

~~/~~THE BOLIVIAN NATIONAL REVOLUTION OF 1952~~/~~
A CONTEMPORARY PERSPECTIVE

by

ROBERTO JORDAN M.

B.S., Kansas State University, 1981

A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF ARTS

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1985

Approved by:


Major Professor

LD
2668
•R4
1985
J672
c.2

A11202 996648

**THIS BOOK
CONTAINS
NUMEROUS PAGES
WITH THE ORIGINAL
PRINTING BEING
SKEWED
DIFFERENTLY FROM
THE TOP OF THE
PAGE TO THE
BOTTOM.**

**THIS IS AS RECEIVED
FROM THE
CUSTOMER.**

ACKNOWLEDGEMENTS

First and foremost I wish to extend my gratitude to my parents whose exemplary life and genuine social sensitivity have been a continuous source of inspiration to me. It was they who through their concern initially made me aware of the significance of the Bolivian National Revolution of 1952.

To Kansas State University and the Department of Economics in particular, for providing me with the necessary instruments of analysis without which the present work would not have been possible.

To Bolivia, whose pioneering social revolution and seemingly endless drive to consolidate progress are the very essence of this study.

To both Latin America and the United States, for a most valuable lesson, namely, that the similarities are far more striking than the differences amongst human beings.

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	v
Chapter	
I. INTRODUCTION	1
II. GENERAL CHARACTERISTICS OF THE REPUBLIC OF BOLIVIA . . .	39
III. A BRIEF ECONOMIC HISTORY OF BOLIVIA	51
IV. THE BOLIVIAN NATIONAL REVOLUTION OF 1952	73
V. CONCLUSION	118
BIBLIOGRAPHY	137

LIST OF TABLES

Table		Page
1.	Mineral Composition of Exports	80
2.	Production of Traditional Agricultural Crops	87
3.	Lowland Agricultural Production	95
4.	Cement Production	97
5.	Energy Resources	98
6.	Production of Hydrocarbons	99
7.	Composition of GDP	101
8.	Composition of Exports	102

CHAPTER I

INTRODUCTION

Economics and economists...trustees...of the possibility of civilization.

-John Maynard Keynes

The French scientist-explorer Alcides Dessalines d'Orbigny called Bolivia 'the microcosm of the planet'. Sir Clements R. Markham, writing in THE GEOGRAPHICAL JOURNAL, 1910, described Bolivia as "land of the Incas...no country in the wide world possesses such a variety of climates, of geographical features, and of products." The average Bolivian citizen himself will most likely and promptly describe his country as a 'beggar on a throne of gold'. Indeed, although the Republic of Bolivia possesses vast mineral deposits and untapped agricultural resources of virtually every kind, little of this great potential wealth has been developed. As declared by one of the original United Nations Technical Assistance Missions to Bolivia (1951), "there would seem to be no material reasons to prevent the people of Bolivia from living a life of reasonable comfort and contentment for many generations to come."¹ Yet Bolivia is considered by virtually every existing economic and social measure to be one of the poorest and least developed countries in the Western Hemisphere, despite the fact that few countries have been endowed by nature with such an abundant and

¹United Nations, Technical Assistance Administration, Report of the United Nations Mission of Technical Assistance to Bolivia (New York, 1951), p. 1.

diverse collection of essential raw materials. Perhaps this apparent contradiction between potential plentifulness and precarious reality can be explained by some well known Bolivian writers and thinkers themselves, such as Alcides Arguedas, whose

withering attack on his own country, published in 1910, Pueblo Enfermo-A Sick People-...declared that the drama of Bolivia arose from the contrast between the grandiose character of its natural surroundings and the puniness of man: 'everything is immense save man himself'. He went so far as to say that Bolivia was the living exemplification of Bolívar's gloomy prophecy on his deathbed that 'America is ungovernable and those who have served the revolution have ploughed the sea'.²

In its broadest interpretation, the present work is a case study on the process of building nationhood. It is about the awakening of a people to the ideals of equal opportunity for all and republican sovereignty and laying the groundwork for economic development. More specifically, it is with hindsight that we shall inquire on the nature and demands of a singular event in the history of the Republic of Bolivia, namely, the Bolivian National Revolution of 1952, and thereby attempt to at least answer whether those who served this revolution in particular have fared better than to 'plough the sea'.

THE OBJECTIVES

The purpose of this study is three-fold. First, given the context of extreme economic backwardness and social poverty, we shall seek to shed light on the question of optimization of strategy for economic and

²Margaret Joan Ansteen, Bolivia: Gate of the Sun (New York: Paul S. Ericksson, Inc., 1970), Preface xv.

social development and the concurrent attainment of genuine political and economic democracy. Second, the resurgence of neoclassical economic analysis in the field of economic development has once again challenged the validity of state intervention in an economy. We wish to draw upon the Bolivian experience in an effort to either sustain, oppose or qualify the neoclassical perspective. Third, it is the obvious desire of any writer to appeal to as widely a range of readers as possible. This study in particular, however, makes an added effort to invoke awareness, sensitivity and, ultimately, initiative on the part of those segments of world society whose affluence has shielded them from a first-hand assessment of the lives and prospects of over two-thirds of humanity who are far less fortunate. By doing so, it is hoped that we shall have contributed toward making this a fairer and safer planet for all.

THE METHODOLOGY

This work necessarily embraces a political economy approach. In light of the ambitious task thus set forth, which is any major economic evaluation of a society and its progress through time - albeit a minuscule span of historical time as in this case - this result is inevitable. A most prolific economist, scholar and Nobel laureate Simon Kuznets notes:

Economic analysis of economic growth has always assumed the existence of a viable and coherent state, with different roles at different stages (reflecting some divergence in the respective weights of the private and public sectors) but with a minimum capacity and cohesion throughout. For the LDCs [less developed countries], or many of them at the lower end of the economic range, this assumption of a viable and coherent state structure may be

an oversimplification that disregards the crucial role of the process by which such a viable state is built up. Clearly, much of the diversity in the growth record in the post-World War II decades between DCs [developed countries] and LDCs, and among the latter even when limited to market economies, can be traced to different levels of development of the structure of sovereign nations as cohesive units. If this observation is valid, we need to study the political and social structure of nations in terms of their capacity to make decisions required for adequate and sustained economic growth, without drastically sacrificing internal liberty and ignoring varied group interests. And such study would mean a shift from economics to political economy ...³

A second Nobel Prize winner, the insightful W. Arthur Lewis, would agree:

... a model for an economy at this level [low income] must be rather complex. There is no one growth theory, but a set of complementary theories ... At the core must be a theory of distribution, since this is going to provide incentives and savings. ... we should also put what we know about the growth of the volume of resources - the labor force, capital, knowledge.

Another building block would be a theory of government ... There must be a theory of class formation and class conflict, to go hand in hand with a theory of entrepreneurship.

... The material is unified by its subject matter - the behaviour of low-income economies - and by its tools - especially supply and demand and statistical analysis. The problem is not how to take over relevant history or sociology or anthropology, but, on the contrary, how to avoid rushing in with economic answers beyond the limits within

³Simon Kuznets, "Notes on the Study of Economic Growth of Nations," in Kuznets, Growth, Population, and Income Distribution (New York: Norton, 1979), pp. 116-117.

which they apply. These limits are different for MDCs [more developed countries] and LDCs... [T]here is an element of utility maximization in studying fertility, rates of saving, migration or entrepreneurship but it tends to be overlaid in poorer countries by social, religious, and political rules, that must be approached through the disciplines of political science and social psychology. The argument is not about quantification ... statistical analysis is ... a bonus for all. At issue is the working of institutions that influence decisions, and the changing of these institutions through time.⁴

An argument which is increasingly gaining momentum and which highlights - perhaps as no other - our appreciation for yet a broader-based political economy approach to the study of the low-income economies is the following:

Orthodox development economics in the U.S. has developed largely in isolation from the views of Marxism and other heterodox systems of thought. As a result, the treatment of radical economics by mainstream scholars has been inaccurate and inadequate. Furthermore, orthodox economics has been impoverished by the lack of intellectual ferment that ensues from dialogue and controversy with other approaches and paradigms. The insufficient cross-fertilization of orthodox thought by these other views has contributed to the abstraction from politics, the lack of institutional accuracy, the ethnocentric view of international economic and political relations, the relative disregard of imperialism and neocolonialism, the neglect of economic history, the distorted concept of the 'traditional' economy, and the inaccurate perspective on Marxism characteristic of U.S. development

⁴W. Arthur Lewis, "The State of Development Theory," The American Economic Review, LXXIV (March, 1984), 8.

economics.⁵

This latter argument seems to acquire greater credibility in view of what some economists have referred to as the postwar impetus of traditional development economics at least as practiced in the United States:

Since the emergence of a strong Communist block in Eastern Europe after World War II, the developed countries have demonstrated much more interest in development theory. The Communist countries espouse a command-type economy that they claim is more effective in furthering national growth. The western powers are anxious to refute this claim and demonstrate that growth in their economies can rival or surpass growth under Communism. They are therefore more anxious to learn what development theory can do to speed growth.

The developed countries are also aware that the newly emerging nations may succumb to Communist propaganda in their desire to accelerate growth. Any such defection would further weaken the position of the [so-called] free world and constrict its market. The developed countries are eager, therefore, to make known the growth potential and efficiency of the free market system to the less developed countries and to demonstrate its efficacy.⁶

IN SEARCH OF AN ECONOMIC FRAME OF REFERENCE

In the same manner which we must make clear at the outset the approach to be followed in the present study, we must also qualify - as all competent social scientists should - our objectives, within whose

⁵E. Wayne Nafziger, "A Critique of Development Economics in the U.S.," Development Theory, ed. David Lehmann (London: Frank Cass & Co. Ltd., 1979), p. 45

⁶Edward Dowling and Dominick Salvatore, Theory and Problems of Development Economics ("Schaum's Outline Series in Economics"; New York: McGraw-Hill, Inc., 1977), p. 7.

parameters they shall remain valid. Hence, in order to gauge the general progress of a given society, we must first of all properly identify our frame of reference from which to witness development as well as establish a standard of measurement of some sort, no matter how crude in its initial form.

An old and wise saying claims 'beauty is in the eyes of the beholder', and so we suspect the same is true for progress. Physicists tell us that all motion is relative to some reference object, i.e., motion implies a frame of reference. But although so-called 'absolute motion' may be a meaningless concept, usually a certain unique choice of a reference object permits us to perceive the essence of a particular phenomenon. For example, we could conceivably have two points of view: the first from someone on the earth, for whom the sun and stars appear to be orbiting about the earth daily, while a second reference object could be somebody outside the earth, whose equally obvious perception is that of the earth merely rotating on its axis. Both points of view would be correct, but the latter observation presents a clearer picture of the phenomenon at hand, a picture that can be interpreted more simply and straightforwardly than the first. Physicists distinguish between the two observations such that regarding the earth as rotating on its own axis is the more fruitful notion, since it is the key to understanding other phenomena as well as astronomical ones.

The same reasoning applies in the Development Economics subdiscipline. Since the close of World War II this field of inquiry has assumed unprecedented levels, as exemplified by what appears to be a 'tidal wave' of innovative journal articles and other publications, yet the reference point of the profession has remained to a large extent the

same, namely, aggregate economic growth for which the applied standard of measurement has been the conventional per capita GNP (or GDP). Dudley Seers, former Director of the Institute of Development Studies at the University of Sussex, explains:

Why do we confuse development with economic growth? Surely one could hardly say that the situation depicted by a set of projections was preferable to that shown by another set simply because the former implied higher per capita income. After all, in what sense is South Africa more developed than Ghana, or Kuwait than the U.A.R., or the United States than Sweden?

One explanation is that the national income is a very convenient indicator. Politicians find a single comprehensive measure useful, especially one that is at least a year out of date. Economists are provided with a variable which can be quantified and movements in which can be analyzed into changes in sectoral output, factor shares or categories of expenditure, making model-building feasible.

We can, of course, fall back on the supposition that increases in national income, if they are sufficiently fast, sooner or later lead to the solution of social and political problems. But the experience of the past decade makes this belief look rather naive... In fact it looks as if economic growth not merely may fail to solve social and political difficulties; certain types of growth can actually cause them.⁷

Economic growth is not the appropriate frame of reference upon which to base economic development because it does not lend itself to comprehending the essential elements of a particular phenomenon, in this case the very nature and dynamics of LDCs. Economic growth and the

⁷Dudley Seers, "The Meaning of Development," Development Theory, ed. David Lehmann, (London: Frank Cass & Co., Ltd.), p. 9.

associated per capita income statistics, which are simple numerical averages, tell us nothing of the distribution of income within a given society nor of the level of general well-being. Lest we face the same ill fate, we are reminded of the story about a competent statistician who could nevertheless not swim and drowned in a river whose average depth was a mere three feet. But surely the conceptual and practical deficiencies associated with economic growth and its per capita GNP statistics go far beyond this obvious shortfall. First of all, generally acknowledged is the questionable accuracy, inadequate range and limited scholarly analysis of the basic underlying data in LDCs. Assuming the data were nevertheless reasonably correct and thorough, the issue then becomes determining the appropriate weights to be assigned to each of the production sectors of an economy in order to estimate overall growth rates in per capita income. In most LDCs, where subsistence farming is a common yet precarious livelihood for the vast majority of the population, clearly the vital importance of growth in this sector takes on added dimensions, and its weight extends beyond its mere proportional share of GNP. Simon Kuznets, one of the foremost authorities in pointing out the flaws and cracks in LDC statistics, adds that conceivably the prices in both the industrial and services sectors of an LDC may be artificially higher than those of world markets, perhaps as a consequence of protectionism based on import substitution, resulting in an aggregate growth rate which is biased upward. More critically, considering the low to moderate levels of initial per capita income in LDCs and the characteristic inequality in the distribution of income in these countries, is the variability of growth rates from subperiod to subperiod, particularly in the production of final goods

and services required for 'basic needs' (as is primarily the case with agricultural output). This is further complicated by the types of organizational and socio-political displacements that usually arise in periods of economic stagnation or decline. "One could argue that in averaging annual changes over the span of two decades, the annual declines should be given greater weight and the high offsetting rates given lower weight than their mere arithmetic value - all of this compared with standard weights that would be attached to annual changes that are identical with, or close to, the simple average value over the full period."⁸

Such a weighting system for temporal variability of growth rates in conjunction with the large sectoral weight of agriculture, yet the markedly low agricultural performance of LDCs as a group since World War II, would lead us to reconsider and modify substantially the aggregate average growth rate of per capita product of LDCs as a whole as published worldwide in statistical annuals put out by the United Nations Organization and the World Bank Group. For the period 1954-58 to 1964-68, Simon Kuznets estimates an adjusted aggregate average per capita growth rate for LDCs (limited to East and Southeast Asia and Latin America and without consideration for temporal variability) between 1.1 and 1.4 percent per year as opposed to the conventional rate of some 2.0 percent.⁹ A more descriptive narrative of past performance, at least for a quarter-century since the early 1950s and prior to the world recession of 1974-75, is the following:

⁸Simon Kuznets, "Aspects of Post-World War II Growth in Less Developed Countries," in Kuznets, Growth, Population, and Income Distribution, (New York: Norton, 1979), p. 37.

⁹Ibid., pp. 37-38.

One cannot really say that there has been development for the world as a whole, when the benefits of technical progress have accrued to minorities which were already relatively rich. To me, this word is particularly misleading for the period since the war, especially the 'development decade' when the growth of economic inequality and unemployment may have actually accelerated. (The prospect of a 'second development decade' is daunting: a repetition of the 1960s with unemployment and inequality rising still further would be socially, economically, and politically disastrous whatever the pace of economic growth!)

As it turns out, the latter author was proven right. In fact, for most of the 1970s and early 1980s the world has experienced the worst of possible macroeconomic scenarios: stagflation - the stagnation of output and employment coupled with an inflationary wage-price spiral. If anything, then, both unemployment and inequality have increased in the last decade and most likely the proportion of the world population living in poverty as well.

In 1974 the United Nations World Food Conference set itself a goal - "within a decade, no child will go to bed hungry ... no human being will be stunted by malnutrition."

Today at least 400 million - some say as many as one billion - of the world's people do not get enough to eat. Twenty million people, mostly children, will die this year from hunger and hunger-related diseases. Hunger is "the most prevalent and most insidious social problem" facing [U.S.] cities today, according to the 1983 U.S. Conference of Mayors.¹¹

Economic growth based on national income statistics should not be

¹⁰Dudley Seers, *op. cit.*, pp. 21-22.

¹¹Joseph Collins and Frances Moore Lappé, Hunger Is Not a Myth... But Myths Keep Us From Ending Hunger, Institute for Food and Development Policy (San Francisco: By the authors, n.d.).

entirely dismissed, of course, from the broader meaning of development. A fast economic growth rate in one or more production sectors could eventually give rise to 'a larger-size pie' which then the fiscal system would hopefully distribute more equally amongst the citizens of a country. A fast aggregate economic growth rate could also lead to increased savings capacity over time and hence capital formation, increasing a country's economic potential and paving the way for further growth in the long run. Especially if the investment taking place is directed at public works in the area of agricultural projects and rural infrastructure, and the concurrent generation of rural employment, an LDC could very well begin to bear the fruits of genuine economic development, minimally defined as the alleviation of poverty, unemployment and unequal distribution of income. But although economic growth may be a necessary condition for long-term development of an LDC, in and of itself it is not a sufficient condition. In fact, for decades now the myth has prevailed that population growth has been the real culprit for eating up the fruits of what could otherwise be described as unprecedented levels in the aggregate average per capita growth of LDCs, conventional or adjusted, since World War II. This view is extremely misleading, however, since rapid population growth (more correctly, the persistence of high fertility rates) is not the cause of hunger and economic deprivation in general but rather a symptom "of the powerlessness of the poor."¹² Explains Simon Kuznets:

... population growth cannot be treated as an exogeneous variable determining growth rates in per capita product but must be viewed as the result

¹²Ibid.

of human decisions in roughly rational response to economic and social conditions...¹³

We ask ourselves what the nature of that response might be in light of the poor living conditions for the massive number of people in LDCs. Frances Moore Lappè and Joseph Collins of the Institute for Food and Development Policy provide us a brief insight:

Where infant deaths are high due to malnutrition, many births help ensure that some survive. Where a family's survival depends on working for others, even small children can increase their family's income and often provide the sole support when parents are old.

To address rapid population growth, we must address the roots of hunger - the insecurity of people deprived of their economic rights.¹⁴

There are many more difficulties associated with aggregate economic growth, but one final one that we should at least mention in this opportunity, and which sooner or later will need to be addressed, is that of rising expectations or, better yet, the whole concept of growth perception. We are currently living in a most exciting and promising era in the history of man; we are in the midst of the Communications Revolution, as a result of which it is said the world is 'shrinking by the hour'. Moreover, the technological advancement in MDCs has attained seemingly runaway proportions, paralleled only by ever-increasing levels of consumption, a consequence of which has been the acceleration in the relative material poverty of LDCs. In such a context, we must realize that what might appear at the present to be an astonishing feat in terms

¹³Simon Kuznets, "Aspects of Post-World War II Growth in Less Developed Countries," in Kuznets, Growth, Population, and Income Distribution (New York: Norton, 1979), p. 45.

¹⁴Joseph Collins and Frances Moore Lappè, op. cit.

of aggregate rates of per capita growth of LDCs by historical standards, may, in fact, prove to be deficient at best. Today's demands based on current 'needs' and wants may result too formidable an economic, social, and political challenge to simply confront with a streak of economic growth in each LDC.

It is important to note ... that the same level of achievement in life expectancy, literacy, health, higher education, etc., can be seen in countries with widely varying income per capita. To take just one example, consider Brazil, Mexico, South Korea, China and Sri Lanka.

China and Sri Lanka, with less than a seventh of GNP per head in Brazil or Mexico, have similar life expectancy figures to the two richer countries. South Korea, with its magnificent and much-eulogised growth record, has not yet overtaken China or Sri Lanka in the field of longevity, despite being now more than five times richer in terms of per capita GNP. If the government of a poor developing country is keen to raise the level of health and the expectation of life, then it would be pretty daft to try to achieve this through raising its income per head, rather than going directly for these objectives through public policy and social change, as China and Sri Lanka have both done.¹⁵

COPING WITH VALUE JUDGMENTS

In quest of a frame of reference from which to view distinctly the forces at work in economic development, we must first of all not feel compelled to be apologetic for what is inevitably in the realm of normative economics. So be it. Much is at stake should we exploit fully the potential usefulness of Development Economics.

¹⁵Amartya Sen, "Development: Which Way Now?," The Economic Journal, XCIII (December, 1983), 753.

According to one standard definition of economics, it is the social science concerned with the way scarce resources are allocated among alternative uses to satisfy insatiable human wants. (The problem with this definition is that it lends itself to such criticism as that of cynics referring to it as the 'Economics of Greed'.) We are also told economics is based on the value judgements accorded by a political process, most preferably within a democratic consensus, although no value judgements are contained within the bounds of economics itself.

The Economics of Development, on the other hand, could very well be coined the 'Economics of Need'. Or, in the words of Nobel laureate Theodore W. Schultz:

Most of the people in the world are poor. If we knew the economics of being poor, we would know much of the economics that really matters.¹⁶

The term 'development' alone, of course, is a normative term, "almost a synonym for improvement."¹⁷ Implicit in the professional jargon is that the more developed countries (MDCs) are better off than the less developed countries (LDCs). The title 'Economics of Development' itself implies the study of the mechanics by which a commendable, or righteous, aim can be attained, namely, 'development'. Plainly speaking, development is good and underdevelopment is bad.

To be sure, Development Economics is far from such value-laden fields as metaphysics or religion. For one, it lacks the comparative advantage to ponder such mysteries as the possibility of an illusory

¹⁶Theodore W. Schultz, "The Economics of Being Poor," in Schultz, Investing in People (Berkeley: University of California Press, 1980), p. 3.

¹⁷Dudley Seers, op. cit., p. 10.

nature to life or the existence of paradise other than on earth, in the process dismissing all mundane pursuits entirely. Development Economics is both less pretentious and less abstract. Instead, it is based on the objective supposition - so defined by consensus in the human perception of what is considered tangible - of the existence of widespread human deprivation. And here we shall define deprivation as the absence of the political, social and economic minima necessary to permit and sustain what appears to be the single most universally-accepted goal - the full realization of the human potential.

To this extent, then, Development Economics approximates the characteristics of a positivist science; on the one hand, there is the objective reality of massive poverty worldwide, while, on the other hand, there is a universal directive which calls upon the fulfillment of the human spirit. The degree of subjectivity comes into play in the nature of policy, which results from the interaction of one's value judgements about the intermediate assumptions and the ultimate objective reality which we seek to address. Some assume LDCs to be viable nation-states with a minimum capacity and cohesion throughout, and hence advocate rapid aggregate economic growth whose 'trickle-down' effect would eventually make development feasible. An added claim to this policy is that a Paretian optimality condition could be satisfied, defined in its crudest form as a situation that exists when someone in society can move into a preferable position but without causing some other member of society to move into a position which that person prefers less. Others espouse restructuring the entire political, social and economic foundations of a society, inevitably to the 'detriment' of some and the benefit of the deprived majority. What they propose, in

fact, is the establishment of legitimate nationhood first and foremost from which development would automatically ensue in the long run. Admittedly, these are complex issues of our time, for which we now turn to our unique choice of an economic frame of reference in search of hopefully illuminating answers and upon which to base the so-far elusive concept of development.

