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Mahecha Alzate, Manuela

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A theoretical framework to study accumulation regimes and crises in Colombia

Manuela Mahecha Alzate (Université de Genève)

Working paper



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A theoretical framework to study accumulation regimes and crises in Colombia

Manuela Mahecha Alzate*

Abstract

The neorealist approach to institutional change (Amable & Palombarini, 2009) has the merits of first emphasizing the importance of the Dominant Social Bloc (DSB) in institutional building and institutional change, and second of integrating the economic, social, and political spheres in the explanation of the formation and breakdown of the DSB. This paper presents the first theoretical adaptation of the neorealist approach to a Latin American peripheral country: Colombia. Thus, particular dynamics of the country such as economic dependence, an illegal economy and armed conflict are incorporated in the initial approach. This enlarged framework will allow grasping the role of crime and violence in granting political stability to an accumulation regime that satisfies the demands of a narrow DSB.

Key words: Institutions, Dominant Social Bloc, economic dependence, drug trafficking, armed conflict.

JEL: A12, B41, B52, E02, O54

* PhD candidate in Political Economy and teaching assistant. University of Geneva. Department of history, economics and society. manuela.mahechaalzate@unige.ch. Université de Genève, Uni-Mail 4232, 40, blvd. du Pont-d'Arve, 1211 Genève 4.

1. INTRODUCTION

On April 28, 2021, Colombia experienced a social outbreak that lasted two months and was supported by different social groups, such as student organizations, labor unions, indigenous, afro, and peasant communities, environmental organizations, and the LGBTQ+ movement. Given its political and social significance, it would be rather simplistic to understand this event only as the result of an exogenous factor. Instead, this social uprising may have manifested dissatisfaction with prevailing dynamics (Bernal & Ortiz, 2022). The neoliberal and extractivist accumulation had been taking place in Colombia since 2002¹. This had favored productive concentration in primary sectors and a deindustrialization process. Therefore, the interest arises to investigate to what extent these accumulation dynamics are related to the social uprising.

This paper is part of my doctoral thesis, in which I aim to characterize the accumulation regime in Colombia between 2002 and 2020, its Dominant Social Bloc (DSB), and how its dynamics contributed to the 2021 social uprising. To do so, it is necessary to resort to a theoretical framework that allows to understand how the economy is organized in a certain period and how this can lead to a certain outcome. The objective of this paper is to develop such a theoretical framework. There are many conceptual approaches that attempt to explain the economic organization of a society. Although many of them have been applied to describe Colombia's political economy, I argue that none of them has managed to grasp the complexity that characterizes the Colombian case.

Fergusson (2019) explained the political economy of the country following the New Institutional Economics (NIE) school within the mainstream economic literature². This is limited by the fact that it does not consider the underlying dynamics of capital accumulation and the social structure. Regulation Theory (RT), on the other hand, acknowledges the latter. However, it subordinated the regulation of social conflict to capital accumulation, and presented political stability as a consequence of economic stability (Amable & Palombarini, 2005). To make up for this, the neorealist approach to institutional change (Amable & Palombarini, 2009) shows how the interactions between the economy, social structure, and politics shape institutions and institutional change, and it places the formation of the DSB at the center of its analysis.

Hence, I argue that the Neorealist approach offers a rich theoretical framework for explaining Colombia's political economy, especially, when one takes into account that the country has had a rather stable economic growth throughout its history and has not experienced economic crises like other countries in the region (Richani, 2013). When Colombia's macroeconomic indicators are viewed alone, the emergence of a social uprising seems difficult to comprehend. Rather, the country has experienced particular social and political conflicts, which need to be considered in order to understand better its political economy.

Nonetheless, the neorealist approach was devised and has only been applied to Western European countries³, which are very different from Colombia. Here, capital accumulation, as in other

¹ Although the neoliberal accumulation regime started to take place in 1990, it is since 2002 that oil and mining are strongly promoted as key sectors leading Foreign Direct Investment (FDI). Furthermore, the latter obtained a broad support from Colombian society since this was integrated with the democratic security doctrine.

² NIE is characterized as mainstream since it relies on assumptions, like utility maximization and methodological individualism, that economists generally accept, and are conventionally taught in universities. Additionally, some NIE authors, such as Daron Acemoglu, are among the most cited authors in economics.

³ France, Italy, and Germany.

peripheral countries, depends on the links with the international economy. Thus, it is necessary to analyze how this permeates the social and political spheres and shapes institutions and the DSB. To this aim, I include central outcomes of dependency theory in the Neorealist approach. Moreover, Colombia has also been impacted by drug trafficking and a protracted armed conflict. One key insight of this work is to examine their role in the institutional dynamics of the country. In order to incorporate crime and violence into the neorealist approach, I rely on the concepts developed by the literature on the political economy of armed conflict and crime.

This extended theoretical framework displays the versatility of the Neorealist approach in incorporating context-specific factors. In the Colombian instance, it shows how the institutional context, shaped by the economy, the social structure, and politics, was conducive to the rise of protracted armed conflict and drug trafficking, which subsequently impregnated all these spheres, and resulted in the institutionalization of violence and crime. All in all, this enlarged version of the neorealist approach will allow me to demonstrate the Colombian social uprising of 2021 as the manifestation of the tensions accumulated during the neoliberal and extractivist accumulation regime between 2002 and 2020, whose political stability partly came from crime and violence.

This paper is composed of five sections including this introduction. The next one presents the NIE and its limitations. The third section discusses the Neorealist approach, which takes on RT and explicitly considers social and political dynamics. The fourth section deals with the enhancement of the neorealist approach to grasp the political economy of Colombia. Finally, the fifth section concludes.

2. NEW INSTITUTIONAL ECONOMICS AND ITS LIMITATIONS

The New Institutional Economics (NIE) school argues that "institutions matter" for economic performance as they shape the incentives and constraints that increase or hinder economic activity (North, 1990). Douglas North, belonging to NIE, defined institutions as the: "humanly devised constraints that structure human interaction" (North, 1994 in Chavance, 2009, p. 49). They are humanly devised because they result from the equilibrium outcome of a game, in which each individual aims to maximize his own utility. This way, game theory becomes a prominent tool used by NIE to assess institutions and institutional change.

The latter has the pitfall of not considering the social structure and the economic organization that is embedded in institutional building. NIE overlooks how capitalism, the social contradictions that it entails⁴, and its tendency to crisis shape institutions. Specifically, the social structure is characterized by social relations of dominance. This implies that some social actors are not able to take actions that maximize their own utility, rather their actions are subordinated to maximize the utility of others. Hence, the set up of rules, codes of conduct, incentives, and constraints may respond to power relations. The not recognition of this also leads NIE to ignore relations of

⁴ Capitalism is defined as a societal system that relies on the accumulation and circulation of capital to establish the material, social, and intellectual foundations of community life. The reproduction of capital involves opposing forces that generate tensions, and lately crises (Harvey, 2014). For example, the reproduction of capital requires the use of labor and the investment of capitalists. This gives way to the capital-labor contradiction which consists in the fact that the capitalists want to increase the surplus value by reducing the payment to the workers or making their wage conditions more precarious, while the workers want to improve their situation.

dominance between countries and how they contribute to capitalist development in certain areas (Jessop, 2014).

