Neoliberalism in Ecuador after Correa: A surprise turn or according to economic elites’ plan?

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Abstract
This article examines economic elites’ reactions to early efforts by Ecuador’s left government to limit their clout. Elites developed an infrastructure of dissent to promote their interests. Some chambers of commerce and industry adapted their strategies to promote ideas and public figures that would gain increasing public and political prominence. Domestic conglomerates used different strategies to regain influence: ostentatious attempts to use economic power to capture the highest sphere of government offered promising results when accompanied by electoral wins, but active yet subtler strategies to improve their public image allowed some conglomerates to dispute the definition of development with the state and to cast themselves as representing collective well-being. By showing how economic elites used the global economic conjuncture and the trend of corporate social responsibility to advance their economic program, this article demonstrates that studying the agency of economic elites is essential for understanding how business interests shape political outcomes.

Keywords: Economic elites, Ecuador, business interest groups, conglomerates, pink tide, corporate social responsibility.

Resumen: Neoliberalismo en Ecuador tras Correa: ¿Giro inesperado o de acuerdo al plan de la elite económica?

Este artículo examina las reacciones de las élites económicas ante los primeros esfuerzos del gobierno de izquierda de Ecuador para limitar su influencia. Las élites desarrollaron una infraestructura de disidencia para promover sus intereses. Algunas cámaras de comercio e industria adaptaron sus estrategias para promover ideas y figuras públicas que ganarían cada vez más protagonismo público y político. Los conglomerados nacionales utilizaron diferentes estrategias para recuperar su influencia: los ostentosos intentos de utilizar el poder económico para ocupar la esfera más alta del gobierno ofrecieron resultados prometedores cuando iban acompañados de victorias electorales, pero las estrategias activas y más sutiles para mejorar su imagen pública permitieron a algunos conglomerados cuestionar la definición de desarrollo con el estado y así presentarse como representantes del bienestar colectivo. Al mostrar cómo las élites económicas usaron la coyuntura económica global y la tendencia de la responsabilidad social corporativa para avanzar en su programa económico, este artículo demuestra que estudiar la agencia de las élites económicas es esencial para com-
prender cómo los intereses comerciales dan forma a los resultados políticos. **Palabras clave:** élites económicas, Ecuador, grupos de interés empresarial, conglomerados, marea rosa, responsabilidad social corporativa.

Introduction

Since 2015, several countries previously carried by the pink tide underwent a swift change in government and legislature through more or less democratic processes. In some cases, economic elites led the shift, like in Argentina, where Mauricio Macri came to power with a party built around a core of businesspeople (see Monestier in this collection) and filled his cabinet with numerous businessmen in key economic positions (Casullo, 2016). The political turn in Ecuador, though, is more puzzling. The electoral victory of Lenin Moreno and the Alianza Patria Altiva I Soberana (AP, Alliance of the Proud and Sovereign Fatherland) in the 2017 presidential and legislative elections suggested that postneoliberal rule would continue. But after a year in office, the government implemented austerity measures and tax cuts for large businesses, especially with the Productive Development Law in 2018, and later signed an agreement with the International Monetary Fund. Are we witnessing a “neoliberal turn by surprise” in Ecuador (Ramírez, 2018; Stokes, 2001), with a party elected on a postneoliberal platform nevertheless following a neoliberal program?

The policy turn in Ecuador is indeed surprising; the reelection of AP generated quite different expectations. However, as this paper argues, the surprise reflects a lack of attention to economic elites and their efforts to regain influence during a decade of postneoliberal rule, regardless of their capacity to win elections. As Eaton (2014, p. 76) stresses, the rise of the left and the declining effectiveness of some of the right’s old strategies “triggered an intense search for new approaches by the right in Latin America, many of which go significantly beyond parties and elections.” When the neoliberal turn is interpreted as a surprise, economic elites appear as the passive recipients of a shift fully enacted by a government otherwise aloof to their concerns. This paper contends, in contrast, that elites have been much less passive: throughout the pink tide period, factions of economic elites actively developed new networks and strategies to create the appropriate social environment not only for their businesses to thrive but also to develop new capacities to pressure society and the state. They built an infrastructure of dissent—a network of organizations able to take advantage of the conjuncture of crisis to eventually gain governing roles even without winning elections.

This paper describes this infrastructure of dissent, thereby recasting our understanding of the political turn in Ecuador by paying attention to the agency and intentionality of economic elites. First, I discuss the theoretical concerns that guide this study. I then introduce some of the main policies adopted by the AP government under Rafael Correa to undermine the capacity of economic elites to get organized and influence politics, and I discuss the main strategies
used by business chambers and economic conglomerates to reposition themselves in this context to exert social and political influence.