ENTITLEMENTS AND CAPABILITIES

The more fruitful frame of reference from which to evaluate economic development is one which we shall borrow from the brilliant economist Amartya Sen:

Ultimately, the process of economic development has to be concerned with what people can or cannot do, e.g. whether they can live long, escape avoidable morbidity, be well nourished, be able to read and write and communicate, take part in literary and scientific pursuits, and so forth. It has to do, in Marx's words, with 'replacing the domination of circumstances and chance over individuals by the domination of individuals over chance and circumstances'.

Entitlement refers to the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces ... If a person can, say, earn \$200 by selling his labour power and other saleable objects he has or can produce, then his entitlements refer to the set of all commodity bundles costing no more than \$200. He can buy any such bundle, but no more than that, and the limit is set by his ownership ('endowment') and his exchange possibilities ('exchange entitlement'), the two together determining his over-all entitlement. On the basis of this entitlement, a person can acquire some capabilities, i.e. the ability to do this or that (e.g. be well nourished), and fail to acquire some other capabilities. The process of economic development can be

seen as a process of expanding the capabilities of people. Given the functional relationship between entitlements and capabilities, a useful - though derivative - characterisation of economic development is in terms of expansion of entitlements.

... Ultimately, we are concerned with what people can or cannot do, and this links directly with their 'entitlements' rather than with over-all supplies and outputs in the economy.¹⁸

The author elaborates on the more precise notion of 'entitlements' in this manner:

It is worth emphasising here... that (1) 'exchange entitlement' is only a part of the entitlement picture and is incomplete without an account of ownership or endowment, and (2) 'exchange entitlement' includes not merely trade and market exchange but also the use of production possibilities (i.e. 'exchange with nature').¹⁹

In differentiating between 'entitlements' and 'capabilities' and between the latter two and the classic notion of 'utility', Sen argues the following:

Capabilities, entitlements and utilities differ from each other ... 'capabilities' provide the right basis for judging the advantages of a person in many problems of evaluation - a role that cannot be taken over either by utility or by an index of commodities. When we are concerned with such notions as the well-being of a person, or standard of living, or freedom in the positive sense, we need the concept of capabilities. We have to be concerned with what a person can do, and this is not the same thing as how much pleasure or desire fulfillment he gets from these activities ('utility'), nor what commodity bundles he can command

¹⁸Amartya Sen, op. cit., pp. 754-755.

¹⁹Ibid., p. 754.

('entitlements'). Ultimately, therefore, we have to go not merely beyond the calculus of national product and aggregate real income, but also that of entitlements over commodity bundles viewed on their own. The focus on capabilities differs also from concentration on the mental metric of utilities, and this contrast is similar to the general one between pleasure, on the one hand, and positive freedom, on the other. The particular role of entitlements is through its effects on capabilities. It is a role that has substantial and far-reaching importance, but it remains derivative on capabilities.²⁰

Sen then goes on to say that entitlements are not exclusively a function of market processes. In a centrally planned and socialist economy, for instance, entitlements are subject to what individuals can obtain from the established system of command. But even in a non-socialist economy, certain types of labor and social legislation in general - if enforced - such as a social security system, may augment the capacity of entitlements beyond that resulting from market forces alone.

A major failing of traditional development economics has been its tendency to concentrate on supply of goods rather than on ownership and entitlement. The focus on growth is only one reflection of this. Extreme concentration on the ratio of food supply to population is another example of the same defective vision. Recently the focus has shifted somewhat from growth of total incomes to the distribution of incomes. This may look like a move in the right direction, and indeed it is. But I would argue that income itself provides an inadequate basis for analysing a person's entitlements. Income gives the means of buying things. It expresses buying power in terms of some scalar magnitude - given by one real number. Even if there are no schools in

²⁰Ibid., p. 755.

the village and no hospitals nearby, the income of the villager can still be increased by adding to his purchasing power over the goods that are available in the market. But this rise in income may not be able to deal at all adequately with his entitlement to education or medical treatment, since the rise in income as such guarantees no such thing.

In general, one real number reflecting some aggregate measure of market power can scarcely represent so complex a notion as entitlement. The power of the market force depends on relative prices and, as the price of some good rises, the hold of income on the corresponding entitlement weakens. With nonmarketability, it slips altogether. In the extreme case, the entitlement to live, say, in a malaria-free environment is not a matter of purchase with income in any significant way.

In dealing with starvation and hunger, the focus on incomes-though defective-is not entirely disastrous. And of course it is a good deal better than the focus on total food output and population size. The weighting system of real income and cost-of-living pays sufficient attention to food in a poor community to make real income a moderately good 'proxy' for entitlement to food in most cases. But when it comes to health, or education, or social equality, or self-respect, or freedom from social harassment, income is miles off the target.²¹

DEVELOPMENT AND FREEDOM

Development, then, should be characterized in terms of the expansion of peoples's 'capabilities'. And our standard of measurement for gauging development should be the concept of 'entitlements'. Economic growth, on the other hand, should be viewed as nothing more than a means toward facilitating development, although often times not a

²¹Ibid., p. 756

very efficient means either - as we have already seen.

Ultimate development, of course, will correspond to the ultimate capability, i.e., the realization of the human personality. This, in turn, will correspond to freedom in the positive sense. On the grounds of deductive reasoning, therefore, we conclude that development is in a very direct and profound way associated with freedom. In a real sense, what we mean by development is precisely freedom. Initially, development entails the liberation of man from the threat on life itself which is starvation, from the lasting impairment of malnutrition and the permanent incarceration of subsistence livelihood. Development represents safety and refuge from severe exposure to the elements, provided in part by basic clothing, footwear and shelter. Economic development implies casting away the debilitating and agonizing effects of illness, for which is necessary the eradication of all communicable diseases, extensive availability of potent preventive medicine and accessible and guaranteed medical treatment for all for the preservation and growth of physical and mental health. It is the stepping away from the shadows of ignorance and illiteracy and into the light of an educated and inquisitive mind. Development is freedom to acquire the necessary talent, skills and motivation to select from among assorted occupations such that self-esteem and self-determination can be realized. Development is having the necessary and sufficient political representation and authority to ensure no coercion is exerted beyond the power of the law. In sum, free people are those who are 'architects of their own destiny' and who comprise a free society. A free society, in turn, is one which guarantees and contributes to the realization of the human potential. As a unit it is politically sovereign, economically

independent and its cultural heritage preserved and hailed. It has the necessary physical infrastructure as well as general know-how to secure adequate levels of technical skills, capital formation and entrepreneurial talent at all times. It would be expected of free and developed countries to engage in specialization and trade, but no doubt that such exchange would take place on the basis of comparable strength and capacity, and under a general framework of fiercely competing alternatives.

We could, of course, speculate on, or envision at least, the conceptual characteristics of development beyond the narrow confines of economics. Development and its interrelated concept of freedom imply, after all, a very particular state of personal being. An integral part of development in this context could conceivably be freedom of the human condition from all prejudice and discriminatory behaviour (including language), freedom from the constraints imposed by such artifacts of man's creation as political boundaries and private ownership of the means of production and distribution. Ultimately, development is perhaps associated with freedom from or - what amounts to the same thing - the whollistic reconciliation of life's pervasive dualities such as that of mind and body, the simplistic morality of good and evil, time and space, and the mystery of the life and death dichotomy itself. The point is, should this be a valid argument, we cannot cease to amaze ourselves of the remoteness of people's current situation relative to this new and plausible perspective on development. Indeed, for a major portion of humanity we have yet to address the absolute necessity of food, let alone any initial stages of economic and social development.

THE COMPATIBILITY OF IMMEDIATE ECONOMIC GOALS

All this should lead us to where we presently stand in terms of the dynamics of development and also how we may resolve the practical question of measurement of such a process. Clearly, our immediate priorities must revolve around the alleviation of widespread hunger, poverty and unemployment. Our target population for this purpose necessarily becomes the poorest 10 to 50 percent of the inhabitants of an LDC. Furthermore, in light of the politically flammable times, the relative material deterioration of LDCs in the world and the enigma of what is most efficient in attaining economic development, the evidence is such that we should opt for social change and policy, as opposed to the rather sterile concept of economic growth, for the expansion of people's basic entitlements. The nature of such social change and policy has been advocated by many to be closely tied to a more egalitarian distribution of real income and wealth in general. The arguments for this have varied over time. To the extent that economics is based not only on the value judgements accorded by a political process but ultimately on the whole moral structure of society, some have claimed that on the basis of inequalities found today in the Third World where there is massive poverty and between LDCs and MDCs where the breach of power is increasingly wider, the present distribution of income results objectionable on account of any religious or ethical standards, and hence to resolve it must become a goal of economics in its own right. Other arguments have been more socially and politically oriented:

The social barriers and inhibitions
of an unequal society distort the
personalities of those with high incomes

no less than of those who are poor. Trivial differences of accent, language, dress, customs, etc., acquire an absurd importance and contempt is engendered for those who lack social graces, especially country dwellers. Since race is usually highly correlated with income, economic inequality lies at the heart of racial tensions. More seriously, inequality of income is associated with other inequalities, especially in education and political power, which reinforce it.²²

Some sophisticated professional rationales have emphasized economic marginal analysis instead. Using the mental metric of utilities, some economists have justified a more equal distribution of income on the basis of diminishing marginal utilities. It is argued that the utility derived from an additional unit of income below a certain level of wealth necessary to permit and sustain 'basic needs', is clearly superior to the utility derived from an additional unit of income above that level. In fact, based on the equimarginal principle which seeks to maximize total utility, the national income of society should be allocated such that the marginal benefits associated with the last unit of income earned are equal for every citizen. Some obvious criticisms of this approach are in terms of identifying and measuring benefits, both explicit and implicit. Given the unique nature of every living individual, it would be expected for people to have divergent measures of utility for equal or comparable levels of income and wealth in general. In fact, it is very possible for utility to accelerate rather than diminish with increasing levels of income, since income and power are highly correlated. Moreover, the whole problem with utility or any other mental metric of pleasure or desire fulfillment, as Sen pointed

²²Dudley Seers, op. cit., pp. 11-12.

out, is that it is by far not the same thing as a measure of the general well-being of an individual, or standard of living, or freedom in the positive sense.

We may propose instead to address the problem of unequal distribution of income (or, more correctly, of political power) on two fronts: (1) the nature of concentration of economic and political power and (2) on account of explicit and implicit economic costs to society. But, first of all, we must consider the validity or not of Pareto's Law, based on wide-ranging statistical analyses, which states - in brief - that the distribution of income is the same everywhere no matter what the average level of income of a particular nation may be. "The implication is that the only way in which the income of the poorer segment of a country can be increased is by raising the income of the whole nation; in short, it is impossible to redistribute income."²³ I think it is fair to say that real-life examples abound which refute this claim, perhaps the most notorious two and at opposite sides of the spectrum being the People's Republic of China and Brazil. Nor must we dwell once more on the deficiencies associated with national income statistics and aggregate rates of growth of per capita GNP upon which this contention is based. More importantly, it should be recognized that what is at issue is not income per se but 'the expansion of people's capabilities', for which a necessary and perhaps even sufficient condition is a more equal share of political representation and authority. This is hardly innovative, but as development economists

²³Douglas Greenwald and Associates, "Pareto's law," The McGraw-Hill Dictionary of Modern Economics, ed. William A. Sabin and Nancy Warren (3rd. ed.; New York: McGraw-Hill, Inc., 1983), p. 338.

we must cease once and for all to be timid in stepping beyond the stringent boundaries of economics in order to identify the basic underlying fact for the impoverished conditions of the masses in LDCs: the absence of the required instrument of political power.

Since the dawn of mankind, in every remote corner of the globe historical evidence has it that concentration of economic and political power has resulted in nothing but social abuse and exploitative economic relations. No doubt that the form of land tenure which has prevailed in many parts of Latin America and Asia (and medieval Europe in the past), upon which the mighty political power of feudal landlords has been based, has also been greatly responsible for the marginal economic existence and political and social alienation of the vast rural population. If we were to redefine the social optimum in welfare economics as that condition existent in society which allows and encourages the full realization of every human personality (which, admittedly, would lack an operational definition), the burden of proof would have to rest on the ruling elites to justify their inability to relinquish what adds up to a disproportionate share of political power. The opposite would be true, of course, of the poorest 10 to 50 percent of an LDC who have much to gain from political influence, if nothing more than the minimal conditions of survival.

Another perspective on the uneven distribution of income or political power that we may consider is in terms of substantial economic costs to society as a result of weak, idle and underutilized resources as exist in abundance in a typical LDC today. Such an economy is clearly inefficient given the level of available resources and general level of technical know-how in the world, and is consequently operating

well below optimal production possibilities. In terms of implicit economic costs alone, it bewilders us to even begin assessing the loss in cumulative social welfare associated with such phenomena as lasting physical and mental impairment resulting from malnourishment and affecting a wide extent of the population. Or, the loss of potential social spillover benefits usually expected of a society which is literate.

Once we grasp the misuse and underuse of resources under elite-controlled agricultural systems, it becomes hard to imagine how a more just system could be less efficient. First, anti-democratic systems invariably leave much land unplanted altogether. In Northeast Brazil, where the majority are hungry, the largest estates controlling most of the land cultivate only 15 percent of their holdings, the rest is grazed or left idle. Second, these systems are inefficient because the biggest operators who control most of the land and the best land consistently produce less per acre than the small producers. Third, when a few control the land, returns from production are often not invested in making agriculture more productive but are squandered on luxury consumer items, or invested in get-richer-quick schemes in the cities.²⁴

There is much evidence gathered as to the compatibility of the various immediate economic goals which we seek to address. After all, the expansion of people's entitlements, defined as the process of economic development itself, will ultimately depend on how much political power can be muscled in support of the economically deprived. As it turns out, political leverage may be a most sufficient condition for rapid and sustained economic development at least in the immediate

²⁴Joseph Collins and Frances Moore Lappé, op. cit.

future. To the extent that Development Economics is in the realm of normative economics, such failures of the system as a rural community deprived of potable running water or electricity, resulting from lack of political clout which is instead concentrated in the hands of the few urban rich, make it indispensable for our social science to identify the problem not as an issue of more income or more supplies of certain basic commodities but one of monopolization of the political will.

In all too many countries - India, Mexico, the Philippines, to name a few - focusing on crop production ended up actually increasing hunger. Tractors, fertilizers, improved seeds, and irrigation in reality benefited only those who already have considerable land, access to credit and political pull. These better-off farmers use their profits to buy out poor farmers. In India, the percentage of rural people with no land has doubled since the introduction of these new technologies twenty years ago. And the poor are doubly hurt: for the new machinery replaces human labor, creating even greater rural unemployment.

Without a just distribution of land and other resources, no matter how much more is produced, those without jobs or land are pushed deeper into hunger and poverty.²⁵

THE QUESTION OF MEASUREMENT

We stated earlier that our standard of measurement for the process of economic development should be based on the more enlightened notion of entitlements as opposed to per capita product. We are all aware of the grave shortcomings of national income statistics and need not elaborate further, except to say that it is almost a self-defeating task

²⁵Ibid.

to attempt to account for every household chore or other activities which do not enter the marketplace and are exchanged on the basis of barter instead (as is the case with most rural economic endeavors). Nor is it satisfactory in the manner which national income statistics are designed and computed, leading to such perplexing results as an automobile whose market value is more than ten times that of a ton of some staple crop in a country where there is chronic malnutrition and perhaps even recurring famine. Insofar as economic development is a mixed economic-social phenomenon, a seemingly more appropriate measure to consider would be a composite index of various social and economic realities such as expectation of life at birth, per capita animal protein consumption, infant mortality, primary and secondary school enrollment, percentage of GNP from manufacturing, per capita energy consumption, total number of telephones and newspapers in a country, etc. (Among the best known indexes of this kind is that developed by the U.N. Research Institute for Social Development.) The problem with such a measure is that it faces some of the same handicaps of data collection and interpretation as per capita income, is less readily available, and is patterned after a biased view of development as experienced in MDCs. Besides, we must insist that per capita income and other simple numerical averages are very indirect and grossly crude 'proxies' for something as complex as estimating the actual level of human entitlements.

Instead of our persistent preoccupation with averages and indexes of various sorts on the entire society, we must realize that in combating poverty, unemployment and the disproportionate share of income and political representation, a most urgent target population of

economic development becomes the poorest 10 to 50 percent of the people of an LDC. Hence, any measure which concentrates its efforts on the general progress of this segment of the population in particular is bound to be more relevant and far less inaccurate than overall average per capita income. We must also necessarily diversify our measure of economic development away from the myopic qualities of simple income averages, even if limited to the bottom half of society. To accomplish this we must supplement our measure with other indicators such as the extent of rural electrification and road construction, rural infant mortality, per capita caloric intake, the literacy rate, etc., all of which would contribute to a greater discernment of the process of economic development. Since the latter process is characterized in a derivative sense as the expansion of people's entitlements, we should be so bold as to contend that perhaps the single most comprehensive measure of economic development is in terms of acquisition of political representation and authority - the ultimate entitlement. Indeed, perhaps better than any other indicator and vehicle of progress is the establishment of a genuine political and economic democratic framework in society. From political influence we suspect follow most, if not all, other fundamental entitlements. And in order to measure the extent of this influence over time we could devise such proxies in a poor and rural LDC as the number of farms organized into cooperatives and the magnitude of their assets, number and degree of influence of political rural worker organizations (including trade unions and the relative political weight of the Ministry of Peasant Affairs or the Ministry of Agriculture), percentage of the rural economically active population using electricity, gas, water, sanitary services, transport, storage and

communications, number and appeal of rural radio stations and newspapers, percentage of the central government budget allocated to agriculture and rural infrastructure, accessibility to agricultural credit, the terms of trade between agriculture and other sectors of the economy, and so forth.

STATE ACTIVISM AND PLANNING VS. PRIVATE ENTERPRISE:
COMPETING STRATEGIES OF ECONOMIC DEVELOPMENT?

According to Amartya Sen, the resurgence of neoclassical economic analysis over Keynesian economics in recent years has been paralleled by the recent impetus of neoclassical thought in the field of economic development.

The neoclassical resurgence has drawn much sustenance from the success of some countries and the failure of others. The high performance of economies like South Korea, Taiwan, Hong Kong and Singapore - based on markets and profits and trade - has been seen as bringing Adam Smith back to life. On the other hand, the low performance of a great many countries in Asia, Africa and Latin America has been cited as proof that it does not pay the government to mess about much with the market mechanism. Recently, doubts raised about the record of China, and the vocal desire of the Chinese leadership to make greater use of material incentives, have been interpreted as proof that even a powerful socialist regime cannot break the basic principles on which the market mechanism is founded.²⁶

In light of the neoclassical challenge, W. Arthur Lewis responds in the following manner:

One should, however, note that the neoclassical system of price formation is under attack, even when its prices are

²⁶Amartya Sen, op. cit., p. 747.

Pareto optimal, on the ground that they may be inequitable. Economists are used to shrugging this off when making comparisons inside a given country, but the same argument has now surfaced in the analysis of trade between rich and poor countries, which yields unacceptable terms of trade because tropical produce reaches the market at prices that reflect alternative cost rather than equal pay for equal work. A whole chain of demands for a new international economic order hangs from this pillar.²⁷

Not surprisingly, Amartya Sen finds on the basis of statistical evidence that the three top performers in terms of economic growth (1960-80), of a group of low-income LDCs, all maintain active and systematic government intervention in both the economic and social spheres.

In the middle-income group, of the three top performers, Romania and Yugoslavia clearly do have a good deal of planning. The third-South Korea-has had an economic system in which the market mechanism has been driven hard by an active government in a planned way. Trying to interpret the South Korean economic experience as a triumph of unguided market mechanism, as is sometimes done, is not easy to sustain... I should only add that, aside from having a powerful influence over the direction of investment through control of financial institutions (including nationalised banks), the government of South Korea fostered an export-oriented growth on the secure foundations of more than a decade of intensive import substitution, based on trade restrictions, to build up an industrial base. Imports of a great many items are still prohibited or restricted. The pattern of South Korean economic expansion has been carefully planned by a powerful government. If this is a free market, then Walras' auctioneer can surely

²⁷W. Arthur Lewis, op. cit. p. 2.

be seen as going around with a government white paper in one hand and a whip in the other.

The point is not so much that the government is powerful in the high-growth developing countries. It is powerful in nearly every developing country. The issue concerns the systematic involvement of the state in the economic sphere, and the pursuit of planned economic development. The carefully planned government action in, say, China or Sri Lanka or South Korea or Romania, contrasts - on the whole strongly - with the economic role of the government in such countries as Uganda or Sudan or Chile or Argentina or Ghana.²⁸

The essence of the dispute between the proponents of state activism and planning and those who advocate the free enterprise system is the following:

On the one hand, those who support state intervention in the economy in general and direct government control of investment in particular, argue that (1) all profit which accrues to the State from new investment could be funneled back to other socially significant investments; (2) only the State has the capacity and will to take utmost advantage of the existing backlog in technological opportunities, and hence to acquire the necessary capital in order to undertake the types of investments an LDC requires for potential development; (3) individuals fail to realize what is socially necessary; (4) the absence of a meaningful entrepreneurial class characteristic of all LDCs could be more than offset by active state intervention in the economy as well as development planning; (5) individual consumers, resource-owners, and firms are constantly confronted with insufficient and inaccurate

²⁸Amartya Sen, op. cit., p. 752.

knowledge of present and future prices and costs due to the often volatile and incoherent nature of LDCs; (6) large investment decisions cannot be made in LDCs on an individual basis because not always is it safe to assume that the supporting facilities or infrastructure is in place; and, finally, (7) the usual weaknesses associated with an unregulated price mechanism, such as externalities, economic instability, inequities, the eventual concentration of market power and the failure to produce wanted social goods, can be overcome relatively effectively in the form of state intervention in the economy.

On the other hand, there are those who argue against government participation and regulation of the economy and in favor of a free enterprise system on account of the following:

(1) state intervention in the economy discourages private initiative and productivity and results in overall economic inefficiency; (2) government bureaucracy may assume unprecedented growth and become increasingly costly and unmanageable to society; (3) in its single most important function as provider of the legal foundation and social environment conducive to the effective operation of the economic and social structures, such departures from its main role as government intervention in the economy in an effort to stabilize business fluctuations or to distribute income more equally, may unknowingly result instead in further economic instability and perhaps even infringement of civil liberties; and, finally, (4) state activism and development planning hinder the growth of genuine entrepreneurial talent. Instead, those who espouse a free private enterprise system feel government can better achieve its economic objectives through indirect controls such as tax structures and government subsidies.

Despite these apparent conflicting views, it should become increasingly evident that state activism in the economy as such is not a competing alternative to a free enterprise system. It will be the peculiar nature of state intervention in the economy that ultimately determines its divergent role from the price mechanism. In fact, given the present basic level of human development, we must recognize the potency of private ownership of the means of production and distribution and the powerful driving force of material incentives. Thus, perhaps reconciliation of state activism and private enterprise is not only possible but optimal, since this arrangement would ensure diffusion of market power and the framework of a broad-based economic democracy.

