



Faculty of Humanities & Social Sciences
B.A. Degree in International Relations

American Elites and the Creation of Latin American
Transnational Capitalist Class.
An Analysis of the Structural Adjustment Programs

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PART I

I. Purpose & Objectives of the Research

The topic of this research paper involved much consideration and was inspired by two personal observations. The first observation was during the COVID-19 pandemic, when it felt as if something was going to change. Maybe a drastic change in the capitalist system – the same system of which we have been benefited for several decades – but the one that has shown to be unsustainable both environmentally and socially. Maybe society as a whole was going to change, moving from increasingly individualistic cities, to a more collective societal organization that could overcome our compassion crisis.

However, as months passed, we have become accustomed to live with a pandemic. Personally, it felt as if nothing had really changed. The momentum to change the economic and political structures is almost gone, and instead of pushing for progress and reform, I have seen my peers embrace neoliberal practices to a greater extent. Instead of bringing people closer together, it felt as if groups in society were severing ties with each other.

A second experience sparked my interest in understanding global structures and why these came to be. I was born and raised in Panama, a small country in Central America where I have met both the richest and poorest people in my life. The inequality rate of Panama is shocking, especially when taking into consideration that Panama has the third highest GDP per capita in Latin America (Nordea Trade, 2021). Additionally, the economy could be described as a text-book definition of neoliberal and capitalist economy: low taxes, open markets and trade, and strong, internationally-oriented, banking and financial sector. Sadly, corruption cases and inequality have been increasing for years now, but the political elites have not yet changed.

In my mind, I could not understand how these capitalist elites came to be, how could they be considered legitimate when social reproduction happened time and time again?

If people vote for their political representatives, how come these have no interest in breaking the circles of poverty in the country?

For this study, my tutor asked me “what is it that you want to talk about, what is your main interest?”. At the time, it was uncertain. I had wanted to talk about US invasion in Panama which happened in 1989, but later realized this invasion had not created the pro-American, neoliberal political and economic elites that now rule the country. I realized then, that my interest for this study was to understand why neoliberal policies were pushed to developing countries, and in turn, how these changed domestic structures. Luckily, during my exchange, one professor mentioned in passing the transnational capitalist class approach to International Relations, a theory that I decided would be the central theoretical lens of my research.

In my personal opinion, sometimes we forget that the present international economic system came to be by a series of personal, technological, political circumstances. Not so much for its efficiency on the long-run. This is what Yuval Noah Harari (2011) concludes in his book, stating the importance of understanding the history that constructed our reality, so that we can empower our societies to change it. In line with this, the attempt and main objective of this research is to shed a light on how neoliberal practices were pushed from the US elites to International Organizations – mainly, the World Bank and the International Monetary Fund – and how these in turn changed domestic political and economic structures.

Even though the transnational capitalist class theory may seem radical or a conspiracy theory to some, I believe the reason is only because it goes against the hegemonic practices of today’s international capital flows. If more academics delved into this theory, surely more conclusions on the need for a change of ruling elites would arise. Ultimately, questioning the influence of capital elites in policy making is beneficial for democracy, for this practice allows political decision-making to be legitimate. To conclude, this topic of research is important because it provides a new approach to the popularization of neoliberal policies, and integration of capital markets. After this COVID-19 pandemic, policy making and political decision-making have to be effective, social and sustainable if countries attempt to improve the unequal situations that have been aggravated by the crisis, and the only way to do so is by understanding the

construction of our economic and political systems, and the dynamics between business and politics.

In order to achieve this purpose, the main objective of this research study is to shed a light on how neoliberal practices were pushed from the US elites to the World Bank (WB) and International Monetary Fund (IMF), and argue that these have created new transnational structures affecting Latin American democracies. By achieving this objective, the research can raise the question of the legitimacy of the Structural Adjustment Programs, and bring awareness on the importance of neutral international institutions that can provide guidelines and advice based on know-how and research, not because of ideological influence.

II. State-of the-Art & Theoretical Framework

The study of US policy is no strange matter to International Relations (IR) academics. Specially with regards to the Cold War context, these policies can be analyzed through various levels and approaches. From a Structural or Domestic level, using either a Marxist or constructivist lens, to a Realist or neoliberal one.

This part of the Bachelor Thesis will discuss the literature review and theoretical framework for the analysis. It will start by explaining the difference of a structural versus domestic levels and discussing why both should be taken into account for a proper analysis. Next, the framework will provide an overview of Marxist historical materialism approach and dependency theory, since they are the groundwork of the Global Capitalist Theory, which will be used for this analysis. Concepts from the Global Capitalist Theory, such as transnational state and transnational capitalist class will also be revised. Additionally, the framework will include key ideas from Corporatism that will enrich the Global capitalist theory.

In the study of International Relations there are two main approaches: Systemic (or structural) and Domestic. For example, Waltz's Systemic approach to IR examines

states through a neoclassical lens and sees states as rational entities that seek their own survival in an anarchical, international system. In this neorealist, structural approach, the state acts on its own accord and reason. Thus, all states are similar in nature since they are all similarly constrained by the system, and the only clear difference is in the balance of power (Waltz, 1979).

Counter-positioned to Structural level, we find the Domestic level of International Politics, which believes home politics influence inter-state relations. As Fearson (1998) explains, Domestic politics are worth evaluating because they are valuable in two accounts: either by explaining the exception to the rule (i.e. it can explain states engaging in suboptimal practices, instead of being rational), or by bringing to the table more information on the foreign decision-making process.

Although an academic analysis can focus on either Structural or Domestic level, understanding both is crucial to deliver an appropriate and well-rounded representation of the events. In order to properly understand the US influence on economic international organizations, such as the WB and the IMF, it is necessary to consider the political implications in the domestic framework, since “foreign policy begins where domestic policy ends” (Kissinger, 1966, p. 503). For this reason, throughout this thesis this political influence will be considered as part of the American Foreign Policy agenda.