The role of elites

An important blind spot cripples many explanations of the recent political shift in Latin America: they fail to consider elites’ intentions and agency to promote the world that they want. Some authors emphasize the importance of global political economy (Webber, 2017). They stress how the world economic crisis that started in 2007, China’s economic growth slowdown since 2012, and especially the sharp drop in commodity prices since 2014 dried up the sources of rent that sustained the redistribution-based popularity of left governments. This perspective can also explain how some post neoliberal governments adopted neoliberal measures to stabilize market dynamics in response to the crisis but never received reciprocal support from the economic elites who were demanding such policies. What little agency this explanation allows lies with the government, while economic elites remain passive despite the government about-face. The tendency to downplay the agency of economic elites is a frequent feature of the mainstream literature on the topic. For instance, when Ben Ross Schneider (2004) studies encompassing business associations in Latin America, he does so less to study their impact on the economy and on democracy (his secondary objective) than to argue that “state actors, usually top officials in the economic bureaucracy, [are] the pivotal causal agents” that explain which countries have strong encompassing business associations while others do not (Schneider, 2004, p. 13). Here, even the organizations allowing economic elites to express collective agency are begotten by state actions more than by elites themselves. Similarly, when Schneider (2013) studies the importance of conglomerates and claims to adopt a perspective focusing on firms, he shows instead how the complementarities between key institutions of the dominant variety of capitalism in Latin America, which he labels Hierarchical Market Economy, create a path dependency that curtails change. His “firm’s-eye focus” looks at the external incentives on firms’ strategies that explain continuities much more than it tries to capture how firms influence the state and policy. In this view, firms are not so much actors with agency as they are gears in a self-reproducing system, where the main source of action changing the system is the government.

The global economic conjuncture and the institutional complementarities that push to reproduce the dominant forms of corporations are all obstacles for post neoliberal governments, yet the core constituency benefiting from a neoliberal turn – the economic elites – should not be seen as extras in the scenario. In Ecuador, despite not winning elections, domestic economic elites played a central role in the neoliberal turn because even before the oil price decline they had developed their organizations and capacities in a way that allowed them to use the international political and economic conjuncture to regain in-
fluence on society and the state and steer the country to the right. This capacity of economic elites to capitalize on the international context is central to the explanation presented here as it demonstrates the importance of instrumental power – the economic elites’ capacity for deliberate political action – and not only the structural power businesses wield with their economic decisions (Fairfield, 2015, Chapter 2).

The agency of economic elites is less neglected in the literature on state capture, which has grown significantly in Latin America (Cañete Alonso, 2018) to describe “a form of extreme influence on the state […] that biased the decisions of public policies in favour of a privileged few” (Durand, 2016, p. 9). The concept of state capture provides a useful critique of the excessive influence of certain elites on the state. However, it is underpinned by the idea that the state is essentially a neutral apparatus that, in certain exceptional circumstances, can be suddenly captured by elites otherwise “external” to its processes. In this respect, the limitations of the concept of state capture are significant. As discussed below, the Ecuadorian state has historically been an object of competition between elite factions disputing their share of control, thus the premise that the state is a neutral and autonomous apparatus needs to be problematized.

Agency is also considered important in the literature analysing the Latin American right. Juan Pablo Luna and Cristóbal Rovira Kaltwasser (2014), in their edited collection on the resilience of the right, underline that “the capacity of the political right to shape policy outcomes – either through electoral coalition making or through alternative ways – is one crucial factor…that has been often overlooked by recent academic research on the region” (Luna & Rovira Kaltwasser, 2014, p. 12, my emphasis). They call for studies that look beyond political parties to include non-electoral means. In that volume, Eaton (2014) identifies new strategies the right has developed in postneoliberal countries since the left took office. He highlights their greater use of “society-centred strategies”, given the eroding ideological effectiveness of the church, the loss of legitimacy of the military, and the inadequacy of state-centred strategies when left governments are in power. Along similar lines, Cannon (2016) uses the political sociology of Michael Mann’s theory on the sources of social power to assess the right because the right’s power in Latin America has rarely taken the form of strong political parties.

This literature makes an important contribution to understanding the power exerted by economic elites, although economic elites and the right are not the same thing. Studies of the right emphasize the importance of how agents adapt when facing a changing political scenario (the election of the left), and they shift the focus of attention away from the state as the unique bearer of agency toward a much broader field of power relations in which right-wing forces are taken seriously. The literature on the right nevertheless always struggles with its central category: the right. The authors cited above converge around the use of Bobbio’s (1996) inspired ideological definition: the right comprises people
who believe that inequalities are natural and outside the purview of the state, while the left considers that there are collective responsibilities for social ills. But as this analysis will show, some of the “right’s strategies” now include corporate social responsibility (CSR) policies that feature actions to fight poverty. While the right remains a useful category, a focus on economic elites offers a more stable starting point.

But simply shifting the focus from the right to economic elites to understand power is also insufficient. Power is not a characteristic or a tool that one possesses: it is the property of a relationship. Understanding the power of economic elites and the way they exert it requires a starting point that conceives their strategies from a relational perspective, where an actor’s actions are designed in relationship with, or in response to, those of other actors. A relational perspective on power also stresses that the state is not neutral; rather, it is both constituted by and part of power relations, and its autonomy should therefore not be stated but problematized. In order to include such concerns, this article is informed by the theoretical work of Jessop (2002, 2007) and his conceptualization of a ‘strategic-relational’ approach to the state and contending social forces. Following this approach, state autonomy depends on the state’s interaction with other forces in society, and the lines of demarcation between what constitutes the terrain of state action and what are, conversely, the areas reserved for private decisions and actions are also the object of continuous struggle. It is in this sense that Jessop (2007, pp. 6-7) suggests that:

States do not exist in majestic isolation overseeing the rest of their respective societies but are embedded in a wider political system (or systems)...linked to different forms of civil society. A key aspect of their transformation is the redrawing of the multiple “lines of difference” between the state and its environment(s) as states (and the social forces they represent) redefine their priorities, expand or reduce their activities, recalibrate or rescale them in the light of new challenges, seek greater autonomy or promote power-sharing...the distinction between the state apparatus and the wider political system makes a real difference and is defined (and redefined) both materially and discursively (my emphasis).

