

CHAPTER 35

BOLIVIA:

IRONIES IN THE NATIONAL

REVOLUTIONARY PROCESS,

1952-86

By

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Introduction

This study examines fifteen ironies dealing with the process of Bolivia's National Revolution since 1952. Although the process of change begun by the Movimiento Nacionalista Revolucionario (MNR) in 1952 ostensibly was halted in 1964, the return to presidential office in 1985 of Víctor Paz Estenssoro (the MNR's historic leader) makes it imperative to reevaluate the meaning of Bolivia's experience during the last third of a century. The view presented here is that Bolivia has been involved in a continuous historical process since 1952 rather than one truncated at 1964.

My approach is to outline the historical record and then to analyze through examination of irony the unintended, surprising, and often opposite outcomes of the revolutionary process. Rather than emphasizing paradox (which is unexplainable), I have chosen to stress irony (which is explainable) as the means to show the complexity of Bolivia's recent history.

The Historical Backdrop

The following historical outline serves as the basis for interpretation.

In 1952 the MNR overthrew the old order in Bolivia and undertook to change the country. With the help of Hernán Siles Zuazo (a political leader of the MNR) and Juan Lechín Oquendo (MNR leader of the miners), President Víctor Paz Estenssoro nationalized the large tin mines, established land reform, proclaimed universal suffrage, wrote labor legislation favoring the workers, abolished the army, and took control of the economy through the regulation of foreign-exchange transactions. Even as Paz moved to rehire some 10,000 workers who had been displaced by the former tin miners, he announced that he wanted to diversify exports and thus escape dependence on one commodity (tin) and a few countries (the United States and Great Britain). If Paz

did not see Bolivia becoming an exporter except in minerals, natural gas, and petroleum, he did foresee that Bolivia could end imports of such items as petroleum, sugar, and rice.

Although Paz's nationalistic ideals saw the formation of decentralized agencies to administer nationalized activities, his view of the world also saw a need to invite official U.S. assistance (e.g., to send food and to help build roads) and private U.S. investments (e.g., to explore for petroleum). The U.S. administration of President Dwight D. Eisenhower (1953-61) accepted Paz's invitation to support a "socialist but non-communist" revolution—the first and last time the U.S. government would support a revolutionary government in such a major way. The U.S. commitment was intended to develop the Bolivian economy, leaving the MNR free to concentrate on its social revolution.

For a revolution, relatively few lives were lost in the Bolivian upheaval after 1952. The MNR did send, however, a number of dissidents into exile (or jail them for several years in inhumane conditions) for trying to top what it called "Paz's communist revolution."

Hernán Siles Zuazo was Paz's successor in the presidency from 1956 to 1960 (see table 3500 for the chronology of presidential periods), and was under great pressure from several quarters. There was internal demand to stabilize Bolivia in the face of inflation and worker unrest in the aftermath of the upheaval of the early 1950s. There was external demand by the United States for Bolivia.

- a. to adopt the economic stabilization plan called for by the International Monetary Fund (IMF);
- b. to reestablish the Bolivian military in order to at once undercut the strength of Lechín's militia of miners (which in Washington's view "threatened Bolivia's stability"); and
- c. to prevent Fidel Castro from successfully establishing in Bolivia any "second beachhead of communism" in the Western Hemisphere.

Siles Zuazo acceded to these "stabilization" demands and became known as a "rightist" within the MNR. Even as a rightist, however, Siles could win few friends for the MNR in the country's capital of La Paz, which saw the MNR as mainly benefiting the rural sector and bringing high food costs and inflation for the middle and upper classes.

Even though it was Lechín's turn to take the presidency for the years from 1960 to 1964, Paz returned to power with the goal of restoring the policies of the centrist-MNR group and preventing the Revolution from veering toward either the right (as Siles Zuazo had done) or toward the left (as Lechín would do). Paz, who won the strong sup-

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Table 3500
PRESIDENTS OF BOLIVIA 1931-86

Year	President ¹	
1931	Daniel Salamanca	March 5
1934	José Luis Tejada Sorzano	November 28
1936	Lt. Col. Germán Busch	May 16
	Col David Toro	May 22
1937	Lt. Col. Germán Busch	July 13
1939	Gen. Carlos Quintanilla	August 23
1940	Gen. Enrique Peñaranda	April 15
1943	Major Gualberto Villarroel	December 20
1946	Néstor Guillén	July 21
	Tomás Monje Gutiérrez	August 16
1947	Enrique Hertzog	March 10
1949	Mamerto Urriolagoitia	May 7
1951	Gen. Hugo R. Ballivián	May 16
1952	Hernán Siles Zuazo	April 9
	Víctor Paz Estenssoro	April 15
1956	Hernán Siles Zuazo	August 6
1960	Víctor Paz Estenssoro	August 6
1964	Víctor Paz Estenssoro	August 6
	Gen. Alfredo Ovando Candia	November 4
	Gen. René Barrientos Ortuño	November 5
1965	Gen. René Barrientos Ortuño and Gen. Alfredo Ovando Candia	May 26
1966	Gen. Alfredo Ovando Candia	January 3
	Gen. René Barrientos Ortuño	August 6
1969	Luis Adolfo Siles Salinas	April 27
	Gen. Alfredo Ovando Candia	September 26
1970	Gen. Rogelio Miranda	October 6
	Gen. Juan José Torres González	October 7
1971	Col. Hugo Banzer Suárez	August 21
1978	Gen. Juan Pereda Asbún	July 21
	Gen. David Padilla Arancibia	November 24
1979	Walter Guevara Arze	August 8
	Col. Alberto Natusch Busch	November 1
	Lydia Gueiler Tejada	November 16
1980	Gen. Luis García Meza Tejada	July 17
1981	Junta and Gen. Celso Torrielo	August 4
	Gen. Celso Torrielo and Junta	September 4
1982	Junta and confusion	July 15
	Gen. Guido Vildoza Calderón and Junta	July 21
	Hernán Siles Zuazo	October 10
1985	Víctor Paz Estenssoro	August 6

1. Where president has two last names, the common usage is shown boldface.

SOURCE: SALA-SNP, p. xviii, updated here.

port of the U.S. administration of President John F. Kennedy (1961-63), could count on the personal backing of JFK to continue Bolivia's social revolution. Hence, as Paz attempted to accelerate land reform to strengthen the MNR's position on the left, he sought to create the private-sector confidence needed to invest Bolivian as well as foreign funds in the country. Continuing land reform did not help build private-sector confidence.

By the time of the election for the period from 1964 to 1968, Paz was seen by the United States and by himself as the "balancer" in a delicate dance designed to keep the MNR

in power as a "moderate" government, moderate within the Bolivian context. The United States, which had invested heavily in the Bolivian path to a mixed economy (with the mixture weighted toward state capitalism rather than private capitalism), threatened to withdraw its assistance if Lechín were to be elected—Lechín was in U.S. eyes a "Castro in sheep's clothing."

In this situation, Paz won his third term and took office, only to be overthrown within less than four months by the new military forces. Whereas the new military was supposed to have been selected to prevent the rise of any counterrevolution, the new militarymen not only represented ambitious MNR leaders such as René Barrientos Ortuño (who was copilot of the airplane that had flown Paz from exile in Buenos Aires to power in La Paz in 1952) but also came to represent a bureaucratic fact-of-life: military hierarchies tend to be loyal to their system rather than any ideological proclivity.

General Barrientos did not claim to be overthrowing the Revolution, but only to be ridding Bolivia from MNR corruption and MNR infighting between left, center, and right wings. Barrientos had the support of the U.S. administration of President Lyndon B. Johnson (1963-69), which favored military government and "stability" in the U.S. sphere of influence as the United States began to escalate its role in the Vietnam War. Within Bolivia, Barrientos sought support for his presidency from the peasants (massive in number) by granting rights under land reform at a rate approximating that of Paz; but he sacrificed support from miners (few in number compared with the peasantry) by intervening in the mines against critics of his government. Beginning with Barrientos, military regimes until 1982 killed, jailed, and tortured numerous persons.

Barrientos soon found himself facing a guerrilla infiltration from Cuba by Ernesto "Che" Guevara, who saw Bolivia as a place

- where counterrevolution had seized power;
- from where his Cuban-style guerrilla revolution could cross the unmarked boundaries of Peru, Brazil, Paraguay, Argentina, and Chile to win power; and/or
- where, if the United States should intervene, more "Vietnams" would tie down U.S. military power in debilitating struggles.

Fortunately for Barrientos, the U.S. Rangers helped the Bolivian military track down Guevara, who was killed in Bolivia after his capture in 1967. Unfortunately for Barrientos, the year 1969 saw his mysterious death in a helicopter crash.

