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# The politics of capital mobility in dollarized economies: comparing Ecuador and El Salvador

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**ABSTRACT**
This article discusses the politics of capital mobility in dollarized Latin American economies. Building upon the Polanyian notion of double movement and the international financial subordination research program, I contend that the ideology of the governing party and the strength of popular mobilization still contribute to policy variegation in capital flow management even at the bottom of the global currency hierarchy. The case studies on Ecuador and El Salvador since the late 2000s provide support for this argument. In both countries, administrations led by post-neoliberal left-wing parties tightened capital flow management, while their right-wing successors gave a new impulse to capital mobility. However, these regulatory cycles varied according to the strength of popular pressures. In Ecuador, where social movements had a strong mobilizational capacity, post-neoliberal governments deployed encompassing capital controls, while their right-wing successor had to follow a gradualist approach in their liberalizing agenda. In El Salvador, on the other hand, given the relative weakness of the bottom-up pressure, post-neoliberal administrations pursued a targeted macroprudential approach, while the right-wing successor faced little resistance to implementing a radical neoliberal agenda that included even the adoption of bitcoin as legal tender alongside the United States dollar.

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Capital flow management; international financial subordination; dollarization; Latin America; post-neoliberalism; capital mobility

## Introduction

The global rise of neoliberalism paved the way for institutional changes that reduced the direct influence of elected governments over macroeconomic management, in addition to liberalizing reforms like the removal of trade barriers (Ban, 2016). Besides shifting the blame for the negative consequences of neoliberal policies, this process of depoliticization[1] also aimed to shield economic policymaking from democratic changes and bottom-up pressures (Burnham, 1999).

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An extreme form of depoliticization is the option for official dollarization[2], a kind of currency substitution which happens when a country adopts the US dollar as its sole legal tender, ceasing to issue its own currency (Flinders & Buller, 2006). In peripheral economies, the expected benefits of this decision include the alleviation of inflationary pressures and the attraction of foreign investments (Eichengreen, 2002). On the other hand, this comes with a complete loss of control over money supply and the shrinking of national policy space (Jameson, 2001).

Currency substitution also has other policy implications. For instance, as domestic money supply becomes dependent on the influx of foreign currency, dollarization creates a permanent disincentive to initiatives with negative repercussions on the expectations of foreign investors (Helleiner, 2003). Consequently, dollarization strengthens one country's commitment to capital mobility, increasing the costs associated to capital controls (Jameson, 2001).

Against this background, this article discusses to what extent domestic political factors still matter for capital mobility in the context of dollarized economies. In line with the international financial subordination (IFS) research program, I assume that the global dynamics of financialised capitalism do not entail a complete absence of agency for dollarized economies (Alami et al., 2022). As a result, it makes sense to expect that local political constellations play a key part in explaining variegated strategies of capital flow management (CFM) even at the bottom of the currency hierarchy[3] (Bonizzi et al., 2022).

To explore the contours of policy variegation under dollarization, I draw upon the Polanyian notion of double movement (Goodwin, 2022; Polanyi, 1980). Specifically, I shed light on how the interaction between government partisanship and popular mobilization shapes CFM within the constraints set by IFS.

In brief, I contend that societal countermovements against neoliberal reforms contribute to the reregulation of capital flows through two complementary channels. Firstly, the discontentment with marketization favours the election of post-neoliberal left-wing parties, which are more likely to use capital controls to enable their transformative agenda (Grugel & Riggirozzi, 2012; Silva, 2022). Secondly, as policymakers face the constraints imposed by dollarization and capital mobility, the deployment of deeper capital account restrictions will happen only if popular mobilization is strong enough to push the governing party to fulfil its pledges (Naqvi, 2021). Even in this scenario, however, the subordinate position of dollarized economies in the international financial system limits the benefits achieved through CFM (Alami et al., 2022; Bonizzi & Karwowski, 2024).

If left-wing governments are succeeded by right-wing administrations, bottom-up pressure also plays an important part. In this context, popular mobilization can water down or even prevent a new round of liberalizing reforms, which may deepen the country's exposure to the booms-and-busts of global financial markets (Vommaro & Gené, 2022).

The option for integrating the Polanyian approach into the IFS research program stems from a myriad of factors. Firstly, just as the IFS program sheds light on the variegation of financialized capitalism, Polanyian studies have emphasized the hybridity of neoliberal policy regimes and the role of domestic factors in their emergence (Ban, 2016; Bohle & Greskovits, 2012). Secondly, the composition of Polanyian countermovements vary across time and space (Goodwin, 2022). As a result, the reaction against neoliberal reforms, like capital account liberalization, can come from unexpected origins, from indigenous movements to business leaders, feeding the support for both progressive and regressive political projects (Laruffa, 2023). Thirdly, from a Polanyian perspective, states perform a dual role, creating and expanding markets on the one hand, while regulating and limiting them on the other (Goodwin, 2018). This conception resembles the one adopted by the IFS program, which emphasizes how states negotiate their peripheral position, trying to safeguard capital accumulation and social cohesion (Alami et al., 2022). Fourthly, considering the geographical focus of the article, it is worth noting that the Polanyian perspective has been prevalent in the analysis of both the rise and contestation of neoliberalism across Latin America (Etchemendy, 2011; Munck, 2015).

To assess this theory, I build an exploratory two-case study centred on Ecuador and El Salvador, the two Latin American economies that embraced official dollarization as part of their neoliberal adjustments in the late 1990s and early 2000s. In addition to the cross-case comparison, the similarity between their national political cycles allows for a within-case analysis focused on two periods: one that starts in the late 2000s and encompasses successive left-wing administrations committed to a post-neoliberal agenda; and the other that covers the ebb of the Left Turn in the late 2010s and the new impulse for marketization.

This article contributes to two strands of the political economy literature. Regarding the debate on policy space for CFM, it provides further support to studies that emphasize the importance of domestic politics for the evolution of capital mobility (Gallagher, 2015; Naqvi, 2021; Silva, 2022). By exploring the case of dollarized economies with limited policy space, this paper builds an extreme assessment of the argument that national governments retain at least some ability to challenge the structural power of global finance. Moreover, this work analyses the policy variegation at the bottom of the global currency hierarchy, shedding light on a topic that remains understudied in the IFS research agenda (Alami et al., 2022).

Even though the complete currency substitution precludes the use of cross-border financial restrictions to shape the exchange rate, these tools remain relevant for dollarized economies. For instance, as part of a set of macroprudential policies, the regulation of capital flows can affect the composition of balance sheets in financial and non-financial sectors, mitigating the risk of a banking crisis (Eichengreen, 2002; Kaltenbrunner & Painceira, 2018). Moreover, by preventing or at least slowing down capital flight, CFM can help governments to align private decisions to the pursuit of national development goals (Gallagher, 2015). Finally, besides mitigating the exposure to the booms-and-busts of the global financial cycle, the taxation of capital flows can generate much-needed fiscal revenues for peripheral states (Bonizzi et al., 2022).

