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Rethinking Democratic Governance: State Building, Autonomy, and Accountability in Correa's Ecuador

James David Bowen

Abstract: This paper argues that rather than theorize state building and democracy separately, we should direct our attention to studying the dual construction of democratic states. To do so, we must understand the contradictory relationship between the concentration of power needed to build state institutions and the constraints on this power dictated by the norms of liberal democracy. I present an outline for studying state building and democratic governance and illustrate my argument with a study of Ecuador. I argue that stable democracy must rest on three pillars: effective state institutions, the autonomy of these institutions from other powerful actors, and the existence of meaningful institutions of accountability. The challenge is that efforts to strengthen one or more of these pillars are likely to undermine the others. I argue that Ecuador, particularly under the Correa administration, has experienced substantial achievements in the area of institution building, has a mixed record with regards to autonomy, and offers little in the way of accountability.

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Introduction

In his classic 1968 work Samuel Huntington described a simple but underappreciated phenomenon: when levels of political participation outpace the ability of institutions to channel that participation, societies are in danger of political instability, and political life takes on a more Machiavellian tone (Huntington 1968). Huntington has been widely criticized for providing a theoretical justification of authoritarian regimes that offer some level of political stability. We now know, however, that authoritarianism does not necessarily or easily lead to the institutionalization of political life or to stable patterns of rule. More commonly, authoritarianism simply buries conflict under a layer of state-sponsored violence, which serves as a substitute for political authority, not as an example of it.

More recently, Mainwaring (2006) has extended this argument to explain the poor functioning of democratic institutions in the Andean region of South America. He argues that Andean states are actually quite democratic in the sense that their formal institutions of political representation are open to nearly all citizens on an equal basis. The challenge lies in the deficiencies of Andean states. State deficiency, he argues, “implies more than merely poor government performance – it means that the state fails to fulfill some of its basic governance, legal, and security functions” (Mainwaring 2006: 20). While Mainwaring focuses on courts, police, and the military, there are numerous other arenas in which we can analyze state deficiencies. Analytically, the task is to devote sufficient attention to the institutionalization of political representation and not just to the expansion and deepening of participation.

Political reforms should focus first and foremost on making states more effective and only secondarily on making systems of representation more open. The formal systems of representation in these countries are already open. The grave deficiency is in state capacity (Mainwaring 2006: 23).

In this paper I present an outline for studying state building and democratic governance and illustrate my argument with a study of the challenges of democratic governance in Ecuador. I argue that stable democracy must rest on three pillars: capable state institutions, the autonomy of these institutions from powerful actors both within and outside the state, and the existence of meaningful institutions of accountability. The challenge is that efforts to strengthen one or more of these dimensions are likely to directly undermine the others. I argue that over the past decade in Ecuador and particularly under the Correa administration, govern-

ments have produced substantial achievements in the area of institution building, have had a mixed record with regards to autonomy, and have offered little in the way of accountability. Rather than merely celebrate the successes of state building while bemoaning the lack of accountability, I show why the latter is a predictable result of the former and why meaningful strengthening of state institutions is unlikely to go hand in hand with improving processes of accountability, at least in the short run.

I focus on Ecuador for several reasons. First, according to the Fund for Peace's Failed States Index, Ecuador ranks 69th out of 177 countries (the lower the number, the more likely a state is to "fail"), which places it in the company of diverse and problematic (but hardly "failing") states like Indonesia, Belarus, Tanzania, Russia, and Venezuela.¹ It thus approximates a middling case of a developing world state in the early twenty-first century. Ecuador is also an attractive case because it has long historical roots compared to much of the postcolonial world, having been an independent state since 1830. This avoids the pitfalls of selecting a relatively "new" state with little independence history. Ecuador has an ethnically diverse population and has high levels of economic inequality (potential sources of state weakness), but its GDP per capita puts it near the global norm (the International Monetary Fund places Ecuador 92nd out of 185 countries).² Ecuador has also experienced repeated bouts of political instability since independence, including the extraconstitutional removal of three of the last four elected presidents. In many regards, then, Ecuador is representative of the problems we often associate with weak states in the developing world. It is neither a strong, cohesive state with an effective set of governing institutions, nor a state that has descended into violence, pillage, and misrule.

The State and Democracy

There are a wealth of historical studies concerning state-building projects in Latin America. The most relevant is Centeno's (2002) work on the origins of weak states throughout the region. He argues that most Latin American states were born weak because they had easy access to revenue (via natural resources and debt), which obviated the need to build effective state institutions to extract wealth (via taxation) from their citizens. I begin from this starting point because it ties up with my interest in ex-

1 See <www.fundforpeace.org>.

2 See <www.imf.org>.

ploring contemporary states not principally in terms of their security functions (which are increasingly well developed, if not always democratically constrained) but in terms of their ability to manage their societies' inclusion within a globalized economy. More recently, Weyland (2009) has built on the concept of "rentier states" to argue that contemporary states with vast reserves of natural resources (like Ecuador) are likely to behave differently than those lacking such resources. In the cases of recent "left turns" in Latin American politics, Weyland argues that those experiencing windfall rents from price or production spikes (most notably Bolivia, Ecuador, and Venezuela) are likely to chart a more radical (i.e., less politically and economically liberal) course than those countries (such as Chile, Uruguay, and Brazil) that did not experience the same bonanza.

Weyland's argument is driven by the looser constraints that windfall rents place on national governments.

These rents discredit the neoliberal insistence on constraints, suggest the availability of great opportunities, and stimulate radicalism and voluntarist attacks on the established socioeconomic and political order (Weyland 2009: 146).

Resource abundance or scarcity, however, is only one of possibly many constraints. In Ecuador, I will argue, the dollarized economy places real constraints on the ability of state leaders. To the extent heads of state attempt to move beyond such constraints, they do so in much the same way as leaders in resource-poor states: by attempting to build effective state institutions that can collect revenue and regulate economic activity.

