Privatization of Water in Latin America: A Case Study in Bolivia

A Senior Project

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Jason Segers

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Table of Contents

Research Proposal	3
Annotated Bibliography	6
Outline	14
Introduction	15
History	18
Water	22
Case Study: Bolivia	26
Conclusion	35

Research Proposal

My senior project will be focused on the privatization of natural resources in Latin America, primarily with water in Bolivia. Latin America is at the forefront of multinational corporations buying up natural resources. Whether it is water in Bolivia, or the tropical rainforest in Brazil, natural resources that should be a part of the commons are being sold for profit to large multinational corporations. Latin America's natural resources should be protected by their governments, not squandered away for nothing more than greed. In some cases, it is not the greed of the Latin Americans; it is the massive debt it owes to the first world.

I chose Latin America as the place to study because of my interest in the region as a place that is on a tipping point of whether or not they will allow outside investors to influence their decisions. I plan to visit Latin America after college so I want to have the best understanding of one of the main issues facing poor countries today; the basic human right to access clean drinking water. Latin America is also one of the few places on Earth that has an abundance of natural resources even after centuries of pillage. I think that these will be key to the future of not only Latin America, but also the rest of the world.

I plan to take a historical approach to resource management throughout Latin America. I will start with a historical case study of the Mayans and their approach to resource management. This will include topics like deforestation, canal irrigation, and the shift towards monoculture crops at the expense of diversity. I will contrast the Mayan case study with two modern case studies in Latin America. I will also look at the effects of colonialism in this region. How did the arrival of the Spanish in the 16th century

change the outlook on natural resources? What is the correlation between colonialism and privatization? I will use various historical and modern analyses to answer these questions.

I will present a modern case study in Latin America whose outcome will have a great impact on the rest of the developing world. The case study will be in Bolivia, where there has been a long history of exploitation of the indigenous since the arrival of the Spanish. Bolivia was stripped of its silver for the profit of the King of Spain, while the local residences were left in poverty. I will look into the privatization of water in Bolivia and how the Bolivians responded to it.

I will expand on the idea of water as a commodity that is traded on the open market and the belief that multinational corporations are better able to supply these services. I will look at corruption in local governments, and their selling of water rights to outside influences and the affects that global organizations such as the World Bank and the International Monetary Fund are having on the decision making process. The debt that Latin America has to the first world is a large contributor to the decision making process. I will look at the philosophy behind the belief that private industry is better able to serve the people than the elected government. Is it better to keep resources closer to the hands of the people or should it be traded on a free market? I will trace the origins of this belief back to its beginnings and present the arguments for and against it. With this paper, I plan to look at privatization from a holistic point of view, encompassing as many variables as I can find. There are no easy solutions to the problems faced around the world through globalization. By looking into the issue of privatization, I hope to garner a

deeper understanding of Latin America and the effects of multinational corporations on indigenous populations.

Annotated Bibliography

Barlow, M., & Clarke, T. (2002). *Blue gold: the fight to stop the corporate theft of the world's water*. Pennsylvania: New Press. Barlow and Clarke investigate why water is the most valuable resource and how we are depleting it at an unsustainable rate. The amount of water in the hydrological cycle is fairly fixed, so continuously drawing from the fixed fresh water is causing tainted, polluted, and unusable water. Barlow and Clarke also believe that water is a part of the commons because it is not something you can live without: without water we die. Barlow and Clarke also make a claim that there has never been any real open debate on the commodification of water, and since it is defined as a commodity by the IMF and World Bank, it is treated that way. Barlow and Clarke point out that we are drawing from underground aquifers at a rate that cannot be sustained. They claim that we will run out of fresh water if water control policies are not changed.

Barlow, M. (2008) Water warriors. *Nation 286*(4), 18. Retrieved April 3, 2009, from Ebsco database. Barlow looks into the people who have taken it into their hands to try and stop multinationals from limiting access to water. The article emphasizes Latin America because there is plenty of water, but limited access to it.

Barlow, Maude. (2002). Who owns water? *Nation*, Sept. 2. Retrieved April 3, 2009, from Academic Search Elite database. Barlow brings a contemporary look at water privatization that is harder to come by in peer reviewed articles because of the lag

in time. He says we are running out of fresh water and that it will be much more important in the future than oil; we can live without oil but water is a necessity. This article contributes to my thesis in that it brings my other research into a contemporary light. Humanity has some questions to answer and one of them is the main issue of this article. Are we going to let private companies go around the world and buy up water rights while doing nothing?