The remainder of this article is organised as follows. The second section engages with the literature on the politics of reimposing capital controls. The third section introduces the theoretical framework. The fourth section outlines the research design. The fifth and the sixth sections analyse the cases of Ecuador and El Salvador. The seventh section contrasts the main argument with alternative explanations. The eighth section presents final remarks.

## Regulating capital flows under dollarization

As mentioned in the introduction, this article discusses the role of domestic factors for CFM in Latin American dollarized economies. In this sense, despite overlooking the extreme scenario of currency substitution, different strands of international political economy (IPE) literature offer pivotal contributions to the debate about the feasibility of reinstating capital controls amid globalization.

For instance, following the crisis of the Bretton Woods order, the proponents of the so-called *capital mobility hypothesis* associated the deepening of financial globalization to a permanent shrinking of the set of feasible economic policies (Andrews, 1994). According to this view, after an initial option for capital account liberalization, two mechanisms would prevent countries to reinstate capital controls: the loss of effectiveness due to financial innovations and the threat of capital flight.

Because of its systemic orientation, this perspective focuses on advanced economies. However, its arguments apply to the case of dollarized economies. In other words, if we assume that globalization led advanced economies to lose at least part of their ability to pursue interventionist policies, it makes sense to expect stronger constraints for developing economies. Accordingly, the capacity to impose capital controls should be even smaller for countries whose money supply is completely dependent on the influx of foreign currency.

Early studies about dollarization draw similar conclusions. When comparing exchange rate arrangements under capital mobility, Eichengreen (2002) argues that small open economies with strong links to the US market could benefit from official dollarization, but this would not be a guarantee of financial stability. In this setting, on one hand, the typical reason for deploying capital controls under the Bretton Woods order—exchange rate management—would not apply; on the other hand, appropriate regulation and supervision would remain necessary to avoid financial crises.

Despite acknowledging the constraints imposed by globalization, Gallagher (2015), Naqvi (2021), and Silva (2022) contend that national governments can still depart from the norm of capital mobility, reestablishing capital controls. With an emphasis on the role of socio-political coalitions, the so-called '*IPE of policy space*'[4] ties the management of capital flows to domestic political factors like a governing party committed to developmentalist ideologies, the strength of popular mobilization against neoliberal reforms, and the existence of business concerns with exchange rate instability. According to this perspective, labour unions and social movements may favour the regulation of capital flows through two channels: explicitly demanding capital controls to achieve an aimed exchange rate and/or tax policy (Gallagher, 2015); pushing state managers to implement an agenda that requires more policy space and consequently presupposes the tightening of CFM (Naqvi, 2021).

It is important to note, however, that the IPE of policy space also overlooks the experiences of dollarized economies. Moreover, except for Naqvi's (2021) work on Bolivia, all the aforementioned scholars analyse CFM in emerging markets, making it harder to extend the arguments to a context of currency substitution. In this regard, the optimism about the recovery of policy space could mean that any peripheral country can challenge capital mobility; however, this conclusion could be conditioned to minimum levels of national autonomy, which are not necessarily met by dollarized economies.

Moving away from the state-market dichotomy that characterizes the capital mobility hypothesis and the IPE of policy space, Alami et al. (2022) propose the notion of *international financial subordination (IFS)* as an umbrella concept to channel research efforts on processes and relations that maintain emerging and developing economies in a subordinate position in the global monetary and financial system. Drawing upon critical traditions like dependency theory, post-Keynesian economics, and Marxism, this agenda assumes that social actors and policymakers in these economies face a disproportional constraint on their agency.

Under the umbrella of the IFS agenda, Alami (2018), Kaltenbrunner and Painceira (2018), and Soederberg (2002) pay special attention to the politics of CFM. Specifically, these scholars argue that developing and emerging economies can still deploy capital controls, but do this in order to contain social antagonisms and secure proper conditions for capital accumulation. As a result, the attempt to curb capital flows remain within the limits of a long-term commitment to capital mobility, seeking to mitigate financial instability, safeguard external competitiveness, and prevent political unrest.

Another strand of the IFS program that deserves attention is the one dedicated to subordinate financialisation. In this sense, it is worth highlighting two aspects related to what drives CFM in peripheral economies. Firstly, despite its commonalties, subordinate financialisation is a variegated process, which plays out differently across time and space. For example, Central and Eastern Europe and Latin America are more financialized than other regions (Karwowski, 2022). Additionally, without denying the role of external forces, a key part of this variegation stems from domestic political constellations (Bonizzi et al., 2022). For instance, a strong presence of labour unions may mitigate the progress of financialisation (Bonizzi & Karwowski, 2024).

A myriad of factors makes the IFS agenda a promising perspective for the analysis of CFM under currency substitution. For instance, by putting the hierarchical nature of the global monetary and financial system at the centre of the analysis, it allows taking dollarization as another IFS manifestation, characterized by the same constraints, albeit in an extreme form. Similarly, by acknowledging the possibilities of policy variegation, the IFS program offers a blueprint for investigating the role of domestic politics without overlooking the integration of dollarized economies into global processes of capital accumulation.

Two analytical axes of the research agenda put forward by Alami et al. (2022) are especially relevant for the objectives of this article. Firstly, the sensitivity to IFS mutations according to historical and geographical contexts avoids uniformizing assumptions in the treatment of the macroeconomic choices by dollarized economies. Secondly, the treatment of states as dual actors, which negotiate IFS to safeguard both capital accumulation and social cohesion, makes possible to address the hybridity that characterizes a resurgence of capital controls in dollarized settings.

Still considering the focus of this article, there are some aspects that remain underexplored in the IFS agenda. For instance, Koddenbrock et al. (2022), Eradze (2023), and Green (2023) discuss the absence of monetary sovereignty in Central and West Africa, Georgia, and Cambodia, respectively. However, despite some mentions to prudential regulations, none of these studies pays much attention to the prospects of cross-border financial restrictions in the context of dollarized economies. The role of domestic politics in policy variegation also requires further development. In this sense, the concern with adding nuance to the relationship between states and financial markets ends up leaving a limited space to clarifying the ways subordinate social groups can contribute to the emergence of different national strategies towards IFS.

Against this background, in the next section, I propose a theoretical framework that integrates the Polanyian perspective into the IFS program. Specifically, I trace policy variegation under extreme IFS to the features of country-specific countermovements. With this aim, I combine the contributions mentioned in this review and the literature on the Latin American Left Turn to draw expectations about the role of government partisanship and popular mobilization for CFM in dollarized economies.

## Theoretical framework

The notion of IFS is the starting point for discussing the politics of CFM under dollarization. In this sense, economies that rely on a currency issued by a foreign country occupy the lowest position at the hierarchy of the global monetary and financial system.