From this strategic-relational perspective, who controls the state is not the only question. How the state interacts with its own society and how its boundaries are constantly redrawn materially and discursively by social struggles are essential questions. When economic elites lose control over the state, they are likely to develop other ways to try to push back against the boundaries of state action while increasing their direct influence on society. What they do is likely to involve strategies to legitimize their action within the public space to redraw the “lines of difference” between the state and its environment to their own advantage.

Focusing on Ecuador, I investigate how domestic economic elites adapted their organizations and campaigns to handle the state and a government they
did not control after the election of Rafael Correa in 2006. I study how they strengthen their presence in the public sphere and how they pushed against the boundaries of the state to enhance their political influence. This article combines results from two research projects. The first, conducted between 2011 and 2015, followed the main chambers of production in Ecuador, using organizational biographies and fifteen interviews with their spokespersons to gauge their reactions to a government of the left and other social movements. It was complemented with information gathered during more recent research stays for the second research project, conducted between 2017 and 2019, that followed select domestic conglomerates through twelve interviews with managers and a review of both their annual and CSR reports in order to capture the strategies they used to challenge the left. Looking at economic elites in a systematic way sheds light on emerging organizational infrastructure and strategies that explain how elites hindered the implementation of the left program, regained both their influence on politics and society and, eventually, their control over state institutions.

State autonomy and the Left

Analysts agree that, historically, economic elites in Ecuador have been divided (Conaghan, 1988; Guerrero, 1994; Ospina Peralta, 2016). Starting in the late nineteenth century, elites formed on the coast around different waves of agricultural exports (such as cacao and banana), which entailed a structural connection to international markets. Economic elites from the highlands, by contrast, catered mostly to internal markets. Both factions diversified their economic activities throughout the twentieth century, but the historical economic differences had become culturally embedded and created contrasting regional identities (Burbano de Lara, 2014, Chapter 2). Before the democratic transition of 1979, their conflicts over state control were generally brokered by the military. With the democratic transition, the balance of power tilted toward the popular sector. Since then, when economic elites compete to control state institutions and disagree on the orientation that development policies should take, it has, in conjunction with popular protests, led to the impeachment of presidents. Three presidents were ousted in this way between 1997 and 2005 (Abdalá Bucaram in 1997, Jamil Mahuad in 2000, and Lucio Gutiérrez in 2005). This impact of elite conflicts on government longevity explains why AP adopted several measures to diminish the influence of economic elites over the state (Chiasson-LeBel, 2018).

Rafael Correa won the first round against the traditional parties of the elites, and the presidential runoff against Álvaro Noboa Pontón, a banana tycoon and one of the richest men in the country. Correa’s victory prevented the direct capture of the state by a faction of the economic elites. Once in office, Correa had the court remove the legal obligation for businesses to belong to a business chamber. Some business chambers complained that the withdrawal of this cor-
poratist measure, in place since the 1940s, limited their financial capacity to hire analysts, wage campaigns, and exert political pressure. In a referendum called by Correa, the population voted to engage in the process of writing a new constitution. A Constituent Assembly was formed through general elections, with only a few members representing economic elites or their parties. Business chamber representatives felt that despite their efforts, their concerns were barely taken into account in the final text, and the new Constitution, adopted by referendum in 2008, weakens some of their channels for exerting social and political influence. For instance, Article 312 prohibits banks, bankers, and all owners of bank assets from simultaneously holding assets in mass media. The government thereby forced the country’s main conglomerate, Banco Pichincha, to sell its stocks in the television channel Teleamazonas (El Universal, 2013).

The new Constitution includes measures to diminish sectoral corporatist representation within state structures, which had previously favoured business representation over labour and other sectors (SENPLADES, 2009, p. 37). Business representatives decried their loss of contact with state officials and lamented the disappearance of the public-private dialogue they had previously enjoyed. With this process of “decorporatization of the state” (Ospina Peralta, 2010; Ramírez Gallegos, 2018), the Correa government sought to rid the state of the direct influence of organized actors. Instead, the government aimed to privilege the authority of elected officials and bureaucrats, perceived as the proponents of the general interest, at the expense of civil society organizations (Conaghan, 2011, p. 274) representing either economic elites or other sectors.

Several representatives of conglomerates also complained that the government was using fiscal reforms and tax reviews to control them. They reported undergoing numerous tax audits for previous years, which they claimed put their companies under financial stress due to the threat of penalties and retroactive payments. Some feared taxes were being used as political retaliation and therefore chose to go under the radar. Many also complained that the continuous tax reforms made business unpredictable and were undermining investment.