Burch, M., & Haar, J. (2000). *The impact of privatization in Americas*. Coral Gables: University Of Miami Press. This book deals mainly with the financial aspect of privatization and the increased GDP that usually follows. It has two case studies of interest; which are Peru and Brazil. It looks at the effects of modern neoliberal policies on the current financial situation. The book argues for privatization of resources as a way to increase economic growth.

Chilcote, R. H., & Edelstein, J. C. (1986). *Latin America: Capitalist and socialist perspectives of development and underdevelopment (Latin American Perspectives Series, No 3)*. London, England: Westview Pr. This book takes a theoretical approach to the economic systems of Latin America. It provides the framework and justification for both capitalist and socialist prospective. The authors present the information as if it were pulled from a time in history, not as an end result but as a part of a longer timeline.

Chong, A., & de Silanes, F. L. (2005). *Privatization in Latin America: Myths and reality (Latin American Development Forum)*. New York: World Bank Publications. This book deals with the positive and negative effects of privatization in Latin

American countries. It presents case studies in Bolivia, Peru, Brazil, and Chile. The editors present the case that privatization is the best thing for Latin America.

Cremers, L., Ooijevaar, M., & Boelens, R. (2005). Institutional reform in the Andean irrigation sector: Enabling policies for strengthening local rights and water management. *Natural Resources Forum*, 29(1), 37-50. doi:10.1111/j.1477-8947.2005.00111.x. Retrieved from Academic Search Elite database. This article puts the emphasis on the local people having a say in their water rights. The authors say that local rights have been neglected for decades and that the only viable solution is to combine local knowledge and needs with those of the governments. This article argues directly toward my thesis that natural resources and their rights should be in the hands of the local population.

Cuba, J. (2000). Free or Foreign: The water battle in Bolivia. UNESCO Courier, 53(12), 12. Retrieved from Academic Search Elite database. Cuba takes a look at who should control water rights and what the negative consequences are when it is the wrong entity. He says that when dealing with water rights the controllers must take into account the needs and culture of the local population. He believes that the solution lies in a strong central government and increased private investment that takes into account what the locals need.

de la Barra, X. (2006). Who Owes and Who Pays? The accumulated debt of neoliberalism. *Critical Sociology* (Brill Academic Publishers), 32(1), 125-161. doi:10.1163/156916306776150241. Retrieved from Academic Search Elite. Retrieved from Academic Search Elite. De la Barra argues that the neoliberal

model is the source for the mounting debt and inequality in Latin America. Using this model, it has been possible for outside influences to control natural resource and make stipulations on the money that is loaned to the governments. This article follows my thesis well, that using the neoliberal model it is impossible for there to be real local control of natural resources.

Ellerbrock, M., Bayer, J., & Bradshaw, R. (2008). Sustaining the commons: The tragedy works both ways. *Bulletin of Science, Technology & Society*, 28(3), 256-259. doi:10.1177/0270467608316484. Retrieved from Academic Search Elite. This article examines the tragedy of the commons and how it pertains to natural resource usage. The argument is that to avoid the tragedy of the commons we must control access not privatize. To deal with humanities competitive nature there must be relationships based on the goals of the group. The article will help provide insight into any possible future solutions to the problem of dealing with natural resource as commodities.

Futemma, C., & Brondizio, E. (2003). Land reform and land-use changes in the lower Amazon: Implications for agricultural intensification. *Human Ecology: An Interdisciplinary Journal*, 31(3), 369-402. Retrieved from Academic Search Elite. This article looks at the affects of land use systems on the natural environment in the lower Amazon. It explains that agricultural intensification along with privatization of forests has led to an increase in cultivated land. This article contributes to my thesis by providing some framework to land practices in the Amazon.

Goodman, D. (1991). *Environment and development in Latin America: The politics of sustainability (Issues in Environmental Politics)*. New York: Manchester Univ Pr. This book deals with sustainability in Latin America: it takes a comparative approach. It looks at how sustainability programs in the United States (U.S.) will not work in the Latin America, because they are at different levels of production. In the U.S. you are asking people to change their life to a way that might be less comfortable. In Latin America, you are asking people to risk survival for the environment, which is very hard to do. It also looks at how the large amount of debt incurred by Latin American countries has affected the influence that multinational corporations have over natural resources.

Kohl, B. (2004). Privatization Bolivian style: A cautionary tale. *International Journal of Urban and Regional Research*, *28*(4), 893-908. Retrieved from Academic Search Elite. Kohl discusses the exponential rate of increase in the cost of water in Bolivia. The price of water has climbed as much as 400% in some areas. The article also discusses the long-term affects associated with Neoliberal economic policies. When looking at the history of Bolivia and Latin America it is impossible unless you try and understand what is motivating people. To better understand Neoliberal policies it is important to realize that it is greed that is motivating people.