Although some authors from the NIE, like Daron Acemoglu, have recognized that a small elite can seize political power, the mechanisms that allow this elite to do so are not clear. Acemoglu, Johnson & Robinson (2003) suggest that the initial conditions in the colonies, such as natural resources and population size, along with the identity and institutions of the colonizers, dictate whether the colonizers were able or not to capture political power in the colonies. However, little is said about the social interaction between the dominators and the dominated that enabled the former to have such a status. Similarly, when Acemoglu presents his model on the influence of institutions over long-run growth in his 2009 book (Acemoglu, 2009), he supposes from the start that there is an elite capturing political power, but nothing is said about how this elite came to this point.

Additionally, the methodological individualism of NIE and its unawareness of the social structure lead to not recognizing the relevance of revolutions and social resistance. In Acemoglu (2012), revolutions rarely take place because of the "collective action problem" which means that for a revolution to accomplish its goal, it needs the participation of all individuals, but, a revolution might be costly for each of them, so there is an incentive to free ride. It is peculiar to depart from a game, where each individual maximizes utility, and has a bad result for the whole society. In contrast, in social resistance and mobilization one may find an alternative to the prevailing bad institutions. In addition, this social resistance might start to create and accumulate social tensions, whose burst may trigger reforms and institutional change that benefits subordinated social actors.

Acemoglu et al. (2003) qualify institutions as "good" and "bad". "Good" institutions are those that guarantee secure property rights for the majority of society, because in this case each individual face little or no risk of expropriation, which encourages investment, and economic growth. "Bad" or "extractive" institutions emerge when a narrow elite manages to seize political power, as they would secure property rights for themselves and would have the incentive to expropriate the gains of other groups⁵. These extractive institutions would persist as the political elite would not want to implement good institutions because of the fear of becoming the losers after granting property rights to other groups, who might start to accumulate economic resources and therefore de facto political power⁶ (Acemoglu, 2012).

The qualification of institutions as "good" or "bad" arises from ignoring capitalism's contradictions. Otherwise, it would be difficult to talk about "good" institutions (Jessop, 2014). At some point, even with secure property rights and the promotion of investment, some groups may find that they are not reaping enough benefits. This discourages them from offering their productive factor, leading them to push for a change in institutions that will enable them to invest. In other words, no matter the institutional arrangement, the contradictions of capitalism cause social tensions, which sooner or later will explode, giving way to another institutional arrangement.

Fergusson (2019) followed NIE to analyze Colombia's political economy. According to him, the country is characterized by a weak state and persistent armed conflict due to three factors. First,

⁵ In this sense, good institutions should constrain the political power of a narrow elite.

⁶ De facto and de jure political power are different. De jure political power is granted by political institutions, like the Constitution. De facto political power refers to the ability to have influence over political institutions, be it through the use of violence, engagement in collective action, lobbying, or bribery (Acemoglu, 2012).

state weakness is explained by the poor supply of public goods, which leads to their private provision. This generates inequality and causes demand for this kind of goods to remain low, which in turn does not encourage its supply, so the state remains weak. Second, some groups in society having political power, benefit from violent conflict and therefore have the incentive to keep it. Third, a weak state favors clientelist behavior, which in turn helps to maintain a weak state. Although these conclusions seem accurate, his definition of state weakness is limited by the low supply of public goods, thus leaving outside how the contradictions of capitalism, the social struggles it entails, and social power relations permeate the structure of the state.

Ferguson (2019) argues that the armed conflict in the country did not adversely affect the main economic activities and investments of the country's elites. He referred to a common saying in Colombia: "*el país va mal, pero la economía va bien* (the country is doing poorly, but the economy is doing well)" (Fergusson, 2019, p. 673). Moreover, as stated before, he identified the country as having a weak state with clientelist behavior and a persistent armed conflict. This poses a problem with the definition of good institutions provided above. Although investments and economic growth have taken place in Colombia, institutions with these characteristics could hardly be characterized as good. In other words, Colombia would have extractive institutions with good economic performance. This shows the issue of economic determinism; the quality of institutions should not only be defined by economic performance.

3. NEOREALIST APPROACH TO INSTITUTIONAL CHANGE

Considering the limitations of NIE, it becomes necessary to resort to another theoretical framework that takes the contradictions of capitalism and social relations of domination into account. The neorealist approach to institutional change (Amable & Palombarini, 2009) comes from Regulation Theory (RT), which follows the Marxian theory that capitalism is a mode of production based on social relations between capital owners and labor-force owners, as well as between commodities producers. These are characterized by dominance and conflict,⁷ and may pose an obstacle to the accumulation of capital (Chavance, 2009; Boyer, 2018).

RT analyses how contradictions of capitalism are temporarily regulated to guarantee capital accumulation. Thus, capitalism has taken different forms or modes of development, and each of these seeks to neutralize its contradictory tendencies. However, sooner or later these tendencies manifest themselves and cause a crisis, whose temporary regulation will give way to another mode of development. In short, RT studies the rise and crisis of modes of development (Chavance, 2009). A mode of development is given by a combination of the accumulation regime and the mode of regulation. The first: "refers to the organization of production and distribution of value and surplus value" (Hein et al. 2014, p. 3), and the second means: "an emergent ensemble of rules, norms, conventions, patterns of conduct, social networks, organizational forms and institutions which can stabilize an accumulation regime" (Jessop, 1997, p. 291).

⁷ In the case of the capital-labor relation, the capitalist depends on the worker for the production of the commodity and the realization of surplus value, which will, in turn, enable the production of further commodities, while the worker depends on the capitalist for the realization of labor power into money that allows the procurement of the means of subsistence and reproduction. As for the relationship between commodity producers, it is characterized by competition that leads to concentration, that is, some capitalists will survive, whereas others will fall into bankruptcy (Boyer, 2018).

Although RT considers the importance of social organization in economics, it subordinates the regulation of social conflict to capital accumulation and shows political stability as a result of economic stability, which leads to not explicitly recognizing the centrality of political processes (Amable & Palombarini, 2005). Taking into account that "Colombia is doing poorly, but the economy is doing well", as mentioned before, a theoretical framework that includes politics in the analysis of the accumulation regime is necessary. The neorealist approach to institutional change (Amable & Palombarini, 2009) has the merit of integrating the relationships between economy, social structure, and politics in the regulation of social conflict, as well as analyzing the centrality of social groups and the Dominant Social Bloc.

The Neorealist approach takes from RT that the contradictions of capitalism contribute to a social structure composed of heterogeneous agents with different and even contradictory interests. However, the Neorealist approach is more explicit in that the regulation of social conflict is undertaken in the political sphere, where political actors⁸ decide which expectations⁹ to address (Amable & Palombarini, 2009; Misas, 2019, p. 21). For this purpose, political actors consider factors such as resource availability, macroeconomic performance, the content of the expectations, and their compatibility, but most importantly the ability of social groups to provide stable political support (Amable & Palombarini, 2009, p. 131).