With Barrientos gone, there was considerable sentiment for leftist-oriented military programs, which took place in two ways. President Alfredo Ovando Candia (1969-70) nationalized U.S. Gulf Oil's holdings just as they were beginning to pay off, an act that seriously disrupted the economic situation of Bolivia. President Juan José Torres González (1969-70) made an alliance with Lechín and set up a Popular Assembly to replace Congress.

Under General Torres, the Popular Assembly promptly began to debate such legislation as "urban reform." Such reform would have seen rooms in private housing distributed to the needy, with the former owner retaining one bedroom and sharing the kitchen, bath, and living room (if not assigned) with the beneficiaries granted equal rights to the house.

When the MNR's critics in the capital, who had thought Paz to be a communist, heard the Torres plans for urban reform, most united behind Paz and General Hugo Banzer Suárez, who themselves had formed a center-right alliance to drive Torres from power. Banzer (the head of Acción Democrática Nacionalista—ADN) became president of Bolivia, and held office from 1971 to 1978.

Banzer's seven-year presidency, the longest continuous term in this century, was notable for its high rate of economic growth (see table 3501), which coincided with relatively high prices for tin. Banzer stimulated a mixed economy (with emphasis on private capitalism rather than the statism developed after 1964). Banzer's policy was to reserve all nationalized area for government control (including the new spheres of tin and antimony smelting), but to open all others for free enterprise under government regulation. Paz's MNR allied with Banzer from 1971 to 1973, when political division surfaced as the country looked for elections that did not come.

Table 3501

CHANGE IN REAL GDP OF BOLIVIA, 1946-85
(Calculated in Constant Prices)^a

Year	PC	Year	PC
1946	1.8	1966	7.2
1947	1.7	1967	6.2
1948	2.1	1968	8.5
1949	2.1	1969	4.5
1950	2.1	1970	5.2
1951	7.1	1971	3.8
1952	3.0	1972	5.1
1953	-9.5	1973	6.9
1954	2.1	1974	6.7
1955	5.3	1975	6.6
1956	-5.9	1976	6.1
1957	-3.3	1977	4.2
1958	2.4	1978	3.4
1959	-3	1979	1.8
1960	4.3	1980	.6
1961	2.1	1981	.3
1962	5.6	1982	-6.6
1963	6.4	1983	-7.3
1964	4.8	1984	-3.1
1965	4.9	1985	-2.1

a. Calculated in constant terms at factor cost through 1974, then at market prices.

SOURCE: 1946-74: ECLA data given in Wilkie (1982), p. 616;
1975-78: ECLA-S, 1982, vol. 1, p. 20;
1979-80: ECLA-SY, 1985, pp. 224-225;
1981-85: ECLA-SP, 1985, p. 24.

U.S. policy toward Bolivia in the mid-1970s underwent contradictory shifts. The period of President Gerald M. Ford (1974-77) saw U.S. assistance to Bolivia's military rise from less than 20 percent of all U.S. aid to the country to more than 60 percent (see Wilkie 1982), with consequent abuse by the Bolivian military of its power over civilians. With the advent of the U.S. administration of President Jimmy Carter (1977-81), which sought the "redemocratization of Latin America" and an end to human rights violations, the U.S. government added its voice to the internal pressure in Bolivia on Banzer to leave office after holding elections. Banzer "retired" from the presidency in 1978.

With Banzer's departure, Bolivia underwent a period of extreme instability which lasted from 1978 to 1982. This period involved ten changes of power (see table 3500), including seven military presidents (two of which governed with juntas), one military junta which seemed leaderless, and three civilian presidents (including Latin America's second woman president, Lydia Gueiler Tejada, who held office during 1979-80).

Two "leaders" stood out during the period of instability: General Luis García Meza (1980-81) and Hernán Siles Zuazo (1982-85). García Meza, one of the most vicious dictators and ethically illiterate chiefs of state in Bolivian history, led the government into large-scale dealings in the cocaine trade with international smugglers. Siles Zuazo, who as president in the 1950s had tried a rightist experiment to implement IMF policy, turned in the 1980s to ally himself with Bolivia's extreme left and implement an experiment against IMF policy. The 1980s failure of the Siles Zuazo presidency (a failure highlighted by the confrontation of Lechín's leftist labor group against the Siles Zuazo policies) saw the highest inflation rate in Bolivian history and the highest in the world since the German experience of the 1920s. To calm a chaotic situation, Siles Zuazo agreed to call early elections.

Against this backdrop, Paz was elected to the presidency for the period from 1985 to 1989. He has undertaken to bring to a close the statist cycle that he himself began in 1952. Allied with the MNR in this new endeavor has been Banzer and his ADN. In August 1985 when Paz took office, he faced the following crises:

- the inflation rate stood at 20,561 over August of the previous year (see table 3502);
- the August 1985 dollar exchange rate on the free market had reached 1.1 million (see tables 3503 and 3504), up from 250 to the dollar at the end of 1982;
- gross domestic product (GDP) had declined by nearly one-fifth between 1982 and 1984 (see table 3501);
- the deficits of the state-owned activities contributed seriously to the problem faced by Bolivia; and

e. the foreign debt stood at over 3.0 billion dollars when Paz took office (table 3505), having trebled after 1976.

In a prefatory irony, we may note that without the doubling of the foreign debt to \$US 2.2 billion between 1976 and 1980 (see table 3505), Bolivia could never have accumulated the capital needed to finance the building of modern La Paz. Since the mid-1970s, La Paz has become a high-rise city, one very different from its old self which had only a few tall buildings. Surprisingly, high-rise buildings in La Paz have enhanced the city's beauty not only because the buildings are painted in pastels which reflect the diaphanous light of the 12,500-foot altitude, but also because the buildings give dramatic views of urban life as it winds its way down the canyon from El Alto to Calacoto.

If one can lament the fact that Bolivia's foreign debt has depressed the growth of GDP since 1980, one must also realize that much of that debt was invested in Bolivia (and not secretly sent outside the country for investment elsewhere). The construction of La Paz's skyline means that the city is capable of housing more business as well as modern office equipment, computer facilities, and telephone ties needed to compete in an increasingly sophisticated world. With such modernization, then, in literal terms the foreign debt has contributed to the country's revolutionary process. In figurative terms, the debt has helped bring to light contradictions within the idea of National Revolution.

The Opening Overarching View: Irony 1

This Chapter's subtitle itself constitutes the first among the ironies that I will examine in analyzing the Bolivian Revolutionary process, 1952-86. To most observers and to such a major actor as Ernesto "Che" Guevara, Bolivia's Revolution of 1952 ended in 1964 when the country's military overthrew President Víctor Paz Estenssoro.¹ "Che" Guevara's incursion into Bolivia failed even though unknowingly he had on his side secret assistance from Bolivia's Minister of the Interior Antonio Arguedas (who, at the same time that he headed Bolivia's state security, also ostensibly served the CIA as a "deep-cover" agent).

For other observers, the revolution was compromised from the outset by acceptance of U.S. assistance,² or remained "uncompleted" after 1964 because the workers had not gained control over the Bolivian political system³—a fact reaffirmed later by the failed presidencies of General Juan José Torres (1970-71) and Hernán Siles Zuazo (1982-85), under whom worker influence led to near collapse of government. For Paz, the revolutionary process continued under military rule especially in the era of General Hugo Banzer Suárez (1971-78), with whom Paz allied himself from 1971 to 1973.

¹ See Malloy and Thorn (1971).

² Dunkerly (1984), pp. 84-98.

³ See, for example, Malloy (1970) and Dunkerly (1984).

Table 3502
COST OF LIVING IN BOLIVIA, BY YEAR, 1937-85,
AND BY MONTH, 1984-86

I. BY YEAR, 1937-85				
Year	PC	Year	PC	
1937	14	1962	6	
1938	28	1963	-1	
1939	36	1964	10	
1940	28	1965	3	
1941	27	1966	7	
1942	32	1967	11	
1943	18	1968	6	
1944	8	1969	2	
1945	8	1970	4	
1946	12	1971	4	
1947	15	1972	7	
1948	10	1973	32	
1949	8	1974	63	
1950	23	1975	8	
1951	33	1976	5	
1952	24	1977	8	
1953	101	1978	10	
1954	124	1979	20	
1955	80	1980	47	
1956	179	1981	-32	
1957	115	1982	124	
1958	3	1983	276	
1959	20	1984	1,281	
1960	12	1985	16,412	
1961	7			

II. BY MONTH AND YEAR, 1984-86				
Year	Month	Change in 12 Months	Month of Highest Change in Year	Month of Lowest Change in Year
1984	Jan.	367		
	Feb.	421		
	March	464		
	April	748	63	
	May	1,042		
	June	1,051		4
	July	1,000		
	Aug.	904		
	Sept.	1,085		
	Oct.	1,591		
	Nov.	1,682		
	Dec.	2,196		
1985	Jan.	3,408		
	Feb.	7,964	183	
	March	8,217		
	April	5,604		
	May	5,164		
	June	8,927		
	July	14,173		
	Aug.	20,561		
	Sept.	23,447		
	Oct.	14,422		-2
	Nov.	11,292		
	Dec.	8,171		
1986	Jan.	6,416	33	33

SOURCE: I. 1936-66: Wilkie, 1969;
1967-84: IMF-IFS-Y, 1985;
1985: Bolivia, Instituto Nacional de Estadística, mimeo.; *Hoy-Internacional*, Feb. 25, 1986.
II. *Hoy-Internacional*, Jan. 8, 1986; Feb. 25, 1986.

