  
37 to concrete problems such as the need to finance the social programmes that fight  
38 poverty. These arguments are easily articulated with broader discourses that  
39 assert national sovereignty against the imperialism of governments and transna-  
40 tional corporations from the Northern hemisphere, including, on occasion, in  
41 opposition to capitalism.

42 It is very common that a nationalist extractivism is considered indispensable  
43 for capturing part of the profits from these exports, and therefore to finance the  
44 state, and especially its social programmes to reduce poverty. Since a reduction  
45 of poverty has been achieved in many of these countries, this argument holds a

1 lot of weight. It also serves to reinforce a distinct identity in South American  
2 progressivism, as compared to previous governments that were committed to  
3 more conservative strategies. Thus, resource nationalism offers an explanation  
4 that is also a source of legitimacy: it is necessary to incentivize mining, oil extrac-  
5 tion, and agribusiness exports, in order to finance the reduction of poverty and  
6 assure development.

7 In any case, it is important to note that beyond the nationalist rhetoric there has  
8 been a return of private investors, even in the oil sector. In Bolivia, Ecuador, and  
9 Venezuela, state companies have signed agreements with transnational corpora-  
10 tions, under the so-called ‘migrations’ to service contracts and joint ventures, etc.  
11 States grant exemptions and make agreements in exchange for exploration,  
12 and also flexibilize social and environmental regulations. This is a complicated  
13 and often contradictory process, which goes beyond the scope of this chapter, but  
14 which nevertheless reflects the nature of the new progressive extractivism (for  
15 further discussion, see Gudynas 2015).

16 The recourse to resource nationalism as a means to assert national independence  
17 in the face of globalization, or to combat ‘imperialism’, also confronts many  
18 practical problems. This is because extractivisms are activities based on export-  
19 ing to international markets and, therefore, are only possible if governments  
20 accept the rules and institutions of globalization. It is necessary to comply with  
21 the norms of the World Trade Organization (WTO), and accept the mechanisms  
22 that govern exports, and meet the institutional requirements for capital flows, and  
23 so on. The export of natural resources is embedded within the value-chains of  
24 global capitalism. For example, beyond the rhetoric and good intentions, the  
25 crude produced by Ecuador or Venezuela, in one way or another, ends up being  
26 managed by global corporations and likely refined in the United States.

These and other examples are useful to show that a rigorous examination of  
the concrete practices of development reveal strong tensions, and even contradic-  
tions, between the discourse of a nationalism over natural resources and the real  
practices of progressive governments. The aspiration for resource nationalism  
creates demands on the state, but this same state, which must extract and  
commercialize these natural resources, falls into all kinds of contradictions.

### **State Contradictions under Progressivism**

35 In states with progressive administrations and a resource nationalist discourse, we  
36 observe situations that are characterized by at least three different aspects: contra-  
37 dictions, equilibria, and compensations. The first refers to the fact that states are  
38 under intense contradictory pressures between promoting and liberalizing capital-  
39 ist processes, and attempting to regulate these dynamics and iron out their most  
40 negative aspects. The second refers to the challenge of achieving an equilibrium  
41 between the concessions offered to, and the limitation imposed upon, capital. The  
42 latter are, of course, necessary to avoiding a crisis, or extremes of one kind or  
43 another; as well as being key to sustaining the state and the progressive political  
actors embedded in those administrations. The third alludes to the overwhelming

1 importance of economic compensation within this dynamic, which is used to  
2 reduce the level of social conflict and maintain electoral support. These elements  
3 appear to be intimately interconnected, but here they will be analysed separately  
4 to facilitate the explanation.

5 South America's progressivisms acknowledge that economic growth is indis-  
6 pensable for development, but differ from conservative or neoliberal administra-  
7 tions in so far as they believe that the state should intervene in this process.  
8 Therefore, the state protects and supports the dynamics of contemporary capital-  
9 ism, such as promoting exports, accepting the rules of the global governance of  
10 international trade, and attracting investors, etc. Without a doubt, one of the clear-  
11 est examples of this stance is the great importance that they have attributed to  
12 extractivisms, which is none other than a variety of capitalism that rests on the  
13 appropriation and globalization of natural resources. In other words, this is a state  
14 that yields to capital, abstains from intervention when it puts the accumulation  
15 process at risk, but promotes accumulation when necessary (behaviour which is,  
16 in part, similar to Offe's (1984) description of the welfare state in the advanced  
17 capitalist economies).

