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Ecuador: adjustment policy impacts on truncated development and democratisation

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Before the debt crisis and the adoption of neoliberal stabilisation and adjustment policies in the early 1980s, Ecuador's economic history was demarcated by three major phases of export-led economic growth and diversification. In comparison with other Latin American countries, overall, average growth rates were rapid, although erratic, during the course of the twentieth century. However, the country's development record remained poor, if we consider as integral to that process across the board improvements in living standards and a capacity to sustain economic growth and diversification on the basis of internal markets as well as of external stimuli.

Following the implementation of stabilisation and adjustment programmes, growth and development suffered marked deterioration. In 1997 per capita GDP hovered around its 1981 level.[1] With regard to social conditions, indigent households made up a third of the urban population in late 1993 and the overall national poverty figure stood at 56% in 1995—42% and 76% in urban and rural areas respectively. Worsening poverty resulted from increased unemployment and underemployment and from the decreased incomes of those who managed to hold on to jobs: in 1992 the total wage bill came to only 56.6% of its 1982 level; manufacturing sector labour was most severely affected, with a 60% salary loss.

At the same time, inequality increased dramatically. For example, while the wage bill declined, manufacturing sector net business income more than doubled from a base index of 100 in 1982 to 210 in 1992 and average net business income rose to 152.8; the top 1% of urban income earners increased their share of total income from 15.7% to 19% between 1988 and November 1993 and the top 5%, from 34% to 40.8%. In 1992–95 the highest decile of income earners amassed 35 times more than the lowest decile, in comparison with a multiple of 25 in 1988–89. Moreover, future prospects of development were prejudiced by dramatic reductions in public expenditure in education and health—from 5.1% and 2.2% of GDP, respectively, in 1982, to 2.7% and 0.7% in 1993.

From the political perspective—including government accountability and the institutionalisation of political parties and popular organisations that might represent broad constituencies—democratisation remained shallow. To be sure,

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an electoral regime with universal suffrage has been maintained since 1979, when a military government installed in 1972 handed power to elected civilians. Nevertheless, the massive nationwide protests that preceded the constitutionally questionable deposition of President Abdalá Bucaram in February 1997, barely six months after his inauguration, harked back to previous epochs of political instability.

In attempting to explain the causes of persistent economic crisis, and while recognising the devastating impact of exogenous factors ranging from natural disasters to the precipitous decline of petroleum prices in 1986,[2] various academic works and the reports of international financial institutions have singled out excessive growth in the role and populist spending habits of the state and profound distortions created by the import-substitution industrialisation (ISI) model pursued from the mid-1960s to the early 1980s. Several studies have also highlighted the incapacity of the political system to implement adjustment policies in a coherent fashion.[3] To explain that lack of coherence, in differing ways, these works draw attention to the fractious character of the political system in which all organised interests pursue immediate short-term gains and to the fact that both socioeconomic elites and popular sectors are deeply divided along regional lines: broadly speaking, coastal interests tied to export markets have been pitted against highland groups which depended to a greater extent on domestic markets and state subsidies of many kinds.

We concur with these general characterisations of contemporary political and socioeconomic cleavages. However, we wish here to focus on what we consider to be the fundamental or underlying causes of Ecuador's continuing sociopolitical plight and poor development performance. We will argue that the country's problems derive from historically structured and profound inequalities in the relations of social, economic, and political power which, most unfortunately, are being exacerbated rather than reversed by current adjustment policies.

We will address fundamental power relations from the perspective of the comparative historical sociology tradition that extends from the seminal work of Barrington Moore, Jr to the recent major contribution of Rueschemeyer, Huber Stephens, and Stephens.[4] Moore highlighted the profoundly anti-democratic long-term consequences of the predominance of landlord classes that rely on servile labour and subordinate the emergent bourgeoisie in the initial stages of capitalist transformation. Rueschemeyer *et al*, building on Moore's analysis, have assessed the contributions of organised working and middle classes to, and the impact of transnational power relations on, democratisation. The works of Cueva,[5] Murmis,[6] and Quintero & Silva,[7] among others, form part of a similar Latin American school of thought from which we have also drawn inspiration. In a related vein, recent works have emphasised the rentier character of Ecuador's dominant classes.[8]

In dealing with questions of economic growth and development, our analysis is informed by the works of historically minded economists who have analysed the distributional consequences and national market formation possibilities of different types of growth processes in the periphery of the world capitalist system.[9]

In sum, our approach is derived from scholarly traditions that focus on

socioeconomic structures, their associated political power relationships, and on long-term trends. Although ideas, cultural practices, and the possibilities of implementing policies that could lead to greater equity and genuine democratisation are not systematically worked into our analysis, they will be addressed.

Below, we first provide a characterisation of the basic contours of the markets, class relations and state roles that were structured in the course of Ecuador's three growth phases, based on cacao (roughly 1860–1920), banana (1948–1972) and petroleum (1972–1982) exports. The weakness of popular and middle class political organisation during the three export phases is discussed in the second section. In the last section the results of current adjustment policies are probed to explore the degree to which they reinforce those power relations that have blocked broadly based development and a deepening of democracy in the past. There we will also provide brief comments on the Bucaram presidency (August 1996–February 1997) as an outgrowth of adjustment policies. In addition, we will refer to trends, in Ecuador and elsewhere, that could provide guidance for the elaboration of democratic and inclusionary alternatives.

Markets, class relations, and the state during three export cycles

The cacao cycle

The twentieth century opened in the midst of the cacao export boom in Ecuador, which was the world's major producer at the turn of the century. However, export earnings declined dramatically in the early 1920s as competitors entered the market, prices plummeted, and plant diseases cut production. The social, political and economic impacts of the cacao cycle were, in some respects, quite limited. In other respects, however, they were foundational: a rentier elite that drew its profits from the import–export trade became the dominant class within the nation.

Cacao production was highly concentrated on large estates located on the coastal river system. Cheap semi-servile or semi-waged labour and the natural fertility of the areas brought under cultivation ensured low production costs, and the extensiveness of the river system solved the problem of transport to the port of Guayaquil.[10] In the course of the export boom, a powerful oligarchy made up of the owners of the banking, export, and import enterprises, together with the largest cacao producers, was formed in that city. An 'extremely high percentage of total capital was concentrated in the hands of a few firms which, in reality, belonged to a handful of families' whose total assets far surpassed the wealth of the Quito based highland elite.[11] To maintain and increase the size of family holdings, this Guayaquil-based 'agro-financial and export oligarchy' practised endogeny.[12] It also engaged in ostentatious consumption, inside and outside Ecuador; during 1900–1913, almost 20% of export income was transferred to family members who lived abroad.[13]

A financial–commercial–landlord elite with a rentier mentality thus had become the leading class within the nation by the turn of the century. It captured a significant international differential rent from the advantageous conditions provided by nature, the availability of cheap labour and, for quite some time,

high prices in international markets. Although the decline and crisis of the cacao economy in the 1920s and 1930s led to the abandonment of estates and to numerous bankruptcies, the outward-orientated financial–commercial core of this elite survived to recover its economic power, together with new entrants, after World War II.