One reason why government is closer to the developing economy is that the market works less efficiently there than in the developed economy. So government is constantly asked to rectify market error or market inequity. To say this is not to imply that government action in the market always gives a better answer than the uncontrolled market, whether in allocation or in distribution. For just as the market gives better service in rich than in poor countries, so also the government tends to be better administered, has more resources, and is slightly less dominated by "politics" and personal advantage in decision making. Pigou taught economists that the market was imperfect, but that points of imperfection could usually be eliminated by handing the problem over to the government for tax or subsidy. Such an assumption is not valid for all LDCs. Here it is often the case that the imperfect solution of the market could be better than that of the government. The government needs to be modernized just as much as the market. Also the assumption that the government "represents" the people may not hold. Political scientists offer us many different models of government-military (with generals), military (with sergeants), technocratic, aristocratic, popular front, peasant,

kleptocratic-which react differently to
similar stimuli.²⁹

THE ULTIMATE GOAL OF ECONOMICS

It is generally acknowledged that economics has much to say of importance about almost all of the social issues of our day. It could very well be asserted that numerous costly errors in both social and economic policy can be directly traceable to widespread economic illiteracy. The purpose of economics, however, is not to convert people to a newly-discovered gospel nor to increase the ranks of those who major in the profession. What is important is that an increasingly larger proportion of the world's citizens be aware of the economic consequences of various kinds of social and economic policies. This is particularly important in a free and democratic society, where a working knowledge of economics will permit answers to daily and specific problems with high degree of economic content, and provide sensible criteria come time in electing key public officials.

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.³⁰

Economics is most potent, however, in the crucial and sensitive process of formulation and implementation of policy itself. For example, in today's present world context where there exist metropolitan

²⁹W. Arthur Lewis, op. cit., p. 4.

³⁰Campbell R. McConnell, Economics (8th. ed.; New York: McGraw-Hill, Inc., 1981), p. 4, quoting John Maynard Keynes.

countries and those of the extreme periphery, the 'haves' and 'have nots', the donor and recipient countries of foreign aid, an enigma inevitably arises as to the most effective manner in which the privileged of the world can aid the far less fortunate. Economics, along with its instruments of analysis such as marginal analysis, can provide an assesment of the marginal benefits derived from the last unit spent on alternative forms of foreign aid. This is extremely relevant in light of the choices that taxpayers in MDCs are confronted with in terms of aid to LDCs, as evidenced by such current events as the U.S. involvement in Central America and Lebanon. To be sure, the taxpayers of a particular MDC will wish to invest their resources in the form of foreign aid to a point where the perceived marginal benefits of such an investment will be equated to its marginal costs. In the end, such analysis consistently indicates that the national interest of MDCs will best be served or optimized if foreign aid is targeted at securing the required social and economic structures for modern economic growth in LDCs rather than retarding their development by supporting the status-quo.

Finally, reflective of heightened tension in the world today are global intransigence on arms control and the escalation of regional conflicts from the Middle East to Central America. Against this political backdrop, international efforts and safeguards will be increasingly necessary to preserve international peace and prevent nuclear holocaust. Perhaps the single most important and vital safeguard for this purpose is the attainment of economic development worldwide. After all, it will be but a flicker that ignites the deadly fuse of world conflict. It is under this dreadful realization that we

must thrust forth all our energies, talent, and fervor behind the field of economic development. The present work is a sincere effort to accomplish just that.

CHAPTER II

GENERAL CHARACTERISTICS OF THE REPUBLIC OF BOLIVIA

This Bolivian Republic has a special enchantment for me. The more I think about the destiny of the country, the more it seems to me a tiny marvel.

-Simón Bolívar to José Antonio Sucre

Bolivia is little known and so often misrepresented abroad. In fact, writer Harold Osborne explains the following:

Visitors to Bolivia are still told the tale of the British Minister Plenipotentiary who fell into the bad graces of a Bolivian President and was run out of the capital unclothed, undignified and seated on an ass; whereupon Queen Victoria ordered a ship of war to La Paz to demonstrate her shocked displeasure off the Bolivian coast. On learning that Bolivia no longer has a seaboard and that La Paz lies well beyond the range of any ship unaddicted to mountain climbing, the Queen, it is said, had the guilty country expunged from the map, condemning it to geographical extinction with a regal stroke of the pen. That this story is no more than an allegory told to account for the average Englishman's ignorance of Bolivian geography is certain. But certain it is too that there is no other country of its size which contributes so little to the general stock of information of the reasonably well-informed.³¹

But not only is knowledge of Bolivia scarce, it is also greatly faulty. Cornelius H. Zondag writes the following in the introductory pages of his book "The Bolivian Economy, 1952-65: The Revolution and

³¹Harold Osborne, Bolivia: A Land Divided (2nd. ed.; London and New York: Royal Institute of International Affairs, 1955), p. 1.

its Aftermath":

Even today there persists an amazing number of myths about Bolivia. Revolutions are thought to occur every year; the tourist is told he may have to order an oxygen tank before breakfast; and tin is still believed to reign as the uncrowned king. For those with an even more superficial outlook, Bolivia is a country of postcard peaks topped by vicuña which quietly spend their days growing warm coats for elegant but cold people in New York and Paris.

There is the myth that the country has almost no roads or railroads, yet on per capita basis Bolivia operates more railroad track than Brazil. There is another myth to the effect that the country has no water or sewerage facilities, yet at least all of its major cities-La Paz, Santa Cruz, Cochabamba, Oruro, Sucre, Tarija, Trinidad and Cobija-have such facilities. Almost all Bolivians lack higher education, according to one myth, yet [the 1950] census shows that Bolivia then had 12,409 university graduates, a good many of whom studied abroad. Still another myth is that Bolivia has only mines, yet agriculture accounts for over one-third of the country's gross national product.

Finally, there is the myth that in 1952 Bolivia expropriated the three largest private mining companies in the country without any compensation, while in fact since that time some twenty million has been paid to the previous owners.³²

What is perhaps more disturbing and less explicable is the lack of knowledge on the part of other Latin American countries with respect to Bolivia, though with common heritage in regards to historical, political, cultural and religious traits. As both Harold Osborne and Margaret Joan Anstee point out in their respective works, knowledge of

³²Cornelius H. Zondag, The Bolivian Economy, 1952-65: The Revolution and its Aftermath (New York: Frederick A. Praeger, Publishers, 1966), p. 3.

Bolivia in the rest of Latin America is deficient at best, and, in fact, "the stock formula for Bolivia among its neighboring states [is] 'un pobre país' - a poor country- that biting phrase in which the mere transposition of the adjective in Spanish transforms the compassion for honorable poverty, inherent in the words 'un pobre país', into a whiplash of contempt dismissing the land as unworthy of further consideration."³³

Yet, for one, Bolivia is a very large country, its area estimated to be 424,165 square miles. In other words, it approximates that of Utah, Colorado, New Mexico and Arizona together, almost twice the size of Texas, three and one half times as large as the British Isles, and greater in size than France and Spain combined.

Bolivia is a landlocked republic located deep in the heart of South America. It is bordered to the north and east by Brazil, to the southeast by Paraguay, to the south by Argentina and to the southwest and west by Chile and Perú. It is fifth in area of all the South American republics (a little smaller than Colombia), and although its population has never accurately been determined, the latest official estimate is that Bolivia has a population a little under six million, thus exceeding in numbers only the far smaller Paraguay and Uruguay. Indeed, the population density of Bolivia is only about thirteen persons per square mile, with very uneven distribution, as "the great majority of the population has been concentrated in the Altiplano (High Plateau) and in the high valleys, mainly because of the conjunction of a healthy

³³Margaret Joan Anstee, Bolivia: Gate of the Sun (New York: Paul S. Ericksson, Inc., 1970), Preface xiv.

climate with exploitable natural resources.³⁴

In 1971 the index of population growth was 2.6 percent; yet, paradoxically, Bolivia remained almost stationary in its population. The primary reason for this was the great volume of emigration, especially of the working population, to the labor markets of neighboring countries. In Argentina, for example, it is estimated that there are more than 600,000 Bolivian immigrants. Most of them were hired for temporary work in the sugarcane fields, but many later moved to Buenos Aires and its outskirts. Professional unemployment constitutes a serious problem in Bolivia. It is conservatively estimated that there are at least 100,000 Bolivians, more than half of whom are university graduates, in the United States alone. A factor in this trend is said to be that nationalization and centralization of industry have resulted in an undue emphasis on political influence rather than professional efficiency.³⁵

Bolivia is today poor. But in colonial times it was a major source of the fabulous wealth shipped to the Mother Country of Spain. Today, instead, Bolivia remains a mysterious land rich in unexploited and largely unexplored natural resources. "Once the long sought-for goal of those seeking the fabulous mineral wealth of Latin America, when the silver mines of Potosì poured their treasure into the coffers of Madrid, it has declined to be one of the poorest and least developed countries of the continent. Once the great highway of Spanish colonial times linking the Plata estuary lands with the Viceroyalty of Peru and so to Spain, it has become the most isolated state, harassed and handicapped by the problem of communications with its neighbors. Few countries in

³⁴"Bolivia," Encyclopaedia Britannica, 15th. ed., III, p. 6.

³⁵Ibid.

the world have been so greatly thwarted by both natural and historical forces, and it is perhaps amazing that it has survived at all as an independent political unit."³⁶

Bolivia is a classic example of the vulnerability of an unbalanced economy. Within its boundaries are all the resources necessary to provide a sound economic foundation. But these potentialities have been neglected...³⁷

Unless we are to agree with author Alcides Arguedas that what hinders Bolivia from progress is the grandiose contrast between the 'puniness' of the Bolivian man and the overpowering forces of his natural setting, the underlying reasons to Bolivia's present stage of underdevelopment can be investigated elsewhere.

First and foremost among the proximate causes limiting Bolivia's growth, as is the case of any other LDC, is the absence of the required economic and institutional order in society necessary to provide the optimal channels for economic and social development. A formidable task indeed it is for any society to generate innovations in economic and social institutions that will be conducive to development, particularly if such adjustments may adversely affect a segment of the population while benefiting others, and if no consensus as to these changes has yet been reached.

Even so, one may argue that, barring conditions of political subjection, a sovereign LDC, seen as a unit in a diversified world and with many technological opportunities, cannot properly be viewed as having the limits on its growth set, within reasonable

³⁶Gilbert S. Butland, Latin America: A Regional Geography, (3rd. ed.; London: William Clowes & Sons, Limited, 1972), p. 276.

³⁷"Bolivia," Encyclopaedia Britannica, 14th. ed., III, p. 886.

magnitudes, by factors exogeneous to its economic and social conditions-i.e., factors associated with either its genes, its demography, or some aspects of technology (with the possible exception of Eskimos in the Arctic wilderness, or nomads in the desert). And one can cite evidence from both recent and past history on the difficulties that the currently developed countries experienced in organizing themselves for modern economic growth by establishing a unified state that could channel such growth effectively. If one thinks of the rapid succession of internal conflicts in the two recent decades in Pakistan, Nigeria, the Congo, and Ethiopia, and if one reflects on the rapid changes in political regimes, frequently ending in military dictatorships or one-party governments, in many LDCs (including those in Latin America which have been politically sovereign for many years), one can see that setting and maintaining the basic conditions for economic growth is a demanding and never-ending task. The solutions to this task can vary greatly in terms of adherence to or sacrifice of principles highly prized by many societies (individual liberty, equality, or cooperation in loss and gain). It is the difficulty of easing this task that must be identified, in the first instance, as the proximate cause of the shortfalls in growth among the LDCs-shortfalls that may be viewed as avoidable.³⁸

There is a profusion of reasons as to why LDCs, including Bolivia, have fallen significantly short of their capacity for modernization. As stated above, we suspect rather strongly that the deep-seated, underlying determinants of poor economic and social performance are of the nature of inadequate economic and social structures, and perhaps even the existence of inviable and incoherent conglomerations of peoples

³⁸Simon Kuznets, "Aspects of Post-World War II Growth in Less Developed Countries," in Kuznets, Growth, Population, and Income Distribution (New York: Norton, 1979), p. 47.

under the illusion of nation-states. Among the immediately observable determinants of underdevelopment which are frequently cited in the case of Bolivia, however, are the following:

1. Bolivia's terrain is extremely rugged and difficult, and thus poses serious geographical handicaps to economic development in the sense that the cost of building roads, highways, and railroads is practically prohibitive.

2. A general pattern in Latin America has been to settle the coasts first and subsequently develop them, while the rural and interior regions remained virtually neglected. In Bolivia, however, just the opposite has occurred, which is the primary reason why it lost its seaboard to Chile in the War of the Pacific (1879-83). Therefore, a lack of access to the sea constitutes a double obstacle to development in that it represents a special hardship to Bolivian international trade while, at the same time, the inaccessibility to Bolivia has dissuaded "migratory currents from other continents, which have had so much influence elsewhere in the Americas... The great majority of the population are still either of Indian or of mixed Indian and Spanish blood."³⁹

3. The population of Bolivia is estimated to be just under six million, yet its territorial area is 424,165 sq. miles. Capable of supporting far more people than it does at present, one common estimate is that as many as 36 million people could be accommodated within the national boundaries, with no strain on resources. Thus a scanty population together with scarcity of means of communication are such

³⁹"Bolivia," Encyclopaedia Britannica, 15th. ed., III, p. 9.

that the populations of the nine different political divisions (called 'departments') are as yet without common hopes and aims, and know nothing of that national cohesion which spells strength.

4. Instead, regionalism has been the end result. The deep, fertile, temperate valleys of the central departments, extremely rich in agricultural potential of virtually every kind, remain unexploited because of the lack of proper transportation facilities and labor. The scanty Bolivian population, highly concentrated on the Andean plateau as the centre of political and industrial activity, views the eastern plains as being extremely remote and backward. And without transportation facilities to make marketing profitable or a sufficient consumer population, great efforts at increasing output are discouraged.

5. More than half of the Bolivian population is pure Indian. About 35% consists of 'Cholos' (of mixed blood) and 16% of whites. Although the official language of Bolivia is Spanish, only 55% of the Indians speak Spanish at all. Instead, they speak their own native tongue according to their respective ethnic background, i.e., Aymara, Quechua and - to a lesser extent - Guaraní. Spanish, of course, is the language of the white minority of European extraction. It is this white minority that is also predominantly in control of the economic and governmental institutions of the State. In fact, the farm land, like the mines, was held almost entirely by a few rich white families up to 1952. The injustices, poverty, and hunger resulting from this system of land tenure since Spanish colonial times have placed the Indian in a present economic position as laborer of the country. And because of his preponderance in the Bolivian population, yet his educationally and socially backward state, he represents the nation's most important

domestic problem.

6. The Aymaras and Quechuas having first served their Inca masters for many centuries and then the Spanish Crown for many more, is perhaps the reason why Paul Walle notes in his book titled BOLIVIA that one of the causes of tardy development in Bolivia today could very well be due to a population "addicted to a spirit of routine and refractory to all progress."⁴⁰ Or as Franz Tamayo - one of Bolivia's outstanding philosophers - wrote many years ago:

The Indian is a soul turned upon itself. This shutting away of mind and feeling results in a kind of failure to assimilate things and ideas which come from the outside. His inverted or circumvallated nature, his inner solitude are not disturbed by the fussy restlessness of the modern world; it is a kind of proud and silent determination to be and remain what he is and as he is. The Indian resists with the same tenacity with which he persists.⁴¹

7. In 1953 the Bolivian Land Reform Act went into effect, whereby peasants were given land of their own. However, these tracts of land were too small to be economical to operate. Furthermore, peasants are bound by tradition and handicapped by illiteracy, making it almost indispensable for government to intervene to help establish cooperatives while at the same time assisting farmers through vocational training, technical assistance, credit, and the construction and improvements in transportation and rural infrastructure in general.

8. Bolivia is virtually a producer of a single major export, but its economy is diversified in agricultural production. More

⁴⁰Paul Walle, Bolivia, (London: Adelphi Terrace, 1914.), p. 7.

⁴¹Cornelius H. Zondag, op. cit., p. 39.

specifically, its economy is extremely reliant on mineral production, particularly tin. This reliance on a single industry for centuries now, since Spanish colonial times, has progressively discouraged development of other domestic resources. And as the population increased along with consumer wants and needs, the country increasingly became more dependent on imported goods, including agricultural commodities and raw materials. This represented over time a tremendous drain on vital yet scarce foreign exchange reserves. At the same time, the disproportionate share of minerals in Bolivia's exports proved to be dangerous for the country, as the erratic price fluctuations in the world market for nonferrous metals, particularly tin, posed some serious threats on the state of the economy and even the political sovereignty of the nation.

9. A massive exodus from Bolivia by professionals is another important hindrance to economic and social development. As pointed out by Encyclopaedia Britannica, the so-called 'brain drain' is believed to take place in Bolivia primarily as a result of more promising economic and social opportunities abroad and, to a lesser extent, on nationalization and centralization of industry, along with chronic political instability, which have led to the consequent emphasis placed on political influence rather than professional efficiency in hiring for key working positions.

10. Also as pointed out by Encyclopaedia Britannica, as well as writer Margaret Joan Anstee (in sharp contrast to author Paul Walle who wrote prior to 1952), change is an outstanding characteristic of the Bolivian people of today. There is perceived a strong drive to consolidate progress, yet the fundamental political and thus social problem of Bolivia in both the past and the present has been the

inability to establish a system of government sufficiently stable over time to permit exploitation of Bolivia's formidable potential:

In Bolivia... the political tendencies of the modern world play a dramatic role. In the universities, many lean toward the adoption of Socialist methods as a solution to Bolivia's problems, but many of those in the professions and many technicians are inclined toward free enterprise and private initiative. The result of this difference has been a division in a national community that-perhaps more than any other-needs common objectives in order to overcome its enormous problems.⁴²

11. Other obstacles to rapid economic development in Bolivia that we may list, although by no means of less importance than those previously cited, are "a lack of domestic capital to develop the country's resources and to construct the necessary public works,"⁴³ rampant corruption and inefficiency on the part of public officials and civil servants in general, poor planning and investment criteria for the country's all too inadequate revenues, a runaway foreign debt as a result of ill-conceived investments motivated principally by political and military considerations, a swelling public deficit targeted at subsidies yet permanently fueling the spectre of inflation, international political interventionism, imperfect market competition, and so forth.

The determinants of economic backwardness in Bolivia as well as those variables which presently hinder the course of progress are many, vary in nature, are characteristically extremely complex, and - for the

⁴²"Bolivia," Encyclopaedia Britannica, 15th. ed., III, p. 9.

⁴³Margaret A. Marsh, The Bankers in Bolivia (New York: Vanguard Press, Inc., 1928), p. 3.

most part - are interrelated with one another. At least one consideration is certain, the present arose historically from the past, for which we now divert our attention to the economic history of Bolivia in order to generate an understanding of the forces limiting its capacity for modernization and to foresee its prospects in the future.

CHAPTER III

A BRIEF ECONOMIC HISTORY OF BOLIVIA

The mode of production in material life determines the general character of the social, political and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness.

-Karl Marx

The origins of Bolivia's present society can be traced to the advanced pre-Columbian civilizations of South America. Beginning in the 7th century, the Tiahuanaco empire, the first of the great Andean empires to extend over both the Peruvian coast and highlands, had its centre in the high Bolivian plateau known as the altiplano. By the 11th century it had reached its apogee and was replaced by more simple regional states. These states remained densely populated in the altiplano region several centuries before the coming of the Spanish conquistadores in the 16th century, most likely as a result of their highly technological civilizations based on irrigation agriculture.

By the 15th century the region was mostly controlled by some 12 nations of Aymara-speaking Indians. Competitors to the Quechuan-speaking nation at Cuzco in what is now Peru, these Aymara tribes fought with the latter for control of the central Andean highland region. Though the Aymara nations were eventually dominated by Cuzco, they nevertheless remained the most important non-Quechuan group within the expanding Incan empire; because of their importance they were the only conquered coastal or highlands peoples able to retain their language and cultural identity to such an extent that their Aymara language survived the Spanish conquest. But the Aymara were forced to accept a large body of Quechuan-speaking

immigrants within their midst as a part of a deliberate Incan policy of colonization and non-assimilation that gave Bolivia its current linguistic and cultural identity (the two major Indian languages in Bolivia today are Quechua, spoken by over a third, and Aymara, spoken by a fourth of the population).⁴⁴

The Inca state was conquered by the Spanish conquistadores between 1532 and 1538. As a result of the Spanish conquest, the independent development of the Indian tribes was forcibly interrupted, and hundreds of thousands of Indians were exterminated.

THE COLONIAL PERIOD

For nearly 300 years the territory of Bolivia was a constituent part of the Spanish colonial empire (from 1542, part of the Viceroyalty of Perú at Lima and from 1776, part of the Viceroyalty of La Plata in Argentina) and bore the name of Upper Perú (Alto Perú). Throughout the entire colonial period, and especially during the 16th and 17th centuries, Upper Perú was one of the main economic centres of the Spanish Colonial empire in South America.

The southern Andean valleys and central plateau of Bolivia, with their dense Indian populations, became a core population area within the Spanish empire after the conquest. To the wealth represented by Indian labor there was added the mineral wealth from newly discovered silver deposits of Potosí (1545)...⁰

At the time, the silver mines in Potosí were the largest in the world. In fact, at around the middle of the 16th century, the city of Potosí, established close to the mines, had approximately 160,000

⁴⁴"Bolivia," Encyclopaedia Britannica, 15th. ed., III, pp. 9-10.

⁴⁵Ibid., p. 10.

inhabitants, at a time when New York City had only 14,000. Indian mitayos toiled in the mines, serving as labor conscripts. More than half of the lands in Upper Perú were distributed as encomiendas by the royal government of Spain to Spanish colonists. Indians bore numerous obligations which benefited the owners of encomiendas - the encomenderos. Socioeconomic relations in Upper Perú constituted an interlacing of slave and feudal-serf forms of exploitation. The Indians struggled stubbornly against colonial enslavement. The largest manifestation was the uprising of 1780-81 under the leadership of the Catari brothers; however, it, like all other Indian actions, was cruelly suppressed.

THE WAR OF INDEPENDENCE

The war for independence from the Spanish Crown was an important revolutionary stage in Bolivia's history. The independence movement was headed by patriotic-minded circles of the Creole landowning nobility and incipient commercial bourgeoisie and by the progressive intelligentsia.

In 1809 revolts first at Chuquisaca [also known as Charcas during the colonial period, the main educational center for the entire Río de La Plata region and seat of Upper Perú's government, known as Audiencia de Charcas since its foundation in 1559] and then at La Paz gave rise to the Wars of Independence in South America. But, despite several invasions by patriot armies and constant guerrilla warfare, Upper Perú was the last major area in South America to be freed from Spanish rule. It was only with [General] Antonio José de Sucre's victory over the Spanish armies in Lower Perú (at the Battle of Ayacucho in 1824) that Upper Perú's elite groups finally supported a full independence movement. Though the South American liberator Simon Bolívar was pressing for multiregional confederations, he [finally and reluctantly] permitted an

Upper Peruvian congress to declare itself an independent republic on August 6, 1825.