18 But on the other hand, this same state tries to control the market, and intervenes  
19 to capture part of the surplus, and to reduce some negative effects through the use  
20 of social assistance programmes. A good example of these methods is the IDH  
21 tax on oil in Bolivia. These interventions are an important source of legitimacy  
22 for progressivism, making it distinct from previous conservative administrations,  
23 and permitting the identification of itself as part of the left. In other words, it is a  
24 state that also restrains capital. Furthermore, the manner in which the state real-  
25 izes its insertion in the global economy with calls to increase exports, improve  
26 competitiveness, and attract investments, renders it more dependent on the inter-  
27 national environment, conditions set by investors, and the governance of the  
28 international financial economy.

29 This results in a state always caught between contradictions and tensions: to  
30 promote economic growth, and to regulate the market; to accept the conditions  
31 set by foreign investors, and to attend to the demands of local citizens; and to sell  
32 natural resources on global markets, but to question the capitalist system.

33 These tensions are very evident in the region's extractivisms, where there are  
34 many examples of the protection and promotion of extractive ventures and their  
35 exports. With regards to the promotion of capital, the direct assistance to productive  
36 sectors and companies that occurred in Brazil under the Lula da Silva administra-  
37 tion is noteworthy (see essays in HB 2012). The support for capitalist dynamics in  
38 general, and certain corporations in particular, were widely backed by unions and  
39 party militants. Significant financing was granted to exporting companies and to  
40 support the transnationalization of a small group of large corporations, known as  
41 the 'champions', such as JBS FriBoi in cattle and meats, Odebrecht in construction,  
42 and Vale in mining. A massive programme of agricultural subsidies was also under-  
43 taken that disproportionately favoured export-oriented agribusiness.

44 Other cases demonstrate that capital is favoured through special benefits and  
45 protection. This includes the agreements on fiscal stability made with large

1 investors, in which the state promises not to increase taxes, or if they do, they will  
2 compensate the affected party. (This measure originated with conservative  
3 governments, but it continues to be applied by progressive governments, as shown  
4 by J. Mujica administration's policy towards a large cellulose plant in Uruguay.)  
5 These countries have also granted fiscal benefits (for example, in Bolivia, to  
6 promote the exploration of new hydrocarbon deposits), arranged territorial  
7 concessions (as in Ecuador, for the purpose of encouraging large-scale mining),  
8 subsidized inputs (especially energy or water; Bolivia offered cheap natural gas to  
9 investors), and constructed infrastructure (roads, bridges, or ports built for  
10 investors).

The progressive state also acts in the opposite sense, intervening in the market  
12 and imposing obligations on capital. In terms of extractivisms, the most important  
13 measures are those that allow for the appropriation and commercialization of  
14 resources, be it through controls, taxes, or state-owned companies, in order to  
15 increase the capture of economic rent and expand social programmes.

16 An example of this approach is the strengthening of state oil companies (as  
17 happened with PDVSA in Venezuela, YPFB in Bolivia, and more recently YPF  
18 in Argentina). The strengthening of state-owned companies has been more  
19 limited in the mining sector (the most important case is COMIBOL in Bolivia),  
20 and almost non-existent in the case of agribusiness. High royalties or taxes were  
21 imposed on the oil sector in Bolivia, Ecuador, and Venezuela, yet a similar effort  
22 was not made in the mining or agribusiness sectors. In mining, progressive states  
23 have generally opted to attract investors and increase revenue collection by  
24 encouraging the expansion of exports rather than by raising taxes. In the agribusi-  
25 ness sector, only Argentina has placed a tariff on the export of grains. In Paraguay,  
26 a proposal to tax soy imports failed, and in other progressive countries govern-  
27 ments have continued to use conventional taxes, expecting to increase govern-  
28 mental revenue through growth in exports.