While the consequences of the cacao export phase were profound in the constitution of a speculative and outward-orientated dominant class in coastal Ecuador, the theoretically conceivable developmental impacts of export growth were severely limited. First, as noted, production was organised in a circumscribed geographic space—along the coastal river system which provided a transportation grid without need for major investment. Second, although capitalist wage relations began to emerge in the coastal export regions, they did so slowly. The *sembradores* who cleared land and planted cacao trees, as well as the peons/labourers of the cacao estates, engaged in subsistence cultivation and were tied to the large estates by debt; harvesters—mostly migrants from the southern highlands—formed an only seasonal wage labour force. Meanwhile, the great majority of the population, rural and locked in highland estates and indigenous communities, remained subject to the servile production relations of a near 'no wage' economy: that is, the institutions of *concertaje* and the *huasipungo*.[14] Imports, rather than domestic manufactures, essentially satisfied the demand of the small proportion of the population involved in the monetary economy.[15]

In effect, the cacao boom added up to an extreme version of the vicious circle of the typical 'tropical export commodity economy' that, from differing vantage points, Furtado and others have identified as an obstacle to technological innovation, economic diversification, and the development of national markets.[16] In political terms, for the moment, we would simply like to note the presence of that socioeconomic constellation identified by Moore as particularly inimical to democratisation: the predominance of labour-repressive agricultural systems, albeit of different types, in both the highland and coastal regions. Moreover, in addition to the routine landlord violence characteristic of such systems, their functioning was permeated by racist denigration of the highland indian, coastal black, and mixed races who were denied citizenship rights and the possibilities of socioeconomic advance: while *concertaje* and the *huasipungo* structured rural social relations in the highlands, juridical obstacles seriously limited the possibilities of cacao sector workers from converting themselves into independent producers.[17]

The banana cycle

The impacts of the banana boom (1948–1965) were notably more favourable for economic diversification and national market formation. The infrastructure and labour requirements of the new export activity, which was to spread over extensive and geographically dispersed zones, were significant, prompting massive highland-to-coast migration, the creation of a large wage-labour force on the coast, and the expansion of interregional trade. In addition to the diverse activities of banana cultivation, large numbers of workers were needed for the

construction and maintenance of new roads and port facilities as well as transportation, communication, and commercialisation systems. In contrast to the enclave-type banana export economy of Central America, in Ecuador, most production and therefore much more of the income generated in the sector remained in the hands of nationals. All this favoured economic diversification and investment in the domestic economy.

In addition, it was during the banana boom that 'the developmentalist state' was formed in Ecuador, doctrinally inspired by the UN Economic Commission for Latin America (ECLA),[18] and financially assisted, especially following the Cuban Revolution, by US government programmes and international lending agencies.[19] A 'fiscal linkage' was created through the state: tax revenue derived from the substantially increased import capacity generated by the new export boom facilitated the modernisation of the public institutions and the expansion of public investment not only in infrastructure but also in promotional activities.[20] The latter included credit and technical assistance to producers involved in opening up the agricultural frontier; organisation of pest control programmes; acquisition of modern cargo ships for the Flota Bananera Ecuatoriana, which were rented at favourable rates to the privately owned Exportadora Bananera Noboa; and, certainly not least, heavily subsidised fuel to the latter, which gave it a competitive edge over the transnationals.

In sharp contrast to the cacao epoch, government-supported colonisation programmes during the initial growth stage of the banana sector encouraged the appearance of a sizable rural middle class in parts of the export zone—in Quevedo, Santo Domingo, and especially in the southern coastal province of El Oro which, after 1965, came to incorporate half the area under banana cultivation. In this context, a significant process of urbanisation, economic diversification, and improvement in living standards took place in banana production areas and notably so in El Oro, where mid-sized farms prevailed.[21] By 1974 it ranked fourth among Ecuador's 20 provinces on most social indicators and in per capita productivity.[22] Indeed, a 'small and medium regional bourgeoisie which reinvested and consumed in the zone' was consolidated in that province as 'the predominance of mid-sized properties favoured the development of micro-regional internal markets'.[23]

However, it was essentially in El Oro that prominent and widespread benefits emerged from increased banana exports and, even there, negative trends began to overwhelm the positive ones in the 1970s and 1980s.[24] A series of technological transformations reduced the size of the labour force directly involved in the banana sector from about 90 000 workers in 1965 to 55 000 in 1976 and then to 36 500 in 1983.[25] The same transformations were also largely responsible for a reduction in the number of producers and a steady decline in the wages of the remaining labour force, with 'excess' labour moving into the low-productivity urban informal sectors of the coastal cities. At the same time, exports and profits were increasingly concentrated among four conglomerates. By the early 1980s the nationally owned Exportadora Bananera Noboa and the foreign owned Standard Fruit controlled two-thirds of the market, and the proportion owned by two other transnationals—Del Monte and United Brands—had also increased steadily to the detriment of small and medium-sized local firms.[26]

The state played a key role in the expansion and institutional development of the banana sector. It did not, however, attempt to hold back the later process of concentration of assets and profits among a few export firms and their 170 associated producers who received assistance from these firms to incorporate new labour-saving and other technologies. For example, the efforts of small and medium banana producers to organise cooperative export enterprises failed repeatedly in the face of oligopolistic market structures,[27] and the concentrated political power of the largest producers–exporters.

In this respect, a comparative glance at the ways in which the Costa Rican state spread the benefits of coffee export production is revealing. Although Costa Rica's large coffee interests were far from eliminated as a class following the Revolution of 1948, 'their political prerogatives were circumscribed by the State, their potential profits reduced in size'.[28] A broader distribution of assets and profits in the coffee export sector was made possible, in large part, by state supported organisation of small and medium growers into cooperatives that provided 'processing, commercialisation and credit services to their members', activities previously monopolised by the largest producers.[29] Maximum profits were established for private coffee processing and export enterprises while the banking system was nationalised to direct investment towards more broadly based national development.

Equivalent initiatives on the part of the Ecuadorean state could hardly be expected in light of the highly organised, cohesive, and the outward rather than inward orientated interests of coastal elites;[30] their penetration, as individuals and through their corporate producers' organisations, into the centres of state economic policy making;[31] and the relatively recent formation of the small and medium banana producers who had not achieved a significant level of independent political or interest-based organisation, in contrast to Costa Rica's traditional small producer sector.

By the late 1960s, 10 Guayaquil-based 'business empires', interlinked through family networks and associated with plantation interests, controlled the principal financial, commercial (especially import–export), industrial, and communications enterprises of coastal Ecuador.[32] Their ramified political power was sufficient to block any initiatives they considered prejudicial to their interests. By the mid-1970s, these 'empires', according to one analyst, had consolidated into two 'super economic groups', one of them of national dimensions.[33] A parallel, although somewhat less concentrated set of Quito-based elite economic groups, more dependent on production for domestic markets than their coastal counterparts, emerged largely from the traditional landlord class of the central/northern highlands.[34] Whatever the precise terms used to describe the constitution of the two sets of elites clustered in the country's two principal cities, there is no doubt that asset concentration remained extremely high,[35] and broadly national (or popular) market orientation weak.

Although the elites benefited greatly from public support—for the expansion of banana and, later, industrial production—they vociferously subscribed to theories of laissez-faire and favoured a 'minimalist' state, to guarantee 'law and order' and protect property rights. Indeed, the members of the 'economic groups' in general, and the industrialists among them, adamantly opposed redistributive

measures: as Conaghan's detailed analysis demonstrates, their production was directed toward the country's small high-income market. Beyond exports, they saw greater gains to be made from introducing new 'brand name' product lines 'designed to appeal to upscale consumers' by establishing joint ventures and transfer-of-technology agreements with multinational corporations.[36] As a class, they demonstrated little interest in, or capacity for, entrepreneurial activity involving risks or technological innovation.

The wage economy of the banana sector, of course, did foster the diversification of services and manufacturing activities, not only on the coast but also in the highlands. However, banana boom effects on national market development and social improvement were, first of all, limited and, eventually, truncated by the decreased incorporation of labour, falling wages, and increased concentration of profits (especially in the hands of foreign firms that accounted for no less than a third of exports but did not invest or consume locally). The overall multiplier effects of the boom phase were also modest because, among other things, elites and upper middle classes preferred imported goods.

