

The limits of U.S. hegemony in Bolivia regarding cocaine interdiction

Abstract

Bolivia is one of the poorest countries in Latin America, yet has nonetheless recently defied pressure from the United States to uphold its preferred approach to the 'war on drugs'. The objective of this research project is to understand how and why Bolivia has recently altered its domestic and international policy towards cocaine interdiction over the last decade. These recent shifts in policy towards cocaine in Bolivia are important, because they speak to the larger question of whether – and to what extent - the regional hegemony of the United States in Latin America has declined in recent times. As is well known, the United States has long played a major role in shaping the policies adopted by states in Latin America in various areas, yet the recent Bolivian defection from the high profile 'war on drugs' suggests definite limits to recent US influence. To help assess the causes and consequences of recent policy changes within Bolivia, this thesis draws upon a number of different theoretical approaches, including international regime theory, theories of norms and language, theories of globalization and markets, and Gramscian theories of Hegemony. Drawing upon information from the United Nations Office for Drugs and Crime (hereafter UNODC) and other sources as supporting material, the thesis argues that recent developments suggest that U.S. hegemony in Latin America has significantly eroded over the last decade, at least as far as the 'war on drugs' is concerned. Considered alongside a number of ongoing regional trends, Bolivia can be best regarded as a successful "first mover" in its approach to coca interdiction, and as a consequence of its recent change in policy the US has found it difficult to maintain its preferred approach to cocaine interdiction. Since U.S. policies have become increasingly unacceptable to the rest of Latin America, the U.S. is now obliged to either work with Latin America on cocaine interdiction or be shut out.

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Rationale

In late 2008, a number of things happened in Bolivia, which will be the topic of this thesis. The U.S. ambassador in Bolivia was removed (*The Telegraph*, 2008); the Drug Enforcement Agency (DEA), the U.S. federal government's enforcer of drug interdiction, was kicked out (Calamur, 2013); and at a conference of South American leaders, the Bolivian president, Evo Morales, found regional support for both actions (Dangl, 2009). He had argued that the U.S. had been stirring up tensions in areas where coca was grown, and so for the continued integrity and security of the Bolivian state the DEA had to go. Bolivia entered a new dynamic. The country secured greater autonomy in the face of external U.S. opposition. Bolivia had shown the U.S. that it would not be pushed around; that its policy regarding coca and cocaine interdiction would reflect the country's interests and not the interests of the U.S. government. While it had not reached the heights of economic success, Bolivia was nonetheless a favourable position to determine anti-coca and cocaine policy in a way that had not been available a decade earlier.

In the thesis, I will be exploring how and why and how the Bolivian government, having such few resources and being in charge of the poorest country in South America, has been able to defy the U.S., the supposed hegemon in Latin America, over coca and cocaine interdiction. Cocaine is the fruit of a leaf, the coca leaf, which is grown in the Andean region of South America. The cocaine trade links the Andean region with Central and North America, where the demand for the drug has traditionally been the highest in the Western hemisphere. The cocaine trade refers to production, sale and consumption. I have focused on the banning of the sale of cocaine and its interdiction, because that could reflect the substance of U.S. hegemony or not. If the U.S. were hegemonic in Bolivia, then the whole trade cocaine trade that brings together South and North America would be constrained. Bolivia is a major producer of coca; without coca, the cocaine trade would not exist. The other aspects of the cocaine trade do not express U.S. hegemony to the same degree; namely, the way in which both force and moral imperatives were to establish the framework for state control.

Of course Bolivia's relations with the U.S. and Latin America are a complex topic, which has to be broken down into a series of elements. I recognize that there are a variety of drugs that range from heroine to marijuana, each of which had its own peculiarities. However, the drug that I found most clearly expresses the importance

of U.S. hegemony in Bolivia is cocaine. Cocaine interdiction is the major component of the thesis.

Interdiction is defined as banning an activity. Cocaine activity, including production and consumption, is banned in accordance with the 1961 U.N. Narcotics Convention. Cocaine is not to be made or obtained by anyone, a rule which law enforcement is expected to enforce. By making a trade illicit, states exercise control over their citizens. There are certain goods a citizen is forbidden to obtain. This is why interdiction is such a controversial policy. Classical liberal philosophers of distributive justice like Robert Nozick and John Locke doubt the state has standing to interfere in legitimate commerce between consenting adults; they support the “minimal state” principle of political philosophy. The “minimal state” protects private property, ensures the State’s territorial integrity from external enemies, enforces contracts and regulates commerce between consenting adults according to the proviso “life, liberty and property” (Nozick, 1974). Crime and violence could become severe problems in society and the supposed benefits of interdiction would be outweighed by a loss to individual freedom and property rights.

The classical liberal theory of political economy rejects the idea of states banning an activity unless good enough reasons exist to suggest that the lives and property of their citizens will be in serious danger of ruin should nothing be done about it. Nozick’s libertarian account of distributive justice is connected with his belief in property rights, which would recognize that the banning cocaine commerce could make property rights ill-defined. Nozick claims that a “minimal state is justified if it (or something very much like it) would arise spontaneously among people living in a ‘state of nature’ through transactions that would involve the violation of anyone’s natural rights. Following the 17th century English philosopher John Locke, Nozick assumes that everyone possesses the natural rights to life, liberty and property, including the right to claim as property the fruits or products of one’s labour and the right to dispose of one’s property as one sees fit (provided that in doing so one does not violate the rights of anyone else)” (Robert Nozick, 2013:2). I intend to argue that interdiction is an international issue, which Bolivia’s language game shows. A language game requires players. In Latin America, there is a history of U.S. interventionism and hegemony. There are the players in Latin America to play an international language game due to historic U.S. actions and the reality of an international anti-drugs regime, for which the U.S. has strongly advocated.

Background

The background to the thesis deals with the recent political history of the “War on Drugs” in Latin America. During the past thirty years the U.S. has waged a war on drug trafficking and the drug trade more broadly in the Western hemisphere, which includes Latin America. Over the last decade, the Bolivian government has become confident enough to declare that the “War on Drugs” has been a costly failure in Bolivia. This declaration mirrors a broader change in Latin America’s relationship with the U.S. and the extent to which U.S. hegemony no longer obtains in the region. The U.S. government cannot dictate policy to Latin American governments in the way it used to do, at least as far as cocaine is concerned.

The “War on Drugs” has involved billions of dollars of U.S. government spending. Yet many suggest that little progress has been made given the vast sums of money spent and that the U.S. has done far more harm than good by turning what would be an ordinary question of international law enforcement and co-operation into a militarization of societies in Latin America (Chomsky, 2009).

Framed in terms of the magnitude of U.S. hegemony in Latin America has been the phenomenon of the “Washington consensus”. The “Washington consensus” was articulated by an American, John Williamson, who recommended 10 policy measures that he felt could be applied to Latin American economies (Symoniak, 2010). Williamson held that the measures should be regarded as the lowest common denominator of policy advice being addressed by Washington-based institutions to Latin American countries as of 1989 (Centre for International Development Harvard University, 2003). The ten included in the analysis: fiscal discipline, trade liberalization, deregulation, tax reform, a competitive exchange rate, secure property rights, privatization, redirection of public expenditure towards high-return sectors, liberalization of financial markets and inflows of foreign direct investment” (cid.harvard.edu, 2013). For a simpler version I use Joe Stiglitz’s, who grouped these 10 measures into 3 major ones: fiscal austerity, privatization and market liberalization (Stiglitz, 2003:53). Fiscal austerity involves big cuts to government spending together with sharp increases in user charges for households’ consumption of electricity and water. Market liberalization is the elimination of trade barriers, price controls and any kind of government intervention in the free market. Privatization is the selling of state-owned assets to individuals or

corporations in which government shrinks its role as a provider of public goods, from which the private sector is supposed to gain utility.

Using an analysis provided by Stephanie Lawson (2013:99), I claim that the “Washington consensus” demonstrates neo-classical economic principles. “From a neoclassical economic perspective, government – especially the welfare state in the post-World War II era- is inefficient. Thus beyond the provision of basic public goods – the rule of law and external security- the dismantling of the public economy must come sooner or later in an era of globalization”. The “Washington consensus” is an extension of free market hegemony. Government should get out of the private sector’s way to allow it the room to innovate. Entrepreneurs should be encouraged to take more risks to get ahead. The provision of too many public goods, which are designed to be non-rivalrous and non-excludable, hurts entrepreneurship. Returns on an entrepreneur’s talent and effort could be less than ideal.

During the 1980s and 1990s this policy framework gained adherents. Western governments were interested in its application to various Latin American countries. They would see that Latin America’s problems were “grave”. “Government bureaucracies were often bloated, transparency was minimal and the State was viewed as a patrimonial entity by politicians and citizens” (Baer & Love, 2000: 3). The Regan and Thatcher governments stressed that developing countries had not caught up with developed countries (development economics had failed) and a new radical fundamentalist approach was required to narrow development gaps, which the “Washington consensus” instantiated. “With the ascendance of the Washington consensus, there was growing support from the Regan and Thatcher governments for the ‘counter-revolution’ against development economics. Ignoring the earlier rich debates, within development economics, the counter-revolution insisted on the universal relevance of its presumed notion of economic rationality, and, hence, of laws of supply and demand based on the optimizing behaviour of individuals” (Fine & Jomo, 2006:viii). Latin American countries had failed to catch with their developed counterparts and were falling behind their East Asian rivals for foreign investment. The right package of policies was seen a necessary condition for catch up. States had implemented the wrong policies. Hence the word “consensus” was included. Since the first oil price shock in the early 1970s when the Organization for Petroleum Exporting Countries (OPEC) imposed an embargo on crude imports from the Middle East to the U.S. and Israel, Latin America’s economy had

continually been in financial crisis. “Following the oil price hike 1973-74 and the economic slowdown in the West, rapidly rising interest rates precipitated fiscal and sovereign debt crises in Latin America and elsewhere. Most of these heavily indebted countries had no choice but to seek emergency and other credit facilities from the IMF and World Bank” (Fine & Jomo, 2006:viii). It was thought that if all states in the region had followed the consensus the shocks would have had less severe effects on Latin American economies. “Soon, especially within the U.S, other social sciences, led by sociology and political science, began to mimic the new fads in economics – for example, rational choice, socio-metrics and applied statistics” (Fine & Jomo, 2006:viii).

In the 1990s, the then Bolivian president Sánchez de Lozada adopted the “Washington consensus”, in exchange for U.S. aid. He was a free-market liberal educated in the U.S. By his people, Sanchez de Lozada was known as “el gringo” since he spoke Spanish with an American accent (BBC News, 2003). The rise of the “Washington consensus” meant Bolivia’s relationship with the U.S. would change. When Evo Morales became Bolivia’s president in 2005 (BBC News, 2011), he would recognize that the consensus had been an expression of neoliberalism’s triumph. He felt that the consensus had severely hurt Bolivia; the neo-liberal formula of economic liberalization had been deeply detrimental for Bolivia and Latin America as whole. The Bolivian economy had become painfully dependent on external powers for growth and development. Economic liberalization would help Western companies but not Bolivians themselves. The major implication of the “Washington consensus” was that countries like Bolivia were now dependent on movements in the global economy and global financial markets; economic deregulation and trade liberalization had significantly compromised their economic independence and political sovereignty. Neo-liberal thinkers had seen that the 1973 oil crisis was “evidence of the need to rein in state power and restrain the anti-market policies that accompanied excessive state growth” (Kingstone, 2010:55).

Problematic

The major problem of the thesis is that while it may appear that U.S. hegemony has declined in Latin America, that appearance could be misleading. A great amount of investigation is required to measure how and why U.S. hegemony has declined in Bolivia in particular and Latin America more generally. I break down this task into the Bolivia case study and the exploration of Gramsci’s hegemony theory: Bolivia’s

status within a changing regional context in Latin America during the past decade is the problem identified in the investigation.

Bolivia's status in Latin America has been relatively secure throughout the past two centuries since the end of Spanish colonization of the Americas; the country has been part of the Ibero-American group of countries. Yet it, along with other coca-producing countries, Peru and Colombia, has not been insulated from pressure exerted by the United States in respect to cocaine interdiction. Cocaine interdiction has been an attribute of U.S. power in Latin America since the 1980s and 1990s when the Reagan administration began ratcheting up the "War on Drugs" in the region, which the George H. Bush and Clinton administrations then both continued. Consequently, Bolivia's history has been caught up in a regional game between Latin American countries and U.S. power. At the same time that its internal dynamics have been different, particularly economically, to the rest of Latin America, Bolivia has been an aspect of Latin America's political economy and U.S. participation therein.

Clear time periods are evident in the analysis; that the 1980s and 1990s were a real contrast to the present time. The 1980s and 1990s reflected the rise of the "Washington consensus" and U.S. hegemony in Latin America while the 2000s reflected a changing international political economy and more complex regional dynamics. The Bolivia case study will attempt to show there really has been change in Bolivia's relations with its neighbours and the U.S. The country is the weakest economically in South America and would have had its policy change short-circuited by U.S. power if the pressures of the 1980s and 1990s had continued. This has not happened.

While an economically very poor country in Latin American terms (it is the poorest country in South America) (Guardiola-Rivera, 2010:377), Bolivia is nevertheless socially a country similar in kind to all countries in Latin America, which is a function of Spanish colonization. Many indigenous communities in Bolivia were wiped out. Spanish colonists arrived. A new society grew, which was completely different to the old. Spanish became the primary language and Roman Catholicism the dominant creed in Bolivia. Bolivia was part of Spain's American territories.

In conclusion, the problem is that Bolivia has not fit the grain about narratives regarding U.S. power in Latin America and the U.S.-sponsored "War on Drugs" 2008 onwards; that the U.S. has really imposed its drugs policy stance on

economically under-developed states like Bolivia with the result that they are unable to change it in accordance with their individual will.

I intend to explain *how* and *why* these narratives are not relevant in Latin America anymore. I use a number of concepts and theories to guide my research. I plan to concentrate on recent history i.e. from the 2000s decade, during which changes from the 1980s and 1990s were evident.

Primary Research Question

To what extent do recent changes in Bolivia's approach to cocaine interdiction indicate a limit to U.S. hegemony in Latin America?

Chapter structure

The thesis is divided into six chapters. The first is an examination of several theories and concepts; namely international regime theory and Wittgenstein's theory of "language games", which are integrated into a discussion of Bolivia's recent political history. I will deal with international regime theory as stated by Stephen Krasner (1983) and Wittgenstein's philosophy of language. The third chapter is an analysis of hegemony theory, which is an exploration of Antonio Gramsci's Marxist philosophy. Gramsci argued that hegemony is not simply a matter of violence and coercion; rather, it is also a matter of moral and intellectual "leadership" in which the hegemon's beliefs and intentions are subsumed into subordinate states' that reflect their own innate disadvantage. Gramsci was mostly concerned with hegemony within the State and not with international political economy. A neo-Gramscian scholar, Robert Cox, picks up this challenge in a critical analysis of international institutions and how they can interplay with the dominant national political and economic classes in the "historic bloc" of states to establish international hegemony. Gramsci and Cox's writings are relevant because they speak to how historical and contemporary relations between the U.S. and Latin American states have taken place on an extremely unequal basis: the U.S. has been dominant and exerted influence through international regimes and institutions to further its national hegemony in Latin America.

The fourth chapter is a discussion of the "Washington consensus", which constitutes a powerful set of influences on Latin American states to reform their economies to justify economic aid. The "Washington consensus" represents the rise and decline of U.S. economic power, which relates to Gramsci and Cox's hegemony

theory. They talk about “historic blocs” and the influence of international neo-liberal institutions like the IMF and World Bank, which have contributed towards the hegemony of those Western countries in the “historic bloc”. The fourth chapter links up with the third by showing how Gramsci and Cox would have seen the rise of U.S. hegemony through the lens of the “Washington consensus” and only to see it dissipate in the previous decade. This is to show that Gramsci and Cox’s emphasis on the importance of building consent has been overtaken by regional economic and political dynamics in Latin America. Regional economic and political dynamics in Latin America are overcoming the imputed perfect balance between coercion and consent developed in Cox and Gramsci’s theory. There is now a clear bias against consent and coercion

The fifth chapter is an argument that Bolivia’s actions were to be interpreted by leaders in the region in a certain way; that is to say, they would be receptive and not hostile to them. I will further argue by implication that Bolivia’s triumphs in coca and cocaine could extend to the whole of Latin America. Wittgenstein’s theory of language allows for an application to regional politics and economics. In the context of the centrality of the state in Latin America and the collapse of U.S. gravity in the region, the limits of U.S. hegemony in Latin America came to be seen. The fifth chapter is a discussion of the implications of the decline of the “Washington consensus” on Latin America’s regional political economy. The sixth chapter is the conclusion, which points out that in Bolivia specifically and Latin America more generally, there is a completely imperfect balance between coercion and consent. Using international regimes theory and Wittgenstein’s philosophy of language, I argue that an effect of changing regional and political dynamics in Bolivia and Latin America is that cocaine interdiction in Latin America can no longer happen on U.S. governments’ terms and through U.S.-sponsored international regimes.

The chapter structure follows a clear logic: Bolivia’s approach must be understood within the context of regional dynamics; which Stephen Krasner’s international regimes theory, Ludwig Wittgenstein’s theory of language, Gramsci’s theory of national “historic blocs” and domestic hegemony, and Robert Cox’s revision of Gramsci’s domestic hegemony theory in regard to international political economy, provide. Each theory contextualizes the others in a way that U.S. hegemony appears limited. An argument arising from them is developed. For example international regimes theory emphasizes the power of individual states to establish

norms and rules to guide their individual and collective behaviour. On the other hand, Wittgenstein's theory stresses that individual states may be playing different "language games" with each other that excludes communications from outside observers. For example, Latin American countries may play a "language game" among themselves that excludes U.S. participation therein; since they set the rules of the "language game". Robert Cox's revision of Gramsci's state hegemony theory for the purpose of understanding international political economy (1983) assumes that "hegemony at the international level is not merely an order among states. It is an order within the world economy of a dominant mode of production which penetrates into all countries and links into other subordinate modes of production...World hegemony can be described as a social structure, an economic structure and a political structure; and it cannot be simply one of these things but must be all three" (Cox, 1983:137). Those countries that subsist in the subordinate modes of production find themselves powerless relative to the dominant mode of production. Yet they do not perceive their lack of power, because of the trinity of structures that defines their material existence.

Methodology

The thesis follows a theoretical and empirical methodology. I use the insights provided by the specified theories to appreciate Bolivia's political history and the decline of U.S. hegemony in Latin America during the 2000s, which will lead onto a description of Latin America's political conditions. The methodology is a rational empirical investigation of a period of Bolivia's political history, which extends into questions about the decline of the "Washington consensus" and the decline of U.S. hegemony in Latin America. If Bolivia managed to reclaim its sovereignty through a series of drastic actions, being the poorest country in South America, then the rest of Latin America could start wondering if U.S. hegemony might be finished. A "language game" was played between Latin American countries themselves and the U.S., in respect to specific events that took place in Bolivia in 2008. The methodology is to integrate rational thought and empirical information to discern what were the reasons and results of the dramatic events of 2008; to understand the political and moral language that the Bolivian government used to rally Latin American leaders in the aftermath of the decision to expel the ambassador and the DEA.

As part of the thesis's methodology, I do a case study of Bolivia, which encapsulates regional dynamics in Latin America. Within the case study, I pay particular attention to cocaine. I argue that the answer to the specific question of whether U.S. hegemony in Latin America has declined or not rests on the Bolivia case study's analysis of coca and cocaine interdiction. The case study considers Bolivia's domestic coca and cocaine policy within the context of regional politics and economics. Thus the thesis's focus is not strictly on Bolivia, but Bolivia's relations with Latin American states as well.

Chapter 2: International regimes, Wittgenstein and Bolivian political history

Introduction

This chapter is divided in three sections: a discussion of Stephen Krasner's theory of international regimes, an explanation of Ludwig Wittgenstein's concept of language games and finally an application of the first two to Bolivia's recent political history. The principal argument to follow from the first section is that Krasner is committed to the idea that international regimes are normative frameworks for influencing and explaining international behaviour. As a result, international regimes can provide an understanding of international political economy and hence Bolivia's recent history. On the other hand, Wittgenstein's concept of language games brings to light the importance of regional patterns of thought and contextualizes international regimes in Bolivia's recent history. I argue that Bolivia's recent political history should be seen as an attempt to reject international norms within the context of regional integration and power, language games. By integrating international regimes theory with Wittgenstein's philosophy of language, I am saying that normative frameworks are expressed in language, specifically in languages games, which implies that while Latin America might be having a conversation with itself, the U.S. might be doing so too.

International regimes

For international regimes theory, I examine the work of Stephen Krasner, who has conceptualized what an international regime is and what are its functions in international political economy. Krasner (1983) defines a regime as being "composed of sets of implicit or explicit rules and decision-making procedures around which actors' expectations converge in a given area of international relations and which may help to co-ordinate their behavior" (Young, 2011:20). International regime theory points out that in the post-World War II period international norms developed, the effect of which was to build a causal mechanism between the internal and external sphere and ensure international peace and security. Examples include the international trade regime coordinated by the World Trade Organization (WTO) and the anti-drugs regime by the UNODC. They reflect the post-war international order; that states are looking to grow, which international insecurity threatens. During the Cold War, the uneasy peace between the U.S. and the Soviet Union loomed large. The argument that Krasner (1983) makes is that "sets of implicit or explicit rules" changed the international game.