These as well as other measures attempt to capture the economic surpluses  
30 associated with the export of natural resources. The nationalist discourse recalls  
31 that, in the past, under neoliberal administrations economic wealth was monop-  
32 olized by foreign companies, and in consequence, the alternative is that the state  
33 should capture the benefits of this surplus. But, as already indicated, there is a big  
34 difference between the rhetoric of those plans, the programmes that embody  
35 them, and what the governments really do. All of this is very clear in the case of  
36 oil extraction, where even if the ownership of the resource and the wells belong  
37 formally to a state-owned company, and are therefore 'nationally-owned', in  
38 many cases the government has partnered with transnational corporations that  
39 control the operations, transport and commercialization of the oil.

The state must also intervene in reducing and appeasing the civil resistance and  
41 conflict that are unleashed by its measures to encourage investment and exports.  
42 This is evident in South America's extractivisms where open-pit large-scale  
43 mining projects and the arrival of oil companies in the Amazon have fomented  
44 intense social conflict. Since this social resistance puts the viability of such  
45 investments at risk, the state has deployed various measures to control it, such as

1 lowering legal standards on social and environmental norms, reducing controls  
2 and law enforcement, limiting NGO activity by criminalizing civil protests, and  
3 in some cases, using police or military force. In other words, the state itself, is  
4 actively reducing, weakening or impeding the mobilization of civil society.

5 Under this dynamic, which alternatively supports and restricts capital, the  
6 sources of legitimacy for the state's development strategies have changed. The  
7 state defends extractivisms as necessary for growth, legitimizing a vision of  
8 development that is essentially economic, and indispensable for financing its  
9 poverty reduction programmes. In this way, compensations such as social  
10 programmes are of fundamental importance, above all for their symbolic and  
11 legitimating value, associated with a certain kind of extractivist development.  
12 However, the state can only intervene up until a certain point because if too many  
13 conditions and regulations are introduced, many extractive projects become unvi-  
14 able (at least under current conditions).

15 In this context, the state must achieve a balance between the concessions it  
16 makes to capital and its regulatory measures; between advancing export-driven  
17 extractivisms, and cushioning its social impacts, and so on. A good number of the  
18 instruments that permit the management of these tensions have a limited efficacy  
19 (for example, the police or military cannot be overused for repression). This  
20 explains why compensations, particularly those that are economic, are becoming  
21 more important. They are able to alleviate many problems, and also provide  
22 political cover for state decisions. In this way, the illusion of a benevolent capital-  
23 ism is sustained: the state maintains a nationalist discourse, and is able to provide  
24 economic compensations, but only as long as these compensations do not inter-  
25 fere with the fundamental economic processes.

26 One can see that these are very delicate balance points, which are very difficult  
27 to achieve, and because the impacts of extractivism persist, and corporate  
28 demands are renewed, these equilibria must be continuously re-constructed. They  
29 are dynamic, yet unstable and risky equilibria, largely because a significant part  
30 of the revenue depends upon the price and demand for primary exports, which are  
31 not controlled by these governments. At the same time, once a balance is struck  
32 it limits even more the developmental options of the state. In order for the situa-  
33 tion to remain viable, the capitalist mode (and extractivisms) must be further  
34 entrenched, which will create new social and environmental impacts that will  
require new compensations.

### **A Compensatory State**

38 It is argued here, that the progressive state, under these particular conditions,  
39 namely the repeated construction of an equilibrium, is required to constantly  
40 resort to all kinds of compensations. The resulting condition is called a  
41 Compensatory State. This term puts the accent on the fact that the state, which  
42 has not renounced its economic development strategies and remains functional  
43 for capitalism, also attempts to confront its most controversial and negative  
effects through compensations in the market sphere. This characterization fits



1 within the perspective of earlier analyses by Bunker (1985) on the dynamics  
2 between the state and social groups using resources and territories in Brazil, and  
3 Coronil (2002), on the popular belief in a ‘magical state’ based on the ecological  
4 riches of Venezuela.