Pichon, F., Uquillas, J., & Frechione, J. (1999). *Traditional and Modern Natural Resource Management in Latin America: Management In Latin America (Pitt Latin American Studies)* (1 ed.). Pittsburgh: University of Pittsburgh Press. This

book looks at different methods of natural resource management. It emphasizes local knowledge, while evaluating the top-down model that is currently in practice. It also details the use of Non-Governmental Organizations (NGO) as a way to implement a sustainable solution. They argue that this is the future of agricultural development in Latin America. The book takes a systematic, ground up approach to natural resource management. It takes a multi facetted approach to development and sustainability.

Rothfeder, J. (2001). *Every Drop for Sale: Our Desperate Battle Over Water* (1st ed.). New York: Tarcher. This book explains just who is involved in the buying and selling of water around the world. It also takes a look at what the effects of global capitalism are having on the poorer countries of the world. The author makes the claim that water is a part of the commons and should be governed by the people. This book reinforces my thesis that fresh water is a human right and should be available to all.

Shiva, V. (2002). *Water Wars: Privatization, Pollution, and Profit*. Boston: South End Press. Shiva presents the history of the fight for water. She gives examples from every continent and includes the effects of the "Green Revolution" on agriculture. She discusses the negative consequences of borrowing money from the World Bank.

Simon, P. (1998). *Tapped Out: The Coming World Crisis in Water and What We Can Do About It* (1st ed.). New York: Welcome Rain. As a former United States senator, Paul Simon gives some solutions to the politics behind the privatization of water.

Simon points out that it is water quantity that is going to be the big problem in the future because population and consumption are both growing exponentially. He says that the lack of clean water is responsible for killing more children than anything else. His focus on water quantity and availability will help advance my thesis.

Spronk, S. (2007). Roots of resistance to urban water privatization in Bolivia: The "new working class," the crisis of neoliberalism, and public services1. *International Labor and Working Class History, 71*(1), 8-28. Retrieved November 25, 2009, from ABI/INFORM Global. (Document ID: 1550948951). Spronk looks at what is happening in Bolivia in response to the privatization of water. He says that Bolivians are starting to band together and become one in order to fight a common enemy. His main point is that throughout history the working class have been divided and separated because of geography. Now they are coming together as there is an increase in rural to urban migration. This new type of union is called the Coordinadora de Defensa del Agua y de la Vida (Coalition for the Defense of Water and Life). This is bringing people from all different walks of life and uniting them around one common goal: water.

Thorp, R. (1998). *Progress, poverty and exclusion: An economic history of Latin America in the twentieth century (Inter-American Development Bank)*. Washington DC: Inter-American Development Bank. Rosemary Thorp provides a detailed look at Latin American economic history. This will help provide a framework with which to discuss modern economic policies and privatization. It discusses the overall

economic pattern of Latin America to shift back-and-forth from pro-liberal policies to anti-liberal policies.

Tulchin, J. S. (1991). *Economic development and environmental protection in Latin America (Woodrow Wilson Center Current Studies on Latin America)*. Boulder & London: L. Rienner Publishers. The book gives a good background on the policies on deforestation. It also investigates different causes of environmental degradation. It looks at debt and how it has shaped the policies and power of the local governments. The case study on deforestation in Brazil is what I plan to emphasize out of the book. It discusses Brazil's decision in 1988 to take back the Amazon and stop predatory practices there.

Outline

1. Introduction
    a. Introduce the problem of water privatization in Latin America
2. History and Economic Eras
    a. Brief description of the economic history
        i. Modern/liberal period
        ii. Import substitution industrialization
        iii. Neoliberal period
    b. Recent political issues with an historical context
3. Water
    a. Availability
    b. Commodification
    c. Access
    d. Who owns the water
4. Case Study in Bolivia
    a. Theory development
    b. Application of theory
    c. Conclusion using theory
5. Conclusion
    a. Who should control water rights

Introduction

Latin America has had a long history of colonization and exploitation. The history of the region is one that is made up of many different economic eras. These eras define the history of Latin America because they help to explain the relationship that Latin America has had with the outside world. Not until the late 1400's did Europeans arrive in Latin America and begin their web of influence that would control every aspect of the daily lives of the indigenous peoples all the way up to the present (Thorp, 1998). Latin America has been exploited for its' natural resources since the first ship made landfall. Latin America is a region that is very rich in natural resources; it does not have an equal in the world in terms of the abundance of wildlife and valuable natural resources. The silver and gold that came out of Latin America financed the industrial revolution in Europe. Centuries of exploitation have left Latin America heavily in debt and without the proper tools to free itself from the developed world (de la Barra, 2006). Privatization of natural resources is one of the modern tools that the developed world uses to keep a one sided relationship with the region.