The petroleum boom

As state-controlled petroleum income increased spectacularly beginning in 1972, both coastal and highland economic elites turned to the state's coffers to diversify their portfolios in industrial activities. They did so in collaboration, rather than competition, with foreign investors.[37]

ISI support policies dated back to the banana boom: an industrial promotion law was legislated in 1957 and revised in 1963 with the participation of representatives of the producer organisations. They recast ECLA-inspired proposals prepared by technocrats to expand the range of protection and incentives.[38] A plethora of institutions and initiatives supportive of industrialisation had sprung up earlier in the 1960s, but levels of substitution remained low in absolute and comparative Latin American terms.[39] In the 1970s, however, windfall gains from petroleum exports gave the state a capacity to provide indiscriminate and generous protection to all powerful groups, including foreign investors. In effect, large-scale manufacturing industry (along with related construction and financial ventures) was made into the most profitable economic activity through public support.[40]

From the vantage point of national market development, the distortions created by the industrial promotion policies and programmes were critical. Among the most systematic of the studies that have documented them, Vos's work provides a detailed sector by sector analysis demonstrating that manufacturing industry was highly dependent on imported inputs and capital goods (especially so among the largest enterprises), thus contributing to the indebtedness of the country; lacked vertical integration; focused on the production of non-essential goods for high income urban groups; displayed a high degree of inter-sectoral and regional concentration; and was capital intensive, generating little direct or indirect employment.[41] In 1974 the manufacturing sector employed 12.2% of the labour force; eight years later that figure had inched up only slightly, to 13%. Within the industrial sector, large scale enterprises, which

received a disproportionate share of public support and accounted for 52.4% of gross value in the sector, employed only 20.9% of the labour force in 1980; meanwhile, artisan industries, with 14.1% of gross value, absorbed close to 60% of manufacturing sector employment.[42]

In the light of this situation, Vos concluded that the maintenance of incentives to large scale industry was 'tantamount to promoting sectorial and social disarticulation'.[48] Hofman & Buitelar observe that, despite generous support, no industrial sector became internationally competitive, although some individual enterprises did.[42]

Meanwhile, agriculture for domestic consumption suffered from import 'desubstitution' during 1975–82.[45] The production of tubers, legumes, and vegetables—all peasant crops—declined sharply between 1965 and 1980: for example, potatoes by 40.3% and kidney beans by 36.3%.[46] In general, agriculture, where employment opportunities could have been generated at low cost, was prejudiced by a 'lack of basic rural infrastructure and its unequal distribution in favour of the large producers' while peasant producers suffered from worsening terms of trade, 'reinforced by state price and subsidy policies'.[47] In 1978 per capita subsidies to urban sectors were almost 11 times those available for rural sectors, and among rural producers the modern sector received almost eight times more support than the traditional sector which was composed largely of indigenous highland peasants.[48]

Agrarian reform laws, decreed by military governments in 1964 and 1973, had paltry redistributive impacts and only in some areas of the country: in 1974, 2% of holdings of 100 ha or more incorporated 50.2% of farm land in comparison with 54.4% in the hands of 2.1% in 1954.[49] Landlords—supported by allied industrial, commercial, and financial groups—sabotaged the implementation of even the rather modest goals of the two reform laws.[50] In sum, elite sectors, with direct access to the centres of policy making, obtained the lion's share not only from ISI promotion but also from agricultural modernisation programmes financed, first, by the petroleum boom and, then, also by foreign indebtedness.

It bears noting that 'aggressive borrowing' began after business elites in 1976 succeeded in replacing the reformists in the military government with officers more responsive to their demands.[51] The private sector participated enthusiastically in the borrowing binge: its debt exploded from US$56.2 million in 1976 to $703.3 million in 1979, representing a quarter of the country's total foreign debt in 1983. Moreover, an undetermined portion of the private debt never entered Ecuador as it was invested abroad instead.[52] Also following 1976, a revised Industrial Development Law introduced new subsidies for export production controlled by elite conglomerates. The subsequent shift towards even greater external market orientation was 'accompanied by an aggressive search for new foreign investment'.[53]

To be sure, social conditions did improve during the petroleum boom. In addition to investment in transportation and communication infrastructure, the state in the 1970s invested in the expansion of the educational system and public health services. Significant gains were registered: illiteracy declined from 23.7 to 14.8% between 1974 and 1982 and the mean years of schooling increased from 3.6 to 4.7; infant mortality dropped from 107.1 per thousand during 1965–1970

to 69.6 in 1980–1985 while life expectancy moved up from 56.8 to 64.3 years during the same period.[54]

Most progress, as could be expected, was witnessed in urban centres where modest income redistribution also took place between 1968 and 1975: although the top 0.5% of the urban population increased its share of income, the top 10% as a whole lost some in favour of the deciles from 20 to 90.[55] Nevertheless, 40% of the urban population remained below the poverty line.[56]

Overall, the state's economic policy choices in the 1970s promoted concentration rather than redistribution, strongly favoured urban sectors and prejudiced domestic use agriculture, and therefore the indigenous peasantry and agricultural workers in particular: at the end of the boom in 1982, 35% of the population was still involved in agricultural activities, but that was substantially down from 47.6 in 1974. The displaced from the rural areas, as elsewhere in Latin America, crowded into the urban informal sectors and, while the boom lasted, into construction in particular, which absorbed 7% of the labour force in 1982 (up from 4.6% in 1974). These groups—indigenous peasants, agricultural workers, and the majority of the informally employed—could not convert their unsatisfied needs for basic consumption goods into market demand. Thus the development of domestic markets was effectively short-circuited and across the board improvements in social welfare were prohibited, despite the spectacular growth rates of the 1972–1982 period.

Political power relations and organisation during the growth cycles

The truncated developmental gains and restricted national market growth during the three export cycles cannot be understood without reference to the specific historically constructed attributes of political organisation in relation to class formation. Scholars of Ecuador's politics consistently refer to popular and middle class political demand as 'diffuse', 'heterogenous', 'dispersed', 'atomised', 'segmented', and the like. This, we will argue, arises from the erratic and regionally based boom and bust cycles of socially dislocating export growth.

First, it must be recalled that social differentiation and urbanisation remained at very low levels during the cacao export cycle. The agricultural workers of the coastal export sector, where wage relations were beginning to spread, remained unorganised,[57] although some progress in unionisation was registered among workers in the port of Guayaquil. As for the evolution of middle classes, still in 1935, according to a study cited in a British Consular Report, the total number of public employees and private sector bank employees (including the retired on pensions) added up to only 23 827 individuals in a population of 2 600 000.[58]

Electoral participation, as could be expected, was extremely restricted: only 3.1% of the total population voted in the presidential election of 1934.[59] The principal political parties—with the Catholic Church-linked Conservatives dominating in the highlands and the militantly secular Liberals on the coast—were little more than cliques of regional elites and traditional *caciques* (local bosses).[60] Indeed, formal party organisations were set up by the two only in the mid-1920s, after the political and economic crisis produced by the collapse of

of the cacao economy when heterogeneous radical forces also founded the Ecuadorean Socialist Party (PSE).

It was during the conflict-ridden years of the Great Depression, when 17 governments passed through the executive office during a nine-year period, that artisans, employees, and workers began to form associations and unions. Although the multiplication of 'popular' organisations from the 1930s onwards was impressive,[61] their large numbers reflected a high degree of fragmentation and therefore of weakness. A number of factors have been identified to explain that fragmentation: in addition to the lack of unifying road and communications systems until at least the 1950s if not the 1970s, significant differences in regional socioeconomic structures, ethnic relations, cultural patterns, and ideological constellations just about prohibited the establishment of nationwide associations and federations. Among them were the much greater influence of a conservative Catholic Church and the massive presence of Quichua speaking indigenous peoples in the highlands. In these circumstances, multiple divisions prevailed, with most organisations clustered around the three major urban centres of the country's principal regions—Guayaquil, Quito, and Cuenca, the 'capital', so to speak, of the southern highlands.