Concretely, US foreign policy has been heavily influenced by domestic politics and the American political system (Johns, 2018). Domestic considerations become even more relevant in the revision of history, such as in this thesis, for these considerations “should be part of any balanced judgement of history” (Johns, 2018, p. 4).

Although the analysis focuses on a Global capitalism theory, which works on a structural level, it will still be relevant to maintain our awareness of the domestic dynamics that influence capital, power and politics. However, before explaining the theory, a description of Marx’ Historical materialism approach will be conferred. The Historical materialism is the base of the Global capitalist theory, hence, the understanding of this Marxist theory is vital for its proper implementation.

Historical materialism refers to a dialectic and materialist approach to the study of history. It is both dialectic because the nature of the subject is in constant change and interconnected with several other variables; as well as materialist because the catalyst of these changes is not ideas, but the political, social and economic trends at the time (Stalin, 1940). To Marx, the nature of the world is material and is through the changes in its resources, that ideological change can arise. Through this approach, individuals and ideology are pushed aside in the study of history, while the material reality is brought to the foreground.

In addition to the Historical materialism, we find the dependency theory. Although there are various assumptions regarding this theory (see Lenin, 1967; Dos Santos, 1970; Sunkel, 1972; and Caporaso, 1978 & 1980), the dependency theory focuses on the influence imposed by those hegemonic structures or powers, both international and political, in local structures. Nevertheless, some authors see dependence as a zero-sum game, defining dependence as “a situation in which the economy of certain countries is conditioned by the development and expansion of another” (Dos Santos, 1970, p. 231). Namkoong (1999) summarizes Caporaso’s (1978) assumption on this theory, where external and internal circuits are seen as in constant interaction with one another, leading to a distorted path for non-industrialized countries to reach development.

Global capitalist theory derives from the Historical materialism approach, since the focus of both is placed on capitalism and capital movement; and it also shares with the dependence theory its focus on the interconnectedness of external-internal dichotomies. The global capitalist theory, as presented by William L. Robinson (2011), offers a “macrostructural perspective” (p. 349) to understand the global elites. It differs from previous theories since it places the emphasis on globalization as a driving social and capital force that has led to the shaping of domestic social and economic structures, which in turn has had an influence in national politics.

Before the global capital, capitalism grew across the nation-state territories or colonial territories (Garrid, 2017). According to Robinson (2011), globalization became the most viable way of capital accumulation after the 1970s, and the rise of this new international system led to a “new epoch in the ongoing evolution of world capitalism” (p. 350). Robinson (2011) defines globalization as a process “characterized by relatively novel

articulations of social power which were not available in earlier historic periods” (p. 354).

In this context of transnational capital and global systems, transnational capitalist class (TCC) emerged. With this new transnational class, elites became divided into two groups: nationally-oriented and transnationally-oriented. The first type is responsive to social reproduction (i.e., the generational reproduction of inequalities) in their states, since they depend on these for legitimization and support. On the other hand, transnational elites do not focus on the social inequalities, but on promoting capitalist globalization by the integration of their domestic production and financial system into the international circuits (Robinson, 2011).

Robinson (2011) depicts the elites as groups with “dominant political, social, economic and cultural strata” (p. 351), which influence and status comes either directly from the production of capital value, or are indirectly dependant on this capital reproduction. It is this dependency on capital that has caused transnational elites to be less responsive to domestic issues of the population and more involved in the transnational capital movements.

The author describes four consequences from capitalist globalization: (1) “new capital-labor relation” arising from deregularization of labor, (2) “extensive and intensive expansion” causing nation-states to become part of the capitalist system and impacting the public and social domains, (3) a new “global legal and regulatory structure” to facilitate the accumulation system by easing the flow of capital across borders, and (4) the enforcement of the neo-neoliberal model in former colonial territories and post-war Europe through, for example, Structural Adjustment Programs in Latin America, or Marshall Plan in post-war Europe (Robinson, 2011, p. 353). Other examples of this tendency towards integration into capitalist globalization are the export processing zones and free trade agreements (Robinson, 2011; Garrid, 2017). These agreements allow corporations to have transnational rights which, in turn, “limit the ability of governments, present and future, to moderate or escape from free-market principles” (McBride & Shields, 1993, p. 161).

Thus far, the global capitalist theory has been placed on a structural level. However, there are domestic considerations as well. First, territorial boundaries delimit power dynamics while also working as an “expression of property rights and their administration” (Prudham & Coleman, 2011, p. 13). Thus, the state is intrinsically related to property. For this reason, it is appropriate to include this relationship between the domestic structures and capital flows. The global capital movements and the integration of domestic financial and domestic production circuits into the international flux have an impact on national social, economic and political systems. With new transnational elites, and international focus of industries, the export-oriented areas of production thrived, whereas other industries had to compete with new imported products. The change led to a new distribution of capital accumulation, new industrial and financial elites, along with a new working, middle class. For example, as of 1996, the sub-Saharan African countries have had little export diversification since the implementation of the Structural Adjustment Programs, which have made some of these countries heavily dependent on very few commodities (Shepherd & Farolfi, 1999). This dependency, in turn, has shaped the economic and social systems which shift their focus towards these export-oriented raw materials such as coffee beans, cotton and cocoa. According to the global capitalist theory, this shift from “inward oriented development” to an “outward oriented development” has been pursued by transnational capitalist elites so as to create more integration between their national and the international economies (Robinson, 2011, p. 357).

In order to enrich the global capitalist theory, this study should be mindful of the assumptions proposed by the corporatism doctrine. Corporatism believes in the “organization of industrial society around functional economic groups” (Hurst, 2012, p.1). This approach shares with the global theory the ever-present relationship between domestic and foreign circuits, as Hurst (2012) argues, corporatism perspective has its focus “on the domestic economic sources of foreign policy” (p. 2). According to the author’s analysis on US Foreign Policy in the 1920s and 1950s, corporatism became a “political-economic system” where the state intensified regulation in the private-sphere, just as elites became increasingly influential in politics (ibid, p. 3).