This subordinate position has many implications for economic policymaking. Firstly, besides increasing the structural power of foreign investors, official currency substitution leads to an immediate loss of control over domestic money supply (Eichengreen, 2002). Moreover, dollarization may give further impulse to neoliberal reforms, which are perceived as a way to safeguard the much-needed influx of foreign currency (Cachanosky et al., 2022; Helleiner, 2003). Relatedly, dollarization is an extreme form of depoliticization with a high reversal cost, which allows state managers to use the hyperinflation threat to discard any alternative economic policy (Flinders & Buller, 2006).

It is important to note, however, that a key goal of the IFS agenda is to break with the tendency to characterize global monetary and financial relations as all-encompassing external constraints on state agency (Alami et al., 2022). In light of this theoretical orientation, even an extreme form of subordination like dollarization does not mean a complete abolishment of domestic agency, leaving at least some space for policy variegation (Bonizzi et al., 2022; Bonizzi & Karwowski, 2024).

As previously mentioned, I rely on Polanyian political economy to draw expectations about the contours of policy variegation under IFS. According to Polanyi (1980), capitalism evolves around the opposition between two dialectically-related forces: the movement towards self-regulating markets and the countermovement against the subordination of society to market imperatives (Bohle & Greskovits, 2012). Being a synchronic and simultaneous process, this double movement introduces unresolvable tensions within capitalist economies (Goodwin, 2018).

Besides shedding light on the perils of commodification, the Polanyian approach also offers a blueprint for understanding institutional transformation (Blyth, 2002). Its core proposition is that institutional changes can be traced to the conflict between the social groups that seek to expand the realm of markets and the ones that demand protection from the dislocations caused by marketization (Bohle & Greskovits, 2012; Silva & Bandeira, 2021).

It is worth noting, however, that the double movement is not an automatic pendulum through which countries alternate between economic liberalization and interventionism. On contrary, the double movement is a continuous historical process, in which the existential contradiction between market and society requirements creates open-ended conflicts, forging hybrid institutional arrangements characterized by the coexistence of commodification and de-commodification across different policy areas (Goodwin, 2022).

Moreover, countermovements vary in their strength and composition, while interacting with states that can crush, weaken, or embrace them (Goodwin, 2018). Especially in dependent economies, foreign investors and international organizations also play a part in this process (Bohle & Greskovits, 2012), adding to the multi-scalar nature of the double movement (Goodwin, 2022). Building upon these aspects, the Polanyian perspective can also shed light on the emergence of variegated policy regimes. An example of this variegation is the editing of market reforms by national governments, forging different varieties of neoliberalism (Ban, 2016; Blyth, 2002; Silva & Bandeira, 2021). Similarly, the contestation of neoliberal policies has come from diverse ideological and social origins, creating opportunities for both left- and right-wing political forces (Laruffa, 2023; Silva, 2023).

When it comes to Latin America, the Polanyian perspective has been used to analyse both the rise of neoliberalism and its contestation (Etchemendy, 2011; Munck, 2015). Based on the notion of double movement, it is possible to trace the 1990s reforms—like the removal of capital controls and the promotion of partial or complete dollarization—to the strengthening of the movement towards marketization, rooted in the increased power of foreign investors and internationalised domestic bourgeoises (Sankey & Munck, 2016).

Despite obtaining some progress with inflation control and access to new technologies, this neoliberal agenda culminated in financial instability and socioeconomic deterioration, motivating a protective societal reaction (Gwynne & Kay, 1999). In the contexts in which this countermovement became stronger and widespread, left-wing parties managed to go beyond their core constituencies, such as labour unions (Grugel & Riggirozzi, 2012).

The need for appealing to broader social groups and the constraints imposed by globalisation forged the so-called post-neoliberalism, a set of political-ideological projects that resumed some forms of economic interventionism while avoiding a complete rupture with market-oriented governance (Yates & Bakker, 2014). Entering office between the late 1990s and the late 2000s, post-neoliberal parties attempted to resubordinate the economy to society, reinforcing state functions and social protection within the limits set by financialised capitalism (Grugel & Riggirozzi, 2012). Despite this shared orientation, the policy implications of post-neoliberalism varied according to each national context, going from moderate to radical challenges to inherited neoliberal practices (Campello, 2015).

To make sense of this policy variegation when it comes to CFM in Latin American dollarized economies, I connect the regulation of capital flows to the bottom-up pressure against marketization. In light of this Polanyian argument, the widespread dissatisfaction with economic liberalization leads to the electoral triumph of post-neoliberal parties, which are more likely to pursue interventionist economic policies like imposing restrictions to capital mobility. However, considering the structural power of business (Wolff, 2016), the reinstatement of capital controls would harm post-neoliberal parties' credibility with domestic and foreign investors, which could interpret this move as a rupture with rule-based policymaking or even a threat to market economy (Campello, 2015; Naqvi, 2021).

Against this background, I contend that the strength of the bottom-up pressure performs a pivotal role. In this sense, when popular organizations like labour unions and social movements have a strong electoral influence and mobilizational capacity, post-neoliberal administrations have to deliver a deeper economic reorientation as a means to secure support from these core constituencies (Murillo, 2000; Schipani, 2022). By requiring additional policy autonomy and further control over cross-border transactions, the pursuit of a bolder agenda propels post-neoliberal parties to design and implement encompassing capital account restrictions even in a context shaped by financial subordination (Naqvi, 2021; Silva, 2022).

In some cases, popular organizations can also explicitly call for capital controls (Gallagher, 2015). In the fiscal debate, for example, the demand for a cross-border financial tax can be instrumental for different contexts: opposing regressive fiscal reforms like the increase of value-added taxation, resisting spending cuts through the presentation of alternative sources of funding, or even pushing for an expansion of public expenditure.

A similar rationale can be applied when post-neoliberal parties experience an electoral defeat. In this context, strong popular organizations can be an obstacle for a new wave of neoliberal reforms under the incoming government (Vommaro & Gené, 2022), preventing or at least slowing down the dismantlement of capital controls that were inherited from post-neoliberal administrations.

This focus on the role of bottom-up societal pressures should not be understood as an abolishment of the structural constraints imposed by IFS (Alami et al., 2022). Instead, the goal of this paper is to use the Polanyian perspective to explore the contours of the policy variegation identified by the IFS program (Bonizzi et al., 2022; Bonizzi & Karwowski, 2024). In this sense, even a strong popular mobilization is not expected to make national governments to fully break with neoliberal governance (Silva, 2022). In dollarized economies, this means, for example, that post-neoliberal administrations are unlikely to reinstate the national currency or fully cut ties with global financial markets.

Before moving to the research design, it is worth highlighting that I do not assert that government partisanship and popular pressure were the sole causes for different strategies of CFM. For instance, I do not dispute that factors like external financial conditions, the export basket, the composition of the financial sector, and the party system institutionalisation may have played a part in the reregulation of capital flows. In this sense, my focus on countermovements in a national context is an analytical choice to secure a proper space to analyse their impact on CFM.