5 The compensatory state has a developmentalist vocation, as already discussed,  
6 which is based on economic growth, but mediated by market interventions,  
7 support to certain industries, and the promotion of infrastructure, among other  
8 elements. These ideas about development are much more conventional than  
9 expounded in public discourse, due to the central role given to the export of  
10 primary materials. The interventions in the market, and compensations are very  
11 important, and in fact have contributed to a reduction in poverty, but they cannot  
12 put the ‘engines’ of development at risk. Although capitalism is harshly criticized  
13 in countries, the progressive state is not promoting radical change to the basic  
14 structures and dynamics that sustain economic growth. President Correa bluntly  
15 recognised this state of affairs: ‘We have not been able to drastically change the  
16 model of accumulation. Basically, we are doing things better with the same model  
17 of accumulation, before changing it, because it is not our intention to harm the  
18 rich, but it is our intention to have a more just and equal society’ (*El Telégrafo*,  
19 15 January, 2012). Therefore, the measures that are possible are those that allow  
20 the rough and negative edges of this development to be smoothed, and this  
21 occurs, in particular, through the use of compensatory economic measures.

22 Even the most radical projects, such as the promotion of the ‘plurinational’  
23 state in Bolivia by the Movement towards Socialism (MAS), are still based on the  
24 classical institutions of the state, which have all the virtues and defects that are  
25 well known in South America. And this, in turn, is functional for both extractiv-  
26 isms and conventional ideas of development.

27 The compensatory measures are varied and are applied on multiple fronts.  
28 First, attention should be drawn to the promotion of popular consumption, which  
29 is focused on access to consumer goods such as household appliances, cars,  
30 motorcycles, and other electronic goods. The consumerist bias is clear, and it is  
31 presented as a source of wellbeing that the state has supported in various ways (as  
32 was illustrated above). Surprisingly, it is the state that promotes the idea of a  
33 wellbeing that can be bought in the hundreds of new malls that have been inau-  
34 gurated across the entire continent.

35 Secondly, social assistance programmes that provide money have become very  
36 important for the poorest families. These instruments existed under previous  
37 conservative and neoliberal governments, but the progressives have improved  
38 and enlarged them. The most well-known are conditional cash transfers, which  
39 offer monthly payments to fathers or mothers heading families, and demand in  
40 exchange that their children go regularly to medical clinics and attend school.  
41 These types of mechanisms include Bolsa Familia (Family Basket) in Brazil,  
42 which has the largest coverage by number (reaching 14 million families in 2014),  
43 and the Bono de Desarrollo Humano (Human Development Bond) in Ecuador,  
44 which has the highest coverage by proportion of the population (reaching almost  
45 45% of the population) (Gudynas 2015).

2 Thirdly, the state acts by providing other forms of direct assistance, such as  
3 financial support to municipalities or subnational governments, and funds for civil  
4 society organizations, unions, and federations that organize peasants, indigenous  
5 peoples and students, etc. For example, the Bolivian IDH provides funds for a  
6 diverse set of causes such as those mentioned above, even including university  
7 scholarships. There are also examples of progressive governments that concretize  
8 these compensatory measures by granting housing, health centres, soccer stadiums,  
9 tractors, or boat motors, etc. Finally, the state also acts to pressure, or even require,  
some companies to provide compensations directly to local communities.

11 It must be underlined, that by these and other means, the Compensatory State  
12 generates a process through which the idea of justice shrinks to mean distributive  
13 economic justice. Once this has taken root, it is further reduced to what is called  
in Spanish *asistencialismo* – charitable handouts.