One important assumption of corporatism that adds value to global capitalist theory, is its attention to sector divisions. In this sense, different classes from a single sector can

work together towards one political goal (Hurst, 2012). This assumption, however, does not necessarily reject the proposition of a new, transnational elite class. On the contrary, it means that if these elites' interest go in line with other classes, they will work together with middle and working groups to achieve more political pressure so as to achieve the elites' objectives.

Ultimately, the corporatism view reminds us that the state cannot be seen as merely the means through which capital elites advance their interests. In a strong transnational elite class system, the elites acquire political power that influence the state which, in turn, seeks to bring more capital accumulation and creation of new elites for the state's own interests as well. This creates a public-private collaboration that benefits both spheres (Hurst, 2012). In these transnational, neoliberal states, governance comes from three main services: (1) free movement of capital through neoliberal fiscal, monetary and trade policies, (2) infrastructure to facilitate global economic activities and (3) bring social stability by "sustaining instruments of social control and coercive and ideological apparatuses" (Robinson, 2011, p. 357-358). In this sense, the state gives some of its power through denationalizing certain components under its administration (Garrid, 2017).

These transnational state (TNS) are formed when the nation-state loses, at least partially, its ability to refrain economic action, thus becoming a TNS or "a state for globalizing capital" (Garrid, 2017, p. 280). These states are not really logical entities, but a byproduct of the changes in the systems of rights from the organized groups, thus it is important to understand the "system of rights that sustains capitalism" which has allow this economic model to flourish both nationally and globally (p. 281). Essentially, this transformation to a transnational state leads the nation-state to be less restrictive to transnational corporations' interests, whilst providing corporations new rights to demand nation-states to facilitate their accumulation of capital through policy change (Garrid, 2017).

Summarizing the main points of this theoretical framework, the globalization of capital has created new international capital flows that have had an impact on the social classes, domestic economies, and the state, specially after 1970s. The creation of new transnational elites, the transnational capitalist class, have led to a reshaping of social

and economic circuits. These elites may work alongside other classes in the same sector to administer the elites' influence and achieve their objectives; all of which takes place in the new transnational states, where corporations and capital accumulation gain more rights. However, these transnational states also benefit from the integration of their system of production and finance into the international spheres. In order to understand these new structures, domestic and structural considerations must be taken into account, since they are both in constant interaction.

III. Research Questions & Methodology

Through this study, the research expects to increase the academic interest for non-conventional theories, and raise awareness of the influence capitalist elites may impose over International Organizations and policy-making. This topic of study is of great importance, since these institutions should be of international nature and should not side with any state's agenda setting.

This study will attempt to explore if capital elites influenced WB and IMF decisions to push for neoliberal policies for the Structural Adjustment Programs during Latin America's Lost Decade in the 1980s. In order to raise reasonable doubt on the legitimacy of these neoliberal policies, and spark conversation regarding the lack of local knowledge and lack of alternative paradigms to resolve the Latin American Debt Crisis.

For this research, the author has decided to implement the Global Capitalist Theory to study the relationship between the US economy and the WB and IMF. Through a deductive reasoning and applying the concepts and data found in academic literature, the author seeks to comprehend the influence capital elites may or may not enforce on policies and researched presented by the WB and IMF during the 80s.

Through extensive research on academic papers, the author will interconnect several theories and concepts to argue that the Structural Adjustment Programs (SAPs) in Latin America were pushed because of a rising capitalist class which grew in academia,

central banks and politics. The present study chose to focus on Latin America because of personal interest in the region, as well as the influence that the US had, and to some extent still maintains, over these countries. The Lost Decade was chosen as period of time for this study, since academics agree that the capitalist elites changed from 1950s and 1970s, to the 1980s after the Great Depression and the OPEC crisis (Robinson, 2011; Wendschlag, 2018). Finally, the author will focus on the institutions of the IMF and WB, since these were the main advocates for the SAPs in Latin America, and then later again in the 90's for the crisis of the Asian Tigers. Additionally, the IMF and the WB are two sister institutions that originally stood for a Keynesian doctrine, but later showed to be neoliberal and pro-American hegemony.

To develop the main argument in the analysis, this study will use the key concepts and arguments from the literature and expand these conclusions by interrelating these together. Some specific examples will also be provided so as to better illustrate the argument. Basically, the present research will comprise two premises: (1) American interest groups and capitalist elites shape American policy, (2) American policy influences the WB and IMF policy recommendations. In order to reach the third point of the argument (3) American interest groups and capitalist elites influence the WB and IMF, at least indirectly.

Finally an analysis focused on transnational capitalist class will be included. This last analysis will take from the previous two assumptions, in order to develop the conclusions. For example, if the WB and IMF pushed for neoliberal reforms, we could infer these were influenced by the interest of certain capitalist classes. These reforms replaced the import-substitution industrialization (ISI) practices, and reshaped domestic economic structures. By doing so, according to the transnational capitalist theory, these have shaped domestic elites, with a new emergent transnational capitalist class.

PART II

Introduction to the Analysis

The World Bank Group and International Monetary Fund are two sister institutions that remained after the breakdown of the Bretton Woods system that began in 1944 and ended in the 1970s. Originally, both followed the Keynesian doctrine, which argues in favor of government intervention to rectify failures in the markets. Keynesianism believes that the *laissez-faire* will not achieve full employment, and that mix economy is needed so that the governments can focus on the activities that the market itself cannot regulate – for example, price stability (Jahan, Mahmud, & Papageorgiou, n.d.). This economic doctrine gets its name from John F. Keynes, one of the founding fathers of both the IMF and the WB. Although they are sister institutions, these entities work independently and each performs different functions, although often times they work in coordination.