This non-exhaustive list of reforms aimed at reducing the direct influence of economic elites on the state illustrates how the Correa government shifted the elite-state relationship, privileging bureaucratic processes and decisions over the direct influence of powerful business interests. Backdoor access was not entirely blocked, but as a chamber leader confirmed, it was less prevalent:

I understand that chambers, through important economic groups, were meddling in [previous government] appointments, by suggesting people, or suggesting one action or another [to state officials], something that is obviously wrong and that we hope does not happen today […] and I can tell you that this kind of lobbying of chambers not only happened with one president, but with many of them.
This quote shows how the AP government increased the distance between economic elites and the state, disrupting the channels they used to influence decisions and nominations directly. The Correa government used this distance to adopt a combination of new developmentalism and redistributive policies not favoured by economic elites. It renegotiated its contracts with multinational extractive corporations (Fontaine, 2010) to increase the rent captured from the oil sector, and it strengthened the tax agency (Servicio de las Rentas Internas [SRI]) and adopted about twenty tax reforms to reduce the share of state revenues proceeding from oil rent (Mejía, 2012, p. 180). Non-oil state income rose from an average of 18.8 percent of GDP between 2000 and 2006 to 21.7 percent for the 2007-2015 period (Díaz Cassou & Ruiz-Arranz, 2018, p. 34). Pursuing more internally focused development, the government initially withdrew from trade deal negotiations with the European Union. It imposed tariffs to control international trade, foster a selective substitution of imports, and limit the trade imbalance resulting from the overconsumption of imported products. It also imposed a tax on currency outflows to limit capital flight. Economic elites perceived this developmentalist direction as undermining legal certainty and hence as a deterrent to private investment.

With increased revenue bolstered by high commodity prices, the government was able to intervene more in the economy. Public sector expenses, representing an average of 23.7 percent of GDP for the 2000-2006 period, increased to 37 percent for the 2007-2015 period (Díaz Cassou & Ruiz-Arranz, 2018, p. 32). In addition to developing transportation and energy infrastructure, the government invested in education and training at all levels, including new universities (notably Yachay Tech and Ikiam, thought of as technological hubs), with the goal of encouraging innovation to support the diversification of production and exports (Andrade, 2015). Increased state income also fed public investment in health care, social security, housing, and redistribution through direct cash transfer programs. The overall results in terms of poverty reduction and declining inequality are significant (Díaz Cassou & Ruiz-Arranz, 2018, Chapters 13-16; Székely & Schettino, 2018), although these improvements started to erode with the drop in oil prices in 2014. This erosion is largely because the improved living conditions of the poorest relied on external conditions (commodity prices, growth in China) and not on a redistribution of productive assets such as land and capital (Larrea & Greene, 2017). In general, Correa’s social policies were not supported by economic elites, some of whom decried the taxing of the rich to give to the poor, likening the government’s approach to that of a “Robin Hood state”.

In response, economic elites adapted by finding new ways to promote their interests with both the state and society.
Business chambers’ reactions

Business chambers, or chambers of production, are an important political vehicle for economic elites in Ecuador. Despite regional and sectoral divisions, from time to time, economic elites coalesce and forge a unified business consciousness and concerted political action. In the 1970s, they were crucial in opposing state developmentalism (Conaghan, 1983, 1988). One of their leaders, León Febres-Cordero, became president in the 1980s, marking the return of elite control over the state after the democratic transition (Naranjo, 1994). In the 1990s, the active mobilization of the business chambers was instrumental in defending neoliberal reforms against the opposition campaign waged by indigenous and labour movements (Sawyer, 2004, Chapter 6).

In the interviews I conducted, all business chamber leaders complained about the Correa government. With less revenue from fewer members,16 a confrontational public attitude from the government,17 diminished access to means of mass communication, and less contact with state officials,18 the capacity of elites to influence politics through the business chambers was undermined. Their reactions varied. Some responded with confrontation, identifying the government as a direct threat to democracy.19 Some leaders even reported that there had been discussions about attempting a coup. It did not materialize, and some chamber spokespersons explained that this was due to their assessment of the situation in Venezuela, where the relationship between businesses and the state had worsened after the failed coup of 2002.20

In contrast, other chamber leaders perceived the change as an opportunity to reorganize and develop more efficient actions to influence public opinion and the state. The repeal of mandatory affiliation meant that chambers could compete with others for membership on the basis of political objectives.21 For instance, the Cámara de Industriales del Pichincha (CIP, Chamber of Industrialists of Pichincha) changed its name in 2009 to the Cámara de Industrias y Producción (Chamber of Industry and Production), removing the geographical and sectoral references from its name. Similarly, the Chamber of Industry of Cuenca became in 2015 the Chamber of Industry, Production and Employment (CIPEM) in order to “adapt to the new economic, political, and social realities, and to be more inclusive with other productive sectors” (CIPEM, 2016, my emphasis). More than just a nominal change, the new name was part of a recruitment strategy to increase membership. Both CIPEM and CIP even reached out to small and medium businesses, a sector otherwise dominated by organizations much more amicable to Correa’s policies. The CIP confidently asserts on its website that it is “the most important organization representing entrepreneurs in Ecuador” (CIP, 2018).22

Richard Martínez, a CIP staff member, was elected as CIP president and became very active in the media. He worked to improve the chamber’s technical capacity and strengthen the quality of its discourse for lobbying, or what Fairfield (2015, p. 39) calls expertise. He also aimed to fill the public space
with a discourse that spoke to the general population, presenting the economy as an abstract process that the government did not properly understand and was therefore managing inadequately. At the same time, he attempted to strengthen the “cohesion” (Fairfield, 2017, p. 38) of economic elites around a discourse designed to unify business leaders and chambers. Martínez became president of the National Federation of Chambers of Industries, which represents the Ecuadorian industries in international spaces. Martínez was ultimately elected leader of the Comité Empresarial Ecuatoriano (CEE, Committee of Ecuadorian Entrepreneurs), which, according to its director, federates the greatest number of chambers in the country. Under Martínez’s leadership, the CEE quickly grew from thirty-eight members to more than fifty – not a small change given that its members are chambers, not individual businesses – and it recently announced having reached ninety members.