Table 3503

ANNUAL VALUE OF THE U.S. DOLLAR IN
BOLIVIAN PESOS, 1937-85

Year	Official Value		Parallel Market
	Average	End of Year If Varies from Average	End of Year
1937	17		
1938	30		
1939	32		
1940	39		
1941	46		
1942	46		
1943	42		
1944	42		
1945	42		
1946	42		
1947	42		
1948	42		91
1949	42		116
1950	60		130
1951	60		210
1952	60		275
1953	190		950
1954	190		1,820
1955	190		4,050
1956	7,760		8,000
1957	8,330	8,565	8,500
1958	9,698	11,935	11,940
1959	11,880		12,100
1960	11,880		11,990
1961	11,880		11,990
1962	11,880		11,990
1963	11.9 ^a		13.0 ^a
1964	11.9		13.0
1965	11.9		12.6
1966	11.9		14.0
1967	11.9		14.3
1968	11.9		13.6
1969	11.9		17.0
1970	11.9		20.0
1971	11.9		19.8
1972	13.3	20	23
1973	20.0		21
1974	20.0		21
1975	20.0		21
1976	20.0		21
1977	20.0		21
1978	20.0		23
1979	20.4	25	25
1980	24.5		
1981	24.5		
1982	64	196	290
1983	230	500	1,200 ^b
1984	2,314	9,000	23,381 ^c
1985	455,083	1,589,000	1,715,000 ^d

- a. Conversion: 1,000 to 1.
 b. Average = 695.
 c. Average = 8,191.
 d. Average = 829,833.

SOURCE: Official Value:

1937-1958: Wilkie (1974b, p. 239); B. Reynolds, "Exchange Rates History, 1934-1974," in SALA, 17-2402; IMF-IFS-Y, 1979, pp. 112-113;
 1959-1984: IMF-IFS-Y, 1985, pp. 192-193;
 1985: *Hoy-Internacional*, Feb. 25, 1986.

Parallel Market:

1948-1979: Wilkie (1984b, p. 241); SALA, 22-2502;
 1982-1984: *Hoy-Internacional*, Mar. 12, 1985;
 1985: *Hoy-Internacional*, Feb. 25, 1986.

Table 3504

MONTHLY VALUE OF THE U.S. DOLLAR IN
BOLIVIAN PESOS, 1984-86

Year	Month	A.	B.
		Official Value	Parallel Market
1982	Nov.	200	250
	Dec.	200	290
1983	Jan.	200	390
	Feb.	200	500
	March	200	500
	April	200	420
	May	200	380
	June	200	390
	July	200	600
	Aug.	200	780
	Sept.	200	785
	Oct.	200	1,050
	Nov.	500	1,350
	Dec.	500	1,200
1984	Jan.	500	1,900
	Feb.	500	2,100
	March	500	2,780
	April	2,000	3,560
	May	2,000	3,480
	June	2,000	3,330
	July	2,000	3,500
	Aug.	5,000 ^a	7,190
	Sept.	5,000 ^a	13,515
	Oct.	5,000 ^a	15,160
	Nov.	9,000	18,394
	Dec.	9,000	23,381
1985	Jan.	9,000	68,000
	Feb.	50,000	132,000
	March	50,000	126,000
	April	50,000	162,000
	May	75,000	250,000
	June	75,000	470,000
	July	75,000	847,000
	Aug.	75,000	1,149,000
	Sept.	1,081,000	1,065,000
	Oct.	1,107,000	1,118,000
	Nov.	1,225,000	1,333,000
	Dec.	1,589,000	1,715,000
1986	Jan.	2,040,000	2,279,000
	Feb.	1,840,000	1,890,000
	Oct.	1,921,000	1,935,000

a. Rate for essential imports = 2,000.

SOURCE: *Hoy-Internacional*, Mar. 12, 1985; Feb. 25, 1986; Mar. 4, 1986; and Oct. 16, 1986.

Paz, out of power for the 21 years from 1964 to 1985, has returned now to the presidency to confront the problems growing out of the system of state capitalism that he set in motion 33 years ago. Elected for the period from 1985 to 1989, Paz is attempting to close the revolutionary cycle of the post-1952 period; and ironically Paz is now trying to "complete" the revolution in a way that runs counter to earlier ideas (including his own) of what revolution should be

Table 3505
PUBLIC DEBT OF BOLIVIA,¹ 1958-85
(M US, YE)

Year	A. Central Bank (Foreign Debt Disbursed)	B. ECLA (Public Debt) ²
1958	.1	
1959	.2	
1960	.2	
1961	.2	
1962	.2	
1963	.2	
1964	.2	
1965	.3	
1966	.3	
1967	.3	
1968	.4	
1969	.4	
1970	.5	
1971	.6	
1972	.7	
1973	.7	
1974	.8	
1975	.9	
1976	1.1	1.1
1977	1.3	1.5
1978	1.8	1.8
1979	1.9	1.9
1980	2.2	2.2
1981	2.6	2.5
1982	2.9 ^a	2.4
1983	2.8 ^a	2.8
1984	3.3 ^a	2.8
1985	~	3.2

1. According to George J. Eder (1968, p. 145), the foreign debt in 1956 was between \$294,926,000 (low estimate) and \$466,969,000 (high estimate).
2. No data are available for ECLA series prior to 1976.
 - a. Includes short-term debt.

SOURCE: A. Banco Central de Bolivia.
B. ECLA-S, 1979, and ECLA-N, Dec. 1985.

about. Paz's new plan—the Nueva Política Económica (NPE)—deals with "revolutionizing the Revolution," which, as we will see below, involves what I define as recentralizing central government power through reduction and reform of the decentralized sector of government to make room for private capitalism.

Although the concept "revolution" has been defined in many ways, most observers agree that Bolivia's Revolution of 1952 unleashed a "social revolution." The Bolivian case was originally denominated as such in order to distinguish it from short-term political upheavals (which may or may not bring a new government to power). Social revolutions are considered to involve long-term societal upheaval

that goes beyond politics to affect the structure of economic and social privilege.

Yet the concept of social revolution has seemed too delimiting, especially to Paz as the man who led Bolivia's "Movimiento Nacionalista Revolucionario" (MNR) during his initial presidency, 1952-56. According to President Paz, the MNR was undertaking a "national" revolution that would not only change political, economic, and social relationships internally but would give Bolivia a new relationship to the external world and do so without identifying the country with communist theory (be it Marxist, Leninist, Trotskyite, or Maoist).⁴ For Paz, the MNR developed its own nationalist (rather than internationalist) rationale for creating the nation of Bolivia out of a country which was divided (among other problems) by at least ten major factors,⁵ one of which stands out—the Chaco War between Bolivia and Paraguay.

The Chaco War, from 1932 to 1935, had brought open dissatisfaction with the Bolivian system to younger military officers, mine workers, and middle-class intellectuals—all of whom eventually joined in an alliance that would make possible the Revolution of 1952.⁶ Before the Revolution could take place, however, four stages were necessary.

(1) Radicalized military officers seized political power in 1936 to set up a government of "Military Socialism"; but the sudden collapse of that experiment before it could impose state control over the mining industry's foreign exchange (which dominated over 90 percent of dollar-value exports)⁷ permitted the traditional elite to return to power.

(2) The radical military, allied with the MNR, in December of 1943 again seized political power, this time under Colonel Gualberto Villarroel, with Paz (who had been one of the MNR's founders) as treasury minister. Minister Paz "secretly" altered the traditional expenditure pattern of the central government, changing the emphasis from administrative to social.⁸ But the Villarroel government had been crippled owing to the delay of seven months in recognition

⁴Wilkie and Wilkie (MS).