Regarding the IMF, this organization focuses on balance of payment issues, providing aid mainly through loans. Other functions of the IMF are surveillance of economic risks both at the global and national levels; as well as, capacity building through technical assistance. The IMF is primarily financed through a quota-based system, but this institution can also draw money from multilateral or bilateral lending (International Monetary Fund, 2021).

Additionally, the World Bank Group works as a counterpart to the IMF. This institution comprises 5 different apparatuses of international lending: (1) International Bank for Reconstruction and Development; (2) International Development Association; (3) International Finance Corporation; (4) Multilateral Investment Guarantee Agency; and (5) International Center for Settlement of Investment Disputes. The World Bank was created to provide loans for infrastructure projects to rebuild European cities after

World War II. However, it later shifted its focus to Latin American, African and Asian countries from the 1950s onwards.

These two institutions have been criticized as pushing for neoliberal reforms, specially through the implementation of the Structural Adjustment Programs (SAPs). The SAPs were a set of conditional loans, created as a response to the debt crisis in several developing regions in the 1980s. These aimed to “establish budgetary stability and growth” (Oxfam Policy Department, 1995, p. 2), by means of reducing public spending, increasing taxes on goods and services, and neoliberalization of trade. The SAPs attempted a “export-led recovery” (Oxfam Policy Department, 1995, p. 2), that benefited only export-oriented industries, while at the same time increasing domestic competition by reducing restrictions on imports.

These programs were implemented in Latin America, Africa and Asia as well. However, in Asia these programs were implemented later on, during the Asian Crisis in the 1990s. It is important to clarify that for this thesis; the analysis will focus on Latin America. The consequences of the SAPs led to higher inequality in this region, where the poorest groups carried the weight of the measures. On the other hand, these neoliberal reforms created a new “middle class of entrepreneurs” who, alongside traditional dominant ruling classes, where the most benefited by the SAPs (Veltmeyer, 1993, p. 2084). This new middle class led to a shift in social domestic structures, influencing the dynamics among classes, and the political and economic power distribution.

Throughout the analysis presented, this research attempts to explain the social, political and economic consequences of the SAPs in Latin America through Global capital theory. First, the author will introduce the two premises: (1) elite groups shape US policies, and (2) US position on policies influence the WB and the IMF. Leading the author to believe that, (3) US elite groups have an influence in Latin American policies. Finally, a last analysis focusing on how these measures led to the establishment of transnational capital networks. For these reasons, the WB and IMF are key instruments to lobby for neoliberal reforms and integration of markets, specially during the 80s with the implementation of the SAPs.

I. American Elites and their Influence on Policy-Making

Before addressing the first premise on the interest groups and their influence on US policy, this author will review again the definition of ‘elites’ that will be used throughout the discussion. As previously mentioned, Robinson (2011) describes elites as a dominant group that can influence the decision-making process. As pointed out by the WB itself (2017), “policy making does not take place in a vacuum” (p. 51), rather it is a dynamic process of interaction among actors, each with their own interests. It is in this process that elites interact among each other to push policy changes according to their preferences. It is important to highlight, that these elites can also push for popular interests, not only their own. Notwithstanding, for this research the elites discussed will be transnational capital elites which seek more integration of markets through the increase of capital flows, thus influencing policies towards neoliberal goals. The influence of these capital elites on politics is nothing new, in fact it has been noted that “more concentrated economic power tends to lead to concentrated political power that reflects this economic distribution” (World Bank, 2017, p. 212). Meaning, there is a tendency of strong capital elites to centralize political power as well.

The practice of lobbying illustrates these economic-political dynamics. Through lobbying, firms have a higher influence over governmental politics (Giovannoni & Campos, 2017). These authors quote findings of Faccio (2006) who concludes that firms “can obtain political influence by having direct relationship with politicians” (p. 918). Although lobbying is regulated in the United States, it does show how organized elites can influence the decision-makers, thus having an impact on policies. Through lobbying, organized capital elites and/or firms can push issues on the political agenda, thus influencing the political decision-making process.

Leslie Sklair (2002) addresses this issue of organized elites and their influence on regulations and policies by analyzing the example of the tobacco industry in the 1990s. The tobacco companies have faced global regulations on marketing, limitation on

smoking areas, and public awareness of the health issues related to smoking, leading to believe that the tobacco industry must have been struggling at the time. However, the author notes that “although sales in First World countries declined in 1990s, premium price brands, notably Marlboro, increased their market share all over the world” (p. 152). This profit comes from these companies’ strategy to shift their focus towards developing countries and former Soviet nations to compensate for the decline of cigarette sales in developed nations. In this article, Sklair even predicts that these companies will continue making profit as long as transnational capitalist class retain global capital power, mostly since this shift to foreign markets was facilitated by the international trend of “deregulation of foreign investment and trade” as well as “strategic alliances between local and global cigarette companies” (Sklair, 2002, p. 152). Additionally, these companies need strong social groups to support them, otherwise they would not have thrived in developing nations, especially with increasing anti-tobacco movements. However, since this industry was supported by transnational elites, and also influenced politicians through strong lobbying practices, these transnational corporations have been able to increase their sales in foreign markets from 1970s to the 1990s.

The influence of elites on American policy making can be interpreted as central to American political culture. Domhoff (1990) highlights this tendency, for he concludes that the American political agenda in the interwar period shows that “at least some business internationalists with access to the White House and State Department were proposing a dramatic alternative vision for the American economy” (p. 162). McLellan & Woodhouse (1960) agree on this too, mentioning that “economic development in the United States began under a constitution tailored to the needs of emergent mercantile and industrial interests” (p. 172). The fact that several authors agree on the influence of business elites on policy-making in the US, indicates that the economic and foreign policy is conditioned by the interest of private industries and interest groups.