The CEE was founded in early 2004 to organize a collective business voice to influence the state in its free trade negotiations with the United States. Its efforts were undermined by the election of Correa, who was critical of free trade (Correa, 2012, Chapter 9) and withdrew from negotiations between Ecuador, Colombia, Peru, and the European Union. The CEE eventually opted to widen the scope of its actions to include wage and labour laws, taxes, the defence of market principles, and respect for legal certainty and private investment. It argued that free trade agreements would facilitate the export of many products and reduce the importance of oil. Its ongoing pressure eventually succeeded when oil prices dropped and affected the balance of trade. In 2017, Ecuador joined the free trade agreement signed between Peru, Colombia and the European Union. These efforts fortified some chambers over others, but they also strengthened the chambers’ capacity for collective action (cohesion). In May 2015, when the government announced an increase in the inheritance tax, the business chambers rapidly became leading opposition voices. They coalesced in collective press conferences to condemn the measure, refusing to negotiate and firmly demanding the withdrawal of the tax (El Universo, 2015). Their outcry was followed by significant public protests, and the government eventually withdrew the bill.

The chambers continued to exert pressure after the May 2017 presidential election. The new president, Lenín Moreno, selected by Rafael Correa to be his successor, won the runoff election by a tiny margin (51.16 percent) against Guillermo Lasso, the former leader of an important conglomerate, Banco Guayaquil. Moreno’s narrow victory along with sluggish economic growth and low oil prices since 2014 (Banco Central del Ecuador, 2019) partly explain Moreno’s change in attitude: instead of rejecting dialogue with organized actors like Correa had, the new president promoted discussion between state and society and appointed leaders of various organized groups to positions in state institutions. To resume the conversation with the business sector, Moreno summoned an Advisory Council on Production and Taxes to revitalize production, investment, job creation, and the generation of currency (Presidencia del
The Council’s leading committee was composed of seven state officials and six representatives of the private sector designated by the president, including Richard Martínez. The Council organized a large gathering of about 1,600 businesspeople divided into twenty-six thematic discussion tables, and Martínez presented their consensus to the government (El Universo, 2017). Meanwhile, the government’s changing attitude caused the AP to split, and Moreno had to find new political allies in both the National Assembly and society more broadly. Richard Martínez’s appointment as the new minister of economy and finance in May 2018 represented the culmination of the business chambers’ work to rebuild the credibility and influence of business leaders. By inviting Martínez to join the government, Moreno integrated one of the main leaders and unifiers of the business class into his cabinet, the man who would ultimately implement the most recent neoliberal turn. The long-term strategy of some business chambers had proved effective: it mobilized at crucial political moments (inheritance tax reform) while also creating credible actors to fill state positions when the opportunity arose, and it recovered a great deal of control over state institutions even without winning elections.

This examination of the evolving relationship between the business chambers and the state suggests that the internal renewal of some business organizations, their efforts to enhance their networks, and the grooming of public actors able to influence society and the state, began long before the oil price drop in 2014. The capacity of economic elites to mobilize their forces and occupy public space was instrumental in blocking some left reforms, and, more importantly, in using the global conjuncture to apply internal pressure leading to specific policy shifts. While this strategy was effective, conglomerates also pursued other plans to influence the political system and public space in general.

The strategies of conglomerates

In Latin America, it is common to use the expression “economic group” to refer to the integration of several businesses under centralized control by a small number of people (Grosse, 2007, p. 27). The centralization of control is not always formal, as it takes shape through business owners’ kinship ties rather than through impersonal stock trading (Peres, 1998). The Ecuadorian economy is, indeed, highly centralized, but it is not very financialized, with a domestic market capitalization at the Quito Stock Exchange of only US $8.214bn in 2017 (Sustainable Stock Exchanges, n.d.), representing less than 10 percent of GDP. Through tax reforms, the Correa government forced a more thorough disclosure of information about company ownership so as to more accurately assess the state of economic groups in the country. Since 2007, the tax agency, SRI, has published a yearly compilation of all economic groups identified through investigations of tax reports and data from state agencies. The 2018 list contains 270 conglomerates, up by 55 since 2017, and their combined revenue represents US $68bn, or approximately 65 percent of GDP for the whole
year. The fifty largest groups had a combined annual turnover that represents nearly 40 percent of GDP (SRI, 2019). Given such economic importance, what economic groups do to influence politics and the public space matters. To understand their strategies, I identify four categories of action aimed at the state and public space. The first two categories (passive-legitimate and covert) correspond to economic groups that do not actually try to influence public opinion. The passive-legitimate category applies to groups that only rely on chambers or other legal means to contest the state. The covert strategy corresponds to groups that try to stay under the public radar while nevertheless obtaining, through barely legitimate means, the necessary clearance to bolster their business. Some of the groups following these strategies do have CSR programs, often to please international clients or owners. As such strategies do not aim to shape society in a way that benefits their businesses, they are not the focus of this paper. The two remaining strategies are presented below.