In recognition of Bolívar's support, the leaders of the congress named the new republic Bolivia after the liberator and invited Sucre [whose name is borne by the official capital city], his chief aide, to be the first president.⁴⁶

THE INDEPENDENT STATE

When its independence was proclaimed, Bolivia was a backward, agricultural country with a primitive mining industry (mostly silver mines). Precapitalist methods of exploitation were dominant in the rural areas, and all land was essentially in the hands of large latifundistas. Wealthy landowners and merchants played the main role in the political life of the country. Capitalist relations developed very slowly because of the backwardness of agriculture, the economic disconnectedness of the country, and the narrowness of the internal market. Only the mining industry saw some progress; however, it too declined toward the end of the colonial period because of the low economic effectiveness of slave labor, the exhaustion of the richest and most accessible mineral deposits, the ignorance of advanced technology on the part of the impoverished miners, and the absorption of colonial capital into the thriving international commerce of the late 18th century. In the middle of the 19th century the mining industry began to revive because of the introduction of the use of hired labor. A considerable portion of the industry was controlled by British companies, which had received concessions to exploit the mines. The uneven economic development of different regions of the country served

⁴⁶Ibid.

as the stimulus for the intense struggle for power between the libertarians, representing the commercial and mining bourgeoisie, and the federalists, composed essentially of the landed oligarchy. These forces backed the parties of liberals and conservatives, respectively, which formed in the 1880s. Their struggle for power ended in a liberal victory.

During World War I Bolivia maintained neutrality, although its economic resources were placed in the service of the Entente states. Foreign capital investment in Bolivia increased considerably during the war, and exports of tin, copper, antimony, tungsten, and bismuth rose sharply. Bolivia became a country with an export economy, initially dependent on British and then on North American capital and expertise, following the development of tin mining and the country's inclusion in the world market. The economic boom led to the growth of a national bourgeoisie and working class and to the aggravation of social contradictions.

The influence of the United States on Bolivia continued to rise in the 1920s. Between 1917 and 1928 the United States granted Bolivia four loans for a total of US\$68.4 million. By 1928, U.S. investment had risen by a factor of 11 in comparison with 1912. A number of American companies obtained concessions for the extraction of lead, copper, antimony, tungsten, and oil. The total amount of U.S. capital investment in the exploitation of Bolivia's mineral resources reached US\$133 million by 1929. British capital was clearly losing ground by then.

The era of tin began at the outset of the present century and contributed decisively to the configuration of pre-revolutionary

Bolivia. Metal prices had risen, mainly as a result of improvements in the techniques of food preservation in tinplate containers. Consequently, exports rose from 3,464 metric tons in 1898 to 9,739 metric tons in 1900, which shows what an influence the international economic context could exert on the Bolivian domestic economy. Production expanded steadily to the year 1918 (39,380 metric tons), suffering a substantial drop in 1921, but recovering again before long. After a period of stagnation, it reached its peak of 47,191 metric tons in the year 1929.⁴⁷ On account of the Great Depression, it declined to its lowest ebb of 14,957 metric tons in 1933. Along with tin, Bolivia exported other minerals like tungsten, lead, antimony, copper, bismuth, silver and gold, but even taken altogether, these other exports never attained anything like the importance of tin.

The overall value of exports fluctuated, depending on world mineral prices and particularly on the price of tin. From the twenties onward, it was relatively stationary. In constant value terms (1958 prices), the yearly total of 1925 exports amounted to US\$92,752,000. For the year 1950 it amounted to US\$93,258,000.⁴⁸ Nor did the break-down of exports undergo a major change. In 1925, minerals accounted for 96 percent of the total value. In 1950 the figure was 97 percent. Overwhelming dependence on this single "crop" made Bolivian exports extremely vulnerable to external factors. Furthermore, the general upward trend of earlier decades had clearly come to an end.

⁴⁷Renè Ruiz Gonzàles, La Economía Boliviana y el Comercio Exterior (Oruro: Editorial de La Universidad, 1955), pp. 50-51.

⁴⁸Naciones Unidas, Departamento de Asuntos Económicos y Sociales, Comisión Económica para América Latina, Análisis y Proyecciones del Desarrollo Económico, Vol. IV: El Desarrollo Económico de Bolivia (México, 1958), p. 56.

Imports also remained at roughly the same level between the two referred years, amounting to US\$52,536,000 in 1925 and to US\$55,847,000 in 1950 (in constant values at 1950 prices). But from 1938 onward, there was a tendency towards a slow increase.⁴⁹ Regarding composition of imports, taking an annual average of US\$72,193,750 for the period 1948-51, consumer goods accounted for 34.5 percent, fuels for 6.3 percent, raw materials for 30.3 percent, building materials for 7.5 percent, machinery, equipment and tools for 21.0 percent. More specifically, the value of certain foodstuffs (sugar, rice, wheat, meat, dairy products, edible facts and oils) represented 25.7 percent of all imports; cotton fiber, lumber, crude petroleum and petroleum products added up to 9 percent. As is well known, such a considerable proportion of foods, fuel and raw materials gives great rigidity to imports.

The agricultural situation in 1949 was accurately described thus at the time:

Less than two percent of Bolivia's total land is in cultivation. The Altiplano with its limited agricultural potential accounts for the greater part of the cultivated land (about 49 percent). The Yungas and valleys, also with a restricted potential, provide about 40 percent. The remaining 11 percent is in the eastern lowlands where the highest agricultural potential is to be found. Crops in the Altiplano consist primarily of potatoes, quinoa and barley.⁵⁰

The existing transportation system was exclusively designed to meet the needs of the mining industry. It consisted basically of a railroad

⁴⁹Ibid., p. 54.

⁵⁰United Nations, Technical Assistance Administration, Report of the United Nations Mission of Technical Assistance to Bolivia (New York, 1951), p. 53.

net of 2,200 kilometers in the Andean region linking the mines and main urban centers with the Chilean and Peruvian ports on the Pacific and with the Argentinian railways. What few roads had been built permitted seasonal transit only. They reached only some of the valleys and the western edge of the lowlands, which were to be linked to the Argentine border by a railroad under construction at the time, but which was making very slow progress, as was another line under construction from the Brazilian frontier to the city of Santa Cruz.

The GDP, in 1950, was 248.0 million 1950 US dollars and could be broken down sectorially as follows: Agriculture and Livestock 32.8%, Mining 23.6%, Petroleum 0.8%, Manufacturing Industry 8.9%, Urban Handicrafts 4.3%, Transportation 5.6%, Commerce and Banking 10.3%, Construction 0.4%, Government 4.4%, Other Services 8.9%.⁵¹

THE SUPERSTATE

During the first two decades of this century, the combination of sustained demand for tin on the world market, the richness of the exploited mineral layers,⁵² a very liberal tax system⁵³ and the absence of social legislation enabled the tin mine owners, Simón Patiño in particular (at the time one of the wealthiest men in the world), to accumulate extraordinary economic power in a short space of time. The State became subordinate and was pressed into service to serve Patiño's interest with biased attention not only to his own immediate problems

⁵¹Naciones Unidas, Departamento de Asuntos Económicos y Sociales, Comisión Económica para América Latina, *op. cit.*, p. 14.

⁵²Charles F. Geddes, *Patiño the Tin King* (London: Robert Hale, 1972), pp. 63-64.

⁵³Naciones Unidas, Departamento de Asuntos Económicos y Sociales, Comisión Económica para América Latina, *op. cit.*, p. 10.

but to a wide range of public policy measures.

Given low taxes and low labor costs and the fact that only a few local materials were used as inputs, given also that reinvestment was kept to a bare minimum and that the total value of exports invariably exceeded that of imports, it was possible for a large proportion of the foreign currency earned by mineral exports to be retained abroad. This brought about "the paradox that Bolivia, a less developed country, was a capital exporting nation."⁵⁴

Soon after its emergence, the new economically and politically dominant group formed an alliance with a number of big landowners, and this ruling elite monopolized economic, social and political power within the nation unchallenged until 1920. At that point the incumbent government enacted the first rudiments of social legislation and upped taxation of mining company profits. The immediate reaction of the big mining enterprises was to seek shelter in the device of incorporating themselves abroad. Though they were thus nominally foreign companies, they continued exercising a decisive influence over Bolivian governmental mechanisms and in a very real sense dominated the life of the country as a whole.

In the exercise of that power, the formulation and implementation of economic policy was crucial. The mining companies had no interest in changing the existing transportation system, showed no concern for diversifying the country's productive activities and did nothing to encourage modern methods in agriculture and cattle raising.⁵⁵ It suited

⁵⁴Ibid., p. 9.

⁵⁵Interview with Carlos V. Aramayo by Julio Alvarez del Vayo at the daily newspaper "La Nación," Buenos Aires, Argentina, 1940.

the ruling caste to perpetuate the concept of an international division of labor, which held that Bolivia should expect to remain a mining country only, importing whatever foodstuffs and other consumer goods were indispensable to the mines and the towns. Since towns were few and relatively small and since the majority of their inhabitants had little purchasing power, the quantities involved were manageable. Besides, the owners of the big mines were anxious to prevent the emergence of major capitalistic entrepreneurs who might challenge their own entrenched supremacy, and ultra-reliance on imports made perfect sense from this point of view.

The 'latifundista' landowners, having an abundance of low-cost labor at their disposal, needed no capital other than the value of their land, to obtain a rent that was relatively high. Consequently, there was no incentive for them to introduce modern farming methods which would increase productivity.⁵⁶

OMENS OF CHANGE

The system, dominated by a mining cum feudal caste, functioned without too much friction along the general lines of production and consumption outlined above, until the crisis of 1929-1930. But already some writers had begun to question its long-term adequacy, and changes in the social situation were beginning to undermine the status-quo. The urban population, especially that of La Paz, was growing thanks in part to some improvement in health conditions and because of a steady influx from those small towns and villages throughout the country, which could

⁵⁶Robert J. Alexander, The Bolivian National Revolution (New Brunswick, N.J.: Rutgers University Press, 1958), pp. 17-18.

not provide enough work to absorb the annual increase in the labor force. This migration towards the principal urban centers entailed an increase in consumption and a corresponding increase in the volume of imports. At the same time, the educational system had, despite its deficiencies, produced something of an educated middle class, whose members considered themselves deserving of certain rights but for whom there was no adequate room within the existing social structure.

The Great Depression and its aftermath had a profound effect upon the mining industry, and sent shock-waves through the entire economy: tax revenues and wages plummeted and there was less foreign currency to spend on imports. In September 1931, the government was obliged to pass a law establishing the inconvertibility of Bolivian currency and imposing stern foreign-exchange controls. The crisis hit rock bottom at the outset of 1932, when the price of tin stood at 18 cents of a US dollar per pound. In April, the government brought in new exchange rates which favored mineral exporters, reduced the profit margins of import traders and hit consumers in general. There was a huge political demonstration in La Paz, protesting against the measure and clamoring for "an end to the domination of the mining interests over the government's economic policies."⁵⁷

Reduced production quotas and the accumulation of a 'buffer stock' agreed on by the International Tin Committee⁵⁸ enabled the price of tin to start rising again in 1933. Gradually, exports increased in value and volume. The upward trend was also reflected in the general economy,

⁵⁷Herbert S. Klein, Orígenes de la Revolución Nacional Boliviana, La Crisis de la Generación del Chaco (La Paz: Librería y Editorial Juventud, 1968), pp. 169-170.

⁵⁸Charles F. Geddes, op. cit., pp. 233-234.

but to a lesser degree. War with Paraguay had broken out in mid-1932.⁵⁹

THE CHACO WAR AND ITS AFTERMATH

The Chaco War - so called after the territory in dispute which was also the theater of operations - lasted until the middle of 1935, when a protocol putting an end to the hostilities was signed in Buenos Aires under Argentinian auspices.⁶⁰ In the final reckoning, Bolivia had suffered the loss of 50,000 lives, the capture of some 20,000 prisoners,⁶¹ a drain on her resources amounting to 70 million (1936) US dollars⁶² and the amputation of over 200,000 square kilometers of territory.

During the war, both the Bolivian government and the military command made serious mistakes, which account for a number of specific aspects and incidents. Nonetheless, these mistakes do not provide sufficient explanation for the dimensions of the disaster. There were some deeper and more far-reaching causes. When nations take up arms as a last resort in order to resolve a situation which is contrary to each of their interest, they put the quality of all their constitutive elements to a severe test. The Chaco War brought Bolivia's real organic weakness to light, which had been disguised until then under "the

⁵⁹Roberto Querejazu Calvo, Masamaclay, Historia Política, Diplomática y Militar de La Guerra del Chaco (La Paz, 1965), pp. 52-57.

⁶⁰Leslie B. Routh, Jr., Politics of the Chaco Peace Conference, 1935-36 (Austin and London: the University of Texas Press, 1970), pp. 91-100.

⁶¹David H. Zook, The Conduct of the Chaco War (New Haven: Bookman Associates, 1960), pp. 240-241.

⁶²Charles F. Geddes, op. cit., p. 260.

Vicente Mendoza López, Las Finanzas de Bolivia y La Estrategia Capitalista (La Paz: Escuela Tipográfica Salesiana, 1940).

fiction of a civilized and rich Bolivia".⁶³

In modern times, protracted wars or swift defeat on the field of battle have more than once produced revolutionary situations - because of the sacrifices and general dislocation they generate and also because a sense of wounded national prestige cause established leadership to be discredited.⁶⁴ Considering the complexity of the social phenomenon, one cannot say of the Chaco War that it was the exclusive cause of the revolutionary process Bolivia has experienced since 1935. But it certainly can be said that it was the major catalyst. It shook the old regime to its foundations, showed up its lack of consistency and exposed the diametrical contradictions contained in the economic and social structures. Not only were these honeycombed with blatant injustice and insurmountable obstacles in the way of progress, but they were seen to be incapable of guaranteeing the very existence of the nation-state. The negative course the war took provided what amounted to an empirical verification of previous critical assertions concerning certain aspects of Bolivian reality.

On the other hand, the call to the colors afforded many Bolivians their first and only chance to get acquainted with a vast region of their country, beyond the confines of their birth-place up in the Andes. It also afforded men from different regions and different social strata a unique opportunity to come into contact with and get to know each other. These experiences had special meaning in the case of the Indians who made up the bulk of the army.

⁶³Carlos Montenegro, Nacionalismo y Coloniaje (La Paz: Ediciones Autonomia, 1943), p. 236.

⁶⁴Walter Laquer, "Revolution," International Encyclopedia of Social Sciences (New York: Macmillan Co. and Free Press, 1968).

The interaction of the aforementioned factors arising from the catalyzing action of the war, together with others of a more permanent nature, originated conditions that were propitious for change. With the opening of the postwar period came a generalized rationalization of discontent. Many members of the intelligentsia and of a number of emerging political groups openly expressed their disgust with the prevailing regime, stated that the traditional political parties were unrepresentative and proclaimed the urgent need for fundamental changes. The emphasis was put on the exploitation of natural resources and on the role the State ought to play in the economic and social spheres.

INITIAL ATTEMPTS AT REFORM

While the new political parties were in the early stages of organization, some initial reforms were attempted by military governments with the participation of elements from the intelligentsia. Despite a lack of coherence linking what measures had been enacted, these reforms went some way towards the aforementioned objectives with some concrete implementations on the basis of a new legal framework, the Constitution ratified in 1938.

For the first time in the Republic's history it was proclaimed that it was a function of the State to provide complete social welfare for all its people. The classical liberal laissez-faire policies of minimal government were replaced by the socialist concept of an active State intervening in all sectors of the population's life.⁶⁵

After the temporary setback of the death of war hero and self-proclaimed dictator Germà Busch, who had led a military-socialist

⁶⁵Herbert S. Klein, op. cit., pp. 321-323.

government, the revolutionaries returned to power towards the end of 1943: the Villarroel government had the participation of the Nationalist Revolutionary Movement (MNR), which polarized the non-Communist reformist currents. Although this government's actions were unspectacular on the whole, they were consistent and systematic. Its reference point was the statutes of the party, which stated:

We declare our faith in the Indian-mestizo race, in the solidarity of Bolivians in defence of their collective interests and the priority of the common welfare over that of the individual...so that the strengthened State may ensure that the wealth derived from the mining industry will benefit the nation... We demand that the Indian agrarian problem be studied on a scientific basis, with a view toward incorporating into the national life the millions of peasants who have no part in it at present, and to obtaining an adequate organization of the agricultural economy so as to obtain the maximum output.⁶⁶

These general principles were defended in greater detail in parliamentary speeches, in public manifestos and other political publications.

What behooves us Bolivians at this time is to achieve the national State, since the fate of men is linked to that of their fatherland. ...In order to develop Bolivia we must diversify the economy. The mining monoproduction is one of our great handicaps and its dismal consequences affect the country's whole life... Without diversification we shall not be able to bring progress to the depressed regions, where, nonetheless, it is possible to promote productive and

⁶⁶Movimiento Nacionalista Revolucionario, Bases y Principios de Acción Inmediata (La Paz: Movimiento Nacionalista Revolucionario, 1942).

complementary activities.⁶⁷

With a view to solving the land tenure problem, the draft of a Constitutional Amendment was presented to Parliament.⁶⁸

Inspired by the principles we have mentioned, the Villarroel government reached many of its objectives. It could have gone further, but the charge of Nazism brought against it by the U.S. government in 1943, followed by an extended non-recognition boycott of almost all Latin American nations, certainly hampered it greatly and the bold steps that were required were not opportunely taken. The accusation had no basis, as has been proved since, when the documents in the archives of the Foreign Affairs Ministry of Hitler's Germany and other data needed for appropriate judgement became available. "Charging the MNR with Nazi Fascism and making that label stick was a major element in the strategy of the tin mining and other traditional interests in Bolivia. In a sense, the United States was used to help sustain exaggerated and false charges, and was thus arrayed on the side of the traditional interests against a reformist opposition."⁶⁹ Nevertheless, these charges, which came to the fore once again at the beginning of 1946 as a side-effect of the Spruille Braden campaign to block the election of Perón in Argentina, helped to undermine the military support of the Villarroel

⁶⁷Victor Paz Estenssoro, Discursos Parlamentarios (La Paz and Cochabamba: Editorial Canata, 1955), p. 294.

⁶⁸Alfredo Sanjinés G., La Reforma Agraria en Bolivia (La Paz: Editorial Universo, 1945), pp. 327-333.

⁶⁹Cole Blasier, "The United States, Germany, and the Bolivian Revolutionaries (1941-1946)," in Hispanic America Historical Review (Durham, N.C.: Duke University Press, February 1972), p. 57.

government, contributing to its bloody overthrow in July of that year.⁷⁰

The experience of the Villarroel government of moderate reformism was instructive. It exposed the fact that the dominant interests were not prepared to give up an iota of their benefits and privileges. If they were able to maintain them, it was because they were the ones who held effective power, no matter who was at any given time invested with its trappings.

THE PRINCIPLES OF THE MNR

Along the hard road to power, the MNR had gradually established, through fragmentary expositions, an ideological basis that can be summed up as follows: the main objective was to make Bolivia an independent nation-state. The concept implied an awareness of links and a high degree of solidarity amongst all the members of the national community, identifying - at least in an abstract sense - the individual fate with that of the nation-state. On account of its physical, economic, social, cultural and political characteristics, Bolivia was yet nowhere near attaining genuine nationhood. Consequently it was necessary to modify such structural characteristics in all those aspects that were opposed to or impeded the advance towards the attainment of the main objective. While they remained unchanged, there could be no external independence, internal unity, economic development, equality of opportunities for all inhabitants.

⁷⁰Ernesto Galarza, "The Case of Bolivia," in Inter-American Reports (Washington, D.C., 1949), No. 6.

Cole Blasier, "The Hovering Giant," in U.S. Responses to Revolutionary Change in Latin America (Pittsburgh: University of Pittsburgh Press, 1976), p. 52.

Augusto Céspedes, El Presidente Colgado (Buenos Aires: Editorial Jorge Alvarez S.A., 1966), pp. 205-271.

It was the duty of the State to create the economic and social conditions which would allow the development of every individual's physical and spiritual potentialities as a member of the national community. In order to be able to perform this function, and to implement the necessary policies in all the various spheres of national life within the nation's borders, the State must first cease to be the submissive instrument of dominant interests and recover the decision-making power that is inherent in its nature as the 'superior dominion'.

The overriding problem of land tenure was aggravated in Bolivia by several factors peculiar to that country. The quasi-feudal landlord-laborer relationship was complicated by the fact that the latter were Indians, while the former were whites initially and later on mestizos also. The land question was of prime importance among national problems. It directly and negatively affected the overwhelming majority of the population, namely, the Indians. They received but a minimal portion of the product of their work on a land they did not own. As a result they lived at the level of a subsistence economy. Indirectly, the land question also affected the lives of other social groups and classes by limiting the importance of internal trade and by hampering the development of agriculture. The negative influence of the land question and of low productivity in that sphere affected the whole of Bolivian life, but the huge dimensions of the problem were not generally appreciated. With a major portion of the population subject to a kind of serfdom, excluded from the monetary economy and deprived of all political and many civil rights, Bolivians were not in sufficient contact with each other to have a sense of a common destiny. They

totally lacked the minimum shared interests that are indispensable for the existence of a national spirit.

As in every backward country, the link between modernization and the ideals of nationhood acquire particular importance in Bolivia. The very goal of nationhood contains to a very large extent the goal of development in the widest sense. Moreover, the need for development was glaring from the quantitative point of view. Whatever the index by which development was measured, Bolivia emerged close to the bottom of the pile. The very idea of national self-reliance was incompatible with an economy of such stunted size, and any social policy, however excellent its redistributive intent, would be thwarted by the poverty of resources.

Economic growth was indispensable but not sufficient in itself. The economy had to be diversified to make it less vulnerable to external factors, to render it more integrated and to spread productive activities more evenly across the country. Only diversification could ensure that the fullest possible use be made of available natural resources. Only diversification could create new jobs and increase the country's import capacity. All these aims were extremely important in themselves, and within the interaction of socio-economic phenomena, they could be expected to help achieve the great objective.⁷¹

During the late nineteen-twenties some writers with a social conscience had denounced the hegemony of the great mining companies and particularly the way in which these used the State to bolster their own

⁷¹Victor Paz Estenssoro, "El Movimiento Nacionalista, La Réplica de La Historia," in Proceso y Sentencia Contra La Oligarquía Boliviana (Buenos Aires, 1948).

private interest to the detriment of the nation's. These and other authors also described the massive injustices inherent in the prevailing system of land tenure. This then figured variously as the main plot or the background of a number of nativist novels.⁷²

On the other side all analysis pointed to the obvious need for developing the economy through diversification, and urged that imports should be substituted by goods produced at home.⁷³ In view of the treasures of natural resources awaiting rational exploitation, the image of a 'beggar on a throne of gold', which used to be applied to backward nations whose subsoil was rich in minerals, was not too farfetched.⁷⁴

The idea of developing agricultural production in the subtropical zones, particularly in the region of Santa Cruz, was also promoted.⁷⁵ Such plans went back a long way. Even in the twenties, an attempt had been launched to open up that area by means of a railroad link, but it came to naught. In the early forties, plans were elaborated on the basis of studies carried out by an American mission of experts, within the framework of the 'Good Neighbor' policy. Work had even started on a paved highway, but after the first few kilometers the pace slowed down to virtual stagnation. The project had such multiple implications for change in the pattern of the Bolivian economy, that it necessarily affected the dominant groups. Consequently, the government in place at

⁷²Tristán Maroff [Gustavo A. Navarrol], La Justicia del Inca (Bruxelles: Librerie Falk Fils, 1926).