Even by 1960, McLellan and Woodhouse already stressed that governmental developments have often been influenced by private initiatives. Nevertheless, these authors mention the heterogeneity of American elites, for not all of them have the same interests. For example, during the implementation of the Bretton Woods system, capital elites showed “ideological divisions” within themselves. These divisions coincide with

the same sectorial differences previously seen with corporatism in the Theoretical Framework. According to McLellan and Woodhouse (1960) describe the divisions of interest groups: on one hand, transnational capital elites supporting the system benefited from more intensive trade and foreign investment and had an “international outlook” (p. 173). On the opposing view, national elites— notably congressmen – “distrusted and rejected” this system, for it could jeopardize national sovereignty (p. 174). Ultimately, the United States supported the Bretton Woods system, mainly because these national elites were concerned about the spread of socialism, ending the tensions between the two groups. It is worth noting that the IMF and the WB are the two institutions left from the Bretton Woods system, and this example evidences the neoliberal precedents of these entities.

Hitherto, the examples provided by different authors have shown that transnational capitalist class have had influence in political decision-making both with the tobacco industry and the Bretton Woods system. These examples are relevant to our topic of study because they coincide with the historical period this research focuses on (Cold War, specially during the 1980s). At the same time, the fact that transnational elites supported the Bretton Woods system stands as an antecedent to the international tendencies that took place in the 1980s, while the example of tobacco lobby in developing nations stresses the importance of understanding the dynamics between transnational elites and policy-making. These authors and subsequent examples indicate that transnational elites do play an important role on American policy making, and should be included in the analysis of its foreign policy. Following, the second premise, how the US political position influences the WB and the IMF, will demonstrate that the domestic dynamics between capital and political elites, by shaping the US policy stands, can influence the IMF and the WB position on economic development.

II. American Elites and their Influence on the World Bank and International Monetary Fund

Thus far, the research has shown that American elites influence policy-making in the US. Simultaneously, US position on economic policies is reflected on the decision-making of the WB and the IMF. As Strokes (2005) highlights, US trends on foreign policy have grounded the “development of global capitalism” (p. 217). Additionally, US global leadership during the first years of the WB and the IMF has led to an inclination towards American hegemonic ideology, notably on economic policy. This hegemonic influence of American policies is a result of a “long-term commitment” of the United States to reproduce the capitalist system globally in which the country experiences a “predominant position” (Strokes, 2005, p. 221). During the postwar context, the US elites sought to maintain their leadership by creating a neoliberal international order that would benefit US international position as global capitalist leader (ibid.).

Notwithstanding, the influence of leaders on the hegemonic economic practices and ideologies is not new. For example, the ideology of central bankers and academics has often influenced monetary practices in countries. This is not a strictly American characteristic, yet US is notably one that managed to influence the global capital system during the postwar era. To exemplify this influence of the neoliberal hegemonic shift in ideology, this author highlights the shift of central bankers’ background during the 1980’s. At this period in time, the central bankers not only started seeing a change towards a market-oriented economy, but several of them had experiences working in the private sector, counter-positioned to their predecessors who mostly had a background working at public offices (Wendschlag, 2018). This change shows the “transformed view of the financial markets” towards a neoliberal economy (p. 16).

The WB and the IMF were not immune to this transformation towards neoliberal practices. On the contrary, these institutions are often criticized for their pro-American ideological tendencies (see Wade, 2002; Woods, 2003; Clark & Dolan, 2021). For example, Wade (2002) recounts two cases of US influence on matters of the WB. The

first example is Joseph Stiglitz' "forced resignation" in 1999 (p. 221) and the second one is Ravi Kanbur's resignation, although, for this analysis, only the first case will be explained in detail.

Stiglitz is an American economist and Nobel prize laureate, who had been the WB's chief economist from 1997 to 1999. This position allowed him to "shape the content of what the Bank tells the world about how countries should reduce poverty" (Wade, 2002, p. 220). During that time, Stiglitz was openly critical about various issues in the IMF and the Bank, including their handling of the Asian Crisis in the 1990's (Stevenson, 1999). Upon his resignation, Stiglitz claimed that he felt pressures to act and agree on certain policies that he considered misguided (Wade, 2002). In fact, a year later he wrote a piece on *New Republic* stating: "I saw how the IMF, in tandem with the U.S. Treasury Department, responded" (Stiglitz, 2000). This affirmation shows how the IMF – and the WB as well— work alongside the US Treasury Department, following the same ideals. This is problematic, since the IMF and the WB, being international organizations, should not be influenced by any American institution's agenda.

These sister institutions should be impartial to any governmental position, specially since this influence could affect their decision-making on guidelines, policy recommendations, research and knowledge production. Nonetheless, American influence on the IMF and the WB can be traced back to their origins. For example, during the Second World War, the US began a foreign policy plan to create a 'Grand Area' that would benefit the economic activity of the US, comprising the "West Hemisphere, the United Kingdom, the remainder of the British Commonwealth and Empire, the Dutch East Indies, China and Japan" (Domhoff, 1990, p. 160). The strategy was for the US to increase their exports of manufactured and agricultural products to this Grand Area, while importing their raw materials. Therefore, the US would need to protect this area from the influence of Germans and the Soviet Union (Domhoff, 1990). The US then "supported the IMF as part of its overall vision for the functioning of the postwar world economy" (p. 182), and this vision meant – as Domhoff quotes Gaddis (1972) – "restoring the free flow of the world trade within a capitalist framework" (Domhoff, 1990, p.158). Additionally, the same author concludes that American elites were involved in the "postwar planning that lead to the creation of the IMF" through the

Council of Foreign Relations, an American thinktank (p. 182). This again, reinforces the idea of the IMF and its neoliberal, pro-American precedent.

These ‘back office’ negotiations and power-dynamics are dangerous for the legitimacy of the IMF and the WB, for these should apply the transparency and accountability they request from developing nations, both with their own officials and with governments from Global North (Oxfam Policy Department, 1995; Clark & Dolan, 2021).