*Ostentatious self-promotion for direct control*

The strategy of *ostentatious self-promotion for direct control* is used by those economic groups whose main leader uses his wealth and position to conspicuously promote his persona in order to achieve prominent political positions. This strategy, of great importance during the twentieth century, is still in use today, and, when it works, it fits the definition of state capture. Álvaro Noboa Pontón, the banana tycoon mentioned above, is the archetype of such a strategy. His economic group Exportadora Bananera Noboa (15) exports bananas and other staples and agro-industrial products like coffee products, cacao, rice, and sugar. He was named president of the monetary board in 1997 and used his relationship with the president at the time to try to resolve inheritance conflicts with his siblings. He then ran for president five times, making it to the runoff round three times. He used his personal wealth to fund his campaigns, and the state accused him of having spent twice as much as the permitted amount on the 2002 election campaign (El Universo, 2002). He kept running for president until 2013, and his party won numerous seats in the National Assembly.

Noboa also runs a foundation, Crusade for a New Humanity, that channels donations from companies belonging to his economic group and promotes Noboa’s persona and religious values through charity. Its activities often place Noboa at the forefront, showing him directly giving to the needy, thereby using the aid to also champion his public image. His economic group also owns a magazine, *La Verdad*, which advertises the group’s products, spreads Noboa’s views, and promotes his political candidates along with other articles of general interest. Guillermo Lasso, the former helm of the economic group Banco de Guayaquil (7), is a more recent example of this strategy. He left his position at the head of the bank to compete in the presidential race against Rafael Correa in 2013, and he ran against Lenín Moreno in 2017, just barely losing in the runoff. This ostentatious strategy has often been successful in the past; howev-
er, when economic elites do not unite behind a single candidate and the political right is divided between various parties, like in Ecuador, this strategy runs the risk of having detrimental impacts for the groups that adopt it. In 2013, after Correa’s reelection, the tax authority seized one of the main haciendas of the Noboa group, La Clementina, for unpaid obligations. A manager of a company belonging to the Noboa group had this to say in an interview:

—And this was political retaliation?

—Yes, of course, clearly, this is pure political retaliation. They stole La Clementina from Álvaro, and now it is a field of nothing.31

Similarly, according to a manager at the Banco de Guayaquil, Guillermo Lasso’s decision to run for president caused the government to toughen its attacks on the bank as well as introduce new regulatory pressures, notably restricting Lasso’s capacity as a candidate to hold meetings on bank premises. The ostentatious strategy can nevertheless be efficient when the electoral gamble is successful.

**Active strategy to direct the public sphere**

This strategy is the most recent. Its main activities have grown in the last two decades, notably in response to the government’s attempts to enhance state autonomy. Through society-centred strategies, groups develop their instrumental power over the public space in order to influence the state without depending on electoral success. This strategy preserves the image of state autonomy while diversifying actions that sway public opinion to create a business-friendly environment, secure the public policies businesses want, and dispute the state’s sphere of action. Some of the most important economic groups of the country – including Banco Pichincha (1), Corporación Favorita (4), and Consorcio Nobis (28) – follow this strategy. Aside from their business activities, they have developed a network of foundations and NGOs that, under the guise of CSR and support for innovation, create the conditions they need for their businesses to thrive, push policies in the direction they want, and offer opportunities to reestablish links between state officials and leaders of their groups. These economic groups thus try to modify the boundaries between the public domain and the private realm.

The group Banco Pichincha centralizes businesses in the financial sector (banks, credit institutions, the Diners Club Card, and so on). Its various branches have autonomous CSR policies to match their different clients, and collectively, they support a private foundation, CRISFE, which carries out most of the CSR actions oriented toward the general public, aiming to “improving the living standards of vulnerable Ecuadorians” (Fundación CRISFE, 2018). Claiming to pursue this goal, its financial and entrepreneurial training programs help individuals and small businesses access the credits offered by the group, thereby creating new clients for its services.
CRISFE also teams up with other organizations, like the Alianza para el Emprendimiento e Innovación (AEI) founded by Corporación Favorita, which seeks to build bridges between private actors, the state, and universities to support the development of innovative businesses that match the group’s needs. Most of the innovations supported by AEI are, in fact, products developed for the retail store chains of Corporación Favorita. This role of innovation incubator used to be played mostly by the state through institutions bound to follow the government’s development orientations. With organizations like AEI, though, the private sector gets more deeply involved in picking and choosing which innovations will receive support, and it thus competes with the state to determine the meaning of concepts such as innovation and development.

Innobis plays a similar role. It is a business incubator recently created by the Nobis consortium, an economic group founded by Isabel Noboa, Álvaro Noboa’s sister. The consortium also supports the Nobis foundation, mentioned in CRISFE’s annual report as a partner. The main business of the consortium revolves around the production of sugar and its derivatives (sweets, alcohol, etc.), but Nobis also includes a real estate branch. Like AEI, Innobis selects and supports innovation that will contribute to the group’s activities. Doing so disputes the state’s monopoly in defining innovation and ultimately entices the state to follow the lead of private actors.