The capacity of social groups to provide stable political support is related to the balance of power in the social structure. The latter is composed of diverse social actors, who identify their position and their interests according to the perception they have about the functioning of the world (Amable, 2017). This is influenced by the endowments coming from certain economic dynamics; the relations of power structured by politics; and the incentives, ideas, rules, and practices shaped by an institutional arrangement. Agents having similar interests and the same position in the social structure may compose a social group. Simultaneously, the institutions define the limits between one social group and the other by establishing the mechanisms of exclusion between them, for instance, rules concerning private ownership of the means of production, or the criteria to access higher education (Wright, 2009).

When a social group shares common expectations and orients political behavior in the same direction, this is referred to as a socio-political group. Its formation is set up by current institutions, which define the mechanisms for political participation. Social agents within a socio-political group may or may not be aware of their membership. If they are and manage to organize to express their expectations and demands to civil society and political actors, for example through strikes or mass mobilizations, they might increase their political weight (Amable & Palombarini, 2022).

To obtain political support, political actors design institutions that embody rules, practices, incentives, and constraints that respond to the expectations of dominant social groups. Thus, political actors regulate social conflict by designing institutions that aggregate a Dominant Social Bloc (DSB), which is a socio-political alliance between dominant groups. Institutions are then defined as: "the result of socio-political compromises over the rules of the social game, a way of settling fundamental conflicts of interest between agents" (Amable & Palombarini, 2009, p. 133).

⁸ Political actors are different from social groups. Following Antonio Gramsci, civil society is defined as private organisms such as schools, churches, clubs, journals, etc. In contrast, political society refers to public institutions that exercise dominance, such as courts, police, and the army (Bates, 1975).

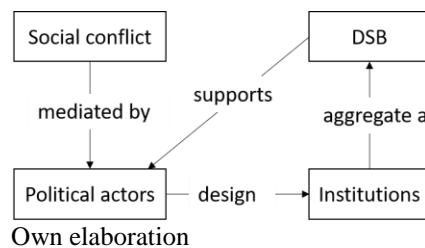
⁹ Expectations are the representation of interests. An expectation is what social agents expect from political actors.

Political actors cannot afford to ignore the demands and expectations of these groups. Otherwise, these groups would mobilize to remove the current political actors and place in power those who would respond to their demands¹⁰.

It must be noted that the DSB is composed of different social groups, each having a different capacity to provide political support. Therefore, the political strategy by political actors to aggregate the DSB will not have the same benefits for all the social groups that compose it. This means that some groups inside it may feel dominated. The DSB is not only characterized by setting the borders between dominant and dominated groups, but also by the internal cohesion between central and peripheral groups. Central groups are those whose main expectations are met by the strategy of political actors, peripheral groups are those who at least partially benefit from such strategy (Amable & Palombarini, 2022).

In light of the contradictions of capitalism and social conflict, institutions can no longer be considered functionalist in their role of regulating social conflict. No matter the institutional arrangement there will be social groups whose interests and/or expectations are disregarded. Initially, such voices are either minority or can be suppressed with legal force, thus not threatening current institutions. Their dissatisfaction, however, may drive them to organize and push political actors to respond to their demands. Political actors might change institutions to aggregate these socio-political groups into the DSB if they believe that these groups are becoming increasingly significant for providing political support. Hence, the existence of a DSB means the temporary regulation of social conflict, a situation denominated as political equilibrium, shown in Figure 1. This notion of equilibrium does not mean the absence of change, rather institutions might change to preserve the DSB (Amable & Palombarini, 2009).

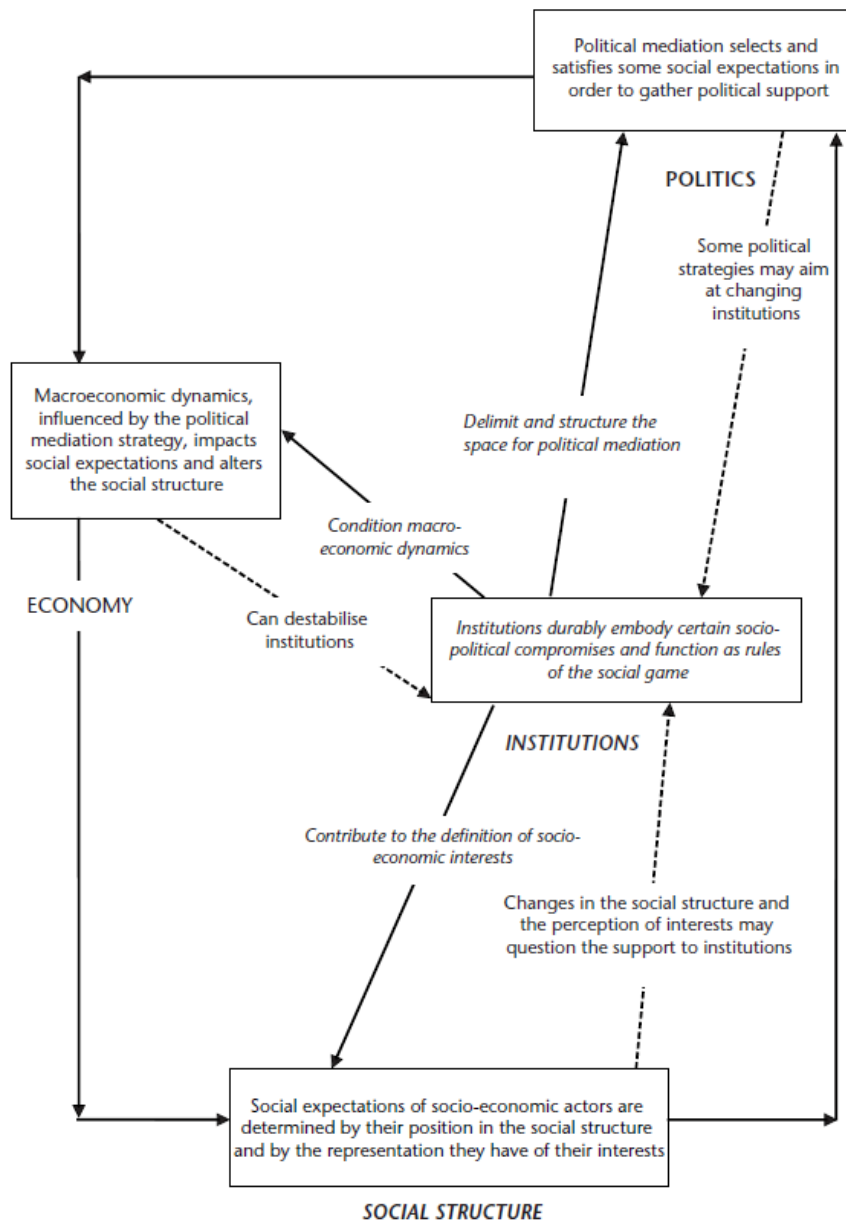
Figure 1: political equilibrium



Up to now, an attempt has been made to demonstrate the relationship between the economic, social, political, and institutional spheres. In conclusion, macroeconomic dynamics, shaped by certain institutional arrangements, have an impact on perceptions of the social structure and interests of social groups. According to the latter and the institutional mechanisms for social groups to present their expectations in the political sphere, political actors identify dominant groups. These will be aggregated in a DSB by political actors, who in order to obtain their political support, design institutions, which embody rules, practices, and incentives. These will structure economic, social, and political dynamics, that are favorable to the DSB. Figure 2 shows all these relationships and the sources of institutional change, which are represented by the dotted arrows.