A few words concerning this third region and its socioeconomic and political structures are in order to complete the picture of the national social–political space.[62] The southern highland provinces of Cañar and Azuay experienced their own boom and bust cycle in the 1940s and early 1950s. The production and export of 'Panama hats' briefly became Ecuador's principal source of foreign exchange in 1945 when the industry employed between 60 000 and 80 000 urban and rural artisans. By 1954 export earnings had dropped precipitously and employment was down to 27 000. In significant part as a consequence of the collapse of the 'Panama hat' industry, employment in the country's (mostly artisan) manufacturing sector plummeted from 23.8% of the active labour force in 1950 to 12.2% in 1974.[63]

The collapse of that export industry provoked large-scale migration to the by then booming banana export sector of the coast: some 90 000 persons between 1950 and 1955. As a result, the proportion of the national labour force absorbed by agriculture actually went up from 49.5% in 1950 to 55.5% in 1962.[64]

As alternative opportunities dried up in the southern highlands, the power of the local landlord class—the 'nobles of Cuenca'—was reinforced. In her study of the city, Brownrigg demonstrates that by 1970 the 'nobles' had diversified into urban activities and monopolised the liberal professions, constituting an 'agro-commercial, legal, educational, and political institution'. Indeed, they formed a 'virtual regional supra-government',[65] having achieved this concentrated political–economic power, in good part, through their control of the state programmes created, beginning in 1952, to promote the economic recovery of the area.

To different degrees, in all three regions, then, interlinked and economically powerful elites organised into regional producers' associations—the chambers of agriculture, commerce, and industry established in the 1930s—exercised vertical control over labour, mobility opportunities, and political access right into the 1970s. In the case of both the northern and southern highlands, it bears

re-emphasising that the *huasipungo* and servile labour relations in agriculture were legally sanctioned until 1964.

Meanwhile, in addition to the divisions noted earlier, the high degree of instability in the social–occupational and spatial locations of the labouring classes added another obstacle to their capacity to organise autonomously as they moved from artisan, to agricultural, to urban informal activities; from the highlands to the coast; and from rural to urban settings. All this added up to a continuous flux in people's work situations and the atomisation of their social relations. Large proletarian concentrations and union movements, historically among the principal sources of pressure for democratisation, were not to be found: the factory labour force in Guayas and Pichincha, the two provinces that concentrated industrial production, made up, respectively, 4.35% and 5.75% of the labour force in 1962–1963 and 5.20% and 7% in 1973–74.[66]

The proportion of the population eligible to participate in the often short-circuited electoral process did increase steadily: from about 30% of the adult population in 1952 to some 56% in 1978 when the latest transition to civilian rule began.[67] Electoral activity revolved around regionally and locally based clientelistic networks which, since at least the 1950s, included populist as well as oligarchic parties and coalitions. Populist organisation, in the case of Guayaquil, has been convincingly compared with the 'machine politics' of the USA at the turn of the century by Menéndez Carrión.[68] Other analysts have emphasised the capacity of regional elites to mobilise support and form inter-class alliances around regional concerns.[69] The end result was a highly personalised pattern of political alliance and coalition formation that 'defies the conventional categorisation of parties on a right–left spectrum'; rather, short-term calculation of advantage prevailed over ideological affinity in most cases.[70]

The paternalistic and personalised ties of the clientelistic networks operated as social control mechanisms from the vantage point of the dominant classes. For subordinate classes, they substituted for lack of institutionalised access to the political system. In general, voters turned to candidates and coalitions that appeared to have the capacity and willingness to respond to immediate and urgent short term needs: for example, water, sewage, and electrification in the poor city neighbourhoods whose residents came to account for an ever larger proportion of the electorate. Indeed, urban voters formed the majority by 1968 and cast more than two thirds of valid votes by 1978.[71]

Winning coalitions, of course, were also expected to deliver jobs and favours, thereby accelerating not only the growth of the state bureaucracy but its universally recognised pervasive corruption. Although professionally competent agencies and programmes came to exist, the functioning of the political system—not only its populist and clientelistic characteristics but also the elite's direct access to the centres of decision making—made the development of local and national public institutional capacities extremely problematic. The corruption and administrative chaos in Guayaquil, where recently deposed President Bucaram was mayor in the 1980s, became legendary.[72]

Significantly, it was military dictatorships (in 1963–1966 and 1972–1979) rather than elite-penetrated civilian-led governments that attempted to 'modernise' the state and carry forward agrarian and other redistributive reforms. The

top-down authoritarian modernisation and reform undertaken by military rulers, however, had highly damaging effects on union, peasant, and party organisation. In contrast, during 1972–1979, when political-partisan activity was banned, coastal and highland elites buried their traditional differences and concentrated on strengthening their corporate organisations, achieving national level coordination in opposition to the first reformist phase of that military regime.[73] As noted earlier, they succeeded in having it replaced by a strongly conservative faction of the armed forces.

In sum, regionally based and rent-seeking commercial–financial–industrial groups that emerged out of, or were linked to, the traditional landlord classes penetrated directly into the state apparatus and cultivated clientelistic political networks, while popular organisation remained weak, incoherent, and divided. In effect, the limitations and distortions of ISI in Ecuador can be largely explained by reference to the fact that it was superimposed on a particularly inegalitarian, ethnically divided, and regionally fragmented national space. Dominant groups had become accustomed to obtaining windfall gains from the exploitation of abundant cheap labour for export production, from engaging in speculative commercial–financial activities, and from securing an extensive range of subsidies, regarding the state as their private preserve. On the other hand, subordinate classes remained deeply divided, while the middle classes were partly 'encapsulated within elite-dominated parties' and at pains to distinguish themselves from the indigenous and marginal masses.[74]

Following Moore's analysis, there was no substantive break with the landlord past although Ecuador became an urban society. With reference to Ruechemeyer *et al*'s arguments, within that increasingly urbanised society, neither the middle nor the working classes achieved significant autonomous organisational development, while the economic elites' ties to international capital reinforced their power and their outward orientation, rooted in the country's export economy growth cycles. In the 1970s the state-controlled surplus derived from petroleum exports could be used both to satisfy elite interests and to attenuate social conflict by responding to the demands of most politically mobilised urban sectors without altering the fundamental patterns of land and asset distribution.

The impact of neoliberal adjustment policies

A number of interrelated and mutually reinforcing obstacles to broadly based and inclusive development—that is, development that could ensure minimum social justice and sustain democratisation over the long run—have been identified in the course of the previous pages.

First of all, the export orientation favoured by neoliberal strategists is not new: it has been a permanent feature of Ecuador's twentieth century economic history. It even formed a component of industrial promotion policy after 1976.

Second, we have emphasised that Ecuador's dominant classes concentrated agricultural export earnings and received a significant international differential rent. Even in the case of petroleum, business elites profited immensely from the state support they sought and obtained. This clearly influenced their constitution

as groups with weak entrepreneurial capacity, a propensity for engaging in speculative ventures, limited potential for competing successfully without state support in international markets, and a high propensity towards extravagant consumption. Rent-seeking has been a permanent and prominent practice among the business elites which expanded their portfolios from agricultural exports and import–export commerce to all other sectors of the economy.

Third, the political and market power of these groups has been so great that not only have they obtained generally supportive legislation but micro-groups and individuals among them have also secured rulings in favour of specific enterprises.[75] This is not to say that business elites determined all aspects of public economic and other policies; especially since the 1979 transition to an electoral regime, all governments have had to respond, in one fashion or another, to other organised interests.

Fourth, the capacity of the elites, and the 'micro-groups' among them, to engage in particularly myopic behaviour has been made possible by the lack of countervailing and broadly based representative popular organisations that could ensure more 'autonomous' and socially responsible state conduct. It has also been facilitated by these same groups' near monopoly control over what appears in the country's printed and electronic media.

Fifth, the effective denial of citizenship rights to the indigenous peasantry and the historic weakness of rural popular organisations in general led both to the frustration of agrarian reform and to the urban bias of the political system and of economic and social policy making in general. Both phenomena are now reinforced by the overwhelmingly urban composition of the voting population—72.3% of the national electorate and an overwhelming 80.14% of the coastal electorate already in the mid-1980s.