⁵The ten factors include:

- private power at the expense of "national interests";
- corrupt political leaders linked to the "tin oligarchy";
- dependence on tin exports and foreign imports even of certain foods;
- land owned and exploited inefficiently by a wealthy few;
- unequal distribution of income and access to health, education, and communication;
- racist views separating the Indian from the mainstream of Bolivian social and economic life;
- age-old exploitation of peasants and workers;
- lack of regular communication between regions very different in character;
- vast urban-rural differences; and
- public consciousness of the above problems raised by troop movements during the Chaco War with Paraguay.

⁶Klein (1971 and 1982).

⁷See Wilkie (1974c), p. 70.

⁸Wilkie (1969 and 1971).

by the United States, which considered the MNR to be fascist influenced.⁹ Villarroel and the MNR were especially weakened by lack of support from the wealthy who saw Bolivia's existing structure of privilege threatened by the following government acts:¹⁰

- a. support for Bolivia's first crucial mine workers' conference (at which Juan Lechín Oquendo emerged as head of the first miners' syndicate);
- b. backing of Bolivia's First Peasant Congress;
- c. suspension of *pongueaje* (forced peasant servitude);
- d. reclaiming for the state of lands that had been illegally granted to private persons for colonization;
- e. the writing of new labor laws;
- f. adoption of provisions for control of foreign exchange and imports of nonessential goods.

In the resulting protest fostered by the oligarchy, Villarroel was overthrown and hanged to death from a light pole in front of the National Palace, July 21, 1946.

(3) Paz, who escaped into exile, failed to win a two-month revolt in 1949 against the old order which had regained control of the government, but he managed to "win" the presidential election of 1951.¹¹

(4) When the presidency was denied to Paz by the old order, the miners, middle-class youth, and radical military officers undertook the Revolution of 1952 which carried Paz and the MNR into power.

The personal magnetism of Paz and the organization he gave to the government both as treasury minister and president meant that his programs had a continuing life of their own, even after he lost power in 1946 and 1964. If the old order accepted Paz's budgetary revolution because it was not fully aware of the shift in expenditure patterns, the military that overthrew him in 1964 accepted Paz's budgetary patterns because it claimed to be only "purifying" the Revolution, which it argued had become "corrupt." Consequently, the military continued Paz's system of state capitalism, along with land and labor reforms, expanding the system of decentralized government that Paz instituted.

In the process of forging statist power, Bolivia's governments since 1952 have worked through decentralized, autonomous agencies set up to administer the nationalized economic activities such as mining (COMIBOL), transportation, and energy. Before long, these agencies came to rival the power of the central government, over which the president presides.¹²

In addition to the decentralized agencies, it is ironic that three groups have functioned as forms of decentralized government:

- a. the Bolivian military (especially with one of its own in the presidency saw pretenders to the presidential succession always jockeying for position);
- b. Bolivia's organized labor;
- c. the U.S. Embassy.

Each has demanded coequal power with Bolivia's president. Within the overarching irony of Bolivia's continuing revolutionary process since 1952, the same cast of four individuals has continued to dominate politics.

Paz is the only one of the four leaders to have been important in each decade since the 1930s. He was:

- (1) Oficial Mayor of the Ministry of the Treasury in 1931 and 1936-37;
- (2) *secretario abogado* in 1937 for the Oficina de Representación Legal of the Patiño Mining Corporation in La Paz;
- (3) representative of Tarjia to the National Chamber of Deputies, 1938;
- (4) president in 1939 of the newly nationalized Banco Minero; a founder of the MNR (organized January 27, 1941, and established formally June 2, 1942);
- (5) Minister of the Treasury in the Villarroel government, 1943-46—except for mid-April to mid-December of 1944 when he was forced out at the insistence of the U.S. Embassy;

(6) Senator of Bolivia during the eight months of 1944 when he was forced to take a "leave of absence" as Minister of the Treasury in order to help win U.S. recognition of Bolivia;

(7) elected president for the periods 1952-56, 1960-64, and 1964-68—the last period cut short, as we have seen;

(8) ally of President Banzer in the early 1970s, and unsuccessful presidential candidate three times—1978, 1979, 1982;

(9) elected president for the term 1985-89.¹³

Siles Zuazo was the political organizer—along with labor's Lechín—of the 1952 uprising that overthrew the old oligarchy, bringing "President-Elect" Paz from exile to take the office that had been denied him when the government had stopped counting ballots in the presidential election of 1951. Siles Zuazo was president twice: 1956-60 and 1982-85.

Lechín, one of the MNR "Big Three Leaders" (along with Paz and Siles Zuazo), never attained the presidency of Bolivia, although his turn was supposedly due in the 1960s. Lechín has continued to play a leading role for labor, especially in favor of Torres and against Siles Zuazo. In effect, in 1970 Lechín and Torres implemented Lechín's long-sought ideal of "co-government" (examined below in irony 5). In the mid-1950s and early 1980s, Lechín's resisted the presidential programs of Siles Zuazo.

Banzer not only emerged in 1971 to dominate politics during the early and mid-1970s but has continued to play a

⁹ Biaisier (1971).

¹⁰ Wilkie and Wilkie (MS).

¹¹ On realizing that Paz was winning the election, the government suspended the counting of votes and turned power over to a military junta, according to Paz in Wilkie and Wilkie (MS).

¹² See Wilkie (1974d).

¹³ This summary of Paz's career is adapted from Wilkie and Wilkie (MS).

major role in the 1980s, especially through his alliance supporting Paz since 1985. In Banzer's presidential period, the role of the state was seen as being to stimulate and regulate a new role for the private sector and to retain state control over key activities (such as operating airlines and smelters).¹⁴

For Bolivia, then, the revolutionary cycle begun by Paz has involved a continuing process. Without having formally emulated the idea of Mexico's "Permanent Revolution" (under which a continuing process of state-directed activity has taken place under one political party since 1929)¹⁵ and without having achieved Mexico's political stability, Bolivian governments after 1952 sought to give the state the same directing role as the engine for development.

In Bolivia's revolutionary process, results have had ironic unintended consequences, only some of which can be examined here.

Political Matters: Ironies 2-6

Irony 2 involves theory and reality in the creation of Bolivia's expanding number of decentralized agencies. By following the Uruguayan-originated scheme which argued that if key industries are nationalized and kept outside of politics, profits of those industries can be placed at the disposal of the government in order to stimulate national development (rather than be expatriated as profits or investments elsewhere), Bolivia hoped at the same time to treat workers fairly.

One of the principal goals of the Revolution in 1952 was to resolve the mining-sector problem. The solution involved nationalizing the large-scale, foreign-oriented tin mines, rehiring some 10,000 workers who had been fired without cause, and paying relatively high wages to the mine workers (who labor under difficult circumstances in the rarified air of mountain mines located from 13,000 to 18,000 feet above sea level). Unfortunately the social measures meant that the possibility for any profit from nationalized tin seemed to evaporate immediately. If the role of the nationalized mines often came to be a costly drain on central government activity, so did the role of the military.

Irony 3 concerns the fact that although in theory the new military would serve as the enforcement arm of the president, in reality the military began to operate implicitly as a decentralized agency beyond the power of the president. The military (at first abolished by Paz but reinstated with sons of workers who would be loyal theoretically to the state and carry out its orders) also explicitly established in 1972 its own Corporation of the Armed Forces to "invest" in other decentralized agencies¹⁶—the idea being to gain a mea-

sure of control over important aspects of the economy. By the mid-1960s, the army had come to believe that only it had the professional expertise required to eliminate the political problems caused by splits within the MNR and protests by its opposition, notably the Bolivian Falange Party. In the end the "sons of the workers" found that their loyalties lay within the military hierarchy's system of promotional rewards more than with the MNR, which fell as troops moved with the goal of replacing the "indiscipline of politics" with the "discipline of military government."

Irony 4 takes up the role of the U.S. Embassy in Bolivia and its ambassadors (see table 3506). Under envoys such as Douglas Henderson (1963-68), the Embassy thought it was co-equal to the presidency,¹⁷ and acted accordingly in private (e.g., attempting to dictate where oil pipelines would be laid) as well as in public (e.g., openly campaigning for Paz's reelection in 1964). Also, the Embassy's CIA and Military Attachés (such as Colonel Edward Fox) also felt that they had to play a role, and indeed were crucial in convincing new president Lyndon B. Johnson (1963-69) that with the Vietnam War escalating, the United States could not afford to have an unstable country in the cockpit of South America—that is, a country in the heart of the continent and one surrounded by five countries all with poorly marked and unpatrolled borders.