An additional constraint, in contrast to earlier periods of state formation, is that state building today is intimately tied up in norms of democracy and human rights. Political democracy has become increasingly important over the past several decades as the primary means of legitimating political authority. However, following Mainwaring (2006), democracy without effective and autonomous state institutions is a recipe for instability and misrule. By contrast, state building without the constraints of binding norms of democracy and human rights is a recipe for violence and authoritarianism. In Latin America norms of liberal democracy have been institutionalized at the international level through the Democratic Charter of the Organization of American States, which requires member states to refuse diplomatic recognition of governments that seize power by nonelectoral means. Though far from being ironclad, the norms and institutional teeth of the Democratic Charter have had a strong influence on transitions to, and the longevity of, democracy in Latin America (Pevehouse 2005).

Much of the critique of democracy in contemporary Latin America has been couched in terms of institutional weakness or the frequently invoked “crisis of governability” (Coppedge 1997). The following section outlines the links between problems of governability (i.e., state weakness and lack of autonomy) and problems of democracy (i.e., lack of effective institutions of accountability). Only by simultaneously considering these three overlapping dimensions can we effectively grapple with the interwoven challenges of democratic governance.

Dimensions of Democratic State Capacity: Institutions, Autonomy, and Accountability

Many of the problems of democratic governance can be summarized as weaknesses in at least one of three overlapping arenas: institutional capacity, autonomy, and/or accountability. In short, democratic governance is often found wanting because (a) states lack the institutional capacity to carry out some or all of their basic functions such as security, collection of revenue, and/or administration of law; (b) states lack autonomy from important societal actors such as business elites, the military, and/or organized social movements; and/or (c) institutions of vertical and horizontal accountability are undermined by powerful actors within the political system. My contribution in this article is to show, both theoretically and empirically, the challenges inherent in ‘addressing’ this tripartite dilemma.

There is a vast swath of literature dating back decades that explores various aspects of state building and state strengthening by focusing on particular states’ institutional qualities, relative autonomy from particular domestic-based groups, or territorial reach. As Soifer and vom Hau (2008: 220) have argued, however, this conceptual balkanization obscures the fact that most scholars have, in fact, been studying a common object: infrastructural power (Mann 1986: 4) – that is, “the institutional capability to exercise control and implement policy choices within the territory it claims to govern.”

Giraudy (2012) has expanded on this definition and made it more empirically tractable by focusing on “diminished subtypes” of strong and weak states. Since very few states in the world can be unequivocally described as either strong or weak, a set of middle-ground concepts is useful. She does this by dividing state strength into three component parts that encompass Mann’s concept of infrastructural power: territorial reach, autonomy from nonstate actors, and bureaucratic capacity. Using these three criteria, she then outlines a typology of states based on how

well they meet these three criteria. At the extremes, a weak state would score poorly on all three measures, whereas a strong state would score well on each. Between these extremes she identifies categories such as “crony states” (which possess reach and capacity, but lack autonomy) and “nonreaching states” (which score well on capacity and autonomy, but lack reach), among others.

Although this is a useful contribution to debates on states and state building, neither Giraudy nor most other state-building scholars say much about how state leaders are chosen or to what ends they exercise whatever infrastructural power the state may have. With good reason, scholars have tended *not* to include aspects of regime type (such as democracy) in their conceptualization of state strength, arguing that regime characteristics (e.g., respect for property rights, vertical and horizontal accountability, quality of political parties and electoral procedures) must be treated as conceptually separate from state characteristics (Soifer and vom Hau 2008; Kurtz and Schrank 2012). Although conceptually defensible, this analytical separation of democracy and stateness strength makes little practical sense when norms of democracy and human rights have become increasingly entrenched across the hemisphere. The idea that one can engage in the types of overtly violent statecraft that were plausible and frequently used during periods of state building in Europe and North America is unrealistic.

For that reason, here enters the second key concept in this article: democracy. While a state’s infrastructural power defines its ‘ability’ to act, democracy put limits on who controls those capacities and how they can be used. Whereas state building usually entails efforts to centralize power within a set of national institutions, democracy often works at cross-purposes to this goal by limiting the ability of state leaders to exercise power they might potentially possess. This is particularly true in twenty-first century Latin America, where – as Eaton (2012) has argued – three related structural processes have transformed the nature of the state: democratization, liberalization, and decentralization. According to Eaton,

by changing what the state does relative to the market (liberalization), which level of the state provides which services (decentralization), and how those who control the state come to occupy those positions (democratization), the three overlapping transitions have introduced a tumultuous period for the state (Eaton 2012: 646).

This tumult has been most obvious in states where moves toward greater democracy have coincided with insurgencies (such as Colombia and Peru

in the 1990s) that threaten the very existence of the state (Mauceri 2004) or where powerful organized crime networks, often linked to the international narcotics trade (e.g., Mexico and much of Central America), undermine the authority and legitimacy of the state.

Moving from very weak states like Colombia and Peru in the 1990s to the less drastic cases throughout much of twenty-first century Latin America (including Ecuador), we can find numerous other normative and practical trade-offs that scholars of the state must confront. From a historical perspective, there is ample evidence that effective state institutions are crucial to fostering economic development, independent of the specific economic policies being pursued (Coatsworth 1998; Mahoney 2010). However, the relationship between democracy and economic growth is causally complex and mediated by many intervening factors (Przeworski and Limongi 1993; Gerring et al. 2005; Fukuyama and Colby 2011).

Rather than theorize the state *and* democracy in Latin America, my task is to theorize the democratic state (and processes of democratic state building). Building from an ideal type of the democratic state, I focus on three conceptual pillars that would support such a state: institutional capacity, political autonomy, and vertical and horizontal accountability. As the case of Ecuador will demonstrate, reforms that strengthen one pillar of democratic governance may directly undermine another. For example, the literature on state building is replete with arguments that link state formation to coercive behaviors that can only be described as antidemocratic (Tilly 1985; Lopez-Alves 2000; Centeno 2002). Norms of democracy and human rights, therefore, serve as an important – if imperfect – check on contemporary state formation that did not exist in previous eras. It would be misleading to expect reforms that strengthen the state to be naturally congruent with norms of democracy.