Natural resources are a key to the economic success of any region. Latin America's natural resources are especially vulnerable to exploitation because of the large debt that each country has incurred (Goodman, 1991). Latin American's have been without the ability to manufacture goods. The Spanish and subsequent post-colonial rulers did not invest in the infrastructure of Latin America because they were not interested in developing the region. Centuries of natural resource extraction from Latin

America and concentrated production in the developed world have left Latin America with very few manufacturing sectors.

Natural resources should be controlled by the citizens, those who are most effected by changes in natural resource allocation (Cremers, Ooijevaar, & Boelens, (2005). Natural resources should not be controlled by outside corporations that claim to be able to manage them better. An example of this is controlling access to fresh potable water. Water is something we cannot live without. Access to fresh water is used as leverage to gain power over people and governments (Bakker, 2008). History has proven that when power is too concentrated, corruption is not too far away. If the multinationals can be held accountable for their actions, then it is easier for the people to keep control. This is why the control of natural resources, like water, is best controlled locally (Pichon, Uquillas, & Frechione, 1999).

No other entities have had a greater post-colonial era influence on the development of Latin America than the International Monetary Fund (IMF) and the World Bank. The governing bodies of the IMF and the World Bank are not elected by countries from the Global South. They are placed into power by the United States and Great Britain. The IMF and World Bank are used to further market liberalization around the globe (Bakker). The neoliberal model that has served as the framework for development, has been in use since the late 1970's has benefited some countries, but mainly it has had a deleterious effect on the region as a whole (Spronk, 2007).

The neoliberal model emphasizes privatization as a means to streamline or take out inefficient government bureaucracies (Bakker, 2008). Privatization is when

ownership is changed from the public sector to the private sector (Chong, 2005). The origins of the neoliberal model lie in the modern/liberal model that was used in the late 1800's (Jackiewicz & Quiquivix, 2008)). This model was used to help expand foreign interest in Latin America and hopefully bring some wealth to the region. A country synonymous with the neoliberal policies is Bolivia. The Bolivian government has been selling concessions to outside multinationals since it gained its freedom from Spain. Recently with a new government in power, Bolivians are beginning to fight back against neoliberal policies and bring power and control back to the people.

History and Economic Eras

Since the 1880's Latin America has gone through three main economic eras and models according to Jackiewicz and Quiquivix (2008). These three models are the modern/liberal, import substitution, and neoliberal models. They also make the claim that Latin America is transitioning out of the neoliberal model and into a new model of economic development based more on indigenous rights (Jackiewicz & Quiquivix). These models are not all encompassing for the region. Jackiewicz and Quiquivix point out that not all the countries of Latin America adopted these policies to the fullest or at the same time, but they do afford a better understanding of policy implementation and the development patterns of the region.

The modern/liberal period is defined from the 1880's to the 1930's (Jackiewicz & Quiquivix, 2008). It came about after independence was gained from Spain and Portugal. With less colonial control Latin American countries were now being influenced by other world powers such as the United States and Great Britain (Jackiewicz & Quiquivix). The U.S. and Great Britain began to heavily influence which products would be grown in each region. This began the long history of *direct foreign investment* (DFI), which led to more control in the region by the investing countries (Jackiewicz & Quiquivix). This new influx of money was used to build up infrastructure at an unprecedented rate. Railroads and roads were built to transport the new products to ports so they could be shipped overseas. The railroads and roads also brought about a change in demographics, bringing rural peasants in from the countryside to work in the cities (Jackiewicz & Quiquivix).

With the new shift in demographics and the recent gain in DFI came an increased disparity in personal income. Instead of making it better for everyone it made for more inequality by concentrating a greater amount of wealth into fewer hands. Unfortunately the new controllers of wealth were not located in the region, they were mainly in the U.S. and Great Britain.

The concentration of development in the exporting zones furthered the imbalance of wealth and would bring about a change in the economic model that defined the region. During this period the U.S began getting heavily involved in the region to protect its investments. A great example of this came a little later in 1956, when the United Fruit Company in Guatemala and the ensuing Central Intelligence Agency (CIA) involvement in removing the president (Jackiewicz & Quiquivix, 2008). This level of involvement and interference would have dire consequences for the people of Latin America.