International behavior would be mediated. To say as liberals had said the international game was played only between states was to simplify things too much and ignore changes in the post-war period. Rules undoubtedly supervene on international behavior. Rules are given theoretical roles. Norms have the power to shape states' behavior and are causally significant. Norms provide a causal link between state and international action.

International regime theory emphasizes the causal role of norms and procedures in governing interaction and downplays the role of rational co-operation between individual actors. International regimes institute rules and norms for states to follow. States take decisions based on their following international norms. An important aspect of international regimes theory as proposed by Krasner is that international regimes allow for international co-operation and co-ordination over a range of areas including drugs. By supporting the normative and procedural framework that international regimes provide, states recognize that they offer utility. Greater international co-operation and stabilization of international disputes are possible effects. "Sets of norms" reassure their jittery diplomats, who are not persuaded that international security is a realistic prospect despite the presence of nuclear weapons, which previously informed the continuing "hard and bitter peace" between the Soviet Union and the U.S. The calm sometimes appears before the storm. The time might be right to make unthinkable, which norms have the potential to do. In the next paragraph I will consider this point in reference to international prohibition regimes.

In the post-World War II period a category of international regime called international prohibition regimes, of which drugs are an example, gained strength. States became worried about drug trafficking, which was widely linked to transnational organized crime. International prohibition regimes are effective to the extent they get countries to agree to the principle that international security happens at the global level in addition to the bilateral. In regard to drugs states signed up to a number of U.N. conventions, the most important of which were the 2000 U.N. Convention on Transnational Organized Crime and the 1961 U.N. Convention on Narcotic Drugs. International criminal law is settled legal practice, which most states have integrated into their own bodies of criminal law. States recognize crimes take place in international space, for which extradition treaties and international crime conventions are designed. The EU has instituted a European Arrest Warrant (EAW) rule in which any member state is obliged to arrest

a suspect known to be a fugitive in another (O'Hare, 2011). The International Criminal Police Organization (ICPO) has launched a color-coded system for states to arrest international fugitives (Interpol, 2013). Additionally states abide by international criminal law for pragmatic purposes: they do not want to put international security at risk. If drug traffickers or arms smugglers were to get away with their crimes they would undermine international security. The idea of bad states "undermining" international security through bad behavior has had a long history. It is a history borne out of the experiences of international social movements, particularly the cause of anti-slavery. In saying that slavery should be abolished, the British government would argue that slavery is morally reprehensible and other countries taking part in the slave trade should reflect a collective sense of guilt and shame (Lovejoy, 2011:135). That chattel slavery had been a legitimate enterprise for so long, until the late 18th century, would seem to contradict international regimes theory. It took a long time for the British to build a strong enough normative framework for anti-slavery. Yet as the abolitionist movement gained strength in Britain in the late 18th and early 19th centuries, international behaviour began to change significantly in respect to slavery, which suggests that international norms can influence international moral behaviour.

Norms and rules are not only behaviourally specific but language specific. For friends of international regime theory like Nadelmann (1990) to treat global prohibition regimes as arising from the "evolution" of norms is for them to say that international norms have shaped international behavior for a very long time, which is true. International moral behavior has been guided by the evolution of international norms. International norms have been behaviourally significant. But as my interpretation of Ludwig Wittgenstein's philosophy of language is to make clear, international regime theory could still fall short in an analysis of international norms in the post-World War II period because of a possibly narrow focus on international moral behavior. The reality is that international regimes are based on rule-following and language games, in which states know when it is their turn to move and not, and are not predicated on good or bad moral behaviour. Post-World War II states have actually followed international rules, which come from international norms. Moral behaviour is secondary to actual rule-following. International regimes theory concerns normative language. In the next section, I explore a theory of language, which underlines that normative language is understood within the context of language games.

Wittgenstein's philosophy of language

The great Austrian philosopher of language Ludwig Wittgenstein argued rule following is a public activity. If rule following were a private activity and open to introspection, then behaviour would be the only way people knew what anyone thought, which he found unacceptable. Addressing the nature of both mathematics and language Wittgenstein concluded rule-following occurs in public language games (Marion, 1998:157). A "language game" is a *form of life*: "We don't start from certain words, but from certain occasions or activities...the term "language game" is meant to bring into prominence the fact that the speaking of a language is part of an activity, or a form of life" (Blair, 2006:129). Language games are governed by grammatical and logical rules for the purpose of mutual intelligibility and understanding. "The interplay between language and 'reality' does not always reflect the truth, but is often fictional" (Gorlee, 2012:159). The crucial thing is that a "language game" cannot be played by a Cartesian Ego; that is to say, a thinking or knowing human subject. One cannot introspect to find an object of consciousness as Descartes supposed with his famous "Cogito ergo sum" proposition. A "private" language game with the conscious self cannot occur. This Wittgenstein demonstrated in his famous "private language" argument. A language user cannot indicate to himself the mental sign of a word; that this word means x without using some external criterion provided by the "language game" (Insole, 2006:30).

Applying Wittgenstein's theory of language, I argue states in the post-World War II period played an international relations "language game". The game worked by two states, namely the U.S. and the Soviet Union, making gestures towards developing countries that would respond to them with a wink or a quick nod of the head; that they were doing what they had been told. In using to excellent effect the language of gesture and flattery, developing countries could appear sympathetic members of the international community. They could express that they were all following the same logic of international co-operation and co-ordination; and yet, the U.S was doing terrible harm to them. The U.S. was not playing the language in a spirit of fair play. Notwithstanding, the U.S. continued playing the "language game", wanting to persuade states that it could be trusted and that if they co-operated with the U.S., the global economy would benefit. Its international behaviors pointed to the other conclusion; that the U.S. had stopped playing the game, of which the CIA's intervention that aimed to overthrow Chile's democratically elected

government headed by Salvador Allende in 1973 and the organization of death squads in El Salvador spoke (Cockburn, 2010). The U.S. went “rogue” in Latin America and showed disdain for Latin American countries’ sovereignty. However the other conclusion missed the point. Despite its “rogue” behaviour the U.S. continued playing the “language game” of international relations. No state knew what the U.S. really thought and believed. Its international behavior is not a true indication of knowledge about thought and belief. States are not Cartesian subjects that know the content of their thoughts and beliefs. They merely follow the moves of the “language game”. Truth is relativized according to the number of players and location of a “language game”. In Bolivia’s “language game” with Latin America, the truth is that the U.S. has ignored the desires of Latin Americans for sovereignty and economic autonomy from the U.S. In the U.S.’s language game with other Western states, it is true that the U.S. has been at the forefront of the international anti-drugs regime and the enforcer of drugs interdiction. Both language games run concurrently with different truth claims.

International moral behaviour does not identify international norms. Each move in international relations is a move in the international relations “language game”. Norms are not causally active; they only exist in terms of “language games”. States “believe” i.e. in regard to “language games” that the U.S. is a rogue state that violates international law. International misbehavior is treated this way in the “language game”. States are the primary actors in international relations, which are able to take part in language games. They are individual players. In regard to international institutions, which are the non-state actors in international regimes, there is not the directness of play that a “language game” needs in order to be one. What I mean is that international institutions have institutional hierarchies, which have their own rules. These rules make free and equal play in the moves of a “language game” difficult to achieve. The “language game” is not transparent enough; states in the international institution setting may often not know what language games are being played. For a language game to be played, the rules and players must be mutually understood.

International institutions depend for their existence on the institutionalization of rules and norms. It is possible that a change in the regional and international environment can lead to a state of the world, in which one state or a group of states rejects international rules and norms without repercussion. Such conditions have obtained in Bolivia.

The above discussions of international regimes and Wittgenstein's philosophy of language bring to light that language games are the vehicles for expressing thought and opinion. On the basis that states are individual things and can be players in a "language game" and international institutions are not due to their complexity and institutionalization, I claim that states are the primary actors in international relations. In recognition, I explore Bolivia's political history; if states are the primary actors in international relations, then I must look to what has been happening in Bolivia itself.

Bolivia's political history

Bolivia is a complex place, which has recently undergone extraordinary change in a comparatively short space of time. In 2005 Evo Morales became the first democratically-elected Bolivian president of indigenous origin. In 2008, as noted earlier, he removed the DEA from Bolivia (Marcy, 2010:254). In 2011, his government took the country out of the 1961 U.N. Convention on Narcotics control, which bans the production of coca and the manufacture of cocaine (*The Guardian*, 2011). I support the application of Wittgenstein's theory and Krasner's theory because they will give a clear and satisfactory explanation for how and why such change has happened. It would appear that the reason could lie in the fact that the nature and intelligibility of regional power has changed and is changing. The U.S. is no longer a hegemon; while at the same time, Bolivia has begun acting with much greater self-confidence.

Like other states, the Bolivian state seeks to build capacity for economic development. The Bolivian government acts rationally and wants to increase Bolivia's economic potential. Bolivia's tax-to-GDP ratio in 2012 was 48.4%, well above Mexico's at 23.2% and Colombia's 28.5% (CIA World Factbook, 2013), being other Latin American countries involved in the cocaine trade. A high tax-to-GDP ratio means that the State takes a substantial chunk of the country's output; the Bolivian economy is largely driven by government consumption and investment. In regard to Mexico and Colombia, which have relatively low tax-to-GDP ratios, the State is not as dominant in the economy. The economy is more driven by the private sector than in Bolivia. This is relevant because in the previous section, it was said that the state is the primary actor in international relations. That has to be substantiated by what happens in the State itself. Bolivia runs a budget and current account surplus, and has a low national debt to GDP ratio at 34.3% (CIA

World Factbook, 2013). This means that Bolivia does not have to worry too much about what foreign investors think of its coca policy. The country is self-financing and currently enjoys economic independence. Bolivia does not need foreign capital inflows to fund a current account deficit. The Morales government has been spending more on education and less on defence. In 2006, Bolivia spent 6.3% of its GDP on education, the second-highest in Latin America after Costa Rica. Only 1.3% of Bolivia's GDP was spent on defence (CIA World Factbook, 2013). Bolivia thus spends four times as much on education as on defence. Coca interdiction is not a priority. Bolivia has been enjoying relatively high commodity prices. Bolivia's economy has high commodity export content. According to World Bank country studies (2009) Bolivia's export to GDP ratio is "among the highest in the Latin America & Caribbean region". While poor the country does earn a lot of foreign exchange. Now that Bolivia's economic situation has been described, I should point out what are the particular internal dynamics that the case study presents: the coca leaf and cocaine interdiction.

Coca is a leaf that continues to be chewed by indigenous people in the Andes. Bolivians of Amerindian origin, whom the President considers a marginalized group of society compared with Bolivians of European origin, have had their contribution to Bolivian society recognized by the state, which wants to change Bolivia's economic order; that is to say equalize the gaps between European and Amerindian Bolivians. Poor Bolivians are to be uplifted. President Morales has pointed out that "The fight of our people is an historic struggle against Empire", meaning Spanish colonial rule (Cockcroft, 2008). He is a member of the Aymara indigenous group. The Aymara are one of Bolivia's many indigenous groups (*The New York Times*, 2012). In 2010 Mr Morales argues that in the same light that Bolivians are "against Empire" they should be against "U.S. imperialism". He says U.S. anti-drugs policy has been a "pretext for interventionism" (Alexander, 2010).

Bolivia has shown a lack political will to enforce coca interdiction. A kind of measure for determining the political will for a particular issue or project is to consider the share of government spending going into it and the total size of government. In Bolivia's case, it is apparent that interdiction in Bolivia has not been pushed through. Defence spending has stayed low while the size of the state has remained high. Bolivians have reacted negatively to the U.S. DEA's desire for coca eradication. According to the UNODC, since reaching a 20-year low in 2000,

Bolivian coca cultivation more than doubled from 14,600 ha in that year to 30,900 ha in 2009 (UNODC, 2010:66).

Bolivia's coca "language game" has stressed the reality of regionalization, which expresses Latin America's distinctiveness. It has stressed the reality of regionalization in that language games occur in different places, at different times and under different conditions. Language games are non-specific. Regionalization is a problem because some language games are not perfectly translatable into others. There are special nuances of meaning in particular language games that players in another language game will not recognize. On September 12 2008 the Bolivian government expelled the U.S. ambassador, Philip Goldberg, from the country (McDermott, 2008). Three days after Bolivia's decision to expel the U.S. ambassador, on September 15 2008, the newly constituted Union of South American Nations (UNASUR) held its first meeting of South American leaders in Santiago, Chile (BBC News, 2008). This was to discuss the security crisis taking place in eastern Bolivia, where coca is mostly grown, which President Morales had accused the U.S. government of sponsoring. By sponsoring a rebellion, President Morales meant that the U.S. had been destabilising Bolivia. On the same day that the UNASUR meeting in Chile was beginning, President Morales declared martial law to be in effect in the province of Pando in eastern Bolivia (Vergara, 2008).

President Morales argued at the meeting that the Bolivian government was under threat of a U.S.-backed coup. Michelle Bachelet, Chile's president and chair of the meeting, "took the leaders on a tour of the government palace, into the room where former president Salvador Allende committed suicide when a U.S.-backed coup against him took place in 1973" (Dangl, 2009: 3). According to Laura Carlsen, a long-time Latin America analyst and director of the Americas program in Mexico City, "the message was clear that this was not going to happen", that a democratically elected leader would be forced from power in a violent coup while the rest of the region did nothing. "As Bolivia's South American neighbours rallied in support of the Morales government at a crucial moment, the Bush administration devoted its attention to castigating Bolivia for expelling the U.S. ambassador" and for "failing demonstrably to meet its obligations under international narcotics agreements" (Dandl, 2009:3).

Most South American governments did not criticize Bolivia's decision to remove the U.S. ambassador. The country had successfully emphasized national sovereignty

and the U.S. DEA's destabilizing role in eastern Bolivia as motivating factors. On 15 September 2008 at the UNASUR meeting South American leaders expressed "full support for Bolivia's democratically-elected government" (Bolivia Information Forum, 2008). UNASUR is one of the "newest in a series of regional networks" making "collaborate political and economic decisions throughout South America". South American leaders "backed Morales" and bought his claim that the U.S. was sponsoring the security crisis in eastern Bolivia (Dandl, 2008). In November 2008 Morales' government kicked out the DEA. It accused the U.S. DEA of supporting drug trafficking in the eastern parts of the country and undermining the unity of the Bolivian state. In March 2009 President Morales "brought coca leaves" to the U.N. headquarters in New York City for a U.N. summit on drugs. During a speech he said the Bolivian government is "*for* the coca leaf but *against* cocaine". The coca leaf should no longer be "vilified and criminalized" (Kleiman & Hawdon, 2011:139). "Many Latin American countries saw coca eradication as an attempt on the part of the world's largest consumer to bully them into footing the bill of the U.S.'s own problems at home" (Frye, 2012:4).

In January 2011 President Morales' government convinced the Colombian and Spanish governments that Bolivia was in favour of cocaine interdiction and not coca interdiction; Bolivia would continue to fight drug trafficking. It was a move that neutralized regional pressure on Bolivia to enforce international law regarding coca-growing activities. Colombia, being the world's largest grower of coca, and Spain, being Latin America's foremost colonial power, both turned against coca interdiction, which they had previously supported (BBC News, 2011). Mexico was the "only Latin American government" that continued to support coca interdiction under the 1961 U.N. Convention. Costa Rica, Venezuela, Uruguay and Ecuador "went on record" in supporting Bolivia's request to have the coca interdiction provision in the Convention removed even though "they were not required to". If there had been no opposition to Bolivia's bid to have coca decriminalized, it "would have been automatically granted". However, the U.S., "supported by the International Narcotics Control board," organized a "friends of the convention group" to back an anti-coca stance. 18 countries eventually opposed Bolivia's bid (Smith, 2013). These were mostly developing countries with the noticeable exception of Spain, Bolivia's former ruler (druglawreform.info, 2011). In June 2011 Bolivia had no choice but to leave the 1961 U.N. Convention on Narcotic Drugs that banned the coca leaf. The U.S. was primarily to blame, having long interfered in

Bolivia's domestic affairs and forbidden the use of coca for Bolivia's indigenous people.

The case study of Bolivia shows the contrast between coca and cocaine interdiction. Bolivia is a coca-growing country. Indigenous people have chewed coca for centuries. Coca is a natural resource and cocaine is not. Cocaine is a secondary manufactured good. Bolivians expect their government to protect coca and not have expected their government to protect cocaine, which they recognize is connected with crime and violence in Latin America and unrelated to their country. Coca is part of Bolivia. Consequently no Latin American state decided in 2011 that Bolivia should be declared a "bad" citizen of the international system that should be held up as "deviant". By leaving the U.N. Convention in 2011, Bolivia extended the duration of the coca language game to include Latin American feelings about U.S. power.

Conclusion

Wittgenstein's theory of language games contrasts with international regime theory. Normative language games can be played between states. The meaning of norms is not fixed. Depending on conditions, they can change, which language games help bring about. Cocaine interdiction has been governed by a series of international conventions. The Bolivian state has been sovereign in a virtual sense. However in being part of the coca "language game", the Bolivian government has nevertheless relativized the 1961 U.N. convention to make it seem a source of U.S. power and control in Latin America. While the anti-drugs regime continues to exist, which covers cocaine interdiction throughout the whole of Latin America, Bolivia can continue playing its coca "language game" with other Latin American states.

As a consequence of breaking free from the U.N. Convention, Bolivia has started to make progress. A positive feedback loop between a current account surplus and a rejection of the anti-drug regime that sponsored the interdiction of coca has created the antecedents for greater sovereignty. Bolivia has been a "first mover"; that is to say, it is the first Andean country to have actively opposed coca and cocaine interdiction and threaten to pull out of 1961 U.N. Convention. The 1961 U.N. Convention on Narcotic Drugs makes it clear coca chewing and cocaine consumption are interdicted (UNODC, 2013). Coca eradication projects initiated by the U.S. DEA have not been successful. The Bolivian government has had the strength to tell the U.S. DEA to stop coca eradication. Indigenous people have not

been powerless to stop the DEA. Bolivia's sovereignty has not been violated. That Bolivia pulled out of the Convention in 2011 in reaction to coca's continued banning showed that on the international stage Bolivia has nevertheless been paying attention to the needs of indigenous groups some being the world's most vulnerable. Bolivia's coca "language game" has been popular with Bolivian farmers, who were Amerindian peoples like Mr Morales himself. International pressure on the Bolivian state to reform dissipated. In the next chapter I consider the applicability of Wittgenstein's philosophy of language to regional economic trends.

Chapter 3: Wittgenstein and regional economics

Introduction

This chapter is divided into four sections: the first section looks at another language game taking place in North America regarding energy; the second section examines the language used in understanding and describing natural resources; the third section is an analysis of the language used in discussions of global economic trends; the fourth section is an exposition of a problem for relativizing language into language games; and finally the fifth section is a solution using Saskia Sassen's theory of globalization to appreciate global and regional cocaine interdiction trends.

What I intend to argue is that Wittgenstein's theory concerns the relativity of forms of life, which are embedded in the actions of language users in different places and at different times. For example, an American living in South Africa is not the same subject as an American living in the U.S. The nature of his subjectivity is different. Subjectivity is not an essence as Descartes supposed. Subjectivity is a contingent phenomenon determined by the actions of human individuals on the environment and through interactions with other humans. Subjectivity and human identity is a function of human activity and the quality of moral action and not the human essence. Human actions are real and have real effects, and are not simply things in the mind.

A move in one language game could be the opposite in another. Rules for language games are fixed by language users themselves, who apply them in the same way to make what they are trying to say intelligible. "Forms of life" enter into what rules are constituted by language users. A form of life is an attribute of lived experience in which a community of language speakers is able to understand one other during the practice of a particular "language game". "The set of responses in which we agree, and the way they interweave with our activities, is our *form of life*" (Kripke, 1982:96). Human beings are materially productive and socially embedded creatures; what they explain and do must be intelligible to them.

Shale gas energy language game

Now North American leaders in the 2000s seemed to fit this description of a form of life, in which North Americans entertained certain intelligible responses to questions: a "language game" regarding natural resources and international

terrorism emerged between U.S. President George W Bush and Mexico President Vicente Fox. The U.S., Canada and Mexico had been members of NAFTA for many years. President Bush would develop a strong working relationship with President Fox. Then September the 11th happened, which hurt Mexico's relationship with the U.S. but not Mr. Bush's personal relationship with President Fox. The U.S. switched its focus from North America to the Middle East and Central Asia. Despite the setback Mexico continued to trade successfully with its NAFTA partners. I want to shift the discussion to the shale gas boom's implications for Mexico's relationship with the U.S.; whether Mexico's center of gravity turned away from Latin America and towards North America, or not. U.S. shale gas production increased from 1 trillion cubic feet in 2006 to 4.8 trillion cubic feet in 2010 (eia.gov, 2011), which the Mexicans were happy about. Mexico has been a big energy producer itself. The national oil company, Petroleo Mexicanos (PEMEX), has long been involved in oil and gas production in the Gulf of Mexico (Pemex, 2012).