14 Other dimensions of justice, such as those that refer to the quality of life,  
15 education, housing, or civil rights, remain secondary or are limited. In conse-  
16 quence, all of the emphasis is placed on economic compensation. This is very  
17 evident in the region's extractivisms, where the state supports these projects but  
18 relies on the intensive use of compensations in order to realize them. A rhetorical  
19 statement such as 'your community will be contaminated or destroyed, but you  
20 will be compensated with money', applies in many cases. Important social sectors  
21 support this bargain, some by conviction, but others in order to receive direct  
22 economic compensation. At the same time, governments have learned to use such  
23 compensations discretionally, to support some groups, and to punish others by  
24 taking those benefits away. This reinforces, once again, the role of state as a  
25 compensator.

27 This dynamic also reinforces the notion that the negative social impacts of  
28 development and poverty can be compensated, and that this can be achieved  
29 through monetary means. The attribution of economic value reinforces the domi-  
30 nance of this concept over other forms of value, and deepens the commodification  
31 of social life and Nature. It is important to underline the profound impact that this  
32 has had, since this expansion of commodification was one of the consequences of  
33 Latin America's neoliberalisms that the progressives had promised to reverse.  
34 But, against expectations, the progressives, by means of the Compensatory State,  
35 have further expanded this commodification, even if it follows a different  
trajectory.

37 While the appropriation of surplus is important for the Compensatory State, it  
38 is important to clarify that, in the case of South American progressivism, the  
39 concept of a rentier state does not apply. In a strict sense, the rentier state has been  
40 identified as an authoritarian or totalitarian regime with a strong patrimonial  
41 tendency (Omeje 2008). In these contexts, local elites capture the largest share of  
42 the available rents for personal gain (for themselves, their families, or their  
43 allies), while linked to transnational extractivisms, and do not apply significant  
44 redistribution schemes. In contrast, the progressive Compensatory States meet  
45 the formal requirements of democracy, have rolled out redistributive mechanisms  
with wide coverage, and have worked to strengthen the state in other areas.

1 The Compensatory State is also distinct from the neoliberal state, which char-  
2 acterized Latin America in the 1980s and 1990s. Even if it is accepted that in  
3 some countries and in some sectors, progressive reforms were limited, they still  
4 expressed intentions, institutional fixes and political discourses that were very  
5 different from the neoliberals. This does not prevent us from recognizing that the  
6 current Compensatory States were implanted on top of structures, organizations,  
7 and institutional modes of action that were substantially influenced by prior  
8 neoliberal reforms.

9 The South American situation also differs greatly from classical ideas on the  
10 *welfare state*. In the European examples, the state was integrated into a capitalist  
11 development that simultaneously maintained various mechanisms of social  
12 protection, appropriate coverage in education and health, low levels of poverty,  
13 and a human rights framework, including third generation human rights. However,  
14 in the Compensatory State welfare rests on economic handouts (*asistencialismo*)  
15 and consumerism, while the rights framework was rarely strengthened. On the  
16 contrary, there are South American examples of the state limiting or violating  
rights in order to maintain its development strategy.

### Facing Contradictions and Oppositions

17 A few ideas should be considered regarding the methods used by the Compensatory  
18 State to manage the political and citizen interactions that occur in the context of  
19 the contradictions and equilibria that characterize it. The analysis that follows is  
20 partially inspired by the ideas of Offe (1984), and Jessop (2002), and some of its  
21 conclusions can be found in Gudynas (2012).

22 Firstly, one can suppose that an autonomous, effective, and capable state  
23 should ensure its actions are both objective and independent, and use similar  
24 criteria to accept or deny concessions made to capital. Examples of such actions  
25 could include fiscal benefits granted to investors that do not depend upon friend-  
26 ships or seek to leverage economic benefits for the governing party; or environ-  
27 mental impact assessments that are scientifically rigorous and independent.  
28 However, there is overwhelming evidence that in Latin America these are not the  
29 prevailing conditions.

30 Examples of this include the manipulation of environmental impact assessments  
31 in Brazil that led to the approval of megaprojects like the Belo Monte dam, or the  
32 new legal framework for large-scale mining in Uruguay, which was designed for  
33 a specific foreign investor (including a new taxation regime, flexibilization of  
34 environmental standards, and the concession of a seaport, etc.).