Especially during the implementation of the SAPs, the fact that these institutions were influenced by the American economic thinking allows us to raise a reasonable doubt about the legitimacy of these programs. It leads us to believe these programs may have been pushed to benefit American trade and to facilitate capitalist flows, instead of providing a solution that would be better suited for the Latin American debt crisis. This second premise, the influence of US elites on the IMF and the WB allows us to reach the conclusion that then the US elites can influence the economic and social structures in Latin America through these economic institutions.

III. American Elites’ Influence on Latin America through the the World Bank & International Monetary Fund

After accepting the influence of US elites on US policy, and by extension influencing the IMF and the WB, we can deduce that these elites had influence on Latin America economic and social structures. Not only with the implementation of the SAPs, but through practices of policy training, these institutions have pushed for reforms that, in turn, have changed domestic structures in Latin America. These new domestic structures, have paved the way for transnational elites to arise, leaving ongoing consequences on Latin American economic and social dynamics.

Before delving into this last point, as a precedent to US elites influence through multilateral institutions, it is worth mentioning that during the beginning of the Cold War, American leaders sought stability in the continent by pushing containment policies through the “pre-existing state structures and local ruling class” – i.e., nationally-

oriented elites (Strokes, 2005, p. 222). Meaning, that at first the US influence was directly through domestic structures, but it did not attempt to change these, just reinforce the elites' position as leaders. However, in certain occasions US policy became aggressive towards legitimate governors that were not favored by American institutions (Strokes, 2005).

With this in mind, we can determine that influence through multilateral institutions is much more effective in the longrun. Not only because the guidelines and policies provided by international organizations are often seen as legitimate and knowledge-based, but because unilateral influence can be frowned upon and seen as aggressive or as a threat to another country's sovereignty. For this reason, international organizations become an effective amplifier of a hegemon's authority, for it allows its sphere of influence to outreach other countries.

To illustrate the influence of IMF and the WB by shaping local elites, this author will provide the example of "transnational capacity building" (Broome & Seabrooke, 2015, p. 956). In their text, Broome and Seabrooke (2015) see the IMF and the WB as "agents of globalization that promote policy changes" (p. 956), this causes them to become drivers of normative ideologies and influence national political authorities and elites to adopt reforms. These institutions impose conditionality to their loans in order to foster one cohesive global policy language, but also provide transnational traineeships to political actors. This process is called 'socialization' – i.e., a "social process which involves the teaching of norms and their interest of actors that changes how they conceive of their collective identity and their interests" (p. 957). These authors argue that international institutions implement their authority to shape the way national elites and politicians understand and react to economic issues. The problem is that this homogenization of ideology can lead decision-makers to ignore other important aspects to consider in policy-making. On top of this, homogenizing global rules leads to other countries to follow the hegemonic ideals, which in the 1980s, was to follow American democracy and neoliberalism. In fact, authors have noted that countries who favor US policies tend to receive more aid than those who are non-aligned with the American position, thus forcing countries to follow the neoliberal hegemon (Andersen, Hansen, & Markussen, 2006).

Besides, these training experiences give more national legitimacy to the officials to face economic problems, since they follow the ‘knowledge mandate’ of these international organizations. However, as previously stated, this practice leads to a homogeneity of economic ideology in policy making. On one hand, this could be helpful to foster coordination among different national policies, which enhances neoliberalization of trade and allows a cohesive strategy when facing a global financial or economic crisis. On the other, it obstructs the adaptation of alternative measures; it could even impede the assimilation of neoliberal policies through the domestic knowledge, for a proper assessment of domestic economic issues and policy making.

In addition to this policy-makers training, the IMF and the WB seek for ‘sympathetic interlocutors’, this being domestic political authorities that share the neoliberal ideology of the IMF and the WB, so they become sympathetic to the guidelines of these institutions. As the authors state: “the diffusion of global policy norms by the IOs often depends on domestic reformers who push for changes in their institutional environment” (Broome & Seabrooke, 2015, p. 961). These sympathetic interlocutors and training programs, foster the neoliberal agenda through transnational elites, while at the same time shape domestic structures by legitimizing policy-makers that agree to these policies, thus giving them more knowledge authority in economic matters.

Aside from these practices, the Structural Adjustment Programs influenced Latin American countries’ economic and social structures, by implementing neoliberal policies that benefited US elites. These conditional reforms were promoted by the IMF and the WB as a precondition for countries to receive loans or negotiate their debt. These came during the 1980s, after several countries in Latin America had become indebted with foreign banks to support government spending and imports leading to “massive budget deficit and public foreign indebtedness” (Crisp & Kelly, 1999, p. 537; Bresser Pereira, 1993). In fact, the amount of debt from developing countries to American banks, totaled \$130 billion by 1986 (Amegbe, 1986-87). Additionally, the repayment was difficult due to rising exchange rates resulting from American trade imbalances after the OPEC crisis in 1973 (Destler, 1991). Even though the debt crisis in Latin America was a result of different structural and domestic conditions, at the time it was considered that “the statist model had created the crisis” (Crisp & Kelly, 1999, p. 534), so the IMF and the WB responded to this debt crisis with neoliberal adjustments.

The SAPs advocated in favor of an economic mix for countries: (1) neoliberalization of trade; (2) exchange rates and tax reforms; (3) financial reforms; (4) privatization and reform of public companies (Crisp & Kelly, 1999). For each country, the financial institutions provided a specific bundle of these adjustments. Through these market-oriented reforms, the IMF and WB aimed to counter the consequences of the state-led economy. Nonetheless, there is only a weak relationship between these adjustment measures and positive economic growth (Crisp & Kelly, 1999). As the authors explain, countries that implemented these reforms early did not necessarily see a more continuous growth. For example, both Chile and Bolivia implemented extensive adjustments, but Chile experienced economic growth for 8 out of 10 years; whereas Bolivia only 1 year, out of 10. Also, neither did countries that receive conditional loans from these programs experienced faster growth than other countries that did not receive these loans (Mosley, Harrigan, & Toye, 1991). Yet, the authors conclude that, overall, the SAPs presented a moderate positive impact in the short run. At least, these programs did not prevent economic growth and helped lower inflation.