To move from the coercive politics associated with the formation and strengthening of state institutions to effective democratic governance, state institutions must achieve some level of autonomy from powerful groups both inside and outside the bounds of state institutions. Within the state, threats to autonomy most often come from the military, the bureaucracy, and political parties. Outside the state, such autonomy-threatening groups might include religious organizations, paramilitary groups, economic elites, and organized social movements. States that lack sufficient autonomy from one or more of these groups regularly produce outcomes that are at odds with norms of democratic governance by skewing the policy-making process to such an extent that a small

group of elites can reliably manipulate state institutions for their own benefit.

The possibilities for state autonomy are strengthened by effective institutions of accountability. O'Donnell (1994) usefully distinguished between horizontal and vertical accountability. Horizontal accountability exists when different state institutions are empowered to check the power of other parts of the state. Independent courts are classic institutions of horizontal accountability, as are the concurrent powers of legislative and executive branches (in presidential systems). Vertical accountability occurs when citizens have the ability to influence the behavior of their representatives, primarily by electing individuals to occupy important public offices and removing officials whose performance is judged to be subpar. Political parties are the classic institutions of vertical accountability. By providing voters with competing alternatives, parties present citizens with the information and organizational capacity to select and remove candidates from public office.

The ideal democratic state would perform well in each of these areas. It would possess a coherent bureaucracy with material and institutional resources that have equal and uniform reach throughout the entire geographic span of the state. These institutions would be able to carry out their duties independent of other centers of economic and political power (such as the military, economic elites, or unelected civil society leaders). And in our ideal-type state, leaders would be held accountable both vertically (by the country's citizens) and horizontally (through effective institutional checks and balances).

Immediately, contradictions and vagaries jump to the fore. How do political leaders achieve the autonomy to make and implement policy without trampling institutions of accountability? In states that have historically lacked institutional capacity and (sometimes) territorial reach and where subnational elites of various stripes have been the direct beneficiaries of these weaknesses, how do leaders attempt to strengthen the capacity of state institutions without succumbing to the autonomy-threatening demands of local power brokers who can potentially block state-building attempts (see Eaton 2011)?

Given my focus on democratic governance, I have deliberately sidestepped the question of elections. There is an extensive literature on the importance of elections for democratic governance, and my analysis of political parties implicitly acknowledges the important role elections play. However, I wish to focus on how governments behave, rather than on how they are selected. Therefore, I treat reasonably competitive elections

as an assumption. In the case of Ecuador I contend that elections, while imperfect, sufficiently meet basic standards of fairness (Bowen 2012).

Following the logic described above, my empirical argument consists of three steps. First, I explore institutional reforms designed to strengthen the capacity of the Ecuadorian state. I use the areas of taxation and economic policy to illustrate how the capacity of key state institutions has improved over the past decade. Studying state formation in today's world means examining not only coercive institutions but also state institutions designed to manage a society's relationship to the capitalist world economy (Schneider 2012). The ability to intervene effectively in the market is, after security functions, arguably any state's most important characteristic; in this respect, developing world states have demonstrated diverse capacities for such interventions (Kohli 2004). Accordingly, I focus on reforms that enhance the state's ability to collect taxes from difficult-to-tax constituencies and the ability of the state to formulate and implement economic regulations.

Second, I explore the question of state autonomy. Here I describe efforts by president Rafael Correa to make policy choices independent of important organized groups in society (namely, business groups and the country's indigenous movement). Finally, in the area of accountability, I discuss the collapse of Ecuador's party system and Correa's efforts to build an effective political party. This effort has largely failed and, accordingly, accountability now appears to be the weakest of Ecuador's three "democratic legs." The specific aspects of institutional capacity, autonomy, and accountability I have chosen to explore are intended to be illustrative and not comprehensive. They provide a useful way of analyzing and understanding the competing imperatives of democratic governance in contemporary Ecuador and other developing world states.

Background

State institutions historically have been weak in Ecuador. The country's tortuous geography meant that until well into the twentieth century the coast and highland regions of the country were effectively cut off from one another. In this context, local political and economic power mattered far more than state policy. For most of its first century, the Ecuadorian state could not reliably put currency into circulation given rampant counterfeiting and alternative currencies emitted by private banks. A viable central bank was not established until 1925 (Miño 2008). The national military fared little better, repeatedly bested by its neighbors and eventually losing over half of the country's original territory. It was also

routinely unable to defend the government in power from domestic unrest (Henderson 2008). The entire Amazonian region of the country was generally ungoverned by state authorities in Quito.

The current political situation, however, differs from the institutional weakness of the nineteenth and early twentieth centuries in important ways. Most importantly, the technical tools of state building are now more widely available to would-be institution builders. Roads and communication networks (not to mention more recent technologies such as mobile telephones and the Internet) connect the vast majority of Ecuador's population. At least some state institutions exist even in the most remote regions of the country. Regional divisions, though still stark, are less politically salient now that economic, political, and family relationships increasingly tie the country's major regions together. Simply ignoring the state is much less viable than it was during the nineteenth and early twentieth centuries. The ongoing struggle of Guayaquil's powerful mayor, Jaime Nebot, to assert his city's autonomy from the central government attests to the increasing ability of the state to exert its authority in the face of local opposition (Eaton 2011; Interview, Jaime Nebot).

Although a full analysis of the sources of institutional weakness is beyond the scope of this paper, one key factor was the restructuring of the state that occurred throughout Latin America as a result of the debt crisis of the 1980s. Andean states, already precarious, were further weakened by repeated attempts to "modernize" or "rationalize" state institutions in ways consistent with market reforms in vogue at the time. While these reforms advanced further in some states than in others, the statecraft required to promote such reforms resulted in the gutting of state institutions precisely at a time when political democratization and the expansion of citizenship rights meant that more citizens were permitted to make demands on the political system (Conaghan and Malloy 1994; Yashar 2005; Silva 2009).