¹⁰ This should not lead to the conclusion of the instrumentalization of political actors, since the latter have the autonomy of launching the strategy and aggregating the socio-political groups they consider key providers of political support.

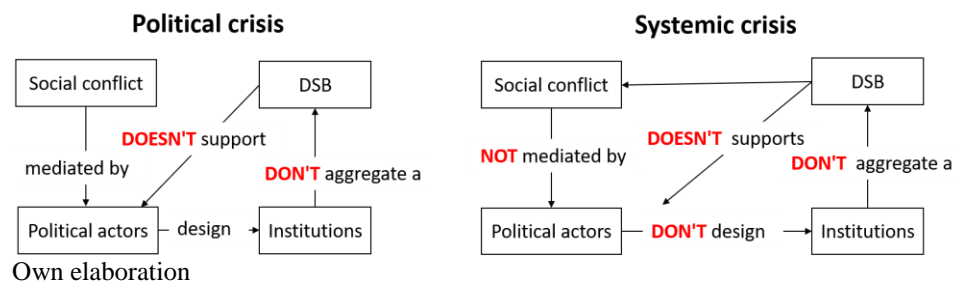
Figure 2 : Institutional change and economic dynamics



(Amable, 2017, p. 45)

In the case that economic, political, or social dynamics modify the balance of power or social expectations such that institutions do not satisfy the demands of the DSB, a political crisis will rise since support for political actors might be put in question. Political actors would need to change institutions either to stabilize the former DSB or to aggregate a new one. If they fail to do so, that is, if a DSB cannot be established, a systemic crisis emerges, as illustrated in Figure 3. A systemic crisis is characterized by a period in which political actors change institutions constantly in the hope of finding political support. At the same time, the conflict between social groups intensifies as they fight for the recognition of their interests as general interests (Amable, 2017).

Figure 3: political and systemic crisis



It is pertinent to note that an economic crisis does not necessarily translate into an institutional crisis, as long as the DSB is not affected. This means institutions manage to absorb the economic crisis such that the social and political spheres remain untouched. Here, it might be useful to refer to the concept of hegemony, as a crisis would not only be brought by the contradictions of capitalism but also by their feedback on ideology (Bates, 1975). Accordingly, an institutional crisis is the result of civil society no longer supporting the socio-political alliance in pursuit of their interests (Durand & Keucheyan, 2015), thus consensus on an institutional arrangement is no longer preserved. In this sense, the way out of an institutional crisis does not simply consist of economic recovery, but also in society supporting the strategies of political actors in addressing the interest of a DSB, which are considered to be the general interests.

4. ENHANCING THE NEOREALIST APPROACH TO STUDY THE COLOMBIAN CASE

The neorealist approach to institutional change has been applied to western European countries, which are different from Colombia. These first countries are at the center of capital accumulation, whereas countries at the periphery like Colombia, from the time of their colonization, were integrated into the world economy as exporters of raw materials. This characteristic caused economic dependence, which will be explained through dependency theory. The concept of the peripheral state will be described to analyze the effects of economic dependence on the social structure and on politics. Finally, Colombia has certain particularities, such as protracted armed conflict and drug trafficking. In order to investigate their effects on the formation and rupture of institutions, as well as of the DSB, it is necessary to integrate them into the Neorealist framework. This will be done by using literature on the political economy of armed conflict and crime.

a. Dependency theory

The contradictions of capitalism and the associated social struggles may spread beyond the limits of the nation-state, they might expand geographically and reach the international economy, thus contributing to relations of dominance between countries¹¹. This is not considered by RT and the neorealist approach as both emerged and have been applied to countries that occupy a dominant position in the world economy. Therefore, their economic dynamics are not subordinated to those

¹¹ According to imperialist theories from authors such as Rosa Luxemburg, Vladimir Lenin, or Nikolai Bukharin, in order to deal with the crisis tendencies of capitalism, its contradictions can be transferred geographically. For example, to counteract the tendency of the profit rate to fall, one may find cheap labor in non-capitalist areas. Similarly, to avoid an overaccumulation crisis, peripheral countries represent an outlet for excess production and investment.

coming from abroad, which is not the case for countries located at the periphery of capital accumulation.

In the analysis of a peripheral economy, one must consider how it is inserted into the international economy, the contradictions that this generates, and the internal feedbacks on the relationships between capital and labor, between different commodity producers, the monetary regime, the way the country inserts itself into the international economy, and the state intervention. Hence, in peripheral countries capital accumulation would take the form of dependent capitalism. As a result, dependent capitalism takes different forms, or development modes.

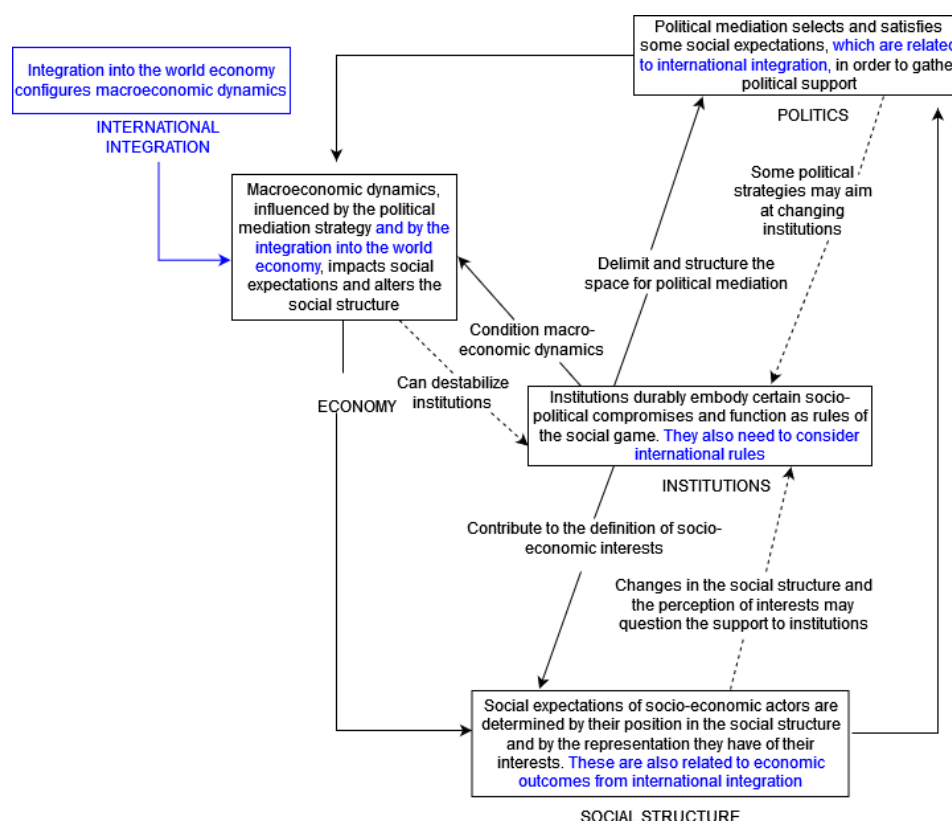
The dependency school emerged in the second half of the 20th century as some authors, mainly from Latin America, aimed to explain economic development (or underdevelopment) of the region. An approach of this school claims that Latin American countries since colonial times have been integrated into the international economy as suppliers of raw materials and cheap labor to core countries, while the latter found an outlet for their investments and outdated technologies in the former. However, the relationship between core and peripheral countries is not limited to the latter. Peripheral economies are characterized as such, because they depend in some way, for example technologically or financially, on the accumulation of capital taking place beyond their borders. This kind of relationship contributes to the underdevelopment of peripheral countries and the development of core countries. Hence, this relation of subordination between core and peripheral economies hinders the development of the latter¹² (Palma, 1978).