Political leaders on the continent spoke about the need for reducing the dependence on Middle Eastern and African oil, which the costly wars in Afghanistan and Iraq were highlighting. In his 2006 State of the Union speech President Bush said: "Keeping America competitive requires affordable energy. And here we have a serious problem: America is addicted to oil, which is often imported from unstable parts of the world" (globalresearch.ca, 2012). Mr. Bush had strong contacts in the Texan oil business, in which he had got involved. When he became governor of Texas Mr. Bush appreciated its importance. Texas is a major oil-producing state. Furthermore Texas is a major U.S. state along with New York and California that has the U.S's third-largest economy after the two (bea.gov, 2012). The political economy of the North American energy sector includes the entire continent. Such is the magnitude of shale gas reserves in the U.S. and Canada both Mexicans and Americans are recognizing the value of shale gas wealth. The U.S. sees Mexico as a valued contributor to the North American energy mix. Mexico sees the U.S. as an equal partner in North America. The attributes of oil in the Gulf of Mexico promise a strong Mexico-U.S. relationship, which the shale gas boom in the U.S. and Canada is strengthening.

The power of natural resources to raise standards of living in North America could have been foretold by the famous advocate of free trade, David Ricardo. Citing his principle of comparative advantage, he underlined in his writings the benefits of international trade. For example, say Country A consumes less labor time making

good x than Country B and Country B does the converse but in another good, good y. If they could work out a mutually beneficial exchange ratio for goods x and y, Country A and B would benefit from free trade. Country A's consumers could purchase goods made in Country B and pay less for them than if they had been made in Country A and Country B's consumers could do likewise, while corporations in both countries would get more stuff for their goods from the other. Both countries benefit from exchange: it is not a zero-sum game between nations, if free trade is based on comparative advantage (Appleyard, Cobb & Field, 2009:150). Ricardo addressed the issue of nature's gifts when he wrote about any piece of land's quality and the concept of "land rent". "In the Ricardian theory it is assumed that land, being a gift of nature, has no supply price and no cost of production. Rent is not a part of cost, and being so does not and cannot enter into cost and price". Thus a landowner earns a "producer's surplus" (Mukherjee & Ghose, 2004:242). He derives a surplus, a gain in welfare due to what land *is*, which has "productive powers" and is its own *thing*.

Human subjectivity language game

Like natural resources, people are resources, that is to say human resources. Changing human resource endowments in the U.S. have made Bolivia's decisions in 2008 prescient. From the 1970s onwards striking demographic shifts in the U.S. have been realized. They are the result, beginning in the 1960s, of waves of immigrants from Latin America settling in the U.S. in response to a relaxation of immigration rules regarding non-European immigration due to the 1965 Immigration and Naturalization Act, which made non-European immigration much easier (Garcia, 2002:44). When combined with a rapid ageing of white America, the U.S. in the 2000s has recorded a median age that is increasing at a much slower rate compared with other Western democracies and a population that became steadily "brownier" i.e. more Latin American. The number of Hispanics, Americans who named their ancestry as beginning in the Iberian Peninsula and turning up in the Americas during Spanish colonization, has been increasing rapidly. Hispanics are termed "Latinos", because their ancestry was really Latin American, and not Iberian.

The U.S. is turning Latin American. The number of non-Hispanic whites, essentially European "white" Americans, is growing extremely slowly. Other major demographic changes in the U.S. includes a fall in the population growth rate and

an ageing of the population in which fertility and infant mortality rates both fall, which reflects improving living standards and public health outcomes. The percentages of the population in their teens are falling, and in their 50s and 60s rising significantly. The *U.S. Census Bureau's* latest estimates of the U.S. population for 2011 showed that the 6.9% of Americans were aged 15-19, down from 7.1% in 2010. Their relative share fell 3%, 2010-2011. On the other hand, in 2011 5.7% of Americans were aged 60-64, up from 5.5% in 2010 (US Census Bureau, 2012). Their share rose 3.6%. What this all means is that the U.S is not the country it used to be. Even the U.S., which one might say is the primary driver behind “path dependence” in Latin America, has changed. This was recently reflected in the recently concluded U.S. presidential election, which Barack Obama won convincingly.

President Obama carried Nevada, New Mexico, Colorado, Florida and Virginia, what in U.S. presidential politics were known as “swing” or “battleground” states, because they were the states that if a candidate won an election must have carried some or all of. The apparent reason was that these states’ demography were rapidly changing, reflected in the increasing proportion of their electorates being made up of Hispanic Americans who in the election voted overwhelmingly for President Obama. Furthermore the result owed to President Obama’s signing by executive order the Development, Relief, and Education for Alien Minors (DREAM) Act. It is a piece of legislation that gives non-U.S. citizens a chance of gaining U.S. citizenship, by allowing undocumented “aliens”, those people who have lived their adult life in the U.S. after entering it illegally before their 16th birthday, and have graduated from an American high school and now want to pursue higher education in the U.S., the opportunity to gain full U.S. citizenship (DREAM Act Portal, 2012). Many of the undocumented “aliens” are people from Mexico and Central America and thus were beneficiaries of the Act.

In sum, the global economy has shifted being driven by developments in international trade and resource flows. The language of economic policymaking has been relativized by developing and developing countries alike; “competitiveness” is not to be desired for its own sake. Developing countries have not followed the “competitiveness” obsession. They have continued to receive low rankings in the competitiveness surveys. Wittgenstein’s theory demonstrates that language is both an expression and a response to changes in activity, forms of life. As they point out that many developed countries do not have natural resources, developing countries

merrily enjoy high commodity prices and rising domestic incomes. In the next section, I explore another form of life, the form of natural resources, to give a better of sense of how language is deeply connected with how human beings perceive themselves in the context of their natural environment.

Natural resources language game

While the shale gas boom was starting, Bolivia was persisting with its coca “language game”. Whereas coca should be licit cocaine should not be because of its connection to drug trafficking and violence. Two “language games” were being played: one involving coca and cocaine and the other natural resources in South and North America, which recalled the history of Spanish colonialism and U.S. power. As the theory of language games emphasizes, the truth of propositions is relativized to those language communities that understand them. What this means is that the truth of Bolivia’s coca language game with other South American states was not to be understood by Americans, who were not taking part in it. The Bolivian coca language game had a number of components, which I explore in the following paragraphs. The game used words like “imperialism”, “empire”, “neo-liberalism” and “natural” to underline that coca is a natural substance. Natural resources are the things that Latin American governments need to control to ensure that the U.S. government does not start encroaching on their territory in which these resources are to be found.

Another natural resource in which Bolivia is rich is natural gas (EIA.gov, 2012), which it exports to Brazil and Argentina. Bolivia is an underdeveloped state; and yet has big quantities of hydrocarbon reserves. As Brazil and Argentina are much wealthier states than Bolivia, Bolivia relies heavily on natural resources for export income. Accordingly, “hydrocarbons, primarily natural gas” account for just over 6% of Bolivia’s GDP, 30% of government revenues and 45% of total exports. The natural gas share of exports is much higher than the overall share of GDP because of high international demand for it (natural gas is used everywhere) and Bolivia’s developing economy status. Bolivia is rich in natural resources yet poorer than most states in the Americas. A complicating factor in this analysis is the rise of the U.S. as a major energy producer. In the late 2000s U.S. shale gas production began increasing rapidly (epa.gov, 2012). An energy boom is taking place in the region, the consequences of which are significant for the Americas region as a whole. North America is separating itself economically from Central and South America, a

process which began in the 1990s due to the influence of the North Atlantic Free Trade Agreement (NAFTA). North American economic integration was accelerated. The U.S. is turning its attention away from South America and towards Mexico and Canada, which will help Bolivia. The theory of commodities explains that Bolivia has been a valuable member of the South American region, which numbers, about hydrocarbon, that is their large share of total exports (45%), and natural gas exports to Brazil and Argentina, demonstrate. Consequently, states in South America were not going to gang up on Bolivia when the Bolivian government took these drastic actions. The Bolivian state has been resourceful.

The Bolivians know that a possible balance of power shift towards North America could mean the work Bolivia has done to assert autonomy over coca might be undone, which is why they have promoted the idea that Bolivia is for Bolivians. Bolivia is a major natural gas producer. Increased North American natural gas production could hurt Bolivia. The country's commodity exports could diminish in final value. More natural gas production in North America could mean lower natural gas prices *ceteris paribus*. In 2012 natural gas prices were close to their lowest level in a decade driven by a supply "glut" in the U.S. (CNBC, 2012). Whatever Bolivia could do would not undo history, which has made it in time poor and thus so dependent on commodity exports for export income that increased natural gas production in the rich world today could be extremely detrimental to its economy. "Path dependence" exists. The economic history of the Americas is bound up to make all future events in the region an aspect of the past's as well, which is a function of Europeans taking up land, a natural resource, killing off indigenous people and then starting the slave trade. This served to disproportionately enrich property owners of European origin compared with other owners of property. Modes of production in the Americas are still based on land ownership and states' different natural resource endowments, of which we see an example in Bolivia. Bolivians of European descent have been major property owners, a consequence of Spanish colonization in which Spanish settlers bought large tracts of land and established farming estates. These characteristics of Bolivia's economic history make it difficult to imagine that the way the continent's history has progressed is not to matter anymore because of apparent changes in the recent past from the 1980s onwards.

On the other hand, Bolivia's place in Latin America has been secure, which would give it the room to be assertive and adopt a very different approach to coca. Latin

America is a self-contained region with a particular history and culture. Most Latin Americans speak Spanish thanks to centuries of Spanish colonization of the Americas and the decimation, through Spain's conquest of indigenous lands and Spanish colonists carrying with them European diseases on their voyages to the "New World". The Brazilians of course speak Portuguese. Given that both languages are Romance languages (part of the same language group as French, Italian, Romanian and Catalan), Spanish and Portuguese have many similarities. Furthermore Spain and Portugal are neighbors that share the Iberian peninsula of southern Europe. Most Latin Americans are Roman Catholics. Compared to other regions of the world, Latin American societies are remarkably homogeneous. Settled mixed-race and white communities are apparent everywhere. Racism is a problem, but not in the same magnitude as in the West. While people of black and indigenous ancestry are accepted members of the community they are much less well off than their white and mixed-ancestry "mestizo" countrymen (riotimesonline,2012). Latin Americans attitudes to race and shades of colour from white to black are unique. For example, in the 2009 Brazilian census more than half of all Brazilians claimed some African ancestry, which is a share that included many "white" Brazilians who had discovered part of their ancestry was African too (Lulko, 2011). Latin America is benefiting from trends in regional dynamics, which is helping a majority of countries grow. That creates the room for *economic* and political integration.

Also in respect to the macro-social problems it faces Latin America is distinctive. There has long been an income and development gap between lower-middle income developing countries, Bolivia, Honduras and Nicaragua, and upper-middle income ones, Mexico, Colombia and Brazil. Lower-middle income countries have fallen further behind upper-middle income and high-income countries, which Paul Collier (2007) calls the phenomenon of the "Bottom Billion". As a result of their backwardness it will take many years for lower-middle income countries to catch up. Governments in these countries are increasingly worried about being "left behind" from the supposed benefits of globalization, which is possibly a feeling the Bolivian government shares. In 2006, it nationalized the country's natural gas industry with the argument that the country's resources are national assets (The *New York Times*, 2012), which is called "resource nationalism".

The phenomenon known as "resource nationalism" is being felt right around lower-middle income countries in Latin America particularly but also in Africa. I submit

the reason is that governments look at how well some upper-middle income countries are doing and realize the need to catch up with them. Unfortunately the result is that these countries start suffering from what experts in political economy call the “resource curse”. Economists expect a country rich in natural endowments to enjoy high per capita incomes and a comparatively high standard of living for the poorest in society. Yet in many countries the opposite is true. Despite being resource rich they struggle to catch up to reach the status of their resource-poor counterparts in the developed world like Japan and South Korea. The “resource curse” is the “term used to describe the failure of resource-rich countries to benefit from their natural wealth. Perversely many countries rich in natural resources are poorer and more miserable than countries that are less well-endowed” (Humphreys, Sacks & Stiglitz, 2007: xi). In Latin America another phenomenon has been evident. Known as the “middle-income trap” it accompanies an economy’s transition from dependence on agriculture to manufacturing for growth. Labor costs in manufacturing increase. Deprived of the easy productivity gains it enjoyed in agriculture, an economy in the trap shows declining cost competitiveness in traded manufactured goods. Rising wages for factory workers are met with a smaller rise in manufacturing productivity (voxeu.org, 2012). An economy in the trap suffers from inertia. One Latin American country that escaped from the trap is Chile, which is set to be the first developed economy in the region. Most Latin American countries have not made the transition from being upper-middle income countries to developed countries. The utilization of natural resources for broad-based economic development has not happened. Technology in Latin America, on the other hand, has improved dramatically. However better technology does mean big productivity gains in tradable goods in Latin America to the same magnitude as East Asia. East Asian countries have continued to catch up with the developed world; while Latin American countries have unfortunately not.

Technology has not changed the underlying structure of Latin American societies. The consequences of transatlantic slavery in the Americas have created a multi-polar rather than bi-polar history and culture in Latin America. “Throughout Latin America, society and race relations during slavery and after emancipation were fluid and ended up producing societies that defy the notion of bipolarity” (Klooster, 2009:319). After all it is in the region that the concept of “blackness” has become well-developed and racialization of society an accepted thing, which would be exported to other regions of the world including Europe and Africa. The brutality of

the slave trade has pressed on generations of Brazilians remembering it. Latin American societies have been racially multi-polar and socially cohesive. The Brazilian governments of Dilma Rousseff and Lula da Silva have been particularly keen to stress the importance of slavery for the way Brazil is today. Little generational forgetting has taken place compared to Europe. Europeans have forgotten about the terrible crimes committed during colonial rule in Africa, which occurred in King Leopold's Congo Free State and German West Africa.

In summary, Wittgenstein's philosophy of language talks of the manner in which language is embedded in forms of life: economic, social, political and geographical. Language unites and disunites regions of the world. Forms of life are different; economic life in Africa and Latin America is profoundly different. Even within the Americas, significant differences occur i.e. South and North America. In economic and social life, in which language establishes harmony and disharmony, different resource endowments matter profoundly. Some states and regions have certain natural and human assets, which others do not have. Natural and human resources are contingent items of value. How Africans and Latin Americans see the world is shaped by their human activity and the fact that language games embed themselves in forms of life. These accidents of nature and history have aided regional integration in Latin America. Being a North Atlantic state, the U.S. has been part of qualitatively different forms of life to Latin American countries. This form of difference is borne out in language games between the U.S. and Latin America, which helps build regional strength and regional solidarity. Thus when I expand the analytical frame of reference to include global economic trends, I see how despite it being extremely fragmented and unequal, discussions about the global economy have been seen through different concepts of economic development, which are to be understood in the language used to describe them. In the next section, I explore some of this language to appreciate the underlying logics behind it.

The problem of economic globalization

Global economic policymaking speech terms are ground in changing economic reality. Responding to the Western world's emphasis on "competitiveness", developing countries retort that "growth" and "power" matter. Bolivia's coca language game is embedded in the fluency of global economic life. Speech terms in

economics are not static entities; but forms of the way in which economies grow and command power over others.

While reading the WEF “Global Competitiveness report 2012-13” rankings I saw the top 10 most competitive countries were all developed ones (World Economic Forum, 2013). The highest-ranked BRIC country, China, came 29th and the lowest, Russia, came 67th. All of the BRICs are natural resource-rich, which have not managed to capitalize on their endowments. For developed countries the opposite is true. Most of the top 10 countries lack them. Only the U.S. is considered natural resource-rich. The Netherlands, Switzerland and Germany are each resource-poor and highly competitive. Structural and institutional factors are the reason, which require the BRICs to take a different approach to development that will be long and difficult. The development gap is unlikely to close soon. Developing countries remain focused on economic growth to their detriment. Developing countries are happy that economic growth signify a “decoupling” with the developed world, which identifies their superior growth rates and the economic travails of Europe and North America. This, economic policy experts in the West would argue, emphasizes the wrong thing. If they were to start with the premise that economic growth as a result of natural resource endowments is a misleading concept of development, developing countries would close the development very quickly. They would focus more on human development and less on economic performance. The emphasis on natural resources as a sign of developing countries’ advance is misguided. They might grow more quickly; but that will not translate into durable economic gains.

Yet, emerging economies were to decouple from the U.S. economy during the 2000s as a result of a commodity price boom. Commodity prices stayed high, which helped the majority of emerging economies that relied heavily on exports of commodities for their export income to see strong economic growth. Indeed analysts supposed a commodity “super cycle” had emerged, in which increasing demand for commodities from developing countries would keep prices high. Both China’s and India’s economies were booming. In 2006 the *Foreign Affairs* magazine published an article titled “The India model” in which it hailed India’s rise as a leading emerging economy: “Although the world has just discovered it, India’s economic success is far from new...the country’s economy grew at 6% a year from 1980 to 2002 and 7.5% a year from 2002 to 2006” (*Foreign Affairs*, 2006:2-16). It underscored the extent to which emerging markets had captured the imaginations of investors. Global economic reality was changing. In the next section, I explain

another manifestation of economic globalization in respect to Multinational Corporations (hereafter MNCs) to determine whether Wittgenstein's theory of language games, underscoring the inherent relativity of language games and forms of life, is undermined by the totalizing power of the ontology of the global economy. I argue it is not.

The problem of MNCs for economic globalization

Bolivia could be said to be vulnerable to the excesses of financial globalization being poor, landlocked and highly dependent on natural resources for foreign exchange, which a financial crisis could cripple. MNCs are an intimate part of global capital movements. The argument is that Bolivia is not sovereign because at the risk of chasing away MNCs the country's economic policy is set by them. Bolivia is rich in natural resources, which Brazilian MNCs like Petroleo Brasileiro SA (Petrobras) were keen to exploit. In 2008 Brazil got almost half of its natural gas supply from Bolivia (Mercopress, 2012). Bolivia's state oil company in 2012 awarded exploration concessions to Petrobras (Bloomberg news, 2012). Bolivia's political economy has been wound up in natural resources. Bolivia did not directly face Brazil's government but Petrobras, in which the Brazilian government holds a majority interest (Forbes, 2011). Last year Petrobras was engaged in "one of the largest investment plans in the world amounting to \$237 billion between 2012 and 2016" (Worldoil, 2013); of which South American MNCs were capable.

Opponents of MNCs would recognize that Bolivia faces a difficult international economic environment. Flows of black goods are huge; while development disparities place great pressure on Bolivia to reform cocaine policy and make its economy more attractive to U.S. investment. Bolivia needs to attract foreign direct investment to narrow the development gap. Skills and knowledge transfer from U.S. MNCs to Bolivian domestic corporations is necessary. In order to deal with cocaine trafficking Bolivia needs greater financial resources. Bolivian law enforcement is up against a highly organized black economy. Indeed the so-called "black" economy consisting in illicit activities like human trafficking, illegal gambling, drug trafficking and arms smuggling is a big part of global GDP, which for example accounted for around 20% of Italy's GDP in 2009 (*The Financial Times*, 2011). The scale of illegal and underground transactions worldwide is enormous. According to Robert Neuwirth from *Foreign Policy* magazine the total value of this economy in 2009 was close to \$10 trillion: "If it were an independent nation, united in a single

political structure – it would be a global economic superpower, the second largest in the world (the United States, with a GDP of \$14 trillion, is numero uno)” (Neuwirth, 2011:3). Thus cocaine interdiction in Bolivia could be a failure partly because of globalization’s totalizing nature.

Indeed, MNCs are huge corporations, which operate in many different countries. In 2010 Wal-Mart, the famous American multinational retailer, reported sales of \$419 billion, an amount bigger than the GDP of Norway (Motherjones, 2012). Like most other MNCs, Walmart is a listed corporation, which has access to large quantities of both debt and share capital. MNCs are big corporations and find raising money and making large investments in different countries easier than smaller corporations. The argument I want to present about MNCs refers to their magnitude, which is measured by sales revenue and taxable income. If they were as big as countries in the 2000s MNCs would exert similar degrees of influence if not more so on them given that the world had become much more “open”. Capital inflows at a global level were extreme, to which MNCs contributed. Sudden changes in the direction of capital inflows into a country could cause a financial crisis. If they did not provide a welcoming environment for MNCs and international capital, countries could experience a financial crisis. Investors could be extremely irrational. When investors thought that the PIGS group of European countries (Portugal, Ireland, Greece and Spain) were at high risk for a financial crisis they madly sold PIGS-related assets. A self-fulfilling prophecy can happen at any time in unregulated financial markets. People think something will happen and it does. Financial markets, which include bond, share and currency markets, should be regulated. When market players sell a country’s debt they lack confidence in it. Confidence is a very violent emotion, which can easily turn into despair. In debt markets despair has a very serious consequence being financial crisis. Financial globalization can be an extremely vicious phenomenon.