Although not at the forefront of the neoliberal wave of the 1980s and 1990s, Ecuador underwent a significant process of state retrenchment beginning in the 1980s (Andrade 2009; Montúfar 2000). As O'Donnell (1993) presciently noted, however, reducing the scope of state action without taking into account its impact on the ability of state institutions to perform some of their most basic functions (e.g., administration of justice, tax collection, and maintenance of a stable currency) created states that were smaller and weaker rather than leaner and more efficient. In Ecuador this became most apparent over the course of the 1990s as privatizations led to the plunder of state assets; a largely unregulated financial sector cannibalized itself (taking a large chunk of the

country's economy with it); and business elites competed for privileged access to key state institutions (such as the Central Bank), which could provide crucial information about coming devaluations (North 2004). By the end of the 1990s the economy was prostrate, the currency had collapsed (replaced in 2000 by complete dollarization), the financial sector lay in ruins, and the political system was widely discredited and unstable. Three consecutive elected presidents would fail to finish their terms between 1996 and 2005.

The weakness of Andean states has also been reflected in the weakness of the region's political parties. In 1995 Mainwaring and Scully qualified the party systems of Bolivia, Ecuador, and Peru as "inchoate." Since then the traditional political parties in each country have virtually collapsed, leaving a representational vacuum that has been filled largely by social movements. In Ecuador the four major political parties that had together dominated electoral politics since the return to democracy in 1978 (accounting for about 75 percent of all presidential and congressional votes cast during the period 1978–2005)³ won only 26.55 percent in the first round of presidential voting in 2006 and did not run candidates for president in 2008 (although some of them did support candidates from other parties).⁴ In voting for representatives to the National Assembly (which replaced the old National Congress following approval of a new constitution in 2008), the traditional parties won 19.96 percent of valid votes (and nearly two-thirds of that total was won by the PSC). Traditional parties even fared poorly in their historic strongholds. The ID won only 4.06 percent of the congressional vote in the highland province of Pichincha (where the capital, Quito, is located), which it once dominated. The PSC fared better in its traditional stronghold, Guayas province, winning 35.48 percent of valid congressional votes in its renewed form as the PSC-Madera de Guerrero Movement under the leadership of Jaime Nebot, the popular mayor of Guayaquil. The 2013 presidential and legislative elections reinforced the trend toward party system disintegration – for instance, the Partido Sociedad Patriótica (PSP), Partido Renovador Institucional de Acción Nacional (PRIAN), and PRE all saw their levels of legislative representation significantly reduced, while two long-standing parties (the DP and the ID) disappeared entirely.

3 These parties are Democracia Popular (DP, later renamed the Unión Demócrata Cristiana (UDC)), the Izquierda Democrática (ID), the Partido Roldocista Ecuatoriano (PRE), and the Partido Social Cristiano (PSC).

4 All electoral data come from the Consejo Nacional Electoral (CNE) website: <www.cne.gob.ec>.

After winning a third presidential term in February 2013, Correa and his allies have now convincingly won six consecutive electoral contests (his first presidential election in 2006, the *consulta* to call for a constitutional assembly in 2007, the election of delegates to the constitutional assembly in 2007, the national referendum approving the new constitution in 2008, his second presidential election in 2009, and his third presidential election in 2013). The remainder of this paper traces some of Correa's more important accomplishments and failures since 2006, focusing on efforts to reconstruct state authority and its implications for democratic governance.

Twenty-First Century Institution Building

Correa arrived at the presidency with the clear intention of reasserting state influence over numerous areas of economic and social life in Ecuador. Leaving aside the wisdom or ethics of any particular set of policies, my interest here is in the process of (re)constituting the state in ways that may or may not be consistent with democratic practices. In this section I explore some of the more significant political, economic, and legal reforms made during the Correa administration (although some have their roots in previous administrations) and ask how these reforms have contributed – or not – to state building and democratic governance. I focus on three specific areas that correspond to my interest in reforms that impact or demonstrate institutional capacity, autonomy, and accountability: economic and tax policy, state-society relations, and political party building. I have chosen these areas because they are areas where the Ecuadorian state has historically been “deficient.” Economic policy (to the extent that, in the past, one can speak of a coherent national economic policy) has been driven largely by business elites and international financial institutions (IFIs). Tax policy has at times been progressive, but the state has rarely had the capacity to implement tax rules on the upper class. In the absence of strong parties that link citizens to the state, civil society organizations and social movements have intervened directly in the political process, which has resulted in high levels of political instability and policy discontinuity.

Institutional Capacity and Economic Policy

In his first year in office, Correa moved to exert greater control over the country's banking and financial sector. By late 2008 the government had approved the Financial Security Law (*Ley de Seguridad Financiera*), which

among other things required banks to place 0.25 percent of their deposits (plus an initial contribution of 3 percent of deposits) in a liquidity fund that serves as a lender of last resort for troubled banks. This percentage has been raised gradually to 5 percent in 2012 and is scheduled to rise 1 percent annually until reaching 10 percent in 2017 (Weisbrot, Johnston, and Lefebvre 2013: 7). By early 2013 the liquidity fund had reached USD 1.2 billion, a strong indication of the institutional capacity to collect new revenues from some of the most powerful financial institutions in the country. Moreover, the law gave the government the authority to put ceilings on the interest banks can charge and reduced or eliminated common fees for a variety of banking services.

Reacting to the new rules, executives from three of the country's largest banks (Produbanco, Banco Pichincha, and MM Jaramillo Arteaga) sent an unambiguous letter to the president arguing that,

by the way in which the government carries out economic policy it demonstrates its eagerness to control the country's financial system [...] It is better to make the process more transparent by stating that the stockholders of the banking institutions are disposed to talk with government authorities in order to negotiate a fair sale price for these institutions if this is the government's interest (Ospina 2009).