However, it is pertinent to note that the situation of underdevelopment previously described is not an imposition by core countries on peripheral ones. Instead, it is a consequence of the relationship between internal and external social groups, where the latter occupy a dominant position. Capitalism's contradictions expand geographically, leading social actors from core countries to establish relationships in peripheral countries, where social groups that benefit from these relationships may favor a dependent mode of accumulation, which, in turn, creates social struggles between external groups, internal allies, and internal opponents (Cardoso & Faletto, 1977; Palma, 1978).

Figure 4 shows the explicit integration of international dynamics into the neorealist approach to institutional change. The integration into the world economy impacts macroeconomic dynamics. In the case of peripheral countries, these follow the needs of capital accumulation in the center, be it that they furnish raw materials or that they buy machinery from core nations. This shapes the productive structure, the organization of work, the circulation of money, and so on. These economic outcomes would benefit some social agents, who would be inclined to support a relationship of dependence towards core countries. Social actors representing international interests would compete in the political sphere; depending on their political power, political actors may set up institutions that incorporate international rules and shape an economy, a social structure and a political organization that favors expectations linked to a certain international integration.

¹² This approach within the dependency school tends to consider dependency and underdevelopment as synonyms. Dependency refers to the fact that capital accumulation in peripheral countries will be framed by relationships with core countries. However, there is another approach that argues that this relation does not necessarily imply underdevelopment. It might be, for example, that struggles from this interaction, at some point, favor development. In this sense, this would be characterized as dependent development (Palma, 1978).

Figure 4: International integration and institutions



Own elaboration

After having considered economic dependence, it is pertinent to analyze in more detail how it affects the relationships between a complex social structure and political representation, and the establishment of institutions. For this purpose, it is useful to bring up the concept of the peripheral state¹³. According to Evers (1979), the state brings together the economy and the political sphere. He posits that the peculiarity of the peripheral state is that capital accumulation depends on the insertion into the international market, and that external actors must form alliances with internal agents to assert their interests locally. Furthermore, Evers discusses the differences in state functions in the periphery and the center. For example, the state in core countries pursue the expansion of national capital towards the international market. In contrast, the peripheral states direct the interests of foreign capital to the interior of the country.

Becker (2008) points out that economic dependence and the structural heterogeneity of society¹⁴ lead the peripheral state to be characterized by a weak civil society and limited hegemony. On the one hand, subordinated groups would have difficulties in organizing and expressing their demands in the political arena¹⁵. On the other hand, it would not be so easy for the peripheral state to formulate global hegemonic projects and grant material concessions to the masses so that they can

¹³ The state is defined as the relationship between civil and political society, following Gramsci.

¹⁴ This refers to the coexistence between capitalist and non-capitalist social relations of production.

¹⁵ For example, the coexistence between waged labor and non-waged labor, not only may lead to contradictions and social struggles between these social groups, but also it implies that even if these groups manage to ally, they would lack a material base for their demands to compete within a state that depends on capital accumulation.

be incorporated into the hegemonic bloc. The state apparatus in the periphery is thus built to address the interests of external capitalist agents and their internal allies. This leaves out a large part of society, contributing to a disruptive relationship between civil and political society.

Considering the latter, it might be argued that the setup of institutions follows different mechanisms in peripheral countries. While in core nations, institutions are seen as the result of a social compromise, in the periphery, the non-inclusion of a large part of society can be characterized as institutional weakness, since they would not be able to resolve social conflict nor to set the rules of the social game. To make up for this, the peripheral state may resort to violence or clientelism to force the excluded groups to accept institutions. However, these might provide instability, as the masses grant consent against their will and do not adopt the dominant interests as their own (Becker, 2008).

It can be argued that not only in the peripheral countries, but also in core nations, political actors overlook certain social groups and their expectations, thus not including them in the socio-political compromise. However, the difference between both lies in economic dependence, its effects on the relationship between civil and political society, and the establishment of institutions (Becker, 2008). In core countries, the material base is reproduced internally, so that the state has more maneuverability and does not necessarily have to respond to the interests of foreign capital. Nevertheless, this may be changing with neoliberal globalization. The concentration of wealth and the links with international capital might suggest that political actors increasingly choose to respond to these needs. It is important to note that although some economic dependence is observed in the core countries, it is very different from that of the periphery. In the former, this dependence is exerted on more or less homogeneous forces¹⁶, while in the latter there are relations of dominance.

b. The political economy of armed conflict and crime

In Colombia, institutional weakness has been evident by the fact that the state, being an ensemble of institutions, throughout its history has not exercised control over all of its territory¹⁷. Hence, it has delegated the control of rural populations to local and regional elites (Misas, 2015). As a consequence, the relationship between the central state and the local powers has been characterized by clientelism (González, 2014). Moreover, the state has not recognized all social groups with their interests and resources. This generates that social groups being ignored have a sense of belonging rather to ethnicity, race, or community than to a nation-state (Thoumi, 2002). Third, the state has had difficulties in providing tools to mediate conflicts or in providing justice (Thoumi, 2002; Richani, 2013). For example, since the end of the 19th century, the Colombian state has been unable to solve the conflicts between landowners and peasant settlers, and establish a land reform¹⁸.

¹⁶ For example, the United States has become increasingly dependent on goods and capital imports from China. However, if we compare the extraversion of the two countries, we observe similarities between imported and exported goods. It is also unclear whether either economy can impose its conditions on the other.

¹⁷ Since colonial times, some marginalized populations who did not accept the exploitation in the haciendas and the high concentration of property, settled in isolated territories, where the regulation of social relations remained in their hands (González, 2004).