In a self-fulfilling prophecy, U.S. Colonel Edward Fox apparently persuaded the U.S. government that in order to forestall in Bolivia guerrilla insurgency and/or "worker" seizure of power that would take over politics and eliminate the country's U.S.-trained and -supported military, it was

Table 3506

U.S. AMBASSADORS TO BOLIVIA, 1951-86

Date	Name
December 14, 1951	Edward J. Sparks
October 11, 1954	Gerald A. Drew
March 28, 1957	Philip W. Bonsal
April 8, 1959	Carl W. Strom
June 24, 1961	Ben S. Stephasky
December 3, 1963	Douglas Henderson
August 25, 1968	Raul Hector Castro
November 19, 1969	Ernest V. Sircusa
October 3, 1973	William P. Stedman, Jr.
October 15, 1977	Paul Boeker
March 23, 1980	Marvin Weissman
July 17, 1980	U.S. rupture of relations, Alex Watson, Chargé d'Affaires
November 28, 1981	Edwin Corr
August 19, 1985	Edward M. Rowell

SOURCE: U.S. Embassy in La Paz.

¹⁴ Interview with Alfredo Arce Carpio (1976).

¹⁵ The idea of Permanent Revolution taken up here differs from Trotsky's concept, which called for revolutions spreading from country to country until all of the workers of the world had cast off their chains.

¹⁶ See Wilkie (1974b), p. 471.

¹⁷ Conclusion derived from interviews with Douglas Henderson (Wilkie and Wilkie, 1971).

necessary for the Bolivian military to seize power and establish a National Security State that would keep Bolivia "safe from communism."¹⁸ When the Bolivian military did overthrow the MNR in 1964, that fact led Che Guevara to believe erroneously that Bolivia was ripe for guerrilla insurgency.

In a second ironic case of U.S. military intrusion into Bolivia,¹⁹ during the 1970s funds going from the Pentagon to the Bolivian armed forces so outdistanced the funds going from the U.S. social and economic assistance programs that Bolivia's military had the only discretionary funds of any sector of government. The relative wealth of the military meant that a career in the armed forces outweighed all others in possibilities for prestige and power. At a time when the U.S. Department of State under President Carter sought to reestablish democracy in Bolivia, the policy of the Pentagon had attracted to power not the best Bolivian military officers but the most brutish, who then seized the presidency. From 1980 through much of 1981 General Luis García Meza held power or exercised influence over puppets. García Meza, the worst thug to hold the presidency since the infamous Mariano Melgarejo (1864-71),²⁰ is remembered—like Melgarejo—as "the scourge of God."

The complicated ironies of U.S. "assistance" to Bolivia are almost too numerous to mention; suffice it to give several examples.²¹ President Eisenhower (leader of the Republican Party, considered to be restrictive on foreign aid) granted funds to Bolivia without many restrictions; President Kennedy (leader of the Democratic Party, considered to be less restrictive on foreign aid) loaned funds to Bolivia with restrictions. Whereas the announced goals of Washington aid to Bolivia under Eisenhower were supposedly focused on economic expenditures and under Kennedy focused on social outlays, the U.S. Embassy in La Paz tried to emphasize social affairs under Eisenhower and economic matters under Kennedy.

To compound the ironies, however, under Kennedy the highest share that the U.S. Embassy expended for economic development was always about 50 percent, the other half going to support Paz's revolution frozen in social policy. This latter paradox occurred because, while the U.S. goal of aid in Bolivia was to support economic development, the U.S.'s lack of any concept of budgetary planning with mean-

ingful categories meant that the U.S. Embassy did not know (and still does not know) the emphasis of its expenditures. The result in the 1950s and 1960s was that the U.S. Embassy supported Paz's outlays frozen in the social sphere, much to the consternation of Paz who realized years later in exile that the United States had not covered the economic side of development with the major share promised.

Irony 5 treats the matter of "co-government" by workers organized through the Central Obrera Boliviana (COB), which had been founded by Lechín in 1952. The COB demanded the right of worker "co-government," that is, a position of equal power to make parallel decisions along with central- and autonomous-agency government officials about all facets of Bolivian life. Moreover, the COB wanted also to be involved in decisions made at departmental, local, and private business levels as well as in educational systems. Consequently, the workers, like the military, operated a form of decentralized government that not only diffused responsibility for decision making but also prevented important presidential decisions from being made at all. Perhaps even before the military, the COB came to feel that it should dominate all power by curtailing the power of the presidency and the military.

Irony 6 deals with the Bolivian Falange Party's realization in 1970 that the MNR (with which it had fought so many bloody battles after 1952) seemed to be the wrong enemy once Paz was compared with Torres. Once Torres and his Popular Assembly of 1971 began to speak of programs such as urban reform, the Falange not only made peace with the MNR but also joined Paz in a national alliance (1971-73) to support state capitalism as it developed under President Banzer (1971-78).

Economic Matters: Ironies 7-11

Irony 7 concerns the fact that during the two presidencies of Siles Zuazo, Bolivia faced hyperinflation (defined as yearly percentage increases exceeding 80 percent in cost of living)—see table 3502. Siles tried to fight the two periods of hyperinflation with very different approaches. During the hyperinflation of 1953-57 (inflation reaching 179 percent in 1956), Siles followed IMF-mandated programs to freeze worker salaries and reduce subsidies for mass-consumption goods. During the hyperinflation of 1983-85 (inflation reaching 16,412 percent in 1985),²² Siles fought IMF mandates and supposedly sided with the "workers" (but against the most important group of organized labor—that of Lechín) rather than against them as he had done in the 1950s. The result for the 1980s was even more disastrous for the workers than it had been in the 1950s. Whereas the Paz/Siles pro-IMF plan brought stabilization of prices quite rapidly to benefit the workers by 1958, Siles's anti-IMF plan of the 1980s

¹⁸ Interview with Paz's advisor Jacobo Lieberman (Wilkie, 1986b). According to Lieberman, Fox insisted that all social reform leads first to disorder and strikes (as the workers demand more and more power), then to worker control of society, and finally to communism—Fox worked openly against the Paz regime. See also Seiser (1970), p. 7.

¹⁹ See Wilkie (1982).

²⁰ On Melgarejo, see Antezana (1970); on García Meza, see Dunkerly (1984), pp. 292-344.

²¹ See Wilkie (1969 and 1971). On the positive side of U.S. aid to Bolivia, one must give credit to the construction of roads and bridges, the development of agrarian projects, and stimulation of local industry (for example, dairies). Also, the United States cut assistance to and broke diplomatic relations with García Meza (see table 3500).

²² The rate of inflation in Bolivia reached 23,447 percent between September of 1984 and September of 1985 (see table 3502).

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Table 3507
COMPARATIVE COST OF LIVING RECORDED BY THE IMF, 1949-85^a
(%)

Country	Years in Which the PC Has Reached the Following Levels								
	70%-99%	100%-149%	150%-199%	200%-299%	300%-399%	400%-499%	500%-599%	600%-699%	1,000% and Higher
Latin America									
ARGENTINA	1955	1953-54, 1957, 1959, 1980-81	1956, 1975, 1977-79, 1982		1983	1976		1984	
BOLIVIA	1955	1953-54, 1957, 1982	1956	1983					1984-85
BRAZIL	1963-64, 1980, 1982	1981, 1983	1984						
CHILE	1954-55, 1972, 1977			1976	1973, 1975		1974		
COSTA RICA	1982								
MEXICO		1983							
PARAGUAY		1952							
PERU	1981	1983-84							
URUGUAY	1966-67, 1969, 1973-75	1968							
Other									
Ghana	1977-78	1981-82							
Israel	1979	1980-83				1984			
Korea		1952		1951					
Sierra Leone	1983-84								
Turkey		1980							
Zaire	1976, 1983	1979							

a. Prior to 1949, there was no inflation higher than 70% in Latin America—according to SALA, 22-2600 to 2618.

SOURCE: Table 3502: SALA, 22-2600 to 2618; IMF-IFS-Y, 1976, 1979, 1985.

(and the Siles-Lechín confrontation) caused the most serious case of hyperinflation recorded by the IMF since 1949 (see table 3507) and one of the world's most serious conditions since the German case of 1922 and 1923 (when inflation reached 1,022 percent and 105,618 percent).³³ Not until Paz came into power with his Nueva Política Económica has there been hope that Bolivia's second hyperinflation is ending.

Irony 8 involves the peso/dollar exchange rate. If Bolivia had experienced one of the world's highest losses in value of currency during Siles's first period of the presidency (when the peso went from 190 to 11,880 to the dollar—see table 3503), Siles in his second period saw the rate skyrocket from 200 to over 1.1 million to the dollar (and the basis laid for an increase to over 2.3 million within the following five months after leaving office—see table 3504). Siles's artificial rate of 75,000 to the dollar failed in the face of free market rates that went from 250,000 to over one million, causing great pain to his worker-allies whom he had sought to protect by maintaining that extremely unrealistic exchange rate. In the meantime Bolivia's private tin-mine owners stockpiled their production awaiting a realistic dollar value from the government, which controls all foreign exchange dealings of mining operations. When Paz overvalued the peso in August 1985, the private tin producers rushed their hoarded supply

to market, contributing to the crash in the world price of tin on October 24, 1985.