I also do not contend that countermovements against neoliberalism are necessarily led by left-wing forces. For instance, in countries like Hungary and Poland, the discontentment of both workers and business owners with the socioeconomic disintegration that followed market reforms fed the support for right-wing populist parties, which embraced economic nationalism (Silva, 2023). In Latin America, however, right-wing populists—like Alberto Fujimori, Jair Bolsonaro, and Javier Milei—have kept radical neoliberalism in their economic agenda, giving further impulse to marketization rather than fostering a (regressive) countermovement.

## Research design

To assess the argument presented in the previous section, this article relies on a qualitative, exploratory two-case study of Ecuador and El Salvador from the late

2000s onwards. Despite some differences in regards to the economic and financial structure, these countries share the condition of Latin American dependent economies that implemented official dollarization as one of their neoliberal reforms in the late 1990s and early 2000s.

Besides this key similarity, Ecuador and El Salvador have experienced similar political cycles, which allow for combining the cross-case comparison with a within-case analysis on two periods: the successive left-wing governments from the late 2000s to the late 2010s; and the subsequent ebb of the Left Turn that gave a new impulse for the neoliberal agenda.

Against this background, I seek to investigate how Polanyian countermovements against marketization affect capital mobility under official dollarization. Specifically, the focus of my analysis lies in the impact of government partisanship and popular mobilization on the extension and resilience of CFM techniques.

Being an outcome of the societal discontentment with neoliberal reforms, governments led by post-neoliberal left-wing parties are expected to take steps to regulate capital flows. However, given the IFS constraints, these initiatives should remain timid in the absence of bottom-up pressure. Accordingly, the deployment of encompassing capital controls during post-neoliberal administrations becomes more likely in the presence of strong and mobilized popular organizations.

After the electoral defeat of post-neoliberal parties, popular organizations are expected to contribute to the resilience of the stricter CFM during a new round of neoliberal reforms. Consequently, the presence of popular organizations with strong electoral influence and mobilizational capacity should slow down the removal of capital account restrictions and further integration into global financial markets.

In terms of supportive evidence, I rely on the International Monetary Fund's (IMF) publications and the Capital Control Index proposed by Fernández et al. (2016) to characterise the chosen CFM strategy. Regarding the agenda of governing parties and the strength of popular pressure, I consult the related academic literature, party manifestos, social movements' documents, newspaper articles, the database built by Martínez (2021) on protests and strikes, and countries' official responses to the IMF staff.

## Ecuador: from encompassing capital controls to truncated liberalisation

### *Neoliberalism and political instability*

Following a stop-and-go trajectory in the preceding decade, Ecuador's adherence to neoliberalism gained momentum in the early 1990s, leading to the removal of capital controls, the deregulation of the banking sector, and the constitutional approval of central bank autonomy (Forero, 2022; Hey & Klak, 1999; Paredes, 2017). Despite some short-term recovery of the GDP growth, this push for marketization culminated in the late 1990s banking crisis and a massive currency devaluation (Jameson, 2001).

In light of the resulting inflationary pressures and the need for attracting capital inflows, the administration led by Jamil Mahuad doubled the bet on neoliberalism, formally adopting the US dollar as the sole legal tender in January 2000

(Eichengreen, 2002). From the start, dollarization and the related market reforms were far from national consensus, dividing the country into two antagonistic camps that remain mostly the same until today.

Domestic private banks, represented by the Association of Private Banks of Ecuador (ASOBANCA), have been the leaders of the pro-dollarization coalition for two reasons. Firstly, the process of currency substitution followed a bailout that secured the prevalence of Ecuadorean banks in the financial system (Paredes, 2017). Secondly, domestic banks benefited from price stability and an easier access to external credit (ASOBANCA, 2021; Hira & Dean, 2004). Foreign investors were also winners of dollarization due to the elimination of the currency risk and the increased structural power (Jameson, 2001). Despite the negative repercussions for external competitiveness, exporting business groups, led by the Ecuadorean Federation of Exporters (FEDEXPOR), joined the coalition in hopes of speeding up initiatives like the labour market deregulation (El Comercio, 2020).

Besides connecting dollarization to the bank bailout, popular organizations have resisted currency substitution due to the additional impulse to neoliberal reforms and the loss of policy space for a progressive agenda (Hira & Dean, 2004; La Nacion, 2000). Such opposition went far beyond parliamentary debates. For instance, the Confederation of Indigenous Nationalities of Ecuador (CONAIE) led a series of uprisings, turning Ecuador into the Latin American country with the second largest number of anti-government protests between 1996 and 2006 (Almeida, 2007; Collins, 2014). In the same period, labour unions, led by the Workers' United Front (FUT), organized the largest number of general strikes across the continent (Goeury, 2021; Martínez, 2021).

As a result of this context, Ecuador experienced a political stalemate. On one hand, indigenous movements and labour unions were not strong enough to revert dollarization. On the other hand, their continuous mobilization toppled three presidents in one decade, indicating the weak legitimacy of Ecuadorean neoliberalism.

## *Post-neoliberalism under Rafael Correa (2007–2017)*

Leveraging the discontentment with neoliberalism, Rafael Correa and the PAIS Alliance[5]—a left-wing party whose roots date back to civil society contestation of Ecuadorian external debt—won the 2006 presidential election, gathering the electoral support of indigenous groups, workers, urban middle classes, and small entrepreneurs (Vidal, 2017). Following a post-neoliberal orientation, PAIS Alliance's (2007, 2013) pledges included the establishment of a constituent assembly, the national control over oil reserves, and the expansion of social expenditure (Clark & García, 2019).

Despite admitting the maintenance of dollarization due to its high cost of reversal, PAIS Alliance took a clear stance against financial interests. For example, its 2007 and 2013 electoral manifestos explicitly committed to the renegotiation of the external debt, the taxation of capital outflows, and the repatriation of private banks' deposits (PAIS Alliance, 2007, 2013).

Once in power, Correa fulfilled these pledges, taking a series of initiatives that affected capital mobility (see Table A1). For example, the government raised the level of capital controls from 15 to 50% of the cross-border financial transactions

(Fernández et al., 2016). Deployed in 2007, the main tool for this policy change was the outflow tax, which was gradually raised from half to five percent (IMF, 2008; Weisbrot et al., 2013). Besides disincentivizing capital flight, this measure came to represent one tenth of fiscal revenues (Cachanosky et al., 2022).

The government also updated the macroprudential framework, establishing a domestic liquidity coefficient that required banks to domestically hold 45% of their liquid assets (Unda & Margret, 2015). This initiative led to a relevant capital repatriation, boosting domestic credit supply and strengthening financial stability (Paredes, 2017).