¹⁸ At the end of the 19th century, land disputes that were brought to the state were judged in favor of landowners. This generated animosity among peasants and settlers. To incorporate the interests of the latter, in 1936, the government of Alfonso López Pumarejo launched a land reform (law 200) to eliminate unproductive latifundios. Nonetheless, this

Social groups being excluded from the socio-political compromise, not finding in institutions the mechanisms to represent their interests, and not being subjected to state control, may resort to means outside institutions to assert their interests, such as crime or violence (Estrada & Moreno, 2008). As in the previous example of land conflicts, peasants and landowners used violence to evict their adversaries. Similarly, the failed attempt at land reform of 1936 caused a political crisis that fueled "La Violencia", between 1930 and 1958¹⁹. This was ended by a political pact called "Frente Nacional", which consisted in the alternation of the liberal and conservative parties in the presidency and an equal number of congressional seats until 1974. Although this solved the intraelite conflict, it excluded subordinate classes from politics (Richani, 2013), which prompted the rise of guerrillas, such as Fuerzas Armadas Revolucionarias de Colombia (FARC) – Colombian Armed Revolutionary Forces, Ejército de Liberación Nacional (ELN) - National Liberation Army, and the 19 April Movement (M19) (González, 2014).

The institutional weakness to acknowledge the demands of social groups not included in Frente Nacional was also conducive to the rise of drug trafficking. Social actors not finding economic opportunities in the subsistence peasant economy, nor in the labor market in urban areas, found an alternative in illicit crops production, their industrial transformation into illicit drugs and their sale. Additionally, the drug economy could flourish thanks to the absence of the state and the lack of mechanisms to ensure compliance with the rules and penalize non-compliance (Duncan, 2010; Forero, 2011).

Another manifestation of the Colombian institutional weakness can be observed by the failure of dealing with the guerrilla movements mentioned before, which led the Colombian government to approve law 48 of 1968, which supported self-defense by the population. Thus, landowners and cattle ranchers started to form private defense armies against the land occupation and attacks from the guerrillas. The rise of drug trafficking and their needs for protection²⁰, fueled these private defense groups, which through the resources coming from this illegal business strengthened their military capabilities, thus giving rise to paramilitaries. These turned out to be useful to the Colombian state and its armed forces as they targeted as an enemy the guerrilla and political opposition (Richani, 2013).

Since crime and violence from non-state actors do not belong to the norms of the social game, these are characterized as illegal²¹ (Forero, 2011). These illegal practices may change the social structure. On the one hand, social agents making illegal use of coercion would become powerful due to their intimidation mechanisms. On the other hand, the illegality of these activities entails risks that might render high profitability (Palacio & Rojas, 1989). Thus, these actors might be accumulating high amounts of capital. All of this may cause the perception that these criminal agents occupy a prominent position in the social structure. Additionally, revenues from these illegal activities must be incorporated into legal accumulation. Consequently, some actors not directly involved in criminal or violent actions will benefit from them. An example would be through investments to

was strongly opposed by landowners, who through their access to political power and municipal governments, were able to change the interpretation of this law in their favor.

¹⁹ This was a period of armed confrontations between the liberal and conservative party, which were the main political parties in the country. The confrontations mainly took place in rural areas between peasants, with the exception of "El Bogotazo", which was a series of riots in Bogotá because of the murder of the liberal candidate Jorge Eliécer Gaitán.

²⁰ Drug trafficking led to a high concentration of land. To launder money, drug traffickers bought lands (Forero, 2011).

²¹ For example, the social compromise establishes that some actors from the state, like the army and the police, are the ones able to use force.

launder money, increases in demand, or demand for labor. These illegal activities might get support from certain fractions of society, that expect to continue to benefit from them (Duncan, 2010).

Even if the current institutions do not provide the mechanisms for criminal groups to form socio-political groups, the high profits from their activities and the desire to continue them may drive violent actors to organize themselves. Similarly, the prohibition and criminalization of illegal activities by formal institutions might end up consolidating crime and violence (Estrada & Moreno, 2008). This is so, because the perpetrators of these actions would need to find ways to organize their practices, so that they can escape formal control. Here, it is possible to observe the difference between crime and organized crime. The first refers to an illegal action to achieve a certain goal e.g. economic profit, recognition, personal vengeance, etc. The second suggests the organization of a group to attain a goal and avoid prosecution. For this it may be necessary to have control over certain areas or form certain alliances (Forero, 2011).

Economic profits were not the only engine that drove the organization of crime and violence, nor were the former the only channel that permeated the social structure. In Colombia, the absence of the state set up a favorable context for armed groups and drug traffickers to take over the functions of the state. The FARC, for example, not only provided protection to peasants and settlers, but also managed to regulate family disputes and conflicts inside the territories under their control. Similarly, drug traffickers built hospitals, sports facilities, schools, and provided employment opportunities, which allowed them to have popular support (Richani, 2013).

These changes in the social structure may put pressure on political actors. In addition to the access to weapons and the intimidation power of criminal organizations, they can also control areas where formal institutions do not reach, and they might share their high profits with political actors (Duncan, 2010). This way, the stability of political actors might depend on the political support from criminal organizations, which is obtained by the design of a political strategy that satisfies the expectations of socio-political groups directly or indirectly linked to illegal activities. Nevertheless, criminal and violent actions affect other fractions of the social structure and generate rejection among them. Some social groups might have expectations regarding the end of these illegal activities, and therefore push political actors to deal with them.

This opens up a socio-political conflict between those who want to keep profiting from crime and violence and those who want them eliminated. Given the contradictory nature of these expectations, it is impossible for political actors to launch a strategy that satisfies them both. In this case, political actors would have the following options: first, eliminate crime and violence, which is achieved through negotiation with the groups that benefit from these activities, so that their previously ignored interests are recognized, in exchange, they accept to withdraw from violence and crime²². The other option is to tolerate illegal activities in order to continue making profits from them²³. It would be possible to implement the first strategy when the state has adequate resources,

²² Note the difficulties of this strategy in gaining support from some sectors of society, as they may see it as unjust and unpunished.

²³ Political actors may also decide to use violence to eliminate the violence and criminality of the perpetrators. However, this does not imply the elimination of violence. Instead, there would be a violent state that is not legitimized by some fractions of society, therefore its institutions may not be considered strong i.e. as the result of a social compromise.

institutions, and support from society; otherwise, the permissive option would be chosen (Duncan, 2010).

It is pertinent to point out that in the Colombian case the strategy chosen is strongly related to international dynamics (Richani, 2013). It is not enough for the Colombian state to be willing to negotiate with drug traffickers and armed groups. For example, regarding drug trafficking, it must be taken into account that demand comes from abroad, especially from the US and Europe, who already have a whole set of regulations that prohibit this consumption, consequently the legalization of production only by Colombia would not only be insufficient to end the violence and criminality of this business, but it could also have serious economic consequences due to dependence on foreign capital.

A permissive strategy would benefit those social groups that directly and indirectly profit from violence. In return, these groups may provide political support by sharing their rents or using their repressive mechanisms. In this vein, these social groups are a part of the DSB. However, it might be difficult to incorporate the expectations of these groups in institutions. If the political constitution or laws include the permissiveness of crime and violence or set up rules for these activities, these would not be considered illegal. Due to the risks involved, it is the illegality that results in high profitability. Considering that powerful groups and potentially political actors benefit from illegality, they may not want to give up the extraordinary profits (Guáqueta, 2003).