Irony 9 focuses on Paz's plan of the 1950s to rationalize tin mining production for the benefit of the nation as well as to provide social justice to the historically exploited tin miners, plans that have been modified by realities over time. After nationalization of the tin mines in 1952, it was often necessary for political purposes not to rationalize tin mining, thus keeping inefficient mines open in order to provide employment. This political purpose was especially possible when tin prices were high (as in the late 1970s), and the nationalized mines could pay to the central government taxes and royalties (which often went back to the mines in different forms of subsidies), regardless of rare profits.

With the 1985 collapse of the international tin price (see table 3508), Bolivia's loss in producing tin reached \$8.08 a pound in the first half of 1985 (\$11.31 to produce each pound minus \$3.23 market price),³⁴ prompting Paz to

³³ See Bye (1960), p. 327.

³⁴ See Serrate Reich (1986), p. 5. Data are gross costs and net sales price. According to Paz, the loss at the end of 1985 was 5.50 \$US/lb., but he did not give details for each mine (see *Hoy-Internacional*, December 24, 1985). On long-term profitability of the tin mines, see Herrick (1968) and Ali Ayub and Hashimoto (1985). Current expenditures in the years sampled show minimum profits during the 1960s and losses after 1978; but taking into account capital expenditures, losses increased, resulting in heavy deficits for most if not all years.

Table 3508
REAL PRICE OF BOLIVIAN TIN, 1949-85
 (US Cents of 1970 per lb.)

Year	A. Nominal Price	B. U.S. Export Price Index (1970 = 100) ^a	C. (A/B) Real Price US Cents of 1970
1949	95.3	69.5	137.1
1950	90.3	67.8	133.2
1951	125.8	77.7	161.9
1952	118.3	77.3	153.0
1953	93.0	77.0	120.8
1954	93.0	75.7	122.9
1955	91.6	76.7	119.4
1956	98.5	80.0	123.1
1957	92.2	82.2	112.2
1958	91.6	81.4	112.5
1959	98.7	81.4	121.3
1960	98.6	81.9	120.4
1961	110.1	83.5	131.9
1962	112.2	83.0	135.2
1963	112.5	83.0	135.5
1964	150.4	83.8	179.5
1965	174.2	86.4	201.6
1966	161.2	89.0	181.1
1967	150.4	90.8	165.6
1968	142.7	92.1	154.9
1969	155.1	94.8	163.6
1970	174.4	100.0	174.4
1971	158.5	103.1	153.7
1972	169.6	106.5	159.2
1973	207.7	124.1	167.4
1974	361.3	158.4	228.1
1975	312.6	177.0	176.6
1976	343.9	183.0	187.9
1977	475.1	189.5	250.7
1978	566.9	202.6	279.8
1979	672.4	230.6	291.6
1980	760.4	261.8	290.5
1981	633.9	285.9	221.7
1982	574.5	289.0	198.8
1983	586.5	292.1	200.8
1984	554.4	296.1	187.2
1985	485.0 ^b	295.5	164.1

a. U.S. export price index (base standardized at 1970 = 100) is from table 2400, above.
 b. Average quarterly data (587, 538, 517 and 300 cents per lb.) given in IMF-IFS, March 1986 (for first and second quarters) and *Washington Report on the Hemisphere*, November 11, 1985 (for third and fourth quarters).

SOURCE: Nominal tin price is from IMF-IFS, March 1986; IMF-IFS-Y, 1979 and 1985.

declare in December 1985 that the Age of Tin has ended in Bolivia and that it was now in Bolivia's interest to dismantle the inefficient and costly COMIBOL bureaucracy as the first step in disposing of the state-owned tin mines.²⁵

²⁵ *Hoy-Internacional*, December 24, 1985.

Collapse of the tin price since 1985 has been part of the disastrous fall in prices of the world's raw materials, a fall caused by two interrelated factors:

(1) the artificial, unjustified rise in OPEC petroleum prices after 1979 triggered a recession in the industrial world, bringing a steep decline in demand for raw materials;

(2) to counter the high cost of energy expended in transportation and production, the industrial world began a search for inexpensive or synthetic substitutes that could be produced locally.

Prospects for Bolivia's tin sales had already been hurt by the huge increase in tin prices in the 1970s (see figure 35:1) giving manufacturers in the industrial world reason to shift away from tin (e.g., for making containers), even as tin began being overproduced to take advantage of the high prices. The glut of tin, the shift away from tin by manufacturers, and the price collapse led to the International Tin Council's inability to pay some \$1.4 billion in debts incurred while trying to maintain a fixed price on the London Metal Exchange Market.

If the outlook for tin sales was not bad enough, Brazil has become an important competitor in producing tin at low cost. For example, without Bolivia's "fixed costs" of unionized labor working old mines with old methods, Brazil is recovering "alluvial tin" washed down Bolivia's rivers over the centuries to the Brazilian frontier. Brazil's costs of producing tin average only 42 percent of Bolivia's outlay.²⁶

For Paz, the crisis in tin pricing finally allows Bolivia to overcome political obstacles to modern tin mining. Worker ownership of tin mining is part of Paz's plans to rationalize production, discussed below in the concluding irony taken up here.

Irony 10 takes up the fact that given that U.S. financial assistance to Bolivia's Revolution totaled \$651 million between 1952 and 1976 (much of it in non-cash surplus food aid that did not cost the U.S. taxpayer anything except higher food prices at home), one might expect to see Bolivia's dependence on trade increase with the United States, but such is not the case (see table 3509). Although Bolivia's imports from the United States increased from 37 percent in the period 1939-51 to 43 percent in the 1952-64 period, the average declined to 33 percent in the period 1965-76. Bolivian exports to the United States declined from 52 percent in the years 1939-51 to 43 percent during the years 1952-64 and to 34 percent in the period 1965-76. Tin exports declined from 69 percent (1939-51) to 62 percent (1952-64) and finally 44 percent (1965-76).²⁷ For the years 1980-84, Bolivia's imports from the United States averaged 26 percent of all imports; exports to the United States averaged 24 percent of all exports; and tin declined to 31.8 percent of Bolivia's exports.²⁸

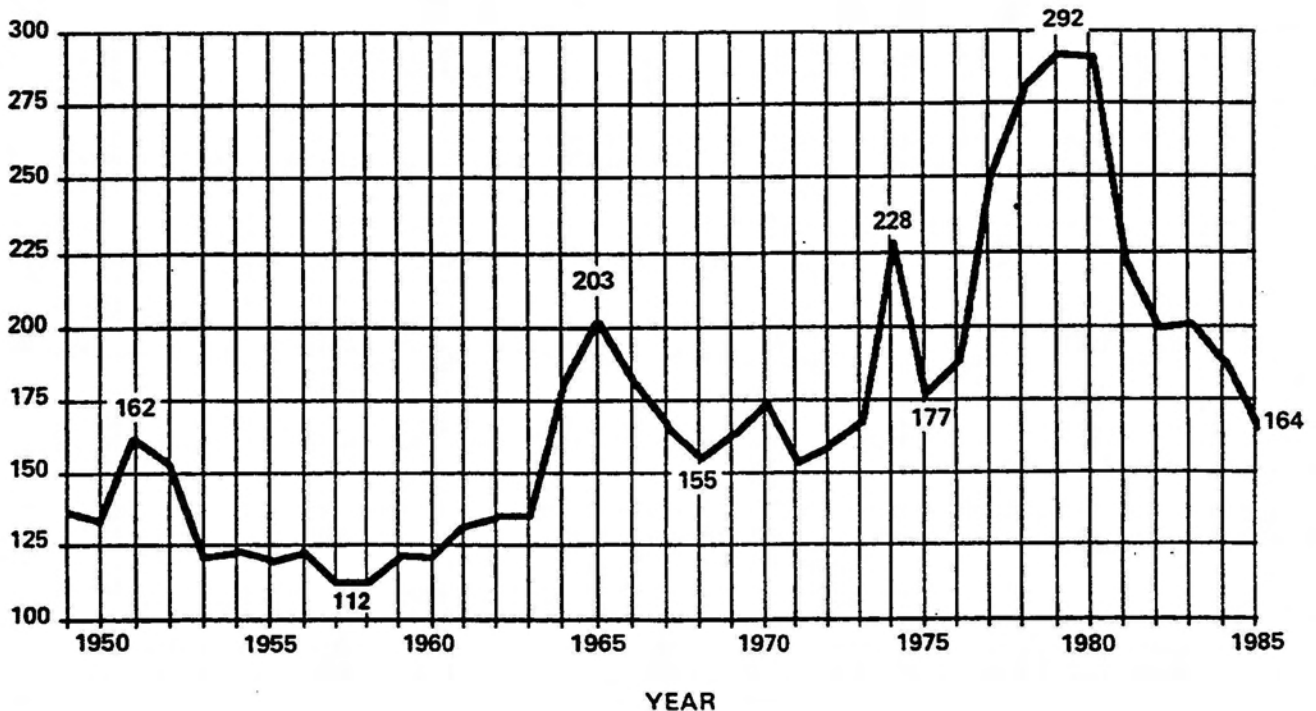
²⁶ Calculated from data in *Washington Report on the Hemisphere*, April 16, 1986.