The implementation of effective redistributive reforms in the countryside, reforms that could have expanded domestic markets and permitted a more balanced and socially equitable form of growth and diversification, was undercut by the capacity of estate-linked dominant classes to prevent comprehensive agrarian reform. However, the unwillingness of urban working and middle class organisations, including Marxist-inspired groups, to take a strong stand on the issue also played a role. It is worth observing that, for many if not most Marxists, the backwardness of small-scale production and the equation of proletarianisation with eventual progress (and revolutionary transformation) were articles of faith,[76] more or less in the same fashion that the equation of 'market freedom' with development is accepted truth among neoliberals today.

Sixth, given the clientelistic and personalistic character of the political system, the development of the professional and managerial capacities of the state was rather weak.

How, then, have the neoliberal adjustment policies pursed since the early 1980s and the trade liberalisation initiated later in that decade affected the tendencies and constellations of forces singled out above? Are past practices being abandoned in ways that might lead towards sustainable development and democratisation in the future?

With reference to our first point, the historical record suggests that Ecuador, rather than failing to promote exports, failed to achieve a balance between export

and domestic market development. Current attempts to earn more from exports have run up against the perennial problem—fickle international markets. Ecuador's terms of trade in 1993 had declined to 36% below their 1980 level and, despite great efforts to diversify and increase volume, per-capita export purchasing power did not reach its 1980 level until that same year.[77]

Turning to our second point, the failure to promote domestic market development was largely a consequence of the high concentration of property and earnings in export production and of the overwhelming power that major 'economic groups' exercised on public policy choices (eg, their effective obstruction of agrarian reform). The socially broader distributive impacts of banana production in the province of El Oro, where middle sized holdings participated in export markets, is the exception that proves the rule: there, relatively widespread land ownership in the expanding sector of the economy and supportive public policies permitted social progress and local market development.

Advocates of neoliberal-inspired adjustment policies have also argued that the reduction of state subsidies and the need to compete in increasingly free markets will force the country's rentier elite to modernise or be displaced by more dynamic groups. This argument ignores the ramified economic power that dominant groups have acquired through the diversification of their business activities. It also ignores the fact that the prevailing economic circumstances, in Ecuador and around the globe, encourage and reward speculative activity, often to the detriment of investment in production.

As one former government official observed, whatever the intentions of the implementors of adjustment programmes may be, their policies ensure that 'the most powerful groups—now concentrated in financial activities—can't lose'.[78] In this situation, industrialists also turn to speculation and to importing for the increasingly rich small segment of the population which concentrates purchasing power. Only a few industries have actually been in a position to modernise and they have done so by dismissing workers and increasing capital intensity, thereby further exacerbating the exclusionary distortions of the earlier ISI model.

As a consequence of all this, and as the data summarised at the beginning of this article demonstrate, another historical problem has been aggravated in the course of adjustment: the distribution of gains from all kinds of productive activities has led to a greater concentration of income, with the consequent further restriction of domestic market development.

Concerning our third point, propositions concerning the emergence of a modernised and dynamic competitive capitalism simply ignore the concentrated political power of the country's dominant groups. They have continued to enjoy remarkable access to the centres of economic policy making and, indeed, to obtain state protection. For example, the mechanisms adopted by the Oswaldo Hurtado government in 1983 to convert the private sector's $1600 million international debt into *sucres*, although defended by commentators of various political persuasions in Ecuador, are subject to serious criticism.[79] However, the decision of his successor in the presidency, coastal business leader León Febres Cordero, to delink the 'sucretised' debt from exchange rate variations became the 'gift of the century'—adding up to more than $1300 million—to a small

number of enterprises, including foreign banks.[80] At the same time, the financial position of the Central Bank was weakened.[81] When the daily *Hoy* attempted to publicise these and other similar actions of the Febres Cordero government, it began to lose advertising and access to credit.

In a similar fashion, the automobile industry, controlled by a powerful mini-group, continued to receive tariff protection while it tried to position itself for competition in the emerging Andean 'free' market. By contrast, small-scale artisans producing textiles for local low income markets were threatened by competition from imports of used clothing.[82]

As for the theoretically posited gains to rural producers from the deregulation of the prices of basic foodstuffs, they can hardly be realised in oligopolistic markets controlled by the economic groups of the dominant classes. Orthodox adjustment policy advocates forget that 'markets are culturally and politically specific institutions'.[83] Access to real (rather than theoretically postulated) markets in Ecuador is severely restricted for small and medium producers, as in the case, noted earlier, of banana cultivators' organisations which attempted to export directly. This lack of market access, including to credit, is recognised even by the neoliberal editor of the business magazine *Ekos*.[84]

To be sure, agricultural exports, such as flowers and fruit, are generating employment and therefore improving the incomes of rural workers in some regions. However, the administrator of non-governmental assistance programmes for small producers has found that they simply 'cannot access the market on favourable terms' and that, overall, levels of poverty in the countryside have become worse over the past decade as rural extension and other programmes—as inadequate and frequently corrupt as they were—are dismantled.[85] Meanwhile, new agrarian legislation has been designed and implemented in ways that enhance the position of the largest capitalist producers. Indeed, according to one international agricultural development consultant, Ecuador's agrarian laws appear to have been formulated 'to prevent small producers from organizing themselves for commercial purposes'.[86]

In effect, given the historically structured correlation of political forces in the country, adjustment policies have further concentrated the market power and privileges of the traditional few, along with some new entrants. It is unclear whence the countervailing force might emerge that could ensure a more equitable development model and greater accountability on the part of politicians and bureaucrats.

This takes us to our fourth point: countervailing political forces—popular and middle class organisations, including political parties—have been weakened by the adjustment process as workers have lost their jobs in the formal sector and some 50 000 public employees have been sacked.[87] In particular, the emerging party system of the democratic transition period, which saw the rise of major parties that, for the first time, could be placed on a left–right ideological spectrum, today lies in disarray. This is the case largely because, since the early 1980s, governments of all ideological persuasions—ranging from conservative to social democratic—have been constrained by the same domestic and international forces and consequently have pursued similar stabilisation and adjustment policies. Those policies, moreover, have been formulated by small and

insulated technocratic teams rather than emerging out of informed public debate: politics, never broadly representative in Ecuador, has become even more of a 'business of the few'.[88] The confusion among the general public is all the greater since the breakdown of socialist systems has generated widespread ideological and political disorientation among progressive groups.

It was in the field of forces generated by the social dislocations of adjustment policies and political party decay that Abdalá Bucaram's demagogically populist presidential campaign took off. When faced with the choice of electing him or the Guayaquil business elite's well groomed candidate in the run-off election of July 1996, one well educated voter commented that he preferred the obvious and anarchic robbery of the Bucaram family to the well concealed and systematic thievery of the rich. In other words, to keep his opponent out, many voted cynically for Bucaram, despite his well known excesses; others hoped that he would be able to deliver some of the jobs, schools, and housing that his campaign platform promised 'at a stroke'.

As for the possibilities of reversing urban bias, our fifth point, the emergence of an indigenous social movement is promising. The first nationwide mobilisations of indigenous—with non-indigenous—peasants took place in 1990 and 1994, in response to the harmful impact of adjustment policies on their already precarious social and economic standing.[89] Indeed, because of the national political recognition that their organisations have achieved, indigenous leaders refer to a 'decade won' rather than to a 'lost decade',[90] the common label attached to the 1980s in Latin America. Whether or not that political recognition and organisational effervescence can translate themselves into proposals and policies that actually permit the development of rural sectors remains to be seen.[91]

Up to now the indigenous movement's actions and proposals have been rather more defensive than proactive, responding to specific government initiatives rather than offering alternative policy proposals. This is also true of the vibrant women's, youth, *barrio* or neighbourhood, municipal, and environmental movements, variously supported by local and foreign non-governmental organisations (NGOs) and international development agencies. All these social movements participated in the mass protests that were central to the deposition of President Bucaram who, as might be expected, betrayed the expectations of those who had believed in his campaign promises by taking measures that further prejudiced the fragile living standards of most of the population. However, these social movements were hardly able to influence the agenda of the incoming government. It is revealing that the elite vetoed their nomination for Minister of Agriculture, the cabinet portfolio that had been promised them in the negotiations leading to Bucaram's fall.