In view of the difficulty of incorporating illegal dynamics into institutions and the fact that these activities also require organization, institutions must tolerate criminal groups establishing para-institutions²⁴ to resolve the social conflict that was not previously resolved through formal channels. This way, para-institutions result from the permissiveness of formal institutions to allow criminal and violent social groups to set up rules and practices that address their demands, in exchange, these groups provide political support. Hence, para-institutions end up complementing institutions. While the latter regulate social conflict between social groups included in the socio-political compromise, the former regulate social conflict between included and excluded groups (Richani, 2013).

It is important to emphasize that para-institutions have emerged from a context of institutional weakness, which does not make it possible for para-institutions to become institutions either. The fact that para-institutions resolve social conflict from the fraction of society excluded from institutions means, at their conception, they ignore the interests and conflicts of the other part of society, the one included in the social compromise. Additionally, the leaders of criminal and violent groups might have difficulties in taking over institutions. This is because they, as well as political actors and other dominant social groups, find themselves at a comfortable impasse. This means that the balance of power is such that it does not deliver a clear winner. If this is not the case, then the winning party could impose itself, whether it is the violent actors who establish their institutional order and replace the formal institutions, or whether it is the formal actors who manage to deal with violence and crime (Richani, 2013).

Colombia has been able to live together with institutions and para-institutions because neither the state nor any of the armed groups have been able to gain dominance in society and establish institutions that would temporarily mediate the entire conflict. Colombian armed forces have not

²⁴ Para-institutions mean that they are parallel to formal institutions

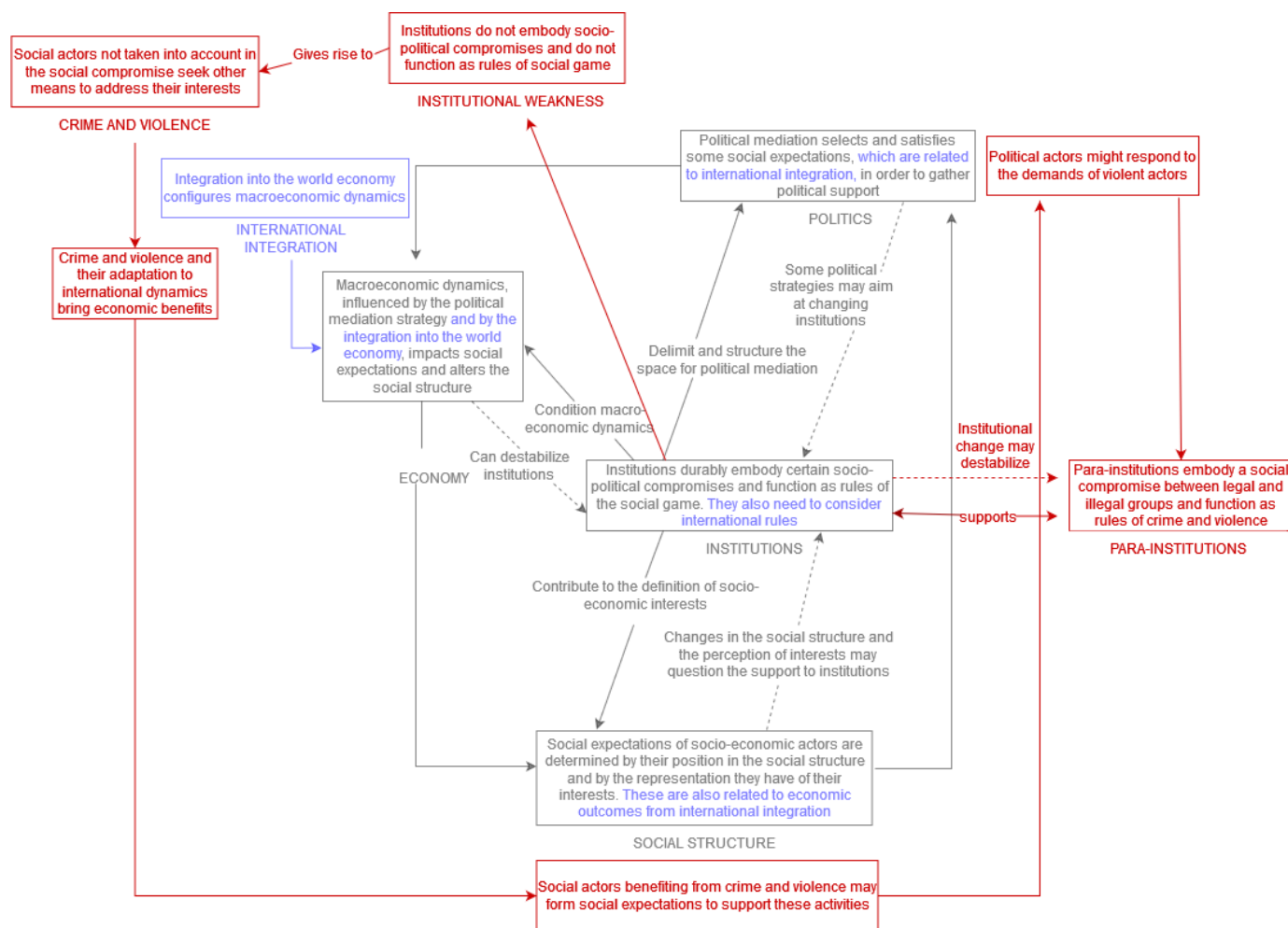
been able to deal with guerrilla groups. Rather than attempting to eliminate the guerrillas, the army has chosen to contain them²⁵. Similarly, the guerrillas have preferred to attain local power than to assume the central state apparatus. The paramilitary fight, as well as U.S. military aid through Plan Colombia, has shifted the balance of power away from the guerrillas. Although the guerrillas have been weakened, they have not been completely defeated. Moreover, paramilitaries, because of their violent tactics, have won the population's fear rather than its consent. Finally, the coupling of interests and forces between the paramilitaries and the army has called into question the legitimacy of the army (Richani, 2013).

Figure 5 shows the incorporation of crime and violence in the Neorealist approach. The basic theoretical framework and its international dynamics shown in Figure 4 are represented in gray. Red illustrates the concepts added taking into account the consequences of institutional weakness in Colombia's experience. Institutional weakness, which means that institutions do not contain a social compromise and do not determine the rules of the social game, caused a situation of crime and violence. This is because social actors who did not participate in the social compromise resorted to these dynamics to assert their interests. Crime and violence, considering a demand for drugs and a supply from weapons and military training from abroad, brought economic gains that were incorporated into the legal economy. Thus, these activities modified the social structure, so that those who benefited from them, positioned themselves higher up in the social structure. In addition, they formed expectations related to sustaining the benefits that crime and violence bring.

As a consequence, the expectations related to violence and crime compete in the political sphere, and may be taken into account by political actors. In this case, due to the difficulty in incorporating such expectations into formal institutions, political actors tolerated para-institutions to establish the rules of the game for criminal activities and to deal with social conflict previously unresolved. In this vein, para-institutions complement institutions in their role of setting the rules of the social game in the economic, political, and social spheres. Any change in the economy, the international sphere, the social structure, or politics that destabilizes institutions, can put into question their connection with para-institutions.