35 Secondly, there are situations in which the state cannot impose regulations that  
36 are supposedly neutral or objective, and therefore capitulates in one way or  
37 another, to political and economic pressures, or to its own interests in appeasing  
38 corporate demands or realizing electoral objectives. In renouncing its independence  
39 and neutrality, the state encourages political conflict.

40 South American progressivisms, in many cases, respond to the demands made  
41 by their most numerous or best organized bases of support. For example, in Bolivia,  
42  
43

1 the Morales administration is unresponsive to peasants and indigenous people,  
2 but usually accepts the demands of mining cooperatives or urban federations  
3 (such as the powerful federation of cooperative miners FENCOMIN, or the  
4 Federation of Neighbourhood Associations of El Alto – FEJUVE). But also they  
5 bend before the economically powerful: in order to promote exploration in  
6 Bolivia, the government granted fiscal benefits, and more recently, access to  
7 protected areas (thus, the state renounced its own mandate to conserve biodiver-  
8 sity and protect indigenous peoples), to oil companies.

Thirdly, another dynamic to deal with these contradictions and oppositions  
10 occurs when the state discretionally chooses the actors that it will recognize as  
11 partners on development issues. Progressivism was very successful in terms of  
12 using political leadership to address important sectors of society who were politi-  
13 cally marginalized, especially indigenous people and the popular sectors.  
14 However, it also successfully excluded those who decried the social and environ-  
15 mental impacts of development as it really occurred. For this reason, when states  
16 make reference to ‘national’ management of natural resources, they support  
17 certain actors such as unions or peasant federations in some cases, while in other  
18 situations, they distance themselves from other citizen organizations, and some-  
19 times even harass them.

Without a doubt when a resource nationalist approach is pursued, the state  
21 needs the broad support of its citizens to legitimate its role as administrator of  
22 those resources in the name of the entire nation. But if some of these same social  
23 actors reject their practices, the foundation of the state’s legitimacy crumbles. The  
24 Compensatory State, in order to maintain these equilibria, recognizes only some  
25 actors as being within the ‘nation’ or the ‘people’, while ignoring, isolating, or  
26 even attacking others. A significant problem in the management of natural  
27 resources is that a good part of the current opposition comes from groups of citi-  
28 zens that are small in number, such as peasant or indigenous communities. These  
29 groups are unable to exercise much political pressure, have little electoral clout,  
30 and tend to be neglected by the urban centres. For these reasons, there are few  
31 political costs to the state by silencing their demands, or even, in some cases,  
32 repressing them. In this respect, the Compensatory State reinforces a style of  
33 hyper-presidential and delegative democracy (following O’Donnell 1994).

Fourthly, the state insists on boosting the symbolic value of its compensatory  
35 measures as the best and most effective solutions to problems of development.  
36 Beyond the quantity of money that is actually transferred to social programmes,  
37 instruments such as conditional cash transfers to the poorest are used as a political  
38 justification for actions such as invading indigenous territories to permit oil  
39 exploitation. In fact, expenditures on cash transfers represents less than 1% of  
40 GDP in Argentina, Bolivia, Brazil, and Uruguay, and is only 1.2% in Ecuador. In  
41 turn, the state rejects the critiques that are made by civil society groups, peasants,  
42 or indigenous groups and suggests that they are hindering the fight against  
43 poverty and economic growth. This creates a perverse cycle of argumentation,  
44 which asserts that the plans to fight against poverty require financing from new  
45 extractive projects, and since these will generate new social impacts, more

compensatory measures will be required. This symbolic expansion of the role of the state hides the fact that other dimensions of justice are being curtailed at the same time, such as social and political rights, quality of life, or environmental conservation.