Alcides Arguedas, Raza de Bronce (La Paz: Gonzàles y Medina, 1919).

⁷³United Nations, Technical Assistance Administration, op. cit., p. 14.

⁷⁴Robert J. Alexander, op. cit., p. 3

⁷⁵Màximo J. de Vacano, Bolivia, Su Desarrollo y Progreso, ed. Dietrick Reimer and Ernst Vohsen (Berlin, 1925), pp. 140-153.

the time preferred not to push the scheme too hard.

It was the MNR, intent on achieving genuine nationhood for Bolivia, which pointed out what the correlation was between the characteristics of the economy on the one hand and the State's subordination to the dominant interests of the great mining companies and 'latifundista' landowners on the other, and showed how reciprocal influences tended to perpetuate this situation.

THE CONDITIONS FOR ECONOMIC DEVELOPMENT

If policy is considered the tool at the State's disposal for the attainment of certain goals that are identified with what is held to be beneficial for the community as a whole, it can be said that the economic policy of the National Revolution was determined mainly by two interacting factors: Bolivian socio-economic reality on the one hand, and the social composition and ideology of the MNR on the other. To this must be added the influence of external factors, such as the international context of the time, and certain domestic factors generated by the revolutionary process itself, which brought new social classes and groups to power. There were many changes and much heightened expectation, all of which had to be taken into account. Both kinds of factors conditioned the scope, configuration, modality and appropriateness of the policies.

The general lines which the MNR had to pursue when it regained power in 1952, appeared clear enough. Development and diversification were the king-pins of an economic policy designed to achieve the great objective while furthering the individual interests of the inhabitants considered as members of the collectivity. Nationalization of the major mining companies and the agrarian reform program were equally essential

elements. The nationalization of the mines had two distinct purposes, one of which appeared merely political, though it had an economic content also, and that was the liquidation of the mighty power that was above the State. It was essential that the State recover its sovereignty, so that it could formulate and implement economic policies which were in the nation's best interest. The second purpose was that of securing for the nation a greater profit from the exploitation of its natural resources, which were not, after all, inexhaustible. The State's submission to vested interests in this sphere was inadmissible, because it had a major function to perform in developing the economy. Historical experience had shown that without the State's initiative, such development would simply not occur.

CHAPTER IV

THE BOLIVIAN NATIONAL REVOLUTION OF 1952

This socio-economic study is dedicated to Juan Mamani, Bolivia's John Doe, the hardy Indian of the high plains of the Andes. After many generations as the personal property of the Inca, he became the slave of the Spanish conquerors and, finally, the victim of frequently ruthless employers. From time immemorial a worshipper of the sun, he was put to work deep in the earth to mine the silver and tin that never mattered much to his own people.

Juan Mamani, after many centuries of exploitation, is still able to smile as he trots with his llama toward the early morning sun. He waited patiently on top of his beloved mountains, watching new overlords come and go, because he knew that one day he would join the ranks of free men. His patience was not in vain.*

In Bolivia most so-called revolutions are nothing more than palace coups in which the presidency is passed from one to another among a small group of landowners or military men, while the rest of the population is unaffected and often even unaware. But the Bolivian National Revolution of 1952 is considered to be one of the most significant social events in Latin American history. In fact, James M. Malloy and Richard S. Thorn conclude that although the Bolivian National Revolution stands alongside the Mexican and Cuban revolutions, it is regrettable the Bolivian revolutionary experience has not attracted the special interest of the entire world as have the other two.

*Cornelius H. Zondag, The Bolivian Economy, 1952-65: The Revolution and its Aftermath (New York: Frederick A. Praeger, Publishers, 1966), Dedication.

It is precisely regrettable because of the relevance of the Bolivian experience for the rest of Latin America and, perhaps, the so-called Third World as a whole.⁷⁶

Since April 9, 1952, Bolivia has been trying to catch up with history. The National Revolution which began on that date, and which is the most profound movement for social change which has swept any Latin American country since the Mexican Revolution of 1910, has attempted to lay the foundations of a twentieth-century society.⁷⁷

...Bolivia has demonstrated for more than a decade that an underdeveloped country can, within a relatively short period of time, alter the basic structure of its society and economy and still manage to hold on to what appears to be no more than a nationalistic course. In the context of Latin American politics, Bolivia could be regarded as taking a democratic course if one considers the masses of armed miners and peasants who at one time or another were prepared to defend what they considered to be "their" government.⁷⁸

The Bolivian National Revolution began with armed strife which lasted from April 8-11, 1952, almost exclusively confined to the city of La Paz (the seat of government) and the mining camps of Oruro. During this struggle, workers, miners, peasants, and middle class were led and armed by the MNR ('Movimiento Nacionalista Revolucionario' - Nationalist Revolutionary Movement) in battle against the small armed forces of the official Bolivian military, the latter being decisively defeated in the

⁷⁶James M. Malloy and Richard S. Thorn (eds.), Beyond The Revolution - Bolivia Since 1952 (Pittsburgh: University of Pittsburgh Press, 1971), Preface xv.

⁷⁷Robert J. Alexander, The Bolivian National Revolution (New Brunswick, N.J.: Rutgers University Press, 1958), Introduction.

⁷⁸Cornelius H. Zondag, op. cit., pp. 4-5.

final effort. The MNR had won a clear plurality victory in the presidential elections of 1951, only to have the military interfere directly and form a military junta government under General Hugo Ballivián. As a result, the MNR was forced into violent action with the support of masses of armed miners and peasants. The most important leader of the MNR, Victor Paz Estenssoro, then exiled in Buenos Aires, returned to a tumultuous welcome a week later to become president of Bolivia from 1952-56 (and then later from 1960-64) and to institute the most revolutionary part of the party's program.

THE EMANCIPATION OF THE INDIAN

The new regime immediately undertook to effect a sweeping revolution. For one, it reduced substantially the size of the armed forces, the traditional support of the oligarchy, and replaced it in power and influence with peoples' militias among the Indian peasants, miners, and factory workers. Although the MNR did not completely dismantle the armed forces in the years following the 1952 insurrection, approximately 80 percent of such forces were demobilized within a few days and military expenditures dropped from 23 percent of the national budget in 1952 to 6.7 percent in 1957.⁷⁹ Not only did this measure put effective end to the military as an independent political force, but it also allowed the MNR government to secure more funds from the modest national budget to be used in implementing ambitious development plans.

For a country whose government had been threatened with overthrow one-hundred and seventy-nine times since 1825, twelve years without the menace of the armed

⁷⁹James W. Wilkie, The Bolivian National Revolution and U.S. Aid Since 1952 (Los Angeles, 1969).

forces were a blessing. Threats from other quarters, however, still persisted. Six outbreaks occurred in Paz's first eighteen months in office. He survived them all with the help of the people's army.⁸⁰

Moreover, the fact that Indian peasants were provided with large supplies of weapons by the MNR constituted a very significant political event in that the peasants - the majority of Bolivians - became a very powerful force upon which all subsequent governments would have to base their strength. To this we must add that universal adult suffrage was almost immediately enacted, and the Indian was for the first time granted full civil rights and thus incorporated into the political life of the republic.

One of the first acts of the MNR government in 1952 was to confer citizenship on the Indians and institute universal adult suffrage. This act fulfilled a promise of long standing without strain on the shaky economy, at the same time confirming the MNR's popular support in its view of the nature of the revolution. If, in abolishing the voting qualification of literacy in Spanish, the decree opened up new possibilities for electoral manipulations and demagoguery, it also opened the door to the acquisition of political experience by the formerly disfranchised populace. It was at once the entering wedge of political modernization and perhaps a safeguard against counterrevolution.⁸¹

⁸⁰Robert Barton, A Short History of Bolivia (La Paz: Editorial "Los Amigos del Libro," 1968), p. 256.

⁸¹The American University, Foreign Areas Studies Division, Special Operations Research Office, operating under contract with the U.S. Department of the Army, U.S. Army Area Handbook for Bolivia (Washington: U.S. Government Printing Office, August 1963), pp. 6-7.

THE NATIONALIZATION OF THE 'BIG THREE'

The first task in the economic domain to which the MNR government turned its attention was the nationalization of the large private tin mines. The priority given to the nationalization of the great mining corporations can be readily appreciated in that they were responsible for 85 percent of the country's tin production, 95 percent of its foreign exchange receipts, and about 50 percent of the central government's fiscal receipts. Furthermore, the important political role that the miners played in the Revolution made the move inevitable. More importantly, nationalization of the 'big three', as they were commonly referred to, had been one of the main planks in the MNR platform. The MNR claimed to have formulated a nationalist position uniquely appropriate to Bolivia. As part of its national stance the MNR attacked all groups with an international orientation including imperialists, masons, Jews, and leftist groups such as the Marxist PIR ('Partido de la Izquierda Revolucionaria' - Party of the Revolutionary Left). The leaders of the MNR argued that Bolivia had economically been a vassal state in the past. This vassalage had been the result, they claimed, of the Liberal capitalistic state model which had allowed foreign financial penetration, dependence on mineral export, and monopolistic control of the vital tin industry. The MNR held that, due to the 'big three' tin magnates' economic power, they had formed a state within the State. This superstate had ruled Bolivia through an upper class which the tin barons had bought and controlled. This group was known as La Rosca, an oligarchy which had exploited Bolivia for its benefit and that of its imperialist cronies thereby impoverishing the nation, alienating its

patrimony, and submerging its national culture.

It was on October 31, 1952, that Victor Paz Estenssoro signed the nationalization papers in the María Barzola mining camp at Catavi. The three companies, the Patiño Mines and Enterprises Consolidated Incorporated, the Mauricio Hochschild S.A. Minera Industrial, and the Compañía Aramayo de Minas en Bolivia, were put directly under the control of the Corporación Minera de Bolivia (COMIBOL), the newly created state mining enterprise. From an economic point of view, the immediate impact of the 1952 Revolution on Bolivia's once prosperous mining industry was disastrous.

Far from swelling the treasury, nationalization proved a substantial burden on the Republic's finances. The three great mining companies had for years been operating as internationally owned concerns and maintained their headquarters and all but the minimum operating capital abroad. With the advent of the MNR, all readily convertible funds were sent out of the country in expectation of the takeover. For some years little capital had been expended in modernizing or even in repairing the mining plants. When the government moved against the mining companies, it inherited run-down equipment and--after more than half century of intensive exploitation--nearly depleted deposits of low-grade, complex ore. There was, in addition, the problem of meeting the payroll for a large labor force in the mines, which, because of its great power and influence in the new government, could not be reduced and was even increased by nearly fifty percent. Skyrocketing internal inflation and dropping tin prices on the world market combined to make the mines a net burden rather than an asset.⁸²

⁸²The American University, Foreign Areas Studies Division, Special Operations Research Office, operating under contract with the U.S. Department of the Army, op. cit., p. 367.

To all this we must add a most unfortunate series of developments: as soon as the MNR stepped into power there was an early departure of some two-hundred foreign technicians previously working in the large private mines; the U.S. government ceased purchases of tin and tungsten concentrates;⁸³ indemnity payments to the former owners of the three largest mining enterprises had to be met in order to secure the vital political recognition from the U.S. government; social discipline was lacking yet political fervor was great amongst the miners; working capital was scarce and inadequate; labor conflicts became increasingly pronounced as the inflationary process ensued during the initial years of the Revolution; and, finally, there was extensive political interference in matters exclusively pertaining to management in the newly created state mining enterprise. These problems resulted in two long-term effects: (1) mineral production decreased steadily until 1961, and (2) the inflationary spiral was exacerbated up to the end of 1966 when, finally, a monetary stabilization program had to be enforced. In fact, the mining sector, after the disruption that came on the wake of nationalization, reached the following levels of physical production in 1972 as compared to those of 1950. In the case of tin (30,333 M.T.) it was 3.0 percent lower than in 1950 (31,320 M.T.). (See Table 1)

⁸³U.S. Department of State, Decimal File 824.054/10-2552, Bruce (Washington) to American Embassy La Paz (October 25, 1952); Decimal File 824.2544/11-2152, Bruce (Washington) to American Embassy La Paz (November 21, 1952).

U.S. Department of State, Bulletin, July 20, 1953, p. 82.

TABLE 1
MINERAL COMPOSITION OF EXPORTS
(VALUES IN THOUSANDS OF U.S. DOLLARS)

Years	Total Exports Value	All Minerals Exports Value	Exports %	Tin Exports Value	%
1948	—	—	99.0	—	72.0
1950	94,720	89,974	94.9	63,586	67.1
1952	141,300	137,000	96.9	84,783	60.0
1962	76,100	69,800	91.7	54,022	71.0
1972	240,300	174,134	72.5	113,541	47.2
1974	642,500	386,106	60.1	229,800	36.0

Source: Víctor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

Yet, overall, the nationalization of the 'big three' had enormous political value in a context where each of the three companies (Hoschschild, Aramayo, and Patiño) had an annual operating budget greater than that of the national government. As President Víctor Paz Estenssoro summed it up in his final speech to Congress in 1956:

From colonial times until our own day mining has constituted the principal economic activity of the country, which gives it a peculiar character. From the beginning of this century, and the beginning of the exploitation of tin, mining has increased, has been modernized, has become the only capitalist economic activity of importance, and has become part of an international financial consortium. It is the principal source of foreign exchange with which we cover our needs for foreign money, and it provides the principal source of funds for our modest government budget. These factors, to which should be added the concentration of the industry in the hands of three firms, converted it into a growing power which would soon be unchallengeable and

whose rule weighed upon the whole life of the nation.

The process of development of mining, typically semicolonial, consumed irreplaceable human capital. The Bolivian was considered an Indian whose labor was cheap and whose life was worthless. He was miserably paid; the diseases and accidents resulting from his work were not considered worthy of compensation until almost the middle of this century. And when this exploitation created a spirit of class consciousness among the workers and they made their first demands for better living conditions, these demands were unmercifully smothered in blood.

The wealth of the mines was exported, without return for the country, to build vast fortunes abroad. Some governments, faced with budgetary necessities, attempted to keep back a small part of this wealth by taxes on exports. The firms responded to this by becoming international, so as to get the help and protection of the Great Powers, and making rebellion the habitual method of maintaining their servants in the Presidential Palace.

The economic and political preponderance of Patiño, Hochschild, and Aramayo, kept Bolivia in a long and painful state of agony... Without eliminating the omnipresent power of Patiño, Hochschild, and Aramayo, it was impossible to carry out the other fundamental objectives of the Revolution.⁸⁴

It must be well understood that the nationalization of the three major mining companies was not by any means a direct consequence of a general MNR directive against private enterprise. Nor did it reflect a general MNR approach to political economy, but, instead, must be regarded as a special case. "The [nationalization] decree embodied an expression of pragmatic nationalism measured in terms of the wealth and power of the state, which is seen as the locus and expression of the

⁸⁴Robert J. Alexander, op. cit., pp. 97-98.

nation."⁸⁵ Medium-sized and smaller mines remained in the hands of private entrepreneurs. Moreover, new private investment in mining was encouraged and, in fact, facilitated, whether purely Bolivian or whether the investment included foreign capital. At the same time, however, the MNR government pursued a policy of encouraging the establishment of numerous cooperatives among small mining operations.

THE AGRARIAN REFORM ACT

Soon after the MNR's triumphal march to the Presidential Palace in April of 1952, the campesinos (peasants) had begun seizing land and invading rural towns, and it appeared that both the latifundia ("large landholdings") and feudalism would disappear before the MNR could take steps to dispose of them legally. During the late winter of that year and spring of 1953 the sporadic risings turned into a generalized Indian peasant armed drive against the existing rural order. Hence, on August 2, 1953, at Ucureña near the central valley city of Cochabamba, the National Agrarian Reform Act was signed into law, in what amounted to little more than the ratification of a fait accompli.

To realize why agrarian reform was such an urgent step in Bolivia, one must first understand that previous to the MNR government, peasant and communal holdings had been whittled away until, by 1950, peasants had been virtually forced to work as serfs for the five percent of the population who possessed seventy percent of the country's arable land! One of the most exploitive processes in the history of agriculture thus

⁸⁵James M. Malloy, "Revolutionary Politics," Beyond The Revolution - Bolivia Since 1952, eds. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), p. 121.

came to an end.

In fact, absentee landlords, living off of fiefdoms of two thousand acres and more, had done little since colonial times to upgrade production. In other cases, the excessive division of marginal lands into tiny lots (minifundios) caused economic distress. A lack of farm-to-market roads, agricultural credit, modern methods such as the proper use of chemical fertilizers or contour plowing, and a satisfactory meteorological service all combined to make Bolivian agriculture one of the least productive on the continent. Under such conditions, Indians lived outside the money economy, could save nothing with which to improve their lot, and were ignorant of most of the nation's political issues or how to use political pressure to improve themselves. Instead, they raised their pitifully small plots of barley, corn, oats, potatoes, and quinoa. A few goats and thin cows climbed the perpendicular hills to snag a tuft of grass between the cultivated terraces. Despite their best efforts, Bolivia had to import thirty-five percent of all her foodstuffs, principally sugar, wheat and rice.⁸⁶

The agrarian reform decree rested on the principle that "the land belongs to those who till it." But the Bolivian agrarian reform consisted of much more than relieving the centuries-old economic dependence of the Indian peasant, or the confiscation and redistribution of the land. Other fundamental objectives were also envisaged, as outlined by the agrarian reform decree itself:

a. To create favorable conditions in the countryside in order to stimulate increased production, productivity and commercialization of both agriculture and grazing by introducing new seeds and methods, aiding the investment of new capital, respecting the small and medium

⁸⁶Robert Barton, op. cit., p. 264.

cultivators, encouraging cooperatives, lending technical assistance, and opening up the possibilities of credit;

b. To restore to the Indian communities the lands which had been taken from them in the past while, at the same time, cooperating in the modernization of cultivation; respecting, and where possible making use of, collectivist traditions;

c. To augment the purchasing power in the hands of the peasant, with a consequent expansion of the domestic market and generation of internal savings;

d. To promote a greater geographical and occupational mobility for most of the population, now excessively concentrated in the Inter-Andean region, with the objective of obtaining a more rational distribution of the population, strengthening national unity, and connecting the eastern and western halves of the Bolivian territory;

e. To conserve the natural resources of the country, adopting indispensable scientific and technical methods.⁸⁷

The aforementioned principle of the Agrarian Reform Law was invoked for reasons of social justice and due to the negative economic impact of the prevailing system of land tenure. The Law did not recognize for this reason the existence of the latifundium, i.e., a rural holding which was minimally exploited by antiquated labor-intensive methods, and which perpetuated a system of feudal oppression. However, it did recognize the legitimacy of other forms of private property such as the peasant homestead, the small property, the medium property, the agricultural enterprise (characterized by being capital-intensive,

⁸⁷Robert J. Alexander, op. cit., pp. 64-65.

employing salaried labor and applying modern technology), the agrarian cooperative, property owned by an indigenous community, and the livestock range. In each category the size the Law recognized varied according to geographic location, population-to-arable land ratio, and climatic and soil conditions.

Some of the problems which quickly emerged during the enforcement of the Agrarian Reform Law were mainly due to the absence of a reliable land register, lack of qualified personnel, the remoteness in location and hence isolation of some agricultural areas, and countless number of complexities in the processing of claims.⁸⁸

The total extension of land distributed up to 1972 reached approximately 12.5 million hectares (including arable land, pasture and barren ground). The beneficiaries were some 350,000 families.⁸⁹ Granted that the Bolivian agrarian reform consisted largely of the distribution of land due to a critical shortage of government funds, it was the most thorough program of land distribution carried out in all of Latin America. In fact, land reform went further in fourteen years in Bolivia than in twenty in Mexico.

Undoubtedly, the reform brought about great changes by abolishing a system that had prevailed for four centuries, which is precisely why it damaged the interests of the oldest dominant class within Bolivian society. Unable to put up any effective resistance to the application of the reform, the affected landlords used the first results, which were

⁸⁸Ibid., pp. 60-65.

⁸⁹James W. Wilkie, Measuring Land Reform, U.C.L.A. Latin American Center, University of California (Los Angeles: By the author, 1974).
Bolivia, Servicio Nacional de Reforma Agraria, Informe, La Paz, 1973.

negative, against the whole principle of agrarian reform in an attempt to show that it was bound to ruin the whole economy.

It is true that the supply of foodstuffs to the town markets did slow down during the period immediately following the Reform's enactment. Social scientists who have analyzed the phenomenon disagree on the dimensions of the problem as on its probable causes. According to one interpretation, there was a decrease in output when the old units of production were dismantled and until the new ones were operational. Other authors maintain that there was no significant fall in production, but that a part of it was actually consumed by the peasants themselves who were now able to improve their own diet.⁹⁰ It has also been pointed out that difficulties in transportation and marketing by the peasants, who had little experience in this sphere, contributed to a decrease in the supply. Whatever factor or combination of factors may be at the root of the initial disruption, the output of traditional crops on the high plateau and in the valleys, such as potatoes, barley and corn, did begin to recover before very long. (See Table 2)

⁹⁰Melvin Burke, "Land Reform in the Lake Titicaca Region," in Economic Development and Cultural Change (Chicago: The University of Chicago Press, 1971), p. 321.

Ronald J. Clark, "Agrarian Reform: Bolivia," in Land Reform in Latin America, ed. Peter Dorner (Madison: Land Tenure Center at the University of Wisconsin, 1971), pp. 150-153.

Bolivia, Junta Nacional de Planeamiento, Plan de Desarrollo Económico y Social 1962-1971, in Revista Planeamiento No. 3-4-5, La Paz, Septiembre 1961, pp. 157-158.

TABLE 2
PRODUCTION OF TRADITIONAL AGRICULTURAL CROPS

CORN		POTATOES	
1950	122,000 M.T.	1950	140,000 M.T.
1962	312,000 M.T.	1961	614,000 M.T.
1972	380,000 M.T.	1972	729,000 M.T.

^aAgricultural production went down fifteen percent immediately following the Revolution, but has gone up steadily since 1957.