This active strategy combines activities to create clients, new inputs, and innovations to meet the needs of economic groups with efforts to improve the businesses’ public image (and not mainly that of certain leaders, as with the previous strategy). Innovation and CSR programs work together to repair or bolster the public image of the groups. The leader of a CSR network explained that the high number of banks in the network is a response to the government’s use of the 1990s banking crisis:

This kind of business started to be questioned a lot. So [...] the banks [...] took a strong turn toward social responsibility to build customer loyalty. Under the [Correa] government, they often said that the banks and bankers were the culprits for what happened in the country. But bankers can not go out and say “I am not guilty, I didn’t do anything” because it’s their word against the word of the other. So they started strengthening their links to the community, toward compliance mechanisms, toward the environmental question so that you would not see them as a problem.32

In this quote, CSR is clearly conceived as a reaction to a specific crisis (negative image after the late 1990s banking crisis), and a defensive strategy against attacks perpetrated by a hostile government. It is a relational tool in a local struggle for legitimacy. The same spokesperson mentioned that in Ecuador, CSR has grown along with the global trend created by the international standards organization that promotes CSR around the world (the UN Global Compact, and the Global Reporting Initiative). Nevertheless, the striking feature of the active strategy is that the businesses using it are able to mobilize this global
trend for their immediate local needs, to solve local image issues. It helps explain why CSR gained even more importance during the Correa government. Also, the economic groups’ foundations and NGOs organize public events, such as innovation fairs, that include receptions where group leaders can mingle with elected officials and bureaucrats, thereby restoring some contact with state officials.

Integrated in an active strategy, CSR activities allow business groups to do much more than solve immediate problems: it demonstrates that businesses pursue the collective good. They therefore dispute the state’s leadership as the main defender of the common good. For instance, Corporación Favorita’s annual report for 2016, a year during which the conglomerate had taken part in aid efforts in response to the earthquake in Manabí Province, concludes with a note signed by Andy Wright, the leader of the group. He explains that their efforts after the earthquake sought to resume their business activities as swiftly as possible, because “supply is vital in such events, not only for the basic services to the community, but also for the hope of return to the daily life that we represent” (Corporación Favorita, 2016, p. 120. my emphasis). Here, the “we” signifies Corporación Favorita and reflects its conscious efforts to become a crucial element in people’s understanding of daily life. This example illustrates how economic groups contend with the state to be seen as the guardian of the general interest.

Finally, economic groups use this active strategy to make themselves available to take the space of the state when the state’s financial situation forces it to redefine, recalibrate, or rescale its priorities. For instance, the head of a CSR network explains:

What started happening more recently is that […] the ministries began to be left with no money, and they began to look at the private sector as a source of funding for the ministries’ projects. So, the rapprochement that we had practically every week [in our organization] from the government came from the Ministry of Education, to see which enterprise we could connect them with to fund this program, from the Ministry of Health, the Ministry of the Environment […] All the ministries came, to look for funding for social responsibility activities. And this happened [as recently as] yesterday, it still happens.33

With these components – grooming new customers for their products and services (like bank credits), promoting innovation to beget new inputs, and providing aid during emergencies – economic groups employ an active strategy to dispute the boundary between the domain of the state and the public in general and the space under private business control. They are challenging the state’s role as the main leader of development and the main defender of collective well-being while simultaneously bolstering their own image. They make themselves available to take on the roles of state institutions when crises force the state to scale back its activities.
The strategy adopted by each conglomerate is not automatically determined by its economic activities. Álvaro Noboa’s businesses are largely oriented toward external markets. Displeasing locals with an ostentatious strategy runs a lower risk of harming his target market, although it can impact production when the government attempts to undermine the influence of economic elites. The risk is greater for banker Guillermo Lasso, as his bank depends on domestic customers, yet he nonetheless adopted an ostentatious strategy, probably because it promises to deliver tremendous influence if he can win important state positions. His competitor in the same sector, Banco Pichincha, chose a different strategy. Comparing these strategies, then, illustrates the importance of taking the agency of economic elites seriously and not simply deducing their attitudes and approaches from existing institutional arrangements as suggested by the mainstream literature.

Conclusions

This article has focused on the transformation of organizations of economic elites and the strategies they have adopted in Ecuador. In response to the left government’s efforts to direct economic development according to its own program and to bolster state autonomy, economic elites adopted diverse strategies. Some business chambers adopted a confrontational attitude, while others renewed their organizations to increase their membership, improve their expertise, and strengthen their networks, creating an infrastructure that enhanced their influence on both society and the state. This influence was held by public figures who eventually managed to advance their political preferences directly within state institutions, even without winning elections. Conglomerates, too, adopted different strategies. Some group leaders ostentatiously attempted to win state power. Other conglomerates adopted an active strategy to direct the public sphere: they built an infrastructure that allowed them to act at various levels (public opinion, state bureaucrats, elected officials), cleansing or maintaining their public image as contributors to the social fabric, challenging the state in its capacity to determine development objectives, and even purporting to represent the general interest. This also allowed managers of conglomerates to reestablish contact with state officials, offering a source of funding to take over state projects when economic conditions weaken the capacities of the state.

By examining economic elites’ diverse strategies, I first show the importance of economic elites’ agency. Some elites try to recapture direct control, while others attempt to capture society. This diversity illustrates that their actions cannot be interpreted as mere mechanical determinations resulting from structural factors. Nor can the failures of the left and the rise of the right be explained as merely a result of the global conjuncture, or as the path-dependent result of existing institutions. Analysing what economic elites do is essential to identifying the obstacles to the changes promised by the left and to understand-
ing how quickly right-wing policies can be brought back, even when right-wing parties do not win elections. Conversely, studies of the popular sector and its mobilization capacities provide important insight into the limitations encountered by economic elites implementing their program.