Across international boundaries in the 2000s MNCs carved up the world into little pieces to suit their own agenda of maximizing profits. In 2012 Britain there would be an outcry about how two U.S. MNCs, Starbucks and Amazon, had been “avoiding” British corporation taxes on their British sales, which brings me onto the second piece of the argument: if in taxes U.S. MNCs operated in “global” space they would have a major competitive advantage over MNCs based in other countries. The U.S. tax code is exceptionally generous to U.S. MNCs, which offers a “tax break” to corporations that earn income outside of the U.S. to keep it there

and not return it to the U.S. Only if they return foreign income to the U.S will MNCs pay the U.S. federal corporation tax, which is high at 35%. This is of course something they are keen to avoid since many countries like Ireland offer much lower rates of corporation tax than the U.S. and some like Bermuda offer no corporation tax at all. The reason is the “deferral” system of U.S. tax. “Under deferral U.S. corporations pay taxes on the domestic profits in the year they are earned, but can delay paying taxes on their profits for many years, or even indefinitely. Deferral is a valuable benefit because foreign profits can compound free of U.S. tax until they are “repatriated” or brought back to the U.S. (at which point the corporation is allowed a credit for foreign taxes paid)” (American progress, 2012). One consequence is that U.S. MNCs are “unlikely to pay the full foreign rate on overseas on overseas profits. In fact, major U.S. corporations investing in Ireland pay a small fraction of the 12.5% Irish rate. Indeed, many major U.S. corporations pay “extremely low foreign taxes” (Americanprogress.org, 2012), which accounts for how Starbucks and Amazon, U.S. corporations that do earn income in Britain, have been paying so little British taxes. The major theme is that U.S. MNCs have had an advantage over their peers, which for poor Bolivia means it might not be able to bargain effectively with the U.S. To think that co-operation between a poor and a rich country will end up helping the poor one, even one with natural resources, is fantasy. While the U.S. could have changed course in Latin America and properly recognized the international law that said all states are on the same level with one another its MNCs would have remained in the region, which have continued acting as vassals of the U.S.

However, I feel the arguments made by opponents of MNCs above miss the true nature of globalization. The effect of globalization and MNCs on Latin American sovereignty has been less marked than might be supposed. There has been no “eclipsing” of the state by globalization and MNCs. Globalization has not reduced the Bolivian state in Latin America to such an extent that it would be helpless in regard to cocaine interdiction; that is cocaine policy would have been imposed by an external power, the U.S. Different “forms of life” to the Western world have been apparent in Latin America, which Bolivia having a similar history and sharing the same language as its neighbours has been part of. Wittgenstein’s philosophy of language means that language users create their own social and economic worlds, which are embedded in logical and grammatical rules for public rule-following. Saskia Sassen’s (2007) theory of globalization addresses the true nature of

globalization: the global subject does not exist *per se*; but exists at different levels of analysis, of which the application of Wittgenstein's theory of language games to Bolivia is indicative. This theory of globalization situates human subjects in space and time so that their human activity, which includes language activity, is adequately conceptualized. Globalization makes sense in terms of human activity and deontology.

Sassen's theory of globalization

Naturally the perception that the world has been globalizing can be simplistically attributed to advances in global space and the descaling or "flattening" of the world, which is the result of improvements in information technology and communications between developed and developing countries. Information and knowledge transfer take place across global space. The technological gap between developing and developing countries is closing fast. One reason there is such a marked difference in income levels between these income categories is developed countries have adapted to advancements in technology more readily than developing ones. That is no longer true. Thomas Friedman, a journalist for the *New York Times*, wrote a book called the "World is Flat", which notes the world has "flattened". Reminding the reader of how Europeans wrongly believed the world was flat Friedman suggested globalization has like the European navigators of the 15th and 16th centuries descaled the world, which not only became smaller but "flatter" too. He reported on the rise of "offshoring" in which U.S. corporations have shifted some of their customer support and back-office functions to developing countries most notably India. The Indian call center industry has grown spectacularly since the 1990s. Friedman made the point that the world has changed: a global marketplace has emerged, which states' strategies to improve education outcomes and strengthen innovation that kept down the costs of production is shaping. Innovation is going to drive economic growth in the 21st century. International competitiveness is going to be about more than just technology use. How states *apply* technology will determine their competitive advantage and by implication their standard of living. Friedman wrote the book to appreciate how the distribution of technology and knowledge has made developing countries like India competitive. His analysis of globalization is, in my view, too idealistic. East Asian countries like Singapore and South Korea are "model" countries (Friedman, 2006). Yet developing regions of the world are not all alike. The world is not "flat".

My approach to understanding globalization is informed by the work of Dutch sociologist of globalization, Saskia Sassen, who in 2007 edited a book called “Deciphering the Global: Its Spaces, Scales and Subjects”. She entertained the human subjectivity of globalization; that is to say, globalization involves seeing human beings as human subjects acting in different ways and contexts. The State can no longer be distinguished conceptually from the “global order” (Sassen & van Roekel-Hughes, 2008:8). Sassen broke down the national and global spheres into “foundational components” namely territory, authority and rights. Human subjects are utterly embedded creatures. Sassen (2007) accepted that nations and continents, the bearers of regions, are causally significant as they constitute subjects in the world; they constitute territory and the logical space for authority and rights. She in turn recognized that subjects are greater than the sum of their parts being multi-scalar and non-linear beings, which is a quality of complex systems. Territory and rights have constituting properties for human subjectivity.

As Sassen (2007) emphasized the national and territorial constitute subjectivity and not the global per se. The spherical globe presents an image of an even surface to everything happening in our world. When they believed the Earth was flat Europeans in the Middle Ages projected an idea of “evenness” onto the planet’s surface. Ironically, they were correct. Since it is a sphere, the globe is even. In the real world in the 2000s, however, the globe is a bumpy and rough place; which big regional disparities, in income, wealth, climate and history, demonstrate. Sassen’s principle of “specialized assemblages” (Sassen & van Roekel-Hughes, 2008:12) expresses how human subjects organize ideas of rights and authority across national and regional space. In Europe for example, the European Union (EU) attempts to establish a sense of European subjectivity by marrying the nation state with the territory of Europe; European rights and authority covers the territory of “Europe”. The problem becomes how to organize regional and national subjectivity successfully. That is the role of assemblages. In Spain, there is a rising sense of Catalan nationalism. The reason is that Catalans have assembled themselves in the territory of Catalonia. It is a phenomenon that Sassen calls “emergent articulations of territory, authority and rights”, which arise from the dominant articulation of the nation state, in this case Spain. More Catalans now seek Catalonia’s independence from Spain. Sassen’s (2007) multi-scalar view of globalization respects this idea of moral relativity. “Subjects” exist at different scales of analysis. There are emerging national and regional “subjects”, who are framed by economically denationalizing

forces taking place in the global economy and “emergent articulations of rights, authority and territory”. President Morales is a regional i.e. South American subject and a Third World indigenous subject, who believes that U.S. policies have hurt Third World countries and local people living in them. He is an emerging regional and national subject, articulating Bolivia’s territorial integrity within the context of indigenous rights.

Application of Sassen’s theory to MNCs

The reality is that each MNC has territorial roots and operates within a deontological framework of rights and authority. MNCs were a separate category of entity, which had to be seen within a certain context. Different tax regimes between states, magnitudes of Foreign Direct Investment (FDI) compared with short-term capital inflows in financial assets like government bonds and categories of legal systems i.e. of civil and common law render MNCs incapable of self-actualization in a free global environment. The U.S. has a common law system and Bolivia, Colombia and Mexican all have a civil one (CIA World Factbook, 2012). MNCs operate in national and regional time and space.

No MNC is truly stateless and “global”. For U.S. MNCs this is especially the case. The U.S. is the only country in the world which applies the same tax regime to all its citizens, regardless of where they live (Renunciation guide, 2012). The U.S. tax system is unique. U.S. citizens abroad are *required* to fill out a tax return to the Internal Revenue Service (IRS), the U.S. tax authority, or risk breaking the country’s tax law and going to jail for it. U.S. citizens are required by U.S. tax law to pay U.S. income taxes on income earned anywhere in the world. Other tax systems are of two major sorts: territorial-based and residency-based (Goodspeed & White, 1999:257). A residency-based system “imposes taxes on any income regardless of its physical origin (*source*), both domestic and foreign”. For a territorial-based system, “only income that is earned in a country is taxed” (Financial dictionary, 2012). Yet many U.S. MNCs pay extremely low rates of U.S. corporation tax. A U.S. Senate report published in 2012, which investigated U.S. MNCs for tax avoidance, found they had “dodged billions of dollars in taxes by shifting profits to low-tax jurisdictions overseas, and had used “loopholes to avoid taxes on repatriated income that should be subject to taxation” (Senate.gov, 2012). The report supposed that as they avoid taxes MNCs will play by a “different set of rules” compared to domestic corporations and U.S. citizens. The U.S. political class

is to blame, which has allowed U.S. MNCs a free pass for too long. It is not an excuse to say politicians have been “in the dark”. The fact is that they have let down the American *demos*. Consequently, U.S. MNCs have been getting away with dubious tax avoidance practices. Granted there are business elites in the U.S; however, if they were to show real initiative, politicians in Congress could easily pass the laws to help the U.S. federal government, the executive, crack down on MNCs that are earning huge revenues in the U.S. and paying little corporation tax. As I have done for MNCs, I examine the quality of regional and global dynamics but in respect to coca and cocaine. MNCs and the cocaine trade represent similar phenomena: the capacity of national and regional differences to influence and have a real impact on global space.

The problem of global and regional cocaine interdiction

Coca is grown in a comparatively small region of the world. Coca growers do not *supply* this scarcity, which just *is* as the consequence of “nature’s gifts” to the Andean region and nowhere else. Benefits flow to Andean states including Bolivia. A basis of trade with developed states is created, which offer high-quality manufactured goods in return. As a result in Bolivia coca growers are a powerful lobby group. Indeed the current Bolivian president, Evo Morales, has been heavily involved in the coca-growing industry, being head of the major coca-growing union in the country in the 1980s (BBC News, 2012). At first glance, this would seem mighty peculiar; but if one should consider that coca is a scarce natural resource and Bolivia is a developing state, it would not be. Major consequences follow from President Morales’ support for coca growers. For example, how the Bolivian government deals with others. Coca growers want to ensure their industry prospers which is likely given the scarce nature of the commodity and is doubly likely as long as the Americans do not interfere.

The enforcement of cocaine interdiction *shows* the realities of regionalization as do the very different histories of Latin America and Africa and the existence of MNCs. The power of the regional and national is greater than the global, which cocaine use figures in Europe and Africa further illustrate. The number of cocaine users has increased in Europe. Their numbers have doubled from 2.1 million in 1998 to 4.1 million in 2008 (UNODC, 2010: 83). West Africa has become a trafficking hotspot; as drug traffickers have taken advantage of gaping holes in the rule of law in West African countries and their geographical proximity to Europe’s large and growing

cocaine markets (*The Economist*, 2012). The problem of cocaine trafficking has moved away from North America and towards Europe and West Africa. At the same time American demand for cocaine in the 2000s fell (the number of U.S. users in 2008 was almost half as many as in 1982 (UNODC, 2010:16), European demand rose. Between 2006 and 2008, most of the increases in cocaine seizures “came from South America... since 2001, Colombia “seized more cocaine than any other country in the world” and seizures in Central America also “increased strongly” (UNODC, 2010:67). Regional co-operation has been happening in Latin America at a much higher level than in other parts of the world, including Africa. Consequently, the DEA will be policeman in the U.S., and not in Latin America, through the 2010s decade. Latin American governments are seeing cocaine interdiction in light of their region’s particular circumstances. Other regions are doing the same thing. Latin American governments recognize how similar they are historically and culturally and are co-operating more effectively on cocaine. Bolivia’s approach to coca interdiction could work similarly well in regard to cocaine interdiction. This is as long as the U.S. does not get involved in Latin American politics and becomes policeman. Latin American governments see that things are getting worse in Africa; Africa could be Latin America’s future unless Latin American governments considered their own needs first. The cocaine trade is after all a global one.

Several states in West Africa, Nigeria, Ghana and Sierra Leone, have seen increases in cocaine demand from the mid-2000s onwards, though it must be said that data on this trend is uneven in level of detail and is thus open to doubt about validity. Countries report numbers for different years with significant gaps in-between and some countries like Mali have reported no statistics on cocaine use at all (UNODC, 2010:181). There are an estimated 2.3 million cocaine users in West and Central Africa, according to the just-published UNODC *World Drugs Report 2012* (Quandzie, 2012), which is worryingly high given that a relatively small quantity of cocaine is consumed in Africa, and West Africa is a trafficking region, not a consuming one. Population and economic dynamics in Africa, of rapidly-growing populations of young people aged 15-24 finding employment in booming natural resource-driven economies, like Nigeria’s, indicate that the number of cocaine users in Africa is only likely to grow in the 21st century. Populations in North America, on the other hand, are aging and growing much more slowly, at a rate of <1% a year on average, which is good news for the DEA in the U.S., than in Sub-Saharan

Africa, at between 2 to 2.5% (World Bank, 2011). That is bad news for Europe: illegal immigration into the Continent is going to get much worse. If it were to continue, 2.5% population growth would mean a more than doubling of Sub-Saharan Africa's population over the next thirty years. The "Rule of 72", which divides 72 by the population growth rate to give the number of years Africa's population doubles in size, says twenty-nine years (Investopedia, 2012).

There are licit and illicit MNCs. Drug cartels are in the latter category, which operate across Central and South America, and have business relationships with American mid-level dealers operating out of major U.S. cities. If the DEA and the IRS were able to work together to track down American dealers who evade U.S. taxes, the illicit drug economy driving parts of the U.S. economy, notably in the cities, could be seriously curtailed. The "black" economy in the U.S. would not be as active. More drug dealers would be prosecuted for tax evasion. This advice would apply to Mexico as well, but for different reasons. In general in Mexico, tax avoidance and evasion are a serious problem. The Mexican state has to enforce tax law and raise social solidarity among Mexico's business elites. A culture of taxpaying has to be created in Mexico. Statistics suggest that the Mexican government is succeeding: Mexico's tax-to-GDP increased from 19.9% in 2005 and 20.5% in 2007. Still, Mexico's tax burden is the lowest in the Organization of Economic Co-operation and Development (OECD) set of states (OECD, 2012); being much too low if Mexico's law enforcement authorities were, over Calderon's administration, to expose the cartels' "black" economy dealings without some North American support. Illicit Mexican MNCs are too embedded in the Mexican state. Mexican drug cartels are not stateless entities. Transnational crime in Central America indicates that Mexican drug cartels are not stateless actors. The problem of non-state actors for regional and national subjectivity, that they are undermining state development, is overstated.

Conclusion

In this chapter of the thesis, I have argued that two theories can be applied to understand the national, regional and global dynamics of human subjectivity. Wittgenstein's philosophy of language relativizes human subjectivity to include the practice of language games and Sassen's theory of globalization places the human subject in territorial and deontological space. Both theories are relevant to cocaine interdiction because they explain how preventing the cocaine trade is so difficult. In

Latin America, human beings are moral and linguistic subjects, who perceive themselves and their environment in different ways according to modes or forms of life. I have presented an objection from the effect of MNCs on state's economic sovereignty to say that human and state subjectivity is undermined. I rebutted the objection by saying that the global nature of MNCs is overstated and they too are subjects, whose being is the product of territorial and deontological space.

In the next section I discuss the counter-theory to international regimes and Wittgenstein theory, hegemony theory, which confirms the existence of a globalized economy and the importance of MNCs being under the auspices of a powerful state. An international capitalist class uses the "moral and intellectual leadership" provided by a single powerful nation to determine the fate of weaker nations. I show the alternative theory fails to give an adequate account of what happened to the U.S. and to Latin America in the 2000s.

Chapter 4: Gramsci's hegemony theory

Introduction

The hegemonic influence of the U.S. has long been identified as a key element in the regional politics of Latin America. In order to better understand the theory and practice of hegemony within this regional context, this chapter outlines the applicability of a key theoretical approach to hegemony: the work of Antonio Gramsci and his modern interpreters.

This chapter is split into three sections: the first section entertains Antonio Gramsci's hegemony theory, the second section unpacks a theory of international political economy based on the work of Gramsci and Robert Cox and the third section evaluates the applicability of Cox and Gramsci's theories to the U.S.'s hegemonic influence in Latin America in the post-war period and through to today. These sections establish Gramsci and Cox's thought in order to contextualize and understand Latin America's regional politics. I make the argument that while Gramsci's ideas have some relevance to the recent political history of Latin America in general, and Bolivia in particular, this has to be seen in the context of regional and national dynamics.

Writing in the early 20th century, the Italian Marxist philosopher, Antonio Gramsci, provided a theory of hegemony, which I will use in my discussions. Hegemony is a "relation, not by domination by means of force, but of consent by means of political and ideological leadership. It is the organization of consent" (Simon, 1991:22). As a result, the State's dominant political and social class reigns supreme. "Intellectual and moral leadership" is brought about (Jayaram, 2005:47). The capitalist mode of production is relevant but not to the same extent as in classical Marxism. The capitalist's primary motive is still to accumulate as much capital as possible in order to sustain high rates of profit on it. Capital accumulation invites economies of scale and lower costs and therefore high rates of profit. A concentration and centralization of capital intensive industry occurs in the State (Campbell, 1981:150). Contrary to classical Marxism, the magnitude of capital accumulation shapes but does not determine the moral and political legitimacy of the State and its relationship with the governed. A major feature of Gramsci's theory is his discussion of ideology. "Bourgeois ideology fails to reflect the real world of material relations accurately" (Sullivan, Tuana, 2007:63). Gramsci was opposed to the British empiricist tradition represented by the philosophies of David Hume and

John Locke, both of whom argued common sense and experience provides a window on the world. Experience is experience. Nothing is outside experience. Gramsci claimed the contrary. Experience is a vector of the bourgeoisie class, the magnitude of which the political culture determines.

Gramsci wanted to understand why socialist revolutions were unlikely to happen in the capitalist states of Western Europe and North America. Citing Perry Anderson's essay "the Antimonies of Antonio Gramsci" (1976), Peter Thomas writes: "Gramsci's true distinctiveness consisted in the fact that that he was unique in Communists in persisting, at the nadir of the defeats of the thirties, to see that the Russian experience could not be repeated in the West, and in trying to understand why. No other thinker in the European working-class movement has to this day addressed himself so deeply and centrally to the problem of the specificity of a socialist revolution in the West" (Thomas, 2009:206). It seemed to him the reason lay in politics; that states had governing classes, which served the interests of the bourgeoisie, the capitalist class. The Marxian law that the economic sphere determined the political and cultural would be rejected if Marxists agreed that the ideological and cultural could sometimes come before the economic and that should revolution happen in the lands of the North Atlantic, Marxists needed to accept a new theory. Thomas says that Gramsci's thought is a way to "reconnect to the decisive political experiences of the socialist movement in the 20th century, as a necessary precondition for exploring the forms the possible actualization in our own times" (Thomas, 2009: 241).

Gramsci pondered that materialism, which says it is the structure of material objects that explains their qualities including minds, is incomplete. A different lens has to be found that goes beyond seeing things solely in economic terms.

Consciousness is a contingent and not a necessary phenomenon, which follows from ideological as well as economic conditions and has to be understood using a separate theoretical framework to what other Marxists had used. Materialism and idealism should not be understood as distinct philosophies; but as part of a single phenomenon, that is to say the way in which the object of knowledge is both internally and externally related to the human subject himself. The objects of knowledge, the different material objects in the world, are not simply externally related to the human subject. That is to commit the error of reductionism; rather, these objects directly constitute the consciousness of the human subject. Gramsci wrote a philosophy of praxis (praxis comes from the Greek for practice), which

marks the “theoretical formulation of the perspectives of the united proletarian front to renew from the head to toe the whole way of conceiving philosophy itself”. Praxis involves seeing the subject and object of activity as one thing; activity is pure actuality. “One arrives at the equality of, or the equation between, philosophy and politics, thought and action, at the philosophy of praxis” (Gramsci, 2011:187).

Gramsci was dismayed that revolution seemed so far off in so many countries in the North Atlantic, when according to Marxian theory it should have been imminent. Economies had industrialized. The working classes were large in number. Marx’s theory of capital suggested that revolution could be expected. Corporations had, according to Marxists, accumulated great quantities of capital, while working classes had become poorer; a crisis of overproduction was around the corner. Marxists simply needed to wait for the right moment to take hold of the state. All was well. Yet revolution was not imminent: independent trade unions were powerful and social democratic parties successfully competed in elections. The working classes had bought into the political system. Marxists had to understand the value of political culture and culture itself, in order to understand why revolution had not happened and was not going to happen immediately (Coutinho & Camara, 2012: 30). Gramsci looked to the nature of the State itself, what its logics of appearance are, which he found come together with the organic nature of the bourgeoisie class to make revolution unlikely. Political and economic change could not come about naturally. Thus Gramsci wrote: “The revolution that the bourgeois class has brought into the conception of the law, and hence into the function of the state, consists especially in the will of conformism (hence ethnicity of the law and of the State)... The bourgeois class poses itself as an organism in continuous movement, capable of absorbing the entire society, assimilating to its own cultural and economic level. The entire function of the State has been transformed; the State has become an ‘educator’ ” (Thomas, 2009:142).

Classical Marxist theory stresses that it is only a matter of time before working classes in every country develop class consciousness, which the Party’s leadership will know about. This appeared to Gramsci to be *prima facie* wrong. Class consciousness does not just materialize because of what happens in the economy. A function of several variables working in the capitalist state is the cause of class formation. Then there are the trade unions, and what Marx called the “labor aristocracy”, a segment of the working class that benefits from capital accumulation to such an extent it becomes alienated from other components of the

working class and consequently makes class consciousness of the entire working class impossible. Trade unions are heavily involved in politics. In the U.K., for example, they created the Labor Party. Steven Jones writes that “Gramsci argued that in an open letter written in 1924 that a Bolshevik revolution as what happened in Russia could not occur because the western democracies had generated a complex array of political groups and institutions which would have to be disentangled from their relationship with bourgeois society before any revolution could succeed. In western Europe there were trade unions, social democratic parties and a well-paid ‘labour aristocracy’. The presence of these ‘political superstructures’ provided a brake on direct action and required the Italian revolutionary party to adopt a more long-term strategy than had been necessary for the Bolsheviks” (Jones, 2007:30).