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

The Agrarian Reform Act had its most immediate effects in the social rather than the economic field. As a campesino [peasant], the Indian owned property and lived with an independence unknown since Inca days. The [new] Ministry of Indian and Peasant Affairs provided his children with schools. Literacy campaigns were initiated to do the same for the coca-chewing, stoical Indian with some success. They began to be taught Spanish and to dress like the 'blancos' [whites]. One of the MNR's first acts was to give the Indian the vote. On July 21, 1952, universal suffrage was introduced into Bolivia destroying for all time the power of the 'roscas', as the privileged landowners and miners were called... By the time the MNR fell [November 4, 1964], the economic advantages of the Reform Act were catching up with the social benefits. Agricultural credit facilities were expanding. So were the agricultural cooperatives. By 1964, twenty-five thousand campesinos were registered in over three hundred groups. Altiplano production, which had fallen fifteen percent immediately after

land-distribution, had recovered to pre-revolutionary levels. Lowland agriculture, which never before had amounted to much, increased substantially, bringing total national production up thirty-three percent. Better marketing facilities and roads meant fresh fruits and vegetables could be sold in such highland cities as La Paz or even Potosí. Improved cattle provided fresh milk and beef for the capital and Cochabamba. New methods, quality seeds and colonization helped to promote exportable surpluses of cocoa, rice and sugar which previously had to be imported.⁹¹

COLONIZATION OF THE EASTERN LOWLANDS

The State's recovery of its capacity to conceive and execute policies of general benefit and the elimination of obsolete and unjust structures in the system of land tenure, made it possible to embark on the development and diversification of production. This policy was determined by the characteristics of the Bolivian economy. Furthermore, it was complementary to those policies which pursued a fairer distribution of income. We have said already that as a consequence of the country's extraordinary backwardness, the total volume of available goods and services was very limited. That was the result of an agriculture whose productivity was very low and in most cases at a mere subsistence level, located in the Andean region, of a mining industry which was capitalistic and used modern technology, but was of the enclave type, without major direct linkage effects on the rest of the economy, and of an incipient manufacturing industry whose inputs were imported. Therefore, more was needed than a fairer redistribution of

⁹¹Robert J. Barton, op. cit., pp. 265-266.

income. A systematic policy designed to enlarge the GNP necessarily had to be one of the principal objectives in economic and social matters.

The account in Chapter III of the pre-revolutionary situation in Bolivia has shown how mining was the sector providing foreign currency, since minerals, and especially tin, accounted for practically all exports. Foodstuffs, raw materials and fuels constituted the bulk of imports.⁹² This state of affairs made the country all too dependent on outside factors and therefore it had to be remedied. Growth and diversification were not incompatible but rather two intertwined strands of the single effort to reduce the dependence and vulnerability of the Bolivian economy. Indeed, diversification was to serve as an engine of growth. The domestic production of foodstuffs, raw materials and hydrocarbons would fulfill both purposes and reduce imports to boot. Such domestic production could count on a receptive market and enjoyed the advantage of a great potential supply of raw materials. This was the basis of the development plan, not only in the short run but also in the long term, since the raw materials constituted the available productive factor.

Regarding import substitution, the initial push forward had to be in the agricultural sector with an increase in the home production of sugar cane, rice, cotton, and timber. It was also urgent to improve the methods of raising cattle which had been unchanged since the time of the Spaniards. The natural resources for such an effort existed, but they had to be made accessible. The regions most suitable for the

⁹²Naciones Unidas, Departamento de Asuntos Económicos y Sociales, Comisión Económica para América Latina, Análisis y Proyecciones del Desarrollo Económico, Vol. IV: El Desarrollo Económico de Bolivia (México, 1958), p. 40.

aforementioned crops were located in the eastern lowlands which could not be reached directly from the Andean region where the principal and larger towns and mines were and which constituted the already effective market for such crops, and where the great mass of peasants lived, who had become potential consumers as a result of the agrarian reform. What was required was a transportation infrastructure that allowed low enough freight rates for the new national products to be competitive. "The geographic facts of life must dominate any discussion of possible strategies for development in Bolivia and the place of transportation in that development."⁹³

By its very nature, the transportation infrastructure had to be promoted by the State, though the actual execution was entrusted to both the General Directorate of Highways and specialized private firms. "A fundamental part of the Economic Development Plan of the MNR government [had] been the construction and improvement of the country's highway network. Some idea of the increase in this activity under Paz Estenssoro can be gathered from the fact that expenditures of the General Directorate of Highways increased from 60 million bolivianos in 1951 to 988 million bolivianos in 1956,"⁹⁴ an increase of approximately 16.5 times the original amount.

The highway improvement program was one of the most successful programs ever undertaken in Bolivia with U.S. economic assistance. Approximately US\$2 million was spent by the U.S. government (administered by the International Cooperation Administration - ICA) as

⁹³Barbara R. Bermann, "The Cochabamba-Santa Cruz Highway in Bolivia," in The Impact of Highway Investment on Development (Washington: The Brookings Institution, 1966), p. 17.

⁹⁴Robert J. Alexander, op. cit., p. 172.

counterpart funds from the sale of U.S. Public Law 480 surplus agricultural products between the years 1957 and 1960 to improve the existing network of highways in Bolivia. Upon completion of the Santa Cruz-Cochabamba highway in 1954, which fulfilled an old Bolivian aspiration to integrate the eastern lowlands with the rest of the country, whatever road construction equipment had been left behind was employed to further improve and expand the country's land transportation network. An additional US\$2 million was spent in the less successful Caranavi-Alto Beni project, a penetration road through the Yungas region destined to open up a colonization area on the Beni River. In 1959 the U.S. government spent US\$0.6 million on maintenance of the Santa Cruz-Cochabamba highway to prevent its rapid deterioration, an act which the Bolivian government had been unable to do for lack of sufficient funds. Later, in 1968, once again the U.S. government allocated US\$1.5 million for the resurfacing of the Santa Cruz highway.

Dramatic results were obtained on those roads built and maintained by the Bolivian-American Cooperative Road Service (SCBAC). The monthly truck traffic rose from 11,755 trucks in 1956 to 48,705 trucks in 1960. The average payload rose from two and one-half tons per truck to five tons per truck. Travel time on those roads maintained by the SCBAC was reduced 50 per cent on the average during the dry season and 80 per cent in wet seasons. An extensive bus transport system was developed with private capital after 1956, setting a precedent in Bolivian history and bringing forth profound changes in the economy. As a matter of fact,

the average time the roads were usable set new records.⁹⁵

It must be said that though the lowlands contained a wide variety of natural resources, they lacked the necessary manpower reserves because the population of the eastern lowlands was very small and scattered. It was necessary to attract peasants from the high plateau and the valleys to that region. While seasonal migration was traditional among Bolivian peasants in the south of the country, who went to the north of Argentina every year for the sugar harvest, there was no precedent in the country for massive movements of population for permanent settlement. The problem was exceedingly complicated on account of the economic, social and even psychological implications. According to conventional wisdom, moreover, the Indian was too deeply rooted in his native land to adapt himself to a new habitat, particularly when that was quite unlike his former home. Thus, in order to achieve the desired transfer of population it became necessary to experiment with various methods of recruiting, in an effort to involve those most suitable and to appeal to other groups of workers as well, for instance, former miners.

The new army, organized in 1953 from the disheartened remnants of the old with strong U.S. backing, played a key role in the colonization program of the MNR government alongside the Bolivian Development Corporation ('Corporación Boliviana de Fomento - CBF'), the latter acquiring an importance unprecedented in its history as a result of the aggressive MNR economic growth and diversification plan. The army, for

⁹⁵Richard S. Thorn, "The Economic Transformation," Beyond The Revolution - Bolivia Since 1952, eds. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), pp. 190-191.

its part, redefined its role from an institution of control and repression to an institution of production. Under the MNR government the army became a source of labor and technical expertise (e.g., the Bolivian Army Corps of Engineers) and a means of mobilizing resources for development, primarily during the colonization campaign in which the military served to set up basic rural infrastructure and to lay the seeds of the later Civic Action programs.

One of the important reasons for encouraging massive migration was the need to diminish the overpopulation of some areas in the Andean zone, where there were far too many people per acre of arable land of sufficient quality to feed them decently. And this ratio was expected to worsen further when the properties distributed by the agrarian reform would in due course be subdivided in accordance with Bolivian law and custom governing inheritance. There was yet another reason making the transfer desirable. As their income went up, the peasants had begun to increase their consumption, particularly by improving their diet, not only with homegrown produce, but also with food they purchased. If they remained in the highlands, their growing needs would have to be satisfied with goods imported or brought from the eastern lowlands. If, on the other hand, they could be induced to move to the lowlands, this would not only diminish the number of consumers in the highlands, but also add to the number of producers elsewhere, and both foreign currency and freight would be saved as a result.

Even the most severe critics of the Bolivian revolutionary movement admit one thing: the MNR's development effort uncovered a new, tropical Bolivia. Granted that the idea to develop the lowlands was far from new, it took the Nationalist Revolutionary Government to change this dream into reality. It all

began with the development of the Santa Cruz region, a project which had been in the making since the beginning of World War II. After the Santa Cruz-Cochabamba highway was completed in 1953, the Bolivian Government began to push the development of the area. Perhaps the greatest merit of the Santa Cruz development plan is that it has linked the high plains with a substantial part of the lowlands of Bolivia, thus unifying the country both economically and politically. A similar situation exists with respect to the Beni region, which is now beginning to be linked with the rest of the country. Thus, the political importance of the Santa Cruz plan may in time well exceed its economic significance, which is considerable in itself.

The area's increase in the production of rice and sugar has been most dramatic; in less than 10 years Bolivia has become self-sufficient in these two products, which earlier represented quite a drain on the country's balance of payments. By 1961 private interests had built six medium-size rice-processing mills in the Santa Cruz area in addition to one government-owned mill that was built in 1955. In 1961 there were a total of 13 in the area.

Land in production of rice in the Santa Cruz area increased from 33,000 acres in 1955, to 71,630 acres in 1964. Bolivia's total production of unhulled rice was 42,500 metric tons which exceeds the domestic demand of some 32,500 metric tons by a wide margin... The rise in sugar production has been even more spectacular. Whereas in 1949, the Santa Cruz area produced only 249 tons of sugar, production in 1964 had increased to some 80,000 tons, more than enough to cover the local demand. This increase in sugar production in the Santa Cruz area during the last ten years may be viewed as all the more spectacular if one considers that its soils are not of the best types for sugar, that the area is distant from the centers of consumption, that labor productivity is low, and that sugar cane yield is low compared to world standards...[Furthermore,] as a result of the introduction of Cuban yellow corn into

the Santa Cruz area in 1953, the production of this crop has...increased spectacularly to reach 265,000 tons in 1964, as compared with 130,000 tons in the early 1950s. This provides a solid base for development of a healthy livestock industry.⁹⁶ (See Table 3)

TABLE 3
LOWLAND AGRICULTURAL PRODUCTION
(EXPRESSED IN THOUSANDS OF METRIC TONS)

<u>YEAR</u>	<u>RICE</u>	<u>SUGAR CANE</u>	<u>COTTON</u>	<u>COFFEE</u>	<u>CASSAVA</u>	<u>REFINED SUGAR</u>
1950	14.4	345	^a	2.5	62	-
1954	-	-	-	-	-	^b
1958	-	-	0.3	-	-	-
1960	39	-	-	-	-	-
1962	-	625	-	-	145	^c
1964	-	-	1.8	7.4	-	-
1966	-	-	-	-	-	^d
1968	-	-	-	-	-	^e
1972	75	1468	15	-	245	130
1973	-	-	37	13	-	^f
1974	-	2050	-	-	-	174

^aInsignificant production.

^b51,000 M.T. were imported during this year.

^c12,000 M.T. were imported during this year.

^dDomestic production covers the nation's consumption beginning in this year.

^eBolivia begins to export refined sugar during this year.

^fBolivia exports as much as 62,000 M.T. of refined sugar during this year.

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

⁹⁶Cornelius H. Zondag, op. cit., pp. 153-55.

OTHER ECONOMIC STRUCTURAL CHANGES

Manufacturing industries in general received considerable attention within the MNR development program. Particular attention was devoted to raw material processing and cement production. Processing industries were established close to new agricultural developments or else in certain towns where the tropical raw materials could be brought easily for processing. In some cases such plants were established in an area where their mere presence would encourage the peasants to make more effective use of their newly acquired land. A large increase in cement production was promoted (see Table 4), because a huge rise in the demand was anticipated, if only in connection with the expansion of public works.

Initially, transforming industries and complementary plans in the newly cultivated lands had to be set up by the State, not only because of the need to coordinate these efforts with work being done in other sectors, but also because there was no satisfactory private initiative in sight. Moreover, in the case of cement, for instance, plants had to be established close to the area which had to be supplied. It was thought, not without justification as it turned out in due course, that such pilot projects promoted by the State would set an example for the later establishment of private plants or factories. Hence, a cement factory was initially established in the city of Sucre. Other pilot projects included considerable attention paid to the development of the nation's grazing industry, a large irrigation scheme in Villa Montes, Tarija (to make feasible the cultivation of soybean and other crops for the eventual investment in a vegetable cooking oil plant), the construction of the Guabirã sugar refinery, and a milk-processing plant

near the city of Cochabamba.

TABLE 4
CEMENT PRODUCTION

1952	37,000 M.T.
1964	65,000 M.T.
1972	146,000 M.T.
1974	203,000 M.T. [9,000 M.T. were exported]

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

An increase in the country's capacity to generate electric energy, preferably using hydroelectric energy, was also required. Not only was there a great shortage of power at the time, but there was an added special circumstance: the mining industry was the main consumer of electricity (65 percent in 1950) and much of this demand was met with electricity generated by power stations equipped with diesel motors. Since the mines are located at a great altitude above sea level, the loss of potency was considerable.⁹⁷

The State helped private generating plants to expand their operations and at the same time the State built and operated others, bearing in mind the needs of the State-owned mines and the projected needs of manufacturing industries that were being planned. (See Table 5)

⁹⁷Bolivia, Ministerio de Economía Nacional, Dirección Nacional de Electricidad, Estadísticas de la Energía Eléctrica en Bolivia 1930-1966, La Paz, 1967, p. 16.

TABLE 5
ENERGY RESOURCES

	<u>ELECTRIC ENERGY</u>	<u>PROPORTION OF ELECTRIC ENERGY USED BY MANUFACTURING INDUSTRY</u>
	<u>TOTAL POWER CAPACITY</u>	<u>PRODUCTION</u>
1952	85,000 kw.	346 million kWh
1962	152,000 kw.	-
1964	-	534 million kWh
1972	271,000 kw.	832 million kWh
1974	346,000 kw.	967 million kWh

DOMESTIC GASOLINE CONSUMPTION

1952	67,000 cubic meters
1962	134,000 cubic meters
1972	290,000 cubic meters

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington D.C., February 3, 1977.

Oil was another sector of overriding importance. The production of the State-owned oil company had to be increased because it had previously satisfied but a small proportion of the domestic demand. Besides, the development of other sectors would mean a considerable increase in consumption. Any surplus could be exported to some neighboring countries. Thus import substitution would lead ultimately to export expansion. (See Table 6)

A new petroleum code was promulgated on October 26, 1955, whereby concessions were offered to foreign oil companies on favorable terms, thus signaling to the U.S. government of the MNR's good will toward foreign investment - or at least tolerance for it. The end result was

that fourteen companies applied for such concessions and invested more than US\$90 million in exploration. The state petroleum company, YPFB ('Yacimientos Petrolíferos Fiscales Bolivianos'), had increased oil production six-fold between 1952 and 1957. However, YPFB was unable to continue such performance as a result of poor financial earnings which were insufficient to maintain a level of investment necessary to expand output. Despite strong domestic demand for its products, YPFB had been forced to charge lower than market prices largely due to political reasons (such as to prevent the increasingly eroding support of the urban middle class). Besides, Bolivia at the time lacked the necessary technology, manpower, and marketing know-how to develop its energy resources on any meaningful scale, making it indispensable for foreign capital to participate in the energy sector.

TABLE 6
PRODUCTION OF HYDROCARBONS

PETROLEUM	
1952	67,000 M.T.
1957	466,000 M.T.
1968	1,897,000 M.T.
1972	2,030,000 M.T.

^aExports of natural gas began in August 1972 and reached 4,281 millions of cubic meters by 1973.

Source: Víctor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

Such were the economic sectors which were given top priority. They were selected on the basis of the following considerations: diversification of production, import substitution, the activation of stagnating areas, presence of natural resources in the area or the need to make these accessible, the essential role of an infrastructure, and, finally, a number of international and domestic circumstances. The figures in Tables 7 and 8 bear witness to the changes that have occurred, particularly in terms of a real diversification of the economy, thus diminishing the characteristic of monoproduction in the export sector and reducing the external vulnerability of the Bolivian economy accordingly.

The GDP disaggregated sectorially shows that the share of agriculture and livestock sectors in the GDP went down despite the absolute increase in output. A similar situation occurred in the mining sector. The relative decline results from substantial increases in petroleum, construction, transportation and communications, commerce and finance, and central government. The share of manufacturing industry in the GDP remained virtually unchanged for the same reasons, despite a significant increase in actual value (from 900 million in 1952 to 1,372 million Bolivian pesos of 1968 in the year 1972).⁹⁸

Regarding the composition of exports on the basis of figures for certain representative years, it can readily be shown that the phenomenon of the ever smaller share of minerals in total exports is a new one in Bolivian economic history. During the two decades prior to 1950, the percentage corresponding to all minerals was about 95 percent,

⁹⁸USAID-Bolivia, Economic and Program Statistics, No. 9.
USAID-Bolivia, Estadísticas Económicas, No. 13.

ascending one year (1948) to 99 percent. Tin alone accounted for approximately 72 percent.

The overall structure of the GDP at the present is quite different from the GDP corresponding to the year 1952, being far more balanced, though by no means altogether satisfactory as yet.

TABLE 7
COMPOSITION OF GDP
(AS PERCENTAGE OF GDP OF EVERY YEAR)

	1952	1964	1970	1972	1974
Agriculture and Livestock	22.15	21.70	16.22	15.88	14.66
Mining	18.30	10.30	11.02	9.50	8.03
Petroleum	0.44	2.88	4.57	6.10	6.73
Manufacturing Industry	12.84	11.59	11.64	11.21	11.90
Construction	2.75	3.66	4.18	3.97	3.89
Energy	1.23	1.37	1.79	1.86	1.78
Transportation and Communications	7.02	8.87	8.25	8.28	8.51
Commerce and Finance	14.83	14.31	14.55	15.67	17.67
Central Government	4.35	7.45	8.58	9.78	9.67
Housing Property	6.43	7.61	8.49	8.00	7.60
Other Services	9.63	10.30	10.69	10.54	9.73

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

TABLE 8
COMPOSITION OF EXPORTS
(VALUES IN MILLIONS OF U.S. DOLLARS)

Years	Total Exports	<u>All Minerals</u>		<u>Petroleum and Gas</u>		<u>Agricultural and Livestock</u>		<u>Others</u>	
	Value	Value	%	Value	%	Value	%	Value	%
1952	141.3	137.0	96.9	0.2	0.1	2.2	1.6	1.9	1.3
1962	76.1	70.0	92.0	1.3	1.7	3.7	4.9	1.1	1.4
1964	113.8	107.8	94.7	0.6	0.5	4.3	3.8	1.1	1.0
1970	228.3	204.7	89.6	10.2	4.4	11.9	5.2	1.5	0.8
1972	244.1	174.1	71.3	41.6	17.0	25.3	10.3	3.1	1.4
1974	642.5	386.0	60.1	193.1	30.0	56.7	8.8	6.7	1.1

Source: Victor Paz Estenssoro, "Economic Policies of the Bolivian National Revolution," Paper presented at a colloquium of the Woodrow Wilson International Center for Scholars, Washington, D.C., February 3, 1977.

INVESTMENTS IN HUMAN CAPITAL

While considering the economic factors, it is essential to bear in mind the corresponding human factors, without which it was impossible to attain the required level of efficiency. Not only was it essential to extend primary education to all, but secondary and higher education had to be oriented towards technical subjects, without neglecting the general cultural objectives. Simultaneously, sanitary conditions had to be improved to ensure that the right to adequate health care of every individual was made effective for all. A side-effect of this would be an improvement in the quantity and quality of manpower. Such action was especially necessary in the tropical and semi-tropical regions, where the majority of new agricultural and cattle-raising projects would be located.

In the fields of general health and welfare, the MNR government

thus established as one of the major objectives of the 1952 Revolution "the massive betterment of economic, health and cultural conditions by the redistribution of the national wealth in a more equitable form, by the integration of the Indian population into national economic and cultural life and by basic economic development."⁹⁹

To a great extent, both the low standard of living and the underlying economic ills are the cumulative heritage of a rigid social structure which, for more than four centuries, concentrated wealth and power in the hands of a small, predominantly white upper class. The largest segment of the population, consisting of Quechua and Aymara-speaking Indians, was relegated to the status of a subservient and impoverished caste and denied both the conditions and the incentive for improving their living conditions. Similarly, the mining and industrial laborers did not enjoy an equitable share of the national wealth, for wages were always extremely low.

...[Nevertheless,] public efforts to maintain the health and well-being of the population have been generally greater in the postrevolutionary period than at any other time. The social security system has been expanded in both the scope of operation and the number of people served. Public health services, including hospitals and sanitary measures have been improved since 1952.

...[Perceptible in early 1963 was that] significant advances in the control of communicable diseases (notably malaria, yellow fever and smallpox) had been made, and increases in agricultural output had been achieved in some localities. There was, however, evidence of no more than a minimal impact on basic problems of nutrition, housing and sanitation for the country as a whole. In general, it was apparent that major advances in health and

⁹⁹The American University, Foreign Areas Studies Division, Special Operations Research Office, operating under contract with the U.S. Department of the Army, op. cit., p. 160.

well-being were contingent upon basic economic, social and educational development which had not yet taken place.

...In late 1962, almost a decade after land reform, there were faint but definite signs that the campesinos were beginning to emerge from their centuries-old economic isolation. Local agricultural markets were clearly recovering from the almost total collapse which followed the 1953 reforms, as Indian farmers began to offer increasing amounts of produce for sale. In their newly found freedom as landowners, the former tenants have slowly begun to feel an attraction toward the industrially produced goods available in the market and hence an incentive to reserve a part of their crop production for cash sale. Observers indicate that everywhere in the more accessible highland regions, factory-made shoes, radios and bicycles-hitherto almost unknown-are seen with increasing frequency. Many Indian farm communities have recently shown themselves to be quite receptive to new crops, tools and methods offered by technical assistance agencies.¹⁰⁰

A last major reform to be mentioned here in some detail and which the MNR government sought to carry out as an effective means of economic and social development was in the field of education. As M.I.T. economics professor Lester C. Thurow writes, "however much they may differ on other matters, the Left, the Center, and the Right all affirm the central importance of education as a means of solving...social problems, especially poverty."¹⁰¹ Of course, the MNR government in Bolivia was not any different:

The government of the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario-MNR), in power since 1952, has linked educational progress to the Party's political and the country's international prestige. A Code

¹⁰⁰Ibid., pp. 159-162.

¹⁰¹David M. Gordon (ed.), Problems in Political Economy: An Urban Perspective (Lexington, Massachusetts: D.C. Heath & Co., 1977), p. 226.

of Education, enacted in 1955, was to be the vehicle of this firmly determined policy. In addition, a specific section of the Constitution of 1961 affirms broad educational goals...

Policies and provisions contained in the Code of Education of 1955, which prescribes changes in the structure and content of the educational system, reflect the government's interest in a literate, technically skilled population alert to the need for improved living and health standards. The Code calls for a massive national campaign to eradicate illiteracy, for an extension of the scope of primary education with particular attention to the needs of the rural population, and for changes in the secondary school curriculum to impart technical rather than academic skills. It de-emphasizes the liberal arts and the patterns of academic organization traditionally associated with the educational needs of a middle class.