²⁵ This containment strategy consists in hindering the access of guerrilla groups to political power in urban areas. This was taken from the start of the armed conflict due to Colombia's limited military capabilities. Later on, the army saw the advantages of continuing the armed conflict as it justified the increase in military budgets (Richani, 2013).

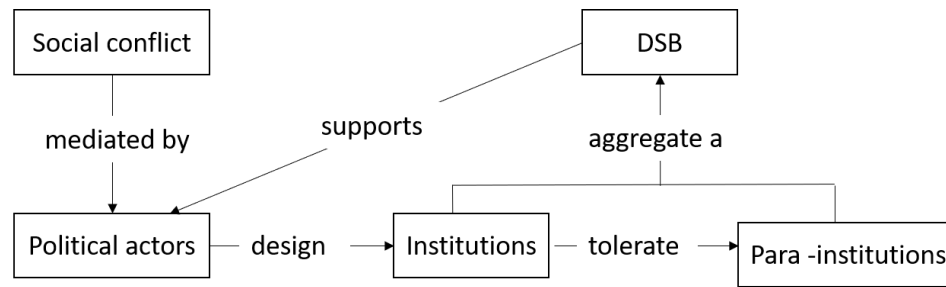
Figure 5: Institutional weakness giving rise to para-institutions



Own elaboration

Para-institutions allow the incorporation of violent and criminal groups in the DSB, who resolve social conflict not addressed by formal institutions in a violent way. This political equilibrium is shown in Figure 6. Para-institutions complement formal institutions, but they operate on their own, meaning that they are outside the control of formal institutions. This way, formal institutions might be considered democratic, while para-institutions might be regarded as authoritarian and repressive. Therefore, it may be deduced that crime and violence, which emerge from a political crisis, promote political stability (Palacio & Rojas, 1989) for whatever DSB the political actors want to aggregate. This is different from the original neorealist approach, where a narrow DSB can lead to social contestation and, eventually, a systemic crisis.

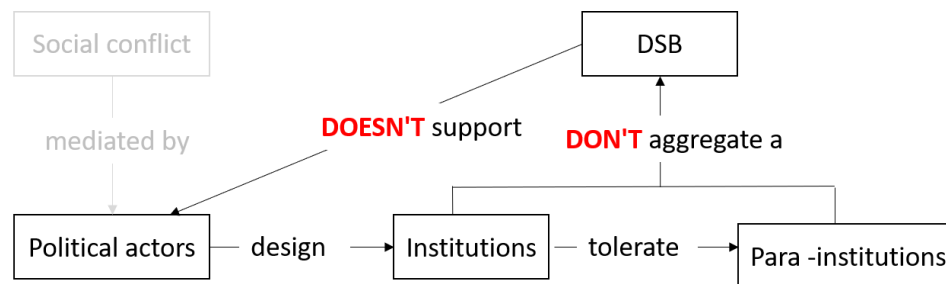
Figure 6: political equilibrium between institutions and para-institutions



Own elaboration

However, the institutionalization of crime and violence does not imply the absence of crisis. These dynamics also have limits, especially since these are not ideologically accepted mechanisms to assert interests and expectations. Figure 7 displays the political crisis. Institutions and the tolerance towards para-institutions do not address the demands of the DSB, thus political actors would not be obtaining support. Hence, the latter would need to change institutions to stabilize the DSB. This institutional change might jeopardize the existence of para-institutions, which may lead to institutional strengthening, where social groups that were not previously taken into account are incorporated into this new formal institutional configuration. In the case that political actors do not manage to aggregate a DSB, a systemic crisis like shown in Figure 3 would emerge.

Figure 7: political crisis in presence of para-institutions



Own elaboration

To examine the stability of para-institutions in the midst of a political crisis, it might be useful to consider the changes in power relations, especially between criminal groups, political actors, and dominant social groups. It is important to understand how changes in the social, political, economic, international, or institutional spheres modify the behavior of violent groups. If the latter feel that they are in a winning or losing position regarding other social groups, they might try to transform their para-institutions into formal institutions, or they may surrender, and try to find a place in formal institutions (Richani, 2013).

5. CONCLUSIONS

In order to grasp the background of the Colombian social outbreak of April 28, 2021, one needs a theoretical framework capable of explaining how Colombian society organizes the economy, and how this organization leads to certain outcomes. Among different theoretical tools, Fergusson (2019) applied NIE to explain Colombia's political economy. He argues that this was characterized by protracted armed conflict and a weak state. Nevertheless, his definition of state weakness is

limited to the provision of public goods. He did not consider how the state deals with the contradictions of capitalism and social conflict.

Taking on RT and moving away from economic determinism, the neorealist approach to institutional change (Amable & Palombarini, 2009) explains how the relationship between the economy, the social structure, and politics shape institutions. Particularly, the social conflict being shaped by economic forces and ideas, is mediated by political actors, who acknowledge social expectations and powerful groups within the social structure. Thus, political actors design institutions that address the expectations of a DSB, in exchange this DSB provides political support. In this vein, institutions are considered as the result of a socio-political compromise. The integration of all these spheres makes the neorealist approach an appropriate analytical tool to study Colombia's political economy, especially since the latter cannot be reduced to its macroeconomic factors.

Since the Neorealist approach was neither designed nor applied for Colombia, it should be enhanced to include some country-specific features. Taking into account that Colombia, like other countries in the region, is at the periphery of capital accumulation, it is necessary to examine how integration into the international economy influences institutional building. Adding dependency theory to the Neorealist approach allows one to see how the subordination of capital accumulation needs of core countries alters the social structure and puts pressure on political actors to design institutions that incorporate certain international interests. This way, institutions are built to privilege expectations related to international dependency, which may trigger institutional weakness.

Institutional weakness, in the sense that institutions do not result from a social compromise nor embody the rules of the social game, was conducive to the rise of crime and violence in Colombia. These dynamics permeated the social structure and generated political pressures. As a result, institutions were unable to deal with crime stemming from drug trafficking and violence resulting from armed conflict so they tolerated that criminal groups establish para-institutions to set rules for violence and crime and resolve social conflict that had not previously been addressed.

Through the lens of this enhanced framework, one understands the Colombian social outbreak of 2021 as the accumulated tensions of institutional dynamics taking place between 2002 and 2020. A social uprising could not happen before as crime and violence were instrumental in handling the pitfalls and the opposition to the prevailing institutions that were aggregating a narrow DSB. The characterization of this institutional arrangement and this DSB will be described in the aforementioned PhD thesis. Because neither violence nor crime are legitimate mechanisms for asserting interests or demands, these are susceptible to changes in the economic, the international, the social, or the political sphere. In other words, any event that makes institutions unable to satisfy the demands of such narrow DSB, will jeopardize the institutionalization of crime and violence through para-institutions.

The objective of this work was to develop a theoretical framework to study the most recent institutional crisis and its relationship with accumulation dynamics taking place between 2002 and 2020 in Colombia. This enhanced framework might prove useful to study the political economy of other peripheral countries with violent conflict or illegal accumulation, or even it might shed light on how the neorealist approach to institutional change can be shaped to fit other contexts.

Nonetheless, this is out of scope of this work. A comparative study of how this enhanced version of the neorealist approach can be applied to other contexts, is left for further research.

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