### **Unsolved Tensions under a Commodified Nationalism**

The resurgence of resource nationalism in South America took place under very particular national, continental, and global circumstances. On the one hand, the arrival of new left governments marked an important political change in many countries. On the other hand, commodity prices and the demand for these commodities were very high, which resulted in massive inflows of foreign investment and impressive increases in exports. Under this particular conjuncture, it was possible to try out a new kind of resource nationalism that was inscribed within a developmentalism that attempted to achieve a type of benevolent capitalism. Most of those governments enjoyed increased revenues that permitted innovations. The state took on an important and functional role for this type of development, although it focussed on economic objectives and neglected to strengthen important dimensions of social and environmental justice. In consequence, compensatory measures assumed a central role, which led in turn to the development of the Compensatory State.

This is a condition that has important and diverse social support. Its base of legitimacy includes partisan political groups, unions, certain business actors, and many actors among the 'popular' sectors. The inclusion of the popular sectors is particularly understandable considering that resource nationalism has increased the level of national autonomy and sovereignty, reinvigorated feelings of national pride, and has permitted the reduction of poverty and an increase in consumption. But this condition is also questioned by those groups that suffer from the social and environmental impacts of this type of development, especially indigenous peoples, peasants, and other social sectors with limited access to democracy and justice. Looking beyond these criticisms, it is notable that the Compensatory State has been able to maintain itself in equilibrium, in some cases for more than ten years.

The establishment of the Compensatory State has not resolved all of the problems related to what is meant by the 'national' in resource nationalism. Certain kinds of statism have prevailed as a result of its claims to be custodian, manager, and the sole representative of diverse nationalities. And it is precisely the creation of a Compensatory State that is necessary to sustain these kinds of positions. But this also creates huge tensions, particularly when there are peoples that want to participate more directly in the benefits of exploiting natural resources, and these same peoples are capable of rejecting extractive activities within their territory. In Bolivia in particular, the constitutional recognition of 'plurinationality' could empower every indigenous community to claim the right to manage resources located within its territory and negotiate directly with companies and investors, bypassing the central state. For this reason, the Bolivian government, while

1 valorizing the indigenous contribution to the nation, has repeatedly limited the  
2 powers that threaten the government's monopoly over the management of natural  
3 resources. This is another contradiction: where a state claims to be plurinational,  
4 yet acts in practice to suppress that diversity.

5 Consequently, we find ourselves confronted with a nationalist discourse on  
6 natural resources that has expanded the economy and reduced poverty, but has  
7 simultaneously triggered serious problems. On the one hand, it is associated with  
8 development practices that over-exploit or destroy these resources (evident in the  
9 severe impacts of extractivisms, see Gudynas 2015). Thus, it is a nationalism that  
10 does not allow space for allegations of contamination or losses in biodiversity, and  
11 is incapable of preserving these resources that are said to belong to everyone. The  
12 state uses nationalism to justify its race to extract and sell to the global market the  
13 largest possible quantity of resources in the shortest possible timeframe.

14 On the other hand, this nationalism is part of developmental strategies that  
15 believe the negative effects are compensable, and in this way contributes to the  
16 commodification of social life and Nature. Nationalism is converted into a statism  
17 that is in charge of providing compensation using stunted visions of justice that  
18 overemphasize the value of money. Through this logic, the state commodifies  
19 many aspects of society and portrays social struggles as disputes over the division  
20 of profits, denying that they could be over justice or the meaning of development  
21 itself.

22 The compensatory state is democratic, but it neither contributes to improving  
23 its quality (the radicalization of democracy was a promise of the progressive left),  
24 nor deepens political, social, economic, or cultural rights. The state takes on a role  
25 as the provider of charity, benevolence, and compassion. Politics shrinks because  
26 many disputes are based around actors that are only interested in benefiting from  
27 some type of compensation scheme, and non-utilitarian forms of understanding  
28 Nature are replaced by the search for ecosystem goods and services.

29 This commodification of social life is accepted by many sectors of society, and  
30 as a result they follow development strategies that come with serious impacts,  
31 contenting themselves with the compensation that is paid. But this should not  
32 prevent us from recognizing the negative consequences of this view, or the lack  
33 of political leadership that aims for a change of course. The progressivism that  
34 governs in South America is certainly more nationalistic, but finds itself unable  
35 to advance the promise of the left from which it originated: to prevent the  
commodification of social life.

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