The second economic period is *import substitution industrialization* (ISI), which spanned from the 1940's to the 1970's. Import substitution industrialization was an attempt by the governments of Latin America to take back the industries that were being run from abroad by foreign companies. Latin America began falling into debt because they did not have the financial resources to support the necessary manufacturing facilities needed to be self-sufficient (Jackiewicz & Quiquivix, 2008). The largest problem was that the countries in Latin America were not working together; they were trying to produce products independently. Autonomous manufacturing would turn out to be one of the biggest problems with ISI. It was commendable that the countries were trying to be

independent, but because they did not want any outside help they ended up with inferior products and mounting debt (Jackiewicz & Quiquivix).

Import substitution industrialization required people to live in close proximity to the factories that needed them. People began to migrate to the cities creating a strain on the underdeveloped infrastructure (Jackiewicz & Quiquivix, 2008). Investment into Latin America began to slow down which forced the governments to borrow from the World Bank and IMF. The ISI model was meant to stop foreign influence into local affairs, but in the end it completely backfired and introduced Latin America to the neoliberal economic period.

Beginning in the 1980's the neoliberal period initiated the modern day water privatization movement (Jackiewicz & Quiquivix, 2008). This economic model called for the privatization of all state owned companies. The state was deemed too inefficient and corrupt to run companies optimally. This idea was heavily influenced by the free market capitalist countries, like the U.S. and Great Britain, that wanted free reign to influence and invest as they saw fit. The two organizations that where used as the primary tools of influence were the World Bank and IMF (Jackiewicz & Bosco, 2008). They used structural adjustment programs to give money to countries in need, but with the money came strict requirements for the borrowers. Not only were the governments required to sell-off state owned companies, they also had to reduce or eliminate tariffs completely.

The down side to privatization and making businesses more efficient was unemployment. Many people who were protected as government employees were now without jobs and put into a large unemployed labor market that reduced labor costs. The

neoliberal model opened the door for privatization through the use of structural adjustment programs that required privatization of state entities. Over the last 20 years the citizens of Latin America have experienced the negative side effects of the neoliberal model and seem to be starting in a new direction.

Water

The total amount of water on earth is around 1.4 billion cubic kilometers and less than .5% of that is available fresh water (Barlow & Clarke, 2002). Water covers roughly 70% of the earth's surface. This leads people to believe that there is no way to run out of water, but as Barlow and Clarke point out, this is false. People in the developed world think that water is something that is always going to be there when they turn on the faucet. For countries in the global south there is a much different reality where water shortages are a way of life. Some people must walk three miles to get potable water, while others have to wait for the time of day when water is flowing through the pipes (Simon, 1998).

The main issue is the availability of fresh water and how it has become a commodity to be bought and sold (Simon, 1998). The definition of water as a human need by the World Water Forum in 2000 has convinced many governments that water is truly a commodity and should be treated as such (Rothfeder, 2001). In March 2000, when those who had a stake in privatization of water rights showed up at the Hague to discuss how to define water. Since then, multinationals have been scrambling to buy up water rights around the globe (Bakker, 2003). Vivendi and Suez, the two leading multinational water conglomerates, now control water in over 130 countries. They are now responsible for delivering water to over 100 million people worldwide. This may not seem like a problem, but for the people that are being serviced by them it is. Water rates are skyrocketing up to 150% in some areas (Barlow & Clarke, 2002). The main difference between corporations controlling water and local governmental control is that

corporations are required to make a profit for their shareholders. This profit comes at the cost of the availability of water. Not only is water not being delivered as promised, but many of the workers that used to work for the government have been laid off in order to reduce operational costs. Now situations occur where water is too expensive for peasants and many people are unemployed.

Until recently, water has been treated as a human right because without it we all die. In Islam, the origins of the teachings of *shari'a* state that water is a human right not to be bought and sold for profit (Rothfeder, 2001). This dates back to over 1400 years ago in the Middle East where water was scarce and people had to develop rules to preserve it. Some people claim that without a price tag water will be abused (Bakker, 2003). According to Rothfeder this is not the case. People have been using water for centuries cooperatively. Many religions and creation stories include water deities as a holy part of the world to be treated with respect (Barlow & Clarke, 2002). This shows the true importance of water as a right, since it has been regarded so highly by many different civilizations for centuries.

For most of history water has been a part of the commons, something that is free for all people and has been taken care of by the collective (Barlow & Clarke, 2002). Globalization is changing how we view water. With the spread of global capitalism we now see water as something that is more of a need than a right. It is now traded daily on the stock market and its price is not being set by nature but by speculators and corporations. This is not a sustainable practice; in order for fresh water to be available in the future we must allow nature to regulate its use.