Trade union members came to benefit from the large supply of good-paying jobs in unionized sectors of the labor market, which offered benefits and job security, in the 1950s and 1960s, and the relatively small supply of good-paying jobs, in non-unionized ones during the 2000s. High turnover rates in these sectors meant low rates of pay and few benefits. Aggregate demand stayed low and overall unemployment high. Trade unions would be an obstacle to revolution, if they continued to hold hands with the social democrats; which had accepted capitalism’s reality and consequently were not friends of Marxism.

Human beings are, for Gramsci, neither socio-political nor material agents of change; the material does not come before the cultural and vice versa. Each is a subject and an object of change (neither of which should be lost sight of and that unfortunately had been by Marxists), who had concentrated too literally on Marx’s formulation of historical materialism and argued that the material economy is the “superstructure” or “base” of society and the socio-cultural is the “structure”. Marx’s writings had been simplified by Marxists. As a result, revolution had not come to pass. “Marx’s privileging of material production as the essential part of the economic base is dependent upon a particular image of factory labour and ignores the extent to which other forms of production have a major role in the ‘base’. Super-structural areas do not necessarily behave in a way that corresponds with the interests of capitalism... It is clearly the case, then, that a politically transformative project needs to pay serious attention to both the base and superstructure and not to assume that either level is decisive” (Thomas, 2009:30).

Gramsci considered that the State acts both coercively and consensually to ensure its legitimacy. It is an idea that the great Italian political theorist, Niccolò Machiavelli, developed. The socialization of political rule has to be conceptualized; why people accept the legitimacy of the State and do not rebel against it.

“Hegemony, for Gramsci, must result from the consent of the masses to be directed in all aspects of social life...Gramsci draws from Machiavelli’s *The Prince* to define what Gramsci conceptualizes as the *Modern Prince* (vanguard party)” (D’Attoma, 2011:5). Citing the work of Andreas Kalyvas (2000:354), John D’Attoma writes: “Contrary to Machiavelli’s prince, the modern prince is a productive collective subject, instituting the revolutionary will of the masses against subordinate and dominant structural relations” (D’Attoma, 2011:5). The bourgeoisie gets working classes to believe they are getting a good deal out of mass consumption; and that capitalism is good for them. Working classes believe they have free will and what is in front of them is the real object. The philosophy of empiricism comes to dominate popular thought among all groups in society. The myth of the given, the *sense datum*, is potent. To Marxists including Gramsci, nothing is given. Everything is seen through certain lenses; the given is an illusion. Conformity is the rule by which the State establishes consensual government. But the people do not realize what they are exactly conforming to. The working class does not automatically see its struggle; its conformity is apparent. Working class people do not actually perceive their conformity. Revolution is thus a course of action they would not accept. Lived experience conforms to the illusion of the given. On the other hand, there is coercive rule in which the State builds a security and law enforcement apparatus to operate its hegemony. Brute authority is the expression of the State’s desire to rule. The important thing to realize is that consent and coercion “counter-balance” each other. “Force must not appear to predominate too much over consent”. Consent and coercion are “dual perspectives” of State hegemony (Thomas, 2009:165).

The true nature of hegemony is to combine the juxtaposition of consent and coercion into a way that ensures the State of its legitimacy in the eyes of citizens. It is significant therefore that consent and coercion should be of equal or close to equal weight; neither must completely dominate the other. Otherwise the State will not be hegemonic. Hegemony is the expression of rule by consent without the necessity of coercion; that is to say, coercion is not necessary to achieve consent. Consent can achieve consent on its own. Accordingly for Gramsci, “hegemony is

consent, and a stable and legitimate state should not cease to lead and strengthen its basis for consent” (D’Attoma, 2011:5). Indeed hegemony is the “tactical and instrumental need for building inter-class alliances and constructing a unitary political bloc under the political and ideological leadership of the working class *capable* of challenging the dominant position of the ruling class” (Kalyvas, 2000:353). Capability is italicized because the working class must always be capable of “challenging the dominant position of the ruling class”. Even if it does not actually overthrow the ruling class, the working class must always be capable of “challenging the ruling class”. Otherwise, the ruling class is not to obtain the full consent of the masses.

Extending Gramsci’s theory from the national level to international political economy, Mike Campbell writes that there is no reason why the accumulation of capital, and the concentration and centralization of capital that it implies, should be “hindered by the arbitrary political boundaries of nation states” (Campbell, 1981:150). Centralization of capital knows no boundaries. The basic formula of capitalist accumulation obtains for the capitalist state and for international economy. The capitalist state exploits the working class. It promotes capitalists’ interests to earn “surplus value” that keeps the rate of profit higher than it should be given the level of labor power and aggregate demand in the economy. The capitalist state is a quality and not a substance, which is defined by logics of accumulation and centralization that the international bourgeoisie class approves of.

Campbell recognizes that the problem with Gramsci’s theory of hegemony is that it is thoroughly concerned with domestic or State hegemony and not international hegemony. The national relation is the result of the original order of material things and modes of expression. “The international situation should be considered in its national aspect... The point of departure is ‘national’” (Thomas, 2009: 214). Another Gramscian theorist, Robert Cox, likewise expands Gramsci’s original theory to include an explanatory framework for international political economy.

Robert Cox’s theory of international political economy

A neo-Gramscian theorist, Robert Cox, has devised a unique reformulation of Gramsci’s hegemony theory to move away from Gramsci’s complete focus on the national sphere. He contemplates international political economy using Gramsci’s concept of national hegemony and his own ideas regarding the internationalization

of national hegemony from a dominant class in one country to dominant classes in other countries. For Cox like Gramsci, hegemony originates in the State. Differing with Gramsci, however, Cox argues that hegemony does not subsist in the State. Rather national hegemony internationalizes itself under conditions of the neo-liberal institutional order. Peter Burnham (1991:76) says: “The formation of an historic bloc organized around a set of hegemonic ideas, a dominant ideology, which temporarily forms the basis for an alliance between social classes”. Out of the singular dominant class comes some idea that unites the different ruling classes in pursuit of a dominant ideology. “World hegemony is an outward expansion of the internal (national) hegemony established by a dominant social class” (Cox, 1996:137). According to Cox the U.S. has in the Post-World War II period been able to “project its hegemony internationally not just in the mode of production but also in the internalization of the liberal capitalist state”, which is a phenomenon he calls *Pax Americana*. *Pax Americana* involves “internationalizing and normalizing the liberal capitalist state via practices such as policy harmonization, influence on key state agencies in both dominant and other states and via international institutions” (Cox, 1981:pp.230-232).

Cox argues that international institutions “function to legitimate rules, engage social forces in developing countries and absorb counter-hegemonic ideas” (Cox, 1983:138). Hegemony is a “structure of values and understandings about the nature of order that permeates a whole system of states and non-state entities. Such a structure of meanings is underpinned by a structure of power” (Cox, 1983:42), which “derives from the dominant social strata of the dominant states in so far as these ways of doing and thinking have acquired the acquiescence of the dominant social strata of other states” (Cox, 1983:42). The ruling political and economic class in a hegemonic state establishes the conditions for extensive exploitation of subordinate classes in weaker states. Cox understands that a structure of economic and institutional power has created a set of meanings and rules in international political economy that facilitates weaker states’ conformity with the will of the “historic bloc”.

A hegemon emerges out of the apparent consent given by subordinate states to institutional rules. Cox’s theory does not emphasize economic power as much as the reasons for international consent and agreement. Through the power exerted by “historic blocs”, hegemonic states transform sovereign states into virtual states; that is to say, their sovereignty is a matter of appearance and not reality. When

combined with pure economic power, subordinate states are locked into a corner of inferiority. The point is that international political economy is not so much about the material relations of production in the global economy; it is more about the manner in which international rules are given symbolic meaning and legitimized so that weaker states consent to them unconsciously. Arising out of the formation of “historic blocs”, national ruling and economic classes create institutional symbols and forms for their common use.

Thus in respect to international political economy, Cox’s theory is interested in rules and procedures; that is to say, to what extent do weaker states adopt them responding to the structure of international economic power. States consent to international rules without fully understanding their impact. They are oblivious to their insidious nature because institutional symbols manipulate national thought and action. The lens through which individual leaders see the world around them is both unreal and real; it is unreal in the sense that their countries don’t *seem* inferior to them and real that they truly *are*. “Historic blocs”, through which a community of national political and economic classes is able to predominate over long periods (Gramsci, 1971:pp.365-366), back the development of international institutions that design and implement rules ostensibly for the benefit of all states but actually for the benefit of a dominant few.

Neo-Gramscian hegemony theory: U.S. power in Latin America

What Cox has to say about politics and socialization was borne out by the state the U.S. became immediately after World War II. The U.S. political and economic class was triumphant after the War. The U.S. had emerged as the world’s sole superpower. Both Republicans and Democrats basked in the nation’s glory. The so-called “Bretton Woods” institutions, the World Bank and the IMF, were created with the interests of Western countries in mind including the U.S. Developing countries would build dependence on attracting foreign direct investment and short-term capital. The U.S.’s national political and economic class had internationalized itself; international institutions had gained the consent of developing countries to ironically further the Western economic agenda of neoliberalism. U.S. boomed and living standards rose significantly during this period, right up to the 1973 petrol crisis. The class ensured conformity and the consent of the governed: Americans believed in America’s destiny, the idea that America’s past and future held great things for the country. The U.S. was going to be truly great. The U.S. really was

different to other countries, being bigger and more vibrant than any one of them. Americans were socialized to see their country in a certain light. America had a destiny. Even during the darkest times of the Cold War, Americans were in no doubt about the virtues of capitalism and liberty.

In 1839 John O'Sullivan (1839:426) wrote: "Our national birth was the beginning of a new history, the formation and progress of an untried political system, which separates us from the past and connects us with the future only; so far as regards the entire development of the natural rights of man, in moral, political and national life, we may confidently assume that our country is destined to be the great nation of futurity". O'Sullivan represents the idea of American Destiny: the U.S. was "destined to be the great nation of futurity." The emergence of U.S. international moral and intellectual leadership inspired American optimism and patriotism in the post-war period. Whatever thing the country achieved, Americans invoked its past and future to explain that particular achievement, which was due to the "Founding fathers"; the U.S. had a manifest destiny to spread freedom around the world and to be a "great nation of futurity". Their reverence of the "Founding Fathers" as pioneers of liberty and constitutional government spoke of the way in which the past affects the present. What happened many years ago is still important; because Americans sense they owe a great debt to the country's founders. America's Destiny is an idea that Americans hold dear.

Now if I were to explain the emergence of the national security state after September the 11th, I would suggest that Americans have seen their destiny: in order to remain a "great nation of futurity", Americans have to unite. The forms of coercion and consent have become apparent. The "natural rights of man" is an absolute and a God-given thing. America is a nation of purpose and destiny. These contradictions lead Americans to believe that the national security state is bad, but not sufficiently bad to be necessary and fixed. It could be changed. Americans are in control of their own destiny. Nothing is meant to be. Meanwhile, movements like the Tea Party and Occupy Wall Street support the view that turning both back and forward are ideas as well. Most Americans believe that their country is *not* hegemonic, when it is in fact.

Cox would have had a lot to say about U.S. power in Latin America post-World War II. The United States has been a hegemon; the country has got other states to do what they otherwise might not have done through their own consent and its own

power. The U.S. has exercised power over other states by having the military and financial resources to enforce cocaine interdiction while expressing American common sense in the period of *Pax Americana*. It is in this period that the “historical evolution of American manifest destiny and the internationalization of liberal ideology became part of the American “common sense”(Cox, 1987:211). This “common sense” includes thought about what sort of region Latin America is to the U.S.: James Monroe, a former U.S. President, published the “Monroe doctrine”, which says that the whole of the Western hemisphere, i.e. the Americas, is under the U.S.’s “sphere of influence” (Renehan, 2007).

For much of its history the U.S. has abided by this doctrine, of which interventions in El Salvador, Chile and Nicaragua are manifestations. U.S. hegemony in Latin America has been real. U.S. power in Latin America reached a high point in the post-World War II period, in the late 1980s and early 1990s, when international finance institutions located in Washington D.C., the U.S. capital, namely the World Bank and the International Monetary Fund (IMF), armed with U.S. treasury backing and support during the Regan and Clinton administrations (the latter would push strongly for the creation of NAFTA in 1994), were successfully pressuring governments in the Third World to liberalize their economies and implement the so-called “Washington consensus”, a list of free-market economic reforms. American hegemony had returned, after the disasters of the Carter administration during which the U.S. economy entered what turned out to be the second-worst recession in the post-war period, both unemployment and inflation spiked (Labonte, 2010) and the Iranian Revolution in 1979 took place (*Washington Post*, 2010). The force of cocaine interdiction could be a case because it overlapped in the period of the 1980s and 1990s when U.S. power rose and U.S. ideology about the U.S. not being harmful to the rest of the world were most keenly felt.

Peter Andreas and Ethan Nadelmann (2006), in their book *Policing the Globe: Criminalization and Crime control in International Relations*, call the Drug Enforcement Agency (hereafter DEA) the “global enforcer” of U.S. anti-drugs policy, saying its role is “not unlike that performed by the Royal Navy on behalf of Britain’s campaign against piracy and the slave trade in previous centuries” (Andreas & Nadelmann, 2006:43). The Royal Navy was instrumental, after the British government legally abolished slavery across the British Empire in 1834, in bringing slavery to an end in many places. Likewise the DEA was instrumental, except in drug and not slave interdiction globally. The DEA was created by President Richard

Nixon in 1973 when his administration had declared that drugs were a serious menace to American society (Berg, 1999: 56). Many U.S. servicemen returning from their tour in Vietnam had become “addicted” to opium and heroin. The Nixon administration feared drug use was spreading rapidly throughout the country, which a new law enforcement organ of the U.S. federal government would be better equipped to deal with. Thus began what critics of U.S. anti-drugs policy would later call the U.S. “drug war” (Galen Carpenter, 2003). During the 1980s, the U.S. was involved in several armed conflicts in the region, in Nicaragua, El Salvador and Honduras. The Regan administration supported the Contras, a collection of conservative factions, which were in an armed struggle to overthrow the Sandinista government, being the left-wing government of Nicaragua. One part of the motivation had to do with drug trafficking and another part of anti-communism.

Since the 1970s in Latin America the DEA has been part of the policy goals of successive administrations. In the 1980s the Americans saw drug trafficking as a serious problem in Nicaragua. Since the mid-2000s the DEA has been extremely active in Latin America. The DEA is not a bureaucracy unto itself. In the post-September 11th world, the DEA’s relevance has increased. The Bush administration saw a link in Colombia between drug trafficking and the organization called the Revolutionary Armed Forces of Colombia (hereafter FARC), which it named “narco-terrorism”. The DEA has had to reinvent itself to appear an arm of the national security state in the fight against terrorism. The DEA is a major U.S. bureaucracy designed to enforce cocaine interdiction not just in Latin America but globally. The national security state represents U.S. hegemony in Latin America, which the DEA proved.

Indeed President Obama has had an aggressive agenda. He has been very firm on national security. He believes in a strong federal government, which is shown by his administration’s backing for Medicaid, a federal healthcare program that helps low-income Americans, and Medicare, another federal program that funds healthcare for elderly Americans (*The Wall Street Journal*, 2008). The DEA is going to continue to enforce cocaine interdiction. That two states, Colorado and Washington, recently legalized the use of marijuana by plebiscite (*The Huffington Post*, 2012) suggests that the federal government will not easily change course. States took the initiative to change drug laws when the Obama administration had not. Climate change is a similar story of states, like California, which has a huge Democratic party majority in the legislature, taking the initiative; many in the

Republican party in Congress have unfortunately been persuaded that that it is a “hoax”. Since it considers cocaine a “hard” drug, the DEA is unlikely to change course. In 2006 the Democrats won control of Congress: the DEA has become an important part of the national security state, which includes the Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE) and U.S. Customs & Border Protection. In funding for all executive agencies that are a part of it both the Republican and Democratic party are big believers. They are in Big Business too, lobbying for which is furious everywhere in Washington; that frames the federal government as the “bad guy”, being the culprit that places “job-killing” regulations on “small businesses”. The Republicans have created the impression that Corporate America is struggling and needs help, when it is poor Americans who are and do. While corporate profits in the U.S. were in 2011 at their highest-ever level as a share of GDP wages were at their lowest (Business Insider, 2012).Corporations’ rent-seeking behaviors corrupt politics in Washington, which sustains the national security state in the U.S. This concentration of U.S. influence throughout the system of cocaine interdiction is clear. The hegemon’s scale of power, coercion, and its ideological supremacy, consent, affects the force with which cocaine interdiction is tried.

The cocaine market in the Americas

The internationalization of U.S. hegemony in Latin America means that a system of international drug interdiction has been built up in Latin America. In the Americas today, cocaine is difficult to obtain and transfer. As a result, the U.S. cocaine industry is dominated by a small number of players; barriers to entry are high while there is a high probability of being caught. Imperfect oligopolistic markets exist. High mark-ups for U.S. wholesalers and mid-level dealers of cocaine, who are trading right across the country, and for Mexican drug gangs, who are attempting to smuggle the drug into the American heartlands of the Mid-west and the North-Eastern corridor, have meant high prices for cocaine. While the Mid-west has been the U.S.’s industrial core, the North-East has been its most densely populated region; a fact that has allowed for an extensive service economy to emerge there. At the same time perfectly competitive markets exist for individual coca farmers in the Andes, who are great in number. Coca is an extremely popular plant in Bolivia, which thousands grow for their own consumption and to make a small profit. Only by forming powerful associations have coca growers protected themselves from drug traffickers and the U.S. DEA. Coca growers associations have had some

control over the pricing of cocaine supply and the magnitude of drug trafficking. Coca cultivation has become a political issue in Bolivia. President Morales used to be the head of the major coca growers association (International Business Times, 2012). The politics of coca is the underlying cause of Morales' decision to kick out the DEA in 2008. Coca growers' profits were threatened by the DEA, which wanted to eradicate coca. Before being kicked out of Bolivia in November 2008 the DEA had made coca eradication a part of their strategy of fighting cocaine trafficking. That severely affected the cocaine trade in the Andean region of South America.

After spending valuable resources throughout the 1990s to try to kill off the Colombian cocaine trade, which declined dramatically after the fall of the Colombian cartels, law enforcement agencies in the Americas would turn their attention to Mexico in the 2000s. Drug traffickers are criminal groups that operate in international space. These groups use violence to get drugs into jurisdictions; or smuggle them in cargo on ships and aeroplanes, or pay drug "mules" to do so. Mexican drug cartels are some of the most violent groups on earth. To give a sense of how violent, according to *The Economist* magazine in 2010 in the state of Chihuahua which has been ground zero for Mexico's war against the cartels, 4,400 homicides were attributed to the operations of organized crime; namely, cartels and smugglers who have been waging war on each other and killing third-parties (*The Economist*, 2012). In 2012, Chihuahua's population was 3.4 million, which made the murder rate a terrifying figure (INEGI, 2012). The homicide rate was 125.71 per 100 000 people. South Africa's homicide rate for the financial year 2009/10 was 34.9 per 100 000 (SAPS, 2012). Chihuahua's homicide rate is almost four times higher than South Africa's, a staggering statistic if one realized South Africa was an extremely violent country. There are several aspects to cartels, which bear on the appropriate balance between U.S. power and consent in Latin America that I want to consider.

The problem of the drug cartels

Drug cartels in Latin America are international criminal organizations involved in the trafficking and sale of drugs across the Americas. The problem of cartels is that brute U.S. force is not a sufficient condition for destroying them. The consent of countries to the international order of drug interdiction is required. Drug cartels follow complex economic patterns, which mean that they can penetrate and subvert the State in a short period of time. National consent to the international order may

not come due to the malign forces of the drug cartels in disrupting the confidence and security of the ruling class.

The law of diminishing returns is applicable to a cartel. Given a quantity of a fixed factor, capital, and an increasing quantity, labor, in the short run, returns decrease. Marginal costs increase with increasing sales. The upshot is that prices rise with increasing sales; in order for cartels to supply more cocaine they have to be paid more. A cartel's supply curve is upward-sloping. However, like in any oligopolistic industry, strategic interaction, the possibility of a "kinked" demand curve (when firms did not respond to an individual firm's price increases and respond to price decreases that started a "price war"), means the demand curve is more critical than the supply, into the nature of which game theory offers an insight. High security costs to avoid law enforcement crackdowns and costs to minimize the risk of sending the wrong employees to do a job in an extremely difficult environment indicate that for any cartel both fixed costs and variable costs are big. It has to be confident in the skills sets of its employees, who are much of the time mobile and expected to avoid law enforcement's attention. As a cartel invests in its employees it will be reluctant to get rid of them, who are to be well-trained and paid. Cartels hire a small number of high marginal product workers. The reason is high wages. Cartels want to maximize profits. If cartels were to hire low marginal product workers, who demanded high wages as a compensation for risk, they would not maximize profits.