²⁷ Wilkie (1982), p. 604, gives dollar aid; p. 607 gives foreign trade (data are CIF after 1954); and p. 606 gives percentages for tin.

²⁸ Bolivia (1985).

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Figure 35:1
REAL PRICE OF BOLIVIAN TIN, 1949-85
(US Cents of 1970 Per Lb.)



SOURCE: Table 3508.

Table 3509
BOLIVIAN LEGAL TRADE WITH THE
UNITED STATES, 1939-84
(Average Percent)¹

Period	Number of Years in Average	Imports from United States	Exports to United States
1939-51	5 ^a	37	52
1952-64	13	43	43
1965-76	12	33	34
1977-79	3	28	33
1980-84	5	26	24

1. Data are CIF after 1954.

a. Sample years, 1939, 1942, 1946, 1950, 1951.

SOURCE: 1939-76, Wilkie (1982), p. 604.
1977-84, calculated from data in Bolivia (1980) and
(1985).

U.S. interests since 1952 have not experienced financial gain, then, either in terms of trade or in terms of U.S. direct foreign investment in Bolivia (which was minimal)—U.S. interests mainly being strategic in politico-military

terms until the early 1980s. With the recent substitution of coca as the most important export in the face of declining tin values, the U.S. Embassy in La Paz has been concerned with stopping the export of Bolivia's coca crop to the United States.

Clearly, "trade independence" has been a mixed blessing to Bolivia as two examples suggest. Commerce in coca has distorted the Bolivian economy as a huge rise in coca production (see table 3510) offers wages to workers far in excess of wages paid in construction. (Too, the coca economy gives criminals the riches to corrupt Bolivia's political and legal systems.) Although Bolivia may have escaped from dependence on tin, its hopes for petroleum export dimmed under state control, and export of natural gas to Argentina is slated to end in 1992 as Argentina develops its own fields.

Irony 11 treats the role of Soviet and Cuban relations with Bolivia. In 1960 the USSR offered to send financial aid to Bolivia so that Bolivia could build its own tin smelter and thus escape dependency upon smelters in England and the United States. First Secretary Nikita Khrushchev (1953-64) also sent a trade and assistance delegation to La Paz, but the U.S. Embassy gave Paz a clear choice—he could either have what little assistance the Soviets might offer or what assistance the United States was continuing to make available

Table 3510
ESTIMATED COCA PRODUCTION
IN BOLIVIA, 1970-85
(M MET)

Year	A. Total	B. Traditional ¹ Consumption	C. (A-B) Presumed Amount for Use in Cocaine Production
1970	6.0	~	~
1971	6.8	~	~
1972	8.8	~	~
1974	10.0	~	~
1978	34.3	17.5	16.7
1985	152.9	17.5	135.4

1. Traditional consumption involves legal activities by 85% of the Bolivian population who use the coca (not cocaine), for example, in food to help humans at high altitude (a) adapt to low supply of oxygen, (b) adapt to problems in digesting protein, (c) adapt psychologically to "overcome" physical exhaustion and malnutrition. Coca is also used in cultural and religious ceremonies as well as in treating illness. It is legally manufactured for export, as in the case of coca-leaf tea.

SOURCE: Instituto Indigenista Interamericano (Ii), tables 1 and 4.

within the historical trade connections that Bolivia has had with the West, but he could not have both.²⁹ Not until Bolivia's populist governments of 1969-71 did Bolivia turn away from the U.S. Embassy to open trade and assistance relations with the Soviet Union. The U.S. Embassy was so glad to see the populists fall, especially Torres, that it did not want to upset the political scene further by demanding a break with the USSR. In any case, the Soviets were willing to offer technical and financial assistance to build industry, types of aid the U.S. Congress had forbidden on the grounds that no assistance should be provided that would compete with U.S. companies. One important Soviet project has involved financing of a cost-efficient way to recover tin ore from Bolivia's millions of tons of tin mine tailings, but the project has been hampered by Bolivian bureaucratic inefficiency. In the meantime, the USSR helped Bolivia to obtain assistance from Eastern Europe to build an antimony smelter at Oruro.³⁰

When Castro rose to power in Cuba after 1959, he did not attempt to cooperate with the MNR Revolution, which he saw as having "sold out" to the U.S. Embassy. Cuba's main contribution to Bolivian history was to send "Che" Guevara to overthrow the "counterrevolution" that had taken power openly under the Bolivian military in 1964. "Che's" choice of Bolivia and the specific area that he selected, south of Santa Cruz, was most unfortunate. Not only had Bolivia undergone real land reform that made the peasants rather

conservative, but also that area had been a military zone since the Chaco War and the population there was accustomed to quite a benign military role.

Social Matters: Ironies 12-14

Irony 12 deals with Bolivia's land reform, which saw over ten million hectares distributed to over 208,000 heads of families by 1969.³¹ By the 1970s land reform had not stemmed migration to the cities, however, and in any case the size of plots distributed is never enough for growing families. With time, the result was the creation of a minifundia to replace Bolivia's old "latifundia"—neither of which is a desirable system. Some critics have argued that it would have been better to open new lands through colonization as a real land reform than to disrupt large-scale production where it functioned well. But this criticism ignores the fact that colonization requires some costly infrastructural expenditure on roads, markets, health centers, and schools—roads alone being a difficult and costly problem given Bolivia's extremes of geography ranging from the cold, high Andes to hot, tropical lowlands.

By the mid-1970s, several ironical situations prevailed. Bolivia's increasing urban population did not want to hear of land reform but of inexpensive food; hence President Banzer tried to increase rural productivity by offering to extend social security to the peasants if they would agree to a "reform of the land reform"—that is, the combining of small, inefficient plots into larger holdings. Since neither city nor country was interested in the idea of a new "land reform," the unresolved issues disappeared from public debate.

With land reform no longer a public issue, military governments took the opportunity to divert the ongoing process of land distribution to grant lands to military officers and their friends. In some areas new latifundia arose. In other regions, the colonization program (which had largely failed as a directed program but succeeded to some degree as a spontaneous process) was twisted by the generals, who granted themselves lands not for colonization but to strip for timber or minerals and move on to new lands paying no attention to erosion and ecological damage.³²

Paz's solution to the land problem is to move the countryside toward forming cooperative agricultural units, limiting the power of individuals but developing larger units of production. At the same time, he is moving to recover for the State lands granted illegally by militarymen to themselves.

Irony 13 involves the realization by the peasants themselves that they have not benefited from the Revolution as much as was originally hoped. Although they may walk with pride as "land owners," they may have to a significant extent changed new *patrones* for old. As seen in a case study of the Yungas,³³ the *patrón*-client functional relationship has

²⁹ Blaiser (1976), pp. 141-142.

³⁰ Financing came from the Federal Republic of Germany under license from Czechoslovakia. Wilkie (1982), pp. 93 and 111.

³¹ Wilkie (1974), p. 33.

³² Interview with Luis Antezana E. (Wilkie, 1986a).

³³ Heath (1973).

been reconstituted in a new form in which the peasant syndicate assumes the dominant paternalistic status held by the former hacendado, who himself now may interact with the peasants as their friendly intermediary to the market, confidant, or godfather. In other cases, it is the trucker who serves as patrón; in return for a guaranteed supply of crops that he can transport to the city, he loans money and offers moral support in order to make the peasants more indebted to him.

Irony 14 concerns the national unification that has come about through the building of a transport network, a major success of U.S. assistance. The development of transport for the masses by truck and to an increasing extent by air has provided a social link between the country's regions. Although some observers have continued to argue that Bolivia is such a problem of internal geopolitics that it should be divided among its neighbors, such a view ignores the very real mobility of the population and identification of national rather than local interests.