The availability of potable water is even affecting people in the U.S. Unsustainable water use practices are drying up once mighty rivers. Arizona is a very good example of this because it was not meant to sustain the current numbers of people living there (Simon, 1998). The once mighty Colorado River that flowed all the way to the Gulf of Mexico now only trickles into the Gulf or dries out before reaching it (Simon). Not only are people living where their population numbers cannot be sustained, but they are also planting agriculture in extremely marginal lands that need lots of irrigation water (Shiva, 2002). The combination of increasing need to grow more food and overpopulation are two of the main concerns when dealing with water availability in the future. Jeffrey Rothfeder (2001) believes that humans will exceed the earth's carrying capacity by 2025. We may not be able to turn back once the devastation to the planet becomes too severe. Some increasingly important principles to live by when dealing with water come from Barlow and Clarke's 10 principles to save our water (2002, p.221):

1. Water belongs to the earth and to all species.
2. Water should be left where it is whenever possible.
3. Water must be conserved for all time.
4. Polluted water must be reclaimed.
5. Water is best protected in natural watersheds.
6. Water is a public trust, to be guarded by all levels of government.
7. Access to an adequate supply of clean water is a basic human right.
8. The best advocates for water are local communities and citizens.
9. The public must participate as an equal partner with government to

protect water.

10. Economic globalization policies are not water-sustainable.

Case Study in Bolivia: Application and Theory

Bolivia is one of the poorest countries in Latin America; they are at the bottom of every economic index. Being a small landlocked country in the interior highlands of South America, it has a much different history than the other countries in Latin America. In recent history Bolivia has been at the center of a major crisis concerning the availability of water. Suez, a multinational corporation, bought the water rights in certain parts of Bolivia in 1999. The outcome in Bolivia was an extreme case of the negative impacts of privatization. The citizens lost control of the cost of water and were being locked out from and refused water service. This resulted in riots and severe changes in governmental policy. Bolivia is a good case of what can happen when people are pushed too far by the greed of others.

The privatization of water in Bolivia is a problem for both the citizens of that country and the people of the world. Privatization shows the inequality that still exists today. If nothing is done, then this level of alienation will lead to the eventual decline of the state. Water privatization is not a new phenomenon; it has been taking place all over the world since the industrial revolution. This study looks at the true causes of civil unrest in Bolivia and what it means for the country's future. By looking at the differences that exist between the classes, I hope to bring to the surface some solutions to the problems caused by the privatizing of natural resources in the developing world.

The privatization conflict has come about because of the influence of institutions in the developed world like the World Bank and International Monetary Fund (IMF). This conflict must be studied closer. The current economic model used in many Latin

American countries is the neoliberal model. One of the main postulates of this model is that the state should not run any businesses because they are not efficient enough. In capitalism, efficiency of the system is the main factors in extracting excess labor from the workers (Ritzer, 2008). When in reality all it does in alienate the workers from those who are making decision that directly affect their lives. If the neoliberal model is continued, it will have dire affects for the citizens of Bolivia and all over Latin America. The Neoliberal model of development is a tool that furthers the hegemonic practices of the World Bank (Spronk, 2007). The current model does not take into account the culture of the countries and uses blanket economics to deal with all the countries in the same manner as if they all had the same people and history (Khol, 2004).

This study will show that the neoliberal model of development is an ineffective model; it just further alienates the poor people in Bolivia. Kohl (2008) states that: "The results of capitalization have come closer to those predicted by scholars and activists who warn that `disciplinary neoliberalism' is part of a long range political project to lock in the power gains of capital on a world scale" (p. 894). His study shows that privatization does not in fact reduce the things it claims to, but actually increases them. It increases government, taxes, and places a heavier burden on the poor. In a country where 80% of the population is poor, it can have deleterious effects on the people's health. Marx would say that this dialectic relationship, between what privatization is supposed to do and actually does, is one of the reasons capitalism will fail; privatization is the epitome of capitalism (Ritzer, 2008). Privatization gives the capitalist the legal authority to remain

in power. In order for any privatization to work the decisions must take into account the view of the people like any other law would (Cuba, 2000).

In evaluating the conflict in Bolivia, I will use Marx's theory of alienation to reveal the consequence of not including all of the people in the decision making process. The study will first look at the causes of Bolivia's current economic era concentrating on the roots of the privatization conflict in Bolivia. Next, the study examines the consequences of the conflict and how the people have risen up. It will focus on the neoliberalism that evolved in the 1980's and 90's as a result of a global push for freer markets everywhere. In conclusion his work will look into the "resource wars" that have taken place in the country as a sign of class realization and how change needs to occur. A change in the perception of reality is not enough to change the material world (Ritzer, 2008). This materialist view illuminates how the people have organized and hardened around the issue of commodification and what the future holds for a class of people who have found their identity through the struggle to resist neoliberalism.