Nevertheless cocaine prices are more about the demand for cocaine itself than the cartels' cost curves. Cartels are price-colluding firms, which enjoy what economists call "supernormal profits", "the difference between the revenue received from the sale of an output and the opportunity cost of the inputs used" (Oxford dictionary of economics, 2009:131). They limit cocaine supply. The quantity of cocaine supply is lower, which means prices were equally higher, under conditions of oligopoly than under perfect competition. Perfect competition is the ideal case, in which prices directly relate to marginal costs and cartels do not earn "supernormal profits". The opportunity costs of trafficking cocaine are small for cartels considering the cost of storing cocaine is high and the cost of coca is low. Inventory turnover is high. The same applies for labor input: the labor of drug traffickers has few alternative uses. Cartels indeed enjoy "supernormal" profits.

Cocaine's demand curve is more important than its supply curve for appreciating cocaine interdiction. The demand curve is a function of tastes, income levels and the success of rehabilitation programs, among other factors. Crack cocaine delivers more intense high to users than powder cocaine. Cocaine comes in different varieties of purity and form. The slope of cocaine's demand curve is not equivalent for wealthy and poor people. It is very steep for the latter, as crack cocaine is quite cheap, extremely addictive and a popular drug among poorer users. Crack cocaine's demand curve is relatively inelastic, meaning only big price changes affect the quantity demanded. Wealthy people consume high-purity powder cocaine. As a result, the slope for that demand curve is quite flat. High-purity powder cocaine's demand curve is relatively elastic. Small declines in price lead to big increases in quantity demanded. If the U.S. income distribution became more unequal one would expect to see crack cocaine's demand curve turn elastic and powder cocaine's inelastic. The wealthy would consume similar quantities of cocaine at each price level within a normal range; only really big price changes their consumption of it. They would absorb price increases. The poor would consume much less crack cocaine if prices increased seeing that additional income would not be there to absorb them. A shift in the U.S. income distribution would have strong effects on the demand for both crack and powdered cocaine. However if entities had market power this risk would be more manageable. They could respond to demand conditions by lowering or raising prices. Entities without market power do not have this choice about pricing.

Mexican cartels and U.S. wholesalers have had market power, and coca growers have not. The cocaine trade is heavily skewed. The major reason is power: to what extent are cartels and wholesalers able to control their environment and maximize utility. The consequences of power could be severe. In Mexico under the previous Calderon administration it appeared the cartels had developed such a firm hold on the Mexican state that according to the German sociologist, Max Weber, this would not have qualified. He defined the state as having a "monopoly on the use of violence in a given territory" (Oxford Dictionary of Politics, 2009:508), which is a test the Mexican state would have failed in parts of the country that had become completely lawless. In Chihuahua agents of drug cartels place severed heads on roadsides to terrify local populations into submitting to their rule and not to the state's (BBC, 2009). Drug cartels fight among themselves. Corruption is a big problem in Mexico: cartels bribe federal policemen not to investigate them and

judges not to try them. Journalists are routinely killed. Violence has spread. Mexico looks barely recognizable. President Calderon's position has been hopeless. The dynamics of cocaine trafficking in Latin America have changed. The Colombian cartels have gone. The Colombian cartels used to be powerful; the Mexican ones then took over. Andrew O'Reilly, a reporter for *Fox News Latino* in the U.S., quoted Shannon O'Neil, a fellow for Latin American studies at the Council of Foreign Relations, as saying that over the past twenty years the Mexicans had really taken over. Instead of working for the Colombians, the Colombians were now working for the Mexicans' (O' Reilly, 2012).

While the Colombian were behind the curve the Mexican cartels began building market power, and Mexico itself was advancing economically. Once a sector were "behind the curve" in such a dominated an industry as cocaine, it would become extremely difficult for firms in that sector to effectively compete with those ahead of it and take away market share. A function of pricing and transaction costs is satisfied; pricing in the sense that the other firms make offering a differentiated product a bad strategy, a result of having pricing power (cocaine is *cocaine*; quality standardization is important), and transaction costs if enforcement authorities were to learn of "sudden" changes to trafficking routes, which they were likely to do given past experience, many agents would be caught. Cocaine is banned everywhere. Enjoying conditions of market power, Mexican cartels have created a narco-state within a State. The Mexican ruling class is facing a crisis of confidence. The class is under siege from the drug cartels. The Mexican cartels are violent oligopolies engaged in a criminal insurgency against the Mexican state. The DEA is now deeply concerned about events in Mexico. The U.S. ruling class is worried about a diminution of its influence in Mexico as the Mexican state unravels. Former Secretary of State Hilary Clinton said in 2012: "Mexico is becoming more and more like Colombia looked twenty years ago, where the narco traffickers control certain parts of the country" (Leiken, 2012:2). U.S. hegemony in Mexico is under strain. In the next section, I introduce the DEA's coercive role in cocaine interdiction in Latin America, as a reaction to a possible decline in U.S. hegemony.

The coercive role of the DEA in Latin America

According to Nadelmann & Andreas (2006), the DEA has become the global "enforcer" of U.S. anti-drugs policy. Due to pressure from the national security state that flows from the identity of the U.S.'s ruling class, the DEA is heavily

involved in Latin America. The national security state in Washington has been connected with the U.S. ruling class's demands for a high rate of profit on capital. If drugs were not banned the U.S. government would worry less about national security all things equal. The U.S. rate of profit would be lower. A high rate of profit on national security investments is available for U.S. corporations. The war in Afghanistan would cost the U.S. government \$700 billion (Afghanistan Study Group, 2012). Joe Stiglitz, a renowned U.S. economist, recently wrote in the *Financial Times* that there is a "huge price tag for replacing military equipment" that had been consumed during the wars... the legacy of expensive commitments would force the Pentagon to "make difficult choices – for example reducing the size of the army and investing in more unmanned robotic weapons" (*The Financial Times*, 2013). Of course "unmanned robotic weapons" are expensive equipment. Accordingly since 2005, the federal government awarded at "least \$12 billion in contracts for drones and drone supplies and maintenance". The terrible violence gripping Mexico offers great investment opportunities for U.S. corporations. They include at least \$270 million in U.S. federal government spending for U.S. Customs & Border Protection's drone programme", which uses drones for stopping drug smuggling and trafficking over the U.S.-Mexico border (KPBS.org, 2012). This government military largesse is one reason U.S. corporations' share of national income remains so high.

U.S. corporations are doing fabulously well. If U.S. real wages were low, the rate of profit on capital in the U.S. would be high. The formula for working out the rate of profit on capital is the following: rate of profit on capital (r) = $(q/K) [1-w/p] (L/q)$ (Lavoie, 1992:298). The formula points out that if real wages decreased ($1-w/p$ got bigger) and labour productivity decreased (L/q got bigger) then the rate of profit on capital (r) would increase. The term in the square brackets would increase. The under-consumption problem Marx identified has arisen in the U.S. A depressed domestic economy indicates a low level of capacity utilization and a relatively low level of labour productivity. Highly productive "blue-collar" workers were not employed. Corporations had the potential to make a lot more things and chose not to because of inadequate demand. During boom periods real wages usually rise and depressed periods they fall as more "blue collar" workers are hired. Consequently real wages could be low (Wolff, 2006). A high rate of profit on capital thus obtains for U.S. capitalists. The U.S. national security state is the U.S. ruling class's expression of coercion.

Conclusion

The application of Gramsci's and Cox's hegemony theory to U.S. power in Latin America and the associated "War on Drugs" speaks of the extent to which consent and coercion have balanced each other out or consent has slightly outbalanced coercion. An international anti-drugs regime has been in place; while the U.S. government has played the role of global enforcer of drug interdiction. Also, the "historic bloc" comprising the U.S. national political and economic class in Washington D.C. has stayed largely intact as indicated by the growth of the national security state, spending on drones and the privatization of the U.S. military. This is important because international institutions would, according to Cox's theory, be the conduit of the U.S. national class formation to work with dominant classes in other countries and thus safeguard international drug interdiction to its continued satisfaction. Hegemony theory recognizes that international dynamics are determined by national ones in the country that organizes the "historic bloc", which dominant classes right around the world are members of.

In the next chapter, I explore the implications of consent and coercion failing to balance in Latin America; why hegemony theory of international political economy does not today obtain. I argue that U.S. hegemony is much diminished. The U.S. ruling class is unsure of itself. The world economy is growing due to the demand from developing countries and the IMF, the premier international neo-liberal institution, is starting to reform itself.

Chapter 5: The decline of the “Washington consensus” in the 2000s

Introduction

This chapter is divided into three sections: the first section deals with the nature of U.S. hegemony in Latin America during the 1980s and 1990s in respect to the “Washington consensus” and the internationalization of the neo-liberal order in Latin America, the second section deals with the failure of that order to establish itself as demonstrated by the 2008 global financial crisis and the rise of the developing world, the third section explores the consequences of this failure, according to the decline of U.S. national hegemony and U.S. hegemony in Latin America.

The principal argument I intend to make is that the reason the “Washington consensus” has declined in Latin America is that the international neo-liberal order fell away in the late 2000s because of the 2008 global financial crisis, the improvement in Latin America’s economic performance and the decline of U.S. national hegemony. Today, the U.S. is looking at itself in a whole new light.

The “Washington consensus” in Latin America

For Latin Americans during the 1980s and 1990s two major aspects of U.S. hegemony in Latin America were policy gravity and compulsion, which fit with Gramsci’s idea of “moral and intellectual leadership” and an “historic bloc” of subordinate states following the example set by the hegemon to deny the material relations of production, to deny the true reality of their predicament. During the 2000s both diminished in magnitude. Structural Adjustment Programmes (SAPs) in their past form were done away with in the early 2000s. Strict conditionality was replaced with process conditionality (OECD, 2009:17). As long as states followed the basic requirements of paying back a loan, that was paying the interest on it; they would not face further conditions on their domestic policy from the IMF. Conditionality was not the problem for Latin America that it had been during the 1990s, of which Argentina was an example. In the 1990s Argentina borrowed heavily on international capital markets and from the IMF, which the Argentines’ desire to maintain a strong exchange rate and be “competitive” brought about. In December 2001 the country defaulted on its debts, which caused a big economic crisis. The interesting thing is that Argentina, in negotiations with the IMF, successfully restructured part of the debt; that is to say, the amount Argentina

eventually repaid was dramatically reduced (BBC News, 2012). Argentina's domestic economic policy was not driven by the IMF. Yet in previous decades it might have been because Argentina's leaders would have been fearful of the IMF's influence on the thinking of international financial markets. The Argentine government was able to get a better deal for Argentines than would have been possible in the mid-1990s when the 1995 Mexico "tequila" crisis hit. Mexico was bailed out.

Argentina avoided the pain that Mexico was to through after the bailout. By defaulting Argentina hurt its lenders, who were desperate to negotiate a separate deal with the Argentine government and not to suffer huge losses. That default happened showed Argentina's economic policy was independent of IMF demands. Argentina's refusal to pay was a solution to the country's financial crisis. Policy gravity was a bearable cost that would avoid IMF austerity. A function of gravity was heavy worry about uncertainty. A definition for uncertainty should be given because uncertainty was wrongly associated with risk, which had a separate meaning. I give Keynes' definition of uncertainty, to which that famous line in his major work "The General theory of Employment, Interest and Money" speaks: "The long run is a misleading guide to current affairs. In the long run we are all *dead*" (*The Economist*, 2013). The Argentines had the conviction to bet on gravity's loss, which paid off. Gravity had diminished. U.S. power in Latin America had reached a high point during the 1995 Mexico economic crisis. In January 2001, George W Bush became president. In September 2001, the terrible attacks on the World Trade Centre took place. The Bush administration quickly turned its eye away from Latin America and towards the Middle East and Asia, while the Argentines were negotiating with the IMF in late 2001 and early 2002.

The 2008 global financial crisis

In 2008 the worst financial crisis since the Great Depression struck the global economy. A "credit crunch" in which banks were no longer confident in lending money either to one another or to businesses occurred. In order to save the financial system a number of banks were bailed out. However it soon became clear bailing out banks would not be enough to get the economy back on track, which had to be stimulated. Keynesian "depression" economics gained ground. Governments realized that substantial increases in government spending were needed to prevent a financial crisis from turning into another Great Depression.

Previously they were worried about the negative effects of increasing government spending. Many economists believed in the “crowding out” effect, which claimed government spending increased pressure on interest rates, being the cost of debt capital, to rise. Consequently businesses investment fell. In the aftermath of the crisis, government regulators felt empowered. Financial regulation of Wall Street and the City of London, the world’s two major financial centres, increased (*The Economist*, 2012); and a second departure from the consensus emerged. Government regulation was seen an evil before 2008: governments were expected to implement *laissez-faire* economic policies so that an enabling business environment for corporations was created. Economists rethought the merits of financial regulation, which had positive qualities in a way they had not supposed. The Dodd-Frank Act was passed by a Democratic congress, which recognized that the speculative nature of some securities like credit default swaps and collateralized debt obligations (CDOs) had caused the worst financial crisis since the Great Depression (*The Financial Times*, 2010). The idea that financial markets adequately policed themselves was replaced by one about the nature of capitalism. A sombre realism came over those who had been major supporters of financial deregulation, which included Alan Greenspan, the former governor of the Federal Reserve, the U.S. central bank. Regulation of the financial sector, and by implication of the broader economy, was necessary.

When the financial crisis hit the U.S. economy in September 2008 as the investment banking firm, Lehman Brothers, collapsed (*The Guardian*, 2013), Latin America was gaining ground. Greater regional integration was happening at the same time the U.S. was turning inward and focusing on domestic matters. The U.S. economy was in bad shape. The “Washington consensus” was to be shown empirically false. Developed economies by their status were meant to have avoided the financial crisis as they in effect had followed the “Washington consensus”, which was meant to be a formula for economic success. The idea behind Structural Adjustment Programs (SAPs) that provided IMF-backed loans to states experiencing a financial crisis, or those going to, was shown a folly. SAPs stressed “structural reform” must happen if investor confidence were to rise and a financial crisis be avoided. Yet the problem of a lack of “confidence” lay with the functioning of the financial markets themselves. Under the Clinton administration, the “Washington consensus” was brought into Latin America, which was in favour of NAFTA and “free trade” in the Americas. While the administration was in office, in the 1990s,

the U.S. economy was experiencing a great economic boom. When the U.S. economy went into recession (December 2007- June 2009), for an 18-month period, being the longest and deepest since World War II, (Isidore, 2010), the effect of the falsification of the “Washington consensus” was felt in respect to U.S. power in Latin America, which dissipated. U.S. financial markets are international entities. The U.S. economy has historically been by far the largest in the Western hemisphere, which made the decline of the “Washington consensus” real. The pressure that developing countries had felt from the U.S. during the 1980s and 1990s, which seriously undermined their autonomy to make independent economic policy choices, lessened.

At the same time Latin America’s economies did well post-crisis the U.S. economy went through a “ghost” recovery. While U.S. GDP recovered lost ground the employment rate did not. In 2011 real household incomes in the U.S. were lower than they had been fifteen years ago (Rosenberg, 2012). This was a case of the disease economists had identified as the “Lost decade” syndrome, being a depressive syndrome Japan had experienced over the course of the 1990s and early 2000s that involved deflation and economic stagnation (Casselman, 2012). The U.S. middle class was under great pressure seeing pressures on its finances from stagnating real wages, which are wages adjusted for inflation, rising university tuition costs, and other bills. The U.S.’s income distribution became more unequal. During the 2012 Presidential election I found a reason U.S. politics had become so fractious was that the Republican party was backed by people not in the infamous 1% income bracket, which the “Occupy Wall Street” movement had popularized, but in income brackets even higher than this one, that its hostility to raising capital gains taxes showed (Garofalo, 2011). In 2010 the top 0.1% of U.S. earners – 315 000 individuals in a population of 315 million – earned half of all capital gains due for capital gains taxes (Yahoo, 2011). After 2012, such Republican hostility to taxes could be seen as a function of rising levels of income inequality in the U.S. Small numbers of Americans have been getting ahead while most have been lagging behind, which is building pressure for extremist politics from the Right about taxes. Extremist trends cater for extremist politics in the U.S.

Contemporary U.S. national hegemony

The U.S. federal government's approach to cocaine interdiction in the U.S. is a counterexample to hegemony theory's emphasis on consent and coercion. Latin America has traditionally been seen as the U.S.'s "backyard". Cocaine trafficking has been causing great harm to the U.S. The cocaine supply chain is South American in nature. The U.S., the world's biggest capitalist economy, has the resources to enforce cocaine interdiction. Americans believe that their country is not being the "world's policeman". Ideology and hard power are a toxic mix; yet it has failed to produce a toxic outcome. Gil Kerlikowske, the Obama administration's drug "czar" at the Office of National Drug Control Policy (hereafter ONDCP) which is an executive department in the White House that aims to co-ordinate federal drugs policy with the DEA and other law enforcement agencies, speaking about the "2012 National Drug Control Strategy", called for a "balanced" approach between law enforcement and public health efforts that implemented drug control. Just the emphasis in the document continues to be on law enforcement, underscored in "Goal 1: Curtail illicit drug use in *America*" (ONDCP, 2012:3). Cocaine is an "illicit" good, which is forbidden, interdicted. Then "Goal 2: Improve the public health and public safety of the *American* people by reducing the consequences of drug abuse". Only by law enforcement "curtailing" cocaine use does the public health system get to "reduce" the consequences of cocaine abuse. Law enforcement is required because public health says so. In order for the U.S. public health care system to be effective drug use has to fall in the U.S. The U.S. DEA is a necessary actor. That is the missing premise, which makes the whole approach question-begging if the ONDCP were to sponsor its conclusion. It does. The goal of securing the public's health demands that the DEA *should* be involved. A list of targets has been given about bringing down drug use in the U.S.

Law enforcement is the *substance* of U.S. executive power, which forbids or mandates the use of things e.g. seatbelts, by people. Kerlikowske pointed out that "cocaine use has dropped nearly 40%" (*The Huffington Post*, 2012). The focus is now on what the U.S. executive will be doing and not what public services are doing independently of it. Departmental "silos" do not obtain. The pull of "natural security" is too extreme, which in military spending comes down to what the Obama administration proposed.

The U.S. defence department has been outsourcing “administrative support” spending to private security corporations, which is the result of pressure from the Bush administration to cut “nonessential” spending and make “savings” to defence budgets; that is to say cut spending allocated to the employment of professional backup staff and hand control of security to private contractors, who use the resources of the “private sector” and will therefore do a better job than the U.S. military could do. The Republican party’s political philosophy that government spending is mostly bad motivates Republican congressmen to scale back funding for projects, at which they think the private sector would do a better job than the federal government. It is a philosophy that President Obama has internalized despite the promises of “change” he made during the 2008 Presidential election campaign. The privatization of U.S. military spending began in earnest during the Bush administration and has continued under the Obama (BBC News, 2012), which is the fault of a U.S. political class that has grown too close to U.S. corporations in the U.S. *capital*, Washington D.C., and not the result of a plutocratic class of international financiers deciding to invest in unspecified projects, whose results are to be made secret from the public of whatever state. The idea that the U.S. bourgeoisie, being allied with the international bourgeoisie, has been driving policy on security is wrong. It is concrete factors like the White House and domestic politics in the U.S. that have been.

The DEA’s funding for enforcing interdiction in the coca-growing regions of South America has fallen. Between 2006 and 2008 U.S. funding for “Plan Colombia” decreased, which happened during George W. Bush’s second term. “Plan Colombia” entered its “consolidation” phase after intensive U.S. funding for coca eradication programs and Colombia’s military 2003-2006, in the aftermath of the events of September 11 2001 and the start of the Iraq War in March 2003, had ended. “Narco-terrorism” was a big worry for the Bush administration post-9/11 (justf.org, 2013). In 2008 U.S. military and police aid to Colombia was \$402 million down from \$589 million in 2006. In the period 1999-2006 U.S. aid had hovered between \$500 and \$750 million a year (justf.org, 2013). In the 2006 mid-term elections the Democratic party won control of Congress, which allowed for less spending on anti-narcotics programs. It should be stressed that spending on this function of “Plan Colombia” had been planned to fall between 2006 and 2008: by 2006, “Plan Colombia” was to have succeeded in one of its core aims, to have massively cut coca acreages in Colombia’s coca-growing regions (Isaacson, 2010). Congress was

nonetheless influential. Spending on programs that focused on economic development and state-building in Colombia increased. In 2008 U.S. spending on the categories “Economic Support fund and International Narcotics Control Economic Aid” was \$234 million, up from \$140 million in 2006 (Jtf.org, 2012). According to the U.S. constitution, Congress had taxing and spending powers and not the Executive; which in this case was the Bush administration. 2006 would be a big year. In November 2008 Barack Obama was elected U.S. President. In January 2009 the Obama administration’s first term began, during which there were continuing declines in funding for the “International Narcotics Control & Law Enforcement” category in Colombia from \$228 million in 2009 to \$166 million in 2011 such was the success of “Plan Colombia” (Jtf.org, 2012). As I looked at 2010 however, I would have to again consider Congressional politics. The Republican party regained control of Congress in the 2010 midterm elections, and in early 2011 sought a sleight-of-hand to cut funding for the State Department and foreign aid by “lumping” that spending with “non-security” domestic spending, to cut their funding “to 2008 levels” (Rogers, 2011). Congressional politics played a major role in the DEA’s funding.