This declaration from some of Ecuador's most powerful bankers shows how far their political power has fallen vis-à-vis the state. Not only has the Correa administration sought to regulate the banking sector, it has demonstrated the institutional capacity to make these regulations stick. As Guillermo Lasso, president of the country's second largest bank (Banco de Guayaquil) argued,

The president [Correa] doesn't listen to me. Everything I tell him he doesn't do, and he makes laws that affect our business. Now we have to comply because laws are laws (*El Comercio* 2009a, Interview, Guillermo Lasso).

The fact that major bankers were offering their institutions for sale (at least rhetorically) is an important indicator that they doubt their capacity to evade the control of state authorities. Regardless of the economic wisdom of the government's policy, the imposition of prerogatives of some of the country's most powerful financial institutions on the individual and collective is an indication of rising state capacity.

While state authority has been reconstructed and reasserted under the Correa government, economic policy has begun to take on tones reminiscent of the period of import substituting industrialization (ISI) of

the 1960s and 1970s. The institutionalization of this new economic thinking is embodied in the National Secretariat for Planning and Development (SENPLADES), which is tasked with planning long-term development strategies at both the national and local levels. In 2009 SENPLADES began publicly developing a long-term development plan with the explicit goal of moving Ecuador away from its historical dependence on the export of primary products such as cacao, bananas, and petroleum. The strategy has four phases to be carried out over 16 years. The first phase (lasting through 2013) relied on the aggressive export of oil, other minerals, and agricultural products alongside the government's promotion of technology transfer in these fields and selective import substitution. The second phase seeks to develop a new energy matrix, converting Ecuador into an exporter of non-carbon-based energy resources, particularly hydroelectric energy. This phase depends on the relatively rapid development of Ecuador's scientific and technological knowledge base, which is being driven by a significant expansion of funding for postsecondary scholarships in strategic areas through the Secretary of Higher Education, Science, Technology, and Innovation (SENESCYT). The final two phases (scheduled to end in 2025) aim at substituting most of Ecuador's traditional exports (in agriculture and mineral extraction) and developing biotechnology and alternative tourism that both respects and capitalizes on Ecuador's vast biodiversity (Ospina 2009: 8).

Phases three and four are too far in the future to comment on with any level of certainty, so I restrict myself to the plans and specific policies Correa has put in place regarding the first two phases of the SENPLADES plan. The first phase was obviously the easiest in that it was primarily an escalation of Ecuador's current primary export model and thus increased state control with the goal of generating the resources needed to fund the later stages of development. Correa has sought out greater investment (particularly from China) in copper and gold mining; although this should generate significant new revenues in the near future, it has also generated enormous social conflict, particularly with Ecuador's influential indigenous movement, which Correa has struggled to manage (Dosh and Kligerman 2010).

Given the important role that the agro-export sector played in this first stage of the SENPLADES development plan, it is not surprising that early talk of agrarian reform has come to relatively little. Of the major sectors of the Ecuadorian economy, agriculture remains the most untouched by the Correa administration. Laws regarding rural land redistribution (*ley de tierras*) and prioritization of access to water (*ley de aguas*)

remain stalled in the National Assembly. Competing interest groups and social movements have repeatedly mobilized both for and against these laws, but none have the political strength within the Correa administration to either push them through or definitively defeat them.

Moving beyond this first phase, Correa foresees transforming Ecuador into an energy-exporting (not just oil-exporting) power, particularly through the development of hydroelectric energy. If successful, this would reduce Ecuador's need to import fuel and could resolve many of the country's medium-term budget problems, freeing up funds to invest in priorities that feed the goals of the third and fourth phases of the development plan.⁵

During his second term, Correa continued to selectively move against concentrated economic power, especially within Ecuador's financial system. According to norms set in the 2009 Constitution, banks cannot legally own media outlets. In October 2010 the National Assembly approved, and President Correa signed, a law further strengthening this prohibition. The Antimonopoly Law (*Ley de Regulación y Control del Poder del Mercado*, better known as the *Ley Anti-monopolio*), forbids anyone who owns more than 6 percent of a bank or media outlet from holding an economic interest in any other sector. The idea is to deconcentrate ownership of politically powerful assets (banks and the media) in order to avoid a repeat of the scandals in the late 1990s, which saw several banks use their controlling stake in television channels and other media to advance their own political and economic agendas. The law also has a provision to ban the concentration of financial services within a single conglomerate by requiring that financial groups be made up of no more than one commercial bank or of no more than two different types of financial institutions such as investment banks, financial societies, or insurance firms. It also set up a regulatory body with responsibility for enforcing antitrust legislation (Weisbrot, Johnston, and Lefebvre 2013: 13).

The continuing increase in public spending (without recourse to independent monetary policy, given Ecuador's dollarized economy) has left Correa on a constant hunt for cash to fund his development model. Strengthening oil prices and a weakening dollar (relative to neighboring currencies) have provided welcome relief but have still left the government scrambling to ensure the medium- and long-term viability of its "Citizens' Revolution." In a positive sign of growing institutional capaci-

5 Although Ecuador exports oil, it lacks refining capacity and thus imports most of its fuel needs.

ty, much of this new revenue has come from various forms of taxation. The overall tax burden, which had been rising since dollarization in 2000, rose to 15.3 percent in 2012 (up from 11.2 percent a decade earlier) and is now in line with regional norms in Latin America.⁶ Equally telling, in terms of institutional capacity in the area of taxation, is how and from whom these taxes are collected. The largest growth in tax revenue has come from direct taxes rather than indirect taxes (e.g., value-added taxes), which are usually easier to collect. In fact, Ecuador's value-added tax has declined to 12 percent (lower than neighboring Colombia's and Peru's). New tax revenue is being generated primarily from the wealthy, as indicated by significant growth in revenue from the capital export tax (*impuesto a la salida de divisas*), a windfall profits tax, and a tax on rural properties of more than 25 hectares (Weisbrot, Johnston, and Lefebvre 2013: 14). By 2012 taxes were generating more revenue for the government than oil, which is surprising given the relatively high price of oil and growing governmental control over the industry (*El Universo* 2013).