Although the MNR government has increased the portion of the national budget allocated to education (about 20 percent in 1961), the shortage of funds constitutes a major handicap for the implementation of reforms... Geographic factors, nearly constant economic and political instability and oligarchic social traditions have militated against the extension of education to broad masses of the population. [Also,] because of persistent economic chaos and discord within the ranks of the MNR... the implementation of plans introduced since 1952 to extend the scope of education has been sporadic and slow.¹⁰²

The 1976 census leaves no doubt whatsoever as to the immense and fruitful educational efforts on the part of the MNR government in the 1950s and early 1960s. These efforts, best expressed in the form of increased expenditures for education and improved incentives for rural

¹⁰²The American University, Foreign Areas Studies Division, Special Operations Research Office, operating under contract with the U.S. Department of the Army, op. cit., pp. 199-201.

teachers, have been far more effective than originally anticipated. The reported illiteracy rate has fallen dramatically from approximately 67.8 percent in 1950 to about 37.3 percent in the first half of the seventies. Surprisingly, illiteracy only accounts for about 15 percent of Bolivians between the ages of fifteen and twenty.

On the other hand, Bolivia's education problem is far from being satisfactorily solved. Much remains to be done, including reforming the present system which misallocates resources by placing too much emphasis on current outlays, primarily for teachers' salaries, and too little emphasis on long-term investment in schools, educational equipment and other facilities. "Provisions of existing educational legislation which intended to provide incentives for necessary basic education in prior years should also be reconsidered in the light of the current conditions, since many of them have outlived their usefulness."¹⁰³

It goes without saying that, given the limited nature of this paper, we cannot claim to have covered every major policy and effort on the part of the MNR government. In fact, as is commonly said, we have merely 'scratched the surface'. Yet for a revolution to be just that, it must necessarily - if not sufficiently - encompass a whole array of reforms and policies oriented at restructuring the very foundations of a particular society. Our contention is that the Bolivian National Revolution of 1952 is worthy of such a title. Indeed, it encompassed and thus affected every major aspect of the republic's national life. We have explained at some length a few of these, but we

¹⁰³Juan L. Cariaga, "Economic Structure," Modern-Day Bolivia: Legacy of the Revolution and Prospects for the Future, ed. Jerry R. Ladman (Tempe, Arizona: Center for Latin American Studies, Arizona State University, 1982), p. 160.

must now turn to a grimmer side of the Bolivian revolutionary experience.

SHORTCOMINGS OF THE REVOLUTION

We cannot discard the realities of less desirable features of both the Bolivian National Revolution of 1952 in general and the MNR government in particular.

...the specter of inflation haunted the National Revolution from the beginning... after 1952 the tendency of the value of the boliviano to decline got out of hand, and inflation assumed agonizing proportions.¹⁰⁴

Hardly during the entire time of the MNR in power was the government's budget in balance or was the demand for goods and services in equilibrium with the supply. In fact, it was economic aid from the United States (signed as an agreement in November 6, 1953, which in its first four years contributed as much as US\$80.3 million to the Bolivian economy!) that made it possible to tide Bolivia over the post-revolutionary crisis caused by the declining productivity of the tin-mining industry and the depressed agricultural sector. Furthermore, extensive U.S. aid made it possible for the MNR government to carry out its economic diversification plans and was responsible for underwriting much of the Bolivian government's yearly budgetary deficit. In 1957, for example, United States economic aid was responsible for underwriting approximately forty percent of the MNR government's budget! This induced the major right-wing opposition party, the FSB ('Falange Socialista Boliviana' - Bolivian Phalangist Socialist Party), to launch

¹⁰⁴Robert J. Alexander, op. cit., p. 201.

a major attack against the MNR government claiming that instead of 'independencia econòmica' (economic independence - a major slogan of the MNR party), in 1957 Bolivia was more dependent than ever before in its history on aid from foreign sources. Specifically, the FSB charged that "the United States [had] made possible the success of the Bolivian National Revolution thus far."¹⁰⁵

Poor planning, widespread political factionalism within the ranks of the MNR party, and rampant corrupt public practices to the point of endemic proportions were much evident during the MNR's period of government, and resulted not only in major obstacles to development, but also put the government's stability and prestige at stake. To this we must add the question of alleged political and moral abuses on the part of the MNR government. For example, during Paz Estenssoro's last term in office (1960-64), his Minister of Government and top national security official was charged with setting up a sinister organization designed to mercilessly crush the slightest political opposition, and consequently numerous murders, tortures and the like are said to have taken place, none of which has been decisively proven. It is true that during his first four years in government (1952-56), many of Paz Estenssoro's political foes were sent to camps of detention.

The first order of business for the MNR revolutionists was to remain in power and to protect themselves by any means possible. In Bolivia's case, this did not mean sending dissenters to the firing squad; rather, in one of the least bloody, major revolutions the world has yet known, Paz either exiled or sent to camps of detention those who threatened

¹⁰⁵Ibid., p. 255.

the new government.¹⁰⁶

The Paz Estenssoro Administration also took drastic measures against the opposition press. It closed down the newspaper "La Razón" of La Paz, owned by the Aramayo mining interests, as well as the newspaper "Los Tiempos" of Cochabamba, whose only 'crime' had been to oppose the MNR government. And as one might have expected, the peoples' militias, organized by the MNR regime to replace the defeated armed forces, and comprised of mostly illiterate and newly-emancipated Indian and mestizo peasants, miners and industrial laborers whose political fervor had just been tapped, were responsible for serious abuses of power against present and former landholders and military men of high rank.

Finally, there were numerous claims throughout the twelve years of the MNR government that the Universal Suffrage Act enacted during the early years of the MNR had consistently been a vehicle for political demagoguery and manipulation of the electoral process. Others charge more specifically that in some of the economic development plans of the MNR government, particularly the colonization programs, in some cases extreme coercion had been involved in transferring peasant families from one agricultural territory to another.

THE NECESSARY PERSPECTIVE

In spite of all the obvious shortcomings found in any body of men in position of power and authority, including the regrettable injustice and infringement of civil liberties in some cases, I would nevertheless

¹⁰⁶James W. Wilkie, "Public Expenditure Since 1952," Beyond the Revolution - Bolivia Since 1952, ed. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), p. 228.

conclude that the Bolivian National Revolution of 1952, under the directive of the Nationalist Revolutionary Movement, was both inevitable and positive. After all, how can one possibly fail to realize the enormous political value of the nationalization of the three largest tin-mining enterprises back in 1953, in a setting where each of the three companies (Hochschild, Aramayo, and Patiño) had an annual budget greater than that of the national government itself! Although this measure proved to be economically unsound - as we have already seen - it was necessary for Bolivia's attainment of economic independence, economic diversification, and even political self-rule. As former U.S. diplomat to Bolivia, Robert Barton, explains, "the truth of the matter is better expressed by Professor Delgadillo who wrote, 'The nationalization of the mines was not the work of a political party. It was rather the pressure from the Bolivian people who deeply sought the economic independence of their country'."¹⁰⁷

To this day, one can only begin to wonder on the full dimension and impact of such reforms as universal adult suffrage, agrarian reform, the establishment of a people's army, and the granting of equal civil rights to the Indian majority of Bolivia. In fact, the long-term repercussions of these measures are becoming apparent in recent years, as in the case of the three past presidential elections in Bolivia whereby actual native Indian candidates (including a miner's wife as vice-presidential candidate) aspired to the highest executive office of Bolivia alongside veteran politicians such as Víctor Paz Estenssoro, Hernán Siles Zuazo and Juan Lechín Oquendo, original leaders of the MNR and architects of

¹⁰⁷Robert Barton, op. cit., p. 261.

the emancipation of the Bolivian Indian to begin with!

If criticism against the MNR government is to be valid at all, history must necessarily be placed in its proper context. For instance, although it was true (at least in the short run) that Bolivia in 1957 under the MNR regime was more dependent than ever before on aid from foreign sources, the fact remains that

the social changes and Economic Development Program of the MNR government were laying the groundwork for a period of growth and diversification of the economy which would make it possible to provide the Bolivian people with a level of living which they had never known in the past, and would do away once and for all with the excessively high degree of dependence on one or two export products which had characterized the Bolivian economy since the coming of the Spaniards.¹⁰⁸

If poor planning was ever to be blamed on the MNR government, it must be well understood that back in the early 1950s and in such a deprived country as Bolivia "in all probability the MNR government lacked during its first years in power the proper information on which to base an overall development plan. All too little was known about the economy as a whole, and there was little way to decide which things should come first and which should be left for the future."¹⁰⁹ It was not until 1957 that two comprehensive and reliable reports on the state of the economy became accessible to the Bolivian government. Finally, although rampant corrupt public practices may have surfaced during the MNR's three consecutive terms in power, in all fairness this certainly did not apply to each and every one of the party's members, including some of

¹⁰⁸Robert J. Alexander, op. cit., p. 159.

¹⁰⁹Ibid., p. 241

the higher-ranking officials. President Hernàn Siles Zuazo was a prime example. During his only term in office (1956-60), President Siles, at his own request, scarcely earned the equivalent of US\$100.00 per month as head of the republic. It was his strong belief that it was the moral obligation of every MNR member to set impeccable norms of conduct to fellow partisans and citizens in general, and that in every situation the State's well-being superseded one's own.

[The] civil liberties situation under Paz Estenssoro [had not been] worse than it had been under several previous regimes. Unfortunately, Bolivia had frequently in the past been governed by dictatorial regimes which did not have the extenuating circumstances that they were regimes which enjoyed the wide support among the masses of the people which the Paz Estenssoro and Siles regimes possessed.

...In view of the tradition in Bolivia of overthrowing governments by force, and in view of the continuing belief of the opposition in this method of changing regimes, the MNR government could not [have been] expected to extend to its adversaries all the rights of free speech, free press, and free assembly.

...There is no doubt that the record of the MNR government with regard to civil liberties has been much less than ideal. However, the Siles regime sincerely attempted to alter the worst aspects of this situation for the better in 1956. Siles reiterated his amnesty proposals in 1957. Perhaps the most remarkable fact is that a regime which has made as fundamental a change in society as has the MNR government [had] been able to maintain as much freedom for the opposition as it [had] done.¹¹⁰

More importantly, the MNR government has gone farther than any other previous or recent government in Bolivian history to overcome what

¹¹⁰Robert J. Alexander, op. cit., pp. 237-241.

Simon Kuznets considers to be the key factor limiting LDC growth: Second only to the independence movement from the Spanish Crown, Bolivia under the MNR government has proved to be a most revolutionary experience, making great strides to adjust the economic, social and institutional structure of the country in order to provide optimal channels for rapid modern economic growth without upsetting the basic social consensus and thus threatening the unity of the republic. Moreover, we stated at the outset of this paper that ultimately economic and social development is concerned with what people can or cannot do. In other words, the process of economic and social development can be viewed as a process of expanding the capabilities of people, i.e., being able to read and write, being well nourished, rightfully taking part in the political process, freely advancing academic, artistic and other pursuits, and so forth. The reader should judge for him or herself, then, whether or not progress has been realized under the MNR government in light of the policies and accomplishments discussed above.

Finally, one of the most significant lessons to be learned from a thorough study of the Bolivian National Revolution is the fact that the MNR government, the viable political vehicle which made possible the Revolution, although perhaps originally Marxist-inspired, was not Communist in nature but, as its own name suggests, adopted instead a pragmatic and nationalistic - though revolutionary - course of action. To the extent that the party leaders did have any economic model in mind, it was essentially a capitalistic one. Indeed, throughout its scarce twelve years in power, the MNR government attempted to establish the institutional framework and economic and social infrastructure of nineteenth-century capitalism, although with an added twentieth-century

twist, namely, through national planning (never clearly defined) the country's resources were to be marshaled in order to bring about a rapid and necessary transformation of the Bolivian economy as well as the establishment of a national and progressive bourgeoisie class. Furthermore, the MNR was more than simply a political party, it was a legitimate political movement whose popular base consisted of Indian peasants, mine workers, industrial laborers, and the Bolivian middle class, hence the four pillars of Bolivian society which characterized the democratic fabric of the MNR government.

The Communists have been most successful in those nations without a strong national revolutionary party or some other party with a mass appeal, capable of meeting them on their own grounds and among the groups from whom they especially draw support. The Communists have been notably unsuccessful in those countries, such as Bolivia, where they have been faced with a national revolutionary party which has a chance of coming to power and of carrying out some of the things which the Communists promise so lavishly, but have no intention of actually providing--strong trade unionism, land reform, social legislation, economic development, political democracy.

For nearly four decades now, the Communists have been saying that the only way in which the overdue social revolutionary changes can be brought about in Latin America is through following the path of Moscow and more recently, Peking. They have denounced as futile the insistence of national revolutionaries that Latin America must find its own path to social change.

This is why the Bolivian National Revolution is of such key importance for the whole hemisphere. Bolivia has been the most important country in which a party of the national revolutionary orientation has been in power. Its government has attempted more thoroughly than any regime since the Cárdenas Administration in Mexico (1934-40) to

destroy the economic and social bases of feudalism. It has pushed against almost insuperable odds to develop a more broad-based economy. It has sought to establish a society which will make real political democracy possible.¹¹¹

THE MNR TODAY

According to many young leaders of the MNR of today the Bolivian National Revolution is far from over. Furthermore, it has lost its initial vitality, its initial impetus. Since the party's fall from power in November of 1964, they claim it has been the succeeding military governments (effectively up until late 1982) that are responsible for obstructing the inevitable course of history. They go as far as to say that the military since 1964 should be held accountable for the retardation of long overdue social reforms, and in some cases for actually attempting to reverse some of the revolutionary programs initiated by the MNR (but that such programs have been so profound in changing Bolivian society, that any attempt to reverse them would meet unchallengable opposition). In fact, if any reforms have indeed taken place since 1964 under military rule, this would undoubtedly have more to do with the inherent momentum of the Bolivian National Revolution itself since 1952 rather than due to any new governmental initiative. It is the contention of these young MNR leaders that the military have changed their political role in Bolivia, from one in which they represented the traditional support of the oligarchy before 1952, to one in which they are presently the ruling hierarchy, served and supported by the rising entrepreneurial elite of Bolivia, and known to be involved

¹¹¹Ibid., pp. 278-79.

with obscure public practices that include intimate association with the emerging and lucrative trafficking of cocaine. Finally, they hold that the recurrent military dictatorships since 1964 are directly responsible for the high incidence of political instability which characterizes the country and for the dimension of the foreign debt which has attained runaway proportions in recent years.

These same young MNR leaders are prompt to recognize and criticize their own political party as well as the civilian political body of Bolivia in general for the current stagnation of the Bolivian National Revolution. In the case of the MNR in particular, they strongly feel it has been the failure of their veteran leaders, particularly Víctor Paz Estenssoro and Hernán Siles Zuazo, to maintain the internal cohesion of the party under a fresh, comprehensive and solid party platform (as the revolutionary banner of 1952 had been), thus to avoid political fragmentation which only spells weakness and offers no real alternative to Bolivia as a whole from its desperate economic underdevelopment. Instead, they accuse Paz Estenssoro and Siles Zuazo for consistently placing personal political ambitions above the moral duty of serving the State. This is evidenced, they claim, by the fact that in all three of the most recent presidential elections in Bolivia, Paz Estenssoro and Siles Zuazo (along with numerous other present and former MNR leaders) have run against one another, only to defeat each other's purpose by failing to obtain a majority vote (as dictated by the Bolivian Constitution), hence enticing the military to directly intervene each time under the pretext of avoiding civil war. Finally, these young MNR leaders of today are of the opinion that both the present idleness of the MNR in Bolivian politics and the likely possibility that the masses

of people may presently fail to perceive the MNR as a vehicle of social reform and economic progress, result from the lack of vision on the part of leaders such as Paz Estenssoro and Siles Zuazo for continuously failing to allow new talent to emerge from within the ranks of the party.

Assuming the above claim is legitimate, then it will be the task of a new breed of young Bolivian Nationalists, with keen foresight, pragmatic and technical in their problem-solving approach, with social sensitivity and upholders of human freedoms, to accept and then embark on the difficult mission which entails to carry to its ultimate completion the Bolivian National Revolution.

CHAPTER V

CONCLUSION

After 1952, with a rapidity that could only amaze those habituated to the notion of innate Indian inferiority, he readily adopted an upright posture and the handshake expressive of basic equality. Once again, the system was basic to the achievement of an integrated social organization.*

Perhaps the greatest triumph of the Bolivian National Revolution was of social and, in particular, psychological nature, exquisitely depicted by the above quotation. On the other hand, an evaluation, in quantitative terms, of the economic policies and effects of the Revolution upon the Bolivian economy as a whole, is not an easy task. There is the fundamental problem of rather crude and incomplete statistics available. More importantly, in a country characterized with a large subsistence agricultural sector, many of the gains and losses from the Revolution, such as the availability of more leisure time and improved nutrition for the Indian or the effects of anarchistic political conditions, do not lend themselves readily to quantitative interpretation. Finally, as in the case of Mexico which took some thirty years to get to its 'take off' stage in terms of economic development, the economic and social changes introduced by the Nationalist Revolutionary Movement will clearly have a very long range effect.

*The American University, Foreign Areas Studies Division, Special Operations Research Office, operating under contract with the U.S. Department of the Army, U.S. Army Area Handbook for Bolivia (Washington: U.S. Government Printing Office, August 1963), p. 6.

Yet, the effects of the Bolivian National Revolution on the system as a whole were profound. In qualitative terms, such as the expansion of people's 'entitlements' in the form of newly-acquired economic and legal rights, endowments and resources, it can safely be said that genuine economic development has since taken place. The granting of civil rights to the majority Indian population, universal adult suffrage, the foundation of both the National Confederation of Peasant Workers and the Bolivian Workers' Central (COB), the signing of the Agrarian Reform Act, the nationalization of the three largest private tin mines, the creation of a people's army upon which all subsequent governments would have to base their political strength, the intensive efforts at diversification of the economy in an attempt to ameliorate external vulnerability, the enormous investments in human capital and health, and the widespread construction of rural infrastructure and transforming industries, all contributed to putting in place the foundations of genuine nationhood for the first time in the history of the republic.

Even in terms of economic growth alone, which was very much one of the principal objectives of the Revolution given the very limited volume of available goods and services as a result of the country's extraordinary backwardness prior to 1952, the available data point to overall success of the initial stages of development. Sketchy as the figures may be, the data are nevertheless widely referred to in the case of Bolivia, although some qualifications are in order. It must be made clear at the outset that estimates of the GDP were nonexistent for two decades prior to 1950, eliminating the possibility of illuminating comparisons. During the initial reference years, considered to be 1951

and 1952, tin and tungsten prices were relatively high due to the Korean War, resulting in exceptional economic performance for Bolivia immediately preceding the Revolution. On the other hand, the fact that the MNR government was deposed from power in late 1964 should not prevent consideration of the immediate subsequent period, since, on the whole, at least six succeeding governments proceeded with the development policies which had been in the pipelines since the Nationalist Revolutionary Government. Some of the reasons for this continuation of policies were in terms of proximity of completion of certain public works, already agreed-upon financing and completed feasibility studies, by then heightened public awareness and expectation regarding these policies, and the fact that it was easier to proceed with already existent policies rather than to conceive and implement new and different ones. The world context at the time of the Bolivian National Revolution of 1952 should also be borne in mind. Clearly, this was a period of world history during which the so-called Cold War was at its peak, and hence radical socio-economic transformations of any society were looked upon with great skepticism within the sphere of influence of the United States.

The 1952 GDP was exceptionally high for Bolivia (US\$387.8 million in 1958 prices). The trend was downward in the following years, allowing for fluctuations, until the year 1957 (US\$342.9 million). The GDP rose by 2.3 percent in 1958 and by 5.5 percent in 1959. From 1961 until the world recession of 1974-75 the Bolivian GDP experienced a sustained rise. The GDP in 1962 (US\$396.5 million) exceeded the previous high established in 1952. In 1963 the growth rate was 6.8 percent, and from then on the increase continued at a rate of more than

4.5 percent annually. The exception was in 1971 due to political turmoil when it fell to 3.8 percent. GDP growth reached 7.2 percent in 1966 with the start of private oil production, and 8.5 percent in 1968 as a result of increasingly higher prices for the mining sector and to an increase in agricultural output. 1972's GDP exceeded that of 1962 by 72.8 percent. After 1972 the ascending trend continued with 6.9 percent for 1973, 6.7 percent in 1974 and 6.9 percent in 1975. Although GDP annual growth of approximately 6 percent is not extraordinary, in Bolivia's circumstances and taking into consideration that population growth is no higher than 2.2 percent annually, it may be considered satisfactory.

The previous chapter showed how the Bolivian economy expanded rather remarkably since 1952, expressed in physical terms of some sectors and particularly of certain commodities, and showed that a real diversification of the economy had taken place. Unfortunately, no statistical data exist which allow us to verify whether the economy had been similarly diversified in the geographical sense. It is, however, possible to hazard an estimate on the basis of available figures regarding some products like refined sugar, cotton, rice, coffee, meat, and lumber. Taking the average quantities produced in these categories over the period of 1972-1974, and somewhat lower than international market prices for those same years, the approximate total value is US\$157 million per year. If to this figure the petroleum output value is added, we obtain a total of US\$337 million per year. Corresponding figures for the same commodities in 1950-1951 at 1972-1974 prices would be US\$23 million. The difference between these figures shows that the production of the eastern lowlands, in only the aforementioned

commodities, had increased between 1950-1951 and 1972-1974 by US\$314 million, i.e., by over thirteen and a half times. Since the rate of increase is greater than that corresponding to the economy as a whole which had doubled in absolute figures, one might infer that the spatial distribution of productive activities had undergone substantial change, or, in other words, that the economy had experienced geographical diversification by using the potential of areas other than the Andean region.

One can use the census figures of 1952 and 1976 to show the difference in the growth rate of the population in the main urban centers of both the high Bolivian plateau and the eastern lowlands. The population of La Paz, near the high plateau, and of Cochabamba, in one of the high valleys, had increased by one and a half times. Meanwhile, the population of Santa Cruz, in the lowlands, had multiplied by seven.

Finally, for many years to come, mining will be, for better or for worse, Bolivia's principal earner of foreign currency and an important source of employment. But even within the mining sector there is ample room for diversification. Although all primary products are subject to the ups and downs of world prices, some are less vulnerable than others, and by promoting the exploitation of a variety of minerals, a country can hedge its bets to some extent. Over-reliance on tin had to be reduced for yet another reason: since the thirties, the metal content had declined at the major tin mines.¹¹² The exploitation of other

¹¹²David J. Fox, "The Bolivian Tin Mining Industry: Some Geographical and Economic Problems," Paper presented before a technical conference on tin, Vol. II (London, 1967), pp. 364-365.

David J. Fox, Tin and the Bolivian Economy ("Latin American Publications Fund"; London, 1969), p. 13.

metals, though they could not be expected to eclipse tin in the foreseeable future, could constitute a compensatory element. The prices of copper, zinc and gold are not subject to excessive fluctuations. The same could be said of antimony, and of sulphur among the non-metallic minerals. One interesting fact was that in 1972, 21.6 percent of tin exports were in smelter products, since Bolivia now has its own facilities for smelting tin, a program which was inspired by the 1952 Revolution. Iron ore and manganese exports have recently begun, which might be of great significance in a not far away future, though at present the amounts involved are still small.

SUCCESS OR FAILURE?