Nevertheless, remarkable programmes that carry the seeds of an alternative development model have been launched over the past decade. Among the most impressive, 'Maquita Cusunchic/Comerciando Entre Hermanos' (MCCH),[91] established in 1985, involves the organisation of market relations, productive activities, and a variety of services inspired by an ethic of social solidarity. Linking small rural producers with poor urban consumers through some 300 community stores, MCCH serves some 260 000 individuals, nationwide.[93] However, the gains

made by NGOs such as MCCH are fragile and reversible, even when they benefit from major international funding: not only is legislation biased against small and medium producers but the NGO and church-linked personnel who provide advice and/or staff such organisations lack business experience and 'market savvy'.[94] Thus it is unlikely that institutions like MCCH can expand and deliver on their potential in the absence of a supportive public institutional and policy framework.

In this respect, aspects of the Ecuadorean state's own promotional programmes in the banana sector during the 1950s provide a precedent and some guidelines. In particular, the experience of El Oro described above demonstrates that social and economic improvements can be achieved through a better distribution of rural property and support for small and medium-scale producers.[95] As we argued, if cooperative export marketing and credit institutions had also been established, these gains could have been more widespread. For such initiatives to succeed on a broad scale, supportive public policies are critical, as the experiences of countries as different as Costa Rica and Taiwan, for example, demonstrate.[96]

As for our sixth point, suffice it to note that state capacity has been weakened rather than strengthened. The state certainly has been pared down, but it has not been 'modernised' to undertake the kinds of functions that neoliberals consider legitimate, much less the types of programmes that would be involved in pursuing the redistributive and more domestic market-orientated alternative suggested here. Meanwhile, corruption appears to have spun out of control, although generalised public disgust may yet yield some improvement in this area.[97]

Overall, we consider still relevant the conclusions and specific recommendations derived by Vos from his mid-1980s study of industrialisation, employment, and basic needs in Ecuador: that is, thoroughgoing agrarian reform and support to industries that produce goods to satisfy basic needs, the sector that saves most foreign exchange and generates the greatest amount of employment.[98]

The question is: what political forces within and outside Ecuador could ensure movement towards redistribution and the democratisation of markets as well as politics? The country's social movements hold promise but, as noted earlier, it remains unrealised: broadly based political programmatic consensus and organisation are required to generate the support to convert their micro-experiences into alternative models for development and reform of the state. Moreover, it appears that, overall, economic crisis and adjustment policies have generated greater social anomie and violence than social solidarity and organisation: crimes against property in 1994 were up by a factor of more than 6.5 in comparison to 1974;[99] between 1982 and 1992, homicide climbed from 10th to seventh place in the mortality statistics.[100]

In any case, an alternative model requires international support. It occurs to us that the World Bank, for example, could turn its recently found concern about the threat to development represented by profound inequalities in Latin America[101] into encouraging the holders of Ecuador's debt (which in 1997 soaked up 44% of the state budget) to swap it for programmes to support asset redistribution and investment in public education and basic health services. In this regard,

it is worth recalling that East Asian 'Tigers' like Taiwan and South Korea, often held up as models, redistributed before growing.[102] Unlike Ecuador and other countries that are being asked to pay their international debts,[103] the 'Tigers' also benefited from sustained and generous international assistance as they carried out agrarian and other redistributive reforms, expanded access to education and basic health services, and developed strong state institutions.

Notes

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[1] The figures summarised below were first calculated up to 1992–93 by Larrea and subsequently partly updated from various official sources. Carlos Larrea, 'Structural adjustment, income distribution and employment in Ecuador', in Albert Berry (ed), *Poverty, Economic Reforms, and Income Distribution in Latin America*, Boulder, CO: Lynne Rienner, 1997.

[2] Flooding caused by heavy rains in 1982–83 dramatically reduced agricultural production and exports and destroyed transportation and communications infrastructure; a severe earthquake in March 1987 destroyed the oil pipeline connecting production fields with port facilities and left the country without the capacity to export petroleum for several months.

[3] Catherine M. Conaghan, 'Dreams of orthodoxy, tales of heterodoxy: León Febres Cordero and economic policymaking in Ecuador, 1964–88', paper presented to the XV International Congress of the Latin American Studies Association, San Juan, Puerto Rico, 21–23 September, 1989; Francisco Thoumi & Merilee Grindle, *La Política de la Economía del Ajuste: la actual experiencia ecuatoriana*, Quito: FLACSO, 1992; Alain de Janvry *et al*, *The Political Feasibility of Structural Adjustment in Ecuador and Venezuela*, Paris: OECD Development Centre, 1993; Jurgen Schuldt, *Elecciones y política económica en el Ecuador 1983–1994*, Quito: ILDIS, 1994.

[4] Barrington Moore, Jr, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Modern World*, Boston, MA: Beacon Press, 1996; and Dietrich Rueschemeyer, Evelyne Huber Stephens & John D Stephens, *Capitalist Development and Democracy*, Chicago, IL: University of Chicago Press, 1992.

[5] Agustín Cueva, *El desarrollo del capitalismo en américa latina*, Mexico: Siglo Veintiuno Editores, 1977.

[6] Miguel Murmis, 'El agro serrano y la vía Prussiana de desarrollo capitalista', in Oswaldo Barsky *et al.* (eds), *Ecuador: Cambios en el Agro Serrano*, Quito: FLACSO/CEPLAES, 1980.

[7] Rafael Quintero & Erika Silva, 'Región y representación política en el Ecuador contemporáneo', in Rafael Quintero (ed), *La Cuestión Regional y el Poder*, Quito: Corporación Editora Nacional, 1991.

[8] Andŕe A Hofman & Rudolf M Buitelaar, 'Ventajas comparativas extraordinarias y crecimiento a largo plazo: el caso Ecuador', *Revista de la CEPAL*, 54, 1994; and de Janvry *et al*, *The Political Feasibility of Structural Adjustment*, pp 149–166.

[9] For example, Celso Furtado, *Economic Development of Latin America: Historical Background and Contemporary Problems*, Cambridge: Cambridge University Press, 1976; Louis Lefeber, 'On the paradigm of economic development', *World Development*, 2(1) 1974; Lefeber, 'Spatial population distribution: urban and rural development', in Lefeber & Liisa Worth (eds), *Democracy and Development in Latin America*, Toronto: CRLAC-LARU, 1980; Keith Griffin, *Alternative Strategies for Economic Development*, London: Macmillan in association with the OECD Development Centre, 1989; Rosemary Thorp, *Economic Management and Economic Development in Peru and Colombia*, Pittsburgh, PA: University of Pittsburgh Press, 1991; and Giovanni Arrighi, 'Peripheralization of Southern Africa, I: changes in production processes', *Review*, III(2), 1979, pp 161–191.

[10] Manuel Chiriboga, (1978) 'Conformación histórica del régimen agroexportador de la costa ecuatoriana: la plantación cacaotera', *Estudios Rurales Latinoamericanos*, 1(1), 1978; and Andŕes Guerrero, (1980) *Los oligarcas del cacao*, Quito: El Conejo, 1980.

[11] Guerrero, *Los oligarcas del cacas*, p 63. Guerrero estimates total coastal assets at 42 million sucres in 1909–11, in contrast to five million sucres in Quito (p 62). Chiriboga refers to 15 interrelated families 'Conformación histórica del régimen agroexportador de la costa ecuatoriana', p 121. All translations from the Spanish have been made by the authors.

[12] Guerrero, *Las oligarcas del cacas*, p 82.