Even though the people of La Paz for years argued that the Revolution gave the cities only shortages of goods (especially food) and the peasants only bicycles with which to ride over their rocky plots, the cities have become centers of modern consumption and the rural sector has come to have phones, electricity, and water. What the rural sector now desires so greatly is more roads and greater ease of inter-village and intertown transport.

The Closing Overarching View: Irony 15

Irony 15 focuses on the fact that by 1985 Bolivia had reached a level of crisis in the model for development first imposed by Paz in 1952. Paz himself seemed to be the only person capable of confronting the contradictions that had been created during the 1952-64 period, and which had been expanded upon during the 1964-85 period. That Paz had supported President Banzer's incipient plan in the early 1970s to restrict the power of the state and that Banzer has supported in the late 1980s President Paz's Nueva Política Económica stand in contrast to the Torres-Lechín solution of the "Worker-Controlled State" (1970-71) and the Siles alliance with Bolivia's extreme left (1982-85). This last alliance (involving Siles's confrontation with Lechín) bankrupted Bolivia by 1985.

Siles and Lechín could, of course, claim that they never had enough power to overcome the state capitalist bureaucracy and vested interests put in place especially by corrupt military officers, or they could claim that they had to govern with a paralyzing debt burden inherited from the Banzer years, but that would miss the point. (For data on Bolivia's foreign debt, see table 3505.) Implementation of "co-government" by workers and government officials is itself a paralyzing factor, especially in Bolivia where the decentralized agencies, the military, and the U.S. Embassy each have had their own ideas about how co-government should work under their own auspices.

Paz's solution for Bolivia and his Nueva Política Económica as announced August 29, 1985, include (not necessarily in order of importance):³⁴

1. valuing the currency realistically at all times, thus countering hyperinflation;
2. removing all price supports;³⁵
3. freezing wages/salaries as needed;
4. limiting national holidays to 10 yearly;
5. revising taxes upward (including levying a "forced loan" on the value of capital and giving municipalities the right to tax property);
6. removing limits on exports and imports,³⁶ with a 10 percent tax on the value in Bolivia of imports plus 10 percent of the previous taxes;
7. replacing the Central Bank with a reserve bank, thus favoring the private banking system;
8. permitting private banks to make direct foreign exchange operations;
9. allowing bank accounts in foreign currency;
10. establishing free commerce in gold and authorizing the Central Bank to convert Bolivia's holdings of gold into freely converted reserves;
11. encouraging foreign private investment in Bolivia through investment guarantees;
12. assuming (by the government) Bolivia's private foreign debt owed to other countries and/or international agencies;
13. dissolving the Bolivian Development Corporation, turning its activities over to regional development corporations;
14. dissolving the National Enterprise for Automotive Transport (ENTA), turning its activities and equipment over to town councils in department capitals and thus giving the town governments a new financial base;
15. giving administrative autonomy to the departmental and city governments;
16. stimulating an economic boom in the departments of Beni and Pando (e.g., by building roads), thus establishing new industry in alluvial tin, oil, and meat packing;
17. streamlining the actions of and reducing the number of decentralized agencies;

³⁴ Price, Waterhouse (ND); Mendoza C. (1985); *Vision*, September 23, 1985, pp. 23-24; and Wilkie and Wilkie (1985-86). For critical points of view, see Serrate Reich (1985).

³⁵ Except, later, bread and meat. The price of gasoline was fixed at 30 US cents per liter.

³⁶ Except, later, sugar, in order to protect the sugar industry of Bolivia against "dumping" by other countries. For critical analysis, see *El Meridiano* (La Paz), January 7, 1986.

18. selling inefficient and unprofitable state agencies to the private foreign sector or to joint ventures of private Bolivian and foreign capital (e.g., sale of the Bolivian State Oil Company, under which crude petroleum production fell from 2.7 million cubic meters in 1973 to 1.2 million in 1984—see table 3511);
19. permitting public and private enterprises to discharge part-time workers;
20. dividing the power of the State Mining Company (COMIBOL) into four separate companies, thus eliminating the central bureaucracy.

The division of COMIBOL is planned in order to reduce its political power, thus permitting the government to dispose of inefficient mines. Further, the division of COMIBOL paves the way for Paz to sell the mines to the private sector, if the miners decide not to run them as unsubsidized worker-owned cooperatives. New mining operations may be granted to foreign firms.³⁷

Although Paz claims that he is carrying on Bolivia's revolutionary process by shifting from a theology of revolution to one of practicality that will make the government function for the national good, his severe critics, such as Carlos Serrate Reich, claim that he is liquidating the MNR Revolution by "selling out" to free market philosophy.³⁸ Paz responds by noting that the role of the state is to promote a mixed economy that works for the national good, not a statist system that fails to "control" the major share of the national economy over which it supposedly exercises power.³⁹ If Paz would claim that a new class of statist bureaucrats has taken power for its own selfish ends and that co-equal government has failed,⁴⁰ Serrate (Minister of Education in the Paz government in 1964, currently a leader of Paz's opposition in Bolivia's Chamber of Deputies, and head of the political party MNR-Vanguardia) would argue that government can be streamlined to operate successfully such enterprises as ENTA, which merit subsidy to promote the movement of the population from farm and mines to market in a poor country.

Both Paz and Serrate argue that bribery by the private sector should be severely penalized. For example, the power in Bolivia acquired through bribery has raised the possibility that drug dealers could "buy" elections as well as corrupt government officials, hence threatening democracy more

Table 3511
CRUDE PETROLEUM PRODUCTION IN BOLIVIA,
1952-85
(M Me³)

Year	Total	Year	Total
1952	.1	1970	1.4
1953	.1	1971	2.1
1954	.3	1972	2.5
1955	.4	1973	2.7
1956	.5	1974	2.6
1957	.4	1975	2.3
1958	.5	1976	2.4
1959	.5	1977	2.0
1960	.6	1978	1.9
1961	.5	1979	1.6
1962	.4	1980	1.4
1963	.5	1981	1.3
1964	.5	1982	1.4
1965	.5	1983	1.3
1966	1.0	1984	1.2
1967	2.3	1985	1.2 ^a
1968	2.4		
1969	2.3		

a. Annualized rate, January-June.

SOURCE: Bolivia (1964), (1969), (1985).

insidiously than military dictatorship or bureaucratic agencies operating outside presidential control.

Paz's struggle to recentralize power in the presidency through reorganization of the bureaucracy and elimination of the money-losing state enterprises from the sphere of government activity may have further unintended consequences in the "ongoing" Revolution since 1952 for a major reason: bureaucratic centralism (which can be traced back to the Spanish-imposed system of government and its bureaucrats who wished to control all aspects of society) will not easily be defeated, especially if the bureaucrats are made stronger through recentralization.

Conclusion

In spite of the above ironies (and perhaps in some cases because of them), the Bolivian National Revolution can be seen as a continuing process involving irony. Paz's basic goals were already established by 1964 when the MNR was overthrown by the military, which did not undo Paz's measures. The military continued land reform (if with favoritism for its officers), expanded state ownership of industry (as in the establishment of tin and antimony smelters), and at various times (e.g., under Ovando and Torres) made pronouncements in favor of the country's workers. Other examples of the continuing ironical process since 1952 include: Paz's goal of breaking Bolivia's dependency on tin has been fulfilled to a greater extent than he desired; Bolivia was successful in

³⁷ Interviews with Paz (Wilkie and Wilkie, 1985-86).

³⁸ Interviews with Serrate Reich (Wilkie, 1985-86).

³⁹ There are various ways of measuring the power of the state. García Rodríguez (1982), p. 176, has written that in 1976 the public sector (central government + decentralized government) was responsible for 33 percent of gross domestic product, 13 percent of employment, 59 percent of exports, 70 percent of investment, and 23 percent of national savings. From another point of view (Wilkie, 1974d, p. 447), in 1970 public expenditure of Bolivia reached 56.1 percent of total expenditure.

⁴⁰ Interview with Paz (Wilkie and Wilkie, 1985-86).

acquiring U.S. aid without becoming more dependent upon U.S. trade, but its State Oil Company failed to maintain the petroleum production needed for export; and the restoration of democracy since 1982 has opened the way to combat drug traffic, which flourished under General García Meza to replace tin as Bolivia's most important export.

Whether observers believe or do not believe that the "Bolivian National Revolution Since 1952" is continuing (or even accept all of the ironies presented here), the MNR platform of 1985 and Paz's current presidential policy to cope with the problems he set in motion over three decades ago are realities that dominate political, social, and economic debate in Bolivia. Whether Paz is able to complete his term or not, the issues he is posing will continue to define the terms of debate about Bolivia's future.

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VA = Various Years)

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