The SAPs at the same time had a social dimension that was often ignored during the policy-making, this resulted from their short-term measures which did not “focus on long-term poverty alleviation” (Crisp & Kelly, 1999, p. 542). The conditions implemented rose the prices of market goods and imports, increased unemployment, and reduced government subsidies and services. Even with the long-term view of the Washington Consensus, poverty reduction was ignored (Williamson, 1990). Indeed, the World Bank (1990) agrees that “little attention was paid to the effects on the poor” (p. 103). Then again, Crisp & Kelly conclude that the SAPs did not aggravate poverty, although poverty and inequality rates remained high. Still, it is important to take into account that the data shown by Crisp & Kelly in their report is based on quantitative data on real income and income distribution (Gini Coefficient). Their study does not consider education levels, health or life conditions as indicators of poverty, indicators that nowadays are imperative in the correct study and analysis of multidimensional poverty (e.g., the Human Development Index or the Global Multidimensional Poverty Index).

Counterposition to this quantitative study, is the Oxfam critiques on the SAPs. Through a qualitative research they present how these reforms failed the population in Latin America and Africa. First, they denounce how these programs were designed in Washington without the participation of citizen representation or non-governmental organizations (Oxfam Policy Department, 1995). Oxfam also points out that “stock market booms, fuelled by privatisation, have been mistaken for stable recovery” (p. 9). As mentioned before, this critique to the the understanding of a stable recovery coincides with the prior notion of development, which were based on economic growth.

In their critique, the authors claim that the export-led recovery should not have been a short-term plan, for it excluded social recovery in their reforms. Additionally, these programs should have “incorporated a wider strategy for regulating international supply and demand”, especially since these exports were focused on primary goods such as agricultural products, which are very sensitive to market prices. Lastly, this study supports the claim that the shift towards an export-oriented market benefited only elite traders from the increase in market prices (Oxfam Policy Department, 1995).

As an example to illustrate this point, this analysis brings the loan description from the WB to the Republic of Panama (see Figure 1). This report stresses how the economic recovery will be led by the private sector, specifically that with comparative advantage for exporting. At the same time the government spending has to reduce its allocations. It does include social services, such as the health sector and infrastructure for transportation however in this instances the government can only “undertake a series of studies and technical assistance” (World Bank Group, 1983). These conditions left the state as a mere bystander of the recovery plans, instead of including it as an active participant that could regulate flaws in the market.

Figure 1: World Bank's loan description for the Republic of Panama

Loan Description: The proposed loan would support the Government's structural adjustment program and economic recovery by directing economic activity towards areas of Panama's comparative advantage. The strategy aims at creating new growth opportunities by re-orienting the economy towards accelerated production, by the private sector, of goods for export. The main areas covered include (i) greater efficiency in both the allocation of resources within the public sector and reduction of its scope; and (ii) measures to stimulate greater export orientation and increased employment in the manufacturing sector; (iii) a new agricultural policy geared towards greater efficiency, and a higher volume of goods for export. Supported by the proposed Technical Assistance Project, the Government would also undertake a series of studies and technical assistance designed to strengthen the Social Security Agency, extend and deepen reforms in the agricultural and industrial sectors, improve efficiency in the health sector, and improve utilization of transport infrastructure in the vital trans-isthmian corridor.

Note: Retrieved from World Bank Group (1983)

To conclude, because of the influence of the US in the IMF and the WB, these institutions were biased towards neoliberal reforms, which were imposed to Latin American countries. Not only through conditionality, but with training programs and sympathizers, these international organizations manage to promote a neoliberal ideology in different countries. During the implementation of the SAPs, the social impact of the reforms was not discussed enough, leading the most vulnerable groups to bear with the consequences of these policies. At the same time, this led to a legitimacy crisis for the governments who were unable to reduce the inflationary tendencies, resulting in higher consensus in favor of a new change in government (Lüders, 1991).

IV. Transnational Capital Class Analysis

The Structural Adjustment Programs are an example of how the IMF and the WB strengthened the transnational elites of Latin America, legitimizing those interest groups who benefited from neoliberalism and globalization of their economies. As it has been presented, these institutions are influenced by US policy-makers and elites, who advocated for neoliberalism as the best option against state-led economy or communism. At the time, the US sought for new open markets for investors and trading that would remain influenced under the American hegemon (Strokes, 2005; see also Shoup & Minter, 1977). This interest to expand global capitalism was not in response to communism during the Cold War, but rather a way to strengthen American businesses (Ikenberry, 1996).

Certainly, at the time neoliberalism may have seemed a safe bet, however these organizations failed to include other viable options, it was either a liberalized economy or no loans to aid these countries. They also failed to include local perspectives and knowledge, and other interest groups. The fact that the American hegemony had such influence (and arguably, still does) in these international entities is a cause for concern. Any international institution should be neutral to state-agendas, and seek to become a neutral knowledge authority in order to provide proper guidance to various economic issues. As Clark & Dolan (2021) argue, citing Martens et al (2002) and Milner (2006), “multilateral donors are thought to be more insulated from these [political objectives] pressures”, and their aid should push for development objectives (Clark, Dolan, & Lindsay, 2021, p. 36). The long-lasting consequences of the SAPs still affect Latin America who keeps struggling with poverty and inequality, both neglected during the incorporation of the adjustment programs.