[13] Luis Fierro, *Los Grupos Financieros en el Ecuador*, Quito: CEDEP, 1991, p 45.
[14] *Concertaje* was a form of debt peonage (including prison for debt) which was formally abolished in 1918. The *huasipungo* was the plot granted for subsistence cultivation to the Indian peasant in exchange for non-paid labour for the estate owner. It was finally abolished in 1964 in Ecuador's first agrarian reform law.
[15] Sabine Fischer, *Estado, Clases e Industria: La emergencia del capitalismo ecuatoriano y los intereses azucareros*, Quito: Editorial El Conejo, 1983, pp 239–241.
[16] Furtado, *Economic Development of Latin America*.
[17] Chiriboga, 'Conformación histórica del régimen agroexportador de la costa ecuatoriana', p 129.
[18] Germánico Salgado, 'El estado ecuatoriano: crisis económica y estado desarrollista', in Cui Hongru *et al*, (eds), *Los Nuevos Límites del Estado*, Quito: CORDES, 1989, pp 254–260.
[19] The beginnings of the modernisation of the state can be dated back to the 'Revolución Juliana' of 1925 and some investment in infrastructure began with the recovery of export production during World War II (see, for example, Fischer, *Estado, Clases e Industria*, pp 250–251.
[20] Albert Hirshman, 'Enfoque generalizado del desarrollo por medio de enlaces, con referencia especial a los productos básicos', *El Trimestre Económico*, 45(173), 1977.
[21] Carlos Larrea, chapters 1–3 and 6–7, in Larrea (ed), *El Banano en el Ecuador: Transnacionales, Modernización y Subdesarrollo*, Quito: Corporación Editora Nacional with FLACSO, 1987.
[22] It was outranked by the two provinces where the country's principal cities are located and by the Galápagos Islands, whose population is very small and benefits from tourist revenue.
[23] Larrea, *El Banano en el Ecuador*, pp 242, 243.
[24] It must be noted that, even in El Oro, extensive cattle estates held most of the land.
[25] Larrea, *El Banana en el Ecuador*, pp 253–254, and Paola Sylva Charvet, 'Los productores del banano, in Carlos Larrea (ed) *El Banano en el Ecuador: Transnacionales, Modernización y Subdesarrollo*, Quito: Corporación Editora Nacional with FLACSO, 1987.
[26] Larrea, *El Banana en el Ecuador*, pp 67–108.
[27] *Ibid*, p 270. By then, both land ownership and marketing were less concentrated in cacao production, which eventually recovered, and in coffee, which was added to the coastal export mix in the 1930s. Coffee is a 'peasant crop' and about half of all cacao now originates from small and medium sized units. However, since 1989, the two crops taken together have made up less than 10% of total exports. The export of processed coffee and cacao products, however, is highly concentrated in a few coastal 'economic groups': five firms account for about 90% of the first and two-thirds of the second. Fierro, *Los Grupos Financieros en el Ecuador*, pp 107–108.
[28] Anthony Winson, *Coffee and Democracy in Modern Costa Rica*, Toronto: Between The Lines, 1989, p 114.
[29] *Ibid*, p 107. See also Forrest D Colburn, 'Exceptions to Urban Bias in Latin America: Cuba and Costa Rica', *Journal of Development Studies*, 29(4), 1993, pp 60–78.
[30] Catherine M Conaghan, *Restructuring Domination: Industrialists and the State in Ecuador*, Pittsburgh, PA: University of Pittsburgh Press, 1988, pp 41–61.
[31] David P Hansen, 'Political decision making in Ecuador: the influence of business groups, doctoral dissertation, University of Florida, 1971.
[32] *Ibid*, pp 55–85.
[33] Navarro, 1976, pp 80–97.
[34] Hansen, 'Political decision making in Ecuador'; Navarro; and Conaghan, *Restructuring Domination*. It should be noted that some domestic market orientated manufacturing activity (and even some exports to Colombia) grew in the northern highlands during the quarter century between the decline of the cacao economy and the banana boom. This happened largely as a consequence of the scarcity of foreign exchange and the 'natural' protection created by the region's isolation. Demand was also generated by the highland location of the country's capital, Quito, which housed most of the state bureaucracy and its employed middle class, the residences of the region's traditional elite, and the principal cultural institutions. The demand effects should not be exaggerated, however, since Quito, after all, was located in an essentially agricultural society dominated by large estates and servile production relations. As late as the 1950s, *huasipungueros* could be found 'employed' in the textile factories that were an offshoot of sheep raising on the highland haciendas. Juan Maiguashca, 'Las clases subalternas en los años treinta', *Revista Ecuatoriana de Historia Económica*, III(6), 1989, p 193.
[35] Fierro, *Los Grupos Financieros en el Ecuador*.
[36] Conaghan, *Restructuring Domination*, p 50.
[37] *Ibid*, pp 50–51.
[38] Hansen, 'Political decision making in Ecuador', pp 303–304.
[39] Carlos Larrea, *The mirage of development: oil, employment, and poverty in Ecuador (1970–1990)*, doctoral dissertation, York University, 1992; and Rob Vos, *Industrialización, empleo y necesidades básicas en el Ecuador*, Quito: Corporación Editora Nacional with FLACSO, 1987, p 30.