A less auspicious sign for institutional capacity (or government spending priorities) is that Correa's government continues to borrow aggressively from regional development banks (such as the Corporación Andina de Fomento (CAF) and the Inter-American Development Bank (IADB)) and to seek direct loans from China. According to the most recently released budget (2014), the government is projecting a deficit of USD 4.943 billion (approximately 5 percent of GDP), which is to be financed through borrowing and the "presale" of oil to China. This indicates an impending need to either restrain government spending (a political choice) or further consolidate the state's taxing capacity in order to generate additional revenues.

In addition to improving the collection rate of existing taxes, the Correa administration has passed a series of "green taxes" designed to produce new revenue, stimulate domestic production, protect the local environment, and improve the health of Ecuadorian citizens. These taxes have been controversial, with various private-sector representatives labeling them desperate money grabs, designed to sustain the government's spending machine (Interview, Inés Manzano). So far, the government has levied new taxes on vehicle contamination (via a tax on older vehicles), plastic bottles, cigarettes, and alcohol. Other taxes (including one on plastic bags) have been considered and shelved. Beyond the potential environmental and health benefits of the new taxes, this new tax stream

6 All tax data in this section come from Ecuador's *Servicio de Rentas Internas* and are available at: <www.sri.gob.ec>.

has generated significant revenue and is an area where the government is interested in pursuing further action because of the multiple benefits it provides (Interview, Carola Borja).

Voters also indirectly provided the government with a new source of revenue through a May 2011 referendum in which they approved penalizing employers who do not formally register their workers for the country's social security program. Not only has this resulted in many informal workers being registered and becoming eligible for social security benefits, it also provides the government with a centralized source of domestic savings that it can mobilize to fund various development projects via the Banco del Instituto Ecuatoriano de Seguridad Social (BIESS, the Bank of the Ecuadorian Social Security Institute) – in particular low-interest home loans that have fed an ongoing construction boom.

Although representatives of the private sector have complained loudly about the policies and confrontational rhetoric of the Correa administration, my research suggests that most businesspeople quietly acquiesce to and benefit from a series of probusiness policies. In the banking sector, for example, despite tighter regulations in recent years, bank profits have remained respectable, with return on equity varying from a low of 10.15 percent (in 2013) to a high of 18.91 percent (in 2011) (Alvaro 2014). Additionally, in August 2009 the government announced plans to repatriate 7 percent of the country's social security funds that had been invested overseas. The money (approximately USD 300 million) was used to provide affordable credit to Ecuadorian businesses, particularly in the agricultural, industrial, and tourism sectors (*El Comercio* 2009b). Furthermore, banks are now required to hold at least 45 percent of their deposits in Ecuador. This measure opens up greater opportunities for affordable credit to Ecuadorian businesses, which are mostly locked out of international credit markets at affordable rates (due in part to the government's decision to default on a significant portion of debts it deemed "illegitimate"). Although politically minded Ecuadorian business leaders have protested vehemently against the president's "anti-business" policies, it is instructive that most US companies operating in Ecuador, with the possible exception of those involved in the extraction of natural resources, have found the Correa administration to be a reasonably reliable business partner (Interview, Jorge Farah).

Autonomy and State-Society Relations

In the previous sections I analyzed various components of the capacity of the state to design and implement economic and tax policies. However, if we are interested in democracy in addition to institution building,

we must also inquire into the autonomy of the state. Part of the result of institutional weakness in Ecuador has been the very significant role that civil society organizations and social movements have had in making (and unmaking) government policy. As Mejía Acosta et al. (2008) have argued, Ecuadorian civil society groups have served as “last-ditch veto players” given their capacity to overturn government policy that impacts their constituents and interests. The challenge of democratic institution builders is to assert the ability of the state apparatus to design and implement policies without crushing the autonomous organizing capacity of civil society groups. The question, then, is whether the state can assert its autonomy from a variety of interested groups while remaining accountable to its citizens. This points to the complicated relationship between the concepts of autonomy and accountability. Democratic theorists agree that the state should be accountable to its citizens, but when does accountability turn into capture of the state by particular groups? This is a conceptual dilemma that I cannot resolve in this paper, but it demonstrates the thin line that would-be state builders must walk.

Under Correa the state has achieved a degree of autonomy that it has not had since at least the era of military rule in the 1970s. This is partially due to the political stability induced by Correa’s series of electoral victories as well as high oil prices, which have bought the government some extra room to maneuver. Without the constant fear of coming under attack from any number of mobilized social forces (and then having to fend off relentless attacks from opposition politicians who sense a weakened president), the government has been more able to challenge the privileges that these organizations extracted from previous governments and that have become cemented in state institutions.

Two particular cases help illustrate this point. In May 2009 the president issued a presidential decree permitting the Ministry of Education to evaluate the country’s roughly 118,000 public primary and secondary school teachers with the stated goal of improving the quality of instruction. Those teachers who did not pass the evaluation would be given a year of mandatory (and free) training and would then be reassessed. Those who failed a second time would lose their teaching positions. The evaluations consisted of both an internal evaluation (where teachers evaluated themselves and each other) and an external evaluation (where teachers were evaluated by representatives from the Ministry of Education).