In addition to capital controls and macroprudential policies, the presidency of Correa took other decisions that affected Ecuador's relationship with foreign investors. For instance, the government weaponized the threat of default to restructure the external debt, decreasing the related fiscal burden (Vidal, 2017). Moreover, the new constitution, approved in 2008, prohibited international treaties that yield sovereign jurisdiction in disputes with foreign investors, leading Ecuador to denounce the International Centre for Settlement of Investment Disputes convention (Calvert, 2018). Still in the fiscal realm, Correa increased the national share in the oil-related revenues and imposed further taxes on oil and mining sectors (Wolff, 2016). In regards to monetary policy, the new constitution also removed central bank autonomy, allowing the government to impose the repatriation of the bank's reserves and to use them to finance the budget (Forero, 2022).

It is worth highlighting that this strategy of CFM remained in place after 2011, during the second half of the Correa years—when the oil trade balance, Ecuador's leading growth engine, experienced a decline (Vidal, 2017). In this period, none of the aforementioned initiatives were reversed. Moreover, in 2012, the government increased the domestic liquidity coefficient to 60% and imposed a tax on financial assets held abroad, especially in tax havens (Unda & Margret, 2015). After that, in 2014, the approval of a new Monetary and Financial Code expanded the scope for intervention in the financial sector (Wolff, 2016).

The restrictions to capital mobility met expected business resistance. For instance, private banks strongly opposed the capital outflow tax and associated the domestic liquidity coefficient to a lower credit supply (ASOBANCA, 2008, 2009; El Universo, 2011; La Patilla, 2014). Similarly, exporters complained about the design of the outflow tax as it implied an immediate repatriation of exports' gains (El Comercio, 2011). Foreign investors also criticized Correa's initiatives in the international media, but kept a relatively distant approach[6] (Garcia & Ellsworth, 2013; Mapstone, 2008).

Acting as a countervailing force against the structural power of business interests (Naqvi, 2021), the continuing bottom-up mobilization against marketization kept the government committed to its post-neoliberal agenda. For instance, the indigenous organizations organized protests to demand the reversal of market reforms, denouncing any continuity between Correa and neoliberal administrations (Becker, 2013; Kennemore & Weeks, 2011). Similarly, labour unions, like the ones of the teachers, did not save Correa from recurrent industrial action, being responsible for a higher number of strikes than the average faced by other leftist administrations across the region (Clark & García, 2019; Martínez, 2021).

**Table 1.** Bottom-up pressure during Correa administration (2007–2017).

| Year | Main Events |
|---|---|
| 2007 | CONAIE's constitutional proposal (including the explicit defence of restrictions to capital mobility) |
| 2007–2008 | Nationwide protests led by CONAIE |
| 2012 | New CONAIE's political proposal (including the criticism to capital mobility) |
| 2014–2016 | National protests and general strikes led by CONAIE and FUT (with explicit demands for external debt negotiation, withdraw from free trade agreements, and increase of public expenditure) |

*Source:* Becker (2013), Martínez (2021), CONAIE (2007, 2012), and CEDOCUT (2014, 2016).

When it comes to CFM, two moments deserve special attention (see a timeline of key events in Table 1). At the beginning of the Correa presidency, besides setting up anti-neoliberal demonstrations, CONAIE submitted a proposal to the constitutional assembly, explicitly demanding the external debt moratorium and the restriction of capital outflows (CONAIE, 2007). After that, from 2012 to the end of the Correa administration, both CONAIE and FUT criticized financial speculation and growing external indebtedness, lobbying the government against orthodox solutions to the economic slowdown such as trade liberalization, spending cuts, and increased capital mobility (CEDOCUT, 2014, 2016; CONAIE, 2012). As the PAIS Alliance did not have organic ties with popular organizations, state managers could not contain or overlook popular pressure (Mazzolini, 2022).

With the policy space gained from CFM, the government increased social expenditures and approved a progressive revision of the labour code (Becker, 2013; Forero, 2022). As a consequence of these policies, Correa won three successive presidential elections, remaining in office until 2017.

Despite this progressive agenda, Ecuador's post-neoliberalism did not mean a final victory of the countermovements against marketization nor an abolishment of IFS constraints. Four aspects illustrate the hybridity of Correa's project. Firstly, despite depicting currency substitution as monetary suicide, Correa preserved dollarization (Clark & García, 2019). Secondly, the adopted development strategy did not break with neo-extractivism, depending on oil exports to fund redistributive policies. Besides deepening a regressive specialization of the productive structure, the overexploitation of natural resources had harmful socio-environmental consequences (Goeury, 2021). Thirdly, the rhetoric opposition to trade liberalization did not prevent the government to sign a trade agreement with the European Union (IMF, 2019a). Fourthly, rather than permanently embracing Ecuadorean countermovements, state managers took a repressive stance against autonomous indigenous movements and labour unions, prosecuting some of their leaders (Mazzolini, 2022).

The adoption of the post-neoliberal agenda in a context of high commodity prices allowed Correa to foster social inclusion while keeping economic growth and macroeconomic stability (Becker, 2013; Wolff, 2016). However, as the country did not overcome financial and productive subordination, the reversal of the global financial cycle and the end of the commodity boom disrupted the post-neoliberal equilibrium, leading to the deterioration of GDP growth and the public budget (IMF, 2019a). As a result of this difficult economic conjuncture, PAIS Alliance's candidate, Lenín Moreno, struggled to defeat the right-wing opposition in the 2017 presidential election, winning the second round by a narrow margin.

### *Ebb of post-neoliberalism and political stalemate*

In face of this challenging context, Moreno broke his ties with Correa and sought the IMF support to re-establish the country's access to global financial markets[7] (Andino, 2020). In exchange, the government committed to two main goals: improving the fiscal performance and resuming market reforms. In this agenda, which gained the support of the representatives of private banks and domestic producers (El Universo, 2017), the abolishment of the outflow tax was seen as a necessary step to attract foreign investments and move away from financial repression (King & Samaniego, 2020). On the other hand, its relevance for state revenues required the government to find alternative revenues before proceeding with this liberalizing measure (IMF, 2019b).

After signing an Extended Fund Facility agreement with the IMF in 2019, the administration led by Moreno moved forward with fiscal consolidation, proposing the elimination of fuel subsidies, the dismissal of civil servants, the privatization of state-owned companies, and the increase of the value-added tax (Ponce et al., 2020). These initiatives faced the legislative opposition of Correa's allies and motivated massive protests by indigenous movements and labour unions (Cachanosky et al., 2022). Besides paralyzing the country's capital for more than one week, CONAIE and FUT presented an alternative solution for the crisis, which included the increase of the capital outflow tax, an external debt moratorium, and the creation of a wealth tax (CONAIE, 2020; FUT, 2019).

Despite falling short of overthrowing the president, the social unrest forced Moreno to withdraw the aforementioned proposals (Vommaro & Gené, 2022). In addition, by (literally) blocking the pathways for improving the fiscal balance, the popular mobilization made it impossible for the government to get rid of the outflow tax.