Spronk (2007) looked into the roots of resistance to commodification in Bolivia. His study shows that a "new working" class has developed that is becoming a class of itself. This new class is a result of many years of commodification due to neoliberal policies that have closed many state owned industries. The main employer in Bolivia was the government, which owned the mines and other resource extraction industries. Since the mines closed the people had to move into the cities thereby severely changing the demographic makeup of the country. Nearly 60% of the people now live in three major

urban areas (Spronk, 2007). The concentration of people into a few major cities has fostered new organizations based on common geography.

This new class is what makes up the Coordinadora de Deffensa del Aqua y de la Vida (Coalition for the defense of water and life) also known as the Coordinadora. Traditional labor unions like those in the government run industries were only looking out for its' members. The members are usually from a specific industry and a specific class; this type of stratification does not allow for a cohesive effort. The old trade unions were too busy fighting legal battles to look out for the good of the people; they also have closed membership and hierarchical leadership structures making it hard for the workingman to influence union decisions. Spronk (2007) says that it is these new coalitions based more on similar interests and geography that will help the collective achieve their desired goals.

According to Spronk (2007), the most effective protests in Bolivia have been in Cochabamba and El Alto; where people have been immigrating to because of the closing of the mines. The farmers and the peasants have come together after years of hatred to form the Coordinadora. The Coordinadora was formed in 1999 as a result of privatization; the hardest hit urban water users and farmers came together to protest. The water rates rose as much as 200% in some areas, which meant that some people were paying as much as 20% of their monthly income on water. Spronk (2007) says that the amount people pay for water service may even grow now that the government has reneged on their contract to privatize the water and are moving toward contracting parts of it out. He says this may lead to higher costs and more corruption.

Kohl (2004) says that, privatization is detrimental to the economy and only benefits the rich and the foreign corporations, while the people and the government are left to fend for themselves. Kohl (2004) writes that what has happened in Bolivia should be a cautionary tale to other countries on what can go wrong with privatization. Where Spronk (2007) said that water rates rose 200% (p. 16), Kohl (2004) says they rose more than 400% (p. 893). With each protest of privatization, the coalitions have become stronger and stronger to the point that they now have a lot of power. Kohl (2004) states, that the poorest people are the ones hardest hit by expanding markets. The constant uprisings by the peasant in Bolivia can be explained by the fact that they are reacting to the markets expansion and constantly rising water rates.

Kohl (2004) discusses the arguments for privatization. He says there are three main arguments: first, it should reduce corruption; second, private corporations are more efficient than the government; third, economic growth should be much faster with private companies. Kohl (2004) says that these arguments fail because all three of these are reduced under privatization. Corruption increases due to increased "rent-seeking" by the actors who make up the companies. Rent-seeking is defined as public or private actors trying to take advantage of their position by making or taking more money than is acceptable by their society. Part of the reason rent-seeking has increased is because corruption has become privatized (Kohl 2004). Efficiency declines due to the fact that the state must grow in response to laws that protect private property. Economic growth only happens for the corporations and the rich, in fact the *gross domestic product* (GDP) tends to decline after privatization. One of the biggest points Kohl (2004) makes, is that

privatization changes the states mission and reinforces traditional class relations and privileges.

In response to finding a viable solution Cuba (2000) points out that in order for privatization to work it must take into account the local culture. When Law 2029 was passed by the Bolivian legislature in 1999, it was not voted on by the people and actually went against their interests, thereby resulting in massive protests. Cuba (2000) concedes that the country needs privatization in order to supply all of its citizens with water. Right now as a result of the cancelation of the water privatization contracts, Bolivians receive less than five hours of water service per day. Less than 40% of farmers have access to clean water. Cuba argues that the private firms have the know-how to get the job done efficiently. The Misicuni plan, which called for building numerous water infrastructure projects as part of the contract with Aquas del Tunari, has not been completed because of the lack of funding. Cuba (2000) argues that the Misicuni project must happen and that private firms will know how to do it better. He says that if local culture, customs, and way of life had been taken into account initially, then all the problems that have come about would have been avoided.

Karl Marx based his theory of social evolution on historical materialism; the idea that we satisfy our needs by creating material goods (Ritzer, 2008). For Marx, history can be divided into different epochs depending on how we satisfy those needs. Marx thought that there were two parts to any society: the Substructure and the Superstructure. The Substructure includes the mode and means of production, while the Superstructure includes politics, religion, family, and laws. The Superstructure is based on the

Substructure. Marx divided society into two classes: the bourgeoisie (capitalists) and the proletariat (peasant). The bourgeoisie controls the means of production while the proletariat is the labor force. The conflict between these two classes was at the heart of Marx's work. The capitalists depend on exploiting the proletariat's labor to extract a profit: this is Marx's Dialectic Materialism. It focuses on the contradictions created by the exploitation inherent in capitalism. In order for capitalism to expand there must be increased exploitation of the proletariat. The result of these contradictions is the alienation of the proletariat.