The Unión Nacional de Educadores (UNE, the National Teachers’ Union) declared its opposition to the evaluation, arguing that it was merely a pretext for the government to remove public school teachers

and use those jobs to reward government supporters. UNE declared various strikes and work stoppages throughout the summer and announced that its members would not participate in the government-run evaluation (but would agree to evaluations run by the UNE itself). Despite the protests of this powerful union, which had long maintained a stranglehold on public education policy through its alliance with the Movimiento Popular Democrático (MPD), the government moved ahead with evaluations. The figures show that the government was reasonably successful in evaluating teachers despite the objections of the UNE. In the coastal provinces (where experts expected the highest level of opposition to the government-run evaluations) 64.6 percent of teachers were evaluated (Ministerio de Educación 2009). Even though these numbers are far from perfect, they reflect the government's willingness and reasonable capacity to distance itself from a powerful civil society organization (that had previously supported Correa) in order to implement policy (*The Economist* 2009).

There was a similar situation regarding Ecuador's most influential social movements, the National Confederation of Indigenous Nationalities of Ecuador (CONAIE). Despite falling on hard times following its ill-fated participation in the indigenous uprising/ military coup that brought Colonel Lucio Gutiérrez to power briefly in 2001, CONAIE put up strong opposition to several of Correa's policies including the Mining Law (*Ley Minera*) which allowed for an expansion of mining and oil exploration, often on indigenous lands. At the parochial level, CONAIE has resisted the government's decision to strip CONAIE of its authority to manage development funds earmarked for indigenous peoples. The funds, allocated by the Council for the Development of Indigenous Nationalities and Peoples (CODENPE), had been administered by CONAIE since the fund was created in 1998 and totaled over USD 12 million in 2009. Correa decided to fold those funds into the broader National Council for Equality (Consejo Nacional por la Igualdad), run in part by presidential appointees (Ospina 2009). CONAIE's attempts to mobilize a national protest quickly fizzled out and it ultimately lost its control over the CODENPE funds. CONAIE has also been divested of its administrative authority over the country's bilingual education program (which sees indigenous students learn in both Spanish and their ancestral language), which is once again being overseen by the Ministry of Education. So far, CONAIE has been unable to muster the political muscle to challenge these changes.

The Correa administration has demonstrated a level of political autonomy uncommon among recent Ecuadorian governments. Many of

Correa's critics, however, see this autonomy as a sign of the president's authoritarian predilections rather than of greater democracy within Ecuador. This perfectly illustrates the challenges of state building in a formally democratic context. Many scholars and human rights observers have denounced the criminalization of protest activities in Ecuador, particularly surrounding antimining protests (Bowen 2012; Amnesty International 2012). Autonomy is a necessary condition for democracy, but is clearly insufficient. To think about strengthening democracy, we must move to a third set of issues that revolve around political accountability. Only in cases where we have effective state institutions with autonomous yet accountable leaders can we speak of democratic governance in substantive terms.

Accountability and Political Parties

One can find numerous examples of nondemocratic governments leading states that have a reasonably high degree of both capacity and autonomy. Within Latin America the case of Chile under General Augusto Pinochet (1973–1990) readily comes to mind. The *sine qua non* of democratic governance, therefore, is public accountability to a broad (preferably universal) segment of citizens. In contemporary democracies this is accomplished through competition between programmatic political parties. Theoretically, political parties serve the dual function of representing citizens' diverse preferences and, through competitive elections, holding governments accountable for their actions. Political parties are certainly not the only institutions of accountability (e.g., independent courts play a crucial role in providing effective "horizontal" accountability), but they stand out as independent organizations that can both proactively represent citizen desires and reactively enforce accountability on those in power.

Historically, Ecuadorian parties have been weak instruments, often managed by populist political leaders. Despite their many shortcomings, however, the major political parties largely endured from Ecuador's transition to democratic rule in 1978 into the twenty-first century. During the past decade, however, the party system has gradually disintegrated into what Sánchez (2009) has called a party nonsystem, whereby parties, movements, and candidates from outside the existing party system win elections and displace the existing party system without forming a new and relatively stable new system.

As mentioned earlier, the four major parties that formed the backbone of Ecuador's inchoate party system since the return to democratic rule have been decimated in the last five years, with the partial exception

of the PSC in Guayas province. The sweeping electoral success of Correa and his allies likely has as much to do with a popular rejection of *partidocracia* as with genuine support for Correa and candidates from his party.⁷ This makes the task of party building all the more imperative since, in an economically volatile country like Ecuador, the president's high personal approval rating is unlikely to provide a basis for long-term political stability. Political authority, if it is to endure, must be institutionalized.

Since Alianza País (AP) was created originally as an electoral vehicle to support Correa's 2006 presidential candidacy (and it ran no candidates for Congress in those elections), the party has certainly become susceptible to the criticism of being yet another unrepresentative electoral machine feeding the aspirations of its leader but with little capacity to aggregate and represent the interests of voters. Perhaps the most important action AP leaders have taken in order to broaden the party base (beyond just Correa supporters), strengthen its presence throughout the country, and build a durable institutional structure was to hold primary elections in November 2008. This marked the first time in Ecuador's history that a political party held primary elections to choose all of its candidates for executive and legislative office.⁸

The 2008 primaries revealed some of the challenges facing AP, but also gave the party the opportunity to start addressing these problems. The most glaring issue facing AP leaders is that the party is much weaker at the local level than at the national level. The primaries drew far fewer voters than the government had hoped for (approximately 300,000 voters compared to Correa's goal of 1 million primary voters), but the elections were relatively successful in creating links between the national party and local candidates. Although there were accusations of fraud in various parts of the country, Ospina (2009) argues that these accusations are more an indication of local power struggles than of widespread electoral malfeasance. Local power struggles were most visible (in terms of accusations of election irregularities) in the coastal provinces of Guayas, Los Rios, and Manabí (where Correa's core ideological support is weakest), where local power brokers remain influential. The primary election process brought these conflicts to the fore as both types of candidates fought for the AP nomination for local, provincial, and national offices.

7 The term *partidocracia* ("partyocracy") is a derogatory term used widely in Ecuador and many other Latin American countries to denote the oligarchic tendencies of many traditional political parties and party systems.