Contemporary U.S. hegemony in Latin America

It is certainly true that a lot of money has been spent; but finally, good outcomes are starting to show in the Americas. The demand for cocaine in the U.S. has been in “long-term decline”. An estimated 10.5 million Americans had used cocaine in 1982; in 2008, the figure was 5.3 million about half as many (UNODC, 2010:16). The value of the U.S. cocaine retail market shrank. “Adjusted to constant 2008 dollars the U.S. cocaine trade showed a decline from almost \$134 billion in 1988 to \$44 billion in 1988. When applying the new figures, the UNODC estimated that this value had fallen further still, to around \$35 billion in 2008” (UNODC, 2010:76). The idea that a demand shock in the U.S. would have little effect on coca supply as demand would be made up by other countries is wrong. Almost 90% of cocaine sold in the U.S. is in some way related to coca-growing and cocaine-making activities in Colombia. This is from the UNODC: That the U.S. market is mainly supplied by Colombian cocaine (rather than Peruvian or Bolivian) has been “established scientifically”. Forensic analysis of cocaine seized or purchased in the U.S. repeatedly shows that “nearly 90% of the samples” originated from Colombia (UNODC, 2010: 74). Coca cultivation in Colombia fell 29% over the 2000s decade from 221,300ha in 2000 to 158,800ha in 2009 (UNODC, 2010:16), though coca-

growing in the whole of South America did less so. Bolivia and Peru to some extent counteracted the fall in coca-growing in Colombia. Still, coca-growing *fell* in the Andean region. In the next few paragraphs I discuss two other counterexamples to hegemony theory, Colombia and Mexico.

In Colombia the government of Álvaro Uribe broke the Colombian cartels' back. The big Medellin and Cali cartels had collapsed in the early 1990s (UNODC, 2009:81). The country became much less violent from 2002 onwards, just as he took office (the Colombian homicide rate fell in half from 2002 to 2009 (Becker, 2010: 22); which allowed his government to get the upper hand on its war against the guerrilla movement known as the Revolutionary Armed Forces of Colombia (FARC). Figures in the Bush administration mentioned the link between drug trafficking and FARC, calling that "narco-terrorism", and distributed money for the programme, "Plan Colombia", which aimed to defeat it. Profits generated from drug trafficking were helping fund FARC. Yet, the relation was not as fine-grained as the Bush administration made out. Other factors were at work: the country's improving economy for one; and its rapidly expanding middle class, another. Colombia's political economy is complex. The country's wealth is heavily bound up with natural resources. However this is the point: the cocaine trade in Colombia is diminishing, which has a lot to do with international co-operation in Latin America, among Latin American states themselves and with the United States, and tougher law enforcement in Colombia (Hakim, 2011). Rhetoric about "narco-terrorism" during the Bush administration clouded their view. In the 2000s cocaine interdiction moved away from a U.S. vs. Latin America proposition. Latin American governments realized the importance of fighting drug trafficking, which decided either to work together with the U.S. or not based on a calculation about the value of doing so.

2004-2012 the Colombian economy has seen rapid growth with the nation's GDP increasing by 4.7% a year on average (Ocampo, 2012). Anything above 4% would be good-going for an economy of Colombia's size, which in 2011 was the world's 28th largest by Purchasing Power Parity (PPP) (IMF, 2012). PPP adjustments relate the "PPP exchange rate to the actual exchange rate" (Appleyard, Field & Cobb, 2008:487). The PPP exchange rate is compared with the actual exchange rate to the U.S. dollar. *The Economist's* "Big Mac Index" is a case in point. A "Big Mac" in South Africa costs R20.95 and a "Big Mac" in the U.S. costs \$4. The PPP exchange rate is R5.24/\$. The actual exchange rate is R9/\$, suggesting the Rand is

extremely undervalued against the U.S. Dollar. Consequently were the “Big Mac” to be the economy’s sole good South Africa’s GDP would be adjusted upwards, which would take into account the country’s “undervalued” currency on GDP’s value in U.S. dollars. South Africa’s GDP by PPP in 2011 was the world’s 25th largest, while in actual exchange rate terms to the U.S. dollar it was only the world’s 29th largest (IMF, 2012). Colombia had turned into quite a big economy. Things have changed in Colombia. In May 2012 a free-trade agreement between the U.S. and Colombia went into effect (ustr.gov, 2012). The U.S. is interested in increasing economic ties with Colombia in a way that recognized its importance.

A smaller proportion of American money is going into the region. The picture is that the U.S. federal government has become less involved in Latin America since 2008, when the financial crisis hit and funding for Plan Colombia’s “consolidation” phase of anti-narcotics operations fell sharply (Justthefacts.org, 2012) and the Bolivian government “suspended” the DEA’s operations. A “security pact” between the U.S. and Mexico, known as the “Mérida initiative”, was signed in 2009, which aims to “fight organized crime and associated violence” based on “respect for sovereign independence” (State.gov., 2012). The thing to note is that Mexico today has bargaining power, which a booming economy and huge American investment in the country have created. It is a major attribute of my objection to hegemony theory: international trade and investment are levelling the playing field between states on a range of issues beside economics that made international co-operation a true enterprise. If they had acted in good faith with poorer states in the 1980s, major states like the U.S. could have benefited from co-operation. In the modern world, trust has to be earned and not expected. In 2009, a “Latin American commission on drug policy headed by three former presidents, from Mexico, Brazil and Colombia, published a report declaring the war on drugs a failure – one that desperately needed to shift from repression to prevention” (*Christian Science Monitor*, 2012).

The “Mérida initiative” and very close co-operation between Canadian and American law enforcement agencies mean the North American cocaine corridor is closing, which means violence in Mexico will start coming down. Greater co-ordination between law enforcement authorities in the U.S. and Mexico is narrowing the drug traffickers’ scale of operation. A crunch will come about. The drug cartels are losing people; many drug traffickers have been killed in cartel-related violence. The Mexican state will come back after a decade of violence and

mayhem. The medium term is estimated at five to seven years and not seven to ten years; after which cocaine trafficking trends will have matured given a more intense cycle, starting in the mid-2000s, of drug trafficking in Brazil. Some re-routing of the global cocaine trade will have occurred. More Andean cocaine will have made its way into Brazil. “According to figures published by the UNODC the number of seizure cases involving Brazil as a transit country increased ten-fold in the past four years, from 25 tons in 2005 to 260 tons in 2009” (Brune, 2011). The Mexican drug war began in December 2006. In 2012 we saw the first signs of a decline in violence. From January to May 2012 the murder rate in Ciudad Juarez, “widely seen as the most dangerous city in the world in 2010”, decreased significantly: some 491 people were killed in drug-related hits compared to 958 during the same months in 2011, according to Molly Molloy, a librarian at New Mexico state university, who keeps track of Juarez homicides (*The Wall Street Journal*, 2012). Juarez is not “ground zero” for the drug war anymore. Another article, from the *Financial Times* entitled “City of death emerges from shadow of gang war”, points to a similar conclusion (*The Financial Times*, 2013). In an article titled a “Glimmer of Hope” written for the magazine’s print edition, *The Economist* notes “many parts of the country, including its gigantic capital” are quite peaceful, so the country’s murder rate is still no higher than Brazil’s and much lower than much of Central America’s. Yucatan, the quietest state, is “statistically as safe as Finland” (*The Economist*, 2012).

Mexico’s former president, Felipe Calderon, declared war on the country’s cartels in December 2006 (Boston, 2009) soon after he was elected. He remained president for another six years. Peña Nieto, a member of the Institutional Revolutionary Party (PRI), Mexico’s second party, took over in December 2012. Violence should diminish during his presidency given greater co-operation between nation states in the Americas. President Nieto wants to end President Calderon’s hard-line stance, which is the fruit of an approach borne by him (*The Guardian weekly*, 2012). In 2011 Mexico’s economy, like Colombia’s, did well, which grew at a very healthy 5.5% (Forbes, 2012). Indeed Mexico’s economy has been doing so well that investors in 2012 noted how Mexico’s and Brazil’s economy have been diverging. Brazil’s economy has been slowing down while Mexico’s has been speeding up. As a result foreign investors are seeing Mexico as a more desirable place to invest compared to Brazil, for which they used to feel the opposite.

Mexico and Colombia: counter-examples to hegemony theory

The reason Mexico and Colombia are counterexamples to Cox's neo-Gramscian hegemony theory is that a great decline in U.S. economic power in Latin America has taken place; that is to say, while coercion is less important than consent for sustaining hegemony, it is by no means unnecessary. The U.S. national political and economic class needs to enjoy a high rate of profit on capital to ensure its continued longevity. But U.S. MNCs in the 2000s did not receive a high rate of profit on capital. In Mexico and Colombia instead of a high rate of profit we saw low levels of unemployment and rising real wages. The Colombian and Mexican middle classes grew substantially (The World Bank, 2012).

The U.S. state wanted to have a favourable balance of consent over coercion in the 2000s decade. International institutions would keep their legitimacy. But such was the decline of U.S. economic power in the aftermath of the Washington consensus that this balance could no longer be successfully achieved in Latin America. The rate of profit on capital in Latin America fell as middle classes expanded. A high rate of profit on capital for U.S. MNCs in Latin America would have contributed to the centralization and concentration of capital in the U.S. Latin American countries would have become poorer and less productive while the U.S. would have become richer and more productive. More capital would have been accumulated in the U.S. U.S. corporations would have become more profitable.

The U.S. state would not strike an excellent balance between coercion and consent. As Bolivia's coca language game demonstrated, the U.S. did not command the consent of Latin American states. Additionally, Latin America was not the outpost of U.S. national economic power. U.S. MNCs did not want to accumulate capital in the U.S. They wanted to make more money in developing regions of the world including Latin America. Latin American countries would get richer and not poorer, more productive; and the U.S. would stagnate.

U.S. pressure on Latin American governments to reform their economies is diminishing. I do not envisage a return to the 1980s and 1990s. During this period, the pressures on the U.S. body politic to turn inward and deal or not deal with the country's problems transformed U.S. power as a category to contingent states of affairs in its capital city. The U.S. is worried about competitiveness and its own status in the global economy. States are worried about the same thing. Every state wants to improve. States pay attention to their own policy boxes. Policy gravity does

apply to Latin America today. Latin American economies are well integrated. The IMF is focused on dealing with the Eurozone sovereign debt crisis and not as much on Latin America. The IMF expects the Eurozone economy to contract this year, by 0.2%. Within that forecast, Spain's economy is expected to diminish by 1.5% and Italy's by 1%. The IMF expects Latin America's economy, in contrast, to grow by 3.6% (imf.org, 2013). The new head of the IMF, Christine Lagarde, is a former French finance minister. Being a European, who is acutely aware of the effect of the crisis on Europe, Lagarde is focused on the IMF working together with other members of the troika, namely the ECB and the EU commission, and getting Europe out of its malaise. Consequently the "Washington consensus" has declined since the 2008 financial crisis not only because of what happened during it but a change in the West's psychology towards developing countries. The Europeans and Americans realized they had got things wrong and needed to reassess. The 2008 financial crisis had shown the limit of what they thought they knew. That became apparent in regard to cocaine interdiction. The U.S. federal government turned inward to enforce cocaine interdiction in the U.S.

In sum, the way to understand the diminution of U.S. hegemony in Latin America regarding cocaine interdiction is to compare the balance struck between consent and coercion in the 1980s and 1990s with the one in the 2000s about economic power. In the 1980s and 1990s a highly effective balance was struck: U.S. economic power was strong and the U.S. national political and economic class elicited the consent of developing countries to the "Washington consensus". However in the 2000s this all changed. Latin America's economies grew strongly; and U.S. economic power fell. Furthermore, Latin American countries like Bolivia were dealing with cocaine interdiction in their own way. The security situation in Mexico and Colombia was improving. Thus in a similar sense, the U.S.-inspired "War on Drugs" in Latin America was foundering as well. Latin American countries did not criticize Bolivia's decision to remove itself from the U.N. Convention on. The U.S.'s power to rule Latin America was diminishing.

"The Washington consensus" re-considered

In the following paragraphs, I present a framework for understanding whether or not the "Washington consensus" really faded after the 2008 financial crisis.

Every year since 1979 the World Economic Forum (WEF) has published the "Global Competitiveness report" (weforum.org, 2013). Responding to the 1997 Asian

financial crisis, which came as a shock to the Western investors who felt the so-called “Asian tigers” were immune from the type of financial crisis that had afflicted Latin America, developing countries have become conscious of the word “competitiveness”. “Competitiveness” signifies the possibility of investor recognition for the progress developing countries make to distinguish themselves. Each of them is very keen to be the destination of choice for foreign investors with big pockets; that is to say MNCs. They want to attract foreign investment. Only by making their progress known in a set of international rankings will emerging markets attract more investment. The IMF’s role is to pressure states to continue worrying about “competitiveness” so that they did not worry about the big economic problems facing the world: poverty, unemployment and inequality. Christopherson & Shojai (2004) write: “Today IGOs (World Bank, IMF and WTO) bear the brunt of negative publicity concerning the deficiencies of globalization – shortcomings that became abundantly apparent with the reverberating ill effects of the 1997 Asian financial crisis... violence in Seattle was flashed across television screens all over the world” (Christopherson, Shojai, 2004:102). As they concentrate on increasing “competitiveness” states fail to see the “big picture”. A common concern for “competitiveness” justifies IMF policy. The IMF must play a positive role in giving advice about increasing competitiveness to uncompetitive countries, which were mostly poor. Otherwise wealthy competitive countries will keep their big advantage over poor uncompetitive ones. That would be unfair. The IMF is an international institution, whose role is to safeguard the world’s monetary system and support confidence in the global economy. If poor countries were to continue falling behind that confidence in the global economy would be risk. To pressure states into caring about “competitiveness” the word, the IMF has been running a message: uncompetitive states risk being left out of the global economy.

Due to their lack of “competitiveness”, which right-wing economists allege to be the major cause of the Eurozone debt crisis, the PIGS group of European countries have lived through austerity. That has involved sharp cuts to governments’ welfare spending and rising levels of poverty and unemployment. In the early stages of the crisis the IMF pointed out that the reason the crisis began was that these countries were uncompetitive. For too long, Spanish and Greek workers had been too costly to employ. As a result unemployment had to rise. On the other hand if Spanish and Greek workers became cheaper to employ unemployment would fall. Labor costs needed to fall in the PIGS countries to raise their competitiveness and restore

balance to the Eurozone's economy. To the IMF austerity was necessary. A comparison to Latin America could be made. During the 80s and 90s many Latin American governments went through austerity following SAPs. In the same way the IMF had imposed SAPs in Latin America the troika imposed austerity on the PIGS countries; that is to say as a condition for getting a loan or a bailout. When it could no longer pay its bills Greece got cheques from the troika and had to agree to austerity. Austerity was imposed on Greece, which had no choice but to agree to the terms. Latin American countries had similarly few options. The Greeks and Spaniards suffered terribly under austerity. Previously the Latin Americans had done.

That Greece went through austerity meant the "Washington consensus" has not declined. The name has lost some weight. However the underlying form of the consensus, the process of overturning sovereignty and handing it to MNCs and the IMF, has not. This idea is found in the word "neoliberalism". While things seem to change they truly do not. An illusion of real change is created. The international order promotes a belief in the power of "change", which was fantasy, to support its existence. In effect I have no way of telling whether the "Washington consensus" is dead or not. The hypothesis that the "Washington consensus" has declined is informed by the biased lens through which I see the world that gives an opaque "window" on reality. It is not as though I could proclaim the decline of the consensus even if a major event, namely the financial crisis of 2008, would have preceded it. The consensus would have been state of affairs. States of affairs do not fade away. They linger, or persist, in time. A state of affairs is not like a physical object, which passes in and out of existence. It is a quality of things.

The 2008 financial crisis was a major event. The "Washington consensus" is not, of which I have assumed and not demonstrated the decline. I have neglected causality. To suppose as I have done that the principal reason policymakers changed their mind about the "Washington consensus" after the financial crisis is that it showed financial deregulation is wrong I have been extremely naive. After the financial crisis policymakers seemed to forget about what had just passed. Cognitive dissonance can be a source of error. Policymakers' support for big increases in government spending quickly gave way to concern about their effects on the private sector. "Expansionary austerity" gained admirers. Government spending would be a drain on the private sector if it were the driver of growth and employment. The view was that if government spending were actually cut out the

private sector would fill up this gap in aggregate demand by spending more itself. Confidence would return and corporations would be eager to buy more equipment and hire more people. The British government under the leadership of Prime Minister David Cameron and Chancellor George Osborne bought into this expansionary austerity theory; that austerity would be good for the economy. So did the Republicans in the U.S., who in 2011 fought tooth and nail during negotiations to raise the country's debt ceiling to cut the federal government's budget. The effect was that U.S. got its credit rating cut by one of the major credit ratings agencies, Standard & Poors (S&P).

Both bureaucrats and elected officials showed remarkable cognitive dissonance. Instead of learning from the crisis they returned to the same ideas that had created the intellectual vacuum for it, which Paul Krugman, a well-known American economist, in 2009, called a "Dark age" for macroeconomics (Krugman, 2009). Petrarch, an Italian poet, called the period after the fall of the Roman Empire a "Dark age" for Europe because it involved a decline in the European appreciation of tribal wisdom, which the ancients had held for philosophy and mathematics. In the same way, the good knowledge economists had picked up since Keynes was no longer seen by many in the profession to be relevant. Paradoxically the bad knowledge was. As he correctly pointed out Keynesian economics had an excellent framework for understanding the economic mess in which the U.S. and European economies found themselves that so many economists failed to see coming, who continued using their own flawed frameworks.

Conclusion

The reality is the world has changed little since the financial crisis, which happened just five years ago. The world is still the messy place it has always been. Developing countries continue to be constrained by huge development disparities between themselves and developed countries. Despite recovering more quickly from the financial crisis, their economies have lagged in human development terms. From life expectancy to infant mortality rates the developed world is still well ahead. Developing economies' weight has increased relative to developed ones. In 2013 for the first time the GDP of developing countries is expected to surpass the GDP of developed countries (IMF World Economic database, 2012). Developing countries are expected to account for 50.8% of world GDP and developed countries 49.2%. In 2000 developed countries accounted for 62.8% of world GDP, which

highlighted the big economic gains developing countries made over the 2000s decade.

However as I shall show in the next chapter all of these developments in the global economy missed a key point: the “Washington consensus” has been an idealization or expression of U.S. power in regard to Latin America’s *politics* too.

Chapter 6: Latin America's regional political environment

Introduction

This chapter is broken down into three sections: the first section gives an account of Latin America's political history from the 1990s to today, the second section ascertains the context of international political economy in which Latin American leaders have found themselves and the third section is an exposition of Brazil's political history first under Lula da Silva and then under Dilma Rousseff.

I argue in the chapter that Latin America's regional political environment has dramatically shifted since the 1990s when the "Washington consensus" was at its height. The reason is that international political economy has changed. Developing countries are on the march. The U.S. is turning inwards. The IMF's "shock doctrine" no longer holds and Latin American governments themselves have changed the way they look at the world. They envisage extending regional integration and developing partnerships with countries in the Global South.

During the late 1990s Brazil, Argentina, Bolivia and Peru were governed by center-right parties. Carlos Menem was Argentina's president, who favored the IMF's policy on the exchange rate and privatization (Kirby, 2003:55) and Fernando Henrique Cardoso was Brazil's, who favored inflation-targeting and austere budgets (Roett, 2011:151). Sánchez De Lozada in Bolivia supported privatization and coca interdiction. Alberto Fujimori, Peru's president, made destroying the Maoist "Shining Path" group of rebels (*The Economist*, 2005) and reforming Peru's economy priorities, which would make it more friendly to foreign investors. While liberalizing the economy the Peruvian and Bolivian governments worried about security. As they combined a tough stance on domestic security with liberal economic policies center-right governments during the 1990s distinguished economic freedom from political freedom. A trade-off between liberty and security was made, which heavily favoured the latter. Like Sánchez de Lozada, Fujimori implemented a coca eradication program. "In early 1996, Peru resumed coca eradication and other traditional anti-narcotics efforts". That came despite a statement from Fujimori in 1993 saying that Peruvian-American anti-drug policy had failed (Stone, 2005:161). Coca cultivation in Peru fell from 121,300ha in 1990 when Fujimori took office to 43,400ha in 2000 when he left it (UNODC, 2010:66). Coca cultivation in Peru fell by 64%. U.S. economic aid to Peru in the 1990s was tied to the country's coca eradication program (Obrando, 2006:171), which in my view did not constitute the

primary motivating factor for the program. It was Fujimori's distaste for coca's link with cocaine trafficking, the way the cocaine trade was structured, that threatened Peru's security and caused him to back coca eradication. Beliefs about the value of security and the danger of extending liberty to those who sought to delegitimize Peru's state informed his position on coca eradication.