The fact that social issues were ignored during the Structural Adjustment Programs coincides with Robinson’s (2011) account on the interests of transnational class. Meaning, these reforms stayed at a transnational elites’ level, whose policies focus on “national industrialization and expanding internal markets” (p.351) based on a neoliberal ideology. Whereas, if these reforms had involved nationally-oriented elites,

then issues such as social reproduction would have arisen in the discussion. Especially if taken into account that by the 1980s, alternative theories such as Keynesianism and dependency theory were known by scholars and policy-makers, and they would have provided a different focus to the Latin American debt crisis if allowed, where the structural conditions and social impact were considered. However, as Oxfam denounced, these programs transferred the Latin American government's economic sovereignty to "remote unaccountable institutions in Washington, controlled by the governments of the North" (Oxfam Policy Department, 1995, p.4). The accountability and democratization process was only required to the loan borrowers, however it was never expected from either the governments in the Global North nor the international institutions. In fact, the WB lacks transparency on the conditions on the programs designed for individual countries (Clark & Dolan, 2021).

On the other hand, the SAPs helped transnational capital flows to grow along the continent. They were perfect tools to achieve a "single unified field for global capitalism" (Robinson, 2011, p. 353) by introducing Latin America to international market flows and by imposing the neoliberal model to these countries. These in turn, led to an export-oriented industrialization for the borrowers, where the global capital expanded "vertically across the global North/South axis" creating a new transnational capitalist class to get more economic and political influence (Dello Buono, 2012, p.373).

Additionally, the structural adjustments had an effect on domestic politics. Not only because, as it has been mentioned previously, it legitimized those actors who promoted neoliberal reforms. Which is something the IMF still does through sympathetic interlocutors and training. Also because, just as foreign policy is an extension of the domestic policies, as people "tend to project and internationalize conceptual frameworks first articulated at home" (McCormick & Thomas, 1982, p. 326), whatever stands are taken in the international arena will have an impact on domestic policies, especially if taken into account that the countries do not want isolation and, specifically, Latin American debtors were in desperate need of financial aid.

Ultimately, these Structural Adjustment Programs benefited export-competitive industries and led to a new transnational elite that aligned with American neoliberal

ideology. These transnationally-oriented elites gained economic and political influence that led to more neoliberal integration and open trade— for example, through the establishment of MERCOSUR, Latin American Free Trade Association or LAFTA, and the Central American Common Market (Dello Buono, 2012). This integration led to a stronger financial and economic transnational elites, leaving social reproduction and local issues on the background, while steady and consistent capital flows steps are brought to the foreground.

PART III

Conclusion and Proposals

The topic of transnational elites is an interesting approach to understand Latin American realities. Not only does this approach allow to interpret domestic dynamics in social, economic and political structures, but it also provides a valuable insight to policy making. Although the SAPs were implemented in the 1980s, the longlasting consequences on poverty and inequality still have an impact today, and it is worth noting that IMF and the WB have at least a partial responsibility on these effects. The political and economic considerations that were implemented in Latin America during the 1980's, have led to a dependency on neoliberal policies, big businesses and trade for economic growth, but have failed to include a more comprehensive understanding and response to development in the region.

This paper focused on proposing how American elites can have an impact on the creation of foreign transnational elites, at least indirectly. Through this final thesis, this author hopes to spark interest on the study of transnational elites and their impact on domestic structures. Several follow up studies can be proposed to delve into this topic. For example, a case study analysis would provide more qualitative interpretation on how the SAPs influenced the social structures. On the other hand, a comparison between different Latin American countries would also enrich this study and allow us to achieve more conclusions on the matter. At the same time, analyzing how the trade

deficit and economic relations between the US and Latin American countries would provide a more detailed study on the transnational elites and their effects on economic and trade policy. At the same time, other objects of study, such as Free Trade Agreements, instead of focusing on the Structural Adjustment Programs would have provided interesting details on the consequences of trade and production chains across national borders.

Additionally, this research focused only on Latin America, but analyzing how the structural adjustments influenced African countries could have provided another approach so as to get a more comprehensive understanding of the relation between these programs and the establishment of transnational capital elites.

This research has presented itself as a great opportunity to better understand the consequences of the SAPs. At the same time, as the author, I believe this topic has been an excellent choice for a final thesis, for it has included several aspects of International Relations that I have been studying throughout my degree, while at the same time it has allowed me to add a new approach of analysis through a different theory. At the same time, this topic raises awareness of the impact of globalization on national structures that should respond to national issues, while attempting to maintain a global perspective.

As seen, this research works as a stepping-stone to other follow-up studies that can present academia with a more exhaustive comprehension of transnational dynamics and how these, in turn, can have an impact on societies. It is important to include the topic of transnational elites and its analysis on International Relations studies, because the influence of the elites on policymaking and international economic relations allows for a more comprehensive interpretation of international institutions, as well as the impact of domestic structures on the international arena. Especially nowadays when policies need to be socially and environmentally sustainable, it is imperative to acknowledge how international influences have shaped political and economic elites, for this practice of reinterpretation of domestic structures will provide more legitimacy to policy-making and political elites.

Ultimately, the formation of transnational states raises questions on the dichotomy of national and international apparatuses and their responses to global threats and crises. The transnational state present a different take on the traditional understanding of state sovereignty, as well, since a transnsational state is willing to lose certain control or sovereignty for a more intensive integration of capital flows and a better position in the global commerce. Furthermore, the transnational elites maintain their focus on international integration, but their political instruments remain nationally bound. For this reason, national administrations and elites focus should shift towards alleviating social reproduction and legitimizing public institutions, otherwise the international pressures can jeopardize the well-being of marginalized groups, and impede accountability and transparency of local institutions.

As presented throughout this research, international organizations can work as a platform to advance political or ideological positions. In this regard, if these organizations are understood as means to expand a hegemonic power, these would in turn become tools to amplify the area of the country's domain. Nonetheless, the objective of international institutions should be to correct imbalances in countries through their expertise and knowledge production, and be kept from being persuaded by any interest group's agenda. This understanding of mulilateral insitutions present another topic of debate: if, in fact, American hegemonic power influences the IMF and the WB, what would be the future of these organizations with the US losing its economic and political stand as an international leader?

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