Alienation has four main parts: first, workers are alienated from their productive activity; second, they are alienated from the product; third, they are alienated from their fellow workers; and fourth, they are alienated from their own human potential (Ritzer, 2008). Another part of Marx's theory is the fetishism of commodities; this happens when the product takes on a value that does not actually exist in it (Ritzer, 2008). The commodity takes on its own reality independent of people. This is done through the process of reification, where by thinking something exist it takes on its own reality (Ritzer, 2008). Products begin to have value even though humans do not add any through their own labor.

Using the critical conflict theory developed by Karl Marx helps us understand the class conflict in Bolivia. Because the country is made up of over 70% indigenous Aymara Indians and they can be classified as the proletariet. The multi-national corporations and their backers, the World Bank and the IMF, can be interpreted as the Bourgeoisie (Hoffman, & Centeno, 2003). When a nation's natural resources are privatized, it puts

the means of production squarely in the hands of the corporations. The removal of resource control from the people to a private company alienates them from production thereby causing conflict. This conflict is manifested in the many natural resource wars in Bolivia. The coalitions that have come together to represent the people have turned the farmers and peasants into a class of itself; a class that understands what must be done to become a more just society.

The coalitions have emerged due to privatization because they have been alienated from the primary source of life, water, which is needed by every organism to survive. The capitalists have put a high value on the water in order to expand their dominance over the proletariat. This is what Marx refers to when he uses the term fetishism of commodities, because a lot of money can be made from privatizing water. The capitalists repeat over and over that water is a scarce resource when it is widely available; it is the capitalists who are restricting access to water through price inflation (Perreault, 2005).

Marx's theory helps to explain water privatization in Bolivia by showing that it is class conflict at the heart of it. The neoliberal economic model is another tool used by the capitalists to open up resources around the globe. The promises being made in favor of privatization have been shown to result in the opposite of what is promised (Kohl, 2004). As Kohl puts it "The results of capitalization have come closer to those predicted by scholars and activists who warn that `disciplinary neoliberalism' is part of a long range political project to lock in the power gains of capital on a world scale" (p.906).

In order to better understand the conflict in Bolivia using the Marx's critical conflict theory it would need to be modified to bring in other variables that are not economic in origin. While the theory fits very well with the situation in Bolivia it may not encompass the factors influencing personal decisions of politicians. This theory is more of a macro level theory with global applications. Bolivia is a good case study, but with different actors and history would the result be the same? More research is needed in other countries, and their history with privatization, to bring theory and reality together to see if Marx's theories would hold globally. Bolivia may be on its' way to Marx's utopian state of communism, where the people will have control of their resources but only time will tell.

Conclusion

Through my reading of the literature available on water privatization I have noticed a few themes that seem to prevail. Globalization in its current form is not sustainable. The only restrictions on consumption and use are set by the people who are selling products. This does not mean that it is entirely the fault of the global capitalists. It is also the fault of the consumers around the world. The same network that has allowed for global commerce is also a source for information on what is happening around the world. Much of the negative effects of privatization have been publicized around the globe. The information is out there and it is the responsibility of the people to stand up and fight for what is right; they must educate themselves. It is clear the World Bank, and IMF have more of a financial interest than a humanitarian one. It is not necessarily the institutions that are bad just the structure in which they have been set up. They have been set up to further the hegemonic practices of the U.S. and Great Britain. The global capitalists have interest in buying and selling goods cheap to people in rich countries and the global poor. In Cochabamba, where the people had finally had enough, they fought back. In order for things to change at all, people must fight back. Water is the one thing that everybody on the planet needs and cannot live without. People must stand up and demand change.

The literature on privatization follows one of two lines: either it has been published by the U.N, IMF, or World Bank and states that water is a need; or it is published by critics, who are crying foul, yet their message is not being heard because they are considered to be on the fringe of society and not representative of the majority.

People have begun to tune out the voices that are crying wolf all around the globe. Another approach must be taken when dealing with global human rights issues. New literature needs to be published in a manner that is solution oriented. When people believe that there is nothing they can do they tend to block it out. Solutions to the problem should be the focus for future articles in the area of water privatization. Affordable water should be accessible by everyone, and it is up to us to make sure that it is.

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