In face of this political stalemate, the triumph of a right-wing coalition in the 2021 presidential election, led by Guillermo Lasso, gave a new impulse to neoliberalism. Contrary to Moreno, Lasso made a career in the banking sector and counted on the support of business groups from the start, presenting a platform with market-friendly measures like the removal of trade barriers and the flexibilization of labour regulations (Sb & Aravind, 2022). Moreover, Lasso's electoral manifesto emphasized the distortionary nature of the outflow tax and the domestic liquidity coefficient, blaming them for lack of foreign investments and the inefficiency of the Ecuadorean economy (CREO, 2021).

However, the electoral victory was not enough to overcome the resistance against neoliberalism. At the parliament, the left-wing opposition had enough seats to block or at least water down liberalizing proposals (Abad et al., 2022). In the streets, popular organizations continued protesting against the reduction of public spending, the flexibilization of job security, and the privatization of state-owned companies (Barrera, 2021). Moreover, CONAIE kept the explicit defence of the outflow tax against other fiscal alternatives (CONAIE, 2021).

Facing this context, the Lasso administration took a gradualist approach. For instance, it increased income taxes and restored central bank autonomy, but postponed spending cuts and failed to approve a liberalizing labour reform (Abad et al., 2022). Moreover, falling short of banks' demands and electoral pledges, Lasso decreased the outflow tax to 3.5% rather than abolishing it (Almeida & Alvarez, 2023; IMF, 2021a).

Despite the public support for his response to the COVID-19 pandemic, Lasso experienced a sharp drop in the approval ratings already in his first year in office. Moreover, the recurrent anti-neoliberal protests and an escalating wave of violence led to the defeat of the ruling coalition in the 2023 local elections. Taking advantage of the new conjuncture, the left-wing opposition started an impeachment process against Lasso, who reacted by dissolving the parliament and calling a general election for the same year.

Once again, right-wing forces, led by Daniel Noboa, whose father owns a leading banana exporter, won the 2023 presidential elections. However, until this date, the capital outflow tax remains in place. Moreover, in the 2024 constitutional referendum, voters rejected the recognition of international arbitration to settle disputes with foreign investors and the flexibilization of the labor code. Even though Noboa got support for all initiatives of his repressive security agenda, these two results indicate that the Ecuadorean countermovement retains its veto-power in economic issues.

## El Salvador: from targeted macroprudential regulations to cryptoization

### *Neoliberalism and political stability*

Besides being a milestone of the transition from dictatorship to democracy, the victory of the Nationalist Republican Alliance (ARENA) in the 1989 presidential election marked El Salvador's adherence to neoliberalism. Winning four successive elections, the right-wing party stayed in office for two decades and implemented a series of market reforms, including the deregulation of the banking sector, capital account liberalization, and the concession of vast incentives to foreign investors (Baldovinos, 2021; Clark, 2015).

In January 2001, the ARENA administration deepened its neoliberal strategy, adopting the US dollar as the sole legal tender. Even though the composition of pro- and anti-dollarization coalitions was similar to Ecuador, some differences deserve attention. For instance, domestic banks, represented by the Salvadorean Banking Association (ABANSA), and foreign investors certainly won from currency substitution, but its most vocal supporters have been the domestic producers, represented by the National Association of Private Enterprises (ANEP), who have emphasized the benefits for price stability and fiscal balance (Dinero Hoy, 2000; Mendez, 2004; SWI, 2020).

On the other side of this debate, popular organizations did not offer a strong resistance as protests were cancelled due to a devastating earthquake only 13 days after the start of dollarization (Towers & Borzutzky, 2004). Taking a more structural perspective, it is worth noting that El Salvador did not experience any general strikes during the two decades of the ARENA administration (Martínez, 2021). Throughout this period, the country also had one of the lowest numbers of anti-government protests in Latin America, and the few relevant mobilizations were issue-specific (Almeida, 2010; Garni & Weyher, 2013; Martínez, 2021).

Another difference was that El Salvador's dollarization took place in a context of positive growth rates and financial stability (Hausmann & Rodrik, 2005). Rather than a desperate attempt to control inflation, the decision sought to strengthen the ties with the US economy and boost capital inflows (Helleiner, 2003; Hira & Dean, 2004).

Contrary to Ecuador, the push for marketization did not hurt political stability. In 1992, the Chapultepec Peace Accords put an end to a civil war that lasted twelve years, turning the Farabundo Martí National Liberation Front (FMLN) into a legal political party (Iglesias, 2020; Towers & Borzutzky, 2004). Besides concluding democratization, this process incorporated the left into electoral competition, gradually moderating its agenda (Perelló & Navia, 2022).

### *Post-neoliberalism under FMLN (2009–2019)*

This neoliberal stability shaped FMLN's political opportunity structure. Initially, the party opted for a partial moderation, obtaining an increase of legislative seats and vote share (Sprenkels, 2019). As this was not enough to avoid consecutive defeats in the presidential dispute, in 2009, FMLN made a stronger move to the centre, presenting the candidacy of Mauricio Funes, a centre-left journalist that entered the party right before the election cycle (Clark, 2015).

The lack of association to guerrilla activities and the recession caused by the 2007 crisis helped Funes to obtain the long-awaited FMLN triumph (Allison & Alvarez, 2012). Another important factor was the support of the so-called Friends of Mauricio, a group of business representatives, led by ABANSA's executive director, Carlos Cáceres (Martínez & Arauz, 2009). At this moment, ABANSA was mostly an association of local branches of foreign banks as they acquired the largest Salvadorean banks in 2007.

The building of this broad coalition had implications for the FMLN platform. In practice, the manifesto focused on social protection, but also committed to the maintenance of neoliberal legacies like dollarization, free trade agreements, and a welcoming attitude towards foreign investments[8] (Clark, 2015; FMLN, 2009, 2013). Regarding CFM, despite keeping distance from any challenge to capital mobility and financial interests, the party platform depicted the tightening of macroprudential regulation as a necessary step for financial stability (FMLN, 2009, 2013).

In addition to the electoral pledges, the dollarized monetary arrangement and the dependency upon maquilas and remittances increased the costs of any policy choice that could deviate from economic orthodoxy (Gammage, 2006). Moreover, the appointment of Cáceres as Minister of Finance for almost all of the FMLN period gave foreign banks strong veto-power within the cabinet.

The relative weakness of the bottom-up pressure also favoured the moderation of FMLN governments. The party had organic ties with peasants' movements and the largest labour union, channeling civil society's demands to specific issues like health and environment (Young, 2020). This contributed to keeping strikes and anti-government protests at a low number, especially when compared to Ecuador (see Figure 1). Additionally, the combination of clientelism and the permanent flow of emigrants eroded the strength of Salvadorean countermovements (Garni & Weyher, 2013; Sprenkels, 2019).