The above quantitative evaluation has led numerous scholars to conclude that, overall, the revolutionary process has been a major success. Robert J. Alexander has described the Revolution as a major drive to catch up with history and to lay the foundations of a twentieth-century society, and warned [writing before 1964] that if the MNR government should be violently overthrown, the effect on Latin America and the whole Western Hemisphere would be catastrophic. "Many politically alert Latin Americans would conclude that the Communists were right, that it is impossible to carry out a fundamental revolution in Latin America on an American pattern, and without the political, economic, and moral support of the Soviet Union and its allies... The future of the Bolivian Revolution depends in large degree on the continuance of United States moral and economic support..."¹¹³ In spite

¹¹³Robert J. Alexander, op. cit., pp. 279-280.

of its erratic course, Richard S. Thorn concludes that the Bolivian Revolution of 1952 was "a great success,"¹¹⁴ its most outstanding achievement being to make irreversible the major social and economic transformations: the integration of the Indian into national life, the land reform and the principle of economic sovereignty over the nation's resources. Granted that an in-depth quantitative evaluation of the Revolution may evoke mixed feelings on the part of an outside observer (primarily as a consequence of the disruption that ensued in both the mining and agricultural sectors and thus the inflationary process that immediately followed the 1952 insurrection), Cornelius H. Zondag cautions that this hardly tells the whole story, since the effects from restructuring an entire society will not be perceived for yet another generation or so. More importantly, any revolution which attempts to turn the Indian from a slave into a citizen deserves to be considered successful on its own merit. Finally, Melvin Burke writes:

Bolivian society is no longer divided into Indians and Bolivians as before the MNR revolution and land reform, and the uncertain future of Bolivia will undoubtedly be greatly influenced by the campesino [peasant] majority who are now free either to succeed or to fail on their own merits. The full impact of these changes will probably not be realized, however, until at least decades, and perhaps generations, have elapsed.¹¹⁵

To the latter argument we respond: maybe... and maybe not. It will obviously require more than just sudden freedom for the Indian, after

¹¹⁴Richard S. Thorn, "The Economic Transformation," Beyond The Revolution - Bolivia Since 1952, ed. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), p. 213.

¹¹⁵Melvin Burke, "Land Reform in the Lake Titicaca Region," Beyond The Revolution - Bolivia Since 1952, ed. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), p. 333.

four hundred years of exploitation, to get himself back on his own two feet. Not to mention the likelihood of counterrevolutionary forces attempting to abort all progressive effort. After all, why did the Revolution last a mere twelve years? In 1964, when Victor Paz Estenssoro was overthrown, the Bolivian Armed Forces shattered the apparent stability of regular presidential elections which had been established by the MNR. In fact, since 1964, military men have frequently exchanged power in a manner reminiscent of the changes in office between 1930 and 1952. This has led some political observers of Bolivia to conclude that institutionalization of the Revolution in the Mexican style has by and large been thwarted. The Bolivian National Revolution thus became known by such expressions as "the uncompleted revolution," "the revolution that lost its way" and "the restrained revolution."

Since the 1952 revolution, Bolivia experienced considerable social change and economic growth. In the late 1970s, however, it became clear that the legacies of the MNR and military governments left Bolivia in a weak position to deal with current and future economic problems. The extreme dependence on the external sector made Bolivia subject to periodic balance of payments crises and did not provide a solid base for long-term economic development. The two-year attempt at redemocratization showed the weakness of the political system as well as the ultimate strength of the military.

By 1980 the combination of the economic crisis and struggles of the attempt at redemocratization placed Bolivia at a juncture that was critical for the nation's future. If the conservative military governments remain inflexible and do not take the necessary economic reforms and policies, including those that give opportunities to the working and peasant classes, the prospects for both economic development and

political stability are quite unfavorable.

The burden is upon the military to recognize dangers in this strategy and make the necessary but major reforms and adjustments in economic policies. Given the entrenched interests and antipathy to the left by the conservative military and private sector interests who form the ruling elite, such reforms will be difficult. If, however, they are not undertaken, Bolivia will sacrifice immediate opportunities for long-term economic development and come closer to the time when its stock of non-renewable resources has declined and limits exports such that future efforts for development will be more difficult. Meanwhile domestic instability will rise and may reach the point where it would spill forth as an internal conflict. If this occurs Bolivia may experience another populist revolution to correct the failures of that of 1952.¹¹⁶

Notwithstanding the great efforts in transforming the national economy since 1952, the MNR government failed in altering three basic features of the Bolivian economy which to this day represent potential bottlenecks to future progress: (1) dependency on foreign trade, with resulting vulnerability to international price fluctuations; (2) related government dependence on foreign trade taxes which, together with inflexible minimum levels of government expenditure, can occasion serious problems of resource allocation, price levels, and levels of public debt; (3) inflexible supply in some of the most strategic economic sectors, especially agriculture and mining.

Although land reform and the nationalization of the mines might have served to ameliorate the effects of these bottlenecks, they have

¹¹⁶Jerry R. Ladman, "Prospects for the Future," Modern-Day Bolivia: Legacy of the Revolution and Prospects for the Future, ed. Jerry R. Ladman (Tempe, Arizona: Center for Latin American Studies, Arizona State University, 1982), p. 381.

not done so, in part because the reforms of the 1950s took place in the absence of an economic and social infrastructure which would have greatly enhanced their effectiveness.

It is evident that the important changes experienced since 1952 have not had a desirable impact upon the campesinos ["country dwellers"], although, one of the basic objectives of the 1952 revolution was the incorporation of the campesinos into national life. The truth is that very little has been done on this account. Investment priorities from the early days of the revolution have been concentrated in building the basic infrastructure, developing the hydrocarbons, mining and capital-intensive manufacturing activities, and in encouraging commercial agriculture and urban social infrastructure.

The entire blame for this situation cannot be placed on Bolivia alone. The approach to development utilized in Bolivia was typical of that employed in many less developed countries as a result of the development models that were in vogue in the fifties and early sixties. These models did not direct much attention to agricultural development. Moreover, the models visualized income distribution as a problem to be solved in a second stage, through appropriate distributional fiscal policies, once the economy had reached a certain level of wealth.¹¹⁷

With respect to mining, it is important to realize that this sector, in particular COMIBOL (the state mining enterprise), continues to be plagued by the same problems that beset it more than thirty years ago. More importantly, it is widely recognized by now that these problems are basically political rather than administrative in nature.

¹¹⁷L. Enrique García-Rodríguez, "Structural Change and Development Policy in Bolivia," Modern-Day Bolivia: Legacy of the Revolution and Prospects for the Future, ed. Jerry R. Ladman (Tempe, Arizona: Center for Latin American Studies, Arizona State University, 1982), p. 189.

For one, Bolivia has had a policy of fixed rates of exchange for many years (since 1956). Obviously, when domestic prices rise, the price of foreign exchange falls in relation to that of domestic goods. COMIBOL is then obliged to accept payment for its mineral products in undervalued foreign currencies, and this situation is reflected in its earnings. Clearly, COMIBOL would benefit greatly if it did not have to pay the price for a poorly conceived fixed exchange policy, especially while attempting to deal with resource allocation and labor utilization problems. New investment has been carried out only until very recently and employment in COMIBOL is well in excess of requirements due to the commitment of the government since 1952 to social reform and the concentration of political power in the miner's unions (particularly the militant labor-left COB - Bolivian Workers' Central).

In retrospect, then, it becomes increasingly clear that the 1952 Revolution was more evolutionary than revolutionary. The necessity for changes in Bolivian society was so overwhelming at the close of the Chaco War, "that once the floodgates of change were opened by the revolution, the MNR was swept along by the great transformations that were taking place."¹¹⁸ Clearly, there had been the necessity for the social, political, and economic integration of the Indian into Bolivian national life. There had been a fundamental need for securing the economic destiny of the nation from foreign influence. Finally, economic development had become of primordial importance if the preceding political and social goals were to be achieved.

¹¹⁸Richard S. Thorn, "The Economic Transformation," Beyond The Revolution - Bolivia Since 1952, eds. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971), p. 207.

It was the MNR that was chosen as the instrument of change from among many radical parties which equally shared in the necessity for basic changes in the Bolivian social and economic order. Nor did the MNR act upon a detailed master plan, since its belief and commitment to such changes enabled it to promptly design a basic economic strategy to follow.

The MNR is a case of what many have come to call "national popular movements." Such movements have appeared recently in underdeveloped countries where the incomplete development of society has led to contexts in which single, class-based reform parties have not been possible. In these environments national popular movements represent broad multi-group alliances aimed at removing blockages to reform and development. These movements have at least three factors in common:

- (1) An elite placed at the middle or upper-middle levels of stratification impregnated with an anti-status-quo motivation;
- (2) A mobilized mass formed as a result of the revolution of expectations; and
- (3) An ideology or a widespread emotional state to help communication between leaders and followers and to create collective enthusiasm.

The leadership of these movements constitutes a counterelite drawn from the preexisting elite and subelite strata of society. Counterelites such as these usually arise from a generation frustrated by a shortage of career outlets and are reinforced by a desire to catch up with the advanced industrial states. The mobilized mass can be drawn from a variety of social sectors reacting to the contradiction between the desired levels of consumption and the real possibilities of realizing their aspirations in an underdeveloped context. The ideologies which usually develop from these are generally vague and reflect both the counterelites' development aims and the mass's desires for concrete betterment.

Looking at the MNR from this perspective, it becomes evident that the Bolivian national revolution is not an isolated phenomenon but a manifestation of a more general process which could be called modern revolution. In the contemporary context of underdevelopment, the goal of rapid state-sponsored economic development has become such a pervasive, normative standard of behavior that all elites are forced to proclaim it, at least publicly, as a primary collective goal. The orienting power of the development goal is a particularly strong motivational factor in the counterelites' behavior. The aim of the counterelites to seize and to use the state as a means of achieving rapid development is a defining characteristic as well as a limiting factor in the modern revolutionary situation. As a result, once the old elite has, as in Bolivia, been eliminated by force and when the counterelites inevitably array against one another, the major issue posed is that of finding alternative means to reach the goal of rapid development. The chief issue of the postinsurrection phase of modern revolution is that of opposing political models of state-sponsored economic development.¹¹⁹

THE DOWNFALL OF THE MNR GOVERNMENT

The successful insurrection which the MNR conducted in 1952 did not eliminate the possibility for conflict within its multiclass nature. On the contrary, it tended to increase it. From the very beginning there was tension between the counterelites' rapid development objectives which demanded the deferral of consumption by at least some sectors of society in the name of an investable surplus and the pressing demands of mobilized groups for the immediate and concrete betterment in their

¹¹⁹James M. Malloy, "Revolutionary Politics," Beyond The Revolution - Bolivia Since 1952, eds. James M. Malloy and Richard S. Thorn (Pittsburgh: University of Pittsburgh Press, 1971). pp. 133-34.

standard of living. A national popular movement such as the MNR typically incorporates groups as diverse as a dependent urban middle class, industrial workers, and Indian peasants which have different interests arising out of different problematic situations. In an underdeveloped context these differences accentuate themselves to a point where clashes over the distribution of rewards and costs in the movement become inevitable.

All this is important in order to understand the downfall of the MNR government, which was the result of the interplay of numerous forces, not the least of which was its own increasingly greater gravitational pull. In fact, almost from the beginning the MNR was fragmented in its conception of the political model of development:

...The bulk of the leaders of the national political committee actually on the scene maintained the original MNR's elitist and essentially reformist vision of a new order; for this reason they can be classified as right wing. The labor-left sector [the COB], in contrast, had a definite revolutionary socialist vision of the society it expected to create. Many in this sector were ex-PIRistas or PORistas who entered the MNR under a strategy known as entrismo ("infiltration") - to join the party and radicalize it from within. A third rough grouping was made up of older MNR leaders in exile such as Paz Estenssoro. This group adopted what can be called a pragmatic nationalist position with a basic goal of national development. To achieve that goal, it was willing to be flexible in bowing to the ascending power of the left, but, ultimately, it sought to keep the left within a national development framework dominated by the core MNR elite.¹²⁰

¹²⁰James M. Malloy, op. cit., pp. 117-18.

In the world context of 1964, in the aftermath of the assassination of an American president who had been extremely sympathetic to the Bolivian cause under the MNR government, as the political tensions between East and West mounted following the Cuban missile crisis, and as U.S. involvement in the Vietnam conflict escalated, no doubt that the needs and requirements of the Pentagon took center stage over those of the U.S. Department of State and the Alliance for Progress program. In light of these new developments, the MNR government, with its heavy reliance on U.S. assistance, could neither afford to keep its promise of nominating Juan Lechin Oquendo (the maximum leader of organized labor and of the left wing of the MNR) as its candidate for the presidential election of that year, nor could it ignore the rising political forces of both the emancipated peasantry and the revived, U.S.-trained military.

The gathering political storm was brought to head by Victor Paz Estenssoro himself who decided to run for the presidency again in 1964 to assert the authority of the national center over the labor-left of Lechin. His unwillingness to step aside in favor of new and younger leaders divided and weakened the MNR further, his political stronghold. With regard to the peasants, they had shown remarkable fickleness in their loyalties to national political figures. They also showed little concern with either national issues or ideologies. Their political stance had been couched in a defensive posture oriented to the protection of their particular interests and, above all, to their individual landholdings. On the other hand, the real key to the situation in Bolivia at the time was the revived and revitalized military. Paz's continued strengthening of the armed forces in the

1960s disturbed the equilibrium of the political and military situation by providing them with sufficient strength to challenge his rule, especially after he forfeited support from a key bulwark of the regime - organized labor. What he had counted on to checkmate the armed forces, and what failed to materialize, was armed support from the peasant militias. The peasants, in fact, had entered into an anti-Communist alliance with the military, and, more importantly, both groups indicated that neither was under Paz's thumb.

Sensing Paz's vulnerability, the traditional political groups, whose enmity to the revolution had been smouldering so long, seized the opportunity to move against Paz in concert with what they perceived to be a revived military. Finally, the small Bolivian urban middle class was also in the forefront of the opposition against the MNR of Paz Estenssoro. The living standard of the larger part of the white collar workers had taken a nose dive during the period of runaway inflation (the mid-1950s). Besides, during the 1960s Paz had moved to take on the bastion of middle-class social supremacy, the autonomous university system. Assailing the university system as an archaic roadblock to development which only produced classical lawyers, Paz established the Bolivian Technological Institute outside the governing system of the autonomous university. This attempt to create technocrats overnight provided an issue around which the middle class could unite.

Late on November 3, 1964, the military moved in and the army chief of staff informed Paz that the military would appreciate his withdrawal from the country. As far as the MNR was concerned, the Revolution was over, temporarily at least.

PROSPECTS FOR THE FUTURE

The eclipse of the MNR did not do away with the basic questions of power and social costs that had brought it to grief. Since the fall of the MNR and despite many political contacts and "pacts" between the new military rulers and the rural population, all that most peasants have received are vague promises and a piece of paper giving them title to land. After more than thirty years of agrarian reform much land remains to be distributed to more of Bolivia's rural population. Net investment in the economy is barely keeping up with population growth, in great part due to negligible or even negative net domestic savings. Of more concern is the general direction of this meager investment which is targeted to purchasing expensive yet unproductive military hardware and ostentatious urban infrastructure. The traditional source of development funds, of course, remains foreign in nature, they have accelerated under military rule far beyond the economy's limited capacity to repay, and the financial terms of such foreign loans are invariably unfavorable to Bolivia as they are interest-sensitive and of relatively short maturity. The small and incipient industrial sector of the economy remains heavily dependent on imported raw materials and technology, and the Bolivian entrepreneur seems more concerned in matters of tax evasion and outflows of foreign exchange to "safe" savings accounts abroad than to stimulate productivity, reduce production costs and tap potential markets. The prospects for the urban poor and working class in general are therefore dismal at least in the near future, especially considering the rapid influx of rural dwellers to the cities.

The most immediate change in the pattern of control and rule that

Bolivia has ever experienced was the dramatic emergence of labor under the MNR government, in particular the miners, as a key power group. However, the labor-left (and organized labor in general) is relatively small in size within the Bolivian context, its bastion of power being the nearly-exhausted tin mines, and its elaborate ideological conception of what it wanted from the Revolution, whose origin can be traced to a Trotskyite document propounding a workers' revolution since the 1930s, is in fact very alien to Bolivian native culture and reality.

Bolivia is basically a peasant society with a system of communal values strikingly different from that of Western society. The 1952 Revolution shifted political power from the hands of a small traditional elite, based primarily on the big tin mines and large semi-feudal landholdings, to a new revolutionary elite which was more broadly representative of peasants, workers, and segments of the middle class. The ultimate revolution, however, has yet to come in Bolivia when the disenfranchised groups themselves, in particular the peasants, rather than what amounts to a patronizing elitist intelligentsia, assume ultimate political control and power. This shall complete the long and arduous enterprise of building nationhood in what today continues to be called Bolivia. No doubt, this shall also provide the necessary and lasting political stability which the country needs so desperately. Furthermore, the political alliances by then shall have shifted, including those with Indian brothers in the rest of the Western Hemisphere. And if the change is generalized enough throughout Latin America and the rest of the world in terms of agrarian majorities assuming ultimate political control and power, the South-South dialogue will be fostered while, at the same time, the political leverage of the

South as a block will be made stronger relative to that of the North. Finally, in contrast to past vehicles of reform and progress such as radical political parties and national popular movements which themselves eventually evolve to be roadblocks to development and the realization of the human spirit, the ruling majority will enjoy a continuity and an ideological independence so long as aspiring interest groups are checked from becoming potential ruling elites. In any case, the test to ultimate development in every society will continue to be for the individual to realize his or her utmost human potential.

THE BOLIVIAN NATIONAL REVOLUTION OF 1952:
A CONTEMPORARY PERSPECTIVE

by

ROBERTO JORDAN M.

B.S., Kansas State University, 1981

AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF ARTS

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1985

ABSTRACT

From April 1952 to November 1964 Bolivia experienced one of the least bloody yet major revolutions the world has ever witnessed. What became known as the Bolivian National Revolution was also the first genuine social revolution to which the United States provided early and sustained support.

The Revolution opened with a burst of rifle and machine-gun fire at dawn on April 9, 1952. When the smoke had cleared, the leaders of the Movimiento Nacionalista Revolucionario (MNR) - Nationalist Revolutionary Movement - found themselves in charge of the Bolivian government. Within days Bolivia was plunged into a process of social, economic and political change the like of which Latin America had not experienced since the Mexican Revolution of 1910.

The Bolivian National Revolution was the result of a bold defiance against a most profound Spanish colonial legacy in America. Since independence was proclaimed from the Spanish Crown, little had changed in both the economic and social spheres. Bolivia continued to be a backward, agricultural country with a primitive mining industry. Precapitalist methods of exploitation were dominant in the rural areas, and all land was essentially possessed by a few large landholders. The only discernible change was that political power had shifted hands to those who had spearheaded the independence movement, namely, the Creole landowning nobility, the incipient commercial bourgeoisie and the progressive intelligentsia. The Indian and Mestizo elements, who comprised the majority of the population, maintained a subordinate status in society. In fact, at that time socioeconomic relations in Bolivia constituted an interlacing of slave and feudal-serf forms of

exploitation. Capitalist relations developed very slowly because of the backwardness of agriculture, the economic disconnectedness of the country, and the narrowness of the internal market. Only the mining industry saw some progress in this direction during the last third of the nineteenth century as a result of the discovery and exploitation of rich reserves of tin and the introduction of hired labor. However, the mining industry was of the enclave type, without any significant linkage effects on the rest of the economy, and was dominated by a handful of international financial consortiums which subsequently came to control the political apparatus of the State as well.

The 1952 Revolution, under the leadership of the MNR government, was a turning point in Bolivian history. Rather than being radical revolutionaries with the intent of introducing twentieth-century Communism to Bolivia, most of the leaders of the Revolution were content with bringing about a measure of nineteenth-century capitalism along with basic social justice. Thus while the MNR - whose leaders were essentially from an urban middle-class background - shattered many of the traditional institutions of Bolivia and ended the feudal aspects of its rural economy, the party basically moved Bolivia into the era of capitalist, and not socialist, development. Among its many accomplishments, the most fundamental were the following: (a) universal adult suffrage aimed at turning the Indian into a full-fledged citizen; (b) nationalization of the 'big three' private tin mining companies intended to make the Bolivians masters of their own political destiny; (c) labor participation in the management of the nationalized mines; (d) agrarian reform aimed at giving the land back to those who worked it; (e) dissolution of an all too often repressive military and replaced

with peoples' militias amongst Indian peasants, miners and industrial laborers upon which all subsequent governments would have to base their strength; (f) physical as well as political and economic integration of the eastern lowlands with the rest of the country, thus laying the foundations of genuine nationhood while making feasible unprecedented growth of the GDP in real terms along with wide-scale diversification of production intended to alleviate Bolivia's external vulnerability; and, finally, (g) massive investments in human capital and welfare such as in education, health, social security, and others, based primarily on the principle of fundamental social justice, but also to improve Bolivia's manpower in order to meet the levels of economic efficiency and productivity required by the structural changes taking place in the economy.

The present work contends that such revolutionary experience was both inevitable and positive. In many respects, in fact, the Bolivian National Revolution - the second such revolution in Latin America - has been very much underrated. More so in light of recent insights in the theory of economic development, which result in a contemporary perspective from which to view and evaluate the 1952 Revolution and incorporated into the present study (appropriately titled "The Bolivian National Revolution of 1952: A Contemporary Perspective").

The success of the Revolution can be readily appreciated if we move away from the rather sterile concept of economic growth measured in terms of real per capita income as its standard yardstick, to more accurate and fruitful concepts such as 'entitlements and capabilities' introduced by Amartya Sen. To the extent that the process of economic development has ultimately to be concerned with what people can or

cannot do, or, in Marx's words, with 'replacing the domination of circumstances and chance over individuals by the domination of individuals over chance and circumstances', then economic development can be said to involve expansion of people's capabilities. In this respect, the triumph of the Bolivian National Revolution becomes self-evident. The greatest achievement of the Revolution was to make irreversible the great economic transformations: the integration of the Indian into national life, the agrarian reform, and the principle of national economic sovereignty over the nation's resources, all of which enhanced people's capabilities. Moreover, since on the basis of overall entitlement (the sum of endowments, resources, political clout, etc.) a person or social class can acquire some capabilities, i.e., the ability to do this or that (e.g., be able to read and write, be well nourished) and fail to acquire some other capabilities, given the functional relation between entitlements of persons over goods and their capabilities, a useful - though derivative - characterization of the process of economic development is in terms of expansion of entitlements. The single most important entitlement is, of course, acquisition of political representation and authority. And in this sense the Bolivian National Revolution, particularly the agrarian reform, was not merely a redistribution of land, labor and time, or even income; it was simultaneously a redistribution of opportunity, freedom, and political power in direct benefit of the disenfranchised.

Should a particular group or class of society ever obtain its corresponding share of political power, this would be considered advancing the cause of maximizing the group's self-interest. The downfall of the MNR, then, can essentially be viewed as the work of

traditional political forces whose enmity to the revolution had been smouldering so long and the MNR's own hesitancy for the effective consolidation of political power and rule in Bolivia by the grandes mayorías ("the great majority"). The Bolivian revolutionary experience under the MNR must not be perceived as the culmination of a development process, but, instead, as the beginning of a change (initiated by a revolutionary elite) which will ultimately result in the genuine emergence of the Indian and Mestizo majority of Bolivia.