Peruvians and Bolivians saw for themselves the damage a lopsided trade-off between liberty and security had done. In 2001, Alejandro Toledo, a center-left economist of indigenous origin who favored Keynesian economics and the promotion of Peru's indigenous culture, was elected Peru's president (BBC News, 2012). Four years later Evo Morales was elected Bolivia's. These elections were interspersed by presidential elections in Brazil and Argentina that brought to power Lula da Silva and Nestor Kirchner respectively, both of whom are from the left. Lula da Silva is a member of Brazil's Workers Party and Kirchner is a member of Argentina's Peronist party. During the 2000s the Latin American left made a resurgence in political fortune. Gone were Cardoso, Menem, Fujimori and Sánchez de Lozada. The 2000s was a very different decade from the 1990s. The political pendulum in Latin America sharply swung to the left. Dilma Rousseff, also from the Worker's Party, succeeded Lula in 2011. She promised to continue building Brazil's economy that had done so well under Lula and to enhance Brazil's foreign policy with the developing world. Brazil's South-South diplomacy gathered pace. In 2007 Cristina Kirchner, Nestor Kirchner's wife, was elected Argentina's president. Coming from the same political home as her husband, the Peronists who stood for the Argentine state's involvement in Argentina's economy, Kirchner in 2012 nationalized Repsol's Argentine business, YPF. Repsol is Spain's national oil company (Minder, 2012). Kirchner justified the decision by accusing "free market fundamentalists" of undermining Argentina's economic independence.

I submit the phenomenon was in part due to a changing international political economy. If Latin American politics during the 1990s symbolized the rise of the IMF and the "Washington consensus" since the 2000s it has symbolized the decline. The region has been geared economically to natural resources. Thanks to booming commodities demand from China and other developing countries commodity prices have increased. Latin American governments do not have to worry about what the IMF thinks as much as they used to do. The risk of a financial crisis has receded. Commodity exports have increased. Brazil in 2012 was set to become the world's largest exporter of soybeans overtaking the U.S. (Grain net, 2013). During the

1990s commodity prices stayed low. “Since global growth was driven by the developed economies in the 1980s and 1990s commodity prices stayed low during those decades” (Rowley, 2012). As a result Latin American governments feared offending the IMF. A balance of payments crisis could be close at hand. Increases in export demand gave Latin Americans the confidence to develop stronger ties with China and other major developing countries in the BRICs. They were less economically dependent on developed countries.

Electors in Latin America have chosen candidates from the left realizing that if their candidate were elected he would not face the kinds of demands from the IMF to cut government spending and privatize public entities that left-wing governments in the past would have been subjected to. Electors can trust that political parties of the truly stand for leftwing politics. This is not to say all electors in Latin America are now knowledgeable about international political economy; but that in general they understand how the IMF and the U.S. during periods of financial crisis would bully Latin American governments into accepting draconian conditions to loans. They have been made aware of what Naomi Klein, author of the book “No logo” (Jones, 2010) that became a poster book for the anti-globalization movement, which highlighted the devastating effects neoliberal policies had on developing countries, calls “shock doctrine”. In supporting the case for a big increase in government spending to counteract the effects of the financial crisis Rahm Emanuel, President Obama’s former chief of staff, said, “Never let a serious crisis go to *waste*. What I mean is that it is an opportunity to do things you could not do before” (*Wall Street Journal*, 2009). This is exactly the approach the IMF has employed in its dealings with developing countries.

Post-financial crisis political environment

Post the financial crisis Latin American governments have been wary of “shock doctrine”. They know the power of a financial crisis. In 1995 Mexico received a bailout from the U.S., which came with a number of strict conditions that protected Mexico’s creditors from default and demanded Mexico enforce austerity. The U.S. gained a hold over Mexico’s economy. The U.S. did not let a “crisis go to waste”. Latin American governments know the world has been changing. A group of developing countries is pivoting the axis of international political economy further way from the developed world, which impresses that International Finance Institutions (IFIs) have to be reformed. Called the “Next 11” by Goldman Sachs, the

major U.S. investment bank that coined the acronym BRICS, it includes Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam (Goldman Sachs, 2013). The developing world's rise has been distributed among a larger number of developing countries beyond just the BRICs. The IMF has sustained the developed world's influence without justification. The recent election of Christine Lagarde as head of the IMF demonstrates a new balance of power. She faced a challenger for the position. Agustin Carstens, head of Mexico's central bank, ran as well. During the race Carstens secured support from Latin American members of the organization (Levitz, 2011). Bill Rhodes, a person who played a "key role in most of the IMF's debt restructurings over the past fifty years", was quoted by the *Daily Telegraph* newspaper in the U.K. as saying: 'The world has changed. This is not the 1980s or the 1990s. We have got the rise China, the rise of India and South Korea and Brazil. You have to start considering these countries' (Blackden, 2011).

What I take from the rise of the left in Latin America and developing countries is how geared Latin American politics can be to the external economic sphere. Economics can enter politics in a major way. The improvements in Latin American economies' terms of trade (Export value/Import value) (Investopedia, 2013) as a result of increasing commodity prices have allowed domestic incomes to rise, the fruits of which have been spent on social welfare programs. They are benefitting center-left governments politically. They can sell the fruits of prudent fiscal policy to electorates. Chile's terms of trade increased 84% from 2000 to 2006, which allowed real wages to increase by 11% over the same period (Pribble, Stephens & Huber, 2010:86). Increasing export income can translate into rising domestic income. At the time Ricardo Lagos, a member of Chile's center-left, was Chile's president (Jiberto & Hogenboom, 2012:80). In Brazil under President Lula a program called "Bolsa familia" (Family Purse) was created that provides a cash handout to the female household head if her children went to school (Kingstone, 2010:151). The cash handout acts as a stipend for living expenses, which greatly assists poor Brazilian families. "Bolsa familia" has been a factor in bringing down Brazil's extremely high level of inequality (OECD, 2010:79). Center-left governments in Latin America have been genuinely social democratic. They do not accept the premise that economic liberalization must be the sole focus of policy. They have been dealing with high levels of inequality. Inequality in Brazil has been falling. In 2001 Brazil's Gini coefficient stood at 0.59 (OECD, 2001:196) and declined to 0.55

in 2009 (trading economics, 2013). No longer is Brazil the most unequal country in the world. Latin America's social structure has evolved. Despite being traded on international markets and used in all sorts of applications, natural resources are intimately related to domestic policy. Brazil has a huge manufacturing economy. Coca is a natural resource and part of the Andean region. It affects South America's political economy; such is the link between coca in the Andes and the profitability of drug trafficking in the whole of South America. Coca is a valuable commodity, which Bolivia exports to Brazil and makes its way into Europe. Bolivian farmers have specialized in coca-growing and receive export income from Brazilian drug traffickers that partly pays for Bolivia's import bill in manufactured goods from Brazil. Brazil is a major car-making country while Bolivia is not. Bolivia's coca export income has meant Bolivian demand for Brazilian-made cars and a more prosperous Brazil. It has meant lower cocaine prices for Brazilian cocaine consumers and a more politically influential class of Bolivian growers due to their increasing wealth (Martin, 2013). Bolivia and Brazil have been friends. International trade has made bedfellows of South American countries.

In this paragraph, I integrate my research on international political economy with that on cocaine interdiction. I have pointed out that interdiction means banning the use of a good. Interdiction is an expression of state control. Law enforcement is needed. The law enforcement function is in the state's control. Cocaine interdiction breaks into two components: coca interdiction and cocaine trafficking. Coca interdiction applies to the Andean region of South America because this is where the plant grows. Cocaine trafficking applies to different trafficking routes and affects the whole of Latin America, the most important of which is the one from Colombia to the U.S. through Mexico. The decline of the consensus has had a number of effects on one country in particular, Bolivia, my case study. In the mid-1990s Bolivia's president, Gonzalo Sánchez de Lozada, launched an economic plan called the *Plan de Todos* (Plan for all), which set a timetable for rapid privatization (Kohl, 2006:305).

A decade earlier the Bolivian government had implemented the *Nueva Política Económica* (New Economic Plan or NEP), which successfully brought down hyperinflation (Kohl & Farthing, 2006:305). Despite bringing down inflation the NEP did not result in "macroeconomic success; instead it facilitated the laundering of revenues from the drug trade i.e. through investment in sectors such as construction, utilities, banking etc. Irrespectively of the multitude of measures

against narco-dollar dynamics – e.g. coca leaf eradication or coca substitution programs – the social costs of that initiative were huge: coca growing regions were militarized” (Flämig, Leiner, 2012:117).

In an earlier section of the paper I argued that Wittgenstein’s theory of language games constitutes a good framework for understanding Bolivia’s policies on cocaine. Bolivia is rich in natural gas and coca, both of which are valuable commodities. Since his election in 2005 President Morales’ government has spent small amounts on defence. In 2009 defence spending accounted for just 1.3% of Bolivia’s GDP (CIA World Factbook, 2013). When it reached a decade-low level in 2000 as a result of President Sánchez de Lozada’s strict coca eradication program, coca cultivation in Bolivia increased through 2008 (UNODC, 2010:162). Sánchez de Lozada’s “Plan for All” plan would fail. Evo Morales’ government has been in favor of coca cultivation. Post the financial crisis Bolivia has acted with greater confidence, which suggests that had they been more proactive during the 1990s Latin American governments could have taken control of their own affairs about cocaine interdiction. Bolivia argued in 2008 that the U.S. government and DEA had undermined Bolivia’s national security in the east of the country and been assisting in cocaine trafficking. The U.S. was to blame for causing instability and insecurity in Latin America. The U.S. was wrong to get involved in cocaine interdiction. U.S. anti-drugs policy was leading to disastrous consequences for the entire region. They could have been avoided if Latin American governments had been sovereign and had worked together as equals. Given that the U.S. longer exerts policy gravity on Latin America, Latin American governments have the opportunity to implement cocaine interdiction that satisfies their need for security and stability. They were all affected by the consensus, which suffocated the entire region. Post-consensus and post-financial crisis Latin American states have pulled together. Bolivia has successfully acted as the “first mover”.

Conclusion

Whereas coca interdiction only has applied to the Andean region of South America cocaine interdiction has applied everywhere. Latin Americans should have dealt with cocaine trafficking themselves and not allowed the U.S. the opportunity to enforce interdiction on its terms throughout the 1980s and 1990s, which a 2009 report directed by former leaders of Mexico, Colombia and Brazil calling for an end to the “drug war” bears out. The report did not call for an end to cocaine

interdiction but suggested a different approach is necessary to deal with the extremely high rates of violence in Central America and Mexico. Latin American governments realize post-consensus that regional solidarity is an imperative. Since the beginning of the “drug war” in the 1970s the U.S. has treated Latin America as a “backyard” in which it has run roughshod over Latin American countries’ sovereignty. Had they managed to avoid the fate of being America’s “backyard” Latin American countries would have had the opportunity to protect their own and build up regional institutions like UNASUR capable of standing up for Latin American security. Given that Latin America is a self-similar region Latin Americans would not have struggled with such a process. U.S. gravity has diminished substantially.

Chapter 7: Conclusion

Introduction

Cocaine interdiction relates to a changing international political economy. Cocaine interdiction has a regional and a global component. Latin America has been the primary focus of U.S. interdiction efforts internationally. Cocaine is trafficked from South to North America through Mexico. The U.S. is the major consumer of cocaine. The U.S. has been involved in enforcing cocaine interdiction throughout the Andean region of South America since the 1980s and 1990s. The Fujimori administration received U.S. aid on the basis of commitments it made about coca eradication. The U.S. wanted to see a reduction in coca acreages and a return on investment in both Peru and Bolivia. It increased economic and social aid to the Sánchez de Lozada government from \$65 million to \$160 million in the 4-year period 1996-2000 (justf.org, 2013) to make sure coca cultivation did not switch from Peru to Bolivia. Otherwise coca eradication programs in either country could become pointless. Furthermore the U.S. sponsored the “Plan Colombia” program from its launch in 1999. 1999-2010 the U.S. gave more than \$6 billion in military and police aid to the Colombian government. The aid funded the Colombian military’s war with FARC and the Colombia government’s coca eradication programs (justf.org, 2013). As the Uribe administration gained the upper hand Mexican drug cartels took over from the Colombian cartels as the leading suppliers of cocaine into the U.S. After the 2008 financial crisis a number of things happened, which made managing cocaine interdiction in Latin America much harder for the U.S. to achieve. Latin American governments got stronger at managing their own affairs.

The first thing is that the “Washington consensus” has declined. Before the financial crisis the policy élite believed in the idea of the “Great moderation” in the developed world. Recessions are uncommon. If recessions were to occur central banks would have the tools to deal with them; that is to say, to print money, which fundamentally works. They would drop interest rates. Investment spending would rise. The economy would move out of recession. The rise of the “Washington consensus” coincided with the “Great moderation”. Western economies were strong and stable enough to make their will felt in the developing world (Canare & Mody, 2010:3). Post crisis the “Great moderation” idea has lost all credibility. The financial crisis showed financial deregulation does not work. Government

intervention in the market economy is perfectly justifiable. While the economy might appear to be stable it could be flimsy. It could lack strong foundations, which government regulation might provide. Financial sector behaviours offer great risk to the overall economy; there had been a financialization of the real economy before the crisis. The Western world's confidence in financial sector innovation had been misplaced and backfired spectacularly during the crisis. It was only after massive intervention by the U.S. Federal Reserve and other central banks in international money markets that another Great depression was averted.

Bolivia's coca language game

Bolivian government has played a coca "language game" with Latin America, which has made the U.S. to be a bully. Coca is a plant, which indigenous people have chewed that has nothing to do with cocaine. Yet coca has been interdicted. The DEA has pressured Andean governments to eradicate the coca leaf. While Bolivia accepted cocaine should stay interdicted it rejected the idea that coca should be. Coca and cocaine are qualitatively different. The approach that Bolivians have taken now makes sense to many Latin American governments, which have grown tired of U.S. meddling. They recognize the U.S. "drug war" is failing. Drug trafficking is continuing. Many ordinary people have lost their lives and property due to a militarization of the police in the Andes and cartel-related violence in Mexico. Given both the history of U.S. intervention in the region and the rise of the left in Latin America the Bolivians have had an audience for their "language game". In the 1990s the reality was very different. The "Washington consensus" exerted policy gravity on Latin American governments. Some governments, including the Bolivian, made plans, through the NEP for example, to make sure they would avoid a financial crisis; that is to say, to avoid the IMF's "shock doctrine". Others were not so lucky. Mexico and Argentina were cases. The decline of the "Washington consensus" has meant a decline in U.S. gravity. The IMF used to be controlled by developed countries, whose head office stands in Washington D.C., the U.S. capital city. Every single head of the IMF has come from a developed country. The IMF devises policy on the basis of increasing the developing world's integration with the global economy that benefits developed countries. In the IMF's name are found two words that give any casual observer of the organization enough detail to discuss what it actually does: international and monetary. Bringing about greater international capital flow across time and space in which there would be no qualitative difference between the developing and developed worlds has been the

IMF's purpose. Getting countries to break down international barriers to capital flow is how it achieved its purpose. Capital controls are unacceptable.

Greater political awareness of drug interdiction policy

In February 2009 the Latin American commission on Drugs and Democracy wrote a report titled "Drugs and Democracy: Toward a Paradigm shift", which said the U.S. "drug war" was failing. Commissioned by the former presidents of Brazil, Colombia and Mexico (Litvinsky, 2011:113) the report stated that instead of enforcing coca interdiction in the Andean group of countries the U.S. should have tried harder at reducing internal cocaine demand, which would have better served its anti-drugs policy and Latin America's interests. Latin American countries have been bearing the brunt of the U.S.'s myopia about the "drug war". Violence has increased sharply in Mexico and Central America. Drug trafficking has continued in Mexico. Today, Latin American governments recognize the harm drug trafficking is doing to the region. They are not prepared to let the U.S. room to dictate policy. That means cocaine interdiction on their terms, which Wittgenstein's theory could identify with. Co-operation between Latin American countries can be real.

The U.S. is taking the decision to work with and not against Latin America, which the Mérida initiative with Mexico shows. Hilary Clinton, the former U.S. Secretary of State, was aware that Latin American governments do not trust the U.S., whose "drug war" approach has for them been a disaster. Their trust has to be earned. She made "22 trips and travelled to 31 countries in the region". Secretary Clinton "worked to improve relations between the U.S. and Latin America" (Sabatini, 2012). Being rational actors Latin American governments see an opportunity to make trust a commodity, the price of which will depend on its assessment of the U.S. commitment to end the "drug war". If the U.S. were to lecture Latin Americans less about drug trafficking the price of trust would rise. Closer co-operation would come about. The reality is that due to developments in international political economy and Latin America itself U.S. power has shrunk. To the extent it achieved success in Latin America in the 1980s and 1990s the U.S. DEA was a trope of the U.S. federal government, which made the law enforcement agency the enforcer of cocaine interdiction in Latin America. U.S. power in Latin America is a contingent thing and not a permanent quality of the world. The U.S. economy has been fragile. A Republican Congress controls the federal government's purse strings. The U.S. cocaine interdiction budget for Latin America has shrunk significantly. U.S.

military and police aid to Andean countries in the 3-year period 2009-2012 fell 40% from \$583 million to \$348 million (justf.org, 2013). Over the same period U.S. military and police aid to Bolivia collapsed from \$23 million to \$5.5 million (justf.org, 2012). That works out to a hefty 77% decline in U.S. aid to the country. The U.S. is turning inward realizing that Latin America has ceased to be its “backyard”. U.S. GDP in 2011 was \$15 trillion and growing very slowly (IMF, 2012). At the same it finances spending cocaine interdiction in foreign countries, Congress will be worried about the strength of the U.S. domestic economy’s recovery. The economy was the major issue in the 2012 election campaign. The U.S. thus needs to work with Latin America. It can no longer rely on getting Latin American countries to do what they would not; that is to say, to consent to the will of international institutions and be helpless in the face of U.S. economic power. Using the reasoning that applies to both international regime and Wittgenstein’s theory, I claim that Robert Cox’s neo-Gramscian hegemony theory does not hold as strongly as it used to do.

Opportunities for further research

There is great scope for more research in the role cocaine interdiction plays in international political economy. Cocaine is consumed in some magnitude in every country. Cocaine trafficking is a major international security risk particularly in Africa. A more substantial South African contribution to cocaine interdiction research could help the South African government to better understand the emergence of drug trafficking in West Africa. From the late 2000s drug trafficking in West Africa got considerably worse. West Africa turned into a haven for drug traffickers. West Africa was an important region for the continent's biggest economy, South Africa. Nigeria's GDP is set to overtake South Africa's in 2014 (Patel, 2012). More South African businesses see Nigeria as the next "gateway" to Africa. Nigeria is on Goldman Sachs' list of the "Next 11" economies while South Africa was not. South Africa does not want to see West Africa emerge as a source of instability for the entire continent given its slow growth. Before it rose to the world's attention as one of many underlying causes for the North Africa crisis 2011-2013 West Africa had for several years been a destination of choice for Colombian and Mexican drug smugglers trying to get cocaine into Europe. Its geographic proximity to the large cocaine markets of Europe and numerous weak states meant they were tapping into an extremely profitable trafficking route. Furthermore in northern Mali a toxic mix exists between Islamic terrorism and drug trafficking according to Neil Carrier and Gernot Klantschnig who in 2012 wrote a book called *Africa and the War on Drugs*. "Islamic terrorists with interests in the cocaine trade" have taken over northern Mali. "Fuelled by narco-dollars" they threaten further instability in West Africa and could be "behind human trafficking through the Sahara to Europe" (africanarguments.org, 2012). They concluded that drugs are a "deadly threat" to Africa.

The change in Latin America I emphasize seems not to have changed the Western left's view of the U.S. "drug war", which apparently continues to hurt countries in the region unreasonably. The "drug war" continues unrelentingly. The left has turned myopic by continuing to see events in Latin America through the lens of the 1980s and 1990s. The U.S. was the bully to a helpless Latin America under the effect of economic gravity and direct intervention. The left fails to see the region has undergone real change since the 2000s. It misses a new reality. As a result today we see the European left lacking in direction, which always responds to events and is unable to shape them. More research needs to go into appreciating the left's

attitude to globalization and the role of developing countries in it. In the previous decade the case of cocaine interdiction in Latin America would be an example of many that illustrate developing countries are willing participants in globalization. Regional growth protects them from the “slings of outrageous fortune”, which accompanied by the IMF “shock doctrine” used to paralyze their economies in the past. Greater regionalization acts like a shield. Countries diminish the risk of collapse.

The final field of research which I think this paper regards is the relevance of the U.S. Congress in international political economy after the financial crisis 2008-2009 at which time President Obama took office. Despite being the commander-in-chief of the world’s most advanced military and biggest economy the U.S. President in Latin America has lost power. The U.S. Congress is a major reason. By reifying U.S. power critics of the “drug war” like Noam Chomsky and Ethan Nadelmann neglect to mention U.S. power is a complex form and includes more than just executive “global enforcer” power, which the separation of powers constitutional principle underlines. U.S. power can be easily constrained from within. The U.S. DEA has not been the global “enforcer” of U.S. anti-drugs policy after the financial crisis, when the U.S. political class in Washington D.C. starting looking intensely worried about the state of the U.S. economy. Perversely the rise of the Tea Party that calls for a smaller federal government and a smaller tax burden was influential in the 2010 midterm elections, which brought the Republican party control of Congress. The U.S. political system has unfortunately not entertained the reality of the financial crisis. Politics and political economy are diverging in the U.S. Research about U.S. political exceptionalism is needed now.

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