It is important to note, however, that the FMLN moderation did not entail a complete absence of change. The presidency of Funes introduced an encompassing health reform, which reduced the price of medicines and expanded the coverage of

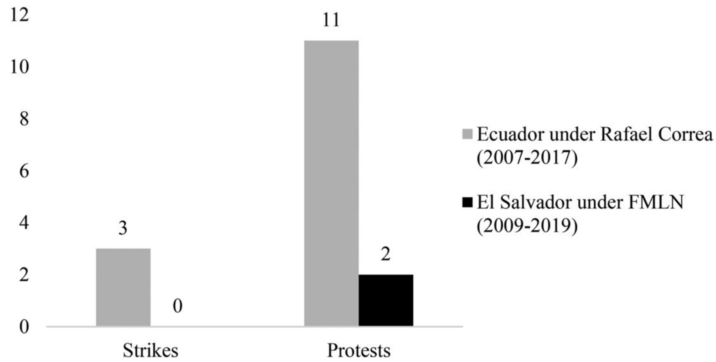


**Figure 1.** Level of popular pressure during post-neoliberal governments in Ecuador and El Salvador.
*Source:* Martínez (2021).

the public health system (León et al., 2020). Similarly, the government increased the spending on education and small farmers' support (Baldovinos, 2021; Young, 2020).

The combination of these policies with a favourable external environment led to the recovery of GDP growth and the reduction of poverty, enabling the triumph of Salvador Cerén, a historic FMLN member, in the 2014 election (Sprenkels, 2019). Keeping the same orientation of the Funes presidency, the second FMLN government banned the mining of metals as requested by environmentalists, created a literacy program, and increased the minimum wage (Baldovinos, 2021; Young, 2020).

On the other hand, the Salvadorean post-neoliberalism had important limitations. As in Ecuador, despite criticizing currency substitution (FMLN, 2009), leftist administrations left dollarization untouched. Moreover, there were no attempts to renegotiate trade and investment agreements or reduce the dependency upon maquiladoras and remittances (Allison & Alvarez, 2012). Finally, both Funes and Cerén pursued a conservative policy towards urban violence and preserved anti-union regulations (Baldovinos, 2021; Young, 2020).

CFM followed a similar pattern of hybridity. The government implemented a moderate increase in the level of capital controls, which went from 5 to 18% of the cross-border financial transactions (Fernández et al., 2016). However, instead of encompassing controls, like the ones deployed by Correa, the Salvadorean policy tools kept a clearer macroprudential orientation (see Table A2), including restrictions on insurance companies' outward investments, limits on loans granted by banks to non-residents and outward investors, and reserve requirements on external borrowing by domestic banks (IMF, 2010). Despite this moderation, business leaders, represented by ANEP, criticized the Funes administration for showing hesitation towards foreign investment (Torres, 2014).

Under Cerén, the government also approved a small financial transaction tax, which could have had some impact on capital flows (IMF, 2013, 2015; Young, 2020). As expected, both ABANSA and ANEP opposed the initiative, pushing the Supreme Court to declaring the new tax unconstitutional (E&N, 2014; IMF, 2019c; La Prensa Gráfica, 2014).

Even though the FMLN administrations obtained some success regarding GDP growth and poverty reduction, they fell short of the structural transformations that motivated the party's foundation in the late 1970s. Moreover, the eruption of corruption scandals and the deepening of urban violence led to a widespread dissatisfaction with the largest political parties, paving the way for the triumph of Nayib Bukele in the 2019 election (Perelló & Navia, 2022).

### *Rise of authoritarian neoliberalism*

Despite being a former member of the FMLN, Bukele was elected as a right-wing populist. When it comes to political institutions, the new government promoted a democratic backsliding, which included the destitution of all members of the constitutional chamber of the Supreme Court and the systematic violation of human rights as a part of a tough strategy towards organized crime (Baldovinos, 2021; Hallock & Call, 2021). Regarding macroeconomic policies, the Bukele administration moved away from post-neoliberalism, abolishing FDI taxes and emphasizing depoliticization as a key principle (Bristow & McDonald, 2024; Plan Cuscatlan, 2019; Tobar, 2020).

The reform of the monetary regime illustrates the contours of Bukele's economic strategy. As part of his denunciation of political elites, Bukele's manifesto criticized dollarization for the loss of policy space, and expressed concerns about capital flight and tax evasion (Plan Cuscatlan, 2019). However, rather than tightening capital controls or reverting currency substitution, in 2021, his government decided to adopt Bitcoin as a legal tender alongside the US dollar. Moreover, the government funded the creation of a digital wallet, Chivo, guaranteeing the automatic conversion from Bitcoin to US dollars and providing 30 dollars to each Salvadoran that downloads the app (IMF, 2022).

Facing criticism from the left-wing opposition and the IMF staff, Bukele depicts cryptoization as a way to promote financial inclusion, boost foreign investments, and facilitate remittance inflows, minimizing the risks for financial stability, fiscal sustainability, and consumer protection (IMF, 2022). According to Ba and Şen (2024), cryptoization facilitates the circumvention of capital flow restrictions, deepening capital mobility.

So far, despite their historical support for ARENA, business interests embraced Bukele's authoritarian neoliberalism. For instance, producers demonstrated a clear support for FDI tax exemption[9] (La Prensa Gráfica, 2024). Similarly, banks showed some hesitation towards Bitcoin, but did not criticize the monetary reform and even offered a favourable debt restructuring to Bukele's administration (Alemán, 2023; Forbes, 2021).

Contrary to what is observed in Ecuador, Bukele's authoritarian neoliberalism did not face a strong opposition. In addition to their structural fragilities, the organic ties with the FMLN and the deterioration of the party's image may be creating obstacles for popular organizations to attract support for their protests. As a result, Bukele has maintained a high approval rate and obtained an easy re-election in 2024.

## Summary and alternative explanations

The previous sections discussed the politics of capital mobility in the context of dollarized economies. Relying on a Polanyian framework, I contended that the interaction between government partisanship and popular mobilization affected CFM, forging variegated national trajectories despite the uniformizing pressure derived from extreme financial subordination.

This general argument was supported by case studies on two Latin American countries (see Table 2). In Ecuador, the strength of the bottom-up pressure against marketization led the Correa administration to reshape the country's relationship with capital flows, deploying encompassing outflow controls and restrictive macroprudential regulations. After the presidency of Correa, during the presidencies of Lenín Moreno, Guillermo Lasso, and Daniel Noboa, the strong mobilizational capacity of indigenous movements and labour unions slowed down the adoption of neoliberal policies, contributing to watering down the deregulation of capital flows.

In El Salvador, on the other hand, the fragility of the bottom-up resistance against neoliberal reforms led the presidencies of Mauricio Funes and Salvador Cerén to embrace a moderate left-wing agenda, taking far less intrusive initiatives to mitigate the negative effects of capital mobility. After the FMLN period, the weakness of popular organizations also explains why Nayib Bukele's authoritarian neoliberalism has faced few obstacles, being able to further integrate the country into the speculative cycles of the global financial market by adopting Bitcoin as a legal tender alongside the US dollar.