8 The Izquierda Democrática held primary elections in the 1980s, but only to choose its presidential candidate.

The primaries thus provided a relatively clear picture of AP's institutional strengths and weaknesses (e.g., there were relatively fewer conflicts and fraud accusations in the highlands) while also providing a potential mechanism for party strengthening in areas where citizens' and candidates' links to the party remain tenuous.

In part due to the challenges of controlling the outcomes of primary elections, AP has not repeated the exercise in subsequent elections, as Correa has continued to concentrate power within the party. Although AP has a near stranglehold on the most important national-level political institutions (including a legislative supermajority), party competition is much more lively at the local level. In the most recent round of subnational elections (February 2014), AP lost control of Quito and Cuenca (the country's capital and its third largest city) and failed to win any of the 10 largest cities. While this was certainly a political setback for Correa and his party, it also represents the ongoing fragmentation of Ecuador's party system, since most of the newly elected mayors (with the major exception of Jaime Nebot in Guayaquil) do not represent long-standing political parties but rather local and regional political movements designed to advance a single candidate. The tradition of political parties with weak societal roots continues to shape Ecuador's political landscape.

If AP is able to consolidate itself as a strong, representative leftist party, this may provide strong incentives for right-wing actors to renovate their forms of political representation (Duverger 1954; Conaghan 1987). Despite being well served by the old *partidocracia* for nearly two decades, conservative elites are now facing their own crisis of representation. This crisis may well lead to a regeneration of right-wing parties (the PSC seems to be the most likely candidate for a revival) that can compete with AP. The field of parties for the 2013 national elections and 2014 subnational elections suggests that the largest centrist and right-wing parties remain disorganized, clientelistic, and populist. This is fertile ground for transforming democratic elections into democratic governance.

Other institutional changes put in place in the new constitution may contribute to stabilizing a new party system and improving accountability. One particular reform merits attention for its potential role in "normalizing" both the party system and legislative-executive relations. The concept of *muerte cruzada* (mutual death), which forms part of the new constitution, allows the executive branch to dissolve the National Assembly and for the National Assembly to dismiss the president. In exercising this option, however, the branch that dissolves or dismisses the

other also ends its own mandate. The idea is to force the two branches into a less confrontational stance given the past tendency of Congress (which was almost always controlled by the president's partisan opponents) to seek to undermine the sitting president with little accountability of its own. This new quasi-parliamentary arrangement will ensure that such a strategy creates serious political risks for all parties and will thus, it is hoped, help to establish effective norms of horizontal accountability. Theoretically, one can expect that new rules designed to stabilize legislative-executive relations will also stabilize the political parties represented in the legislative branch. Adequately evaluating this proposition, however, is currently not possible given the lack of time that has passed since the concept's introduction and the fact that the AP's supermajority in the National Assembly means there is relatively little discord between the executive and legislative branches.

Conclusion: Building the Postliberal State?

As Linz and Stepan (1996) noted nearly two decades ago, the sine qua non of liberal democracy is a functioning state. This points to the tension, inherent in building liberal polities, between the needs of state building (e.g., centralization of power) and the dictates of democracy (e.g., state autonomy, individual freedom, and political accountability). The construction of effective state institutions is empirically prior to the liberalization of politics. The difficulty that Latin American states have faced in building effective democratic governments is not the lack of democratic traditions (Drake 2009), but precisely the fact that leaders both within and outside the region have tried to advance the formal institutions of democracy without the edifice of effective state institutions.

In this article I have attempted to refocus the debate on democratization and institution building in Ecuador. Theories of democracy and democratization that do not seriously engage the diverse institutional challenges that exist in weak states risk misdiagnosing what ails many regions of the developing world. The three pillars of the democratic state described in this article (institutional capacity, autonomy, and accountability) do not flow obviously and easily from any single political or economic philosophy, but must be built, pragmatically, on the ground in often difficult political and economic environments. And although all three pillars may be normatively desirable, efforts to strengthen one pillar may undermine (intentionally or not) the others. This type of analysis suggests the need for greater attention to the relationship between sys-

tems of representation and participation (i.e., democracy) and systems of order and domination (i.e., state building).

The economic, political, and social reforms initiated in recent years will not resolve many of Ecuador's long-standing problems. As a small, dependent country, Ecuador will remain susceptible to political and economic volatility in other regions of the world. However, the types of institution building discussed in this paper give the country at least a fighting chance of achieving the elusive goal of political stability that would allow actors to pursue new agendas that have been blocked in the past by a series of political and economic crises. Correa's "Citizens' Revolution" will be enduring and meaningful to the extent it can build a functioning and autonomous state apparatus. It will be democratic to the extent that it finds a way to channel political representation through representative and accountable political parties without crushing everything in its path.

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Repensando la gobernanza democrática: construcción estatal, autonomía y *accountability* en el Ecuador de Correa

Resumen: Este ensayo propone que, mejor que teorizar la construcción del estado y la democracia como fenómenos distintos, deberíamos enfocarnos en el proceso dual de construcción de estados democráticos. Para hacerlo necesitamos entender la relación contradictoria entre la concentración de poder que se requiere para forjar instituciones estatales y las restricciones del mismo poder que demandan las normas de la democracia liberal. Este artículo ofrece un marco para

estudiar la construcción del estado y la gobernanza democrática, tomando como ejemplo el caso de Ecuador. Se argumenta que la democracia estable se apoya sobre tres pilares fundamentales: instituciones estatales eficaces, la autonomía de estas instituciones respecto de otros actores poderosos y la existencia de instituciones viables de rendición de cuentas. El reto es que los esfuerzos para fortalecer uno o dos de estos pilares suelen debilitar a los otros. Sostengo que en Ecuador, en particular desde la elección de Rafael Correa, el país ha sostenido logros importantes en cuanto la construcción de instituciones estatales más fuertes pero tiene una trayectoria mixta en relación con la autonomía de dichas instituciones y ha logrado muy poco en términos de rendición de cuentas.

Palabras clave: Ecuador, construcción de estado, democracia, Rafael Correa