I show the importance of understanding the relational nature of elites’ actions: their actions in Ecuador were in fact a reaction to the government’s attempts to enhance state autonomy. Moreover, I show how state autonomy is an object of struggle. In addition to vying for state influence, economic elites dispute meanings and boundaries with other organizations, including those of workers, Indigenous peoples, and peasants, who also try to define the borders of state action to meet their needs. I therefore illustrate the limitations of the concept of state capture which presumes the autonomy of the state, and I point out the weaknesses of mainstream views on elites that limit agency to the state itself. I thus substantiate my call for a strategic – relational perspective to grasp such phenomena – perspective that understands the actions of business groups and organizations in relation to the actions and transformations of the state and other actors in a struggle that constantly redefines the boundaries of the state. Economic elites in Ecuador were not passive observers of the turn to the right; rather, they had been preparing the terrain for a long time. And it is not the most conspicuous actors who have spearheaded this return to neoliberal policy but those who adopted a more subtle approach. Their careful construction of the meanings, rules, and subjects necessary for their businesses to thrive was, at the same time, paving the way for their return to the helm of the state.

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**Notes**

1 For a discussion on the meaning of postneoliberalism, see Wolff in this collection.
2 At the time of final revisions to this article, president Moreno had announced new austerity and pro-market measures, including a fuel price increase, cutting taxes on capital
exports and productive imports as well as on other consumer products. These measures had unleashed ten days of protest that forced the government to withdraw the measures, but the alternatives have not yet been defined.

3 Sears (2014, pp. 2-5) coined this expression to describe “the means through which activists develop political communities capable of learning, communicating and mobilizing together…a broad range of organizations, and networks that supported the development of activist capacities.” In a postneoliberal context, it seems appropriate to revert the expression and use it to describe the economic elites’ attempts to recover their influence.

4 These studies by Ben Ross Schneider do not specifically include the case of Ecuador. The book on hierarchical capitalism even underlines that Ecuador, along with Venezuela and Bolivia, follows a different variety of statist or political capitalism that sets it apart (Schneider, 2013, p. 161). But the discussion here engages with Schneider’s approach to the state–elite relationship rather than his analysis of a specific case.

5 There is also an important body of literature on economic elites in Central America (for example, Bull, Castellacci, & Kasahara, 2014; Cárdenas, 2015; Spalding, 2017). Given space limitations, I focus here on the literature directly discussing South America.

6 Translations of interviews and texts originally in Spanish are mine.

7 The term chambers of production is a literal translation of cámaras de la producción, used in Spanish to denote organizations representing business interests, such as chambers of commerce and associations of industrial producers, large landowners, or entrepreneurs.

8 Interviewee A1 (July 2012).

9 Interviewees B1 (July 2012), B4 (August 2012), and B6 (August 2012).

10 Interviewee B7 (August 2012).

11 Most civil society participation in state institutions is now filtered through the newly created Consejo de participación ciudadana y control social (CPCCS, Council of Citizen Participation and Social Control). The selection processes for participation, despite valuing ties to social organizations, encourage the delinking of representatives from their organizations of origin.

12 Interviewees GE-D1 (October 2017), GE-A3 (March 2018), and GE-PET1 (February 2019).

13 Interviewees GE-PET1 (February 2019) and GE-F1 (January 2018).

14 Interviewee B1 (July 2012).

15 Interviewee B3 (July 2012).

16 Interviewee A1 (July 2012).

17 Interviewee B4 (August 2012).

18 Interviewees B2 (July 2012), B4 (July 2012), B6 (August 2012), and B7 (August 2012).

19 In 2012, commemorating its fiftieth anniversary, the Chamber of Commerce of Quito hung a gigantic banner from its building on a busy corner in the heart of the city that read: “Without freedom and justice, there is no democracy”. It clearly attempted to associate the government of Correa with a dictatorship, or at least a form of authoritarianism.

20 Interviewees B3 (July 2012) and B8 (August 2012).

21 Interviewee B3 (July 2012).

22 This claim is debatable, though, as the Committee of Ecuadorian Entrepreneurs, of which the CIP is a member, also unites many chambers.
23 The Ecuadorian economy has been dollarized since 2000. It requires specific economic policies to retain enough currency from external trade for internal purposes.

24 Richard Martínez was not the only cabinet member with a business-friendly background, but he had the largest public profile and his actions were most clearly aimed at uniting the business class.

25 My research did not find business chambers to be controlled by specific economic groups, but my method did not focus on this aspect. Nevertheless, given that the chambers unify many businesses which belong to different groups, it seems fair to assume that they express a collective voice for the sector they represent.

26 There is also a smaller stock exchange in Guayaquil.

27 The growing number of economic groups on the SRI list does not reflect rapid economic centralization. Although there probably is a continuous process of centralization, the current increase reflects the SRI’s growing capacity to identify groups from the tax and company databases.

28 A presentation of the different strategies appears in Chiasson-LeBel (2019).

29 See de la Torre Araúz (2004), who shows that in the early twentieth century, the economic elite in Guayaquil built social assistance organizations that supported both a regional identity and their positions at the top of the social hierarchy.

30 The number after the group name reflects the SRI’s ranking in its 2017 report on economic groups.

31 Interviewee GE-A3 (March 2018).

32 Interviewee CSR1 (December 2017).

33 Interviewee CSR1 (December 2017).

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