Before moving to the final remarks, it is worth noting that I acknowledge that other factors may have shaped the regulation of capital flows in Ecuador and El Salvador. In this sense, there are at least three alternative explanations which warrant further examination.

For instance, one could argue that the distinct CFM patterns stemmed from different *domestic economic structures*. According to this approach, an oil-based rentier economy, like Ecuador, is less constrained by international finance than one that depends on remittances and foreign investments, like El Salvador, having more policy space to embrace economic interventionism (Campello, 2015).

Even though the commodity boom helped Correa to implement his agenda, other Pink Tide governments like the ones in Chile and Peru, which also benefited from the exploitation of natural resources, adopted far more moderate policies (Yates & Bakker, 2014). Moreover, capital controls remained in place and were even deepened in the second half of Correa's years, when the oil trade balance experienced a decline (Vidal, 2017). Similarly, during right-wing administrations that followed the end of the commodity boom, Ecuador was as constrained as El Salvador in its policy space, but this did not lead to similar financial policies.

**Table 2.** Capital flow management in Ecuador and El Salvador.

| | Ideology of the Governing Party | |
|---|---|---|
| Popular Organizations | *Post-neoliberal left* | *Neoliberal right* |
| *Strong* | *Outcome:* Encompassing restrictions to capital mobility<br>*Example:* Ecuador under Correa<br>*Main tool:* Strong increase of the level of capital controls through the imposition of an outflow tax | *Outcome:* Gradualist incentive to capital mobility<br>*Example:* Ecuador under Lasso<br>*Main tool:* Moderate reduction of the outflow tax |
| *Weak* | *Outcome:* Targeted restrictions to capital mobility<br>*Example:* El Salvador under Funes and Cerén<br>*Main tool:* Weak increase of the level of capital controls through moderate macroprudential regulations | *Outcome:* Strong incentive to capital mobility<br>*Example:* El Salvador under Bukele<br>*Main tool:* Cryptoization and FDI tax exemption |

*Source:* The author.

Another relevant difference lies in the *composition of the financial system*, dominated by domestic private banks in Ecuador and foreign ones in El Salvador (Cull et al., 2017; IMF, 2008b). As Ecuadorean banks hold certainly less structural power than transnational ones, one could contend that Correa faced less obstacles than FMLN to restrict capital flows.

Without disregarding this argument, it is important to note that both Ecuador's ASOBANCA and El Salvador's ABANSA took similar positions regarding CFM. To some extent, ASOBANCA was more active in the public debate, leading the pro-dollarization coalition and the opposition to the outflow tax and the domestic liquidity coefficient. This intense political activism explains, for example, why Ecuadorean banks managed to keep their dominant position in the country's system even after currency substitution.

A third alternative explanation stems from the stronger role of China in the Ecuadorean economy, especially when compared to the prevalence of US interests in El Salvador. Given the patient nature of Chinese capital, one could assert that Correa had more space to restrict capital flows.

The ties with China certainly contributed to Correa's strategy, but some aspects indicate that Ecuador kept a relevant exposure to the whims of global financial markets. For example, during the presidency of Correa, the US responded for at least one third of Ecuadorean exports, while China acquired less than 5% of the country's exports (The Growth Lab). During the same period, China was responsible for around 12% of the FDI, behind Mexico and the Netherlands, and not much ahead Spain (CEPAL, 2023). Finally, even though China came to hold 30% of Ecuador's external public debt at the end of the Correa administration, this figure was still below the participation of either multilateral organizations or sovereign bonds placed in the international financial markets[10] (Márquez-Carriel, 2023).

## Final remarks

By integrating the Polanyian approach into the IFS research program, this paper discussed the role of government partisanship and bottom-up mobilization in the management of capital flows under extreme financial subordination. Specifically, the study has three interrelated implications for the IPE of finance. Firstly, in line with Gallagher (2015), Naqvi (2021), and Silva (2022), the case of Ecuador shows that states can still challenge global financial markets. If even a country that does not issue its currency can impose capital account restrictions, this calls into question the inevitability of neoliberal financial policies in advanced economies.

Secondly, echoing Alami et al. (2022), the comparison between Ecuador and El Salvador indicates that the analysis of capital mobility should go beyond the state-market dichotomy. This means, for example, paying more attention to how labour unions and social movements shape the map of policy options. When popular organizations are strong and autonomous, like the ones in Ecuador, heterodox policies become feasible, and even the advocates of marketization embrace gradualist strategies. On the other hand, when countermovements are relatively weak, as observed in El Salvador, dollar-centred, rule-based globalization may not be the end of the road as domestic elites turn peripheral countries into laboratories for the riskiest financial innovations.

Finally, the experience of Ecuador also demonstrates that CFM is not condemned to depoliticization. In other words, even something highly technical like capital controls can become an issue of mass politics when social movements consider them a necessary condition for achieving their demands.

## Notes

1. Burnham (1999, p. 44) defines depoliticization as 'an attempt to place at one remove the political character of decision making'. Examples of depoliticization include central bank independence and fiscal rules (Flinders & Buller, 2006).
2. Being tied to financial subordination, dollarization may also refer to the foreign currency-denomination of financial assets and liabilities. As this paper focuses on countries that fully replaced their national currency with the US dollar, terms like dollarization, official dollarization, and currency substitution are used interchangeably.
3. CFM is an umbrella term to designate the set of policies that affect the ability to move capital across national borders (Ostry et al., 2010). The main CFM tools are the so-called capital controls, namely the laws and norms that have a direct effect on cross-border financial movements. Depending on the context, CFM may go beyond capital controls, including initiatives like macroprudential regulations and external debt renegotiation.
4. The use of this term follows Alami (2018).
5. PAIS is an acronym for Proud and Sovereign Homeland (Patria Altiva i Soberana).
6. Correa also had tensions with the US, rejecting counter-narcotics cooperation, abandoning the bilateral investment treaty, and strengthening ties with China to obtain loans and investments (Hurtado et al., 2022).
7. Despite keeping strong trade ties with China, Moreno and the subsequent right-wing governments prioritized the rapprochement with the US, signing agreements regarding investor protection, nearshoring, 5G-related competition, and security cooperation (Hurtado et al., 2022).
8. During the FMLN governments, there were no challenges to the US influence in the country, rooted in the security cooperation, the flow of Salvadorean immigrants, and free trade (Congressional Research Service, 2024).
9. Contrary to expectations, Bukele has deepened the ties with China. Despite the growing tensions with the US, Bukele has pursued a mixed strategy, opting, for example, for excluding Chinese companies from 5G telecommunications infrastructure (Congressional Research Service, 2024).
10. Recent China's donations to El Salvador under Bukele indicate that FMLN could have approached the emerging power if interested in gaining policy space (Oré et al., 2024).

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No potential conflict of interest was reported by the author(s).

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## Data availability statement

The author confirms that the data supporting the findings of this study are available within the article or its supplementary materials.

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