[40] Vos, *Industrializacíon*, p 95.
[41] *Ibid.*
[42] *Ibid*, p 58.
[43] *Ibid*, p 85.
[44] Hofman & Buitelar, 'Ventajas comparativas extraordinarias y crecimients a largo plaza', p 164.
[45] Vos, *Industrializacion*, p 31.
[46] Larrea, 'The mirage of development', p 164.
[47] Vos, *Industrializacion*, p 96. See also Vos, 'Produccíon, empleo y tecnología', in Manuel Chiriboga (ed), *El Problema Agrario en el Ecuador*, Quito: ILDIS, 1988; and Keith Griffin, 'Sistemas de control laboral y pobreza rural en Ecuador', in Griffin, *Concentracíon de Tierras y Pobreza Rural*, Mexico: Fondo del Cultura Económica, 1983.
[48] Larrea, 'The mirage of development', p 157.
[49] *Ibid*, p 112.
[50] Liisa L North, 'Implementacíón de la política económica y la estructura del poder político en el Ecuador', in Louis Lefeber (ed) *Economía Politica del Ecuador: Campo, Regíon, Nacíon*, Quito: Corporacíon Editora Nacional with FLACSO and CERLAC, 1985, pp 433–443.
[51] Of course, the aggressive loan policies of international banks in the late 1970s and general optimism about increasing returns from petroleum exports also accounted for the turn toward 'aggressive borrowing'. Alberto Acosta, *La Deuda Eterna: una historia de la deuda externa ecuatoriana*, Quito: Libresa, 1994, pp 215–219.
[52] *Ibid*, pp 216–218.
[53] Conaghan, *Restructuring Domination*, p 116.
[54] Larrea, 'The mirage of development', pp 249–250.
[55] *Ibid*, p 214.
[56] World Bank, *Ecuador: Development Problems and Prospects*, Washington, DC: World Bank, 1979, p 21.
[57] Chiriboga, 'Conformacíon histórica del régimen agroexportador de la costa ecuatoriana', p 132.
[58] Juan Maiguashca & Liisa North, 'Orígenes y significado del Velasquismo: lucha de clases y participacíon política en el Ecuador, 1920–1972', in Rafael Quintero (ed), *La Cuestíon Regional y el Poder*, Quito: Corporacíon Editora Nacional with FLACSO and CERLAC, 1991, p 104; Carlos de la Torre Espinosa, *La Seduccíon Velasquista*, Quito: Ediciones Libri Mundi y FLACSO, 1993, pp 67–73.
[59] Rafael Quintero, *El mito del populismo en el Ecuador: Análisis de los fundamentos del Estado ecuatoriano moderno, 1895–1934*, Quito: FLACSO, 1980, p 282.
[60] Enrique Ayala Mora, *Los Partidos Políticos en el Ecuador, síntesis histórica*, Quito: Ediciones La Tierra, 1989, pp 24–25.
[61] Oswaldo Hurtado & Joachim Herudek, *La Organizacíon Popular en Ecuador*, Quito: INEDES, 1974, p 86.
[62] The following description of development in the southern highlands is summarised from Maiguashca & North, 'Orígenes y significado del Velasquismo', pp 113–115.
[63] Juan M Carrón, 'La dinámica de poblacíon en la sierra ecuatoriana: los desplazamientos de poblacíon y su evolucíon reciente', in Barsky *et al*, (eds), *Ecuador: Cambios en el Agro Serrano*, p 514.
[64] *Ibid*, pp 513–514.
[65] Leslie Ann Brownrigg, 'The Nobles of Cuenca: the agrarian elite of southern Ecuador', doctoral dissertation, Columbia University, New York, 1972, p 119. See also Navarro, *la concentracíon de capital en el Ecuador.*
[66] Maiguashca & North, 'Orígenens y significado del Valasquismo', p 125.
[67] Amparo Menéndez-Carrión, *La Conquista del voto: de Velasco a Roldos*, Quito: Corporacíon Editora Nacional, 1986, p 138.
[68] Menéndez-Carrión, *La conquista del voto.*
[69] Quintero & Silva, 'Regíon y representacíon política en el Ecuador contemporáneo', Simón Pachano, la sociedad imperceptable', in Rosemary Thorp *et al*, *Las crisis en el Ecuador: Los treinta y orchenta.* Quito: Corporacíon Editora Nacional with Centro de Estudios Latinoamericanos de la Universidad de Oxford and Instituto de Estudios Avanzados 1991.
[70] Menéndez-Carión, La conquista del noto, p 171.
[71] *Ibid*, p 144.
[72] Fernando Calderón *et al*, *Guayaquil, realadades y desafios*, Quito: CORDES, 1989; and Cesar Coronel, 'Centralizacíon y decentralizacíon: el caso de Guayaquil', in Coronel *et al* (eds) *Decentralizacíon y Gobiernos Municipales*, Quito: CORDES, 1993.
[73] Nick D Mills, 'Sector privado y estado nacional en el Ecuador', in Quintero (ed) *La Cuestíon Regional y el Poder*, 220–221; and Bertha García, 'Regionalismo y modernas tendencias políticas', in Quintero (ed), *La Cuestíon Regional y el Poder*, pp 200–206.
[74] Conaghan, *Restructuring Domination*, p 99.
[75] Vos, *Industrializacíon*. None of this portends well for the theoretically posited efficiency gains from proposed privatisations that would, most likely, involve the country's principal economic groups. Moreover, the evidence argues that the efficiency advantages of large enterprises in general are dubious although

'the case for the superiority of private enterprise [is] generally strong with reference to profit oriented small scale activities'. Manfred Bienefeld, 'Structural adjustment: debt collection device or development policy?', Advanced Development Management Program (ADMP) Series No 5, Tokyo: Institute of Comparative Culture, Sophia University, 1993, p 22. Privatisation through asset redistribution—as proposed by neoliberal thinker Pablo Lucio Paredes in an interview (Quito, 4 August 1995)—has not featured on the agenda of public debate.

[76] David Mitrany, *Marx Against the Peasant: A Study in Social Dogmatism*, Chapel Hill, NC: University of North Carolina Press, 1951.

[77] Larrea, 'Structural adjustment, income distribution and employment in Ecuador'.

[78] Interview with Cornelio Maerchán, Quito, 24 July 1995.

[79] León Roldós Aguilera, 'Endeudamiento externo y crisis', in Rosemary Thorp *et al* (eds), *Las Crisis en el Ecuador: Los treinta y ochenta*, pp 175–178; Thoumi & Grindle, *La Política de la Economía del Ajuste*, pp 43, 97, note 54; and Acosta, *La Deuda Eterna*, pp 243–246. Among the curious beneficiaries of the 'sucretisation' was the Quito Tennis and Golf Club which had indebted itself to the tune of some $6.5 million. From Central Bank figures cited by Acosta, *La Deuda Eterna*, p 379, Appendix Table 5.

[80] Acosta, *La Deuda Eterna*, pp 243–245.

[81] Luis I Jácome H, 'La experiencia de estabilización en el Ecuador', Quito: CORDES, Apunte Tecnico 28, 1994, pp 24–25 and note 16.

[82] Luciano Martínez Valle, *Los campesinos–artesanos de la sierra central: el caso de Tungurahua*, Quito: CAAP, 1994, p 169.

[83] Cynthia Hewitt de Alcántara, 'Introduction: markets in principle and practice', in Hewitt de Alcántara (ed), *Real Markets: Social and Political Issues of Food Policy Reform*, London: Frank Cass, 1993, p 3.

[84] Interview with Paredes, cited earlier.

[85] Interview with Boris Cornejo of the Fundación Esquel, Quito, 27 July 1995. He is convinced that 'the ideas concerning markets underlylng adjustment programmes are totally inapplicable in the context of very heterogenous markets like those of Ecuador'.

[86] Interview, Quito, 16 April 1997.

[87] While the dismissals have been massive, it is likely that a significant number of 'political loyalists' of the parties in power have been hired.

[88] The expression was used by Luis Verdesoto who, at the time he was interviewed in Quito (24 July 1995), directed a forum on public policy choices for the Fundación Esquel. The forum attempted to make politics into the 'business of the many'.

[89] Leon Zamosc, 'Agrarian protest and the Indian movement in the Ecuadorian highlands', *Latin American Research Review*, 29(3), 1994; and Zamosc *Estadística de las areas de predominio étnico de la sierra ecuatoriana: Población rural, indicadores cantonales y organizaciones de base*, Quito: Ediciones Abya-Yala, 1995.

[90] Anthony Beggington *et al*, Actores de una Década Ganada: Tribus Communicades y Campesinos en la Modernidad, Quito: COMMUNIDEC 1992.

[91] Luciano Martínez Valle, 'Organizaciones de segundo grado, capital social y desarrollo sostenible', *Iconos*, 2, 1997.

[92] The Quichua name of the organisation translates as 'let's give each other a hand'; the coupled Spanish name means 'trading among brothers'.

[93] Interview with, and documentation provided by, Homero Viteri, Administrative Deputy-Director of 'Maquita Cusunchic', Quito, 31 July 1995.

[94] Interview with Regula Chavez, Swiss contact, Quito, 15 April 1997.

[95] Martínez Valle analyses a 'successful' system of small-scale production, which developed with little or no state support, in Tungurahua which, nevertheless, is threatened by current trade liberalisation policies. Among the fundamental reasons for its development, he identifies the relatively weak landlord class of the region and the early disappearance of servile labour relations. Martinez Valle, *Los campesinos–artesanos de la sierra central*, p 162.

[96] Winson, *Coffee and Democracy in Modern Costa Rica*; and Griffin, *Alternative Strategies for Economic Development*, pp 171–189. Interestingly, Costa Rica may be the only Latin American country where adjustment policies did not produce greater distributional inequity. The fact that assets were relatively equitably distributed in the coffee export sector is among the explanations offered to account for this outcome. Albert Berry, 'The income distribution threat in Latin America', *Latin American Research Review*, 32(2), 1997.

[97] Michel Rowland, 'Corrupción: del olvido al escándalo', *Ikonos*, 2, 1997.

[98] Vos, *Industrialización*, pp 70, 44.

[99] Mauricio León, 'De la delincuencia: una respuesta social a la injusticia?', *Ekos*, 2(17), 1995, p 77.

[100] Invonne Ortuño, 'De qué nos morimos más?', *Gestión*, 12, 1995, p 74.

[101] Shahid Javed Burki & Sebastian Edwards, *Latin America After Mexico: Quickening the Pace*, Washington, DC: World Bank, 1995.